THE DYNAMICS OF OIL AND FISCAL FEDERALISM: CHALLENGES TO GOVERNANCE AND DEVELOPMENT IN NIGERIA

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The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others.

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Abstract

This thesis explores some of the major challenges to governance and development in Nigeria since independence. The focus of the thesis is on the dynamics of oil and fiscal federalism, given that more than 90% of her revenue income accrues from oil, and on the continuing difficulties of securing from these revenues a satisfactory path of economic and social development for Nigeria.

It examines more specifically how the productive application of the revenue streams obtained by Nigeria from its oil reserves has been severely undermined by the politics of 'fiscal federalism', i.e. the manner in which taxation and public spending are divided up between the federal, state and local levels of government. It argues that it is in the context of these fragmented and contested processes of oil revenue allocation and management that the origins of predation and corruption are located. The main aim of the research is to discover whether and how reforms in the taxation and expenditure system could reduce predation, and direct the country's oil revenues into productive channels within a development strategy that will benefit the people at large, rather than a small and corrupt elite.

The field research for this thesis was conducted at the federal and state levels of government, and assesses the problems associated with the contentious revenue-sharing system between the three tiers of government. It concludes that this dynamics of oil and fiscal federalism poses a major challenge, because it has ignored the productive contributions of the federating units and based revenue allocation on predatory politically-motivated parameters. These have consequently led to instability in the oil producing Niger Delta region, which constitutes a major challenge to the sustainability of oil production in Nigeria. This in turn has over the years resulted in failure to achieve a satisfactory path of economic and social development for Nigeria.

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Acronyms and Abbreviations

ACDESS	African Centre for Development and Strategic Studies
ACF	Arewa Consultative Forum
ADPs	Agriculture Development Programmes
AfDB	African Development Bank
AGIP	Azienda Generale Italiana Petroli (Italian Oil Company)
ALSCON	Aluminium Smelter Company of Nigeria
ANEEJ	African Network for Environment and Economic Justice
APRM	African Peer Review Mechanism
ASUU	Academic Staff Union of University
BBC	British Broadcasting Corporation
BMPIU	Budget Monitoring and Price Intelligence Unit
BOF	Budget Office of the Federation
BP	British Petroleum
BPP	Bureau of Public Procurement
CA	Community Assistance
CBN	Central Bank of Nigeria
CCECC	China Civil Engineering Construction Corporation
CCF	Country Co-operation Framework
CD	Community Development
CDC	Constitutional Drafting Committee
CEEDS	Community Economic Empowerment and Development Strategy
CFA	Commission for Africa
CNL	Chevron Nigeria Limited
CODESRIA	Council for the Development of Social Science Research in Africa
DDR	Decommissioning Disarmament and Rehabilitation
DFID	Department for International Development
DFRRI	Directorate of Food, Roads and Rural Infrastructure
DMO	Debt Management Office
DPA	Distributable Pool Account
DPR	Department of Petroleum Resources
EBA	Egbesu Boys of Africa
EC	European Commission
ECA	Excess Crude Account
EDF	European Development Fund
EEA	European Economic Area
EFCC	Economic and Financial Crimes Commission
EMAL	Emirates Aluminium
EMCAP	Economic Management Capacity-building Project
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Development
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FEAP	Family Economic Advancement Programme
FIRS	Federal Inland Revenue Service
FMARD	Federal Ministry of Agric and Rural Development
FMF	Federal Ministry of Finance
FMINO	Federal Ministry of Information and National Orientation
FPSO	Floating Production Storage and Offloading

FRA	Fiscal Responsibility Act
FRN	Federal Republic of Nigeria
GCC	Gulf Cooperation Council
GMOU	Global Memorandum of Understanding
GR	Green Revolution
GSM	Global System for Global Communications
HDI	Human Development Index
HRW	Human Rights Watch
ICG	International Crisis Group
ICPC	Independent Corrupt Practices and other related offences Commission
ICT	Information and Communication Technology
IDAs	International Development Agencies
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
INC	Ijaw National Congress
INEC	Independent National Electoral Commission
INTSOK	Norwegian Oil and Gas Partners
INYM	Isoko National Youth Movement
IOCs	International Oil Companies
IPM	Ijaw Peace Movement
IYC	Ijaw Youth Congress
JRC	Joint Revolutionary Council
JTF	Joint Task Force
JVCs	Joint Venture Contracts
LEEDS	Local Economic Empowerment and Development Strategy
LNG	Liquefied Natural Gas
MDAs	Ministries Department and Agencies
MDGs	Millennium Development Goals
MDI	Mineral Dependent Index
MEND	Movement for the Emancipation of Niger Delta
MORETU	Movement for the Reparation to Ogbia
MOSOP	Movement for the Survival of Ogoni People
MOU	Memorandum of Understanding
MPLA	The Popular Movement for the Liberation of Angola
MPP	Micro Projects Programme
MTEF	Medium Term Expenditure Framework
MTRF	Medium Term Revenue Framework
MTSS	Medium Term Sector Strategy
NAOC	Nigerian Agip Oil Company
NAPEP	National Poverty Eradication Programme
NAPIMS	National Petroleum Investment Management Services
NBMP	Nigerian Budget Monitoring Project
NBS	National Bureau of Statistics
NCS	Nigerian Custom Service
NDDB	Niger Delta Development Board
NDDC	Niger Delta Development Commission
NDES	Niger Delta Environmental Survey
NDRDMP	Niger Delta Regional Development Master Plan
NDTC	Niger Delta Technical Committee
NDV	Niger Delta Vigilante

NEEDS	National Economic Empowerment and Development Strategy
NEIC	National Economic Intelligence Committee
NEITI	Nigerian Extractive Industries Transparency Initiatives
NEPAD	New Partnership for Africa's Development
NIIA	Nigerian Institute of International Affairs
NIPOST	Nigerian Postal Services Ltd
NIPP	National Integrated Power Plant
NIPSS	National Institute for Policy and Strategic Studies
NISER	Nigerian Institute of Social and Economic Research
NITEL	Nigerian Telecommunications Ltd
NJC	National Judicial Council
NNPC	Nigerian National Petroleum Corporation
NOC	National Oil Company
NPC	National Planning Commission
NPRC	National Political Reform Conference
NRM	Nigerian Rally Movement
ODI	Overseas Development Institute
OECD	Organization for Economic Co-operation and Development
OFN	Operation Feed the Nation
OMCON	Oil and Mineral Producing Areas of Nigeria
OMPADEC	Oil Mineral Producing Area Development Commission
OPC	Oodua People's Congress
OPEC	Organization of Petroleum Exporting Countries
OPFR	Oil – Price – based Fiscal Rule
OPM	Organisasi Papua Merdeka (Free Papua Movement)
OWA	Offshore West Africa
PAP	Poverty Alleviation Programme
PAS	Proportional Area Size
PDP	Peoples Democratic Party
PEMEX	Petróleos Mexicanos (Mexico's National Oil Company)
PETROBRAS	Petróleo Brasileiro S/A (Brazilian National Oil Company)
PPMC	Pipelines and Products Marketing Company Ltd.
PPP	Purchasing Power Parity
PSC	Production Sharing Contract
PSD	Partners for Sustainable Development
PSI	Policy Support Instrument
RBDAs	River Basin Development Authorities
RIIA	Royal Institute of International Affairs
RMAFC	Revenue Mobilization Allocation and Fiscal Commission
RNC	Royal Niger Company
RNDPVF	Reformed Niger Delta People's Volunteer Force
RSISTF	Rivers State Internal Security Task Force
SABIC	SABIC is the Saudi Basic Industries Corporation
SCD	Sustainable Community Development
SCiN	Shell Companies in Nigeria
SEEDS	State Economic Empowerment and Development Strategy
SLF	Sovereign Liquidity Fund
SNEPCO	Shell Petroleum Exploration and Production Company
SOE	State Owned Enterprises
SPDC	Shell Petroleum Development Company

SWF	Sovereign Wealth Fund
TNI	Tentara Nasional Indonesia (Indonesian National Armed Forces)
TROMCON	Traditional Rulers of Oil and Mineral Producing Areas of Nigeria
TSKJ	a consortium of Technip, Snamprogetti SpA, MW Kellog Company, & Japan Gas Corporation
UBE	Universal Basic Education
UKAPPG	United Kingdom All Party Parliamentary Group
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugee
UNIDO	United Nations Industrial Development Organization
UPE	Universal Primary Education
UPU	Urhobo Progressive Union
USAID	United States Agency for International Development
VAT	Value Added Tax
WDI	World Development Indicators
WNBC/TV	Western Nigerian Broadcasting Corporation and Television Services
YES	Youth Empowerment Scheme

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Chapter 1

Oil, Fiscal Federalism and Governance in Nigeria

1.0 Introduction

The relationship between natural resources, economic growth and development has been a persistent issue in the debates and analysis of the political and economic development experiences of natural resource-dependent countries. This thesis explores some of the major consequences and challenges to governance and socio-economic development in Nigeria through the dynamics of oil and fiscal federalism; given that more than 90% of her revenue income accrues from oil. It is not just exploring the economic characterization of the challenges, but also whether there are any political consequences such as weak democratic structures that give room for corruption and mismanagement of resources.

The thesis looks at the interactions between economic and political change, exploring the link between the economic stimuli coming from the world outside in the form of oil revenues, and the government's mechanisms for allocating and expending resources by the three levels of government, that is, the federal, state and local governments, and the way the whole process is politically managed. Therefore the key research question is: 'To what extent does the process of oil revenue management and allocation between federal, state and local governments result in failure to achieve a satisfactory path of economic and social development for Nigeria?' Out of this flow the following subsidiary research questions:

1. What are the challenges of the various revenue allocation arrangements between the three tiers of government to governance and development in Nigeria?

2. How has the management of oil revenues impacted on Nigerian socio-economic development?

3. Do the post-2000 socio-economic reform programmes present a different structure from the former system in the allocation and management of oil revenues, and what are the impacts of these changes?

4. What are the major turning points in the debate about the revenue allocation process and struggles for change in the Niger Delta?

5. To what extent does the escalating contestation around resource capture[1] affect the sustainability of oil production and policies regarding fiscal federalism?

One way which this research will contribute to the understanding of oil and development in Nigeria is its examination of how oil revenue surpluses are allocated by the state. How do they allocate resources? How has that changed over time, what are the implications of such allocation, and how does it affect the character of the resources and development of the state? In essence, how does politics ensure economic reproduction through the flow of surplus and its distribution, and how does the state manage the allocation in a way that produces hegemony or consensus politics, despite the frictions and political crises that have characterised the Nigerian state since independence in 1960? One of the major mechanisms the state in Nigeria has to sustain its hegemony is oil. Why does it do it the way it does? Why are some areas more developed than others, notably the oil- producing Niger Delta, where there has been an incessant series of militant attacks on oil production facilities and personnel because of what they term the 'underdevelopment' of their region by successive regimes?

The first section of this chapter will explore the main themes of this research; it looks at the contributions and the primacy of oil resources to the economy of Nigeria. It then examines federalism and intergovernmental fiscal relations, especially the mechanism for the distribution of oil revenue from the international oil market to the three tiers of government and other Ministries, Departments and Agencies (MDAs). The next section will examine how the complex nature of these intergovernmental fiscal relationships has created challenges of translating the revenue receipts into veritable socio-economic development for Nigeria. It first explores the challenges of increasing poverty in the face of huge oil revenue income, and then looks at the poverty mitigation strategies of successive governments. The third section explains the research methodology and approaches engaged for this research, looking at how this research was designed, research locations and fieldwork, validity and reliability

[1] The struggles, conflicting claim and counter-claim to ownership of oil resources between the federal and the 9 oil producing Niger Delta states as indicated in table 5.1 and figure 5.1 in chapter 5.

in qualitative data collection and analysis. Finally, it concludes with an outline of the structure of the whole thesis.

1.1 Petroleum Resources in Nigeria

Nigeria is sub-Saharan Africa's largest oil producer; with proven reserves of 36 billion barrels as of the third quarter of 2009, apart from its 174 trillion cubic feet of natural gas reserves. These account for about 70% of the Gulf of Guinea's oil reserves and equates to about a third of Africa's total reserves (Rowell et al, 2005:9 and NPC, 2004:16). Nigeria has earned over $350 billion from 1959 to 2007 and her production ranks besides Saudi Arabia, Venezuela, Iran and the United Arab Emirates (BP, 2009 and Soludo, 2007). Table 1.1 below indicates that oil revenue increased significantly from N167 million naira in 1970 to N4.7 trillion naira in 2008, and oil production from just above 1 million barrels per day (bpd) to over 2 million barrels per day for the same period. Total revenue also rose from N634 million naira in 1970 to N5.4 trillion naira in 2008 and oil revenue constituted 88% of the total revenue.

Table 1.1: Nigeria's Oil Production and Revenues 1970-2008

Sources / Year	Total Revenue	Oil Revenue	Oil Revenue as % of Total Revenue	Oil Production (MBD)
1970	634	167	26.3	1084
1975	5,515	4,272	77.5	1785
1980	15,234	12,353	81.1	2059
1984	11,253	8,269	73.5	1388
1985	15,050	10,924	72.6	1499
1990	98,102	71,887	73.3	1870
1995	459,987	324,548	70.6	1998
2000	1,906*	1,592*	83.5*	2155
2005	3,195**	2,800**	87.6**	2580
2008	5,375**	4,727**	87.9**	2170

*Figures from 2000 in Billions of Naira
**Figures from the Budget Office of the Federation (BOF)
All Oil production figures are from BP Statistical Review 2009

Source: BP Global, 2009; CBN, 2005 and BOF, 2009

The oil is the live wire of Nigeria, as its revenue amounts to over 87% of the total federally-collected government revenue in 2006, more than 95% of total export earnings and 40% of the Gross Domestic Product GDP (CBN, 2006:10 and Gary and Karl, 2003:25-6). These are the main reasons why the oil and gas produced mainly

from one region of the country has been an important commodity to successive governments and why the fight to control its revenue is so desperate and tense (Rowell et al, 2005:9). Odofin noted that:

> The Nigerian state as presently constituted cannot survive without oil money because the economy has not been diversified, the productive base has not been expanded, and everything revolved around oil (Odofin 2007; Interview 1).

1. 2.1 Fiscal Federalism in Nigeria

Federalism is seen as an evolution of legal and administrative relationships established among units of government having varying levels of authority and judicial autonomy. That is the co-existence of both national and sub-national governments in a country which fulfil the social and economic functions required by the people of the society, or an association of two or more levels of government within a country (Anyanwu, 1995:2).

Fiscal federalism is linked to the principle of fiscal relations, which is a division of taxing and expenditure functions among the various levels of government in a federation. Fiscal federalism in Nigeria is an intergovernmental fiscal relation, as contained in section 120 to 124 and 162 to 168 of the 1999 Constitution of the Federal Republic of Nigeria, that makes for the functional responsibilities to be fulfilled by the various tiers of government, and the revenues that can be generated for the provision of collective goods and services (Dunmoye, 2002: 49, and Okunrounmu, 1997: 157-162 and FGN, 1999:49-51, 66-68).

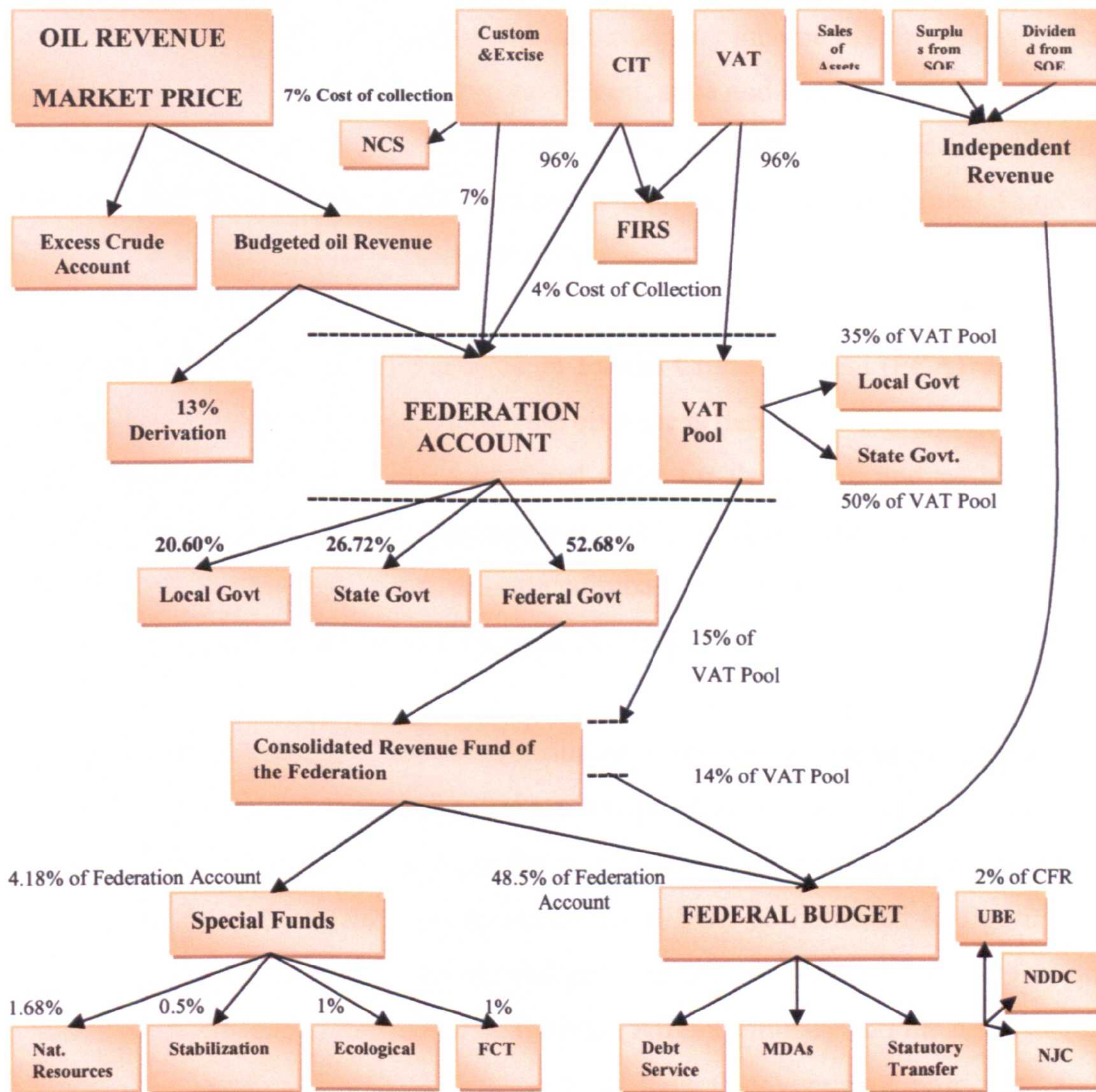
1.2.2 Fiscal Federalism and Intergovernmental Governance in Nigeria.

Nigeria operates a federal system of government consisting of three tiers; the federal government, the 36 states and the Federal Capital Territory (FCT) and 774 local government areas (FMA &RD, 2001: 8). The federal government is responsible for defence, foreign affairs, law and public order, railways, telecommunications, roads of national interest, and air and sea travel. The states are to provide within their jurisdiction education, health, and public works, and to assure the promotion of economic and social growth. The institutional role of the local government varies across the country; although the 1999 Constitution recognizes the 774 local

governments, the federal government assigns most of their governance to the state governments and they act in most cases mainly as agents of their state government.

States and local governments are financed through three sources of revenue; their internally generated revenue, revenues shared with the federal government, and mainly transfer from the Federation Account. States and local governments are highly dependent on revenue sharing arrangements from the federal government. In 1999, 75% of state and local governments revenue came from redistributive revenue from the federal government, including their share of the Value Added Tax (85% of total proceeds), and 94% for local government revenue. Most of this revenue was oil related. Federation revenue released to sub national governments rose from 7.4% of GDP in 1999 to about 15.3% of GDP in 2001 (Ahmad and Mottu, 2002:5).

Figure 1.1: The Flow of Revenue and Intergovernmental Fiscal Relations in Nigeria



Source: (Federal Ministry of Finance (FMF, BOF) Nigeria, 2006:10).

The major source of government revenue in Nigeria is oil, amounting to 75% of the total federally-collected government revenue in 2006, while non-oil sources of revenue contributes 21% and independent revenue 4%. From the first oil boom in 1973 earnings from oil revenues became dominant as it displaced those from agricultural commodities such as cocoa, rubber, palm produce and groundnuts (Ojo and Okunrounmu, 1992:224). Figure 1.1 above shows the flow of revenue in Nigeria's intergovernmental relations; all revenues collected under the laws of the federation are called federally-collected revenues and go into the Federation Account.

The exception is the 13% derivation fund[2] for the oil producing states which is paid directly to the 9 oil producing states, from the budgeted oil revenue according to the level of their contributions to oil production on monthly basis. Others include oil-sector receipts, Custom and Excise duties and company income tax. Revenues in the Federation Account are shared among the federal, state and local governments based on the existing revenue allocation formula. Under the current revenue formula the revenue in the Federation Account is shared as follows; federal government 52.68%, states 26.72% and local governments 20.60%.

The federal government in 2004 created an Excess Crude Account (ECA)[3] where all revenue from oil export above the budgeted oil price is deposited. The ECA is a form of oil fund with relatively rigid operational rules for depositing and withdrawing resources, based on expectation that removing "high" oil revenues from the budget will help moderate and stabilize expenditures, and reduce policy discretion (Ossowski, Villafuerte, Medas and Thomas, 2007:3).

The federal government has some direct sources of revenue which do not go through the Federation Account; these revenues are independent and are part of its retained revenue. These include revenue from the sale of its assets, surplus generated from state owned enterprises SOE and dividends from SOE as indicated in figure 1.1. Other independent revenues of the federal government are Personal Income Tax on personnel of the Armed Forces, Police, External Affairs Ministry and the residents of the Federal Capital Territory, Abuja, rents on federal government properties and interest on loans lent to the state governments (FMF, 2006:23-26). The complex

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2 The 13% derivation principle of revenue allocation is the basic way in which not less than 13% of revenue derived from any natural resources including oil in any part of Nigeria is returned back to the source of origin (states and local governments) of such resources. This is stated in the Nigerian Constitution of 1999 in section 162(2b) 'Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than 13% of the revenue accruing to the Federation Account directly from any natural resources'. Such revenue is then shared among the various states and local government concerned according to the percentage of the revenue contributions of such resources from their boundaries to the Federation Account.

3 The Excess Crude Account was created in 2004 as part of the reform in oil revenue management by the Federal government as a savings account and managed by the Federal Ministry of Finance where excess crude oil sales revenue above the budgeted price is deposited. It was initially declared illegal and unconstitutional by sub-national governments, but since the downturn in oil prices it is now used to smoothening shortfalls in budgetary allocations, and part of it is periodically distributed among the three tiers of government for special projects or other developmental purposes. The account is now drawn down from $27 billion in January 2009 to $7 billion by mid-October 2009 (RMAFC, 2009).

nature of the intergovernmental fiscal relationships, and struggles for oil revenues among the three tiers of government has created challenges of translating the revenue receipts into veritable socio-economic development this will be examined in the next section.

1.3 Oil and Challenges to Socio-Economic Development in Nigeria

Despite the enormous revenues earned from its oil resources since the late 1970s, Nigeria has had limited socio-economic development as indicated by the Human Development Index (HDI)[4] trends: 0.378 in 1980, 0.438 in 1990, 0.466 in 2000 and 0.511 in 2007, and in 2009 it struggled to move from the classification of countries with low human development to the lowest sub-class of countries with medium human development in the United Nations Development Programme (UNDP) Human Development Report (UNDP, 2009:178). Taking the main measures of human development, life expectancy is 48 years, combined school enrolment is 53%, and the adult literacy rate (percentage of age 15 and above) is 72%. With a GDP per capita (PPP US$) of $1,969, this culminates in an HDI rank of 158th position out of 182 countries ranked. It came behind Libya 55th with a GDP per capita of $14,364 – the only country in Africa ranked in the high human development category, Gabon 103rd, South Africa 129th, Sudan 150th, and Ghana 152th, which were also classified among countries with medium human development (ibid). 53% of the 140 million population have no access to an improved source of water, 71 million people lack access to electricity in their homes, and 64% and 84% of the population subsist on $1.25 and $2 per day respectively from 2000 to 2007 (UNDP, 2009: 171-178).

1.3.1 The Challenges of Increasing Poverty in Nigeria albeit Huge Oil Revenue

There has been a rising poverty incidence in Nigeria alongside increasing earning in oil receipts by various governments since the 1970s. This is characterised by the deterioration in the quality of life occasioned by poor governance and lack of adequate responses to the challenges of poverty by governments, whose major

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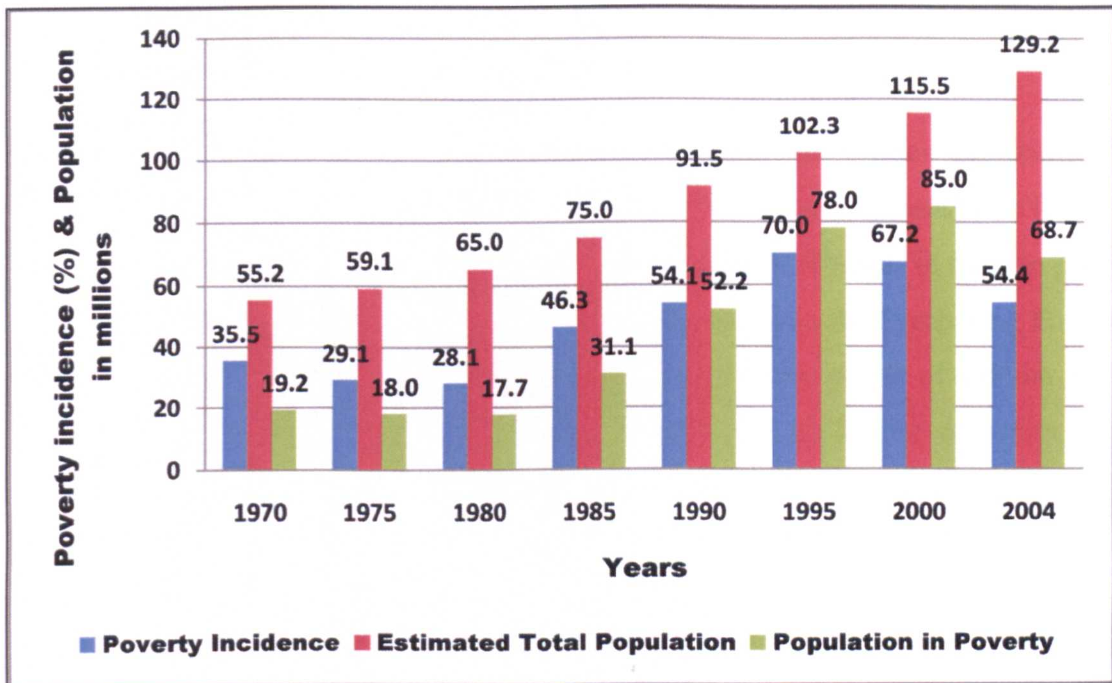
4 Human Development Index (HDI) is a composite index measuring achievement in three basic dimensions of human development; a long and healthy life as measured by life expectancy at birth, being educated - by adult literacy and number of enrolment at primary, secondary and tertiary level: and having a decent standard of living – measured by purchasing power parity PPP, income in US dollars.

feature over the years is to appropriate to itself much of the massive oil revenue without it trickling down to the majority of the Nigerian people.

Figure 1.2 below indicates that the country's poverty rate – measured by the share of the population subsisting on less than $1 a day – increased from close to 36% in 1970 to 70% in 1995 before declining to 54% in 2004. This translates into a staggering rise in the number of poor from just above 19 million in 1970 to 85 million in 2000 and about 70 million in 2004 (Subramanian and Sala-I-Martin, 2003:78 and NBS, 2005: 20-22).

Figure 1.2: Poverty Rates in Nigeria, 1970-2004



Source: Sala-i-Martin and Subramanian, 2003:35 and NBS, 2005:22

Table1.2 Percentage of the Population living on a dollar per day based on PPP by Sector and Geo-Political Zones[5]

S/N	Zone	Poor	Non -Poor
1	South West	40.2	57.8
2	South East	31.3	68.8
3	South-South	47.6	52.4
4	North Central	58.6	41.4
5	North East	64.8	35.2
6	North West	61.2	38.8
	Total	**51.6**	**48.4**
	Sector		
1	Urban	40.1	59.9
2	Rural	60.6	39.4
	Total	**51.6**	**48.4**

Source: National Bureau of Statistics, 2005:17

Table 1.2 also disaggregated the poverty incidence into the various geo-political zones and urban and rural composition; it shows that 51.6% of Nigerians were below the poverty line using the $1 per day based on PPP, while 48.4% was in the non poor category. This was defined in terms of deflated dollar per day; the Purchasing Power Parity or PPP is used to establish the parity in the acquisitive power of a dollar and has become an acceptable standard for measuring poverty across countries for international comparability (NBS, 2005:16). This was used in Nigeria in 2003 to analyse poverty incidence and it gave the total annual expenditure threshold of N21, 608 per person and anyone below this threshold were below the poverty line. In rural Nigeria where a large number of the population dwells poverty incidence was high at 60.6% and in the urban sector it was 40.1%. The table also indicates that the North East geo-political zone has the highest number of poor people with 64.8% and the least number of non poor which stood at 35.2%, while the South East with 31.3% has the least number of poor and the highest number of non poor at 68.8% (NBS, 2005: 20).

[5] Geo-political zones was introduced in 1996 by the General Abacha regime after the creation of additional states to delineate the country into six geographical and political zones, each of the zones have varying number of states -the North West 7 states, North East 6 states, North Central 5 states plus FCT Abuja, South West 6 states, South- South 6 states and South East with 5 states. Since then the term has been actively engaged in the analysis of Nigeria's political and socio-economic issues. (NAPEP, 2004:22).

Nigeria may not be able to achieve the MDGs by 2015, although achieving the MDGs itself only serves as a baseline; although it does not guarantee an end to poverty, it would reduce it drastically. In 2008 the half way review of the MDGs across the developing countries, according to Kandeh Yumkella – the Director General of UNIDO indicates that:

> No tangible achievement had been recorded in the country; the benchmark shows that Nigeria is not yet there looking at the poverty and health indices. There are very strong institutional challenges in the country to meeting the MDGs but they can be surmounted (Yumkella, 2008).

Corroborating this fact Amina Ibrahim - the Senior Special Assistant to President Yar'Adua on the MDGs- posits that:

> Nigeria is off-track and has not laid the real foundation yet for achieving it, the MDGs are still far away from us half way, maternal health should have the human resources to deliver the services; the education sector is also not in good shape. 10 million children of school-age are still out of school, 400,000 teachers are still needed to meet the ratio of one teacher to 40 students, prescribed for meeting the MDG target in education. Efforts on maternal mortality and poverty have not been too fruitful, thus making the achievement of MDG goals on them a herculean task (Ibrahim, 2009).

Despite four oil booms of 1973, 1979, 1991 and 2000 to 2008 with its unprecedented increases in oil revenue, and as the poverty incidence in Nigeria has not been reduced to the pre oil booms level of the early 1970s. 'Against the backdrop of rising global oil prices and ballooning foreign reserves, Nigerians are facing greater difficulties in making ends meet and the difficulties are turning to frustrations' (Oyewole, 2005:13). After 51 years of oil production in 2009 there is no tangible evidence of major socio-economic development found in other developing oil producing countries like United Arab Emirates, Qatar and Libya in Africa, but rather the increasing poverty and near total collapse of infrastructure and institutions such as electricity, transportation systems, health care and educational facilities that are important foundations for development. Therefore Atojoko concludes thus: 'petroleum, Nigeria's major revenue earner has also become a veritable source of conflicts and poverty that have become the lots of the country and its people' (Atojoko, 2004:14-15).

1.3.2 Attempts by various Governments towards Poverty Mitigation.

Most of the past and present governments have attempted to stem the rate of poverty in Nigeria by introducing various poverty reduction or alleviation programmes; each time a new government is inaugurated or take over a new programme is introduced – at least by a change of name and the former programme jettisoned; ranging from Green Revolution to Operation Feed the Nation programmes of the 1970s; and the Better Life for Rural Women to Family Support Programmes of the late 1980s to early 1990s none have been able to reduce the rate of poverty in Nigeria. For example the late General Sani Abacha regime's Family Economic Advancement Programme (FEAP), an anti-poverty strategy aimed at lifting rural families from poverty from 1994 to 1997, gulped an estimated N10 billion of oil revenues without any major positive impact on reducing poverty incidence in the country (Rahman and Achi, 2005:113).

The former President Obasanjo administration's Poverty Alleviation Programme (PAP) from 1999-2003 aimed at 'correcting the deficiencies of the past programmes with an overall objective of providing direct jobs for 200,000 unemployed persons to stimulate economic production within a period of one year'(NBS, 2006a:7). Over N10 billion was expended on the programme during the period, and it then metamorphosed into the National Poverty Eradication Programme (NAPEP) in 2004, aiming for a participatory approach at all levels of government and for effective coordination and sustainability. There has been no tangible reversal of poverty indices to indicate that any significant progress has been achieved (NAPEP, 2004:30).

One major reason why most of the poverty alleviation programmes implemented in the past, and that of the present regime up to 2009, have had no major impact in substantially reducing poverty in Nigeria, despite the multi-million dollars expended over the years and apart from endemic corruption in the system itself, is lack of continuity and the haphazardness in its implementation across the country.

All these have had a negative impact on human development and the welfare of the people. Consequently, presently over two thirds of Nigerians are poor; from the 1970s to 2004 the number of the population in poverty has more than doubled; this fact remains an irony against the background that 'the country has since the

discovery of crude oil in 1959 to date earned a total of $350 billion from the sale of oil' (Soludo, 2007). Nigeria has generally not performed better than most other African countries, despite its receipt of huge oil revenues (Shaxson, 2005:311). Therefore Herskovits states that:

> What was once a thriving middle class and growing has now been brutally wiped out, and it is a struggle for people from day to day to live. Two years ago 70% of the country of about 140 million people was believed to be living on less than $1 a day; if you put that under $2 a day you are up in the 90%. That's something most Nigerians think its unsustainable (Herskovits, 2009).

Consequently, since the late 1970s the standard of living of the majority of her citizens has been diminishing; health care delivery system, education, rail transport system, roads, electricity supply and public institution have performed abysmally. From the analysis above Nigeria is worse now than where it was in the 1970s on the incidence of poverty and this scenario was rightly summarised by Yahaya Gusau:

> Many years ago, we didn't have much money, but we were happy, and we were thinking that in years to come we would have an exciting nation. We thought Nigeria would grow the population would increase, and our agriculture would improve; and that we shall surpass the people we started together with; we thought that we will be rich; because we have the people, we have the resources. But unfortunately, we were wrong, in terms of achievement, we have declined. It is a great pity, many other countries that were behind us or were equal to us thirty years ago are now far ahead of us. They have become great nations and producing things they require. We have not been able to manufacture even a bicycle; everything we need is being imported. Most of the food we eat- rice, oil, and so many other foodstuffs, we import. It shames me, because we have absolutely no reason to do so (Gusau, 2007:13).

1.4 Research Methods

The methodological approach for this study is qualitative research, which is concerned with individuals' accounts of attitudes, behaviours and motivations. It provides good descriptive reports of individuals' perceptions, attitudes, beliefs, views and feelings, the meanings and interpretations given to events and things, as well as their behaviours. It displays how these are put together, coherently and consciously, into frameworks that make sense of their experiences, and it illuminates the

motivations that connect attitudes and behaviours, the discontinuities, or even contradictions, between attitudes and behaviour, or how conflicting attitudes and motivations are resolved and particular choices made (Hakim, 2000:34).

The central unit of account of qualitative research is people; it is not about particular individuals as it were, the research is rather on the various patterns or clusters of attitudes and related behaviour that emerge from the interviews (ibid). Qualitative research is the most appropriate methodological approach, as research will aim to uncover the meanings attached to experiences and the various responses to the problem of revenue-sharing between the federal government and the States, in the context of the volatility of aggregate oil revenues, and the continuing difficulties of securing from these revenues a satisfactory path of economic and social development for Nigeria.

There are two major types of qualitative research; namely the in-depth interview and the participatory focus group discussion. The in-depth interview consists of structured and semi-structured interviews; this research was conducted by a series of semi-structured interviews using key informants. This method has an interview guide but no questionnaire, of variable length up to 2-5 hours, and may be extended into repeat interviews at later dates for example to find out how individuals' perspective change in response to experiences or events, or to confirm and corroborate what other correspondents have said about a subject or an issue (ibid).

Though the interviewer guides the discussions enough to focus on the topic of interest, the semi – structured interview gives the respondents enough freedom to steer the conversation, bringing all sorts of tangential matters that, for them have a bearing on the subject matter. General open- ended questions are often used as openers; the response may then be followed up with more specific questions, depending upon the content of the reply. The combination of these interactions, using one type of question to lead into the other, enhances the quality of the response (Keats, 2000:35). Qualitative research normally involves small numbers of respondents, the more diverse and diffuse topics covered by social research usually require at least 30-50 depth interviews; but some will warrant over 100 depth

interviews, at which point it becomes much easier to distinguish sub-groups and specific clusters or patterns of attitudes and behaviours as in the case of this research.

1.4.1 Research locations in Nigeria

Fieldwork research was conducted in two states; Delta (Niger Delta), Kaduna (North West); and Abuja the Federal Capital Territory (FCT) of Nigeria. See figure 1.3 below for the map of the locations. The selection of the two states as the locations for this research was informed by their relevance to the research.

Delta State has the highest number of oil wells and fields among the oil producing states and is at the vanguard of the agitation for resource control, the campaign by the oil producing states to have full control over oil and gas resources and its revenue from their states. It also has the highest number of advocacy groups, some with militant sub-units which remain a great challenge to both the federal government and the multinational oil companies operating in the Niger Delta.

Figure 1.3: Map of Nigeria showing Fieldwork Research Locations: Kaduna, Delta States and Abuja FCT and other 34 States of the Federation

Source: http://www.motherlandnigeria.com/geography.html#Map

Kaduna State is the political and economic heartland of the Northern region where opinion and major political decisions are taken by the North, whose political elites have ruled the country (mostly top military officers) for about 36 years out of the 49 years of Nigeria's independence from colonial rule in 1960. It is also the home of the Arewa Consultative Forum (AFC) – a highly influential and major advocacy group which serves as an umbrella for all other advocacy groups in Northern Nigeria which champions and protect the interest of the North in all Nigeria's political and socio-economic affairs, including protest against and opposition to resource control by the Niger Delta in the allocation of oil revenues.

Abuja (FCT) is the seat of political power of the federal government where all officials of the federal government, Members of the National Assembly, States liaison offices, the Federal Ministry of Finance (FMF), Budget Office of the Federation (BOF) and the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) – the national body with a commissioner from each states that determines what, how and when revenues are allocated to the three tiers of government.

1.4.2 Sampling Method

The sampling method for this research is theoretical or purposive sampling. In its more general form, theoretical sampling means selecting groups or categories to study on the basis of their relevance to the research questions, theoretical position and analytical framework, and most importantly the argument or explanation that is very developed (Mason, 2002:124). Theoretical sampling was initially introduced by Glaser and Strauss in the 1960's and subsequently modified by Strauss and Corbin (Glaser and Strauss, 1967; Strauss and Corbin, 1990). Purposive sampling is a set of procedures that allows the researcher to manipulate their data generation, analysis, theory, and sampling activities interactively during the research process to a much greater extent than in statistical sampling (Mason, 2002: 137). The key issue here is whether the sample provides access to enough data, and with the right focus, to enable the researcher to address research questions, rather than be concerned with whether the sample is representative (ibid). The use of key informants helps to identify respondents who will give adequate and useful response to the investigative questions.

Key informants were identified and selected first from those directly involved with the issue of governance at various levels of government in Nigeria, - State officials, Members of Parliament both local and National Assembly, the Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC) chairman and commissioners. This respondent group consists of individuals responsible for the formulation and operation of various government policies on economic, revenue- sharing/allocation, implementation of development projects and programmes.

The second respondent group was also identified through the same approach from some officials and staff of oil companies in Abuja, Warri and Kaduna. This respondent group will give information on the nature of the relationship of the international oil market to the volatility of aggregate oil revenues income in Nigeria and the challenges of such relationship.

The third set of interview respondents was from leaders and members of various advocacy groups, labour and trade unions, not only in the oil producing states but also in Kaduna and Abuja. About nine major advocacy groups were identified. The various advocacy groups were selected to provide vital information about the nature and character of the struggles and agitations over revenue allocation among the various regions and states in Nigeria

The fourth set of respondents were some selected traditional rulers from both the oil producing and non-oil producing states. Revenue allocation policy is one of the issues on their agenda. The fifth set of key interview informants were taken from selected members of the academia, in various zones of the country. The selected academic are knowledgeable about the various research questions and are expected to give critical and logical information about the politics of oil revenue allocation and fiscal federalism in Nigeria.

1.4.3 Fieldwork Period (August 2006– June 2007)

The fieldwork was conducted for eleven months. That was long enough to develop an in-depth understanding of interviewees' responses and generated adequate information and relevant answers to the research questions. It also allowed enough time to return to pose further questions arising from the empirical investigation to

certain respondents; a considerable part of the broad fieldwork data analysis was done simultaneously during the period in a process generally known as progressive focusing.

Initial research included the gathering and analysis of economic and social statistics data on oil and development in Nigeria for example crude oil production capacity and revenues over the years, revenue allocation to various levels of governments. This includes data and information from the International Monetary Fund (IMF), the World Bank, United Nations, the Organisation of Petroleum Exporting Countries (OPEC), and IOCs such as Shell, ExxonMobil, and others. The Ministry of Economic /Budgetary Planning and Implementation, Central Bank of Nigerian (CBN), Nigeria National Petroleum Corporation (NNPC), and the Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC).

On the 7th of August 2006 the fieldwork commenced in Abuja, the Federal Capital Territory by collecting official data on oil revenue receipts and allocations from the Nigeria National Petroleum Corporation (NNPC), the Revenue Mobilisation, Allocation and Fiscal Committee (RMAFC), Central Bank of Nigeria (CBN), Federal Ministry of Finance and Economic Development, the Nigerian Extractive Industries Transparency Initiative (NEITI), National Planning Commission (NPC) the National Bureau of Statistics (NBS), and the Budget office in the presidency. I was granted access to most of the data on oil revenues and the relationship between the federal, states and local governments in the various archives and libraries of the government agencies. Most of the oil revenue allocations, budget information to states and local governments from 1999 to 2007 were also available online on the website of the federal ministry of finance, and budget office. I was able to look critically at the data from these agencies, and identified some variations between the amount of oil revenue collected and allocated to the various tiers of government by the NNPC and the actual receipt by the RMAFC into the federation account. This formed part of the questions posed to the officials of the NNPC, CBN, RMAFC, NPC, NEITI, the Federal Ministry of Finance and Economic Development and the Budget office. The initial data research was concluded on the 29th of September 2006.

From 3rd October to 30th November 2006 I conducted interviews with various selected government officials, Members of the parliament, chairman and commissioners of the RMAFC, NNPC, CBN, NEITI, Federal Ministry of Finance and Economic Development, National Planning Commission (NPC), the Budget office in the presidency, and members of the academia. Then the second category of key informants was the chairman of RMAFC, and the Kaduna and Delta States commissioners in RMAFC.

The third set was the officials of CBN, NEITI, NNPC, NPC, and the Federal Ministry of Finance and Economic Development. Data analysis was undertaken alongside the interviews. Most of the interviews lasted from 1 to 2.5 hours depending on the questions I posed and the responses from the respondents. The interviews were semi-structured, and very general open-ended questions were often used as openers; the responses were then followed up with more specific questions, depending upon the content of reply, but in all cases, the interviews were still under my control.

In Kaduna from the 4th to 21st of December 2006 I started with the initial gathering of official documents on revenue allocation, utilisation of allocated revenues and state socio-economic development programmes and projects from the Kaduna State ministries of Finance and Economic Development, Rural Developments and the Agency on Poverty Alleviation. I was in Leeds during Christmas and had a meeting with my supervisors on the 18th of January 2007, briefing them on the progress of my fieldwork in Nigeria from August to December 2006.

Back in Kaduna, Nigeria on the 28th January 2007, I continued with the collection of data on revenue allocation, conducted interviews with selected officials at the State Ministry of Finance and Economic Development and the Director of Budget and Revenue and other personnel in the Planning Division. I also interviewed officials of local governments, selected members of the state House of Assembly, and leaders and members of advocacy groups, such as the Arewa Consultative Forum and the Northern Elders Council, and the Arewa Youth Congress. Selected academic in Ahmadu Bello University Zaria, I also undertook some physical observation of development projects and programmes in Kaduna and Zaria local governments. The

interviews lasted between 45 minutes and 1 hour depending on the questions I posed and the response from the respondents. The interviews followed the same pattern of the earlier one in Abuja and it continued to the 17th of March, 2007 when all interviews were concluded.

In Delta State from 21st of March to 3rd of April 2007, I collected official data from the state ministries of Finance and Economic Planning, local government offices, and the state office of the Niger Delta Development Commission (NDDC) – a federal government agency in charge of social and infrastructural development of the oil producing states. I visited the SPDC's and Chevron Texaco's libraries in Warri and got data on the socio-economic and development impacts of the oil companies in the Delta region.

On the 4th of April 2007 I went back to Abuja and attended via video conference at the World Bank Nigeria Country office Abuja FCT, the Niger Delta Social and Conflict Analysis Framing Workshop World Bank, Washington DC. Thursday, April 5th, 2007. It was a one-day workshop that brought together experts on the Delta, members of the World Bank's Nigeria Country Team and members of the Social Development Department to discuss the key issues facing the Niger Delta and to map possible solutions. The workshop was timely and important to my fieldwork in the Delta as it revealed other vital issues on the development in the Delta during the discussions. I attended as an observer but was given the opportunity to contribute and ask questions on issues discussed.

Further interviews were conducted with officials of the Budget and Revenue Department of the State Ministry of Finance and Economic Development, officials of local governments, members of the Finance and Appropriation committee and the Oil and Gas Development committee of the State House of Assembly, NDDC Delta State office Warri. Leaders and members of advocacy groups such as the Ijaw National Congress (INC), Movement for the Emancipation of the Niger Delta (MEND) and a few members of their militant divisions were also interviewed. Some academic were interviewed within the Niger Delta region, and officials and staff of oil companies.

Physical observations of economic and social development programme and projects in the state were also done as I went on with the interviews from one location to another including some part of the creeks. Data analysis from the interviews was also done side by side with the data collection. Various means to ensure the accuracy of my interpretation and to check the accuracy of my respondents' answers, including the initial review of official documents, physical observation and returning to pose further questions arising from empirical investigation to certain respondents.

The fieldwork was concluded in the Delta on 29th of May 2007 and on the 31st of May 2007 arrived at the Nigerian Institute of International Affairs (NIIA) Lagos for both collections of data and interview. On the 7th of June 2007 I was also at the African Centre for Development and Strategic Studies (ACDESS) Ijebu-Ode South-West Nigeria, conducted interview and collected other relevant materials on the research. Back in the UK on the 15th of June, and got adequate published information and highly knowledgeable about the issues of oil and socio-economic development in Nigeria from the following organisation; the African Departments in Overseas Development Institute (ODI), Royal Institute of International Affairs RIIA (Chatham House), the African Oil and Gas Department of the DFID, Extractive Industries Transparency Initiative (EITI), the Nigerian High Commission, and Shell International office, all in London. This helped in gauging the international community's understanding of the issues raised in the research such as the Niger Delta crisis and the management of oil revenue.

1.4.4 Reliability and Validity in Qualitative Data Generation and Analysis

Doing qualitative research requires a high degree of methodological rigour. It is not just a simple alternative of running away from statistical analysis, and as put forward by David Silverman:

> Just because we do not use complicated statistical tests or do much counting does not mean that we can wallow in comforting hot baths of empathic or authentic discussions with respondents. After all, if this is the limit of our ambitions, can we do better than a talk show presenter? (Silverman, 2005:209).

Reliability refers to the degree of consistency with which instances are assigned to the same category by different respondents or by the same respondent on different

occasions, while **Validity** is the extent to which an account accurately represents the social phenomena to which it refers (Silverman, 2005:210). A critical aspect of **reliability** interviewing is the reliability of the interviewer, or interviewers when data is to be collected from a number of respondents and there is more than one interviewer: how consistent is the individual interviewer or the group in keeping to the interview schedule and instructions.

Validity is about how well the research instrument measures what it intended to measure (Somekh and Levin, 2005:76). The question of **reliability** was addressed by repeating the interview where necessary on a later date to find whether the same responses would be obtained or by examining the extent to which the same questions given in different form within the same interview would elicit the same responses. **Validity** was ensured by making sure that all the interview questions were well thought out and presented or posed adequately and clearly so that each question was adequately understood and responded to by the respondents. I also carried out a small number of interviews, about 2-3 in each sampled locations as a pilot study and used a tape-recorder to gain feedback before embarking on the main data collection.

1.4.5 Other Methods that ensured Reliability and Validity of Data Collected

The initial research on data gathering and analysis of economic and social statistics on oil and development in Nigeria was used for both the initial and further investigation on the various dimensions of the problem over the years. This helped to sharpen my field work questions, and to compare and contrast the responses from the fieldwork with the various official data, in this way getting a proper understanding by method and data triangulation, which is, combining different data and reports with the responses from my interview. For example some officials told me they are not getting much from the oil revenue, and that was why there have not been much development programmes going on; but because I already knew the total amount of money allocated to such state or local councils at least since 2000, and could compare that with the physical evidence of the level of development on the ground, this provided me with further question to ask, and allowed me to conclude whether the funds allocated to such states have been properly utilised or otherwise.

1.4.6 Procedures for data analysis

Most of the data analysis was done simultaneously with the data collection; as soon as a few interviews or recordings were done where appropriate, I started transcribing and reviewing my data in the light of my research questions. What were the main units in my data and how do they relate to one another? Which categories were actually used by my respondents? And what are the consequences of my respondents' use of categories? Because no matter how good an original research proposal is, its application to the first batch of data is always constructive (Silverman, 2005: 205).

A realist approach to interview data was adopted for the interpretation and analysis of the answers of respondents' to the open-ended interviews questions. The realist approach treats respondents' answers as describing some external reality, e.g. facts and events, or internal experience, for example feelings and meanings (ibid). It is assumed that meanings are multiple and that interviews per se may not give access to 'experience'. Analysis was therefore interpretive, and proceeded by locating significant concepts and issues within interview responses. This then formed the basis to further compare and contrast these responses more fully through ongoing data analysis. Various devices to ensure the validity of my interpretation, and to check the accuracy of my respondents' answers by other means, included the initial review of official documents, physical observation and returning to pose further questions arising from empirical investigation to certain respondents.

The realist (practical, down-to-the earth) approach is adopted for this analysis because of its high degree of plausibility to the social scientist who theorizes about the world in terms of the impact of (objective) social structures upon (subjective) dispositions. Discourse analysis was also used to analyse oil revenue and related oil development policies in Nigeria, discourse analysis is a multidisciplinary approach concerned with the critical analysis of meaning within its socio-cultural and political context, it is directed towards the interpretation of themes rather than the frequency of words, phrases or theme as in content analysis (Somekh and Levin, 2005:80).

1.5 Academic Contributions of the Thesis

The thesis raises questions about internal governance, distribution and allocation of resources, the resource curse debates and the prospect of development in Nigeria and other natural resource-dependent countries. There has been an ongoing debate for many years that the natural resource-dependent developing countries, as a group, have experienced lower economic growth and development than other developing countries. Therefore, one of the major academic contributions of the thesis is that it advances from the general resource curse debate, not just discussing whether Nigeria is doing well economically, but also examining the micro issues of access to budget and oil revenue within the states, and how the struggles for oil revenue inform the allocation of resources. It investigates the dynamics between the political system, fiscal federalism and the resource curse, considering whether there are specific remedies within domestic politics in the form of political and economic reforms that would result in the achievement of a better socio-economic development with the available resource base. This is an important contribution because the understanding of the dynamics of oil and fiscal federalism in the case of Nigeria can be used to explain challenges of resource allocation in other natural resource-dependent Sub Saharan African countries, and also serves as a warning to countries like Ghana and Uganda where there are relatively new flows of oil.

Secondly, the thesis also widens the scope of the resource curse debate with a comparative analysis of 44 natural resource-dependent and non resource-dependent countries from 1970 to 2006, using the development in the GCC countries from the 1990s onward to advance that natural resource-dependence does not necessarily result in low economic growth and development. It argues that some of the explanations for the negative effects on growth of oil and mineral-dependence in the natural resource-dependent countries, which were applicable in the 1970's and early 1980's, are no longer applicable to all the resource-dependent countries as a group, particularly the top GCC countries, but are still evident in sub-Saharan Africa and other developing natural resource-dependent countries. This shows that knowledge is incremental, and that the theoretical framework or body of knowledge should be constantly reviewed in accordance with new developments. The empirical findings from this research form another major academic contribution of this thesis.

Thirdly, it details what resource extraction means, but sets it in an historical context that creates conditions for understanding continuity and change in the process of resource extraction in Niger Delta: the continuity of resource extraction from agro-industries through to oil, the generation of particular elites, but also the way in which this sets up political opposition, which in the contemporary period is a powerful military force organised by militias and para-militaries against the state. This follows from generations of marginalisation. The research reviews the debates from previous work, and is important in bringing different themes of historical sociology and historical political economy together to show how they confront and challenge the Nigerian federal government around the issue of fiscal federalism.

1.6 Thesis Structure

Having introduced the relationship between natural resources, economic growth and development and explored the main themes of the research in chapter 1, chapter 2 will analyse the historical path of Nigeria's political economic development and its character of economic growth with oil. It discusses the debate about the resource curse in general – a theoretical review of the political economy of development in oil and mineral-dependent countries. The chapter therefore establishes the theoretical framework for this thesis and for understanding the perceived underachievement of growth and economic development in natural resource-dependent developing countries. It posits that the resource curse is not inevitable, and that there is nothing fundamentally bad about abundance natural resources but the nature of its management. This depends not only on sound governance institutions, as has been posited by various scholars, but much more important, the quality and total commitment of political and economic leadership. Natural resources are a curse or blessing for each country on a case by case base, and not to be generalised, as shown by recent development in some such countries since the 1990s.

Chapter 3 explores the present and future challenges of oil to Nigeria's political and socio-economic development, looking at the impacts of the political and socio-economic reform programmes[6] introduced since 2002 on the management of the

6 Mainly from 2002 the government introduced and started implementing some political, social and economic reform policies and put in place structures like the Bureau of Public Procurement BPP, Debt Management Office DMO, Economic and Financial Crimes Commission EFCC, the Independent Corrupt Practices Commission ICPC and policies and laws such as the Fiscal Responsibility Bill and

country's oil resources, and to what extent the positive impacts of these changes are being sustained. It looks at the challenges of the slowdown in the implementation and in some cases outright cancellation of these reform policies since 2007 by the government of President Umaru Yar'Adua. It concludes with how the expansion and then decline in such development policies and programmes impacting not only on socio-economic development and governance, but also the perception of Nigeria in the international community?.

Chapter 4 analyses fiscal federalism and the politics of revenue allocation among the three tiers of government in Nigeria, namely the federal, states and local governments. It looks at the politics and the dynamics of revenue allocation formulae, the various commissions and committees constituted to figure out these formulae in Nigeria from 1947 to 2007, and the factors that influenced the adoption or rejection of each formula. It posits that the focal point of Nigeria's fiscal federalism and revenue allocation is the revenue allocation formula; consequently, it evaluates how the substantial oil revenue transfers from the federation account to the federal and sub national governments were expended, mostly since the emergence of democratic governance in 1999, during the period of steady increases of oil prices at the international oil market from 2000 to 2008.

Chapter 5 looks at the distribution of oil revenues particularly to the Niger Delta region; since 1999 the revenue allocation principle of derivation has been allocating not less than 13% of the total oil revenues to the oil producing states. In spite of the implementation and payments of the 13% oil derivation fund to the states in the Niger Delta which has substantially increased the share of revenue going to the region. It is pertinent to note that the expectations of the people from those state and local governments that their governments' would take on additional responsibilities for the socio-economic development of their various constituencies was ruined, and instead looting of public funds became the order of the day in most of the states.

Chapter 6 analyses the effects of the neglect of long-term socio-economic development in the Niger Delta region which has led to escalating crisis from the late

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the creation of the Excess Crude Account among others to curtail excessive government spending during boom periods and combat official corruption.

1980s because of what they term as 'underdevelopment' of their region by successive regimes; most of their rural areas still remain underdeveloped, notably the creeks and riverine areas where oil is mainly produced. It was against this background that the region has become a fertile ground for social conflict, intra- and inter-ethnic conflicts, community protest, and hostage taking has been on the increase, and several oil producing states clamour for total control of oil resources in their region, resulting in socio-economic and political instability.

Finally chapter 7 summarises the conclusions and issues raised in previous chapters, and argues that the deceleration of political and economic reforms and the level of inactivity of government policies, programmes and projects by the Yar'Adua government since 2007 constitute an obstacle to development. It concludes that instability in the Niger Delta also poses major challenges to the sustainability of oil production in the Niger Delta and in Nigeria, which in turn, constitute both present and future challenges to Nigeria's political and socio-economic development with oil.

Chapter 2

Oil and the Political Economy of Development; a Review of Theory, Policies and Achievements.

2.0 Introduction

This chapter explores the problem of perceived underachievement of economic growth and failure to deliver on the hope for development that mineral resources, in this case oil, generated. From the 1950s, there was an assertion in development economics that the availability of abundant natural resources in a country will lead to rapid socio-economic development; they "believed in the power of natural resources to lift developing countries out of poverty" (Shultz.2005:31), and that the governments of the natural resource-rich countries can easily collect revenues and provide good governance and economic development for their citizens (Ross, 1999:301).

The debate about the underachievement of economic growth and development in mineral and oil-dependent developing countries in general will be examined. It discusses the debate about the resource curse in general – a theoretical review of the political economy of development in oil and mineral-dependent countries. The chapter therefore establishes the theoretical framework for this thesis and for understanding the perceived underachievement of growth and economic development in natural resource-dependent developing countries. It explores the resource curse thesis not just because it is the main available framework within which to look at this research, but also because of it heuristic[7] function and posits that the resource curse is not inevitable, and that there is nothing fundamentally bad about abundance natural resources but the nature of its management. This depends not only on sound governance institutions, as has been posited by various scholars, but much more important, the quality and total commitment of political and economic leadership, that would determine whether natural resources are a curse or blessing for each country on a case by case base, and not to be generalised, as shown by recent development in some such countries since the 1990s.

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[7] Heuristic is an experienced-based techniques that help in problem solving, learning and discovery. A method encouraging discovery of solutions or a procedure for getting solution (Encarta Dictionary: English UK)

Some of the Middle East countries, particularly the Gulf Cooperation Council (GCC), have turned around their lost opportunities of the 1970s and 1980s. After failing to utilise the massive oil revenue receipts for sustainable economic growth and development of their various countries, since 1990 they have undertaken a more prudent management and investment of their oil wealth; accumulated unprecedented savings in the form of largest Sovereign Wealth Funds (SWF) in the world; developed world class infrastructure and industries at home; and invested strategically abroad and in the human capital development of their people. As a result, four of the countries (Qatar, Brunei, United Arab Emirates and Bahrain) moved from low human development in the 1970s to very high human development in 2009 in the UNDP classification of 182 countries surveyed (UNDP, 2009).

The experiences of some other mineral and oil-dependent developing countries, particularly sub Saharan-African countries, since the 1970s has clearly demonstrated that the export of oil and other mineral resources does not automatically transform developing countries into flourishing economies within a decade or two. This debate is rooted in the resource crisis of the 1970s and early 1980s, but is now being revisited since the two Gulf wars and in particular since the recent past increases in oil prices following the invasion of Iraq by the United States and its allies. Following the sharp decrease in oil prices from a peak of $147 per barrel in July 2008 dived to less than $40 barrel in January 2009 (and hovering around $60 to $70 in July 2009) due to the global financial crisis, Hulbert (2009) concluded that:

> At the turn of the year the political outlook for oil producing states looked grim. The price had dropped to below $40 a barrel, having stood at $147 a mere six months earlier, leaving a number of producers in bad financial shape. High oil prices were supposed to lead to political stability and economic growth at home, while projecting power abroad. This logic applied not only to the Gulf, but in Venezuela, Russia, and Africa. But as the oil price tumbled ....this has not been the case (Pp.29).

2.1 The Political Economy of Development in Oil and Mineral- Dependent Countries: a Theoretical Review.

The resource curse thesis asserts that when comparing the economic performance of the mineral and oil dependent countries with those of other developing countries with low natural resource endowments, the hard-mineral exporters as a group have had the lowest rate of growth since the 1970s (Auty and Mikesell, 1998:6, 84). 'In its narrowest form, the resource curse refers to the inverse relationship between high natural resource dependence and economic growth rates.' (Karl, 2005:23). The debates and analysis of the resource curse started in the 1960s with the economic explanation of the Dutch disease which analyzed the negative effect of the North Sea gas boom on the Dutch economy (Davies, 1995:1771); the debates was re-energized in the early 1990s by the cross-country regression study of Jeffery Sachs and Andrew Warner, (Sachs and Warner 1995, 2001). Collier and Goderis (2008), using co-integration techniques to study the time profile of the consequence of resource revenues on resource dependent countries, also discovered that although an increase in resource revenues due to commodity booms in exogenous global prices raises growth in the short run, it substantially reduces economic growth on the long run. The findings of these researches were at the outset contentious but now are realistic, as shown by the severe economic growth and development experiences of most natural resource dependent developing countries; particularly badly hit are those in sub-Saharan Africa since the 1970s.

Before proceeding on this subject that has generated immense debates fragment from various scholars (political scientist, economist and development experts among others). On the relationships between natural resource dependence and economic growth, there is a need to clarify between what the resource curse is and what it is not. The resource curse is not just about the ownership of excess crude oil or other mineral resources, but it is "rather to countries that are overwhelmingly dependent on oil or mineral revenues" (Karl, 2005:22). Mineral-dependent economies are those whose mineral exports[8] accounts for 40% and above of total merchandise exports and production accounts for 8 to 10% of GDP, and fuel exporters are those whose total exports contains 50% plus as fuels combustibles (Auty, 1993; Gelb, 1988 and

[8] The mineral includes fuels combustibles, ore, metals, precious stones and non monetary gold

World Bank, 1993:329). The Mineral Dependence Index, MDI, is the average percentage contribution of minerals to GDP, merchandise exports, and government revenues, and an index of 20% and above would indicate mineral dependence (Auty, 1994:200; 1993 and Davies 1995:1771).

The accurate total contribution of minerals to government revenues of most mineral-dependent countries is not always available except for some top oil producing and OPEC member countries. Therefore only the minerals as percentage of merchandise export and GDP are used for the calculation of the MDI.

Secondly, the resource curse does not claim that smaller endowments of natural resources will make the oil and mineral dependent countries better off. Oil and other minerals can be beneficial or detrimental; the most important issue is "how the wealth generated from petroleum and other resources is shared and utilized for the benefit of the citizens of the various mineral exporters" (Karl, 2005:23).

And finally, the resource curse is not a claim that an abundant natural resource is bad for economic growth or development. For example the United States was a world-leading mineral economy when it became the world's leader in manufacturing. Norway is another example of a successful economy, which diversified the proceeds from oil revenues to other productive sectors of its economy, thereby reducing to the minimum level the dependence on oil revenues for her public finance and developmental needs (Myers, 2005:5).

In his categorisation of the natural resource rich countries Collier (2007) identified three groups; first the very few countries that depends on unearned income from an enormous oil revenue wealth such as Kuwait and Saudi Arabia; second, are other Middle East countries and Russia whose resource revenue cannot increase their development beyond the middle- income level, and all their attempts over the years to break the booms and busts economic growth and development cycles, have remained an herculean task. But much pathetic is the third category, whose resource revenues and wealth has not been able to transform from low-income status but remain in 'resource rich-poverty- the bottom billion countries' Collier (2007:38-39).

Tables 2.1, 2.2 and 2.3 below show the ranking of selected 44 leading mineral-producing developing countries according to their mineral-dependence as indicated by the MDI for 1970, before the mineral resources boom years, and how that has changed over the period of twenty five and thirty six years that produced the figures for 1995 and 2006 respectively, the aftermath of the price shocks and volatility of both supplies and revenues of the mineral resources from the 1970's onwards. For oil, the first rise was triggered by the 1973 Yom Kippur war when price quadrupled, and then the 1979/80 Iranian revolution brought the price to $40 mark; this was followed by the first and second gulf war in Iraq in 1990-92 and from 2003 onward (Davis, 1995:1770-1; Utomi, 2005:81 and UNCTAD, 2008:122-132, 409-425). In 1970, 24 countries from table 2.1 had a MDI of 25% plus and were mineral-dependent, among them were fourteen oil exporters Oman with the highest MDI of 83.3% and lowest Indonesia with 27.2% MDI.

From table 2.2 by 1995 the number of mineral-dependent countries increased by eleven to thirty-three, among them three oil exporters, Angola, Congo and Syria Arab Republic, bringing the total number of oil exporters to seventeen. Guinea moved from the least mineral-dependent country in 1970 to number eighteen with 49.5% MDI in 1995. Indonesia and Tunisia with MDI of 22.9 and 10.4 in table 2.2 of 1995 dropped from the twenty-four mineral-dependent countries in table 2.1 of 1970. In table 2.3 by 2006 an additional four countries, Sierra Leone, Cameroon, Colombia and a returned Indonesia, had become mineral-dependent, which brought the total to thirty-six, an increase of twelve countries from the original figure of twenty-four in 1970. All the thirty-three countries except Togo remained mineral dependent in 2006 from table 2.2 in 1995. The top twelve countries on table 2.3 were fuel exporters, and Angola still maintained the most mineral-dependent state with an MDI of 80.8%, while United Arab Emirates dropped from number three of mineral-dependent countries in 1970 to fourteenth and twentieth in 1995 and 2006 respectively.

Table 2.1: Mineral Dependence Index of Developing Economies, 1970

Country	Rank	Mineral as % of merchandise export	Mineral as % of GDP	Mineral Dependence Index
Oman	1	99.5	67.0	83.3
Kuwait	2	92.5++	69.0***	80.8
United Arab Emirate	3	97.8	63.6	80.7
Libya	4	100.0	61.3	80.6
Qatar	5	96.5	63.5	80.0
Saudi Arabia	6	99.7	55.1	77.4
Iraq	7	94.9	57.0	76.0
Brunei	8	99.3	52.1	75.7
Zambia	9	99.1	35.8	67.5
Algeria	10	72.7	44.6	58.7
Venezuela	11	96.8	17.9	57.4
Mauritania	12	88.4	22.7	55.5
Iran	13	89.8	19.1	54.5
Bolivia	14	92.5	10.3	51.4
Congo (Dem. Rep.)	15	78.1	22.2	50.2
Chile	16	88.1	9.2	48.7
Namibia	17	65.0	31.7	48.4
Gabon	18	56.4	40.5*	48.5
Trinidad and Tobago	19	77.9	8.1	43.0
Nigeria	20	62.3	9.6	36.0
Jamaica	21	58.6	7.1	32.9
Peru	22	49.1	7.1	28.1
Tunisia	23	46.2	9.4	27.8
Indonesia	24	44.2	10.1	27.2
Sierra Leone	25	21.5	16.5	19.0
Malaysia	26	30.0	6.9	18.5
South Africa	27	27.7	9.4	18.6
Morocco	28	33.0	3.3	18.1
Togo	29	24.9	5.0	15.0
Angola	30	25.5	n/a	n/a
Jordan	31	24.3	2.1	13.2
Congo	32	1.2	24.3*	12.8
Zimbabwe	33	18.0	6.6	12.3
Mexico	34	18.7	2.5	10.6
Syrian Arab Rep.	35	18.9	2.3	10.6
Botswana	36	-0	19.6*	9.8
Colombia	37	11.8	2.0	6.9
Brazil	38	10.7	0.5	5.6
Cameroon	39	9.8	0.7	5.3
Egypt Arab Rep.	40	5.4	2.1	3.8
Niger	41	0.2	5.9*	3.1
Ecuador	42	1.1	1.1	1.1
Papua New Guinea	43	0.8	0.2	0.5
Guinea	44	n/a	n/a	n/a

Table 2.2: Mineral Dependence Index of Developing Economies, 1995

Country	Rank	Mineral as % of merchandise export	Mineral as % of GDP	Mineral Dependence Index
Angola	1	98.4	63.4	80.9
Kuwait	2	95.0	41.7	68.4
Algeria	3	95.7	39.0	67.4
Libya	4	94.8	39.4	67.1
Nigeria	5	92.8	41.1	67.0
Gabon	6	84.7	44.5	64.6
Botswana	7	83.0**	44.3	63.7
Saudi Arabia	8	87.4	39.0	63.2
Congo	9	87.9	38.4	63.2
Qatar	10	80.4	43.9	62.2
Brunei	11	91.1	31.1	61.1
Oman	12	80.5	41.2	60.9
Iraq	13	97.1**	21.6	59.0
United Arab Emirate	14	76.8	40.8	58.8
Zambia	15	90.4	23.0	56.7
Iran	16	86.4	22.3	54.4
Venezuela	17	83.5	23.7	53.6
Guinea	18	70.8	28.2	49.5
Namibia	19	76.0**	14.7	45.4
Congo (Dem. Rep.)	20	77.3	12.1	44.7
Papua New Guinea	21	59.1	25.0	42.1
Syrian Arab Rep.	22	63.3	11.9	37.6
Trinidad and Tobago	23	48.1	25.2	36.7
Chile	24	49.7	21.8	35.8
Jamaica	25	49.9	19.4	34.7
Peru	25	55.1	14.2	34.7
Bolivia	26	55.4	13.7	34.6
South Africa	27	53.3**	13.6	33.5
Niger	28	56.1	8.5	32.3
Togo	29	46.1	16.9	31.5
Mauritania	30	44.9	16.8	30.9
Egypt Arab Rep.	31	43.7	13.9	28.8
Ecuador	32	37.6	14.3	26.0
Colombia	33	34.0	14.9	24.5
Cameroon	34	37.6	9.6	23.6
Indonesia	35	31.4	14.3	22.9
Sierra Leone	36	34.9**	7.3	21.1
Jordan	37	19.8	13.6	16.7
Brazil	38	12.2	12.0	12.1
Morocco	39	13.7	9.7	11.7
Malaysia	40	8.5	14.7	11.6
Tunisia	41	10.3	10.5	10.4
Zimbabwe	42	13.4	7.1	10.3
Mexico	43	13.4	6.7	10.1

Table 2.3: Mineral Dependence Index of Developing Economies, 2006

Country	Rank	Mineral as % of merchandise export	Mineral as % of GDP	Mineral Dependence Index
Angola	1	99.3	62.3	80.8
Iraq	2	92.0+	66.9	79.5
Qatar	3	89.8	68.1	79.0
Libya	4	91.1	65.5	78.3
Congo	5	94.5	56.5	75.5
Brunei	6	96.4	54.3	75.0
Algeria	7	98.8	50.3	74.6
Kuwait	8	94.8	49.1	72.0
Oman	9	95.3	46.8	71.1
Saudi Arabia	10	89.7	50.3	70.0
Nigeria	11	95.3	40.9	68.1
Gabon	12	88.7	47.1	67.9
Botswana	13	89.9	45.3	67.6
Venezuela	14	94.7	34.3	64.5
Guinea	15	83.5	33.0	58.3
Iran	16	85.7	30.6	58.2
Trinidad and Tobago	17	76.8	29.4	53.1
Papua New Guinea	18	73.6	30.5	52.1
Congo (Dem. Rep.)	19	85.6	17.0	51.3
United Arab Emirate	20	60.8	41.2	51.0
Sierra Leone	21	92.0#	9.5	50.6
Chile	22	66.6	34.2	50.4
Zambia	23	82.1	15.6	48.9
Ecuador	24	60.3	35.6	48.0
Jamaica	25	76.7	17.6	47.2
Bolivia	26	73.9	15.7	44.8
Peru	27	72.3	16.8	44.6
Mauritania	28	64.7	21.3	43.0
Egypt Arab Rep.	29	59.6	18.5	39.1
Cameroon	30	66.5	11.4	39.0
Namibia	31	54.2	18.5	36.4
Niger	32	61.6	6.3	34.0
Syrian Arab Rep.	33	41.5	25.9	33.7
Colombia	34	44.6	16.6	30.6
South Africa	35	43.1	12.0	27.6
Indonesia	36	37.9	15.6	26.8
Zimbabwe	37	30.6	8.4	19.5
Malaysia	38	15.4	20.6	18.0
Brazil	39	19.8	14.3	17.1
Togo	40	12.0	16.1	14.1
Mexico	41	18.3	8.6	13.5
Jordan	42	16.6	9.9	13.3
Tunisia	43	12.5	13.4	13.0
Morocco	44	13.3	10.8	12.1

*Data subsequent to 1970, ** 1991 figures, *** 1980 figure, ++ 1990 figure, # Figure from Coakley, 2004:34.1/34.5 + Figure from the CIA World fact book at http//www.cia.gov/library/publications/the-world-factbook/geos.iz.html. Source: (UNCTAD, 2008:122-132, 409-425 and Davis, 1995: 1770/1)

The mineral dependencies of selected forty-four developing countries for the period of thirty-six years, beginning from the mineral pre-boom period of 1970 through to the booms and shocks years of 1995 and 2006 have been analysed. The various consequences, explanations and debates on why and how oil and mineral-dependency might be of detriment to these developing economies can now be explored.

Various explanations have been advanced by economists, political scientists and other policy makers alike as to how the natural resource endowment can influence economic growth. Karl (2005) asserts that not all resources are the same; it has been observed that those countries that depend on export of "point source" natural resources –those extracted from a narrow geographical or economic base such as oil in Cabimas, Venezuela – Cabimas is in the lake Maracaibo region, which pumps about US$13 billion worth of crude oil yearly, and the Niger Delta region in Nigeria (p12).

In the same vein Stiglitz (2005) argues that not all resource-rich countries have performed equally. In the early 1970s, Indonesia and Nigeria had comparable per capita incomes, and both were heavily dependent on oil revenues, but in 2005 Indonesia's per capita income was four times that of Nigeria's- which has actually fallen from US$302.75 in 1973 to US$254.26 in 2002 Stiglitz, (2005:13). Even in those countries that have performed fairly well, resource-rich countries are often characterised by evident inequality: rich countries with poor people. For example two-thirds of the people in OPEC member Venezuela live in poverty, while oil revenues have vanished from national treasuries into the pockets of the minority elites (ibid. 2005).

Other scholars were of the opinion that the adverse effects of oil or minerals rents on the dependent countries might not be as damaging on economic growth and development as put forward by the resource curse thesis, or actually weaker. Brunnschweiler and Bulte (2008:616-7) and Brunnschweiler (2007:399-411) argued that the quantification of resource abundance on the basis of its share of exports in GDP is misleading and that the per capita mineral as a measure of total natural resource wealth developed by the World Bank in 1997 and 2005 respectively was a

better measure. Using this measure they discovered 'a positive direct association' of abundance mineral resources and economic growth from 1970 to 2000, which is contrary to most of the previous findings on this subject.

Contrary to the position of Brunnschweiler and Bulte, the actual impact of oil and other mineral resources on dependent countries goes beyond running either positive or negative cross-country econometric regression. It is not only a question of its abundance or export, but also the degree of dependency on the rents from such minerals on the individual country's public finances, and most importantly the management of such revenues in a way that would bring about positive socio-economic development for that particular country. According to Torvik (2009) 'for every Nigeria or Venezuela there is a Norway or a Botswana' (Torvik, 2009:1). The most significant question is why did oil and diamonds bring prosperity to Norway and Botswana on the one hand, and stagnation and poverty to Nigeria and Sierra Leone on the other hand respectively? There are various explanations on why this happens.

2.2 Varied explanations for Poor Economic Growth in Natural Resource - Dependent Countries

From the 1980s, a number of studies by economists and political scientists have generated series of explanations on this issue, including Gelb (1988), Gelb and Grasmann (2009),Sachs and Warner (1995,1999,2001) Ross (1999), Karl (1997,2005 and 2009) Sala-i-Martin & Subramanian, (2003), Auty and Mikesell (1998) Auty (2001,2009), Shaxson (2005), Davis (1995), Nuemeyer (2004) and Collier(2007,2009) among others. But just as there is no universally accepted theory of economic growth, in the same vein there is no universally accepted theory of the natural resource curse (Sachs and Warner, 2001:833). The four most prominent economic explanations for the curse are: a decline in the terms of trade for primary commodities, the instability of international commodity markets, the poor economic linkages between resource and non-resource sectors, and the 'Dutch Disease' (Ross, 1999: 298).

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Other explanations through which resource revenue dependent may slow economic growth, according to Auty and Mikesell (1998) and Karl (1997), are neglect of education, rent seeking, poor economic policies or overconfidence, and weakness of state institutions, and Stiglitz posits that the understanding of the problem of resource curse is more political in nature (Stiglitz, 2005:14). Corroborating this fact Collier (2009) asserts that the explanations of the adverse effect of natural resources dependent on the countries concerned has shifted from just purely economic to more deep rooted political economy issues, "an interplay between politics and valuable natural assets".

The various explanations proffered by different scholars, political scientists, economists and others, for the poor growth performance of natural resource-intensive economies can be classified into two categories. The first category is the explanations which are exogenous, which include revenue volatility, long-term declining trend in the terms of trade of resource-exporting countries, and the 'Dutch disease' (Neumayer, 2004:1627, Auty, 2001). In his view Ross, (1999: 298) categorised these as economic explanations for the recourse curse. The second category which is domestic or internal in nature includes bad policies, weak institutions and rent –seeking or the 'rentier- states'. The 'rentier states' is a concept advanced by Hossein Mahdavy (1970:428-432) with respect to pre-revolutionary Pahlavi Iran in 1970. In its broadest sense the rentier states are those countries that receive on a regular basis considerable amounts of external economic rent, in this case oil revenues; it emphasized the causal links between resource rents and poor economic governance. Though the term has since been used by most scholars of Middle East specialists in their discussion of the impact of oil revenues in Arab world, it does not classify the rentier state as limited to countries in Middle East and the Persian Gulf (Yates, 1996:11-12 and Ross, 1999:312).

This second category has also been explained as the political aspect of the curse, and can be categorised into three types. These are cognitive explanations – that abundant resource rents results in illusions among policymakers; societal explanations – that export of mineral resources seems to empower economic sectors or classes that oppose growth policies; and state-centred explanations – that excess oil and resource rents lead to rent-seeking or a rentier state (ibid. :298)

2.2.1 Exogenous explanations for the less economic growth in resource-dependent countries.

2.2.1.1 The Dutch disease

'Dutch disease is an economic phenomenon in which a sharp increase in the output and revenue of one product in an economy, such as oil in this case, has adverse repercussions in other sectors of the economy' (World Bank, 1995:10). The name derived from the Netherlands' experience when its tradable sectors, particularly agriculture, shrank in the 1970s in response to the increase in the North Sea natural gas production from the Groningen fields (Davies, 1995:1768, Karl, 2005:23). The oil exporting countries are analogous to the Dutch case because of their notably booming minerals sector: the case in which 'an increase in commodity prices (such as oil prices) increases real wages and appreciates the real exchange rate which in turn lowers competitiveness and production of the non-resource exports sector' (Karl, 2005:23; see also Collier, 2007:39). The over-dependence on oil revenues leads to the neglect of agriculture and the manufacturing sector, preventing economic diversification. In response, policy makers adopt strong protectionist policies in order to sustain the economy, placing the funding burden on the oil revenues (ibid). In fact Auty (1993, 1994) posits that one of the main problems of resource booms was to allow resource-dependent countries to sustain economically harmful policies more than non-resource-dependent countries that started out with similar unproductive policies. High capital inflows during resource booms have a tendency to push up real wages and erode the competitiveness of the non- resource- based tradable goods sector, which to some extent seems unavoidable and an efficient outcome of a resource windfall.

Collier (2007:39) made a simple analysis of the Dutch disease thus: in countries with no natural resources or external financial aid from donors the need for foreign exchange is created by the need to import and export goods; the importers buy the foreign exchange generated by the exporters and vice versa and this continues. The sudden arrival of huge revenues from oil or other natural resources brings with it a massive source of foreign exchange for such countries, so that other commodities such as agricultural produce are now of less value or priority; prices of food and domestic services then skyrocket, and in turn the various governments now allocate

huge resources to making them available. However, the problem is exacerbated by excessive public spending, when allocation is often on wasteful investment or bloated public sector employment in return for political loyalty, thereby distorting incentives.

All these factors push up the real exchange rate above its equilibrium, causing external imbalances and increasing reliance on foreign borrowing to sustain public consumption once commodity prices fall or an important natural resource deposit becomes exhausted. The outcome is macroeconomic instability, which discourages investment and brings growth to a halt. (Esanov, Raiser, and Buiter, 2004: 17).

Waste, extravagance and expansion of the state were major characteristics of the 1970s and 1990 Gulf war booms in sub-Saharan Africa. For example in December 1973 Gabon's former president late Omar Bongo launched the Transgabonais railway project to connect Franceville, near his birthplace in eastern Gabon, with the coast, forecasting a zone of prosperity 100 kilometres wide along its axis (Shaxson, 2005:314). In 1999, twenty-six years after its construction, a private consortium took over, buying a 20-year operating concession and paying US$30 million compared to the estimated construction cost of US$3 billion (Ibid: 314, IMF, 1999). According to Sachs and Warner (2001:835) resource-abundant countries lack active promotion of export from the manufacturing and other sectors; since this renders the export sectors uncompetitive, consequently they have never successfully pursued export-led growth. Contrarily, Davis (1995) on his part argues that the Dutch disease only leads to a medium-term deindustrialisation of the economy, and there is nothing inherently growth-inhibiting in mineral booms and any resulting Dutch disease phenomenon. Consequently, the Dutch disease is simply a description of the causes and structural effects of boom-induced growth, which can only result in resource reallocation and a burden of adjustment, and this puts political pressure on the governments of resource-dependent countries to intervene. So far this has taken place in some of the Arabian Gulf countries like the GCCs, but it has not happened in most of Africa's mineral-dependent countries, where capacity utilisation in manufacturing and agricultural production fell sharply not only in the 1970s and 80s, but has been on the downward trend.

Buttressing this fact Ross (1999) posits that the most puzzling part of the resource curse is the evident failure of governments of these various resource-dependent countries to take measures that could transform resource abundance from a liability to an asset (Ross, 1999:307). As important as the Dutch disease analysis is to the understanding of the resource curse, Collier and Goderis (2007:20), in their classification of the various conduits through which the curse is manifested, state that it only explains about 11% of its effects, making it also independent of governance. By the 1980s the increasing challenges faced by the resource-dependent economies could not be satisfactorily explained by the Dutch disease analysis, so issues of revenue volatility and decline in terms of trade and the prices of commodities began to surface in the explanation of the resource curse (Collier, 2007: 40).

2.2.1.2 Revenue Volatility and the Decline in the Terms of Trade for Primary Commodities

Most of the resource-dependent countries depend on revenues from their resources for public finance. However, the prices of these resources are subject to sudden fluctuations in the international market (Shultz, 2005:36). Price volatility therefore has an adverse effect on budgetary discipline and public finance control (Karl, 2005:23). Revenue volatility also hampers planning, and boosts the budget deficit, because the level of spending is easily increased when prices are high but hard to cut back when prices fall. It also depresses economic growth by increasing interest rates (Shaxson, 2005:312).

A good example was the coffee boom of 1976-79 in Kenya, which resulted in sudden increase in government revenue. Consequently, due to lack of planning, some of the various government's Ministries Department and Agencies (MDAs) bloated their budget demand by thirteen times of their actual need (Collier, 2007:40) Accordingly during the crash in revenue that follows the boom period "what gets cut is often not the frivolous items that went up during the boom, but whatever is politically the most vulnerable, such as basic investment" (ibid). Particularly because from one year to the next oil price volatility can be quite large, a budgetary policy premised on oil prices in the previous year would automatically transmit oil price fluctuations to the economy with a one- year interruption (IMF, 2006:10).

Table 2.4 below shows the oil revenue and total revenues of nineteen countries (small and large, predominantly oil producing) from the year 1997 to 2000. The table also shows that oil revenues are more volatile than the total revenues for most of the countries.

Table 2.4: Oil Revenue Volatility in Selected Countries 1997-2000

Country	Oil Revenue (in% of GDP) (1)	Volatility in % (2)	Total Revenue and Grants in %of GDP (1)	Volatility in % (2)	Oil Revenue in % of total revenue (1)	Coverage
Azerbaijan	5.7	29.1	19.6	5.1	28.6	General government
Algeria	21.4	25.9	32.7	13.3	64.4	Central government
Bahrain	13.0	26.3	24.6	15.1	51.9	Oil and gas
Colombia	2.6	38.3	27.7	2.8	9.4	Nonfinancial public sector
Ecuador	7.4	32.1	25.1	15.9	31.3	Nonfinancial public sector
Indonesia	5.6	32.7	17.5	11.5	31.1	Oil and gas, general government
Iran	13.3	42.0	25.5	18.2	49.8	Oil and gas, Central government.
Kuwait	38.6	19.2	60.7	13.3	63.0	Oil and gas
Libya	23.0	8.0	39.0	14.7	59.9	Consolidated government
Norway	8.9	30.8	52.3	4.0	16.9	General government
Oman	30.2	15.6	39.5	6.9	76.0	
Qatar	16.7	27.4	28.6	19.9	57.3	
Saudi Arabia	24.6	27.4	33.6	15.5	72,0	Central government
Yemen	21.6	31.9	33.1	20.4	63.8	Central government
Mexico	5.3	17.7	21.5	4.4	24.7	Public sector, Excludes excises on gasoline
Nigeria	23.8	39.3	31.8	28.6	72.4	General government
Russia	3.8	26.4	13.1	14.2	28.8	Oil and gas, Federal government
United Arab Emirates	18.2	22.4	34.6	6.3	52.0	General government
Venezuela	12.2	34.6	25.9	13.8	45.7	Public sector (exclude on recurrent operation)

Source: (Ahmed, E and Mottu, E, 2002:4)

1/ Average during 1997-2000, 2/ Defined as the standard deviation in percent of the mean over the period 1997-2000,

But its effects are more severe for the oil- dependent countries; for example countries like Saudi Arabia, Yemen, Algeria and Nigeria all have oil revenue in percentage of total revenue above 60%, oil revenue in percentage of GDP and volatility in percentage of GDP above 20%. Kuwait and Oman have volatility in percentage of GDP of 19.2% and 15.6% but on the other hand have 38.6% and 30.2% of their GDP respectively from oil. Oil revenue volatility in percentage of GDP of 39.3 for Nigeria was also the highest among the twenty one countries selected. On the other hand Norway has a volatility of oil in percentage of GDP as 30.8% but because only 8.9% of its GDP and 16.9% of total revenue is from oil, the effects of oil rents volatility was not damaging on their economy. Shaxson (2005) posits that "revenue volatility hampers planning, boosts deficits – it is easy to raise spending when prices are high, but hard to cut back when prices fall, especially for governments whose legitimacy rests on allocating oil rents". (Shaxson, 2005:312). He argues that the volatility issue is at the centre stage again with the recent oil price increases which started in 2000, and that the orthodox prescriptions for oil-dependent governments, which include oil stabilisation funds, oil risk markets, diversification from oil dependence, and avoiding pro-cyclical spending and borrowing, may have worked in advanced countries like Norway and Canada, but have had a poor record in Sub-Saharan Africa.

The petrodollars of the 1970s and early 1990s oil booms benefitted oil-dependent countries and also led most of them to an enormous budget deficit and inflation. For example, Gabon received huge oil revenues and foreign loans from recycled petrodollars, and then its economy almost got paralyzed by inflation and huge foreign debts (Toungui, 2006:1). Then the year 2000-1 increases in oil revenue in Gabon led to another increase in consumption and investment, where wages and remunerations for workers went up without a corresponding increase in productivity (ibid). The volatility of both the commodity prices and total revenues, impacts on not only the consumption level in the budget if cut back due to the drop in revenues, but also the capital investments of governments are affected. Therefore expenditures are smoothed by the huge Sovereign Liquidity Fund (SLF) accumulated during high prices (Collier, 2009:13). He posited that a better and more practical alternative to the use of SLF by resource-dependent developing countries to balance fluctuations in their consumption level would be to initially invest most of the revenues from the resources because 'fluctuations in investment are less damaging than fluctuations in

consumption'. SLF also tie down capital which is highly needed since their economies are small and mostly capital scarce (ibid).

Another dimension on the effects of volatility which has not been widely considered, is that the types of oil contract that exist between the IOCs and oil producing countries in Africa and elsewhere magnify oil revenue volatility for the countries. A shift in the oil price typically leads to a proportionally larger change in the host country's revenues and proportionally smaller change in the IOCs revenues, because they measure volatility largely as a financial cost. (Shaxson, 2005:314) He argues that the oil companies are not to be blamed for the crisis because "ultimately it is how governments spend the money, not how they collect it" that brings about the problem of the resource curse (ibid). But on the contrary both the way in which the IOCs pays the money to the oil producing countries, and the type of contract signed, contribute to the detrimental effects of oil revenue dependency because IOCs' shady deals and lack of transparency with host countries top government officials breed corruption. This is a major reason why citizens of some resource-rich countries never benefit from such rents; because they are not aware of the quantity of oil sales and the amount of revenue coming to the national treasury, the few government officials siphon off a huge part of it while the majority of the population are left in poverty. In some cases the IOCs connive with the officials in transferring such illegal money abroad.

Beginning from the 1980s, the terms trade for most primary commodities have plummeted, mostly caused by the increasing volume of commodity exports, which was a result of the debt crisis and the structural adjustment programmes, the fall of the former Soviet Union and the collapse of the international commodity agreements (Ross, 1999:302). The estimated rate of decline in the aggregate terms of trade for primary commodities since the beginning of the twentieth century ranges from 0.1% to 1.3% per annum (ibid.:303).

The IMF, in its highlights of the impact of global financial crisis and the 2009 outlook for sub-Saharan African also states that:

> Demand for African exports has fallen and prices for most commodities have declined, these are difficult times growth prospects have deteriorated markedly...fiscal and external positions are now expected to weaken substantially through 2010; oil and other commodity exporters will be particularly hard hit (IMF, 2009:1).

The OECD and ADB's report on Africa's economic prospects for 2009 also predicted a 2.8% overall growth; a contraction of 7.2% for Angola's economy and 1.1% growth for South Africa one of the most diversified economies in Africa (OECD and ADB, 2009). It had experienced a fall in demand for its manufacturing and other commodities; the level of manufacturing production fell by 17% in June 2009 and gold output dropped 12% compared to June 2008 (NEPAD, 2009:1). The decline in prices and the terms of trade of commodities exports, as well as the volatility of prices, leads to shortfalls and inconsistencies in the resource-dependent countries' revenues, and these propel governments of such countries to increase the level of production to make up for the shortfall in revenues, which in turn results in the increase of the rate of extraction of such mineral resources and because once extracted they are not renewable the whole process therefore leads to depletion of the resources. 'Both depletion and volatility potentially give rise to unsustainable increases in consumption' (Collier, 2009:12).

2.2.1.3 The Rate of Extraction and Lack of Renewability-

This is a further external explanation of the resource curse phenomenon in the mineral-dependent countries. Extracted resources such as oil and gas are non-renewable, therefore every barrel of oil or cubic meter of gas extracted moves the producing country towards its 'peak oil' (Shultz, 2005:37) – 'Peak oil' "being the point when total oil production cannot be expanded further because the losses from depletion more than offset the gains from new fields and new production sources" (Skrebowski, 2005:16).

It is not just the extraction of such resources that leads to its adverse effects on the economy and renders it not of benefit to the majority of the citizens of such countries, but the selfish socio-economic and political intentions of various top government officials of a regime behind such swift extraction: either to amass wealth for

themselves at the expense of the public good, or to command a large network of political clients so as to perpetuate itself in power, or both. In politically unstable or multi-ethnic resource–dependent countries the government in power be it military or democratic tends to appropriate to itself, or to the region where the dominant members of such regimes belong, massive physical or social infrastructural development by increasing the rate of extraction of the country's natural resources and expending as much of its resource revenues as possible before the end of its tenure.

Such regimes are also very corrupt as they loot huge financial resource amounting to millions of US dollars and either converts such to acquire landed properties or stash in banks outside their country. For example top government officials in Democratic Republic of Congo (DRC) gave the multinational companies prospecting for mineral resources easy contract terms just for the payments of massive signature bonuses, much of which ended in their various personal accounts; just because they were aware of their short tenure in office, they short-changed the country into massive loss, and 'by 2006 royalty payments to the Treasury of the DRC were generating only $86,000 per year despite several hundred million dollars of commodity exports' (Collier, 2009:14). The high rate of exploitation of such natural resources comes with attendant environmental and social costs in the natural resources producing region, such as oil spillages, massive blow-outs and gas flaring in the case of oil-dependent countries.

The rapid increases in the rate of extraction only lead to increases in government spending, thereby expending the resources meant for both the present and future generations all in one go, and Collier (2009:14-15) concludes that 'when the financial returns on the common asset is higher than that on private assets voracious natural resource depletion can not merely waste the natural assets but reduce overall growth'. According to ExxonMobil, the world oil depletion is currently running at 4-6%; 5% of the year 2004 production of 82.5 million barrels per day (b/d) gives a depletion rate of 4.1 million barrels per day (b/d) per year. (Skrebowski, 2005:17) There are three types of depletion currently going on in oil producing countries. Type 1 depletion occurs when production from some oil wells is declining and its being offset by production from other wells or new wells. This type of depletion has been

on since the beginning of oil field development (ibid). Type 2 depletion happens when a whole field or region is running out of oil but there are compensating supplies from within the same country. For example, declining oil supplies in the onshore of Southern Nigeria are being more than compensated for by the increasing supplies from offshore in the Niger Delta region of Nigeria (ibid.).
Type 3 depletion occurs when a whole country's oil production is in decline and there are no compensating supplies within its territory and cannot also meet customers' demand.

This is a new development in the oil industry and in 1990 only the United States and Romania were in this category of depletion, however, since 2005 there were 18 major oil producing countries and over 50 countries if other smaller oil producers are included in this category (Skewbowski, 2005). By the second quarter of 2009 Mexico was already in Type 3 depletion as its oil production is fast declining, while production in its main offshore oil field Cantarell, declined from a daily production of 2.1 mbd in 2004 to 600,000 mbd, and its total production from 3.1 mbd in 1998 to 2.6 mbd in the second quarter of 2009, its proven oil reserves declined from 26 billion barrels in 2004 to 20.5 billion barrels also in the first half of 2009 (The Economist, 2009a:65). If there are no new discoveries to replace the already declined 23 out of its 32 main oil fields Mexico, 'world's seventh-largest oil producer is forecast to become a net importer by 2017' (ibid). Therefore, Stiglitz (2004:25) stressed that unless the revenues derived from the extraction of minerals are invested into other productive sectors of the economy to generate a stable economic base for the future, extraction of resources itself will only make the country poorer because resources such as oil, gas and other minerals cannot be replaced once they are extracted and sold.

2.2.1.4 Underemployment, Low Economic Intersectoral Linkages and Skill Acquisition

The oil and gas industry is both capital-and technology-intensive and creates few jobs, particularly for the unemployed citizens, in most oil and mineral-dependent countries. The productive links within the various countries' economies are low – that is, they generate little growth in other sectors of the economy (Ross, 1999:305,

Karl, 2005:24).For example the petroleum and gas industry in Azerbaijan forms a major part of the economy of that country, but only accounts for less than one per cent of total employment (Shultz, 2005:34). The international oil companies (IOCs) either bring in foreign expatriates to fill various key and managerial positions, or where there are pressures from the people in their operational base, send a few people abroad for training to acquire the required skills for the job (Karl, 2005:24). In Gabon, despite the benefit of huge oil revenues during past oil booms, the situation is worsened by the lack of skilled workers which resulted in the engagement of many expatriate workers and the repatriation of much foreign exchange to the detriment of the domestic economy (Toungui, 2006:3). Consequently, a substantial amount of funds are repatriated from the oil-dependent countries back to the various developed countries through the payments of expatriates' salaries, allowances and training.

Table 2.5 below shows the distribution of oil and gas industry suppliers worldwide by country of origin, which includes the supply of rigs, vessels, other personnel and services to both offshore and onshore operations; such companies also serve as contractors and joint venture partners in the various oil producing countries (Wade, 2004). The table indicates that the supply and service business of the oil industry globally is dominated by the IOCs which mostly originated from the West, and leading in that category is the United States of America followed by the United Kingdom, Canada, and other European countries, Australia, France and Norway in that order (ibid). The high technology and capital-intensive demand of the oil industry business, which only oil servicing companies mostly from the Western developed countries can meet, made it possible for a substantial share of the multi-billion dollar revenue, of the oil business still to be repatriated to the countries of origin of the major multinationals, at the expense of most developing oil producing countries who also produce cash calls to the Joint Venture Agreement (JVA) or

Table 2.5: Oil and Gas Industry Suppliers (onshore and offshore) by Country of Origin

S/NO	Country/Region	Number of Companies Listed	Percent share in total
1	United States of America	2977	49.1
2	United Kingdom	1038	17.1
3	Canada	772	12.7
4	Other Europe	147	2.5
5	Australia	146	2.4
6	France	124	2.0
7	Norway	108	1.8
8	Netherlands	96	1.6
9	Singapore	94	1.6
10	Other South America	61	1.0
11	China	54	0.9
12	Germany	45	0.7
13	Italy	40	0.7
14	Indonesia	38	0.6
15	South Africa	30	0.5
16	Other Asia	27	0.4
17	Venezuela	26	0.4
18	Russia	26	0.4
19	Other Central Asia	26	0.4
20	Brazil	23	0.4
21	Denmark	22	0.4
22	Mexico	21	0.3
23	Other Africa	21	0.3
24	Nigeria	18	0.3
25	Malaysia	18	0.3
26	Thailand	18	0.3
27	New Zealand	17	0.3
28	South Korea	13	0.2
29	Trinidad and Tobago	7	0.1
30	Other North America	6	0.1
	Total	**6061**	**100.0**

Source: (Wade 2004, Klueh 2007; 10, and INTSOK, 2003).

Production Sharing Contract (PSC) as the case may be with the IOCs. Consequently, local or national content development policies were introduced in many oil-producing countries from the late 1930s onwards, the main aim of these policies being to increase local participation, and create and improve inter-sectoral linkages between the oil industry and the domestic economy so as to benefit the citizens both in the down and up streams of the petroleum sector.

Table 2.6 below indicates the local content policy implementation and outcome in six selected oil producing countries. In the pursuit of these policies in various oil producing countries, some have succeeded in achieving their goal and have brought immense development to them, for example the success recorded in the development of North Sea oil by firms from the United Kingdom and Nordic countries; motivated not just by a nationalisation ideology but by efficiency and best practices, then gained control and maintained their consistent presence in both the upstream and downstream of the oil industry across the globe (Klueh et al, 2009:1140). On the other hand the outcome has not been the same for most other oil producing countries who embarked on the implementation of local content policy; thus, Mexico nationalised its entire oil sector in 1938 and PEMEX the national oil company (NOC) took over the entire operations from exploration to refining and the distribution of all petroleum products, but the lack of competition led to corruption in the sector (INTSOK, 2003: 16-17). It went through a process of reform and was commercialised in 1992 and sub-divided into four companies before it could increase its technology acquisition and oil reserves, but they still lack efficiency in their operations. Indonesia has also not been able to achieve the 35% target for the local content it sets for itself (ibid).

Table 2.6: Local Content Policy Implementation and Outcome in selected Oil Producing Countries

Economic Criteria	Norway	Brazil	Mexico	Malaysia	Indonesia	Nigeria
Accountability	1965: Norwegian Petroleum Law enacted; emphasis on joint ventures, govt. equity participation & local content. 1970s: NOC Statoil & Norsk Hydro was established. 1972: Goods & Services Office was formed to act as a watch dog on the procurement and technology policies of foreign companies.	1953 NOC PETROBRAS was formed and granted exploration and production licences throughout Brazil. Mid 1990s: National Petroleum Agency (ANP) established to regulate oil sector activities and ensure local companies benefit from oil projects in the context of competitive leasing system of oil block	1917: Ownership and right to oil exploration was transferred to the State. 1938: Entire industry nationalised and NOC PEMEX established, Article (27) of the Mexican constitution guarantees its monopoly both in the upstream and downstream of the oil sector.	1974: NOC, PETRONAS, established and has been the major driver of the local content; it set registries of licensed local oil and gas companies.	1950s: New regulations vested the ownership and right of oil and gas exploration and development in the State. The NOC PERTAMINA was formed in 1968 to regulate the industry and manage Production Sharing Contracts with the IOCs but in 2003 it became a PLC company to exploit oil locally and overseas.	The Nigerian Petroleum Act of 1969 granted the exclusive right to exploit oil in the State. The NOC NNPC was established in 1977 and vested with the industry's regulatory right. It manages agreements with the IOCs through its subsidiary NAPIMS
Metric/ Definition	Article 54 of Royal Decree of 1972 directed government to support local companies provided they were competitive in prices, quality, schedule & service. To monitor this all contract exceeding NOK 1 million were to be reported by IOCs to the Oil and Energy ministry. 1995 Norway joined the EEA and amended Article 45 to comply with its trade agreement; and emphasis changed to	The National Petroleum Agency (ANP) specifies detailed local content percentages on the purchase of goods and services for exploration and development of on-shore and off-shore operations. One of the criteria for winning a license is a strategy for local content and training of local staff.	IOCs were excluded from the operations of the oil sector except for capacity constraints. The industrial development plan regulation imposed on PEMEX and other companies to source capital goods locally if the price is less than 15 per cent high than similar imported goods including freight. The	PETRONAS' monitoring of local companies defined by (i) local equity participation; (ii) employment creation and use of local inputs. Its participation in Production Sharing Contracts (PSC) includes recommendations on the purchase of goods and services locally to maximum extent	The Department of Energy and Mineral Resources is responsible for policy and regulation while Oil and Gas Regulatory Body (BP Migas) is responsible for controlling and developing the local content policy. Local suppliers are defined as suppliers producing in Indonesia regardless of the ownership of the company.	NAPIMS has the strategic role to enhance local content - defined in terms of value added in Nigeria or by Nigerians without compromising quality, health, safety and environmental standard, training and stimulating indigenous participation in the oil and gas sector. The ministry of petroleum administers the license bidding rounds for exploration, prospecting and

	support the international expansion of local oil industry.		supplies to the upstream oil sector are largely Mexican.	possible.		mining while the DPR set standards and supervise these operations.
Efficiency Considerations	Initial conditions were favourable, when oil was discovered is the 1960s, Norway had considerable industrial technical capacity. Statoil was pivotal on technology transfer and personnel training.	1970s: PETROBRAS engaged many IOCs in the early years of off-shore development. In the 1980s the focus was on the development of domestic technology through partnering with IOCs	In 1992 PEMEX was commercialized and divided into four companies. Its improved technology led to increase reserves and growing modern petrochemical industry.	Malaysia has developed a considerable supply industry. PETRONAS has grown into a fully integrated multinational oil company with operations in 24 countries.	PERTAMINA operates few smaller fields and mainly in Production Sharing Contracts with IOCs. It has now refocused on the oil business based on the principle of effective and efficient management.	In Production Sharing Contract (PSC) with the IOCs the government is trying to meet efficiency in oil producing standards and local content targets by engaging local companies and technology.
Acknowledgement of spin- off effects into non-oil economy	Non-oil sectors; maritime and processing industries integrated into the oil sector suppliers; there is a holistic industrial development that balances the growth between the oil and non-oil sectors.	PETROBRAS has an aggressive investment programme in oil production. It also established a number of mainly heavy energy-intensive industries.	The national economy went through a turn by means of alliances with the oil industry leading to industrial development and high indexes of employment.	Malaysia has attracted substantial FDI in the non-oil manufacturing sectors and experienced overall rapid economic growth and development.	Invested in other sectors such as shipping fertilizers, steel. Have a reasonably stable macroeconomic environment and have experienced a rapidly increasing non oil industrial development.	The oil sector has had limited positive effect on the non-oil sector. Manufacturing industrial capacity has been below 30% for over two decades.
Share of local content achieved in the oil industry	50 percent	Minimum 30 % offshore,70 % onshore	Above 80 per cent	70 per cent	About 25 per cent	5-15% in 2003 and less than 20 % in 2008

Source: (INTSOK, 2003; Wade, 2004; Klueh et al, 2007 and 2009)

Karl (2005) also states that economic growth rate is faster in the non oil-dependent countries because of the high demand for education particularly from the manufacturing sector, where skill accumulation is also faster and there are lower wealth inequalities. This is achieved via increased productivity and not just through huge revenue transfers from petrodollars (ibid). This is not the rule for all oil-dependent countries as a group it varies from one country to another, while the backward integration development process between the oil sector and the other sectors of the economy have sparked deep conflict and unrest in the oil producing areas in some oil-dependent countries. The progressive development experiences of the GCC since 1990s have proved that it is not just oil dependency that is solely responsible for the resource curse, but the way such huge revenues are managed that will determine the outcome on the individual countries. Auty (2006:1) on his part asserts that the capital-intensive nature of the oil business usually brings about an artificial sense of an assured better future for the citizens of such countries, but while most of the oil revenues are banked abroad to 'service foreign capital', the central government collects the royalties and other tax and in some cases receives a meagre amount of compensation for bearing the real costs of oil production.

2.2.2 Internal or Domestic Explanations for the Resource Curse

According to V.I. Lenin 'The rentier state is a state of parasitic, decaying capitalism, and this characteristics influences all the socio-political conditions of the countries concerned' (Tucker, 1975). Rent-seeking is about the social cost of rent as the resources of energy, time, capital and skills deployed by lobbyist and oil bureaucrat in the pursuit to catch a certain percentage of the resource rents that can be used to generate or improve business, which would have a multiplier effect on the economy and lead to growth (Svensson, 2005:21, Torvik, 2002 and U4.no, 2008:21). Resource abundance might also result in a rentier state whose nature is predatory, where corruption, political conflict and inequalities are common, entrepreneurship, innovations, and human capital accumulation are crowded out, their economic institutions are poorly managed and the government authorities' major interest is in resource transfers rather than economic development (Auty, 2001). The prescriptions by economists and political scientists for the problems of resource curse in mineral resource-dependent countries and particularly the oil-exporting countries

include among others: introduction of a new tax regime; stabilization funds to level out price volatility; adoption of a more liberal foreign exchange rate regime and allied economic policies to alleviate the Dutch disease; and increased investment in human resources. However, none of these have performed as expected in most developing oil-exporting countries (Karl, 2005:25). This is because much of the problem is fundamentally political in nature rather than just economic, that is, moving away from solely econometric analysis based on surplus and flows to see the consequences such flows have on the ways in which political structures are formed. For a successful implementation of these prescriptions Karl (2005) argues that "capable states and relatively high levels of governance are necessary" (Ibid). The rentier state will be analysed under the following four characteristics: (1) excess oil revenues and poor governance, (2) political instability and civil war, (3) corruption and feeble democracy, and (4) lack of linkages and tax problem.

2.2.2.1 Excess Oil Revenues and Poor Governance

The overdependence on excessive oil revenues in most oil-dependent developing countries results in poor governance and a low level of economic growth and development. Overdependence on oil exports and the accruing revenues is accompanied by weak public institutions with no competence in handling the challenges of oil-led development (Karl, 2005:25). In his analysis Collier (2009:15-17) posited that the understanding of the interaction between natural resources and politics is important, because each affects the other either in a positive or negative way. In his simple conceptual framework, he characterised three ways in which this interplay between natural resources and politics works out. The first category is a situation where the economic development opportunities created by the abundance of natural resources cannot be exploited due to a weak political system. The second occurs when the presence of huge resource revenues leads to the deterioration of governments and its institutions, the third is a political system that has already developed before the inflow of huge resource revenues becomes a major foreign exchange earner, and this is the best-suited system to get the very best out of natural resources. When the state apparatus in any oil-dependent country is weak and not fully formed before the advent of excess oil revenues, this results in the development of a rentier state – 'one that lives from the profits of oil' and this is all about timing (Karl, 2005:26). For example, in Norway the state apparatus for good governance

had been fully formed and functioning before the influx of oil revenues, so it was easy for the society to deal with and overcome the intricacies and challenges of such oil income.

Resource rents provides the private sectors various incentives to develop; in countries with 'grabber friendly'[9] institutions where poor protection of property rights and a high level of corruption are evident the existence of huge resource rents may adversely affect economic growth and development by encouraging predation and rent-seeking, while the reverse is the case for countries with 'producer friendly'[10] institutions, where the opportunities provided by natural resource rents are utilised and serve as a catalyst for productive investment resulting in growth and development (Mehlum et al, 2006:4-13 and Torvik, 2009:9) In essence, countries with good institutions utilise abundant revenues for socio-economic development, while high corruption and bad governance structures lead to less growth. In the same vein Torvik (2002) posited that at the instance of the influx of huge oil revenues, entrepreneurs in most oil dependent countries are presented with the opportunity to engage less in creating more businesses, and instead go for rent seeking in order to capture their portion of the oil revenues. This results in reduced industrial production capacity utilisation and low income because rent seeking has a negative economic multiplier effect.

In the rentier state there is no separation between political power and economic influence, public and private, as they all centre on the rulers, and rent seeking becomes their strategy for wealth creation rather than productive use of the revenues (Karl, 2005). A good example is the case in some of the Middle East countries like Saudi Arabia, which has the highest proven oil reserve and oil production in the world, where the governance of oil revenues is not separated from the monarchy. In other countries various regimes use oil rent distribution to support associates that keep them in power, and this leads to "further economic distortions, depresses the efficiency of investment, entrenches opposition to economic reform, and permits

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9 Grabber friendly institutions is a situation in which rent-seeking and economic production are competing for the resources and opportunities provided by mineral rents (Mehlum et al, 2006:4-13)

10 Producer friendly on the other hand means that rent-seeking acts as a catalyst to economic production in a complementary manner (Mehlum et al, 2006:4-13)

distortions to build behind protective barriers," all leading to dismal economic growth or imminent collapse (ibid:26).

2.2.2.2 Political Instability and Civil War

Political crisis and war in resource-dependent countries particularly oil, are not limited only to the boundaries of their respective countries, but go far beyond it, "From the nineteenth-century battles over the Caspian Sea to the Gulf War of the 1990s, oil has been the prize in numerous military conflicts" (Spero and Hart, 2003:229-30). The global consequences of the invasion of Iraq by the United States-led allied forces in 1990 to 1992, and since 2003 have been far reaching. The intermittent skyrocketing increases in the oil prices is the main direct cost to the world economy, and with its macroeconomic repercussions is 'approximately $1.1 trillion' which 'dwarfs all other economic cost' (Stiglitz and Blimes, 2008:132-160).

Part of the consequences is the soaring cost of transportation in most countries, including the oil exporters, and increasingly resulting in 'higher food prices' (ibid). Beyond the threat to global peace and security through the growth of resistance and extremism throughout the world, the humanitarian and economic costs are also alarming not only in Iraq but also to the neighbouring countries of Syria, Lebanon, Jordan and Egypt; civilian death estimated at over 100,000 people and '4.6 million people- one of every seven Iraqis uprooted from their homes' by December and September 2007 respectively; an estimate of over $1 billion for Jordan alone and $123 million budgeted by the UNHCR in 2007 for the up-keep of Iraqi refugees (ibid). Also notable were the conflicts over offshore tracts in the Gulf of Guinea between Nigeria and Cameroon at Bakassi Peninsula, and between Nigeria and Equatorial Guinea at the Zafiro undersea oil field (Klare, 2001:230).

The struggles amongst various factions and political groups to control political power at the centre in resource- dependent countries goes beyond corruption, it actually leads to political violence and may degenerate in many cases to civil war if not properly managed. This is because those who control political power at the centre are the custodians of the revenues that accrue from the resources. Studies show that oil and mineral resource-exporting countries are more vulnerable to violent conflicts that

are particularly secessionist in nature; they also last longer with higher casualties than conflicts with no resources to capture, and are mostly located in the regions where the natural resources are located (Collier and Hoeffler,2004, 2006 and Lujala, Gledditsch and Gilmore, 2005).

Table 2.7: Civil Wars, Rebellion and Militancy in selected Oil and Mineral Dependent States

	Country	Duration	Resources
1	Algeria	1991-2001	Oil
2	Angola (UNITA)	1975-2001	Diamonds
	Angola (Cabinda)	1992-2001	Oil
3	Congo, Republic	1997-1999	Oil
4	Congo Democratic Republic	1997-present	Copper, Diamond
5	Indonesia (Aceh)	1975-2005	Natural Gas
	Indonesia (Irian Jaya)	1969-2003	Copper, Gold
6	Iraq	1974/75, 1985-92 and 2003-Present	Oil
7	Liberia	1989-1995	Diamond, Iron ore
8	Nigeria, (Niger Delta region)	1967-1970, 1998-Present	Oil
9	Papua New Guinea	1988-2001	Copper, Gold
10	Sierra Leone	1991-2002	Diamonds
11	Sudan	1983-Present	Oil
12	Yemen	1986-87, 1990-94	Oil

Source: Ross (2001:15) and the Author

Table 2.7 above shows past and present civil wars, rebellion and militancy in twelve selected oil and mineral-dependent countries. The wars have lasted from two to thirty-four years, the longest being gold and copper-rich region of Irian Jaya (West Papua) in Indonesia where the independent movement (OPM) fought the Indonesian national army (TNI) from 1969 to 2003 to gain independence from Indonesia In the same way the free Aceh movement (GAM) also rebelled against the Indonesian authorities to break away the natural gas rich Aceh region. The conflicts in some of the countries have occurred intermittently and still persist, for example the cases of the Congo Democratic Republic, Sudan, Nigerian Niger Delta region and particularly in Iraq from 1974 to 1975, then 1985 to 1992 and from 2003 up to December 2009.

"The discovery of resource wealth in a discontented region may add fuel to separatist sentiments" (Ross, 2001:15). For example the Biafra rebellion in Nigeria, the

Cabinda enclave in Angola, and the Aceh rebellion in Indonesia. Karl (2005) argues that 'Oil may be the catalyst to start a war; petrodollars and pipelines may serve to finance either side and prolong conflict and this, of course, is the biggest resource curse of all' (Karl,2005:26). The Azerbaijan government's additional US$35 million in military spending to the 2004 budget did not provide any direct benefit to the citizens (Shultz, 2005:35). Collier (2009) posited that an increase in the prices of natural resources at the international market also increases not just the propensity of conflict in resource-dependent countries, but also the period of war once it has started. In his analysis he identified three reasons for this: the first is that the atmosphere of conflicts creates the possibility for the rebel groups to have illegal access to the natural resource, be it diamond or oil as is the case in Sierra Leone, Angola and Nigeria, and use part of the proceeds from the sales to broaden and sustain the conflict. Secondly, most recruits to rebellion are motivated by loot-seeking above fighting for any political cause; even when the conflict began with a political motivation it will on the long run result in loot-seeking. Thirdly, rebellion might be a consequence of inadequate or lack of accountability to their citizens by governments of most natural resource-dependent countries (Collier, 2009:5-6).

Conflicts create an atmosphere of fear, and may allow rebel or militant groups to illegally tap pipelines to steal oil, or seize gold or diamond mines, or carry out other nefarious acts like kidnapping and extortions to finance and elongate conflict periods. The main motivation behind insurrections, rebellions and wars in resource-dependent developing countries is not just about greed or the desire to loot; in most cases it is resistance to and reaction against long term neglect and socio-economic deprivation in the mineral resource rich regions, the capture and corrupt control of the revenues accruing from such resources by the central governments and their lack of accountability to the citizens. This explains why these type of conflicts over resources are not happening in Norway or other developing resource rich countries such as Oman, Brunel, Qatar, United Arab Emirates and Libya, if the causes of wars are merely because of the presence of natural resources or greed to loot, and not resistance against socio-economic deprivation, marginalisation and lack of accountability, the same conflicts should be happening in other developing resource-rich countries. Thus Ake (2000) concludes that most conflicts so labelled as ethnic conflicts are nothing but democratic conflicts where groups or societies who have

been denied benefits for so long from the national resources struggle to regain their rights and access to the commonwealth as citizens (CODESRIA, 2000:10).

2.2.2.3 Corruption and Weak Democratic Institutions

The sudden availability of huge amounts of money in the form of oil rent in a hitherto poor country, whose state apparatus is weak and not yet properly formed, results in a high level of corruption. According to Shultz (2005:34) this happens in two major ways first, there are possibilities that during the negotiations between the officials of the government and the IOCs involved, bribes and special favours will come into play. "Multinational corporations themselves encourage non transparent relationships. They would rather deal with a few high level government officials than with parliamentary committees" (ibid). Secondly, because oil rents make the government the "biggest spender in town," political clients gather around it influencing the government officials to embezzle and spend recklessly irrespective of how and where the money is spent (ibid). They do this by diverting public funds to their private accounts at home and abroad, through subsidies, protection policies, and the creation of public employment even in government agencies where there are no vacancies (Karl, 2005:25). For example in Indonesia,

> President Suharto used the state oil company as a secret reserve to control oil revenue and to dispense funds that the public and finance ministry would have seriously questioned. In 1975 largely as a result of that secrecy and those payouts, the Indonesia oil company had to default on a US$10 billion foreign debt that exceeded the government's foreign debt. The Indonesian government had to bail the company out and suffered from severely reduced borrowing for the rest of the decade. (Shultz, 2005:37)

Collier and Hoeffler (2009) also find out from their studies on the effects of resource rents on economic performance of democracies that rents 'undermine the normal functioning of democracies' by governments deploying some amount of money to remain in power through patronage. Patronage[11] is prominent in resource-dependent countries, where increased rents gives political office holders and various governments the extra incentives to reward their clients (political supporters) to hold

11 Patronage is the use of public resources to secure political power, i.e. politicians exploit their political positions for their own gains, and it is a form of corruption (U4.no, 2008: 21)

on to power and also to buy off political challengers (Torvik, 2009:17; U4.no, 2008:21; Acemoglu et al, 2004). This is done by bloating of public employment, award of highly inflated contracts to clients and through direct vote buying which wastes the resources and ultimately reduces the accountability of government to the electorate (Collier, 2009:8).

For example in the Republic of Niger, where President Mamadou Tandja was re-elected in December 2004 for a second and final term of office, but instead of standing down in December 2009 he has now declared an emergency rule which granted him absolute power after disbanding both the Constitutional Court and parliament (BBC, 2009a). The Constitutional Court had earlier ruled twice against the fraudulent and illegal referendum of August 2009 that give him a landslide victory to stand for third term in office, while his political clients claimed the president has improved the economy and should remain longer in office (ibid). Another example is in Gabon where Ali Ben Bongo the son of Africa's longest serving head of state, the late Omar Bongo, was declared winner of the 3rd September 2009 presidential election on the back his father's political cronies; the opposition has described the victory as 'a constitutional coup d'état and was fixed in order to ensure a dynastic succession' (BBC, 2009b).

Political leaders in most developing oil-exporting countries also normally prefer mega-projects where they can easily collect bribes and kickbacks[12.] rather than long-term and sustainable investments that can bring a change in the economic lives of the citizens (Karl, 2005:26). Consequently a substantial part of the revenues from the 1970s oil booms were invested locally in most of the OPEC countries but these supposed massive investments not only generated negative growth but also put most of the countries into huge debts and worse balances of payments (Gelb, 1988). Because most of the investments were also politically motivated and inefficient they have no economic significance and multiplier effects. Keefer and Knack (2007) also reiterate that such exorbitant public investments are common in these countries

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12 Kickbacks are the additional margins, sometimes running into millions of USD, put on the quoted prices of project contract amounts by top government officials or their cronies in agreements with the contractor or supplier, and paid to them by the contractors after the contract have been awarded. In some cases they are paid upfront before the contract is awarded.

because of weak governance institutions, and more limited checks and balances than in the developed countries, whose governance structures are fully developed and are made accountable to the taxpayer.

Table 2.8 shows the World Bank aggregate and individual governance indicators for the selected countries, from 1996 to 2008, on six dimensions of governance. Most of the resource-dependent developing countries are at the low end of the indicators of governance and other institutional qualities such as rule of law, political stability, accountability and others. The overall index is from -15 to +15 with 15 as the highest obtainable score, based on the score of -2.5 to +2.5 for each of the six governance indicators. Norway, Canada, Chile and Botswana scored above 4 points in that order, and United Arab Emirate, Malaysia and Trinidad and Tobago followed although with lower point but still positive; all the other thirteen countries were in deficit with Democratic Republic of Congo DRC in last place with an overall index of -10.13, Venezuela -6.86 and Saudi Arabia the world leading oil producing country with -1.51 in the overall index (World Bank, 2009).

The resource curse works by destroying domestic economic and political institutions in natural resource-dependent countries, since the presence of oil or minerals gives rise to rent seeking and corruption, which adversely affect the climate of investment and growth (Sala-I-Martin, 2004:79). This in turn has a repercussion as it gives governments of these countries incentives not to diversify their revenue base in the collection of tax. Therefore becomes less accountable to the citizens.

Table 2.8: Governance Quality Indicators in Selected Countries 2008

S/N	Country/ Group	Voice + Accountability	Political stability	Governance Effectiveness	Regulatory Quality	Rule of law	Control of corruption	Overall Index
1	Norway	1.53	1.33	1.95	1.34	1.96	1.88	9.99
2	Canada	1.43	1.03	1.93	1.66	1.81	2.03	9.89
3	Chile	0.98	0.56	1.24	1.58	1.25	1.31	6.92
4	Botswana	0.55	0.96	0.67	0.52	0.64	1.00	4.34
5	United Arab Emirates	-0.98	0.74	0.82	0.58	0.75	1.02	2.93
6	Malaysia	-0.58	0.13	1.13	0.27	0.49	0.14	1.58
7	Trinidad and Tobago	0.53	0.08	0.30	0.62	-0.25	-0.17	1.11
8	Saudi Arabia	-1.74	-0.39	0.01	0.17	0.33	0.11	-1.51
9	Indonesia	-0.14	-1.00	-0.29	-0.27	-0.66	-0.64	-3.00
10	Niger	-0.41	-0.75	-0.79	-0.52	-0.80	-0.82	-4.09
11	Algeria	-1.05	-1.15	-0.50	-0.79	-0.70	-0.44	-4.63
12	Libya	-1.90	0.48	-0.84	-0.93	-0.65	-0.81	-4.65
13	Ecuador	-0.22	-0.83	-0.97	-1.14	-1.23	-0.79	-5.18
14	Angola	-1.07	-0.43	-0.98	-0.94	-1.28	-1.22	-5.92
15	Nigeria	-0.60	-2.01	-0.98	-0.62	-1.12	-0.92	-6.25
16	Iran	-1.48	-1.06	-0.75	-1.63	-0.8	-0.71	-6.43
17	Iraq	-1.26	-2.69	-1.41	-1.09	-1.87	-1.48	-6.43
18	Congo	-1.16	-0.61	-1.34	-1.19	-1.16	-1.16	-6.62
19	Venezuela	-0.62	-1.23	-0.85	-1.44	-1.59	-1.13	-6.86
20	Congo (DRC)	-1.48	-2.34	-1.89	-1.43	-1.68	-1.31	-10.13

Source: World Bank (2009)

2.2.2.4 Lack of Linkages between Taxation and Governments' Accountability.

By the 1980s, most governments in the developing resource-dependent countries had nationalised their oil and mineral sectors "to capture the economic rents that were once repatriated by foreign multinationals" (Ross, 1999:305), but beyond the various nationalisation, the gap between taxation- and- state accountability link has widened after the 1980s. Most governments only collect oil revenues in the form of taxes and profits earned by state-owned companies, or as royalties or rents from IOCs, without other efforts to increase their non-oil revenue base. This arrangement and the availability of excess oil revenues do not give state officials the incentive to either establish or enforce a separate coherent tax system apart from the collection of oil

rents, therefore "breaking a critical link between taxation, representation, and state accountability" (Karl, 2005:24).

The reason for this is inherent in the predatory nature and character of the political leadership of most of the resource-dependent countries. Collier and Hoeffler (2009) argued that politicians see scrutiny as belonging to the public, and it is only enforced if the government collects tax from the citizens; they are aware that a coherent tax policy and its implementation would bring more revenue, but would not give the government officials room for massive embezzlement of the huge resource revenues. Because the government wants to avoid public scrutiny, they are not committed to developing and enforcing taxation. Therefore resource rents not only erode checks and balances, they reduce the provision of public goods in resource-dependent countries, despite the huge earnings in revenues from their natural resources.

The various ways in which mineral dependency have had negative effects on the economic growth of mineral-dependent countries have been reviewed here, looking at the exogenous and endogenous explanations. The next section 2.2.3 will now look at the impact of mineral dependence not just on economic growth but on human development, which is an indicator of welfare or well being in the 44 developing countries earlier ranked according to their MDI in tables 2.1, 2.2, and 2.3. Specifically the changes in their mineral dependence will be examined, and how it has affected positively or negatively their total development as a group, using the human development index (HDI) ranking of the 44 countries and also comparing them with other developing and developed non mineral- dependent and producing countries.

2.3 Human Development in Natural Resource-Dependent Countries

According to the UNDP:

> Human development is about putting people at the centre of development, it is about people realising their potential, increasing their choices and enjoying the freedom to lead lives they value.

It is beyond just the rise or fall of national incomes or economic growth, it is creating the necessary environment for people to develop their full potential and lead

productive, creative lives in accord with their needs and interest (UNDP, 2000). The HDI published yearly since 1990 encompasses three main components of human development; long and healthy life as measured by life expectancy, education indicated by adult literacy and enrolment at the primary, secondary and tertiary level and a decent standard of living measured by purchasing power parity (PPP) income measured in US dollars (ibid). These go further than GDP in measuring and indicating broader issues of well-being. The HDI itself might not be a holistic determinant of human development, as it does not includes indicators such as the level of human rights, political freedom, and income and gender inequality; however, 'it does provide a broadened prism for viewing human progress and the complex relationship between income and well-being' (ibid). Apart from the additional yearly governance indicators developed by the World Bank, its World Development Indicators (WDI) also uses similar parameters as UNDP's HDI components – life expectancy, education as measured by adult literacy and enrolments at all level of schools and standard of living by purchasing power parity PPP to measure developments across the globe (World Bank, 2009). The WDI also shows similar results as those of the HDI's.

Table 2.9 below presents the 44 developing countries earlier ranked according to their mineral dependency in tables 2.1, 2.2 and 2.3 now ranked according to their level of human development as indicated by their 2009 HDI rank; it also indicates their HDI ranking for 1991 and 2009 and their MDI ranking for 1970 and 2006.

Table 2.9: Mineral Dependency and Human Development in 44 Developing Countries, Ranked by their 2009 HDI.

S/N	Country	MDI Rank 1970	MDI Rank 2006	HDI Rank 1991	HDI Rank 2009
1	Brunei Darussalam	8	6	42	30
2	Kuwait	2	8	48	31
3	Qatar	5	3	50	33
4	United Arab Emirates	3	20	56	35
5	Chile	16	22	38	44
6	Mexico	34	41	45	53
7	Libya	4	4	76	55
8	Oman	1	9	86	56
9	Saudi Arabia	6	10	69	59
10	Venezuela	11	14	44	58
11	Trinidad and Tobago	19	17	39	64
12	Malaysia	26	38	52	66
13	Brazil	38	39	60	75
14	Colombia	37	34	61	77
15	Peru	22	27	78	78
16	Ecuador	42	24	77	80
17	Iran	13	16	92	88
18	Jordan	31	42	83	96
19	Tunisia	23	43	90	98
20	Jamaica	21	25	59	100
21	Gabon	18	12	97	103
22	Algeria	10	7	102	104
23	Syrian Arab Rep.	35	33	72	107
24	Indonesia	24	36	98	111
25	Bolivia	14	26	110	113
26	Egypt Arab Rep.	40	29	114	123
27	Botswana	36	13	95	125
28	Namibia	17	31	105	128
29	South Africa	27	35	57	129
30	Morocco	28	44	108	130
31	Congo	32	5	115	136
32	Angola	30	1	147	143
33	Papua New Guinea	43	18	117	148
34	Cameroon	39	30	119	153
35	Mauritania	12	28	148	154
36	Nigeria	20	11	129	158
37	Togo	29	40	131	159
38	Zambia	9	23	118	164
39	Guinea	44	15	158	170
40	Congo (Dem. Rep)	15	19	124	176
41	Sierra Leone	25	21	160	180
42	Niger	41	32	155	182
43	Iraq	7	2	91	126*
44	Zimbabwe	33	37	111	130*

HDI rankings is from 1 (highest level of human development) to 174 and 179 (lowest) for 1991 and 2009 respectively. *Figures for year 2000 as Iraq and Zimbabwe were not ranked in the 2009 HDI Ranking.
Source: (UNCTAD, 2008:122-132, 409-425, UNDP, 1991, and 2009 and Davis, 1995: 1770/1).

From the table the top 5 ranking were mineral-dependent countries, and out of the top 10 countries in human development ranking 8 were mineral-dependent. These countries were not only top ranking above the less and non mineral-dependent developing countries for 1991 and 2009, but the progress had also been faster than the non mineral-dependent countries; Brunei Darussalam from 42nd to 30th position, Kuwait from 48th to 31st, Libya from 76th to 55th, Oman and Saudi Arabia from 86th to 56th and 69th to 59th respectively while maintaining or even increasing their MDI alongside. Within the same period other mineral-dependent countries depreciated in human development as indicated by the HDI rankings for 1991 and 2009; Trinidad and Tobago, Venezuela, Colombia, Indonesia, Papua New Guinea and Botswana went from 39th to 64th, 44th to 58th, 61st to 77th, 98th to 111st, 117th to 148th and 95th to 125th respectively.

Despite these decreases, the level of human development in some of the countries like Trinidad and Tobago, Venezuela and Colombia is at par with or better still than other major non mineral-dependent and industrial developing economies such as China and India, which ranked 94th and 132nd position on the HDI respectively. On the other hand, the six countries that was permanently non mineral-dependent in tables 2.1 to 2.3 throughout the 36 years period from 1970 to 2006 also depreciated in their ranking of human development from 1991 to 2009; Mexico from 45th position in 1991 to 53rd in 2009, Malaysia from 52nd to 66th, Brazil from 60th to 75th, Jordan 83rd to 96th, Morocco from 108th to 130th and Zimbabwe from 111th to 130th.

Table 2.10 below, which ranks selected major oil exporters according to their HDI for 2009, shows similar results; it also has the HDI and oil dependence for 1995, 2000 and 2006, and their average oil revenue as percentage of GDP and total revenue from 1992 to 2005. The top-ranked 6 countries, apart from Norway which is a developed state, are developing oil -dependent and had progressive HDI ranking from 1991 to 2009 comparable to any other non oil and mineral-dependent countries. Brunei Darussalam and the four leading Gulf Cooperation Council (GCC) countries of Kuwait, United Arab Emirate, Bahrain and Qatar have recorded high level of not only economic growth, but human development as indicated by the HDI from 1991 to 2009. The GCC, founded on 26 May 1981 with a collective aim to promote

coordination between member states in economic, political and other areas to achieve unity, also includes Oman and Saudi Arabia.

Table 2.10: Selected Major Oil Producing Countries and Human Development Rankings, 1995, 2000, 2006/2008

S/N	Country	1995 Oil Dependence	1995 HDI Rank	2000 Oil Dependence	2000 HDI Rank	2006 Oil Dependence	2009 HDI Rank	1992-2005 Oil Revenue as % of GDP	Total Revenue
1	Norway	47.3	7	63.9	2	67.8	1	9.2	17.2
2	Brunei Darussalam	91.1	41	89.3	32	96.2	30	32.0	81.2
3	Kuwait	94.7	61	93.5	36	94.3	31	39.3	68.3
4	United Arab Emirates	71.8	45	76.2	45	51.3	35	20.9	62.6
5	Qatar	80.2	50	89.5	42	89.7	33	26.0	65.7
6	Bahrain	52.3	51	72.5	41	79.1	39	18.7	63.0
7	Libya	94.8	73	92.6	72	90.6	55	29.7	65.3
8	Oman	78.6	91	82.5	86	94.7	56	32.8	77.1
9	Venezuela	76.3	47	86.1	65	92.6	58	15.3	52.5
10	Saudi Arabia	86.8	76	91.5	75	89.2	59	25.3	77.0
11	Iran	85.8	70	88.9	97	83.3	88	15.7	58.8
12	Gabon	82.7	114	83.3	123	85.6	103	16.6	56.3
13	Algeria	95.2	85	98.1	107	98.1	104	21.6	64.8
14	Congo	87.6	122	82.7	139	90.3	136	18.3	64.7
15	Angola	93.8	164	91.1	160	97.5	143	32.9	83.6
16	Nigeria	92.5	109	99.6	151	95.0	158	24.0	73.8

Oil Dependence is the ratio of oil, gas, and coal exports to the merchandise exports.
Rankings is from 1 (highest level of human development) to 174 and 179 (lowest) for 1995, 2000 &2009 respectively.

Source: UNDP, 1995, 2000 and 2009; IMF, 2009 and UNCTAD, 2008.

Since the early 1990s the GCC countries have undertaken massive strategic investments at home, developing free-trade zones for manufacturing and other facilities that will attract more businesses, for example the multibillion-dollar King Abdullah Economic city; the Bawadi tourist and leisure resort project in Dubai; the 720,000-ton-per annum Emirates Aluminium (EMAL)'s smelter due for completion in 2010 – with a capacity close to 5% of the world's total capacity; Abu Dhabi Knee and Sports Medicine Centre; and the Saudi Power Network (Abdelal et al, 2008). On the foreign scene SABIC acquired UK-based Huntsman Petrochemicals and Massachusetts based GE Plastics for $700 million and $11.6 billion in 2006 and

August 2007 respectively. Abu Dhabi Investment Authority invested $7.5 billion in New York based Citigroup to revive it from loses in mortgage-backed investment among others (ibid). Such investments were made possible by huge savings which now amount to about US $1.5 trillion in funds and assets under the management of their various countries' Investment Authorities- about 39% of the global total Sovereign Wealth Funds (SWF) of $3.8 trillion at the end of August, 2009 at a time of global financial crisis (SWF Institute, 2009).

In addition to these savings the GCC countries have over 496 billion barrels (about 40%) of global oil reserves and 1494.2 trillion cubic feet (23%) of world natural gas reserves with reserves-to-production(R/P)[13] ratios from 20 to over 100 years (BP, 2009:6-8;22-24). All these investments were not only on the back of unprecedented increases in the prices of oil, but also their sound management of the huge influx of revenues. In the past oil booms of the 1970s and 80s, their petrodollars were invested in the United States Treasury bills and other Eurodollar investments in international banks managed by mostly American commercial bankers, making the US an influential factor in the international financial system; however, since then they refused to fall into complacency or be lured into living absolutely on their colossal build-up of wealth (Abdelal et al, 2008:3).

The GCC states are now:

> Developing a world-class industrial and service economy- making them a destination tourism, real estate, health care and alternative energy; aggressive development of financial sector and creating leading-edge sustainable infrastructure; competing for talents by drawing leadership talents from the United States, Europe and across the globe; already partnering and investing by buying minority stakes in major Western companies in banking, hospitality and telecommunication; and financing capital shortfalls in the West –buying US securities and financing roughly one-quarter of the United States' current account deficit (ibid).

The Qatar Investment Authority has also been deploying part of its $65 billion SWF in buying up stakes 'in established brands or troubled companies in need of cash' and

[13] Reserves to production (R/P) ratios is the length of time that the remaining oil and gas reserves would last if production were to continue at the previous year's rate, calculated by dividing remaining reserves at the end of the year by the production in that year.

six years after its establishment in 2003 it 'has become the biggest shareholder in Barclays Plc, J. Sainsbury Plc and Credit Suisse AG' (Bloomberg, 2009).

If the present level of high investment and progressive human development continues, Brunei and the four GCC countries will soon catch up with the level of human development in some of the high income OECD member countries as some have been on the downward trend in the HDI ranking for almost two decades; for example the United States dropped from 7th to 13th position from 1991 to 2009, and according to the US Bureau of Economic Analysis with a 2007 $738 billion current-account deficit it has become the greatest debtor nation in the history of modern capitalism, the GCC have financed about one quarter of these current account deficit directly or indirectly (Abdelal, et al, 2008:5). The United Kingdom also dropped from 11th to 21st, also with a net debt of £800.8 billion equivalent to 56.8% of GDP at the end of July 2009, and has run deficit budgets since 2002/2003; debt to GDP ratio also grew from 35.6% in 1999/2000 to the July 2009 level as mentioned above (HM Treasury, 2009: 1-7). Germany, the most industrialised country in Europe also decreased from 14th to 22nd position as indicated by the table (UNDP, 1991 and 2009).

The average budget deficits of the rich countries have ballooned to about 10 per cent of GDP and IMF posits that:

> The gross government debt of the rich world's big economies will reach an average of 115% of GDP by 2014 and continue to rise thereafter in some places, notably America. The weight of this debt will eventually push up interest rates, crowd out private investment and sap economic growth, far nastier outcomes from out-of-control inflation to outright default are conceivable (The Economist, 2009b:18).

Most of the economic analyses on the resource curse have been undertaken by running regression analysis, and in most cases the GCC countries are treated as though they were not part of the resource-dependent group; they are actually the leading ones and at the same time have been experiencing not only economic growth and quality human development since 1990s, but have accumulated huge savings and investments that now drives international capital by their various investments at

home and internationally. Most of the explanations for the negative effects on growth of oil and mineral-dependence on the natural resource-dependent countries which were applicable in the 1970's and early 1980's are no longer applicable to all the resource-dependent countries, particularly the top GCC countries, but are evident in the sub Saharan Africa and other developing natural resource-dependent countries.

With regard to internal explanations such as political instability and civil war, most of the wars that have occurred and are still going on in the natural resource rich countries of the Middle East such as Iraq are not ordinarily instigated because of the presence of oil and gas, but due to the resistance by the various countries against the rapacious economic interests of the West led by the United States and its allies, mostly under the pretext of wanting to install democratic governance at all cost. Secondly, other internal explanations such as institutional deficiencies; excess oil revenue leading to poor governance, corruption and weak democratic institutions; and lack of linkages between taxation and government accountability also have no evidence in Brunei and other top GCC countries because of the creation of their various Investment Authorities to safeguard and strategically invest such huge amount of resource revenue since the 1990s. These investment companies now compete favourably with, or even supersede other such institutional investors globally, showing that they are not only efficient managers of resources, but strategic at building financial and institutional structures that are sustainable and can stand the test of time even when oil and gas is no more.

It takes prudent management and government accountability to experience and continue to manage the rapid economic growth and development that have been taking place in the Arabian Gulf countries of the GCC since the 1990s. In fact the IMF, commenting on the global financial downturn from 2008, states that the Middle East led by the GCC countries have managed the global economic crisis better than other regions of the world, because its energy exporters were able to utilise billions of dollars in oil profits; for example major oil producers like Saudi Arabia, United Arab Emirates and others safeguarded their economies from the pits of the recession by proactively maintaining government expenditure and injecting liquidity into their local banking systems affected by the credit crunch. The Director of the Middle East and Central Asia Department of the IMF, Masood Ahmed stated that:

> The use of reserve buffers for countercyclical spending by oil exporters mitigated the impact on their own economies, and generated positive spillovers for their neighbours. By and large they all responded quickly and decisively. This acted as a bit of a circuit breaker, in terms of not having that shock transmit itself into the non-oil economy (Ahmed, 2009).

Most of the exogenous explanations such as Dutch disease, revenue volatility, rate of extraction and lack of renewability, low economic intersectoral linkage and underemployment are also being addressed by the diversification of the economy into various productive sectors such as manufacturing, tourism, banking and financial services and are now yielding positive results. A good example of how abundant natural resource and proper management of the same can benefit the natural resource rich countries is Norway, the world's fifth and second largest oil and natural gas exporter respectively and one of the richest countries in Europe. Norway has accumulated $396 billion in its Governments Pension Fund-Global since its inception in 1990 (SWF Institute, 2009 and Bloomberg, 2009). This was from oil and gas receipts due to the high oil prices. Secondly, Libya an African oil-dependent and developing country has developed progressively from 76th position on the HDI in 1991 to 55th in 2008, making it the most developed country in Africa in terms of human development, while it maintained a steady oil and mineral dependency as indicated by its MDI ranking in table 2.7 above. The World Bank's WDI also shows similar results using almost the same parameters of measurement as the UNDP's HDI.

But while the governance quality indicators which measured governance quality in selected countries from 1996 to 2008 in table 2.6 revealed the true multiplier effect in terms of progressive positive human development or otherwise in some countries, the indicators did not have any major impact in some of the selected countries. For example apart from political stability where Libya had 0.48 every other governance index was negative, with an overall index of -4.65, as against Botswana with an all positive and an overall 4.34 governance index. If the quality of governance and institutions matter as indicated by the positive development outcomes in Norway, Canada and Chile, then there is a factor beyond these because the progress and quality of human development as indicated by the WDI and HDI is far higher in

Libya than in Botswana with a world ranking HDI from 76th to 55th and 95th to 125th positions in 1991 and 2009 respectively. Apart from the increases in GNI per capita PPP in Botswana from $2,470 to $12,880 which is also higher in Libya at $14, 710 in 2007, in Botswana life expectancy at birth fell from 63 years in 1985 to 51 in 2008 and have increased in Libya from 65 to 74 within the same period (World Bank, 2008). The fall in life expectancy in Botswana might partly be attributed to the AIDS epidemic in Southern African countries, but with other parameters of the HDI and WDI as indicated above, it shows that the decline goes beyond health issues.

The countries at the lower part of not just tables 2.7 and 2.8 above but also the overall HDI rank table of 182 countries are mostly sub-Saharan African countries, whose human development has not improved despite huge increases in both the level of mineral supplies and revenues in the face of three mineral and oil booms. Included in the group are top Africa's mineral and oil exporters; Angola moved up from 147th to 143rd, while Nigeria dropped from 129th in 1991 to 158th in 2009, Zambia 118th to 164th, Democratic Republic of Congo 124th to 176th and Sierra Leone 160th to 180th in the HDI ranking. The irony is that these declines in the level of development and increases in mass poverty happened in the period of unprecedented increases not only in the prices of mineral resources but also in the level of supplies, particularly oil. These are the 'Bottom billion' countries according to Collier (2007); they are resource rich and at the same time have the highest level of poverty. But there is a relationship between the high level of poverty and security and development, which is the focus of the next section.

2.4 The Relationship between Security and Development

The previous two sections have analysed the internal and external explanations for the low economic growth and development in the natural resource-dependent developing countries, particularly those in Sub-Saharan Africa. This section will show there are other issues arising from the interrelationships between security and development that also help to explain the nature of underdevelopment in these countries. From the end of the cold war to the early 1990s there has been an increase in internal and regional conflicts in many developing nations, which have led to massive humanitarian interventions by international NGOs and the United Nations,

and also a new form of global governance by governments in the global North. In essence, it is clear that by 'the mid-1990s the need to address the issue of conflict became a central concern within mainstream development policy', which was previously in the purview of international and security studies (Duffield, 2001:1).

The major explanation for this could be traced to the unequal integration of the South into the global capitalist system and the nature of this continued exploitative relationship between the global North and South in terms of trade, raw materials and cheap labour. The conflicts were further aggravated by the concentration of formal trade, technology and international finance in the North and East Asia since the 1970s, to the severe exclusion of the global south (ibid: 2). For example, corroborating some of the internal and external explanations for the resource curse Duffield (2001) states that:

> Many traditional primary products are no longer required or are too low-priced for commercial exploitation, investment is risky, the available workforce lacks appropriate skills and education, markets are extremely narrow, telecommunications inadequate, politics unpredictable, governments ineffective, and so on (p5)

This exclusion and declining investment particularly in Sub-Saharan Africa has now led to escalating contestation around resource capture - including the state, criminalisation, breakdown of law and order and a global criminal economy network (ibid:6-7). The crisis in the oil producing Niger Delta of Nigeria is a classical example, where the militants in the early 1990s began to attack oil installations, kidnapping IOCs personnel and demanding ransom for their release. This shortly graduated into a large network of gangs in collaboration with high ranking military officers and top government officials stealing oil from the pipelines and selling to foreign vessels at a cheaper price on the high seas. Some of the proceeds are in turn used to buy arms and ammunitions to perpetuate their hold on the oil resources. The adverse social and economic effects of this are not only felt locally within Nigeria but also globally, as any major disruptions to oil production in the Delta or in the Gulf of Guinea sends the price of oil higher in the international oil market.

Therefore the current global security challenges go beyond interstate wars: 'the threat of an excluded South fomenting international instability through conflict, criminal activity and terrorism is now part of a new security framework' in which 'underdevelopment has become dangerous' (Duffield, 2001:2). This has led to the radicalisation of development policy, which is merging conflict resolution with a neoliberal global governance agenda of social transformation of societies in the global South (ibid). Although it is exclusion and contestation for the few resources that has led to the conflicts, viewing underdevelopment as dangerous and as an agent of destabilisation is enough reason for policing and engagement with the governments of the South (ibid:7). For example in the Gulf of Guinea the establishment of the United States African Command (AFRICOM) Africa Partnership Station to police the oil facilities in the region is an unsolicited assistance to protect the energy security interests of the North.

Internationalisation of public policy is also part of the new security and governance framework; governments in the South are controlled by means of 'conditional selective inclusion' (ibid: 7-8). Thus, they are required to execute international laws such as anti-terrorism, anti-money laundering and the Kimberley process, for the sake of global peace and security. The processes of inclusion are sometimes stratified, depending on which side is to profit most (ibid). The international community interest in energy security also contributes to their hesitancy in enforcing greater transparency between IOCs and the various resource-dependent countries. For example the Chad-Cameroon oil pipeline project was initially financed by the World Bank on the affirmation that most of the revenues from the project would be deployed to poverty reduction programmes and other projects in the two countries (Hanson, 2009:3). In 2006 the Bank suspended financial commitment to the project, and after the Chadian government decided it would stop oil production the World Bank not only resumed lending but also relaxed its rules on how the Chadian government expends its oil revenues (ibid).

As analysed in this section, since the mid 1990s there has been a growing interdependent relationship between issues of security and development; 'development is ultimately impossible without stability and, at the same time, security is not sustainable without development' (Duffield, 2001:16). This is more

than just a policy issue, since this merger 'has formed a new complex development-security terrain' (ibid).

2.5 Conclusions

This chapter has explored the challenges of perceived underachievement of economic growth in natural resource-dependent developing countries, particularly the failure to deliver on the potential promises of rapid socio-economic development that mineral resource in this case oil generated. It began with a theoretical review of the political economy of development in oil and mineral-dependent countries, by defining what resource curse is and what it is not. Generally, the resource curse thesis states that the natural resource-dependent developing countries as a group, has experienced lower economic growth than other developing countries. It posits that the resource curse is not just about the endowment of huge oil reserves or mineral deposits, but it is the irresistible dependent on such resources as the main source of government revenue that leads to it. This is calculated in terms of Mineral Dependent Index, MDI which is measured as a percentage contribution of such natural resources to merchandise export and the GDP.

It also did not claim that smaller endowments of natural resources will lead to better economic growth and development neither is abundance of natural resources bad for economic development. But the most important issue is how the wealth generated from such resources is deplored for the benefit of the citizens of the various natural resource-dependent countries. For example, Norway has abundant oil and gas resources and has also experienced high economic growth and development, because it diversified the revenues from oil and gas to other productive sectors of its economy. This consequently created more opportunities for its citizens, and also reduced government's dependence on oil revenues. It then located the origin of the debates on resource curse in the explanation of the Dutch disease on the analysis of the negative effects of the North Sea gas boom on the Dutch economy in the 1960s. This debate was re-energized by the cross-country analysis of (Sachs and Warner, 1995, 2001).

It then gave various explanations advanced by economists, political scientists and other policy makers as to how the natural resource endowment influence low

economic growth. While some posits that not all resources are the same and that those countries that depend on export of 'point source' natural resources –those extracted from a narrow geographical or economic base such as oil in Cabinda region of Angola and the Niger Delta in Nigeria where bulk of the oil reserves are located have experienced slower growth. Others are of different opinion; Stiglitz (2005) argued that not all resource rich countries have performed equally. Broadly put, it distinguishes between the exogenous and endogenous explanations of the resource curse.

The exogenous explanations include Dutch disease, revenue volatility and decline in the terms of trade for primary commodities, underemployment and low intersectoral linkages, and rate of extraction and lack of renewability, Ross (1999:298) also categorised this as the economic explanations. The exogenous explanations are in the form of an external conditions militating against the domestic operation of individual resource-dependent countries. The volatility in the international oil market affects the revenue receipts and budgetary planning process of various oil-dependent countries, for example the sharp decrease in oil prices from a peak of $147 per barrel in July 2008 to less than $40 barrel in January 2009. This transmits directly the instability in the global oil market to the domestic economy which is beyond national control, but the effects can be minimised by putting in place measures to de-link government spending from direct international oil price.

The internal or domestic explanations for the resource curse include; excess oil revenue leading to rent-seeking and poor governance, political instability and civil war as a result of acceleration and contestation around resource capture, oil revenue resulting in corruption and weak governance structure, and huge revenue receipts gives political leaders the incentives to reduce non-oil tax drive; which consequently de-links the government's accountability to its citizens. These are the political explanations of the resource curse, which posits that abundance of natural resources not properly manage leads to rent-seeking or a rentier state. The chapter concludes that the characteristics of a rentier state are predatory, corruption, political conflict and inequalities are evident on a massive scale. Because rent-seeking is a major pursuit entrepreneurship, innovations, and human capital development are not priority. Therefore their economic institutions are poorly managed and the

government authorities' major interest is in resource transfers rather than economic development (Auty, 2001).

This chapter also argued that most of the economic solutions prescribed for the problems of resource curse such as the introduction of a new tax regime, stabilization funds to level out price volatility, adoption of a more liberal foreign exchange rate regime and allied economic policies to alleviate the Dutch disease among others; has not performed as expected in most developing oil-exporting countries (Karl, 2005:25). The main reason is because much of the problem is fundamentally political in nature rather than just economic, that is moving the argument away from solely econometric analysis based on surplus and flows to see the consequences such flows have on the ways in which political structures are formed. To see this happen 'capable states and relatively high levels of governance are necessary' (Karl, 2005)

Most of the endogenous and exogenous explanations for the resource curse mentioned above are evident in almost all of the resource-dependent developing countries in varying levels. This chapter argued that the main explanations why the huge income from natural resources have resulted in underdevelopment, mass poverty, conflicts and civil wars, are endemic corruption, mismanagement and the exorbitant profligacy of most political class and leadership of these countries both military and civilian regimes. This situation is not also helped by the non transparent relationship encouraged by the multinational corporations exploiting the resources on behalf of the government, because they prefer to deal with few top government officials instead of parliamentary committees during contract awarding stages; where bribery and special favour comes into play. Another dimension to the governance crisis is the illegal perpetration of political leaders of the natural resource-dependent developing countries, particularly in Africa. They engage in undemocratic means to stay on in power irrespective of their performance record, for example Mamadou Tandja of Niger Republic conducted an illegal referendum to stand election for the third term. In Angola Mr Jose Eduardo dos Santos, of the ruling MPLA will stay on in power till 2012 as the parliament approved a new constitution abolishing direct elections for the president in January 2010. The new constitution also states that the presidency will now automatically be filled by the top-ranking candidate of the party winning the parliamentary election.

From the foregoing analysis the negative effect of mineral or oil-dependent on the various countries concerned is on a country case by case basis and not that as a group of country the mineral-dependents have experienced negative economic growth or are cursed. Some of the mineral-dependent countries like the GCC in the Middle East and Libya in Africa since the 1990s have experienced unprecedented economic growth and development at the same rate or even more than some non mineral dependent countries like Singapore Portugal, Morocco, Tunisia and Hungary. Meanwhile, other mineral-dependent countries such as Angola, Congo, Niger and Nigeria have not been able to take advantage of their natural resources to develop the economies of their various countries; instead they have plunged into mass poverty, conflicts and underdevelopment.

Collier and Goderis (2009) found out that resource curse is not inevitable, rather it depends upon a threshold level of governance, for example the level of governance Portugal was in the 1980s; any resource-dependent country above that threshold would not get a long term resource curse but below that level there would always be the evidence of resource curse. The quality of institutions also matters and the institutions that really matters are the ones with strong checks and balances (Collier and Hoeffler, 2008). It shows therefore that neither is abundance natural resources an impediment to economic growth and development, nor is its dependency. The most important issue is how the political and economic leadership of the individual natural resource-dependent countries set out sound economic governance structures, for the long term strategic management and investment of huge revenues accruing from such resources that would determine whether the resource would be a blessing or curse. The next chapter will now examine in details how all the factors and explanations raised in this chapter affects Nigeria, since the 1970s when oil became the major foreign exchange earner.

Chapter 3

The Political Economy of Oil and Socio-Economic Development in Nigeria

3.0 Introduction

This chapter looks at the historical path of Nigeria's political economy of development and its character of economic growth with oil. Before independence in 1960, and for most of the 1960s prior to the discovery of oil in commercial quantity, agriculture was the mainstay of the Nigerian economy. It produced a substantial proportion of cash crops mainly for export, and government revenues were derived largely from agriculture related activities and exports. During the oil boom years of the 1970s, there was neglect of agriculture and no effective policies put in place to ensure that agriculture and other productive sectors were developed with resources from oil revenues.

This chapter argues that Nigeria has a chequered political economy since the discovery of oil in commercial quantity in the 1960s, therefore its 'political fate has been inextricably linked to oil' (ICG, 2006:19). From the 1970s, economic growth in Nigeria has been very unsteady, driven particularly by volatility of oil revenues and the boom-bust economic cycle experience in the country is directly related to over-reliance on oil revenues. But much more important are poor governance, endemic corruption, and mismanagement of the revenues, which culminated in a huge external debt amounting to over $36 billion in 2005. This chapter contributes to the overall argument of this thesis, as it shows the extent to which oil revenue management and allocation in Nigeria have resulted in perpetual dependent on oil, and how gross mismanagement of the same hinders any meaningful socio-economic development.

The chapter then examines the impacts of the socio-economic reform programmes introduced from 2003 on the management of oil resources, and how these reforms are being adopted at the federal and other sub national levels of government. In doing this, it examines the components of the reform programmes that entrench prudent management and utilisation of oil revenues; the introduction of the Fiscal

Responsibility Bill, creation of the Bureau of Public Procurement (BPP) and Excess Crude Account (ECA)[14] among others, which are intended to curtail excessive government spending during boom periods and combat official corruption. It looks at whether the pattern of oil revenue management from the year 2000 onward represents a departure from the previous system of management since the 1970s. Have these changes been sustained and to what extent? What are the impacts of other agencies of government, created to aid the operations of the reforms such as the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices Commission (ICPC), and the Nigerian Extractive Industry Transparency Initiative (NEITI), established to make transactions in the oil industry more transparent?

It then argue that these reform policies and structures have yielded some results in the form of savings and huge foreign reserves and exiting the country from both the Paris and London Clubs debtors' lists. This has now reduced Nigeria's external debt substantially from $36billion in 2005 to just $3.2billion in 2007, and there are also other improving indicators on prudent management of oil revenue from the reports of both the World Bank and IMF. But the gains and progress of the reform programme is on the verge of being jeopardized, due to the slowdown in the implementation and in some cases outright cancellation of these reform policies and government development projects and programmes, since 2007 by the government of President Yar'Adua. It concludes on how these expansion and then decline of such development policies and programmes impacting not only on socio-economic development and governance, but also the perception of Nigeria in the international community.

[14] The Excess Crude Account was created in 2003 as part of the reform in oil revenue management by the Federal government as a savings account and managed by the Federal Ministry of Finance where excess crude oil sales revenue above the budgeted price is deposited. It was initially declared illegal and unconstitutional by sub-national governments but since the downturn in oil prices it is now used to smooth out shortfalls in budgetary allocations, and part of it is periodically distributed among the three tiers of government for special projects or other developmental purposes.

3.1 The Management of Oil Revenue in Nigeria Pre- 2000

3.1.1 Development Plans and Achievements

During the first Republic from 1960 to 1966, Nigeria was one of the fastest growing economies in the world. Within that short period, the Western region developed rapidly and built socio-economic infrastructure, for example the Western Nigerian Broadcasting and Television Services (WNBC/WNTV) Ibadan, the first television broadcasting station in Africa, with revenue from cocoa exports and on the basis of the good governance structures developed by its first premier Obafemi Awolowo. The Northern region also did the same with the ground nut pyramid revenue, under the leadership of Sir Ahmadu Bello. Likewise, Nnamdi Azikiwe led rapid development in the Eastern region with the development of coal (Ogunlowo, 2008:20 and Ajanaku, 2008:15).

There was a healthy competition among the three regional governments to develop, but this development trajectory was cut short by the January 15th 1966 military coup; an aftermath of the violent political crisis from the December 1965 federal elections in the Western and the Middle belt regions. The crisis was not curtailed by the political leaders as most of the political parties were ethnically based, and this brought an end to the first Republic. (UNDP, 2007:112). Following another countercoup in July 1966, the declaration of the secession of the Republic of Biafra from Nigeria in May 1967 led to a thirty month civil war that ended on the 15th of January, 1970. Then oil began to play a dominant role in Nigeria's economy; from a modest revenue of $250 million in 1970 it rose sharply to $2.1 billion in 1972 and $11.2 billion in 1974 (ICG, 2006:6-7).

The management of oil revenues prior to 2000 negatively affected the Nigerian economy. The first and second oil price rise of 1973 and 1979 tripled the terms of trade for Nigeria between 1973 and 1981 (Thomas and Canagaraja, 2002:6). These oil price rises greatly increased the Nigerian government's revenue; oil revenue almost quintupled not only because of increase in prices and production, but also because of greater public ownership and higher taxes and royalties, and so by mid 1974 there was much more revenue for the government than it anticipated (Gelb, 1988: 239). Consequently, there was an increase in government spending: the huge

oil revenues were recklessly spent as if the 1970s price increases were permanent, and this pushed up the real per capita income from the equivalent of US$280 in 1972 to about US$1,100 in 1980 (Thomas and Canagaraja, 2002:7). In 1975, the government implemented the recommendations of the Public Service Review Commission, known as the Udoji Commission. The average pay for civil servants was increased in April 1974 with rises of up to 130% for lower grade employees, and generally the public wage bill was increased by 150-160%. (Gelb, 1988: 241) These salary increases were as a result of increased oil revenue without any commensurate additional productivity by the workers.

Other important development initiatives included the River Basin Development Authorities (RBDAs), and the integrated agricultural development programmes (ADPs) which were established in 1973 to boost agricultural production but failed to achieve its purpose. But one of the major achievements then was the use of oil income to fund universal primary education (UPE) from 1976 to the early 1980s, while enrolment in secondary and higher education also increased. By 1980 the education gap between Nigeria and the other developing oil exporters had almost been closed, at least in quantitative terms (Gelb, 1988:259). Some of the oil income was also invested locally in other socio-economic developments of the nation. But the sharp decreases in oil prices from about $40 per barrel to less than $10 per barrel in 1981 and 1986 respectively soon revealed the inadequacies of the various governments' oil revenue management policies and according to Bade Onimode:

> With poor financial reserves and investments, by 1982 there was nothing to show for the huge external debt of N6.8 billion and the stupendous oil revenue. Pervasive corruption and gross economic mismanagement that led to a massive capital flight and a staggering external debt of $18 billion by December 1983, showed that the country had no real grasp of national resource management (Onimode, 1995:48-49).

There were several policies and programmes by the various regimes to tackle the challenges occasioned by the consequences of their mismanagement, for example sustainable food development programmes Operation Feed the Nation (OFN) and Green Revolution (GR) of the 1970s and 1980s. In 1986, the former military Head of State General Ibrahim Babangida established the Directorate of Food, Roads and

Rural Infrastructure (DFRRI) meant to provide feeder roads, electricity, potable water and toilet facilities for the rural dwellers. The project absorbed about N80 billion in local currencies (US$400 million) with minimal socio-economic impacts on the citizenry (Rahman and Achi, 2005:113).

There were other National Development Plans established since the period after independence in 1960; the first post-independence national development plan 1962-1968 included mainly strategies aimed at laying a foundation for national development; the second national development plan 1970-1974 aimed at the acceleration of post-civil war reconstruction; and the third national development plan 1975-1980 attempted to activate industrial development via the import substitution strategy. The fourth national development plan of 1981-85 was targeted at the improvement of the standard of living of Nigerians and also to further expansion of industrial development (PAC, 1999: 271-3). The first, second and third national rolling plans from 1986 to 1998 and the Vision 2010 policy document of 1997, which involved the private sector as a stake-holder in the political and socio-economic development of Nigeria, were not properly managed (FMARD, 2001). Most of these development plans were not holistically implemented, or were arbitrarily discarded at some point, resulting in wastage of huge financial resources, apparent poverty and underdevelopment.

Investments in the national oil companies,– including NNPC and its subsidiaries like the Eleme petrochemicals, Warri and Kaduna refineries built in the oil boom years of the 1970s and 1980s, have had little impact on the nation's industrial and economic development and on the population's welfare. There is now a sharp contrast between the enormous wealth from oil and the infrastructural underdevelopment of the nation, particularly in rural areas. This is at variance with the position that the burden of adjustment due to resource reallocation caused by Dutch disease will "put political pressure on the governments of resource-dependent countries to intervene" and effect changes, to improve the sectors negatively affected but oil dependent (Davis, 1995:1772). Utilization of capacities in manufacturing and agricultural sectors, which were negatively affected in Nigeria because of over-dependence on oil revenue, has not recovered to the levels of the 1970s. Generally 'two-thirds of

investment in manufacturing much by the government has been wasted' (Shaxson, 2005:314)

The total area under active cultivation fell in three years from 18.8 million hectares in 1975 to 11.05 million in 1978 (Oghasae, 1998:97). Agricultural output also fell by nearly 50% in volume and by over 50% in value in the boom period, and palm oil, cocoa and rubber fell by 74% in the years 1970 to 81(Thomas and Canagaraja,2002:6). During the same period domestic food production also declined substantially leading to a food import bill of about $4 billion in 1982 financed by huge increases in oil revenues (Daramola et al, 2004:3). For example massive importation of rice and other essential commodities in Nigeria in the early 1980s were also due to the decline in manufacturing and agricultural productivity – Nigeria imported about one third of its rice in 2002 and was classified by the Africa Rice Centre as the world's second largest market for rice then (ICG, 2006:20).

3.1.2 The Impact of SAPs on Nigeria's Manufacturing Industries in the 1980s and 1990s

The origin of SAPs in Africa was the effect of oil price increases and its consequential debt burden, coupled with economic mismanagement by both military and civilian regimes in the wake of the oil boom of the early and late 1970s. Most African leaders besieged the international financial institutions (IFIs) for bail-outs which they got in the form of Structural Adjustment Programmes (SAPs), but:

> It soon became evident (though not before major social and political upheavals) that the medicine was about to kill the various patients as the economies of African countries became stuck in stagflation (Zack-Williams, 2002:1).

In the case of Nigeria, the Babangida regime from September to November 1985 launched debates on the political direction of the country, and asked the citizens to decide whether or not the country should take the loan from the IMF with conditionality which included devaluation of the Nigerian currency, trade liberalisation, removal of subsidies and deregulation (Olashore, 1991:56-57). At the end of the debate Nigerians rejected the IMF loan and its conditionality, and there

were protests against it mobilised by the Nigerian Labour Congress and the ASUU across major cities, universities and other higher institutions of learning. But against all the oppositions, in July 1986 the military government announced the adoption of a 'home grown' SAP, when in reality the government had already secured $4.3 billion loan after it adopted the IMF-World Bank SAP (Onimode, 1995:51). Therefore the political repercussions of SAP adoption became a concern to the government because Nigerians had already debated and rejected it, and regardless of ameliorative programmes to reduce the negative impacts of SAP, 'its social consequences were severe, especially for the poor' (Ake, 1996: 85, 87).

Prior to the adoption of SAP the manufacturing sector was the fastest growing sector of the economy in the period 1975 to 80:

> With 18.1% average rate of growth in constant terms, the sector slightly overshot its projected growth rate of 18%. Generally, the value added by the manufacturing sub-sector grew at an average annual rate of 12% in the 1962 to 1973 periods. During the 1970 to 1979 the overall index of industrial output grew 17% annually (Ayorinde and Uga, 1999:292).

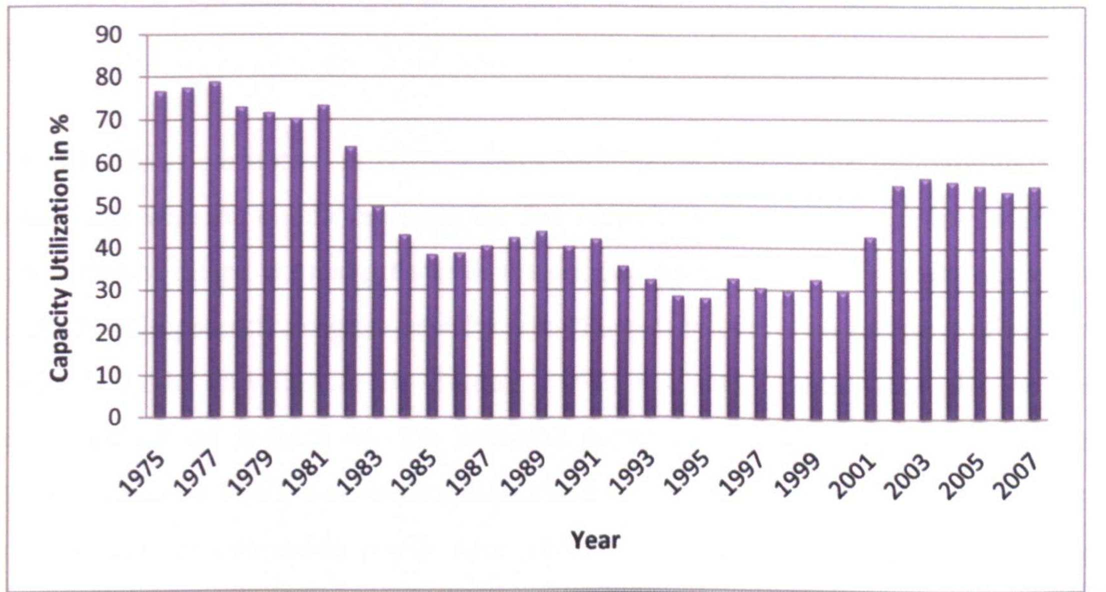
With regards to employment, both the CBN's annual reports and the World Bank sample survey reported a significant decline of about 6% in 1987, particularly in the larger firms where massive lay-off of workers had occurred (Ministry of Budget and Planning, 1990:22). Olashore posits:

> Many small scale industries established by indigenous entrepreneurs which would have formed the bases for industrialisation went under from being uncompetitive in the face of devaluation...leading to de-industrialisation in Nigeria (Olashore, 1991:80 and 165).

Is it not sad that South Africa is now the major manufacturer of cars in Africa, while during Obasanjo's first tenure as military Head of State from 1976 to 1979 Volkswagen of Nigeria had become a commercial success? Was it not ruined by IMF's SAP? The Nigerian textile industry is also in a coma (Lawrence, 2002:42). As manufacturing's contribution to GDP declined from 1986 to 1991, finance and

insurance increased their share from 3.11% to 8.7% within the same period, 'indeed the SAP has caused a shift from production to services' (Ake, 1996:86).

Figure 3.1: Average Capacity Utilization in Manufacturing in Nigeria, 1975-2007



Source: (CBN, 2009:164-66 and MAN, 2001)

Figure 3.1 shows that from 1975 to 1981 capacity utilization in manufacturing was on the average above 70%, but began to decline from 1982 onward because of the impact of the various austerity measures taken during the Shagari Administration and General Buhari's military regime. It fell to 38% by mid -1980s and remained on 30-40% on the average throughout the late 1980s to 2000. Afterwards it increased to about 55% in 2007 but has not gone back to the level it was before the adjustment period in 1980/81. This was mainly due to the impact of the IMF/World Bank-imposed SAP; although it was aimed at increasing non-oil exports by diversifying the export base from oil to industrial production, this never happened since it decimated the higher growth recorded in the manufacturing industry from the mid 1970s up to 1982. Therefore, the systematic colonial de-industrialization of African countries including Nigeria was repeated under SAPs, 'which impede access to foreign supplies of spare parts and raw materials for local industries, and displaced the demand for local manufactures in the name of import liberalization' (Onimode, 1992:9).

3.1.3 Oil, Corruption and Mismanagement

While Nigeria's complex political history is no doubt a contributing factor to this turn of events, the most important single explanation for Nigeria's socio-economic and development challenges is the prolonged pattern of mismanagement of the country's oil resources by various regimes both military and civilian (Adedeji,1997: 4).

The history of corruption in Nigeria dates back to the pre-colonial and colonial eras, when the warrant chiefs engaged by the colonialists used their authority in the collection of illegal tax and gifts from the people. An example of the reactions to this corrupt and oppressive regime was the Aba (Eastern Nigeria) market women's riot of 1929 (Blundo and Olivier de Sardan, 1996: 42, 44). There were also several commissions of inquiry by the colonial government during the period before independence in 1960, where administrators and politicians were severally dismissed on the basis of corruption (ibid). After independence in 1960 the desire for power and corruption became more endemic among political leaders.

The type of corruption covered by this section and in other parts of the thesis is official or political corruption. Although it occurs on a daily basis in the performance of government business, it differs in a way from the general everyday corruption of advance fee fraud (419), scam emails and letters, extortions by the police at the various checkpoints, and other cultures of corruption in Nigeria as covered by Smith (2007). Political corruption is the misuse of public office for private gain;

> Corruption is behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain private-regarding influence' (Smith, 2007:16).

In line with the scope of this thesis it will focus on the illegal use, embezzlement and mismanagement of State resources, especially oil revenue allocation and management and other assets of the State by military leaders, political office holders and their associates both in Nigeria and abroad. It also covers the kind of negotiations that surround the determination of what is appropriated to the various

sectors and arms of government. The major reason for this demarcation is to allow enough focus on the official corruption that has occurred in Nigeria since the return to democratic government in 1999, and has not been duly covered by most of the literature.

Since the 1970s politics in Nigeria has been influenced by access to oil revenues, and various regimes both democratic and military have looted the national treasury (Sala-I-Martin and Subramanian, 2003:14). The stakes in the oil wealth have been enormous, and businesses and dealings concerning oil have for long been conducted on the basis of corrupt transactions between government officials and the private sectors, including the IOCs operating in the Niger Delta (Joseph, 2002: 255).

The struggles for oil revenue often generate conflict of interest in Nigeria, and therefore the fragile nature of Nigeria's federalism and government instability since the 1960s have led successive regimes, particularly the military who conceded very generous term to the IOCs, to aggressively exploit oil resources. Apart from amassing wealth through capital flight, as epitomised by the late former Head of State Gen. Sani Abacha's estimated $3 to $5 billion loot of Nigeria's public assets from November 1993 to June 1998 during his 5 years misrule (Okonjo-Iweala, 2007:4), some of the huge oil and gas revenues have been deployed to develop other parts of the country, while grossly ignoring the social and environmental costs of oil production in the Niger Delta region over the years. Apart from the ineptitude and neglect of the Nigerian government's responsibility to develop the oil producing region of the Niger Delta, the IOCs have also been unable to properly integrate into the operations of their businesses the indigenes of these oil producing regions. This constantly generates crises between the host communities and the IOCs, leading to the disruptions of oil production, as will be examined in detail in later chapters.

In this regard the argument by Shaxson that the oil companies are not partly to blame for the bad management of oil revenues because 'ultimately it is how governments spend the money, not how they collect it' (Shaxson, 2007: 2), that contributes to resource curse is not entirely correct, because some of the developed countries interest in the IOCs influences and dictates their policies, and this has hindered their

'positive impact to energy-development-governance linkages in Nigeria' (Khakee, 2008:4). Lukman (2009) posits that:

> Unfortunately, the production sharing contracts that were concluded in 1993 were rather bad deals for Nigeria from an international perspective. The royalties were 0%. The taxes included a generous tax credit that wiped out much of the tax to be collected. The profit shares to government were low compared to most other nations. Therefore, Nigeria collects much less for government under these contracts than other petroleum exporting nations (p. 8).

Consequently, emphasis on economic policy in terms of good fiscal measures is not enough but of equal importance are the issues of governance and transparency all through the process of contract negotiations, exploration, exploitation and the sales of the crude oil to 'ensuring that Nigeria gets its fair share of oil revenues and that the oil is extracted with minimal waste and maximum transparency' (Okonjo-Iweala 2008:44). In April 2004, the President constituted a committee to investigate the rising cost of demurrage paid by the NNPC on its imported fuel cargoes, and mounting debts owed the corporation by major oil marketers. The report of the committee uncovered a fraud of US$143 million which involved top officials of the Petroleum and Pipeline Marketing Company (PPMC), a subsidiary of NNPC, and other private oil trading companies dealing in fuel importation in Nigeria (Oduniyi, 2004:2). Consequently, (Smith, 2007) concludes that

> one of the great ironies and tragic symbols of Nigerian underdevelopment, for the past several years Nigeria has imported nearly all of its refined fuel from overseas, as the country's four broken- down oil refineries remain non-functional, despite numerous huge government contracts awarded to repair them (p:20).

In 2004 it was revealed that the TSKJ consortium comprised of France's Technip, Snamprogetti of Italy, Japan's JGC and Kellogg, Brown and Root LLC, a Halliburton subsidiary operating in Nigeria, allegedly paid $180 million in bribes to some Nigerian government officials in the early 1990s. In order to secure the contract for the construction of the US$12 billion Nigeria Liquefied Natural Gas (LNG) project on Bonny Island –owned by the Nigerian government 49% and other IOCs led by the Royal Dutch Shell Group (Okonjo-Iweala, 2007:6). Former Nigerian president Obasanjo instructed the Economic and Financial Crime Commission to

investigate the allegations in 2004. The investigation revealed that the TSKJ consortium actually hired the services of Tristar Investment, a 'consultancy' company, to help them secure the contract. In March 2009 the Metropolitan Police in London arrested Jeffery Tesler for repatriation to the United States. He was earlier indicted with Wojciech Chodan on the 17th of February, 2009 in the US District Court in Texas as the agent of Tristar Investment that helped transferred millions of dollars to the Nigerian officials' various foreign bank accounts.
Both Tesler and Chodan are expected to forfeit more than $130 million as required by the indictment (Thisday, 2009:3). The company Kellogg Brown and Root LLC was also ordered to pay a $402 million fine for violating the Foreign Corrupt Practices Act and four other counts; in addition it was also mandated to retain an independent compliance monitor for a three-year period to review the design and implementation of its compliance programme, and to report to the Department of Justice (Thisday, 2009:9). Shortly after the LNG project bribery allegations in 2004 also was the disclosure of another US$2.8 million bribery allegation paid to a Nigerian "tax consultant" to settle tax evasion charges by another Halliburton subsidiary, Brown & Root (Aderinokun, 2003).

The companies' shady deals in Nigeria were not even known to the Nigerian public where the crime was committed, but were exposed from the companies' reports to the United States Securities and Exchange Commission. According to the U.S. Department of Energy, the NNPC, Nigeria's state-owned oil company, reported losses of US$4 billion to crime and corruption in 2000 alone (Klare, 2004:124) While judgement has already been given to the companies and individuals involved in the TSKJ bribery case in the United States, as at the end of October 2009 the Nigerian government is yet to disclose the identities of its top government officials who were involved in the scandal, after the presidential committee set up in May 2009 to unveil the identities of those involved have spent N42 million naira trying to fish out those involved without any progress made on the Nigerian side.

The Ajaokuta steel projects, which were launched in 1979 and gulped several billions of dollars, never produced a steel slab in 25 years (Shaxson, 2005:314). The excess oil revenues allow the government officials to increase expenditures, inflate contracts, and create white elephant projects, thus increasing the level of returns to their private

pockets in the form of kickbacks. The implications of all these lootings and wastage of public funds are enormous and costly for socio-economic development in Nigeria, and according to Okonjo-Iweala (2007:7):

> These sums represent a substantial amount of Nigeria's public assets by different measures. For example, the estimated sums represent 2.6% to 4.3% of 2006 GDP and 20.6% to 34.4% of the 2006 federal budget. Another way of viewing this is that at the upper end of the range, the amount stolen is larger than the 2006 education and health federal budgets combined.

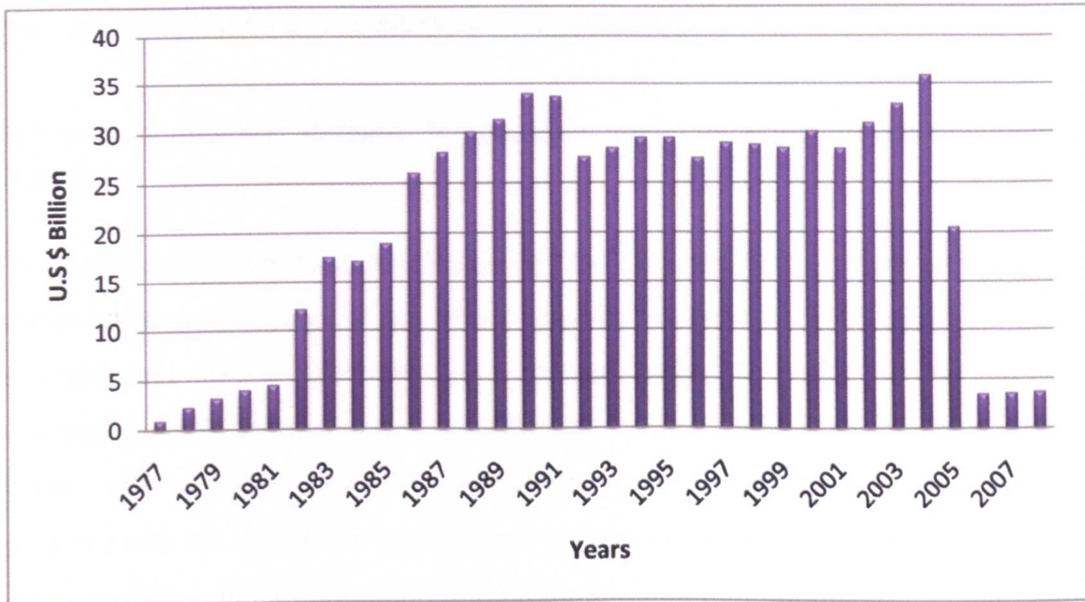
3.1.4 Oil Revenue and Nigeria's Debt Crisis

Nigeria's debt crisis originated from the bad management policies and the squandered huge oil revenues generated during the oil boom years of the 1970s and 80s (IMF, 2002:97). Various governments during this period favoured expending the oil revenue on large scale investment in infrastructural development such as roads, airports, petrochemical plants and refineries; most of the projects were undertaken without prior appraisal of economic viability, and contracts for these public works were highly bloated by senior government officials. Therefore in the midst of the windfalls, oil-producing governments including Nigeria still had large budget deficits and borrowed overseas to finance them (Shaxson, 2005:315).

The OPEC oil price hikes in the 1970s, and a rise in the interest rates in the early 1980s, contributed significantly to the debt crisis (Thomson, 2000:171). The oil-producing countries invested large amounts of their new found wealth in the Western banking system, and gave the financial institutions a surplus of 'petrodollars', which they then offered back to most countries in the South in the form of cheap loans. Starved of foreign exchange by the very same oil prices, most developing countries' governments gladly accepted these loans. The maturity of the liabilities on the loans converted them to expensive debts. Over US$350 billion was recycled from OPEC countries between 1976 and 1982, while the total external debts of developing countries more than doubled from US$180 billion in 1975 to US$406 billion in 1979, increasing over 20% annually, and the debt service payments rose from US$25 billion in 1975 to US$75 billion in 1979 (Todaro, 1999:611). 'Mining booms encouraged a rentier development model, created powerful interests vested in the

perpetuation of this model and reshaped public agencies so that they became wedded to it' (Karl 1997:224).

Figure 3.2: Nigeria External Public Debt Stock, 1977-2008



Source: IMF, 2003:99; DMO, 2005 & 2008; Brooking Institutions 2005

The second oil price increases of 1979-80 and a reaction to the rising budget deficit in the United States resulted in soaring interest rates (Ibid: 172). Consequently, the relatively responsible borrowing of the 1970s was transformed into the debt crisis of the 1980s and 1990s. After 1980, oil revenues collapsed and real per capita income dropped precipitously, as the sharp decline in oil prices in 1982 resulted in a decline in economic activity. In Nigeria, oil export receipts dropped from $24.9 billion in 1980 to $11.9 billion in 1982, then it further dropped by about 50% to $6.4 billion in 1986 (IMF, 2002:98). Most of Nigeria's debts were contracted and accumulated during the period 1980 to 1986 according to figure 3.2 above when the debt increased from $5billion to $25 billion including late interest. The deficits further pushed the debt and arrears higher, and Nigeria's external debts almost doubled, rising from US$18.9 billion in 1985 to US$34 billion in 1990. This trend continued throughout the 1990s and had negative impact on the economy, resulting in low economic growth of less than 3% per annum, and huge balance of payment deficits (DMO, 2007:3). Nigeria developed a classic debt overhang with a credibility gap, and was unable to attract foreign investment for government and the private sector

investments (Okonjo-Iweala, 2008:42). Prior to the economic reform programme in 2003, Nigeria's average annual GDP growth was 2.25%, an estimated annual population growth rate of 2.80% and at the same time a high level of inflation at an average of nearly 29% per annum (Okonjo-Iweala, 2007:7). This led to a decline in per capita GDP and a deterioration of living standards for majority of its citizens.

3.2 Socio-Economic Reform Programme and Oil Revenue Management in Nigeria.

The history of Nigeria's political economy has been unstable, and her perception by the international community has been one of a country at war with itself; six violent changes and twelve different governments within a period of 49 years of independence. Every time a new government emerged, it has felt obliged to try and begin with a clean slate by introducing new political and socio-economic programmes, no matter how ephemeral or inimical to the long term development interest of the country (Adedeji, 1997:8-10).
The scenario was that:

> In the past, it appears that previous governments did not have the good system on ground by a way of managing oil revenue it earned. In the sense that whatever money received was spent and even spend more than the income, which was how we got into huge debt, not only the external debt you know about but also the internal debt that past government incurred (Okogwu 2007: Interview 7).

In order to revitalize the economy and generate a stronger and stable growth, in 2003 the former President Obasanjo embarked on socio-economic reform programme in key sectors of the economy. The National Economic Empowerment and Development Strategy (NEEDS), was initiated, as a home-grown medium-term development strategy from 2003 to 2007, and with long term policy foundation. Its objectives are mainly fourfold: poverty reduction; employment generation; wealth creation and value re-orientation. It was a national co-ordinated framework, in close collaboration with the states and local governments and other stakeholders, and therefore complemented by the State Economic Empowerment and Development Strategy (SEEDS) and Local Governments' Local Economic Empowerment and Development Strategy (LEEDS) (NPC, 2004:12-13, NBS, 2006:7).

The strategies for achieving its objectives are: 'empowering the people (social charter or human development agenda); promoting private enterprise; and changing the way government does its work (reform government and institutions)' (NBS, 2006:8). To achieve these goals and tackle leakages in oil revenue income and expenditure, the government established a strong oil revenue management system and other governance and institutional reform structures, such as the Oil-Price-based Fiscal Rule (OPFR), the Bureau of Public Procurement (BPP), Nigeria Extractive Industries Transparency Initiative (NEITI), Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and other Related Offences Commission (ICPC) and the Debt Management Office (DMO).

3.2.1 The Oil-Price-based Fiscal Rule (OPFR) and Revenue Management in Nigeria Post- 2000

The oil-price-based fiscal rule (OPFR) was the major oil revenue management structure of NEEDS introduced in 2004. It was based on political agreement between the federal and sub-national governments, to allocate oil revenue annually based on realistic budgeted oil revenue irrespective of the price of oil at the international oil market, and any excess oil revenue transferred to the special Excess Crude oil revenue Account (ECA)[15] created to save any revenue above the budgeted price (Okonjo-Iweala, 2007:10 and IMF, 2008:8). The aim is to subject public expenditure to a prudent oil price benchmark and has resulted in the delineation between the oil revenue market price and the budgeted oil revenue as indicated in figure 1.1 of chapter 1 above. This was a major shift from the previous system when the budget was directly based on the volatile oil price at the international oil market. Specifically:

> The oil-price-based fiscal rule breaks the link between government expenditure and current oil revenues. This has dampened the transmission of oil price volatility to the rest of the economy by limiting the appreciation and volatility of the real exchange rate (Okonjo-Iweala, 2008:43).

Consequently, the Medium Term Revenue Framework (MTRF), Medium Term Expenditure Framework (MTEF), the Medium Term Sector Strategies (MTSS) and

[15] Detailed explanation of the Excess Crude Account (ECA) was given in chapter 1 above.

the fiscal strategy paper indicating the fiscal strategy for the planning term were also initiated to link annual budgets to the long term policies and fiscal sustainability objectives contained in the federal government's socio-economic reform programme, (NEEDS) (BOF, 2006:21). Primarily, it includes the achievement of macroeconomic stability by stipulating that Nigeria should live within her means and maintains a prudent balance between available revenues and planned spending; the current fiscal rule is that total spending should not exceed total revenues by more than 3% of GDP (BOF, 2006:22). While the Medium Term Sector Strategies (MTSS) outlines how projects and programmes are linked to long and medium term plans, the Medium-Term Revenue Framework (MTRF) is the policy documentation of a three-year estimate of all oil and non-oil revenues that will accrue to the Federation Account. This is based on certain agreed revenue income assumptions that underlie such estimates by the relevant government Ministries, Departments and Agencies (MDAs) (BOF, 2006:21).

After the consideration of the amount of estimated revenues available, the Medium Term Expenditure Framework (MTEF) also documents the three year determined maximum amount to be spent by the government, called the 'Aggregate Expenditure Limit' (BOF, 2006:21). It then allocates among the three major expenditure heads; statutory transfers, debt service, and ministries, departments and agencies (MDAs). The difference between the available revenues and the total amount to be spent, i.e. budget deficit/surplus and how to either use the surplus or fund the deficits, is then worked out (ibid). The MTRF, MTEF and MTSS have been implemented successfully at the federal government level since 2004. In summary:

> What we have done since the second term of the Obasanjo administration when we came in was to ensure that we put a system in place, and it also coincide with the period of high oil prices. So instead of doing what people have done in the past, by simply saying we have earned so much let's simply spend it all, we put a price based fiscal rule in place, which is a standard way of managing resources at such time. It doesn't matter what the price of oil is in the international oil market, we base our budget on a certain price benchmark; we used \$25 for 2004, \$30 for 2005, \$35 for 2006, and \$40 for 2007 per barrel. Whereas oil prices were in excess of this benchmark in all these years, so that is a very strategic move that we introduced and it has helped, that is how we were able to save the excess crude oil money and pay our debts ((Okogwu 2007: Interview 8).

The Fiscal Responsibility Act[16] was first initiated in 2004. but signed into law in 2007, and its objectives include: institutionalizing prudent management of revenues and strict implementation of budgets; ensuring better coordination of fiscal affairs among the federal, states and local governments; full transparency and accountability in the management of public resources; and making government spending fully cost effective. The oil-price-based fiscal rule (OPFR) and its components the MTEF, MTRF, MTSS and the fiscal strategy paper were enshrined in the Fiscal Responsibility Act of 2007 (FRA) to give it a legal backing. Although it was originally intended by the executive arm of government to be applicable to the three tiers of government, its provisions as passed into law by the National Assembly are mostly legally binding on the federal government, with the exceptions of the oil-based fiscal rule, public borrowing and debt management. But the state and local governments have reached an agreement to legislate and sign the (FRA) into law. Accordingly, former President Yar'Adua stated:

> I have assented to the Fiscal Responsibility Bill after due consultation with the state governments, whose support and concurrence is critical to the successful nationwide implementation of the provisions of the law. It is hoped that this will help to institutionalise and formalise the observation of fiscal discipline (NBMP, 2007).

This would serve as guide for budget formulation, allocation of revenue and better fiscal coordination among the three tiers of government (IMF, 2008:8). This is important because half of the total national revenue allocation goes to the state and local governments. In the past it has also been a case of spending all and even above the total oil revenue receipts in a given year; this led to the accrual of a huge debt for the country with both the Paris and London Clubs, which was exited in January 2007.

3.2.2 Socio-Economic Reform and Post- 2000 Debt Management

In line with the National Economic Empowerment and Development Strategy (NEEDS), the socio-economic reform programme introduced by the Obasanjo

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[16] Fiscal responsibility legislation is a mechanism intended to permanently shape fiscal policy design and implementation. They are often enshrined in constitutional or legal provisions. Fiscal rules and responsibility laws can have a more critical role as they intended to constrain overall fiscal policy (IMF, 2007:10).

administration in 2002, the Debt Management Office (DMO) was established by the DMO (Establishment) Act 2003. The mandate of the DMO among others is to:

> Prepare and implement a plan for the efficient management of Nigeria's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and development, and participate in negotiation aimed at realizing its objectives (DMO, 2008:22).

Consequently, the federal government initiated and resumed dialogue with the Paris Club, which she owed $30 billion amounting to over 85% of its debt, and also garnered support of the international community for a debt relief deal. Specifically:

> We persuaded the G8, IMF and the Paris Club to support our reform programmes and informed them that this is a new Nigeria, with new policy environment and when they supported us they gave us certain standard that if we can meet they will believe us that we are serious. That was how we negotiated the huge reduction in debt $18billion written off out of $30 billion, and we paid $12.2billion to exit the Paris club. That also enabled us to put money aside to clear the London Club's debt. So Nigeria currently has one of the lowest debts to GDP ratio in the world as evident by the Fitch ratings (Okogwu 2007: Interview 9).

Therefore the external debt stock decreased significantly from 2004 to 2006 as a result of the Paris Club debt it exited in April 2006, and followed by that of the London Club in 2007 (DMO, 2008:47). From figure 2.2 above, the total external debt dropped from $36 billion in 2004 to $3.72 billion in 2008, the outstanding balance being concessionary loans from the World Bank and African Development Bank (ADB). The federal government is responsible for 60% of the outstanding balance, while the remaining 40% belong to the 36 states of the federation (Aderinokun, 2009) Accordingly, 'while an unalloyed triumph, the very fact that Nigeria, a country blessed with vast oil reserves, had to extricate itself from a debt overhang was ironic' Okonjo-Iweala (2008:42).

Besides securing debt relief and substantial reduction of the total external debt, one major contribution of the reform that safeguards further reckless borrowing and a relapse into unsustainable debt regime, was the strategic guidelines put in place since 2004. The guidelines stipulated stringent conditions to be met by the federal or sub

national governments and their agencies that want to undertake external borrowing. First, it emphasized that all borrowing must specify how its purpose is linked to the developmental objectives contained in NEEDS-2[17] 'and undertake a cost-benefit analysis, detailing the economic and social benefits of the purpose to which the intended borrowing is to be applied' (DMO, 2007:4-6). Secondly, the conditions must be satisfactory to the DMO before any approval, and for the state government the loan proposal must be approved by both their state executive council and the Parliament. Thirdly, new borrowing must have concessionary terms and a grant element of at least 35% before it will be considered by the DMO (ibid). In 2009, total public debt to GDP ratio was below 12%, and all future borrowing must not exceed 45% of annual GDP. Because according to the Director-General of the DMO, 'one of the reasons that led to the debt overhang on the country was poor management of the debts as a result of lack of central organisation' (Aderinokun, 2009).

3.2.3 The Bureau of Public Procurement (BPP) - Public Procurement Act, 2007

The Bureau of Public Procurement was established by its enabling Public Procurement Act of 2007:

> as the regulatory authority responsible for the monitoring and oversight of public procurement, harmonising the existing government policies and practices by regulating, setting standards and developing the legal framework and professional capacity for public procurement in Nigeria, and for related matters (BPP, 2007:3).

It was formerly known as the Budget Monitoring and Price Intelligence Unit (BMPIU) which was established in 2001 and tasked with the implementation of the public procurement reform (FMINO, 2004:1). It established 'due process', which is the mechanism for ensuring strict compliance with the openness, competition and cost accuracy rules and procedures guiding contract award in the federal government (ibid). Part of the objectives of the unit are to 'ensure that project conceptualization and packaging match the defined priorities and targets as set in annual appropriations; and also to prevent contract inflation by ensuring cost reasonableness, accuracy and

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[17] NEEDS-2 (2008-2011) was the follow-on to the NEEDS, the socio-economic reform programme initially launched in 2004 which ended in 2007. Priority areas covered in NEEDS-2 include health, education, rural development, employment generation and youth development, public sector reforms, governance, transparency, service delivery and expenditure reforms (DMO, 2007:4-6).

comparability of all public contracts with national, regional and global costs' (FMINO, 2004:2-3).

From 2001 to 2006 it saved the federal government of Nigeria over N200 billion (about $1.5 billion); the savings were in the form of reductions from bloated contract sums which would have gone into private pockets (BMPIU, 2006:12). This was done through the process of contract reviews, oversight and certification, and in some cases there was cancellation of contracts not in compliance with laid down rules (ibid). The BPP also publishes public tenders periodically so as to reduce patronage in awarding government contracts.

3.2.4 Nigeria Extractive Industries Transparency Initiative (NEITI)

The Nigeria Extractive Industries Transparency Initiative (NEITI) created in 2004 and was institutionalized in 2007 by the NEITI Act, 2007 (NEITI, 2009:1). It is:

> Charged with the responsibility, among other things to develop a framework for transparency and accountability in reporting and disclosure by all extractive industry companies of revenue to or paid to the federal government (NEITI, 2007:1).

Its expanded task includes ensuring due process and transparency in the payments made by extractive industry companies to the federal government and its agencies; to ensure accountability in the revenue receipts of the federal government from extractive companies; and to eliminate all forms of corrupt practices in the determination, payments, receipts and posting of revenue accruing to the federal government from extractive companies (NEITI, 2009:1).

In order to achieve its objectives, the NEITI undertakes an annual audit (physical, financial and process) of the oil industry, through independent auditors from within Nigeria and internationally (ibid). The first report of the audit of the Nigeria's petroleum sector from 1999-2004, released in January 2006, indicated a 'gap between revenues paid by companies and received by government; and gap in capacity and coordination in the overall management of revenues in the petroleum industries' (NEITI, 2007:1-2). For example there was an initial discrepancy of $300 million, which was later revised by the auditors to $6 million in the payments and

receipts of revenue from the oil companies to the government (ibid). This was partly due to lack of proper coordination between the federal agencies responsible and the IOCs. The report also queried the NNPC for holding up Joint Venture Cash-Call funds totalling $933 million in transitory accounts (NEITI, 2006:16). The money was part of the US$3.43 billion approved Cash-Call for 2004, but was not ploughed into the operations as at the end of the budget year (Ibid). The report charged 11 oil companies with tax underpayment amounting to US$509,698million (about N71.36 billion Naira) and accused the NNPC of its inability to account for domestic crude oil sold to it from 1999 to 2002 (ibid: 14). The physical audit showed the regular loss of crude oil from the well head to the export terminals, because of poor metering gadgets and this beclouds the actual gross oil production volumes (NEITI, 2006:27; Okonjo-Iweala, 2007:19). In addition, this might be presumably because of oil theft from pipelines that crisscross the entire region.

The Acting Executive Secretary of NEITI emphatically pointed out that:

> The comprehensive oil sector audit that has never been done before in the history of Nigeria, was initiated, supervised and made sure it came through; we fought our way to ensure it was done because not everybody was enthusiastic about it. The reports are out there on our web site. NEITI is one of the flagship anticorruption and transparency areas that the administration is pursuing; it is because of our activities that questions are able to be asked from the oil industry, what is it they are paying to government? How much did you produce and let's audit it and check to see that what you say you are producing and giving is correct. And this is what has led to the huge savings we have been able to make, the work that I did with few of my staff saved this country over $1.5 billion over 3 years (2004 to 2006), of some money that would have been lost. So these are clear and definite achievement that you can point to and it is not just a matter that we discover that there is money, it must be paid into the treasury (Okogwu 2007: Interview 10).

The report of the second audit for 2005, released in July 2009, revealed that most of the irregularities identified in the first audit report of 1999 to 2004 have not been corrected. For example the physical audit indicated that the Department of Petroleum Resources (DPR) still 'have no system for measuring production other than monitoring terminal receipts'(NEITI, 2009:3). The financial audit also revealed over $5 billion discrepancies and outstanding payments to the government, with the

largest amount owed by the state-owned (NNPC) (EITI, 2009). According to the Chairman of the Extractive Industries Transparency Initiative (EITI):

> This 2005 NEITI report offers a great opportunity to inform the better management of Nigeria's most important sector and will serve as a wake-up call to address the fundamental problem in the industry(Eigen:2009).

The report has been presented to the federal government by the NEITI to get approval for the implementation of its major recommendations and the process of remediation with all the stakeholders in the industry (ibid). Nigerian economy is oil-dependent, where over 75% of government revenue comes from. But at the same time high level corruption occurs in the oil sector thereby denying the citizens the benefit of the resources but has rather brought harm to them. But 'if we can make corruption history, poverty will be history' (APPG, 2007:23); consequently, two anticorruption agencies were created in 2000 and 2003 respectively to tackle the challenges of corruption.

3.2.5 The Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and other Related Offences Commission (ICPC)

The Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and other Related Offences Commission (ICPC) were the two anti-corruption agencies created as part of the reform programme to fight the menace of corruption in both the public and private sector. The ICPC was established via the ICPC Act 2000, with the mandate to prohibit and prescribe punishment for corrupt practices and other related offences (ICPC, 2000:2). The EFCC was formed in 2003 and was enabled by the EFCC (Establishment) Act 2004, with the responsibility for 'the investigation of all financial crimes including advance fee fraud, money laundering, counterfeiting, illegal charge transfers, futures market fraud, contract scam etc.; the co-ordination and enforcement of all economic and financial crimes laws and enforcement functions conferred on any other person or authority; the adoption of measures to identify, trace, freeze, confiscate or seize proceeds derived from terrorist activities, economic and financial crimes related offences or the properties the value of which corresponds to such proceeds'. The agencies have

made a number of convictions in both in the government and in the private sector. According to the founding Chairman of EFCC Nuhu Ribadu:

> Up to 2003 when the agency was formed, our country had never secured a single criminal conviction on account of corruption charges. By 2007, however, we had raked in over 300 convictions with no fewer than 400 cases in most of the nation's courts. It was modest, but no less revolutionary, especially as the convictions were in many respect from high-brow cases such as the leadership of the Nigerian Police, a number of states governors, ministers, legislators and top bureaucrats. We were also able to recover billions of dollars in stolen fund and property. Because of our modest intervention, Nigeria achieved remarkable progress in the corruption index of Transparency International (Ribadu, 2009:4).

The current Chairman of the EFCC has also secured 75 convictions, recovered over N240 billion and 43 high profile cases among others still in various courts since she took over in 2008 (EFCC, 2010:1). Despite all these achievements, the anticorruption agencies are allegedly being used particularly by the President as a tool to fight political opponents. For example during the flawed general elections of 2007, former President Obasanjo engaged the EFCC in instituting corruption charges against his political opponents. The reason is that the agencies are not autonomous by their enabling laws, but still dependent on the executive, as the President still appoints the Chairman subject to confirmation by the Senate.

There has been an appreciable improvement in the operations of public agencies and in the allocation of resources in Nigeria since 2004. For the first time in the history of Nigeria, monthly revenue allocations to the federal, state and local governments are being published in every national daily against the wishes of state governors and other government officials. These reform policies have yielded some results. Furthermore, for the first time in decades in 2004, Nigeria met and exceeded its national macroeconomic targets; from 2003 to 2007 the average annual real GDP growth was 6.5% as against 5 to 6% targeted. There was also a significant annual growth in the non-oil sector, as the share of oil contribution to the GDP in 2006 declined from 48 to 37% and agricultural output increased by 6.1% in 2003 compared to 4.0% in 2002 (DMO, 2007:3; Nigeria Monthly, 2005:14-15 and IMF, 2008:5). The establishment of fiscal prudence, strict monetary policy and low

deficit/GDP rates produced single digit inflation during the same period (DMO, 2007:3). Other positive impacts of the reform include the accumulation of huge foreign reserves, and debt exited from both the Paris and London Clubs of creditors, as already discussed. The IMF also testified to this improvement:

> Unlike in the past oil booms, domestic demand was contained by an oil-price-based fiscal rule and by directing revenue windfalls to an oil savings account at the central bank. Execution of the 2007 budget was mostly as projected at the fourth review of the Policy Support Instrument (PSI). The government's medium-term fiscal strategy is consistent with macroeconomic objectives... Oil proceeds were used to repay most external debt; complemented by Paris Club debt relief. External reserves increased steeply, boosting both investor confidence and Nigeria's sovereign ratings, giving the private sector greater access to international financial markets. Foreign interest in a second-round increase of capital at Nigerian banks has already exceeded $11 billion and is just one indicator of this interest (IMF, 2008:4-5 & 10).

While most of the reform policies in the management of oil revenues and expenditure have been substantially implemented at the federal government level, it has not been entrenched in most of the state and local governments.

3.2.6 State and Local Governments and Socio- Economic Reform Programme

The major challenge in the implementation of the oil-price-based fiscal rule (OPFR) throughout the federation is how to manage the pressures from the state governments, who constantly reassert their constitutional access to all oil revenues and savings from the ECA (IMF, 2008:80). Other structures of the reform are also not being implemented accordingly, for example the Fiscal Responsibility Act 2007 (FRA), medium-term expenditure frameworks (MTEF) and medium-term revenue framework (MTRF). These reform programmes are either at the formulation stages or are deliberately been slowed down by most of the state governors and local government chairmen, who have not given the reforms the needed political will to take off in their state and local government . One of the greatest obstacles to the success of the reform programme at the states and local government levels is a dysfunctional and palpable weakness of most of the 36 states whose governors, 'have evolved into feudal barons, with budgets in some cases far larger than some West African countries'; there is now an urgent need for improved governance at these levels (Wallis, 2007). Most of the state and local government political office holders

are not interested in the reform; in most of the states the governor and their finance commissioners control the budget and monthly allocation.

> They act as if the budgeting process, formulation and implementation are a confidential document that cannot be accessed by everybody, these are not institutions that exist to deliver services but they exist to allow people to extract money. There are some states that are making some progress where there is political will, but that political will is at best limited even in the best state (Hugman 2007: Interview 3) .

Accordingly, there are institutions to coordinate and encourage service delivery in the state and local governments, but they are very weak at the moment. The other option is the mechanism of what is called conditional grants: the Universal Basic Education (UBE) Commission does this, and it is now being experimented within the federal budget:

> The federal government can tell states that we will bring N2 billion for such and such a programme and projects in your state, but you must also bring N2billion to match what we are spending and you must meet certain institutional reforms before we would allow the money to flow through you, and by using that conditionality on those grants, that is one way forward. Because the fiscal federalism in Nigeria is a very extreme type whose essence is captured in the very strictly fixed revenue sharing formula (Hugman 2007: Interview 4).

This means that when money goes to states, it is impossible legally for the Federal Government to interfere with that money at all and so there is a very problematic situation when you are not talking of one independent government entity that needs reforming. It is about a federal government, plus 36 states and 774 local governments, and that has multiplied the challenges a hundred fold because all the problems that have been solved at the federal government level are now worse at the state and local government level. In the past the federal government had no legal tools with which to enforce reforms, apart from intelligent mechanisms for encouraging greater coordination and reforms at the state levels in the form of persuasion and conditionality (Ibid, 2007).

In some states the fiscal responsibility and the public procurement bills are just being passed into law by their various state parliaments, whereas the implementation

actually started in the federal government since 2004 and has produced some considerable results. It is imperative for the state and local governments to adopt these reforms because government spending at these level has a direct impact and is expected to improve the welfare of the people via adequate provision of economic and social services; unless this is done the expected improvements on the economy and in the standard of living of an average Nigerian would be difficult to accomplish. This underlines the need for states and local governments to ensure prudence and transparency in public spending. However, findings in some states show that the level of adherence to due process principles in the award and execution of contracts is not encouraging (EC-EMCAP/NISER, 2005:1 and BMPIU, 2006:22). It was against this background that the fiscal responsibility law was brought in which is meant to synchronize the fiscal affairs between Federal, states and local government; and it makes it mandatory for every level of government to budget properly, to report on their performance and to follow particular process. Accordingly:

> These will give the Nigerian nation an avenue to question states and local governments on how they are spending their money. With the experiences of the recent past, state governments are a bit more cautious, after a few governors were humiliated, arrested and removed from office. Not like in the past when people think the resources of the state belongs to them because they are governors. These are the elements of what has been going on, although states have their fiscal autonomy but they are also aware that the nation is changing, and one way or the other they have accepted that things are not the way they used to be, because now a governor cannot just steal the public funds without anybody asking questions. Political office holders at various levels of government know that questions are now being asked. Some people are been arrested, some are removed from office, so people are getting the message (Okogwu 2007; Interview 10).

The Fiscal Responsibility Act 2007 should be implemented to the letter not only by the federal government, but also by both the state and local governments, because at present not much of the reform programme of the government in the area of fiscal accountability is taking root at the sub national level.

Other challenges to the implementation of the reform agenda in the state and local governments are first of all that most of the states and local governments lack the manpower to tenaciously anchor these reform programmes. It is purely lack of

capacity, the local and state government personnel do not know much about most of the reforms, particularly about budgeting which requires a specialised skill. There is the need to train people, and the federal government agencies concerned with these reforms have to continue their assistance to the states through training of the manpower required to implement the reforms in the various state and local governments.

Secondly, all constitutional barriers as in section 162 (1-8), 308 (1-3) militating against prudence, probity and accountability in the management of government resources should be reviewed by the National and States Assemblies, and replaced with laws that will bring proper checks and balances to public finance. This will also compel various tiers of government to be more prudent and accountable to some level of authority within the system. Members of parliament should take seriously their oversight function of budget monitoring, to see that funds are not misappropriated, as this would guarantee the full implementation of budgets and deliver the dividends of good governance to the intended beneficiaries of the yearly budgets. The civil society groups, NGOs and development partners such as the UNDP and World Bank among others in Nigeria need to strengthen their commitment to budget monitoring, as the examples of the monitoring of some utilisation of funds by both the Federal government and states have had positive impacts in bringing to light how government resources are been utilized.

Two major examples in recent times were the field monitoring exercise of the utilisation of the repatriated \$500 million (N65 billion) Abacha loot,[18] supported by the World Bank with cooperation from the Federal Ministry of Finance, which engaged the services of other civil society groups (World Bank and FMF, 2006:4). The funds was used to increase the outlays to key sectors of the 2004 Federal budget, therefore the objective of the exercise was to verify that additional budget resources were used for the agreed development projects and programmes towards the achievement of the MDGs and in line with NEEDS – the economic reform programme of the government.

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[18] The Abacha loot was the \$500 million recovered looted fund stashed away in Swiss bank by the late General Sani Abacha former military Head of State of Nigeria from 1993 to 1998.

The second was a report titled "Chop fine" based on a four-week research mission to Rivers State by Human Rights Watch, which documented the human rights impact of the widespread local government corruption and mismanagement in that state on the realization of these rights (HRW, 2007: 49). The revelations were shocking as all these abuses and mismanagement went on for years at the instance of the members of the state parliament who are constitutionally saddled with the oversight functions of monitoring projects and the utilisation of government resources in their various constituencies. These examples underscore the importance of the civil society and NGOs in this regard.

Thirdly, the judiciary as the third arm of government should play its non-partisan role and make sure the reform agenda of government has a positive impact on the people by making judgements not just based on sentiments or public opinion, but ones that can stand the test of time. The judiciary, hiding under the mantra of democracy and the rule of law, have since 2003 made some judgements that were antithetical to government's efforts in reforming the management of public resources, and have thereby further aided the mismanagement of public funds by various government officials in Nigeria. A good example was the 7th of July 2006 ruling of the Supreme Court that nullified an Act of the National Assembly, 'The Monitoring of Revenue Allocation to Local Government Act 2005', which prohibits state officials from altering, deducting or reallocating funds of their local councils, and also empowered legally constituted agencies such as RMAFC among others to monitor the funds and make sure every beneficiaries receive the actual amount and at the right time from the Federation Account.

The purpose of this Act was to curb the mismanagement of local government funds by the officials of the state and local governments, but instead the Supreme Court ruled that the Federal government has no constitutional power to monitor how the state governments distribute fund to their local councils. The ruling ordered the removal of the representatives of the RMAFC in the State Joint Local Government Account Committee as they were busybodies, and pointed out that 'the National Assembly has not the legislative competence to legislate on the nicety or nitty-gritty of the allocation' (Nigerian Law Reports, 2006:35). This type of judgement coming from the apex court notwithstanding the principles of separation of power, and other

spurious court ex-parte injunctions granted to former governors and public office holders standing trials for corruption charges, shows an obstructiveness and lack of co-operation from the judiciary towards the reform of the same government, whose success depends on its positive contributions. This poses challenges to governance and development in Nigeria and should be changed.

Critics of the reform programmes, including state governors and local government chairmen, have argued that the federal government has no right to save money on their behalf in the Excess Crude Account. They argued that all oil revenue should be treated as part of the Federation Account, and funds therein shared without any conditions attached. Therefore they termed the action of the federal government as illegal, for depositing oil revenues into any account other than the Federation Account as specified by law, in accordance with the provision of section 162(1)[19] of the Nigerian 1999 Constitution (Federal Government, 1999: 66). Nevertheless this has saved huge amount of funds for the stabilization of the government's development plans and programmes, previously at the mercy of the volatility of international oil market. As noted earlier, the introduction and implementation of this policy marked a departure from the ways in which oil revenues were managed by previous governments in Nigeria.

This also brought to the forefront another weakness of the 1999 Constitution, as enshrined in section 162(1), under which all revenue receipts are paid into the Federation Account, shared among the three tiers of government and spent all without any provisions for savings. This constitutional lapse also limits the extent to which the federal government can probe the sub-national governments on issues of public finance. But these lapses are now being taken care of by the Fiscal Responsibility Act 2007 (FRA), and the establishment of the two anti-corruption agencies, the EFCC and ICPC which has the power by their establishing and enabling laws to probe any issues concerning public finance and accountability irrespective of the tier of government, as discussed in the previous section.

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[19] Section 162 (1) states that the Federation shall maintain a special account to be called "the Federation Account" into which shall be paid all revenues collected by the government of the Federation, i.e. an account in which all revenues collected on behalf of all the three tiers of government; states, local and federal governments are deposited.

3.3 The Risk of Post - 2007 Political and Socio-Economic Reform Deceleration

The Obasanjo government's socio-economic reform programmes from 2002 to 2007 brought some level of improvement, with progress both in the economy and the conduct of government business. However, the later part of that administration lost focus and laid the foundation for the subversion of the rule of law, as most members of the team of technocrat reformers during the period 'were brutally purged as the 2007 elections loomed and needed to be rigged. Their reforms had got too close to the top of the political system' (The Economist, 2009c:5). It then took some controversial decisions, for example the government through its privatisation programme sold some key national assets to its political cronies at cheap prices. The Nigerian Telecommunications Ltd (NITEL) and the Port Harcourt refinery were sold to Transcorp PLC and Bluestar consortium respectively, sales that were later reversed by the Yar'Adua government for not following due process (NBMP, 2008:1-3).

Notwithstanding that Yar'Adua was the major beneficiary of the manipulations and election rigging of 2007, his government 'inherited perhaps the healthiest balance sheet of any new Nigerian Head of state since independence' as a result of the payment of huge foreign debts owed to the Paris and London Club of creditors and a $47 billion build up in foreign reserves as of May 2007 (Wallis, 2007). But President Yar'Adua, beginning from June 2007, has slowed down the pace of the implementation of these reform programmes. He has reneged on his earlier promises to continue the economic and other reforms started by the preceding government, and to contribute his own inputs by entrenching accountability and institutional procedures, improving electricity generation, ending the Niger Delta crisis through massive development and fixing the fraudulent electoral process that brought him to power. According to Yar'Adua:

> I accepted there are lapses in our electoral process, once we reform the electoral process and it becomes credible, then we need to separate competition for power from the attempt to build a modern, industrialised nation (Wallis, 2007).

The deceleration in the implementation of the socio-economic reform policies will be examined as follows: electoral reforms, development strategies, infrastructure development (electricity and transport), Niger Delta crisis and war on anti-corruption.

3.3.1 Electoral Reforms

The President declared the electoral reform as a priority in his seven-point agenda 'with a view to ensuring that we raise the quality and standard of our general elections, and thereby deepen our democracy' (ICG, 2009). The Justice Mohammed Uwais Electoral Reform Committee was set up on 28 August 2007 to review the whole electoral system, in the aftermath of a widespread condemnation of the anomalies of the 2007 general elections both in Nigeria and by the international community. The Yar'Adua government wants to stay in power at all cost, and through the back door, by not implementing the report of the above mentioned electoral reform committee; the President and the PDP are weighing the option and the consequences of full implementation of the report of the committee. Because the recommendations of the committee will make it difficult to rig future elections across Nigeria if the report is fully implemented, particularly detaching the appointment of the INEC head from an incumbent president, in this regard Jean Herskovits concludes that:

> Part of the difficulty is that people have been hoping and continue to hope for some kind of electoral reform ... on the political side there was a committees set up by the Yar'Adua government to examine electoral reform and they issued a very long report with a very thoughtful recommendation in December 2008, just few weeks ago the government have said the most crucial of those reforms namely to take the appointment of the electoral commission out of the hand of the incumbent president and put it under an independent judicial commission. That reform which all Nigeria was looking for, the government have decided not to accept as a consequence of that and a number of other things that have happened you see the closing up of the possibilities for democratic reform, in such a situation there really is no knowing what is going to follow (Herskovits, 2009).

Many other re-run elections in various states of the federation were worse than the massive rigging of the flawed 2007 general elections. A clear example is the use of thugs with dangerous weapons to intimidate, maim and even kill to scare away voters by the ruling People's Democratic Party (PDP), in order to perpetrate their vote

rigging at the April 25, 2009 gubernatorial re-run election in Ekiti state. The Resident Electoral Commissioner for the state was also hounded by the PDP through INEC to announce their candidate as winner of the election (Human Rights Watch, 2009:2; Sahara Reporter, 2009). Evidences emanating from the respondent witness 65 under cross examination at the Ekiti State Election Petition Tribunal, on the 14th of January 2010, shows that the INEC form EC8D which contained the 'result that declared Oni as the governor was not signed by anybody' (Makinde, 2010).

3.3.2 Development Strategies

The Yar'Adua government has slowed down the implementation of the NEEDS-2 (2008 to 2011) follow-on to the NEEDS development strategy of 2003 to 2007, and the President's much touted 7-point Agenda, while signalling the integration of both into the new Vision 20:2020 document. The Vision 20:2020 is the government's new 'economic transformation blueprint, which seeks to position Nigeria among the 20 largest economies of the world by the year 2020' (Oji, 2009:1). The three major goals of the plan are 'guaranteeing the well-being and productivity of the Nigerian people; optimizing the key sources of economic growth; and fostering sustainable social and economic development' (ibid). To accomplish these goals, it aims to attain a GDP of not less than $900 billion from its current $210 billion and a national per capita income of not less than $4,000 per annum by 2020 (Anuforo, 2009). It identified for immediate attention among others: decentralization of governance; electoral reforms; public service reforms; human capacity development and critical infrastructure (power and transport). The government aims to generate 60,000 megawatts of electricity to meet its development target by 2020 (ibid). The aims and objectives of the Vision 20:2020 are not significantly different from most former development strategies; national development plan, vision 2010 of 1995, and the immediate past NEEDS and the aborted NEEDS-2.

The main challenge with various regimes is too much sloganeering, and lack of political will to effect permanent positive change in the socio-economic affairs of the nation. For example, the government announced in February 2008 the local community version of NEEDS, Community Economic Empowerment Development Strategy (CEEDS), whose objectives are 'poverty reduction, social mobilisation and partnership for development, community capacity enhancement, micro-finance,

public works, ecological restoration and improvement, and productivity enhancement that is research-driven' (NPC, 2008). Up till January 2010 no implementation whatsoever has taken place and the programme is still at the level of policy statement almost two years after its pronouncement. Since May 2007, instead of continuing the reforms everything has almost grounded to a halt, as Jean Herskovits lamented:

> It's hard to imagine a country of such size with such vibrant population grinding nearly to a halt; the consequences are of course extreme disillusionment with the current political situation, a kind of desperation. I was struck by how many people say to me it can't go on like this something has got to give. Because basically for the last two years the inactivity in all levels of government has been striking and when you have a country where government is the major employer and major executor of a lot of projects, even though there is a private sector, that has dire consequences and you have a diminution of security, you have conditions in many places that encourage violence and all kinds of criminality, and it is a very worrying situation (Herskovits, 2009).

3.3.3 Infrastructure Development (Electricity and Transport)

Lack of infrastructure is a major impediment to growth and development in Nigeria. 'Limited power generation and weak distribution along with a severe lack of transportation raises the cost of business' (IMF, 2008:17). To kick-start the modernisation of the rail transport system, the government signed an agreement with China Civil Engineering Construction Corporation (CCECC) in November 2006, to construct a 1,315km dual standard gauge rail line from Lagos to Kano at the cost of $8.3 billion (Businessday, 2006). According to CCECC President, it is 'a design, construct and maintain project' that will employ 50,000 Nigerians during the five-year construction period (ibid). The challenges started from the onset of the project, when the government paid a $250 million mobilization fee to CCECC instead of $1.13 billion (Samuel, 2008). The project co-ordinator, Karl Leo, lamented that since 2008, when 'the Federal Ministry of Transport called for the re-scoping of the project, work had stopped on the sites and that communication gap between the company and the federal government had compounded the problem' (ibid). Instead of re-scoping the project, the government has decided to abandon the rail modernisation project and import locomotive engines from abroad to run on the existing railway that has fallen into state of disrepair.

During the electioneering campaign in 2007, the President promised to declare a state of emergency in the power sector within its 100 days in office, and to generate 10,000 megawatts of electricity by the end of 2008 (El-Rufai, 2009). That was not to be; instead it was President Yar'Adua that first raised the alarm that the former administration wasted $13 billion from 1999 to 2007 on the power sector. This false alarm led to an over 18 month break in any efforts by the federal government to try and complete the ongoing National Integrated Power Plant (NIPP) projects started by the former government. The House of Representatives summoned the Central Bank governor, Accountant General of the Federation, and the former Minister of Finance to ascertain the actual amount expended on the NIPP projects. They reported that the actual amount expended was put at $3 to $4.2 billion by the testifiers, that about $1 billion of that amount were still in the bank in the form of letter of credit, and that work was still going on and at various stages of completion. Despite these factual evidences, the House committee still went on a probe and investigation spree, as members of the special investigation committee toured the project sites throughout the nation, and raked in huge amounts of out-of-station and other allowances for themselves.

After all the procrastination, the National Economic Council established the actual amount expended as $3.08 billion. Consequently, after twenty months was wasted the federal government hurried the contractors working on the NIPP projects to site and thereafter promised the nation that by December 2009, it would supply 6,000 megawatts of electricity to the national grid. That also did not materialise, as the government gave excuses ranging from gas supply inadequacy, sabotage and the Niger Delta crisis for not meeting the target and ending up with total supply of 3,500 megawatts at the end of December 2009 (Igbikiowubo, 2010:4-5). Reacting to the several failed promises of the government, a Kano based industrialist queried:

> It is only an irresponsible leadership that would set an unrealizable target for itself. Why did government set a target when it knew it was not in control of a critical component such as gas supply? In more advanced countries, this is more than enough to cost a government its tenure. But not here, I bet you nothing will happen.

The NIPP was expected to generate an additional 4,500 megawatts of electricity into the national grid, if it had been completed as scheduled by December 2007. Despite

the debates and the struggles to generate from 6,000 to 10,000 megawatts for a population of 150 million people in Nigeria, it is important to know that in 2007 South Africa generated about 45,000 megawatts for its 45 million populations (Usman, 2007).

3.3.4 Niger Delta crisis

The government's approaches to the Niger Delta crisis have not been too impressive; the former President Yar'Adua promised during his election campaign in 2007, massive socio-economic development in the region as a means of solving the crisis, but these promises were not fulfilled. The government first adopted a tough approach by an attempted militarisation of the region. It set up a special federal task force to flush out the militant gangs, for example on September 13th 2008 the military launched an air-and-sea attack on a militant camp in the region (The Economist, 2008:26). The retaliation by MEND on the military and oil facilities led to further skirmishes. There was another military raid on the Delta from the 15 May 2009, where 'helicopters and naval gunships killed hundreds of civilians and displaced thousands' (The Economist, 2009d: 27).

Because of the failure of the military approach to reduce the crisis and the danger it portended for the federal government's image internationally, the government switched to a reconciliatory mode by granting amnesty to militants who wish to renounce militancy within a 60-days deadline from 6 August to 4 October 2009 (The Economist, 2009e:25). Over 15,000 militants across the region embraced the amnesty before the expiry date, and thousands of rounds of ammunition and weapons including heavy machineguns and grenade-launchers were submitted to the various designated centres (ibid). The acceptance of the amnesty is in return for N1, 500 ($10) and a monthly stipend of N20, 000. The government also promised training and acquisition of skill for the militants.

The major challenge with the amnesty is that since the militants accepted the amnesty, it seems that the government has no coherent post-amnesty plan for the militants. Main militant leaders like Government Ekpemupolo a.k.a (Tompolo), Henry Okah and others had 'expressed their exasperation with endless meetings with the Presidency that have resulted in little or nothing since they have signed up for the

amnesty' (Nigerian Vanguard, 2009). According to one young militant 'they, the government, they have every power. Let them do as they say. If they don't, then, I will bust pipelines again. That is the truth' (Gaeei, 2009). To prove that the amnesty is almost dead on arrival, on Friday 8 January, 2010 a group of youths blew up Chevron Makaraba pipeline in Delta State; the attack was sanctioned by MEND but did not involved their fighters (Nigerian Tribune, 2010).

Since June 2007 the Yar'Adua administration has adopted carrot and stick approaches to the challenges in the Delta, instead of addressing the fundamental issues of true federalism through implementation of the recommendations of Ledum Mitee Technical Committee on the Niger Delta submitted to the government since December 2008, and the Niger Delta Regional Master Plan, which would have reduced the crisis in the region (Ebri, 2009:2).

3.3.5 War on Corruption

The zealous anti-corruption war by the EFCC and ICPC has also received a knock from the government since the end of 2007. Despite the pledges by the President to enforce rule of law and zero tolerance on corruption his 'government has seriously undermined the fledging anti-corruption efforts that began under its predecessor' (HRW, 2008). Corroborating the Human Rights Watch (HRW), the American Secretary of States Hillary Clinton on her visit to Nigeria in August 2009, 'regretted that EFCC has fallen and needs to be revived and do what it used to do, to strengthen the anti-graft war' (Oloja, et al, 2009). Most former governors that were being prosecuted under the former EFCC Chairman have had their cases effectively stalled. For example, on the 17th of December 2009, Justice Marcel Awokulehin of the Asaba Federal High Court delivered a judgement that quashed all the 170 count charge against the former governor of Delta State, James Ibori and others (EFCC, 2010). The only fight-back EFCC could do, was to appeal the judgement and argue that the accused have only been discharged and not acquitted (ibid). There have been a lot of anti-corruption campaigns by the Nigerian government for transparency and good governance, but these are mostly responses:

> ..to internal political issues – elimination of political competitors, political groups that were defeated in the polls, the creation of

> scapegoats to satisfy public expectations and not the real improvement of governance (Blundo and Olivier de Sardan, 1996:7)

The midterm report card on the Nigerian government by the Human Right Watch, released in June 2009 concludes thus:

> President Yar'Adua has had two years to show that he meant business when he promised to strengthen the rule of law. But instead, it is business as usual. The people responsible for the wholesale pillage of Nigeria's oil wealth and for arming Niger Delta militants have been left untouched, and the victims of police violence have seen no justice (HRW, 2009: 1).

3.4 How Allocation and Management of Oil Revenue Weakens Political and Democratic Institutions in Nigeria

In autocratic regimes, because of the smaller size of the ruling elites, there is the tendency for redistribution of the national wealth among themselves, but democratic regimes on the other hand are supposed to improve governance and accountability by providing public goods, based on its expanded support base by the electorates rather than redistribution among the elites (Adam and O'Connell, 1999 and Collier, 2009:6-7). The opposite is the case in Nigeria where 10 years of democratic rule has given opportunities to the political office holders, to redistribute among themselves the huge oil revenues accruing to the country from 2000. Because the foundations of democratic governance, a sound electoral system and making the electorate's vote count, have been battered through unconventional techniques of 'vote-buying, voters' intimidation and ballot fraud'(Collier, 2009:7), the politicians are no longer accountable to the citizens of Nigeria. Therefore, 'democratization essentially means the re-establishment of multipartyism; corruption and electoral clientelism are more prevalent than ever as demonstrated' in the case of Nigeria (Blundo and Olivier de Sardan, 1996:55).

Resource rents give political office holders the extra incentives to reward their clients and buy off political challengers so as to remain in power (Collier and Hoeffler, 2009; Torvik, 2009:17; U4.no, 2008:21 and Acemoglu et al, 2004). There were two major instances in Nigeria where former Heads of state have attempted to stay on in power, by deploying massive oil revenue at their disposal. First was the case of the late

General Sani Abacha in 1997, which assembled through his cronies a one million man march in Abuja to drum up support for him, in order to transform from military to civilian president, either by direct conversion or an arranged election. It was later discovered he had looted an estimated $3.4 billion from Nigeria's oil revenue stashed in a Swiss bank account (World Bank and FMF, 2006:4). The second was the third term agenda of former President Olusegun Obasanjo in 2006, where members of the National Assembly were lobbied to amend the constitution to give room for him to contest election to the office of the president for the third time, as against the existing constitutional provision of two terms. The bill was eventually defeated and the project abandoned, but millions of Naira of public funds was allegedly expended. The same has now happened in the neighbouring Republic of Niger in August 2009.

Resource rents also hinder resource-dependent governments' ability to undertake necessary political and socio-economic reforms, which they would have undertaken due to the downturn in the economic situation, but with the influence of huge resource revenues fundamental change might be delayed (Collier, 2009). For example, huge salaries and allowances of political and judicial office holders in Nigeria were fixed by the RMAFC, in the wake of the increases in oil revenues to the government since 2000. The salaries and allowances are subject to review in relation to the prevailing economic circumstances per time, as stipulated in the Third Schedule Part 1 section (N 32a-e) of the Nigerian constitution. These emoluments for only 17,474 political and judicial office holders, out of over 140 million people, amounts to N1.3 trillion annually; about 45% of the N2.9 trillion 2009 budget, and one third of Nigeria's annual budget since 2005 (Shilgba, 2009: 1-7 and RMAFC, 2009).

The government have not had the incentive, due to constant influx of oil revenues, to drastically review this dysfunctional policy even in the face of mass poverty, dwindling economic fortunes, and an almost total breakdown of infrastructure in the country. Instead they still regularly dip their hands in the savings from oil in the Excess Crude Account under the disguise of smoothing the budget deficit, to feed their extravagant lifestyles at the expense of adequate funding of universities and other educational institutions. For example, a local councillor earns three times the pay of a professor and a Senator receives about ten times more (Oloja and Onyedika

2009). This has constantly led to incessant closure of universities sometimes for periods of over six months, and strike actions by the Academic Staff Union of Universities (ASUU) in their quest for enhanced emoluments and better funding of universities. The Nigerian Rally Movement (NRM), a non-governmental rights group puts the figure expended on the pay of officials from 1999 to 2009 at N6.5 trillion and posits that these:

> outrageous salaries and allowances paid Nigeria's public officials and their corrupt lifestyle from the nation's resources, while the vast majority of Nigerians workers are forced to earn peanuts in the form of N7, 500 minimum wage, which cannot enhance their standard of living (Nwakaudu, 2009).

The Obasanjo administration in 2007 exited Nigeria from both the London and Paris club debt overhang accumulated huge foreign reserves from $5 billion in 1999 to $47 billion in 2007 and created an Excess Crude Account (ECA) (Kolawole, 2009:27-8). These were done via prudent management of the substantial revenues, accrued by the increases in oil prices at the international oil market from 2000 to 2008, as discussed in earlier sections. But since June 2007, due to the inaction and ill-motivation of the Yar'Adua government in finding a lasting solution to the crisis in the Niger Delta, by the non implementation of the Niger Delta Master plan and the Ledum Mitee report. This action led to the decline in both oil production and revenue, and coupled with the global economic crisis; the government has started depleting the Excess Crude Account, mainly to maintain consumption and not for investment purposes. According to Nigeria's Minister of State for Finance on the 24th March, 2009:

> We had a number of challenges in implementing the 2008 budget.... if the current trend in oil price hovering around $40 per barrel and the current production volume of 1.6 million barrels per day (mbd) persists till the end of the year, it will open up a $6 billion gap in the 2009 budget ...and limited capacity in our ministries, departments and agencies (Okiti and Ademuyiwa, 2009).

Due to the shortfall in the budgeted revenue for August 2009 caused by an oil shut-in of 712,000 (bpd), N87 billion was withdrawn from ECA to make up for the deficit in the monthly allocation to the three tiers of government. The ECA has been depleted from $27 billion in January 2009 to slightly over $7 billion in October 2009 (Thisday,

2009). The Chairman of Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) Hamman Tukur lamented that:

> From August to October 2009, Nigeria has not got one dollar from the total crude sold. Yet the NNPC has paid over N560 trillion to the Joint Venture Cash Call (JVC), rather than find a solution to this, the government reverted to the ECA where it took $12 billion to reflate[20] the economy. Now we are eating into the domestic account, one day, you will wake up and there will be no government (Subair, 2009).

In the economic prospects for Africa in 2009 the IMF states that, 'Nigeria, one of the region's main oil producers, has been severely hit' (IMF, 2009). It projected a growth rate of 2.9% and 2.6% for Nigeria in 2009 and 2010 respectively, which is little more than half the 5.3% growth rate achieved for the year 2008, and the main reasons for the decline is the reduction in the anticipated level of oil production due to the crisis in the Niger Delta, and the downturn of oil prices in the international market. Other reasons are the 'drying up of global capital flows, and slowing credit to the private sector' (ibid).

3.5 Conclusions

This chapter has analysed how oil contributed significantly to Nigeria's political and socio-economic development. It began with a brief analysis of the pre-oil political and economic development, and how that changed as oil revenue started rolling into government's treasury. The sudden influx of huge income from oil revenues seemed to have set the country on the launch pad for meaningful socio-economic development. However, this has not happened; despite Nigeria's endowment with oil and other natural resources a substantial portion of its population are still poor because of the failure of successive governments in managing its wealth effectively (Thomas and Canagarajah, 2002:4). The various policy distortions in the management of the economy have undermined the efforts of successive regimes to effectively tackle poverty. Most of Nigeria's oil wealth has been squandered by large scale corruption and mismanagement since the 1970s, and the majority of the

[20] Reflate means the process of bringing an economy out of recession by increasing the amount of money in circulation within it (Encarta Dictionary, 2009).

population are left impoverished without basic services such as electricity and a reliable public health care system (Reuters, 2009).

All this has had negative impacts on human development and welfare in the country. Nigeria with its formidable petroleum resources is no doubt one of the rich countries with poor people in the world, with per capita income in real term lower than at independence in 1960. There is however, enormous potential to develop the economy through investment in other sectors such as agriculture, mining, construction and real estate, but this has not taken place since the 1970s despite the huge oil revenue receipts. Okonjo-Iweala (2009:22) concludes that:

> Little progress has been made in putting in place the infrastructure, and consistent microeconomic and sectoral policies needed to encourage private sector investment to induce this growth. This has largely been due to serious corruption and governance issues. Little progress will be made as long as monies intended to upgrade and install new infrastructure are not directed to their intended uses.

The return to civilian rule in 1999 brought with it a ray of hope for change and development, after about two decades of military misrule. The civilian government finally settled down to business after it was re-elected for the second term in 2003; it initiated and implemented some governance and institutional reforms, particularly within the federal government structures. These reform policies contributed positively in the areas of oil revenue management, anti-corruption, telecommunications and the banking sector, but have failed to stem the tide by addressing infrastructural development, the Niger Delta crisis and even more importantly electoral reforms and the rule of law. This chapter concludes that, even where progress has been recorded, it is now at risk of being jeopardized due to the level of inactivity and lack of political will of the Yar'Adua government to forge ahead with the reforms since June 2007. This signals a return back to the 'status quo' of misrule and flagrant looting of the common good.

Oil revenue has also allowed various regimes to reward political clients in order to remain in power, irrespective of their contributions, positive or negative, to the development of the country. It has also hindered the ability of Nigerian governments

to fully undertake meaningful reforms that will benefit the majority of its citizens, because most of the accumulated massive oil revenues have over the years served the voracious appetite of the political class. This explains why the most important explanation for Nigeria's socio-economic development woes is the gross mismanagement of its resources by successive governments. In order to reinvent the wheel and position the country on a path of sustainable development, corrupt practices must meet with serious consequences.

The anti-corruption agencies need to be strengthened by giving them more autonomous power and making them truly independent of both the executive and legislative arms of government, and not an appendage of any of them. This would guarantee non-interference to all three arms of government in their determination and concerted effort to prosecute corrupt persons mismanaging public resources either within or outside the government. The restrictions on legal proceedings against public office holders such as the President, Vice President, Governors and Deputy Governors, as contained in the section 308 (1-3)[21] of the 1999 Constitution of the Federal Republic of Nigeria, should be reviewed and removed so as to pave the way for the prosecution of any public office holder no matter highly placed they are.

This would make all public office holders conscious of the consequences of mismanaging public funds, and would minimise drastically the brazen looting of government finances as witnessed in the past, especially since 1999 by the various office holders who are protected by this immunity clause and aided their looting of the funds in their various offices. This would also go a long way to achieving the cardinal objective of good governance, which incidentally is in line with the goals of

[21] As contained in section 308 subsection 1 (a) No civil or criminal proceedings shall be instituted or continued against a person to whom this section applies during his period of office;
(b) a person to whom this section applies shall not be arrested or imprisoned during that period either in pursuance of the process of any court or otherwise; and (c) no process of any court requiring or compelling the appearance of a person to whom this section applies, shall be applied for or issued: Provided that in ascertaining whether any period of limitation has expired for the purposes of any proceedings against a person to whom this section applies, no account shall be taken of his period of office. (2) The provisions of subsection (1) of this section shall not apply to civil proceedings against a person to whom this section applies in his official capacity or to civil or criminal proceedings in which such a person is only a nominal party. (3) This section applies to a person holding the office of President or Vice President, Governor or Deputy Governor; and the reference in this section to "period of office" is reference to the period during which the person holding such office is required to perform the functions of the office.

the African Union's African Peer Review Mechanism (APRM). The 1999 constitution and its provisions such as in section 308 (1-3) was part of the recklessness and arbitrariness bestowed on the people of Nigeria by the past military regimes, which handed it down to the present democratic government during the transition period in the late 1990s. It totally neglected and negates the purpose of governance which according to Obadan, (2002: 57) is:

> The manner, in which power is exercised in the management of a country's resources for development, is the advancement of the economic and social well-being of the people. Good governance implies efficient and effective public administration, sound policies and prudent management of national resources. This can be brought about when governance is characterised by accountability of public officials for public funds and resources, transparency in government procedures, processes, investments, decisions, contracts and appointments, predictability in government behaviour, openness in government transactions, a reliable flow of information between the government and the governed, and observance of the rule of law by both government and its citizens.

Most of the explanations for the resource curse, particularly the internal or domestic explanations as analysed in chapter 2 above, readily find applicability in the Nigeria's case, where poor management of excessive oil revenue has precipitated bad governance, political instability, lack of linkages between tax and government accountability, corruption and the weakening of democratic structures. As posited by Collier and Hoeffler (2008), the institutions that matter to reduce or prevent the adverse effect of the resource curse are the ones with strong checks and balances. This was partly evident by the moderate achievements of reform structures like EFCC, BPP, and NEITI among others, which within the interregnum (2004 to 2007) operated effectively with minimum political interference.

In this regard, the quality of institutions is important, but of more importance is the political leadership, because they set the direction for the long-term strategic management and harnessing of oil revenues; therefore determining the outcome of the country's natural resources; a blessing or curse. Therefore:

> The people of Nigeria are suffering due to lack of leadership from within the country. As a result, the dangers from corruption and mismanagement are growing, causing concern for the coming 2011

> elections. Nigeria hopes to be among the top twenty world economies by 2020 but this will not happen unless its leadership-at all levels, including federal, state and local government and civil society leaders- becomes organised and take direct responsibility for the people. The country and any hope of reform or moving forward are undermined if the government lacks legitimacy in the eyes of the people. (APPG, 2009: 2-4).

In conclusion, the speedy implementation of the electoral reforms, by adopting fully the recommendations of the Uwais electoral reform committee of 2008, will be the first stage of making the peoples' vote count in electing their various political leaders. The next chapter will examine the intricacies of the politics of revenue allocation between the federal, state and local governments.

Chapter 4

Oil and Fiscal Federalism; the Federal, States and Local Governments and the Politics of Revenue Allocation.

4.0 Introduction

The issues of revenue allocation and fiscal federalism dominate politics in Nigerian postcolonial state; from colonial unitarism to the centrifugal regionalism of the first republic, from the military's 12 states in 1967 to the 36 states as of 2009. This chapter will analyse fiscal federalism and the politics of revenue allocation among the three tiers of government in Nigeria, namely the federal, states and local governments. Looking at the politics and the dynamics of revenue allocation formulae and commissions in Nigeria from 1947 to 2007, what were the factors that influenced the adoption and rejection of some proposed formulae by the various committees and commissions set up at different times by successive regimes?

Do the people at the state and local governments have inputs in determining the allocation formula? Who are those co-ordinating these inputs, if they have any inputs? Why do the various regimes particularly from the 1970s continually empower the central government more than the states and the local councils? When the states agitate, why would the federal government not democratise the governance of the allocation of resources? The chapter then concludes by examining how the revenues accruing to the various levels of government, particularly the states and local governments, based on such formulae affected socio-economic development in Nigeria; taking into consideration the huge amount of transfers to the sub-national governments from the 1970s, and particularly since 1999 due to the steady increase in oil revenue accruing to the Nigerian government within these period.

4.1.1 The Historical Background of Fiscal Federalism in Nigeria

Nigeria came into existence through the amalgamation of the protectorate of Northern Nigeria and the colony and protectorate of Southern Nigeria by Lord Lugard in 1914, under the colonial administration. After independence in 1960, the Nigerian constitution was replaced in 1963 when the country opted for a Republican status, severing allegiance to the Queen of England; at that time, Nigeria was divided

into four regions, northern, western, eastern and mid- western (FGN, 2000:1, CBN, 2000:158). It has been sub-divided nine different times since then. There was political crisis after the departure of British rule in 1960, because the colonial rule undermined the emergence of nationhood by using the policy of "divide and rule" to advance its hegemony, with the effect of not only weakening national solidarity but also stunting the development and consolidation of overarching national loyalties across ethnic lines (Jinadu, 2002: 8-9). The departure of the colonial powers, hasty in many places including Nigeria, was accompanied by internecine struggle to maintain control of, or to capture the embodiment of violence and coercion, represented in the colonial state. In the case of Nigeria ethnicity was used as a powerful manipulative tool in the struggle by the various fractions of the inheritance elite to control the state (Ibid.).

The basic problem with fiscal federalism in Nigeria is rooted in the contradictions that produced the Nigerian State itself; being a colonial state, the colonial masters did not negotiate with any of the indigenous communities before they put in place what they referred to as the federal principle.

> There was no bargaining; no negotiation, there was no contract with anybody. They seized Lagos, seized Calabar, they conquered the territory known as Nigeria today through imperialism and they imposed their will and forced the people into a union. It was later after the conquest they were now looking for means through which they can control this large area; they initially adopted the indirect system of government, which actually generated a lot of confusion especially in the Southwest, so eventually they started experimenting with the ideas of federalism. But there was a big mark of difference between the way federalism evolved in Nigeria and other places (Odofin 2007; Interview 6).

The rivalry and rancour among the Nigerian first republic political elite finally led to the first military coup of January 15 1966, in which General Aguiyi-Ironsi from Eastern Nigeria became the leader of the new military government, and most of the political leaders at independence were executed. But the nature of the killings by the military was viewed to have targeted certain regions, while the Ironsi administration committed itself to a unitary system of government, which the Northern region were not comfortable with. In July 1966 there was a bloody counter-coup by 'the

sergeants'[22] from the North and the emergence of Gowon, the most senior surviving Northerner in the officer corps as Nigerian leader. His administration organised an Ad Hoc Constitutional Conference in September 1966 to find a lasting solution to the inter- regional and ethnic crisis in the country, and another meeting in January 1967 with the 'colonels', including Ojukwu the leader of the military officers from the Eastern region (Kirk-Greene, 1975: 4-7).

In May 1967 the military government under the leadership of Gowon, effected overnight a fundamental reversal of half a century of Nigeria's political history and administrative thinking, by replacing the four regions with 12 states, shortly before the civil war. This action was to forestall secession[23]; the would-be Biafra allocated three states instead of Eastern region separating those with oil, Rivers and South-eastern states, from those without oil (Ibid).

> The Ibo land is resource starved and their main expectations lay on the oil, the non Ibos of these areas Calabar and so on were perceived to be laid back, so during the war attempts were made to emancipate the oil producing part of Nigeria and the people themselves cooperated with federal forces because they were afraid of 'Ibo domination', because the Ibos did not reckon with rebellion from non Ibo elements even within the Eastern region and they are the owners of the resources (Adedeji 2007; Interview 7).

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[22] The sergeants comprises mostly military officers from the Northern region of Nigeria

[23] During the first military coup of January 15th 1966, political leaders mostly from the Northern region, including the Prime Minister Sir Tafawa Balewa and the Premier of the Northern region Sir Ahmadu Bello, were killed. General Aguiyi-Ironsi an Ibo from the Eastern region became the Head of State. Shortly afterwards on July 29th, 1966 there was a bloody countercoup led by the 'the sergeants' from the North in which Aguiyi-Ironsi lost his life and Lt-Colonel Yakubu Gowon the most senior in the officers corps from the Northern region became the Head of State. Prior to the time of the creation of the 12 states, there was an apprehensive situation in the country and signs that the nation was drifting towards anarchy; in May and September 1966, there were riots in the North in which the Ibos were killed and these killings led to a mass exodus of the Ibos from the North to their homeland in the Eastern part of Nigeria. In order to arrest this uneasy calm , on the 27th of May 1967 Gowon the then Head of State addressed the Nation and declared a state of emergency throughout the country and assumed full powers as the C-in-C of the Armed Forces and divided the country into 12 states. The creation of 12 States from the former 4 regions was part of the efforts to forestall the secession of the Ibos of Eastern region from Nigeria by causing divisions among the various ethnic groups in the Eastern region and to gain support for the Nigerian military government by a divide and rule approach. But three days after the creation of the 12 states the then military governor of the Eastern region- Lt Colonel Emeka Odumegwu-Ojukwu also declared the Eastern region 'a free, sovereign, independent state by the name and title – the Republic of Biafra' The confrontation between the Nigerian soldiers and the Biafra troops led to the civil war which began on the 6th of July 1967 and ended January 15, 1970 (FMI, 1990:14-15)

Though secession was forestalled, Nigeria's continuing existence as a nation-state hinged on its capacity to evolve and maintain an adequate system of federalism. This imperative is reflected in Nigeria's recurrent national goals defined as unity, stability and development (Graf, 1988: 133). Corroborating these facts, the federal government owns the whole country via the colonial experience of the Nigerian State, so when the military took over in January 1966, the military intervention and the civil war dictated that all power gravitated to the centre to reflect military hierarchy.

At this time oil began to play a dominant role in the Nigerian economy, coinciding with the military takeover and the civil war; these three things happened successively.

> If it had happened under the democratic government from 1960 to 1966, they might have had a mechanism to arrive at a just conclusion or formula through which they could now be sharing the oil revenue, but these things happened under the military and then they created 12 states through military fiat, without any real consultation. Also because of the exigencies of the war all the resources were mobilised to prosecute that war, consequently oil was one of the resources that the military brought in for the resolution of the war. After the 30 months civil war, the military could not conduct elections immediately; they stayed in power from 1966 to 1979 when oil has become the major export commodity (Odofin 2007; Interview 8).

4.1.2 Principles of Revenue Allocation Formulae in Nigeria

The history of revenue allocation between the various units of Nigeria since the amalgamation of the Northern and Southern protectorates in 1914 by Lord Lugard has been a recurrent and contentious issue. Between 1946 and 2007 ten revenue allocation review commissions and committees, 4 military decrees, 1 Act of the National Assembly and 1 presidential order were engaged to coin an acceptable revenue sharing formula for the country, and every time a new government emerged, it has felt obliged to rediscover the wheel by modifying the existing revenue formula or creating a new one, no matter how ephemeral or inimical to the long term developmental interest of the country and its citizens. Some of the commissions were the Phillipson Commission of 1947, Hicks Phillipson 1951, Chick Commission of 1953, Raisman Commission 1958, Binns Commission 1964, Dina Commission 1969, Aboyade Commission 1977, Okigbo Commission 1980, Danjuma Commission 1989, Gen Abubakar Military Government 1999, and the Obasanjo Administration 2002

(Onoh, 1983: 107-24 and RMAFC, 2005:17-19). From the Phillipson Commission of 1947 to Dina Commission of 1969, the principles used in the allocation of revenue were the principle of derivation[24], even development, national unity, population and fiscal independence among others. The federal Government was given exclusive jurisdiction of mining rents and royalties; the Distributable Pool Account[25] was also created by the Raisman revenue allocation commission of 1957.

The Aboyade Commission harmonised the principles of allocation in previous formulae and brought a radical departure by removing the principle of derivation and recommending the consolidation of all federally collected revenue into one account to be shared by the three tiers of government; federal, states and local governments. It also created the states and local government joint account. The Okigbo Commission adjusted the percentage for the revenue sharing amongst the three tiers of government from 57% to 53% for federal government and special fund from 3% to 7% as contained in the previous recommendations by the Aboyade Commission; it also recommended for the development of the mineral producing area and derivation 1.5% and 2% respectively as indicated in table 3.1 below. Danjuma Commission was not in any way differing from the previous Commissions and included landmass as one of the criteria for revenue allocation. Apart from other adjustments; provisions were also made for Ecological Fund 2% derivation 1% and the Oil and Mineral Producing Area Development Commission OMPADEC 3%. In 1989, General Babangida the then Head of the military government in Nigeria established the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) with Decree No 49 of 1989. The 1999 constitution also ratified the establishment of the commission

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[24] The derivation principle has been explained in detail in a footnote in chapter 1, section 1.2.1. For mining rents and royalties the revenue accruing to any region was shared as follows: Central government 20%, 50% to the regions of origin based on derivation principle and 20% to the Distributable Pool Account DPA explained below. The 50% derivation was reduced to 45 in 1970 and was finally abolished by the Aboyade Commission in 1977, but was reintroduced as 13% in the 1999 Constitution due to the intense agitations from the oil producing states of the Niger Delta.

[25] The Distributable Pool Account DPA was created following the recommendation of the Raisman Commission in 1957. 30% of the revenue accruing to any region from mining rents and royalties, import duties other than duties on tobacco, motor spirits (including diesel oil), beer, wines and potable spirits are paid into the DPA for the purpose of sharing exclusively among the regions to reduce horizontal imbalances as some of the regions are more endowed than the other in terms of resources and income; these includes the regions of origin of such revenue. The revenue in the DPA was shared based on the general principles of continuity of government service, minimum responsibilities, population and balanced development as stated in No 4 of table 3.1 on page 7 in the following percentage: Northern region -40, Western region-24, Eastern region- 31 and Southern Cameroons-5(Raisman, 1958:24-25 and RMAFC, 2002:13).

under section 153 (1n) to diligently and effectively manage the national revenue (mobilization and allocation) as an independent organization, free from sentiment and undue influence. It has a chairman and 37 members, one from each state and the Federal Capital Territory (FCT) Abuja.

Revenue allocation is an integral part of fiscal federalism and the central issue or the focal point of Nigeria's fiscal federalism and revenue allocation is the revenue allocation formula, which has been manipulated and controlled to create a highly centralised fiscal system by successive military governments that ruled the country for 30 years out of her 47 years of independence. The highly centralised fiscal regime was made possible by the introduction of the Decree No. 13 of 1970, which increased the revenue powers of the federal government relative to the states and also reduced the derivation fund from 50% to 45%; and the Offshore Oil Revenue Decree of 1971, that gives all offshore oil revenues to the federal government (Onoh, 1983: 117). These developments, and the final abolition of the principles of derivation by the Aboyade Commission in 1977, caused discontent in the oil producing Niger Delta, and the agitation on revenue allocation among the federating units has increased since the emergence of democratic rule in May 1999.

Consequently, these ever-contentious issues of revenue allocation formula and the principles of derivation in revenue allocation for other sub national governments, and particularly the oil producing states, has been revisited. Subsequently the former President Obasanjo administration in 2000 began the implementation of the 13% derivation fund as contained in section 162 sub section 2 of the 1999 constitution of the Federal Republic of Nigeria, which stipulates that 'the principle of derivation shall be constantly reflected in any revenue allocation formula, and it should not be less than 13% of the revenue accruing to the Federation Account directly from any natural resources' (FRN, 2000: 66).The principle of derivation requires that the federating units of a Federation be able to control a certain percentage of their resources in their own way and with their own preferences. It is premised on the argument that federating units from which revenue is derived to the Federation Account on any mineral resources should be remunerated in accordance with its contributions (Dunmoye, 2002: 49-50). The full implementation and payments of the 13% oil derivation fund to the nine oil producing states in the Niger Delta has

substantially increased the share of revenue going to the region. In 2000, the total revenue of the state and local governments in the region was estimated to increase by 8% points, to over 18% of GDP, and as the revenue share rises it is expected that the States and local governments would take on additional public services in health care, primary and secondary education, and other social services which were hitherto mainly federal government responsibilities (Camdessus, 1999: 9).

4.1.3 The Politics and Dynamics of Revenue Allocation Formulae in Nigeria (1947-2007)

Revenue allocations in Nigeria dates back to pre-independence period and have always been political and polemic in nature. Since the late 1960s, oil revenues and its sharing formulae have become major elements of the Nigerian politics. These were reflected in the high frequency with which the creation of revenue allocation commissions were carried out and the various formulae recommended since the colonial era. The fundamental reason responsible for the high-pitched demand by the various federating units in Nigeria for an increase of the revenue accruing to them is the centrality, even the primacy of oil revenues in the administration of the country (Dunmoye, 2001:49). The contentious nature and the lack of satisfaction with the revenue allocation formula through time are evident in the frequency with which these commissions were set up by successive governments (Onoh, 1983:108).

The principles of fiscal federalism is reflected in the numerous revenue allocation formulae that had been introduced since colonial period. Certain basic principles are used for revenue allocation; these can be classified under three major headings; (i) Derivation, (ii) Need, and (iii) National interest/ even development. Other principles used are population, geographical peculiarities, absorptive capacity, internal revenue generation efforts, equality of states, continuity, fiscal efficiency, minimum standards for national integration, land mass and financial comparability (Dunmoye, 2002: 50). Nevertheless a tension existed between restitution of revenue proceeds to the region of origin (i.e. derivation) and the demands for redistribution, to provide adequate resources to all disadvantaged regions to assure the delivery of minimum standards of public services. The improper implementation and manipulation of successive formulae has led to doubt and mistrust between the constituent units of the federation (Baunsgaard, 2003:9).

Table 4.1: Summary of Revenue Allocation Committees/Commissions in Nigeria and Principles/ Formulae of Allocations Recommended (1947 – 2007)

No	Year	Commission	Principles Recommended
1.	1947	Phillipson Horizontal -	(a) Derivation, (b) Even progress, (c) Population, Balance after meeting Central Government budgetary needs allocated to Regions as follows: Northern Region ---- 46% Western Region ---- 30% Eastern Region ---- 24%
2.	1951	Hicks / Phillipson	(a) Derivation – 50% of import and excise duty on tobacco and 100% of import duty on petrol to the regions. (b) Need (c) Independent revenues (d) National interest Other basic features; capitation grants based on 1931 Census figures, special grants; Native Authority -50% education- 100% and police -100% to the regions.
3.	1954	Chick	(a) Derivation – on mineral rents -100% to the region, export tax on Hides and skin -100% to the North, company tax-100% to central government. Revenues from import duties on other goods (except tobacco and motor Spirit) shared among the regions; North- 30%, East- 30% and West – 40%
4.	1958	Raisman Vertical – Horizontal -	Derivation – region of origin -50%, DPA – 30% and Central Government – 20% (a) National Unity, (b) Fiscal Independence, (c) Need Other basic features; 30% of mining rents and import duties goes to Distributable Pool Account DPA which was shared with the following percentages among regions; (1) Northern Region ----- 40% (2) Western Region ----- 24% (3) Eastern Region ----- 31% (4) Southern Cameroon ----- 5%
5.	1964	Binns Vertical – Horizontal -	Derivation - region of origin -50%, DPA – 35% and Central Government – 15% (a) Fiscal independence, (b) National Interest (c) Financial Comparability, (d) Need Distributable Pool Account DPA shares; (1) Northern Region ----- 42% (2) Eastern Region ----- 30% (3) Western Region ---- 20% (4) Mid-Western Region ----- 8%
6.	1967	Military Government Vertical –	 Derivation - States of origin -50%, DPA – 35% and

		Horizontal -	Central Government – 15% Distributable Pool Account DPA shared among 12 new states; 6 Northern states 42% -7.0% each. Western and Eastern states shared the remaining 58% according to their population.
7.	1968	Dina* Vertical –	Mining rents (on-shore) - (off-shore) Federal government --- 15% 60% DPA now State Joint Account-- 70%, 30% Derivation --- 10%, ----- Special Grants --- 5%. 10%
		Horizontal	The State Joint Account to be shared with accordance to; (a) Equality of States (b) Population, (c) Derivation (d) Minimum responsibility of government (e)Tax effort
8.	1970	Military Government Decree No 13 Vertical –	Mining rents (on-shore)- (off-shore) Federal government --- 5% 100% DPA now State Joint Account --- 50%, ----- Derivation --- 45%, -----
		Horizontal -	Equality of States --- 50% ----- Population --- 50% -----
9.	1977	Aboyade* Vertical –	DPA was replaced with the creation of Federation Account as Follows: (1) Federal Government ------ 57% (2) State Governments ------ 30% (3) Local Government ------ 10% (4) Special Fund ------ 3%
		Horizontal -	State and Local Government Joint Accounts established, (a)Equality of access to development opportunities- 25% (b) Minimum standard for national integration 22% (c) Absorptive capacity ----- 20% (d) Independent revenue efforts ----- 18% (e) Fiscal Efficiency ----- 15%
10.	1980	Okigbo* Vertical -	Federation Account sharing: (1) Federal Government ----- 53% (2) State Governments ----- 30% (3) Local Government ----- 10% (4) Special Fund ----- 7% of which; Ecological fund -1%, Derivation-2% and Development of mineral producing area 1.5% and initial development of FCT --- 2.5%
		Horizontal –	(a) Minimum responsibility of Government - 40% (b) Population - 40% (c) Social development - 15% (d) Internal revenue factor - 5%

11	1981	National Assembly Revenue Act Vertical - Horizontal –	Federation Account sharing: (1) Federal Government ----- 55% (2) State governments ----- 35% (3) Local Governments ------ 10% (4) Special Fund(part of FG's allocation of 55%) 4.5% of which; Ecological fund -1%, Derivation-2% and Development of mineral producing area - 1.5% Same as (10) a-d
12	1984	Military Governmen (Decree No 36) Vertical– Horizontal –	Federation Account sharing: (1) Federal Government ----- 55% (2)State Governments ----- 32.5% (3) Local Government ----- 10% Special Fund; Ecological fund ---- 1%, Development of mineral producing area ---- 1.5% Same as (10) a-d
13	1989	Danjuma Vertical – Horizontal –	Federation Account sharing: (1) Federal Government ------ 47% (2) State Governments ------ 30% (3) Local Governments ------ 15% (4) Special Funds ------ 8% (a) Equality of States ----- 40% (b) Population ----- 30% (c) Social development ----- 10% (d) Internal revenue factor ----- 20% (e) Landmass ----- ----
14	1990	Military Government Vertical - Horizontal –	Federation Account sharing (1) Federal Government ----- 50% (2) State Governments ------ 30% (3) Local Governments ------ 15% (4) Special Fund ------ 5% of which FCT-1%,Stabilization fund-0.5%,Derivation 1.0%, Development of Oil mineral producing area -1.5%, Ecological fund-1.0% Same as 13 (a - c) (d) Landmass ------ 10% (e) Internal Revenue efforts ------ 10%
15	1992	Military Government Decree No 106 Vertical –	(a) Federal Government ------ 48.5% (b) State Government ------ 24% (c) Local Governments ------ 20% Special Fund ------ 7.5% of which; FCT-1.0%, Ecological Fund -2.0%, Stabilization Account -0.5%, Derivation Fund -1.0%,

			OMPADEC – 3.0%
		Horizontal -	Same as (14a-e) above
16	2002	Modified Presidential Order 315 (2002) Vertical –	(a) Federal Government ------ 48.50% (b) States Government ------ 24.72% (c) Local Governments ------ 20.60% (d) Special Funds ------ 6.18% of which; Ecology and Derivation -1.46%, FCT-1.00%, Stabilization Fund-0.72%, Development of mineral resources – 3.0%
		Horizontal -	Same as (14a-e) above
17	2004	RMAFC Proposed to National Assembly. Vertical –	(a) Federal Government ----- 47.19% (b) State Governments (including FCT) ---- 31.10% (c) Local Governments/Area Councils ---- 15.21% (d) Special Funds ---- 6.50% of which; General Ecological Fund- 1.50%, Solid Minerals Development Fund- 1.75%,National Reserve Fund - 1.50%, National Agricultural Development Fund-1.75%
		Horizontal -	(a) Equality of States ----- 45.23% (b) Population ----- 26.60% (c) Population Density ----- 1.45% (d) Social development ----- 7.50% (e) Internal revenue factor ----- 8.31% (f) i. Landmass ----- 5.35% ii. Terrain ----- 5.35% (h) Rural Roads/Inland Waterways ----- 1.21%

*Dina Committee report was rejected by the military government because its recommendations went beyond the mood of the regime at that time, the Okigbo formula was annulled by the Supreme Court, and the Aboyade commission report was rejected according to the government because of its high technicalities.

Source: RMAFC, (2002; 2005) and Ekpo, (2004:37-8).

4.1.4 Pre-Independence Revenue Sharing Commissions and Formulae

The history of revenue allocation in pre-colonial Nigeria begins with the report by Sir Sydney Phillipson published in 1947; the report was on how the revenues raised by the central government should be allocated for expenditure by the regional authorities. The central government had full power on all revenues, it allocated revenue to the regions on the basis of derivation and even progress after it had met its financial obligations. The Phillipson Commission recommended two principles of

revenue sharing among the regions – derivation, and even development (Raisman and Tress, 1958:3). As part of the constitutional review processes in 1951 a report on revenue allocation was produced and signed by Professor J.R. Hicks and Sir Sydney Phillipson; the report still retained the derivation principle, regional needs and for the first time introduced the principle of independent revenue. The 1951 Constitution also established a quasi- federal system and gave the regions some power to impose taxes by legislation and to appropriate money for specific purposes (Ibid).

Towards independence there was the need for a new revenue allocation formula, in view of the fact that new regions were created and they needed a level of financial independence if they must function politically. Consequently, in 1953 after the Constitutional conference Sir Louis Chick was appointed to head another revenue allocation commission. He recommended the retention of the existing independent revenues and the extension of the derivation principle to the whole of the centrally generated revenues for allocation to regions. The Sir Jeremy Raisman commission on revenue allocation was set up in 1958, to look into the perceived inadequacies of the Chick commission's revenue allocation formula, which included among others the deficiencies in the application of the principles of derivation and the inadequate proportion of the independent revenues for the regions. The Raisman commission retained the principle of derivation, the fiscal autonomy of the states alongside that of the federal government, and allocated a certain percentage of the mining rents to the federal government and the regions as follows; (1) 50% to the regions of origin - based on the principle of derivation, (2) 20% to the federal government and (3) 30% to the Distributable Pool Account (DPA) to be shared among the regions as follows North – 40%, East- 31% and West- 24% (Ibid and Onoh, 1983:110). The formula above as recommended by the Raisman commission recognises the issue of national unity rather than empowering federating unit(s) at the expense of others.

4.1.5 Post-Independence Revenue Sharing Commissions and Formulae

The first post–independence revenue allocation commission was the Binns commission, which also maintained for sharing of mining rents and royalties the principle of derivation (50% to the regions of origin, 15% to the federal government, and an increase in the Distributable Pool Account (DPA) from 30% to 35%); fiscal independence and national interest were also maintained just like in the Raisman

commission's formula (Kwanashie, 2001:41). In January 1966 the first military government came to power, abolished democratic rule and enforced a more centralised structure, so that by 1967 Nigeria was divided into 12 states which had no autonomy like the former regions, with the federal government at the centre. In 1968 the Dina interim revenue allocation review committee was set up and headed by Mr I.O. Dina. Apart from other recommendations in table 4.1(no 7) it recommended a uniform tax legislation for the nation, harmonization of the pricing of Marketing Board produce and that the federal government should finance all higher education. The recommendations of the Dina committee were rejected because according to the military regime the report went beyond the mandate given to the committee, as the country was at the middle of the civil war (RMAFC, 2002:14-16).

The military government continued with the Binns revenue formula, and later promulgated Decree No 13 of 1970 which increased the revenue allocation to the federal government. The share of the states of origin in on-shore mining rents and royalties was reduced from 50% derivation to 45%, that of federal government from 15% to 5% but they increased the allocation to the Distributable Pool Account from 35% to 50%. In addition to this, the federal government also allocated to itself 100% of off- shore mining rents via the Off-Shore Oil Revenues Decree No. 9 of 1971 sub-section 2 (a),

> The decree vested the ownership and title to the territorial waters and continental shelf in the federal government, and stipulated that all royalties, rents and other revenues deriving there from, is accrue to the federal government (O'Oghorie, 2003:28).

These changes brought about discontent between the oil producing states and the federal government, because the federal government reneged on its civil war time promise to the oil producing states that the principle of derivation will continue to form an important part of the revenue allocation formula (Onoh, 1983:117).

The Aboyade commission was therefore set up in 1977 as a technical committee to the 1979 Constitution Drafting Committee CDC[26] to advice the CDC on the issues of

[26] The Constitution Drafting Committee CDC was set up to work out a new constitution and inaugurated on the 18th of October 1975 by the late Gen. Murtala Mohammed's regime as part of the

revenue allocation as the nation prepared to return to democratic rule. Its report jettisoned completely the principle of derivation and recommended the consolidation of all federally collected revenue, to be shared based on the following percentages; federal government 57%, state governments 30%, local governments 10% and special grants accounts to be administered by the federal government 3%. It also created State Joint Accounts to be administered by each state government. The Aboyade commission's revenue allocation formula could not be administered by the Shagari Administration, because the Constituent Assembly rejected the report due to its high technicalities, in the sense that it recommended certain indices for revenue allocation as contained above and in table 4.1(9a-e) above that could not be agreed on by members of the Constituent Assembly.

It then set up another revenue allocation commission, the Okigbo commission, to review the revenue allocation formula again, and the Commission recommended as follows: federal government 53%, state government 30%, local government 10% and special funds 7%. The special funds were further divided as follows; Federal Capital Territory FCT initial development 2.5%, ecological problems 1%, special problem of Mineral Producing Areas 2.0%, and revenue equalization fund 1.5%. The federal government modified and adopted its proposals ignoring minority views by some members of the commission from the oil producing areas. Therefore the recommendations of the Okigbo commission was declared null and void by the Nigerian Supreme Court on the 2nd of October 1981, based on the importance of the dissenting minority views, and on a suit instituted against it- for increasing the federal government share of the oil revenue while de-emphasizing the principle of derivation - by the former Bendel state government comprising the present Edo and Delta oil producing states (Agbaje, 2001:48-9; Ekpo, 2004:21;38 and RMAFC, 2005:11-13).

After the Supreme Court ruling on the Okigbo commission's revenue formula the National Assembly passed the Revenue Act of 1981 towards the end that year, which

first stage of its five-stage process to returning Nigeria to civil rule on October 1 1979. The second part of this first stage was the appointment of the Justice Irikefe panel on the creation of more states which dealt with the settlement of the continued agitation for the creation of more states from the various part of Nigeria. This led to the creation of an additional seven new states on the 6th of February 1976 bringing the total to 19.

came into effect in January 1982. It recommended Federation Account sharing as follows: federal government 55%, state governments 35%, and local governments 10%. The federal government's 55% includes the 4.5% special fund it administered of which ecological fund 1%, derivation 2% and development of mineral producing areas 1.5%. There was another military coup on the 31st of December 1983 which brought the military back into power, and they adjusted the revenue formula four times from 1984 to 1992 as indicated in table 4.1 above. After the emergence of democratic rule in 1999, the Obasanjo Administration also adjusted the revenue formula through a Modified Presidential Order 315 of July 2002. Finally in 2004 the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) proposed new revenue allocation formula to the National Assembly which is yet to be approved as at October 2009.

4.2: Vertical and Horizontal Revenue Allocation Formula and Implications for Development

There are two components of revenue allocation formula in Nigeria's fiscal federalism; first is the vertical formula for the sharing of revenue from the Federation Account between the three tiers of government as referred to in section 162(3) of the 1999 constitution of Nigeria (RMAFC, 2002:14). This specified the fiscal relationship between the federal government on one hand and the states and local governments on the other hand. The second one is the horizontal formula used for the sharing of revenue from the Federation Account among the states and local governments among themselves respectively as referred to in section 162(4) and (5) of the 1999 Constitution of Nigeria (Ibid).

4.2.1: Vertical Revenue Allocation Formula in Nigeria.

The issue of imbalance in the vertical fiscal relationship in revenue sharing emerged in 1946. Even when the Richards Constitution gave to the regions some administrative authority and responsibility, the central government still had major control and share of the means of revenue and expenditure. Financing these responsibilities led to the demand for adequate revenue sharing arrangement and consequently the Phillipson Commission in 1946 was set up to determine a revenue-sharing formula, and provide each region with a tax base from the revenues originating from such region (Mbanefoh,1987:191). Direct taxes, licensing fees, and

mining rents, for example, were kept by the regions. The 1951 McPherson Constitution introduced a quasi-federal structure of government, providing the opportunity to reassess the revenue sharing formula, and the Hicks-Phillipson Commission (1951) was set up, and adopted a formal vertical formula of sharing revenue between the central and regional governments. Following the Constitutional Conference of 1953 a revision of the revenue sharing scheme was required and the Chick Commission was set up in 1953; it adopted the principle of derivation for the sharing of mining rents and royalties. In 1954 the Lyttletton Constitution adopted the Chick report and also gave full-self government to the regions, but criticism developed as the statistical basis to assess derivation was questioned (ibid: 204).

Table 4.2: Vertical Revenue Formula in Statutory Allocation of Federation Account in (%) 1960-2007

Beneficiary	1960	1963 - 1967	1980	1982	1987	1990	1993 - 1998	2002	2004 - 2007	Proposed
Federal Government	70.0	65.0	55.0	55.0	55.0	50.0	48.5	48.5	48.5	47.19
State Governments	30.0	35.0	34.5	34.5	32.5	30.0	24.0	24.72	26.72	31.10
Local Governments	___	___	8.0	10.0	10.0	15.0	20.0	20.60	20.60	15.21
(FCT)	___	___	2.5	___	1.0	1.0	1.0	1.0	1.0	Included in States
Derivation/ Development of Natural Resources	___	___	___	___	1.0	1.0	1.0	3.00	1.68	1.75
Mineral Producing Areas /Solid Mineral Fund	___	___	___	___	1.5	1.5	3.0	___	___	1.75
General Ecology	___	___	___	___	1.0	1.0	2.0	1.46	1.0	1.50
Statutory Stabilization	___	___	___	___	0.5	0.5	0.5	0.72	0.5	1.50
Total	100	100	100	100	100	100	100	100	100	100

Source: Central Bank of Nigeria, (2003:29) and RMAFC, (2006:32)

From the Chick Commission to the proposed revenue allocation formula sent to the National Assembly by the RMAFC in 2004 there has been increasing agitations from the region, states and local governments over the imbalances in the vertical revenue formula. While the state governments are querying the reduction in their vertical allocation since 1992 from 30% to 24%, the local governments are saying that though there has been an increase in the percentage allocation to them from 15% to 20% as indicated in table 4.2 above. The corresponding additional assignments, e.g.

primary education and primary health care, given to them have already eroded the benefits of such increase (Anyanwu, 1995:18).

4.2.2: The Horizontal Revenue Allocation formula

The horizontal revenue allocation formula has also been a contentious issue among the states and local governments in Nigeria because of the differences in the socio-economic and physical composition, capabilities and fiscal endowments of the various federating units which led to horizontal imbalances and equalization problems (Anyanwu, 1995:23-24). The 24% assigned to the states from the Federation Account as indicated in table 4.2 above is shared horizontally among the states as outlined in table 4.3 below. One main criterion used in the horizontal formula is equality of states, which allocates 40% of the 24% stated above to the thirty-six states of the federation on an equal basis.

Table 4.3: Horizontal Revenue Formula in Statutory Allocation of Federation Account among the State Governments in (%) 1982-2007

S/N	Principle	January 1982 to December 1989	January 1990 to 2009	RMAFC Proposed Amendment
1	Equality of States	40.0	40.0	45.23
2	Population	40.0	30.0	26.60
3	Population Density	———	———	1.45
4	Social Development Factor			
(a)	Primary school enrolment of which-			
	- direct enrolment	11.25	———	———
	- inverse enrolment	3.75	———	———
(b)	Education : STATE (i). Direct secondary/ Commercial Enrolment. (ii) Inverse Secondary/Commercial Enrolment. LGA: Direct Primary School Enrolment only.	———	4.0 40% of (4.0) (on 50-50 Basis) 60% of (4.0)	3.0 40% of (3.0) on 83.3% /16.7% Basis) 60% of (3.0)
(c)	Health: No of Available Hospital Beds in Public Hospitals.	———	3.0	3.0
(d)	Provision of Potable Water	———	3.0	1.5
5	Landmass and Terrain	———	10.0	5.35 5.35
6	Internal Revenue Generation Effort	5.0	10.0	8.31
7	Rural Roads / Inland Waterway	———	———	1.21
	Total	**100**	**100**	**100**

Source: (RMAFC, 2002:3; 2005; 39-51) and Anyanwu, (1995:15)

The next main criterion is population, 40% of the state governments' allocation is being shared according to the population of each state from January 1982 to December 1989, and the reduced to 30% from January 1990 to October 2009; figures for the population of each state are contained in the national population census data, the latest being the 2006 population census. Another factor as indicated in table 4.3 above is social development factors: though this was part of the rejected 1981 Okigbo Commission report, the Revenue Act of January 1982 first introduced this factor and used only primary school enrolment up to December 1989; school enrolment refers to only public funded schools. The 15% allocated for this purpose was shared among the states as follows; 11.25% based on direct enrolment that is according to the number of children of primary school age who are actually registered in school, while 3.75% is based on inverse enrolment, i.e. shared according to the number of children of primary school age who are not in school (RMAFC, 2005:12; 41).

The Danjuma Commission report of 1989, adopted by the military government in January 1990, reduced the allocated percentage to 10 and sub divided it to three categories; education 4.0%, health 3.0% and water 3.0%. 60% of the 4.0% allocated to education is shared solely on direct primary enrolment, according to the number of children of primary school age who are actually registered in school. The remaining 40% is allocated for secondary/commercial school enrolment; half of this is shared according to the number of secondary/commercial pupils who are actually registered in school, and the other half according to inverse enrolment, shared according to the number of pupils of secondary/commercial school age who are not in school (ibid 41).

Half of the 3.0% allocated to health is shared in direct proportion according to the actual number of hospital beds available in state/local government hospitals in each state, while the other half is shared in inverse proportion, based on the number of hospital beds a state is supposed to have but are not available. The allocation of the 3.0% for the provision of potable water is dictated by the territorial spread of the state which has a direct 50% allocation and the remaining 50% is shared inversely determined by the mean annual rainfall of the most recent five years in each state capital.

Land mass was also inserted in 1990 as a factor for revenue allocation among the states and given 10%, 'landmass of a state or local government shall be the proportional aerial size (PAS) of the state of Nigeria and shall be obtained as follows':

1. For each state PAS= $\frac{\text{Area/size of state x 100}}{\text{Total area/size of Nigeria}}$

2. For each local government PAS= $\frac{\text{Area/size of local government area x 100}}{\text{Total aerial size of Nigeria}}$

The horizontal sharing of revenue among states on the basis of terrain is measured by the PAS of the three main terrains, wetland/waterbodies, plains and highlands that are present in a state or local government area. Therefore the amount a state or local government receive from the 10% allocated to this factor is determined by the PAS of the above mentioned terrain available within its boundaries (RMAFC, 2005 51; 2002:142-3). The last 10% is further shared according to the level of internally generated revenue by each state for example if Lagos and Kano states generate 40% revenue internally higher than the other states through their various local tax authorities, they will share 40% higher than the other states from the 10% assigned to the internal revenue generation effort by states as indicated in item number six in table 4.3 above.

The RMAFC proposed amendments to both the vertical and horizontal revenue formulae in 2004 which is not yet passed into law, part of the amendments also increasing and decreasing allocation to some of the revenue allocation criterion. Table 4.3 indicates the addition of two factors – population density is allocated 1.45% to be shared according to how densely populated a state is, this is to cater for building additional facilities and maintenance of the existing ones due to the additional pressure in the densely populated states and local governments. The second is the provision of 1.21% for rural roads /inland water ways, which would make specific resources available to construct additional rural-urban road linkages and waterways for the efficient transportation of farm produce to the urban centres, thereby adding more value to the rural people and farm produce readily available in the urban centres.

Another major contribution in the proposed horizontal formula is in the area of allocation of revenue to education – a unit of the social development factor as indicated in table 4.3 (4b). For the state governments out of the proposed 3.0%, 2.5 (i.e. 83.3% of their 40% share of the 3.0% allocated for education) will be shared directly based on the actual number of student enrolment in secondary/commercial schools, while only 0.5 (16.7% of their 40% of 3.0) would be allocated inversely according to the number of pupils of secondary/commercial school age who are not in school. This would be a better way of allocating resources, as opposed to the current formula that shares the 40% of the 4.0% revenue allocated for this purpose on a 50-50 basis i.e. 50% directly and the other 50% inversely as in number 4 (b) of table 4.3 as analysed above. This amendment proposal was submitted to the National Assembly in July 2004, but up till the end of October 2009 it has not been approved due to high level politics and lobbying from the three tiers of government with the members of the National Assembly.

4.2.3 Value Added Tax (VAT) Revenue Allocation Formula 1994 – 2007

The Value Added Tax (VAT) introduced in 1994 also brought about another revenue sharing formula exclusively for sharing VAT proceeds among the Federal, states and local governments.

Table 4.4: Revenue Allocation Formula for Value Added Tax in (%) 1994 -2007

S/N	Beneficiary	1994	1995	1996	1997	1998	1999 -2007
1	Federal Government	20.0	50.0	35.0	35.0	25.0	15.0
2	State Governments & FCT	50.0	30.0	40.0	40.0	45.0	50.0
3	Local Governments	30.0	20.0	25.0	25.0	30.0	35.0
	Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Central Bank of Nigeria CBN, 2003:29

It is also shared horizontally among the states and local governments based on the following criterion; equality 50%, population 30% and derivation principle 20% (CBN, 2003:30). The frequency with which the VAT formula has also been changing indicates the highly contentious and politicised nature of Nigeria's fiscal federalism, based as it largely is on revenue formula. Table 4.4 indicates that from 1994 to 1999

the formula was adjusted five times almost on a yearly basis; it changes from 20, 50 and 30% for the federal, states and local governments respectively in 1994, to 15, 50 and 35% in 1999 and has been on that figure since 1999 to date (January 2010).

4.2.4 Challenges of the Criteria/ Indices used in the Revenue Allocation Formulae

A major area of contention and agitation among the sub national governments on the revenue sharing formula has been the manipulation of the area of advantage of each region or states. For example, engaging criteria such as landmass and terrain and allocation of high percentages to population can determine how much a state gets from oil revenue sharing, putting some states in a vantage position even though they make less contribution to the nation's revenue base, while others are disadvantaged in the areas of landmass and population but the resources come from their region: thus the Niger Delta states contributes from 70% to 80% to the total revenue of Nigeria. These often constitute the primary source of conflicts and separatist agitations in Nigeria (Anyanwu, 1995:24-25).

An accurate population census figure is needed to aid effective national planning to advance social, political and economic development, but unfortunately the reverse is the case in Nigeria, because the higher the declared population of a region the higher its access to oil revenue irrespective of whether the figures were fallacious or not (Marshall, 2007:32). The assignment of a high percentage to population in determining horizontal revenue allocation to states led to the manipulation of the census figures in Nigeria by those holding political power, mostly military regime leaders, in favour of their regions, states and local government as the case may be, at the expense of the states where most of the oil revenue comes from. Corroborating this position Odofin (2007) posits that:

> The fiscal federalism of Nigeria is an aberration in the sense that it is different from the fiscal federalism of major federal states. It ignored the productive capacity of the constituent units; the government uses so many criteria that are highly political and controversial to allocate resources; a very high percentage to population and land mass which doesn't come according to how much resources a region can contribute to the centre, but largely to draw from it. Whether there are inhabitants in a large mass of land or not, nor taking into consideration the productive capacity of a region. If there are a

> million people in a particular place the largest share of revenue is allocated to them. But the oil producing areas in terms of land were at a disadvantage because of the rivers and ocean surrounding them. In terms of population, there has never been a genuine population census in Nigeria; it is the ruling elites that determine how populous each constituent unit is (Odofin 2007; Interview 9).

Therefore, there have been some challenges at the population census tribunal that the population figures of certain parts of Nigeria are controversial, and all that is because of the oil revenue. For example the Lagos state government went to court challenging the population figures assigned it by the federal government through the National Population Commission (NPC) in the last census of 2006 allocation, because they also conducted a parallel population census side by side that of the federal government and recorded a slightly higher figure than that assigned to it. So every avenue to challenge the federal government on the indices/ criteria for determining the revenue allocation formulae such as population, which assigned 30% weight in sharing revenue among states, have been opposed by the federal government either by the misinterpretation of the Constitution as the case in the dichotomy between on-shore and off-shore oil revenue, or others backed by the constitution. For example it is only the federal government through its agency the NPC that can conduct population census in any part of Nigeria and pronounce how populated a state or local council is.

4.3 Fiscal Federalism and Challenges to Governance in Nigeria

Fiscal responsibilities in a multi-level system of government such as Nigeria are vested in both the federal and sub-national governments, which has resulted to a decentralized fiscal system or fiscal federalism. The federal government is the ultimate power in Nigerian intergovernmental relations as the constitution allocated an exclusive legislative list of powers to the federal government with a relatively smaller concurrent list of powers for the state governments, and much smaller residual list for the local governments, as evident in table 4.5 below.

Table 4.5: Assignments of Responsibilities to the Federal, States and Local Governments in the 1999 Federal Constitution of Nigeria.

Exclusive Legislative List	Concurrent List	Residual List*
Federal Government	**State Governments**	**Local Governments**
-Accounts of the Federation	-Revenue Allocation	-Sewage Disposal
-Arms, Ammunition, Defence and, National Security.	-Antiquities and Monuments	-Environmental Sanitation
-Aviation, Railways, Federal Trunk Roads and Marine Matters.	-Archives	-Maintenance of Feeder Roads
-Immigration and Internal Affairs	-Collection of Taxes	-Primary Education
-Financial Laws, and Currency Issues and Exchange Control	-Electoral Law	-Payment of Salaries
-Census, National Honour & Citizen-Ship, Foreign Affairs and Inter-national Treaties	-Electric Power	-Market Stalls
-Creation of States and Regulation of Political Parties, National and States Elections, Mining and National Parks	-Exhibition of cinematograph films	-Rural Health
-Labour and Public Service of the Federation	-Industrial, commercial or agricultural development	-Craft and Small Scale Industries
-Patents and Trademarks	-Scientific and Technological Research	
-Legal Proceedings between governments in the federation	-Statistics	
-Establishment of Federal agencies	-Trigonometrical, Cadastral and Topographical Surveys.	
-Telecommunications	-University, Tech-nological and Post-Primary Education	
-Public Debt of the Federation and management of territorial waters		
-Weights and Measures International Trade and Commerce		
-Formulation, annulment, and dissolution of Marriage		
-Nuclear Energy		
-Stamp Duties		

Source: (Central Bank of Nigeria, 2003:24 and FGN, 1999:130-8)

The federal government was also allocated the major areas of tax jurisdiction which includes mining rent and royalties, custom and excise duties, petroleum profit tax and companies income tax among others as in table 4.6

Table 4.6: Nigeria's Tax Jurisdiction in the 1999 Constitution

S/N	Federal Government	State Governments	Local Governments
1	Companies Income Tax	Personal Income Tax on residence of the State)	Tenement Rate
2	Petroleum Profit Tax	Capital Gains Tax (on individuals only)	Shop and Kiosk Rates
3	Value Added Tax	Stamp Duties (on indivi duals only)	Liquor Licence Fees
4	Education Tax (on Companies only)	Road Taxes, e.g. Vehicle Licences	Slaughter slab fees
5	Capital Gains Tax (on Corporate Bodies and Abuja Residents)	Betting and Gaming Taxes	Marriage, Birth and Death Registration Fee
6	Stamp Duties (on Corporate Bodies)	Business Premises and Registration levies	Street Name Registration Fees(excluding state capital)
7	With-holding Tax (on Companies)	Development levy (Max of N100 per annum on taxable Individuals only)	Market/Motor Park Fees (excluding State owned Markets)
8	Personal Income Tax(on Personnel of the Armed Forces, Police, External Affairs Ministry and Residents of Abuja)	Street Name Registration Fees (State Capital Only)	Domestic Animal Licence Fees
9	Mining Rents and Royalties	Right of Occupancy Fees (State Capital Only)	Bicycle, Trucks, Canoe, Wheelbarrow, and Carts Fees
10	Customs Duties (i.e. Import Duties And Export Duties	Market fees (where market is financed by the State Government)	Right of Occupancy fees (excluding State Capital)
11	Excise Duties	Miscellaneous Revenues (e.g. rents on property)	Cattle Tax
12	Miscellaneous Revenues, e.g. rents on Federal government's property		Sewage and Refuse Disposal, Merriment, Radio and TV licence, and Car Parking fees.
			Advertisement Permit, including Signboard and billboard fees.

Source: Central Bank of Nigeria, (2003:25-26)

Who decides the kind of the percentage that goes to the federal, the percentage that goes to the state and the local council? This question of 'who decides what?' is not fully decentralised; much of it is still in the power of the federal government to decide. In a truly federal system, the member states have entrenched constitutional rights in decision-making powers on the allocation of revenue. But in Nigeria this is not entirely the case. For example most of the major changes in revenue allocation formulae from 1967 to 1999 were done through military decrees, as indicated in table 4.1(6-16). Even after the return to democratic rule in 1999, the revenue formula in use from July 2002 was by a Presidential Order (RMAFC, 2005:27). While the Constitution assigned certain exclusive legislative, concurrent and exclusive lists to the various tiers of governments; there are issues within the exclusive list that both the states and federal can legislate on, and in that case how much money that would be allocated or disbursed to the states would be a function of the balance between the two. For example, within the sphere of defence as it relates to policing, some responsibilities should be given to the state governments to establish state and community policing to complement the efforts of the federal government.

Over the years the worsening security situation has shown that the inadequacies of the federal police need to be complemented by the state governments as they are closer to the people than the federal government. Secondly, most of the so called federal trunk roads which exclusively belong to the federal government are death traps because of their bad condition; these roads should be given to the various states to maintain, since this would give each state the chance to mobilise their various ministries of works to effect timely maintenance on the roads within their jurisdiction. This would also bring about employment generation for the locals and a healthy competition and collaboration between the States, instead of awarding huge federal contracts to few companies or creating an inefficient federal road maintenance agency, without the effect trickling down or having economic impact on the people.

Most of the issues on the concurrent list are being handled by the federal government, for example issues such as electric power, scientific and technological research, university and technological education. The few states that were able to establish universities have no grants from the federal government to complement their efforts. These are areas in which the federal government should really give the

responsibilities to the states, not just on paper but by allocating adequate funds to them. There are also areas where the local government ought to be very dominant, as in the maintenance of rural feeder roads and the development of rural health centres. The federal and state governments should only limit themselves to the teaching and specialist hospitals and increase allocation of funds to the local governments. How much does the federal government allocate to them? In fact all these factors do not really inform the allocation of funds;

> to a large extent it is been done wholesale by the central government, in an attempt to say it is a federation, but a federation in which the centre is more equal than the other two components. This is thus a political problem, rooted in the nature of the State that we have- the political leadership, and how do they perceive politics (Omoweh, 2007; Interview 2).

The assignment of responsibilities also informed the allocation of tax jurisdiction of each tier of government as shown in table 4.6 above and until the issues concerning the assignment of responsibilities are addressed, there seems to be no way out of the continual agitations from the sub national governments for a better deal from oil revenue. These scenarios are also evident in the struggles for oil revenues between the IOCs, local communities, militants and the federal government (ArmorGroup, 2007:5). The struggle for power hinges on control and distribution of oil revenues, which has led to the over centralization of power, creating friction with local and state governments over the distribution of these revenues. The next section will examine how all the indices and revenue allocation formulae analysed above translate into monetary value for the federal, state and local governments via the politics of revenue sharing in Nigeria

4.3.1 The Federal, States and Local Governments and the Politics of Revenue-Sharing in Nigeria.

The clamour for state creation has been fuelled by the Nigerian variant of fiscal federalism, especially revenue sharing formulae which give considerable importance to the principle of equality among the states and allows 40% of the statutory federal revenues allocated to the states to be divided equally among the state governments (Jinadu, 2002: 6). In essence the post- colonial history of Nigeria is in large measure the history of revenue allocation - a political mechanism that determines the means

by which federal oil revenues are distributed to the federal government and the States (Watt, 2007:7).

Table 4.7 below shows the evidence of the steadily increasing revenue allocation to the 30 states and local governments for five years from 1992 to 1996; from the total allocated revenue for 1992 fiscal year, Taraba state has the lowest share of N460 million and Katsina the highest with an allocation of N1.35 billion. By the 1996 fiscal year almost all the 30 states had moved to over 1 billion Naira in annual revenue allocation with Lagos state (South West) allocated N1.7 billion, Kano state (North West) N1.69 billion, Kaduna state (North West) N1.65 billion, Rivers state (Niger Delta) N1.57 billion, Bauchi state (North East) N1.55 billion, Niger state (North Central) N1.38 billion, and Imo state (South East) N1.19 billion in that descending order.

Another conclusion from table 4.7 is that out of the 7 states drawn from the 6 geo-political zones with highest revenue allocation in 1996 listed above, 4 of them are from the North while the remaining 3 are from the South. Lagos had the highest allocation followed closely by Kano, and Kaduna even before the oil producing state of Rivers. The data also shows that most of the states got the same amount of revenue allocation as those in the oil producing states of Niger Delta and more in some cases. This was because the principle of derivation in the allocation of revenue from mineral resources particularly oil was jettisoned since the late 1970s; and for the period 1980 to 1999 the derivation percentage fluctuated from 1% to 2%. The total allocation for the period of 5 years from 1992 to 1996 also revealed that out of the 6 states that got over N6 billion in revenue allocation for that period four from the North; Kano, Katsina, and Sokoto states (all three from the North West) and Bauchi from North East, and two were from the South; Rivers and Lagos.

A comparison of the revenue allocation to the states in table 4.7 with that of table 4.8 below, which shows the grand summary of revenue allocation to the federal, states and local governments from June 1999 to December 2005, also indicates further huge increases in revenue allocation to the federal, state and local governments since 1999. The first four states with the highest revenue allocation from June 1999 to

December 2005 were major oil producing states of the Niger Delta with the following allocations in billions of Naira; Delta N387.4, Rivers N357.5,

Table 4.7: Showing Grand Summary of Horizontal Revenue Allocation among States (January 1992 to December 1996 in =N='Billion)

S/N	States	1992	1993	1994	1995	1996	Total
1	Abia	0.58	0.78	0.79	1.10	1.00	4.25
2	Adamawa	0.84	1.00	0.88	1.19	1.40	5.35
3	Akwa Ibom	1.00	0.96	0.90	1.50	1.42	5.81
4	Anambra	0.67	0.76	0.74	1.00	1.20	4.40
5	Bauchi	1.04	1.17	1.03	1.40	1.55	6.19
6	Benue	0.63	1.15	0.86	1.02	1.38	5.04
7	Borno	0.55	0.86	0.86	1.39	1.40	5.06
8	Cross River	0.59	0.75	0.79	1.25	1.10	4.50
9	Delta	0.69	0.97	0.97	1.35	1.38	5.35
10	Edo	0.49	0.79	0.73	1.36	1.17	4.54
11	Enugu	0.59	0.74	0.84	1.39	1.19	4.75
12	Imo	0.94	0.98	0.93	1.20	1.19	5.24
13	Jigawa	0.98	0.83	0.83	1.14	1.37	5.15
14	Kaduna	0.76	1.06	1.15	0.94	1.65	5.56
15	Kano	0.82	1.54	1.61	1.59	1.69	7.24
16	Katsina	1.35	1.25	1.25	1.55	1.39	6.79
17	Kebbi	0.56	0.75	0.95	1.05	1.10	4.40
18	Kogi	0.61	0.80	0.67	0.92	1.14	4.13
19	Kwara	0.53	0.69	0.74	0.82	1.08	3.87
20	Lagos	1.28	0.98	0.93	1.29	1.70	6.19
21	Niger	0.48	0.75	0.83	1.14	1.38	4.58
22	Ogun	0.55	0.83	0.88	0.99	1.18	4.40
23	Ondo	0.66	0.65	1.03	1.11	1.20	4.66
24	Osun	0.99	0.95	0.93	1.29	1.07	5.23
25	Oyo	1.12	0.90	0.86	1.29	1.42	5.60
26	Plateau	0.72	1.08	1.00	1.34	1.32	5.48
27	Rivers	1.30	1.40	1.00	1.80	1.57	7.10
28	Sokoto	1.23	1.40	1.05	1.50	1.38	6.56
29	Taraba	0.46	0.70	1.00	0.98	1.14	4.29
30	Yobe	0.67	0.79	0.87	1.10	1.28	4.70
	Total						**155.4**

Source: Central Bank of Nigeria, 1997 and Magbagbeolu and Olusoji, 1997: 10-13

Table 4.8: The Grand Summary of Net Revenue Allocation to Federal, State and Local Government (June 1999 – December 2005 in =N='Billion)

S/N	Beneficiary	State Government	Local Government	Total
		=N=	=N=	=N=
1	Abia	76.0	44.6	120.6
2	Adamawa	76.3	60.6	136.9
3	Akwa Ibom	238.0	75.6	313.6
4	Anambra	72.3	57.8	130.1
5	Bauchi	87.9	58.3	146.2
6	Bayelsa	259.9	25.8	285.6
7	Benue	82.3	68.8	151.1
8	Borno	86.6	78.9	165.6
9	Cross River	75.5	51.3	126.8
10	Delta	321.0	66.4	387.4
11	Ebonyi	67.0	35.2	102.2
12	Edo	78.6	52.9	131.5
13	Ekiti	61.5	40.6	102.1
14	Enugu	70.7	46.4	117.1
15	Gombe	65.6	34.0	99.6
16	Imo	88.3	67.2	155.5
17	Jigawa	77.9	73.9	151.9
18	Kaduna	96.8	80.6	177.4
19	Kano	123.5	130.9	254.4
20	Katsina	96.8	96.1	192.9
21	Kebbi	75.3	59.4	134.7
22	Kogi	74.0	58.3	132.3
23	Kwara	67.8	44.7	112.5
24	Lagos	125.6	101.1	226.7
25	Nassarawa	60.9	35.8	96.7
26	Niger	87.8	76.7	164.5
27	Ogun	79.4	55.0	134.4
28	Ondo	115.6	49.7	165.3
29	Osun	73.9	69.6	143.5
30	Oyo	94.6	85.7	180.3
31	Plateau	52.5	49.4	101.9
32	Rivers	286.4	71.1	357.5
33	Sokoto	80.0	66.0	146.0
34	Taraba	69.7	49.3	119.0
35	Yobe	72.1	49.8	121.9
36	Zamfara	77.3	48.3	125.7
37	FCT	103.2	32.9	136.1
	TOTAL	3,798.9	2,248.9	6,047.8
38	Federal Government			5,137.5
	Grand Total			**11,185.3**

Source: Federal Ministry of Finance (FMF, 2006:1-43)

Akwa Ibom N313.6 and Bayelsa N285.6. These increases were mostly as a result of the full implementation from the year 2000, of the 13% principle of derivation fund as stipulated in section 162 (2) of the 1999 Constitution of Nigeria. As indicated in table 4.8 allocation to local governments in some other states of the federation are even higher or equal to most of the Niger Delta oil producing states for example Kano, Lagos, Oyo and Katsina states local governments with N130.9, N101.1, N85.7 and N96.1 billions respectively got higher allocation than local governments in Delta, Rivers, Akwa Ibom, and Bayelsa states with N66.4, N71.1, N75.6 and N25.8 billions respectively.

A comparison of table 4.7 and 4.8 also shows that out of the first 6 states with the highest revenue allocation in table 4.7 from 1992 to 1996 i.e. Kano, Rivers, Katsina, Sokoto, Bauchi and Lagos states, only 3 of them namely Rivers, Kano and Lagos states retained a place among the first 6 highest revenue earner from June 1999 to December 2005 in 2nd, 5th and 6th position respectively. While Kano state with a five year total allocation of N7.2billion in 1996 received the highest revenue allocation in table 4.7, it fell to 5th position on table 4.8 with a six year total allocation of N254.4 billion in 2005; Rivers was the second highest in table 4.7 with an allocation of N7.1 billion, and also received the second highest revenue allocation on table 4.8 with a total allocation of N357.5 billion, while Lagos state retained the 6th position on both table 4.7 and 4.8 with an allocation of N6.2 billion and a total of N226.7 billion respectively. Katsina, Sokoto and Bauchi states with an allocation of N6.8 billion, N6.6 billion and N6.2 billion and came 3rd, 4th, and 5th on table 4.7 now ranked 7th ,12th and 11th position on table 3.6 with a total allocation of N192.9 billion, N146 billion and N146.2 billion respectively.

These realignments indicates clearly the impact of the principle of derivation on revenue accruing to the major oil producing states of Delta, Rivers, Akwa Ibom and Bayelsa and positioned them 1st, 2nd, 3rd and 4th respectively as the highest revenue earners among the states in Nigeria from 1999. On table 4.8 Delta state was notable as it moved from 11th position on table 4.7 with total revenue of N5.35 billion for five years from 1992 to 1996 to the top of table 4.8 with N387.4 billion from 1999 to 2005.

Towards the end of 1996, the military Head of State late Gen. Sani Abacha created an additional 6 states, 1 each in the 6 geo-political zones bringing the number of states to 36. The states were created from the old states as follows: Gombe from Bauchi state (North East), Zamfara from Sokoto state (North West), Nassarawa from Plateau state (North Central), Ebonyi from Enugu state (South East), Ekiti from Ondo state (South West), and Bayelsa from Rivers state (South-South). An addition of the total revenue allocation of the new states with that of the original states they were created from shows a combined revenue allocation for the states as follows in billions; N245.8, N271.7, N185.2, N219.3, N267.4, and N643.1 in that order. While Bayelsa and Rivers states have the highest combined revenue allocation of N643.1billion, Nassarawa and Plateau states have the lowest combined revenue allocation of N185.2billion. If the various new states had not been created from the parent state their total revenue allocation would not have been as high as it was which shows how state creation in Nigeria serves as a mechanism through which the distribution of oil revenue is increased or re-distributed among the constituent units.

Also because of military intervention states and local councils were politically created without regard to viability; more states and local councils were created in the North than in the South. A clear example is given by a comparative analysis in table 4.9 below between the two largest states in Nigeria, one in the North and the other in the south, Lagos and Kano. While Lagos in South West Nigeria with a population of 7.5 million people in 1991 has only twenty local government councils, Kano in the North West Nigeria with a population of 7.6 million people in 1991 has 44 local councils (FGN, 2001:115-118).

Table 4.9: Comparative Analysis of Lagos and Kano State Governments Population and Number of Local Councils.

S/No	Total Population and Number of People	Lagos State	Kano State
1.	Total Population in (Million) 2001	7,511,848	7,623,840
2.	Number of Local Government Councils	26	44
3.	Number of LG Councils less than 100,000 people	1	15
4.	Number of LG Councils greater than 100,000 people	6	26
5.	Number of LG Councils greater than 200,000 people	5	1
6.	Number of LG Councils greater than 300,000 people	1	2
7.	Number of LG Councils greater than 400,000 people	5	0
8.	Number of LG Councils greater than 500,000 people	2	0
9.	**Local Council with the highest population**	**593,561**	**355,729**

Source: FGN, (2001:115-118)

Out of the 44 local councils in Kano 15 of them were less than 100,000 people in population while it was only one in Lagos, 26 councils were above 100,000 in Kano and it was 6 in Lagos, only one was above 200,000 in Kano while Lagos had 5 local councils above 200,000 people in population. Kano also have 2 local councils with a population of 300,000 plus people and it was 1 in Lagos, while Lagos state have 5 councils with a population of over 400,000 people and 2 councils with a population of over 500,000 people the highest local council in Kano has 355,729 people. The above scenario is the same taking a critical look at the number of local councils in most states in North compared with most of their counterpart in the south.

These disproportions in the numbers of local governments and the revenue allocations among states were part of the consequences of arbitrariness in state and local governments' creation by past governments mostly military to favour their various states of origin. This is also due to the highly politicised preference given to such criteria as population and land mass used in the horizontal formula of revenue allocation among the states which ignored the productive abilities of the various units. The foundation for this arbitrariness in the criteria used for the principle of

revenue allocation formulae were laid and perpetrated by the military leaders that ruled Nigeria for 30 years out of her 49 years of independence.

> These were the confusion that has been generating crisis in Nigeria's federalism and some of them are masked as national question[27] especially oil, being a major revenue earner of the country playing a very dominant role, found in a particular place and had impacted very negatively on the environment of the place. Access to political power at the centre have given opportunities to successive regimes to allocate the huge oil revenues since the 1970s as they wish, and it has been creating a lot of challenges, and one of the contradiction central to the problem is the politics of power, rather than power politics (Odofin 2007; Interview 10).

In the Nigerian State the politics of power has become the dominant issue i.e. which region controls political power, North or South, East or West, Muslim or Christian, Yoruba or Hausa or Ibo. It is this mentality that a certain part of Nigeria must be in control of government machinery and political power that is at the root of Nigeria's fiscal federalism crisis. For example, in the past the Northern region articulated the position that they have a majority in population and they must control political power; the Western region also wants to be in control of political power, and the Eastern region wants the same - they wanted to secede but they did not succeed eventually. The whole notion of power shift that brought the former president Obasanjo to power in 1999 and 2003, and the crisis up to when President Yar'Adua was elected in April 2007, hinged on the politics of power. The politics of power has become a major issue: who holds or controls power, and how power can be limited. Whoever holds political power controls virtually everything in Nigeria, including questions of revenue allocation[28].

Another landmark political tussle on the issue of revenue allocation formula was the application of the 13% derivation fund as it concerns the oil producing states in the Niger Delta. Since the emergence of democratic rule in 1999, the Executive arm of government made several attempts to reintroduce the onshore/offshore dichotomy in

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[27] The 'National Question' according to (ICG, 2006:2) is how to structure the state so that every ethnic or religious group and every Nigerian as an individual becomes a stakeholder; this lies at the heart of Nigeria's troubled history.

[28] This paragraph is based on views expressed in various interviews with group of Academic, prominent politician, national leaders and some political office holders from February to May 2007 in Abuja, Kaduna, Warri, Ijebu Ode and Lagos

the allocation of oil revenue formerly created by the military regime via Decree No 13 of 1970 and abolished by the National Assembly Revenue Act of 1982. These attempts were against opposition from the Legislature and other stake holders in the Niger Delta (RMAFC, 2005:33 and Oghorie, 2003:28-9).

The Supreme Court of Nigeria ruled in favour of the federal government on the 5th of April, 2002 based on their judicial interpretation of section 162 of the 1999 Constitution, and declared that offshore areas belonged to the Federation and not to any state, and that revenue from resources there was not subject to the requirement of a 13% allocation on the basis of derivation (RMAFC, 2004: 24). Due to the imminent crisis the Supreme Court ruling inflamed, a political solution was sought between the federal government and the littoral states which brought about the presentation of a new Bill to the National Assembly on the onshore/ offshore dichotomy in revenue allocation - "The Allocation of Revenue (Abolition of Dichotomy in the Application of the Principle of Derivation) Act 2004", which was subsequently amended and passed in November 2002, in favour of the oil producing states, to abolish the onshore/offshore dichotomy (ibid).

The question is; have the additional revenues accruing to the various tiers of government been used judiciously to develop their various constituencies and states, to create employment and better life for the people, or have they been misappropriated by those in political authority? This is the focus of the next section.

4.3.2: Oil Revenue-Sharing, Corruption and challenges to Governance in Nigeria.

Although justified by reference to even development, the creation of additional states has always been championed by the local elites and politicians in various parts of the country, most often more for personal gains than developmental purposes. Accordingly, the emergence of these local elite and pressure groups as a 'political force has characteristically been propelled by self-seeking and self-styled ethnic/ sub-ethnic group political leaders, who are seeking a niche for themselves in the country's enormous "apple pie", to enable them disburse patronage and to divert state resources to corruptly enrich themselves, under a political economy

characterized by "pirate capitalism," (Schatz, 1984) and compounded by lack of accountability' (Jinadu, 2002:6). It is the belief of most Nigerians that:

The elites have hijacked the patronage system and perverted it to serve their own interest. Indeed, it is the integration of a system of patronage with the facades of bureaucracy and officialdom produced by the postcolonial state that facilitates the corruption that is so ubiquitous in Nigeria (Smith, 2007:12).

While Anyanwu (1995) and others have argued that there was no adequate correspondence between the responsibilities assigned to various levels of government and the sources of revenue assigned to them, the federal government enjoys a greater ability to raise revenues to meet its functional expenditure obligations than the states and local governments do. This notwithstanding, allocations to states and local governments in table 4.7 and 4.8 above shows that the issue of lack of revenues is only a minor part of socio-economic development crisis in Nigeria, but the major issue at the root of it is lack of accountability and mismanagement of resources and this is the bane of the development effort at the federal and sub-national governments.

Because there was no legal mechanism to impose fiscal discipline on the three tiers of government, the high oil prices from 2000 to 2007 have led to large increases in the distribution of financial resources to the federal and sub-national governments, and particularly to oil producing states, without the corresponding assignment of new expenditure responsibilities. These transfers were immediately spent without any tangible development that commensurate to the amount of funds and Hugman (2007) posit that:

> Quite frankly, they are not using their allocation properly for example the Human Rights Watch report on the local governments in Rivers State shows that local governments were recruiting more protocol officers than health workers, the monthly budget for health is $10,000 and that of security for the local government chairman is $60,000, these people are not doing anything (Hugman 2007; Interview 11).

Corroborating Hugman, Okogwu states that:

> It also varies from state to state: some are doing better than the others, but on balance the general conclusion appears to be that it is not perfect yet (Okogwu 2007; Interview 12).

Therefore the case since 1999 has also been that too much revenue is going to the sub-national government without a corresponding assignment of expenditure, which has led to the brazen looting of state treasuries across the States and local governments by the Governors and other states and local officials some of whom are now standing trial for corruption charges both in Nigeria and outside the country. This is the first time in Nigeria's political history that such top government officials including Vice President, state governors, local government chairmen, and even the chief law enforcement officer, the Inspector General of Police, would be investigated and some of them convicted and jailed for corruption charges. Major examples includes Mr Joshua Dariye, former governor of Plateau state in North-Central Nigeria who was arrested in London by the Metropolitan Police for money laundering in 2004 but jumped bail and escaped to Nigeria (EFCC, 2007:13).

Consequently, the Economic and Financial Crimes Commission (EFCC) investigation report led to his indictment, and he was charged with stealing N1.6 billion allocated to the States Ecological Fund by the federal government; the EFCC report finally led to his impeachment in November 2006. The EFCC and London Metropolitan Police investigations also revealed that Joshua Dariye operated eight (8) UK Bank accounts, 7 of which were sterling accounts and 1 United States dollar account with amounts of money totalling £1.047 million and $80 thousand respectively (Ibid:12).

On the 27th of September 2007 two cheques worth N29.3 million about (US$225 thousand), the amount of the total cash seized from Dariye on his arrest was returned to the Plateau state government through the federal government by the UK acting High Commissioner Mr James Ansley in Abuja and according to him 'The United Kingdom is no longer a safe haven for the transfer of illegal or corrupt money'. The sale of his Regents Plaza property also netted £416,000, while a further US$2.8 million of his assets have been frozen by court order and is awaiting repatriation to Nigeria. In all, Dariye faces charges of stealing about US$128 million from Plateau state government during his 8 years as governor from 1999 to 2007 (EFCC, 2007;

Guardian, 2007). He remains wanted in London where criminal investigations are continuing, and also currently standing trial in Nigeria for allegedly laundering over N750 million belonging to the state while in office.

Another case was that of Ayodele Fayose, former governor of Ekiti state South West, who was also impeached due to the EFCC's investigation of the N1.5 billion ($11.5m) state poultry project. The contract for the project was awarded to Mr Gbenga James Managing Director of Biological Concepts Nigeria Limited, an associate of the governor, and turned out to be a fake project with which he siphoned N1.25 billion naira from the state treasury. The former governor is on the run and wanted in Nigeria by the EFCC and the police (EFCC, 2007:16-19).

Apart from the two cases above other immediate past governors standing trail for allegation of conspiracy to steal, abuse of office, diversion of public funds, and money laundering among others includes Orji Uzor Kalu of Abia state - South East Nigeria, Peter Odili of Rivers state Niger - Delta, Saminu Turaki Jigawa state - North West, Jolly Nyame of Taraba state - North East, Chimaroke Nnamani of Enugu state - South East, D.S.P. Alamiyeseigha of Bayelsa state - Niger Delta and James Ibori of Delta state - Niger Delta. The presentation of the Executive Chairman of EFCC Nuhu Ribadu to the Senate of the Federal Republic of Nigeria on the 27th of September, 2006 showed that at least 31 of Nigeria's past 36 state governors who served from (1999 to 2007) are under investigation for corruption and abuse of office. Local governments' chairmen and their councillors were not left out of the probe by EFCC, as a number of them are also under investigation; up to date the London Metropolitan Police has seized £34.6 million of Nigerian assets relating to the former governors of Plateau and Bayelsa States (EFCC, 2007:12-13).

In 2005 the former Inspector General of Police Tafa Balogun, who was then the chief law enforcement officer of the country, was not left out of the probe; he was sacked from his post and was later given a 70 count charge of corruption and stealing and sentenced to 6 months imprisonment after the EFCC's investigation revealed that over N17 billion naira about ($130.8 m) of the Police funds has been siphoned through seven different companies belonging to him (EFCC, 2007:24).

Prior to this wave of prosecutions Mrs Nenadi Usman, the then Nigeria's Minister of State for Finance in November 2004, accused the state governors of using their share of the monthly allocation from the Federation Account to "buy up" foreign exchange She said:

> Four days to seven days after the Federation Account Allocation Committee (FAAC) monthly meeting, the exchange rate goes up that means that they (governors) are using the money to buy up dollars. Make telephone calls to any of the states, ask after the governor and you would be told he has gone abroad. Not only the governors, even their commissioners of finance. The governors' behaviour is the reason there is hardly anything to show for the monies they are collecting (Aderinokun, 2004:3).

The federal government allocation is about 48% of the Federation Account, apart from the special funds that goes to the national emergency and NDDC. She further elaborated that:

> If you compare that with about 53% or so, you will agree with me that whatever policies and measures we put in place as the Federal government to make our way straight, pursue transparency and accountability, if the remaining 53% for the states and local governments doesn't do that, we are as good as having failed (Ibid).

Table 4.8 indicates that from June 1999 to December 2005 a total of N11.2 trillion was shared by the three tiers of government as revenue; the federal government N5.1 trillion, 36 states of the Federation and FCT N3.8 trillion, and the 774 local government councils and the six area councils of FCT were allocated N2.3 trillion (CBN, 2007). In practical terms there has been no tangible infrastructural and socio-economic development that equals to half the huge revenue accrued to the states in the ten year period from 1999 to 2007. It would be no exaggeration, to say that contemporary Nigerian politics are dominated by efforts to appropriate oil money (Turner, 1980: 211). Corroborating this fact the impact of corruption on governance and development in Nigeria is appalling; apart from the loss of huge amounts from development partners, only an insignificant fraction of annual budgets are accounted for in the actual sense.

> The federal, states, and local governments claim to spend money on various sectors yearly, but in reality there is little to show for the huge expenditure. Contracts are routinely inflated to make for

personal gains, in several instances contracts are not executed, or are abandoned half way (ICPC 2007: Interview 13).

4.4 Conclusion

This chapter has examined fiscal federalism and the politics of revenue allocation between the federal, state and local governments in Nigeria. It started with an historical background of fiscal federalism in Nigeria, and argued that the problem with fiscal federalism in Nigeria is rooted in the contradictions that produced the Nigerian State itself. Being a colonial state, the colonialist put in place what they referred to as the federal principle, an arrangement to unite the different zones and ethnic nationalities without negotiating with any of the indigenous communities or ethnic groups. Part of the challenges brought up by this forceful fusion was the collapse of the first republic in 1966 barely five years after the departure of the colonialists, and the subsequent military rule that followed. It then looked at the principles, politics and the dynamics of revenue allocation formulae from 1947 to 2007, by examining the various factors that informed the adoption or otherwise of the revenue allocation formulae. It posits that the issue of revenue allocation has been recurrent and contentious, sometimes polemic in nature among the various level of government in Nigeria since the colonial period, 16 revenue allocation commissions and reviews mechanisms; 4 pre-independence and 12 post independence have been created to fashion out a suitable revenue sharing formula for the country.

The successive military regimes changed the face of fiscal federalism in Nigeria, by abolishing the former revenue formula which reflects federal principles and replaced with increasingly more centralized system. They created the vertical revenue allocation formulae to share revenue first between the federal and states and then horizontal formulae between the states and local councils. Nigeria operates a federal constitution, but a dominant federal government in fiscal matters and other facets of national life has tended to portray her as a unitary state; this is particularly so because of the long history of military rule and its associated command structure (Ayorinde and Uga, 2001:313). The sub- division of the nation into 36 states including the federal capital was not intended as a dual sovereignty but as a system of cooperative and complementary federalism (Graf, 1988: 137-141). It argued that

though, Nigerian governments over the years have increased the number of states, as a strategy to diffuse the pressures from the powerful natural resource producing regions and ethnic minorities. Nevertheless, conflicts between federal and state governments' were firmly rooted in partisan political disputes and access to resources and patronage.

It posits that, while it is not an easy task to come up with a satisfactory formula, but the issue of devolution of power has to be looked at and taken care of first, before going to the issue of an acceptable revenue formula, and this has not happened in Nigeria. The regime of the late General Sani Abacha could have corrected it in 1995; through a committee it set up headed by the late Abdulrahman Okene to address the problem of devolution of power between the three tiers of government, but unfortunately the report of that committee has not seen the light of the day. Corroborating this fact:

> As long as the devolution of power issues have not been addressed, there can be no revenue sharing formula to satisfy everybody, because this challenge of a too powerful centre cannot be resolved unless it is addressed, in a proper review: whatever formula that the revenue commission come out with will always favour the Federal government because of the nature of the responsibilities assigned to it in the Nigerian Constitution. This is the problem the bull just have to be taken by the horn; address the issue of the devolution of power if we want a weaker centre, not a weak centre; that is take some responsibilities from the Federal government, assign them to other tiers and then we can move forward, but that has been the problem in Nigeria over the years (Yahaya 2006: Interview 14).

K.C. Wheare, a pioneer scholar of federalism, argued that the purpose of federating units is not just to have a big centre that will share money, but to have constituent units that will be strong enough economically to support the centre (Wheare, 1964:11). This chapter identified that one major area of contention and agitation among the sub national governments on the revenue sharing formula has been the manipulation of the area of advantage of each region or states. Criteria such as the size of landmass, terrain, and population can determine how much a state gets from oil revenue sharing; the allocation of high percentages to these indices put some states in an advantageous position. Whether they contribute less to the nation's revenue base or not, while others particularly, the Delta region are disadvantaged in

the areas of landmass and population but the resources from their region contributes from 70% to 80% to the national treasury. It therefore posited that this is not an equitable and productive system of allocating resources and negates the principles of fiscal federalism, and this is the main source of conflicts and separatist agitations in the oil producing region.

Because the horizontal revenue formulae over the years includes the principle of equality of states that distributes 40% of the statutory allocation to states on an equal basis, irrespective of inputs. Clamour for state and local government creation has increased and became a tool in the hand of political and military leaders to capture more oil revenue allocation to their various constituencies from the Federation Account. This was illustrated with tables 4.7 and 4.8, it indicated that the more the number of states and local councils the bigger the oil revenue for the various states. This chapter also discovered that the military regimes politically created more states and local councils without regard to viability; more states and local councils were created in the Northern Nigeria than in the Southern part. This was demonstrated in table 4.9 by a comparative analysis of the two largest states; Kano in the North and Lagos in the South.

Another major findings of this chapter is that the politics of power has become a central issue that is, which region, tribe or religion controls political power, and how power can be restricted to the North or South, East or West, Muslim or Christian, Yoruba, Hausa or Ibo. This is because whoever holds political power also controls almost everything in Nigeria including the issues of revenue allocation. It concludes that this dynamism of oil and fiscal federalism poses a major challenge to governance and development in Nigeria, in the sense that it ignored productive contributions of the federating units and based revenue allocation on predatory politically motivated parameters. That has over the years resulted in failure to achieve satisfactory path of economic and social development for Nigeria.

Part of the results of this chapter is that the additional revenues accruing to the various tiers of government has not been used judiciously to develop their various constituencies and states, to create employment and better life for the people, but have been to a large extent misappropriated by those in political authority. The

brazen looting of state treasuries across the federation by the state governors and other top government officials, some of whom are standing trial for corruption charges for plundering state funds amounting to millions of United States dollars both in Nigeria and outside the country attest to this fact. The main issue now for the government is to see that justice is done by punishing the wrongdoing of those former top officials and prevent future wrong doing by strengthen the capacity of the anti-corruption agencies.

There is the need for concerted efforts by the various tiers of government to properly utilise their monthly oil revenue allocation for programmes and projects that will have direct impacts in the socio-economic life of the people. With the current situation, Nigeria would need to actively double her efforts across the three tiers of governments in other to achieve the Millennium Development Goals (MDGs) - which include reducing child mortality rate, improving maternal health, eradicating extreme poverty by halving it from its 1990 level, and achieving universal primary education by 2015, among others.

In conclusion from the foregoing no matter the number of reviews of the revenue allocation formula the federal government will still have the highest allocation; the only solution will be the devolution of power from the federal government to the state and local governments, because agitation by the sub national governments and in particular the oil producing Niger Delta region for a greater share of the oil revenues has already began, and will continue to get more dynamic. But in the face of this increasing agitation for more shares of the oil revenues, particularly in the Delta, how are the state and local governments in the Niger Delta using their share of the 13% derivation fund for the restoration of economic development? This will be the focus of the next chapter.

Chapter 5

Derivation Principles of Revenue Allocation, and the Restoration of Economic Development in the Niger Delta.

5.0 Introduction

This chapter looks at the derivation fund and socio-economic development in the Niger Delta, drawing on the analyses of the lessons learnt since 1999 when the 13% derivation fund was re-introduced, and presents a critical examination of the state of socio-economic development 10 years on, taking into consideration the resulting increase in revenue allocation. It argues that the re-introduction of the principles of derivation in the allocation of oil revenue which began with the 1999 constitution was a major turning point in the debate about revenue allocation and struggles for socio-economic development in the Niger Delta. It therefore examines the factors that led to its re-emergence, and posits that the development programmes and initiatives by the federal governments, IOCs and other development agencies was an aftermath of the emergent systematic struggles and resistance against underdevelopment in the region.

The first two sections look at the Niger Delta region; its characteristics, where it is located, its people and their socio-economic activities. It also provides an analysis of the state of infrastructural and socio-economic development in the region before 2000. The next two sections then examines the dimension of the struggles and demands by the people of the region that led to development initiatives from the federal government, IOCs and other international development agencies. The inadequacy of the various development projects and programmes to satisfy the development needs of the region led to further agitations. It was the higher dimensions of the community protests and clashes with the federal government and IOCs in the late 1990s that in turn, led to the re-introduction and implementation of the derivation principles.

The contribution of this chapter to the overall argument in the thesis, is that it examines the impact of the 13% derivation fund and the ways in which its utilisation informed how oil revenue allocations are managed and channelled towards the

developmental needs or otherwise of the Delta. As I have argued, until the resources are efficiently managed, even if the derivation fund is increased from the present 13% to 25% and then to 50% over time, as being advocated by the people of the Delta region, it is unlikely to bring about an all encompassing development in the region.

It then concludes that one of the major reasons why the resistance to the IOCs and federal government has increased consistently alongside the increasing revenues to the region; was partly the consequence of not properly managing and utilizing the huge revenues received from the 13% derivation fund and other statutory allocations, for the development of the region since 1999. This was the responsibility of the political leaders, particularly the state governors.

5.1 The Niger Delta Region

The Niger Delta region is situated in the southern part of Nigeria and bordered to the south by the Atlantic Ocean and to the East by Cameroon. It occupies a surface area of about 112,110 square kilometres. It covers about 12% of Nigeria's total surface area, with a population of over 31 million people in 2007 spread across nine states (Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers states). It is the world's third largest wetland, and characterized by significant biological diversity; and it contains the bulk of the Nigeria's proven oil and gas reserves(NDDC, 2006:49, NBS, 2007:1). There are about 40 different ethnic groups speaking over 250 languages and dialects; some of which includes the Ijaws, Urhobos, Ogonis, Itsekiris, Igbos, Binis, Ibibios, Efiks, Isokos, Anangs, Okrikas, Kalabaris and Yorubas.

The nature of the terrain and the limited availability of dry land to a large extent determine the pattern of settlement in the Niger Delta (NDDC, 2006:53 and UNDP, 2006:1-2). Most of the settlements are largely rural communities in dispersed village settlements of small and scattered hamlets, with groups of small buildings housing 50 to 500 people whose occupation are mostly farming and fishing. There are 13,329 settlements with an average population of 13,231 people, and about 94 per cent of these have less than 5,000 inhabitants; less than 1 per cent or 98 settlements can be classified as urban centres from their population sizes, and most of these are the

capital cities of the 9 states and a few others, which include; Port Harcourt, Benin, Asaba, Calabar, Owerri, Akure, Uyo, Umuahia, Yenagoa, Warri and Aba (Ibid).

The marked variations in the population density of the region are also determined by their physical environment: whereas the upland hinterland soils have a higher carrying capacity, the lowland and mangrove swamp forests could only contain few people. For instance, while it is 700 persons per km^2 in Imo state it is 120 people per km^2 in Cross River state. Overall, the average population density is 265 people per km^2 compared to national average of 255 people per km^2 (NDDC, 2006:59).

The region has five different ecological zones; namely the mangrove forest and coastal vegetation zone, the fresh water swamp forest zone, the lowland rain forest zone, the derived savannah zone and the montane zone. The mangrove forest and coastal vegetation zone comprises a chain of low sandy barrier islands which protects the coast of the region. It is found in the Imo and Benin estuaries and it is usually below a metre above high tide level (ibid, 60).

The fresh water swamp forest zone covers about 17,000 km^2 of the region, and this zone contains most of the timber and has very high fishery and agricultural potentials (ibid, 61). The lowland rain forest zone is the upland and non-riverine areas which border the delta, and the area is also suitable for agricultural plantation such as rubber and oil palms (ibid,62). The derived savannah zone has re-growth vegetation after most of its rain forest has been used for farming; it is usually difficult for trees to grow to maturity because of human pressure and is located in the northern part of the region (ibid,63). The Montane zone is in the north eastern part of Cross Rivers state in Obudu and Sankwala area; it is approximately 900-1500 metres above the sea level and one of the most important areas with high potential for eco-tourism (ibid).

The region has varying climate conditions; the cool montane type in the Obudu Plateau area, southern lowlands with the hot equatorial forest and the northern highlands is humid tropical in nature. The wet season is usually from March to October and the mean annual rainfall ranges across the region from 1500mm in Ondo state to 4000mm in the coastal town of Bonny in Rivers state (ibid, 65). The

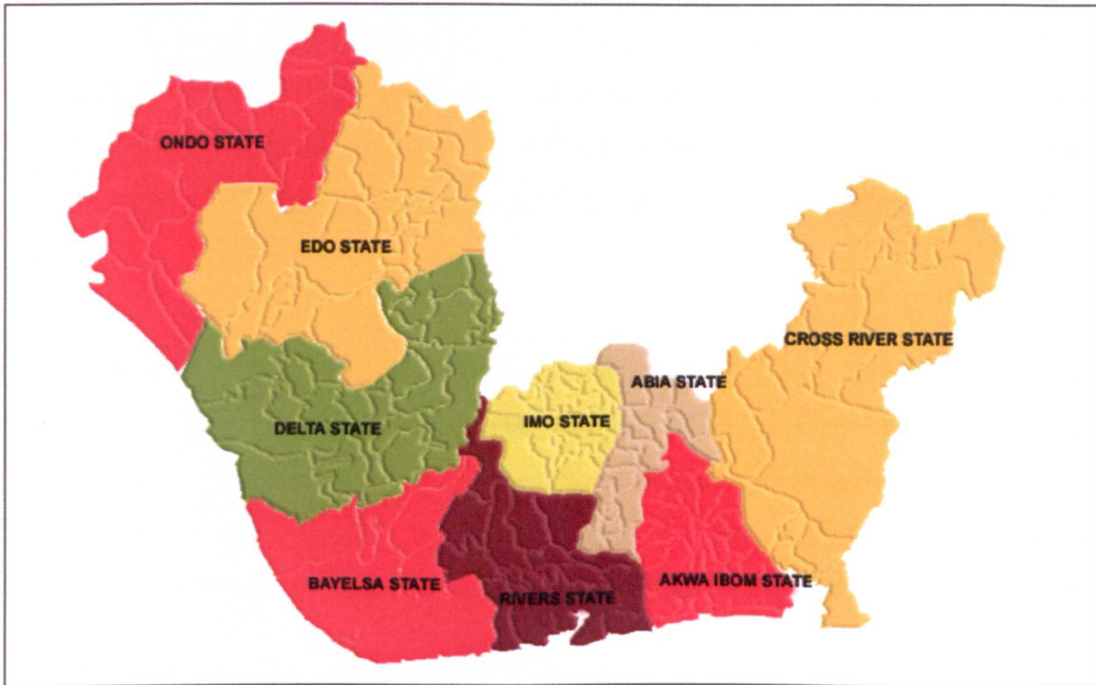
Northern and Western part of the region have experienced increasing temperatures, though there are high temperatures in the region all year round ranging from an average monthly maximum of 28°c to 33°c and minimum of 21°c to 23°c (ibid).

Table 5.1: Population, Land Area (Sq /Km) and the Capital City of the 9 Niger Delta States

	States	Population (2007)	Land Area (Sq/Km)	Capital City
1	Abia	2,833,999	4,877	Umuahia
2	Akwa Ibom	3,920,208	6,806	Uyo
3	Bayelsa	1,703,358	11,007	Yenagoa
4	Cross River	2,888,966	21,930	Calabar
5	Delta	4,098,391	17,163	Asaba
6	Edo	3,218,332	19,698	Benin
7	Imo	3,934,899	5,165	Owerri
8	Ondo	3,441,024	15,086	Akure
9	Rivers	5,185,400	10,378	Port Harcourt
	Total	**31,224,577**	**112,110**	

Source: (NDDC, 2006 and NBS, 2007:1)

Figure 5.1 Maps of the 9 States in the Niger Delta



Source: NDDC, 2009 at http://nddc.gov.ng/?page=contact

5.2 The Socio - Economic Development in the Niger Delta

Socio-economic activities in the Niger Delta are largely based in the informal sector. About 80% of the people employed are in the informal sector and engaged in private business: a majority of these are sole proprietors engaging in farming, forestry and fishing, which accounts for 44.2%. Wholesale and retail trade either in shops or traditional open markets accounted for 17.4%, education and health 7.1%, services 9.8%, administration 5.4%, transport 2.2%, construction 2.8%, and a combination of other activities the remaining 11.1% (NDDC, 2006:67-68). Although the public sector consumes a large chunk of government expenditure, it only employs a few of the Niger Delta population, and despite the dominance of oil in the Niger Delta the largest numbers of people are employed in agriculture (ibid).

The key oil and gas related industries include; a Liquefied Natural Gas (LNG) plant, three not-properly functioning refineries and two petrochemical plants, a comatose fertilizer and steel plants, and three gas-fired electric generating stations. These have had no direct benefits to the people of the region and also lack the momentum to activate the general low level of industrial development in the region. Most of the

post independence industries with substantial government equity interests, for example the Aluminium Smelting Company (ALSCON) in Ikot Abasi, National Fertiliser Company in Eleme, and the Iwopin Paper Mill, have deteriorated drastically or been shut down due to mismanagement and corruption. Some of them are now being privatized, and only a few functioning major manufacturing plants are now located in the region, mainly around Port Harcourt in Rivers state (NDDC, 2006; 68).

Since the late 1960s the Nigerian petroleum industry has generated immense financial benefits for the country, accounting for over 90% of total foreign exchange and 80% of government revenue. The country is now the seventh largest oil producer in the world and the largest in Africa. Figure 5.2 below shows the location of SPDC's oil exploration and exploitation in the Niger Delta, which in combination with production from other IOCs produces over 2.3 million barrels of crude oil per day from over 240 producing fields and 600 oil wells (ibid,72).

Figure 5.2: Locations of SPDC Oil Exploration and Development Activities in the Niger Delta

Source: SPDC, 2006:9

There are seven oil export terminals and other floating production vessels in the region. Figures 5.3 and 5.4 (Appendix B) also show some of the oil installations scattered around the Niger Delta region. Oil has also created serious environmental and socio-economic problems and one of the ironies of the situation is that the welfare of the people in the areas where the nation's oil wealth is being prospected and exploited has not been given due consideration (NDDC, 2006:72 and Alli, 1991:19-20).

Niger Delta's abundant oil and gas resources supplies the international oil market, and provides the Nigerian government access to oil revenue from rents, royalties and petroleum profit tax, which was expected to be translated to accelerated socio-economic development of the region. However:

> In reality the Niger Delta is a region suffering from administrative neglect, crumbling social infrastructure and services, high unemployment, social deprivation, abject poverty, filth and squalor, and endemic conflict (UNDP, 2006:9).

Despite the vast oil wealth of the Niger Delta the region remains poor. This is a paradox of a sort: the region which accounts for over 90% of the nation's export earnings and generates about 75% of the revenue accruing to the Federation Account remains the least developed zone in the country in infrastructural and socio-economic terms (Villa Scope, 2002:5). 'This was one of the most graphic example of economic and social injustice I have ever seen anywhere in the world' (Ed Kashi, 2008). Social services and infrastructure ranging from transportation to healthcare are either unavailable or in a comatose state in most of the Niger Delta region. Most villages depend on water from wells and springs and this result in waterborne diseases, while in the cities they depend mostly on boreholes. Only an estimated 20% to 24% of rural communities and 45% to 50% of urban settlements have access to potable water (NDES, 2000:30).

The National Bureau of Statistics confirms that 50% of the water supplies in most of the states in the region are unsafe for consumption. It further classified the various sources of water as: river/lake/pond, protected well and unprotected well, pipe borne, borehole, vendor trucks and others (NBS, 2006: 20). Figure 5.5 (Appendix B) shows

a typical source of drinking water in most of the region's rural settlements. The reasons for poor provision of potable water include inadequate attention from successive governments to the importance of adequate drinking water to the health, environment and sustainable livelihood of the people, and low political will to expand and improve on the existing water supply system in the region (NDDC, 2006:86).

Related to the issues of water supply is the problem of the inadequate health care delivery system in the region. Most of the prevalent diseases are related to water and environmental degradation, and represent about 80% of all reported illnesses; 'malaria, gastroenteritis, respiratory tract infections, heart disease, diarrhoeal diseases such as dysentery, typhoid and cholera are the most common' (UNDP, 2006:32).

> Malnutrition is also a major health problem, among under-five children about 10 to 12%, 18 to 23% and 30 to 40% of them are severely, moderately and mildly malnourished respectively which is result of poor feeding and household food insecurity (NDDC, 2006:91).

Most of the people, particularly the villagers, have no access to basic health care services; one primary health care centre for 9,805 people and 43 settlements, in the case of secondary health care it is only one for 131,174 people and for an area of 583 square kilometre (UNDP, 2006:32-33.) Even in these few health centres there are 'lack of doctors, nurses, and critical supplies such as drugs, syringes and sterilizers' (ibid: 32). The problem of waste management is also enormous in the region, particularly in urban and semi urban centres such as Warri, Port Harcourt, Benin and Aba where only a small proportion of the solid and industrial waste generated is disposed of safely. Only about 11% of the houses in the Niger Delta have access to effective waste management disposal service by either public or private agencies. Other waste including hazardous, toxic and gaseous liquids are dumped in open sites, in drainages, creeks and streams resulting in the pollution of land, air and water (NDDC, 2006:86).

Adult literacy in the Niger Delta region is put at about 78%, although this is higher than the national average of 54%, but the majority of the educational infrastructure 'are in a state of extreme disrepair' and needs urgent remediation (ibid).

A good example is a primary school in Bayelsa state as shown in figure 5.6 (Appendix B) The problem is further compounded by the declining quality of education over the years; though the enrolment level is on the increase, most of the classrooms are overcrowded and the school dropout rate is also high due to the long distance the students travel daily to get to the schools (NDDC, 2006:87). Some of the states in the region, with over 3,800 settlements and a population of 8 million people, have only 2,169 primary schools and 545 secondary schools; this translates to one school per 3,700 people and 14,679 people respectively and one school to two settlements and seven settlements respectively (UNDP,2006:32). All these have led to youth unemployment and conflict among other socio-economic challenges, and in some quarters the schools are now referred to as 'Restive Youths Factories'[29] (NDDC, 2006:87).

In a region that produces the petroleum resources that supplies 15% of the United States' energy need, access to reliable energy supply remains extremely poor (Ikoku, 2008). Most of the households and businesses rely on generators as back up at an additional cost, while most of the IOCs utilise gas turbines for their own energy supplies. 'Over 36% of the households in the region have no access to electricity supply as a source of power; although there are variations from one state to another and most semi-urban and urban settlements do have more access to electricity than the rural communities (NDDC, 2006: 86). While 73% of the people use firewood as their primary energy source of fuel for cooking, followed by kerosene 24.8% and gas 1.2%, only 34% use electrical lighting, 61% kerosene lantern, firewood 1.8%, generator 1.5%, gas 1.2%, candles 0.6%, batteries 0.2%, and others 1.2% (NBS, 2006:103-104). The means of communication in the region have not been helped by the poor and inadequate facilities; only 10% of the region is served by the Nigerian Postal Service (NIPOST), in the area of telecommunications, the inefficiency of the national company (NITEL), the shortage in power supply and lack of sufficient investment in the sector, has drastically reduced the number of available land lines in most of the states, making the number of telephone users in the region one of the lowest in the world at about 38% 1000 people (UNDP,2006:29 and NDDC:2006:96).

[29] A restive youth factory means a suitable recruitment or breading venue for youths who engages in violent acts in the Niger Delta.

However, with the introduction of the Global System of Mobile Communication (GSM) in 2001 the situation has now improved.

Transportation systems in the Niger Delta, particularly in the rural communities, are mostly by water with the use of engine boats, speedboats and hand paddled canoes. Ironically the fares for water transport are higher than road transport due to the scarcity and high cost of petroleum products and lack of adequate mass transit vessels in the riverine communities (NDDC, 2006:82). Road transport is not any better, about 40% of the total length of roads in the region are in a very bad condition: for example the Benin – Ore dual carriage way as shown in figure 5.7 (Appendix B)

Many of the semi-urban and urban centres in the uplands are at least accessible by road, but other communities in the riverine are not only without roads but take a formidable effort to access (NDDC, 2006:82). There is no standard gauge commercial rail transportation system in the whole of the Niger Delta, the only rail track available being the now abandoned colonial built line which runs from the city of Port Harcourt to northern Nigeria (ibid:83). Corroborating this fact the UNDP, (2006: 28) referred to

> transport and communication in the area as a source of misery, requiring people to trek long and excruciating distances due to high cost of motorcycle transport....some roads have so many death traps that motorist avoid them.

The foregoing depicts lack of access to social and physical infrastructure in most of the settlements in the region, and over the years these have culminated in a high level of poverty. The region's Human Development Index (HDI) score – a measure of well-being which comprises knowledge, longevity of life and a decent standard of living -remains low at 0.564 (1 is the highest score) (UNDP, 2006:2). Although the region's rating is above the national average which stood at 0.453, the HDI does not fully reflect the low level of human development in the region. This is because its computation does not take into account the deteriorated state of infrastructure in region. However it 'rates far below countries or regions with similar oil and gas resources for example, the HDI for Saudi Arabia in 2000 stood at 0.800, while in 2003 the United Arab Emirates, Kuwait, Libya, Venezuela and Indonesia achieved scores of 0.849, 0.844, 0.799, 0.772 and 0.697, respectively' (ibid).

Consequently, the state of poverty and economic deprivation in the Delta has led to acts of violence against IOCs personnel and among various ethnic groups and communities who struggle for access to farmland and to the benefits of oil wealth located in their region. According to Mr. Ron Van Den Berg, former Managing Director SPDC Nigeria:

> People in the oil-producing areas feel the price. They are yet to be significantly touched by the wealth oil has brought to Nigeria, the result of this is the growing agitation and wanton display of aggression on oil companies in these areas, while hostage taking is becoming a fad (James, 1998:1-2).

We now turn to these protests and the responses to them from governments, IOCs and development agencies.

5.3.0 Violent Reactions to Underdevelopment and the Federal Government, IOCs and International Development Agencies Responses.

Since the early 1990s, intra and inter-community, inter-ethnic conflicts, and community protest and violence against the IOCs in the oil producing areas, have been increasingly rampant, resulting in serious socio-economic loss to the Delta region and the country. The increasing unrest has been mostly due to the high level of underdevelopment in the Delta. Property rights are a major issue because the community and individual access to land are insecure as every piece of land is important for either farmland, houses or oil exploration (UNDP, 2006:115). Farming and fishing are the major occupation in the rural oil producing areas, and a chaotic scenario has been created by the continual environmental degradation, coupled with the Petroleum Act of 1969 and the land policy of the federal government through the Land Use Act of 1978 both promulgated by various military regimes.

The Mineral Ordinance of 1914 vested all the mineral resources of Nigeria in the British Crown, and not in Nigeria. It was re-enacted under the 1946 Minerals Act and gradually transformed into the Petroleum Act of 1969 by the military regime, which vested the ownership and control of oil and gas in the government of the Federal Republic of Nigeria (Akinjide, 2001:3). The Land Use Act established by Decree No 6 of 1978 by the Obasanjo military regime vested sole ownership and

control of land in the Nigerian government, including land where oil is prospected; this was a plot by the federal government to protect the IOCs from land litigations, and provides a buffer for them to operate more recklessly in the Delta region. This has resulted in environmental degradation on a massive scale over the years, and has 'turned the people of the oil producing areas into squatters in their own ancestral home' (Omoweh, 2005:64-65 and 115). It has in a way dispossessed the individuals and communities in the oil producing region of their land and its resources. This further leads to ethnic conflicts and intensifies the struggle for land and compensation among other things thus:

> The root cause of the insecurity and siege mentality in the Delta region resides not with the youths' violence as often misconstrued by the government, but with the Nigerian state and its absolute ownership and control of land and its contents (Omoweh, 2006:35).

Other causes of the crises are inadequacies in compensation payments from both the state and the IOCs, and failure on the part of the elders and elites in the oil producing communities to fairly distribute these compensations among their subjects. One of the major reasons most of these violent crises erupt are struggles over compensation, and this is the main reason for the breakdown of traditional authority due to the loss of their legitimacy through greed (UNDP, 2006:115).

The dimensions and pattern of these violence and reactions among the oil producing communities of the Delta will be examined under four sub- headings; Intra-community crisis, Inter-community conflicts, Inter-ethnic clashes and Conflicts between communities and IOCs.

5.3.1 The intra-community Crisis

The intra-community crisis is usually between members of a clan, village or ethnic group with communal identity (UNDP, 2006:113). A good example was in Nembe, Bayelsa state where the IOCs reached an agreement with the local chiefs on the mode of payment of compensation through cash, job opportunities and contracts for the locals, but by greed the chiefs allocated more of the benefits to themselves and their cronies. The youths and other excluded members of the community began a protest; they occupied flow stations, harassed oil workers and took hostages to force

the IOCs to renegotiate and pay them their own dues (ibid). Because such payments are huge, at least in local terms, the youth group soon disintegrated into several gangs and continued to extort money from the IOCs. The result of this was a reign of terror in Nembe, with the violent clashes between the various rival youth groups amounting to the mass loss of life and property (ibid, 115).

The manner in which the pursuit for compensation has been carried out among the communities has over time helped to exacerbate conflicts. Onosode (1998) posits that:

> There is a considerable mistrust between elders and youths, between traditional rulers and their subjects. The older groups are perceived by the youths to have 'sold out'; others are branded 'Oil company chiefs' (Onosode, 1998:39-41).

According to a World Bank report, 'compensation may not be paid to the affected community or individuals – because other communities, disbursement agents, or powerful individuals may keep the compensation funds' (World Bank, 1995: 72).

In an article on this subject, Ibeanu echoes the World Bank's view by asserting that 'The leaders of communities in the Niger Delta are very rich, and at the same time their people are extremely poor' (Ibeanu, 2002:163). The way in which the pursuit for compensation has been carried out among the communities has over time helped to exacerbate conflicts. By the end of February 1998, about 14,000 claims for compensation for oil related damages totalling an estimated US$100 million had been submitted to Nigerian courts by individuals, groups, and communities in the region. (Jubilee, 2001:12).

5.3.2 Inter-community Conflicts

Inter-community conflicts occur when communities are not satisfied with the outcome of a settlement by the government, traditional authorities or court. In an ongoing agitation, usually over ownership of land and other natural resources, mostly the male youths of two or more warring communities begin fighting with the free use of dangerous weapons, setting houses and business premises ablaze (UNDP, 2006:115).

For example, an SPDC oil flow station was located in the Olomoro and Oleh communities of Delta State, occupying 20% and 80% of land in the two communities respectively. Olomoro and another community, Uzere, jointly owned 80% of the oil production quota while only 20% belonged to Oleh. The name Olomoro flow station had been a contention between the two sides so also the royalty payment that favours Oleh with less of the oil, but 80% of the flow station infrastructure is in their land. The flash point of the major crisis in the year 2000 was when SPDC wanted to change its old pipelines; they arranged to recruit the labour force from Olomoro and Oleh at 80% and 20% respectively, with each group allowed to keep the exhumed old pipes. Suddenly Oleh community youth invaded the project site and in the clash with Olomoro they lost their youth leader. They returned to Oleh and mounted a punitive expedition against the Olomoro people living in their community, razing their houses and business premises. The government responded swiftly and drafted the security forces to maintain law and order, but the security forces instead burnt down the Oleh community (ibid, 118).

5.3.3 Inter- Ethnic Clashes

Inter- ethnic clashes have also been on the increase in various parts of the Delta region; these includes Urhobo versus Itsekiri, Ijaw versus Itsekiri in Delta state, Ogoni versus Okrika, Andoni versus Ogoni in River state and the Ilaje versus the Ijaw in Ondo state. While some of these conflicts are historical and predate the discovery of oil in the Niger Delta, others were provoked by the actions of the government and IOCs (UNDP, 2006:118). For example the violent conflicts which involved the Ogonis and Andonis from July to September 2003, and the Ogonis and the Okrikas in December of the same year, seemed to have some support from the government and IOCs in order to thwart the Ogoni agitations, as the leaders of both the Ogonis and Andonis asserted publicly through the media that they had no disagreements before the attacks (Osaghae, 1994:37-8).

The sophisticated nature of the weapons and the professional manner of the attackers operated in Ogoni land; the transfer of security forces of Ogoni origin away from Ogoni land and the replacement of the same with others from outside, coupled with the then Governor of Rivers state taking sides with the Andonis further give

credence to the involvement of the state and IOCs in the crisis (ibid). The conflict between the Okrikas and the Ogonis in December 1993 also evolved as a result of what the Okrikas viewed as an encroachment on their land in the Waterfront area of Port Harcourt by the displaced Ogonis as a result of the first conflict with the Andonis; they also accused the Ogonis of jubilation over Ada George (an Okrika indigene) who was earlier removed as Governor of the state through the military coup in November 1993. At the end of the whole conflict, over 1,000 Ogonis were killed and 30,000 people were displaced from their communities (ibid).

The crisis between the Ijaw, Urhobo and the Itsekiri over the ownership of Warri in Delta state, the second largest oil city in the Niger Delta, predates the ascendancy of oil in the Delta, and this indicates that not all the conflicts are oil related (Ukiwo, 2007: 596-600). Notwithstanding, failure of government policies at all levels has further exacerbated the crisis. The movement of the headquarters of Warri South-West Local government from Ogbe-Ijoh in Ijaw area to Ogidigben in Itsekiri zone was viewed by the Ijaws as federal government favouritism towards the Itsekiri, in whose zone the headquarters of the other two local governments were already located.

This led to serious intermittent violent conflict in Warri from 1997 to 2003 as rampaging youths on both sides attacked various villages, killing, razing houses and businesses, and obstructing movements on the roads and waterways. Schools, hospitals and businesses were shut down on both sides, and oil production ceased. Apart from the massive loss of life and damage to property, it crippled economic activities in Warri and many IOCs servicing companies relocated to Port Harcourt. The headquarters of the LGA was later relocated back to Ogbe-Ijoh in the Ijaw zone, as a truce was reached based on the report of the Delta state government Commission of Inquiry after the return to democratic rule in 1999 (UNDP, 2006:118-120 and Ukiwo, 2007: 596-600). Violence also erupted in 2003 between the Urhobo and Itsekiri over the demarcation of constituencies in the Delta south senatorial district which according to the former favours the Itsekiri. (UNDP, 2006: 120).

5.3.4 Conflicts between Communities and IOCs

Conflicts between communities and IOCs emerge as a result of general dissatisfaction with the benefits from oil. They bear the impact of the consequences of oil exploration -gas flaring, oil spillages, blowouts and so on, and government policies failed over the years to translate oil wealth into meaningful socio-economic development for the communities. The reactions to their frustrations over the years sometimes resulted in protest against the IOCs, epitomised by hostage –taking, sabotage to oil installation, breaking of pipelines, flow stations and oil export terminals. These attacks and reactions to the accumulated poverty and underdevelopment of the region caused by the 'second oil exploitation' – petroleum exploration activities of the Shell Petroleum Development Company (SPDC), then the Shell-D'Arcy company, and other IOCs which began in 1937 (Rowell et al, 2005:57-8).

These series of reactions from the host communities in the Delta propelled the IOCs led by SPDC to establish a 'supernumerary police' in the early 1990s in conjunction with the Nigerian Police Force in the Delta to protect their facilities. On the 1st of December 1993, Phillip Watts, then SPDC's Nigeria Managing Director, requested that the Police authorities increase the 'supernumerary police guards' or the 'spy police' from 1,200 in 1993 to 1,400 in 1995 for more effectiveness; this was in addition to other private security personnel engaged by the company (ICG, 2006, HRW, 1999:116 and Frynas, 2001:51).

According to SPDC's 2006 annual report there are two categories of security personnel involved in their operations in Nigeria. First, the Nigerian Police Force corps of Supernumerary constabulary which guards SPDC's Nigeria assets, facilities and staff, generally carries no arms but are trained in accordance with SPDC's security management system and guidelines. The second category is the Joint Task Force (JTF), the Army, Navy and the Police deployed by the federal government to provide security in the Delta region and the waterways, which are under the federal government through the security headquarters (SPDC, 2006:8)

By these reactions and protests the people of the region have been demanding greater infrastructural and socio-economic development from the oil revenue, and the

federal government, IOCs and the International Development Agencies have been responding through various development programmes, projects and initiatives, which will now be examined.

5.4.0 Development Demands and Responses in the Niger Delta

Since crude oil production started in 1958, successive Nigerian governments have only been impressed by production figures, which have grown phenomenally from when SPDC started exporting a meagre 5,100 barrels per day for the whole of 1958, increased to 10,000 barrels per day in 1959 and then to the 2007 production level of over 2.3 million barrels per day (m/bpd) (NNPC, 2007 and Ajanaku, 2008). People in the oil-producing areas feel the cost, but they are yet to be significantly impacted upon by the wealth oil has brought to Nigeria. Successive governments including the colonialists have not only acknowledged but claim to recognize the peculiar terrain and special development needs of the Niger Delta by their various approaches and responses to the region's development challenges. The oil producing areas have been expressing their grievances to the government in various ways through declarations and other memoranda submitted to address the issues of underdevelopments in the region even before the independence. See table 5.2 (A 1 to 10) below.

Table 5.2: Various Demands by the Niger Delta and Responses from Federal Government, IOCs and International Agencies

A	Demands by the Oil Producing Communities of the Niger Delta	Year
1.	Agitations for socio-economic development of the Delta towards the period of independence.	1957
2.	Isaac Boro's Twelve-Day Revolution agitated for an independent Niger Delta because of underdevelopment of the region	1966
3.	Ogoni Bill of Rights	1990
4.	Demand for increased socio-economic development at the Constitutional Conference	1995
5.	Ijaw National Congress (INC) blue print	1997
6.	Movement for the Reparation to Ogbia (MORETU) Charter,	1997
7.	Federated Niger Delta Community blue print	1998
8.	Kaiama Declaration	1999
9.	Demand for increase in the Derivation Fund from 13 to 50% at the National Political Reform Conference	2005
10	Violent demands by militant groups led by MEND have increased with high intensity and impact on oil production in the Delta.	Since Dec. 2005
B	**Development Initiatives from the Federal Government of Nigeria**	
1.	Willink's Minorities Commission Report	1958
2.	Niger Delta Development Board, NNDB	1961
3.	The River Basin Development Authorities	1976
4.	The Presidential Task Force referred to as 1.5 % committee	1981
5.	The Justice Alfa Belgore Commission of Inquiry and the 3.0% OMPADEC	1992
6.	Ministerial Fact Finding Team –under Don Etiebet	1994
7.	The Popoola Report of the Presidential Committee on Development Options for the Niger Delta	1999
8.	The 13% Derivation Fund	1999
9.	Niger Delta Development Commission NDDC	2000
10.	The Ogomudia Report of the Special Security Committee on the Oil Producing Area	2001
11.	National Political Reform Conference	2005
12.	Niger Delta Regional Development Master Plan	2007
13.	Ledum Mitee Technical Committee Report	2008
14.	Creation of Ministry of the Niger Delta	2008
15.	Amnesty and Post-Amnesty Programme for the Militants	2009
C	**Responses from the IOCs and International Development Agencies**	
1.	Community Assistance Projects (SPDC)	1960s
2.	Community Development Projects	1990s
3.	Payment of compensations	1990s
4.	Signing of Memorandum of Understanding (MOU) with host communities.	2000
5.	Niger Delta Environmental Survey NDES	2000
6.	Sustainable Community Development (SCD) Strategy (SCiN)	2002
7.	Peace and Security Strategy (PaSS)	2002
8.	Global Memorandum of Understanding GMOU with the host communities.	2005
9.	UNDP, USAID, DFID, IFAD, FAO, AfriCare, WHO work in partnership with IOCs and government on various development projects in the Delta.	From 1970s
10.	Micro Project Programme 3 (MPP3) – European Union (EU)	2001-
11.	Micro Project Programme 6 (MPP6) - EU	2008
12.	Micro Project Programme 9 (MPP9).	2009

Source: (Obari, 1998:19; NDDB, 1961; NDDC, 2000; SPDC, 2006:8.

5.4.1 Development Initiatives from the Federal Government of Nigeria

The federal government have been responding to these agitations and demands by establishing various committees, commissions and conferences as in table 5.2 (B1 to 15) above. The IOCs and International Development Agencies IDAs have also been responding since the late 1970s via various projects initiatives as in table 5.2 (C1 to 12) above. The objective for the payments of compensation for loss of rights (in lands), and for the disruption of local environment, seems geared towards enhancing harmonious co-existence and a conducive operating environment, rather than a genuine quest for the development of the region.

5.4.1.1 The Niger Delta Development Board (NDDB)

In 1958, the Willink Commission was set up to look into the fears of the minority ethnic groups and the development needs of the Niger Delta and recommend strategies for its development as Nigeria moved towards independence. The Commission acknowledged the problems of ethnic rivalries, poverty as a result of neglect, and the challenges of the peculiar terrain – the swampy and flood- prone nature of the region (NDDC, 2006:102). This was before independence from colonial rule and before crude oil became the Nigeria's major revenue source; subsequently, upon the recommendations of the Willink Commission, the Niger Delta Development Board (NDDB) was created in 1961 under section 14 of the 1960 Constitution, and its enabling power through the Federal Parliament NDDB Act of 1961, to provide socio-economic and infrastructural development for the region (ANEEJ, 2004:51-52).

It was initially done by the official proclamation of the Niger Delta under the Nigeria Constitution order in council of 1954 to 1959 by the Governor-General James Robert on the 26th of August 1959. It proclaimed that:

> The area of the Niger Delta for the purposes of the Niger Delta Development Board established in accordance with that section shall be: (a) in respect of the Western Region, the Western Ijaw Division of the Delta Province; and (b) in respect of the Eastern Region, Yenagoa province, Degema Province and the Ogoni Division of Port Harcourt Province and the Western Ijaw Division of Delta Province (Willink, 1958:7 and S.C.L.N. 34 of 1959).

The provinces and divisions mentioned above were mapped out as a 'Special Area' for developmental attention of the NDDB for ten to twelve years as recommended by the report, but this was not to be. The Willink Commission recommendations and the final establishment of the NDDB were diluted by politics, as it made no substantial meaning to the first set of Nigerian political leaders; but accordingly:

> The politics that shrouded the setting up of the NDDB in 1961, and its eventual demise after 1966, attested to the disdain treatment of issues concerning minorities at the national level in Nigeria (Idemudia and Ite, 2006:394).

Other crises[30] soon followed that led to the collapse of the first post-colonial government in January, 1966, and the civil war in 1967. The NDDB failed as it did nothing to develop the Niger Delta before the military took over in 1966, and part of the aftermath of the civil war was the demise of NDDB. Instead the then military government deployed the huge revenues to fund its three 'Rs' programme of reconciliation, rehabilitation and reconstruction in various parts of the country, without any major attempts to utilise a fraction of the unprecedented revenue from the quadrupling of oil prices of 1973 and other subsequent excess oil revenue for the developmental needs of the region (ibid and Ayida, Onitiri and Kirk-Greene, 1971:3).

5.4.1.2 River Basin Development Authorities (RBDAs)

In defiance and negation of the developmental needs of the Niger Delta region as recommended by the report of the Willink Commission, the military regime of Gen. Olusegun Obasanjo promulgated a Decree in 1976 establishing eleven River Basin Development Authorities RBDAs to increase agricultural productivity by the use of irrigation, pollution control and in the area of fishing, to bring development to the drainage basins settlements (ICG, 2006:18). The military government perceived the establishment of the NDDB as favouring the Niger Delta region, and created similar development boards, the RBDAs, across the whole country. Meanwhile, they deliberately underfunded the RBDAs in the Delta as indicated in table 5.3 below, paying only lip service to the development of the Delta region.

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[30] The crises that followed led to the military take over and the civil war as analysed earlier in section 4.1.1 above.

Table 5.3: The Funding of the River Basin Development Authorities (1976-1980)

S/N	River Basin Development Authorities (RBDAs)	Zones Located	Amount of Fund (Mn) (1976 – 1980)
1	Sokoto-Rima Basin Authority	North West	650.7
2	Chad Basin Authority	North East	296.6
3	Hadeija- Jama'are Basin Authority	North West	286.8
4	Ogun Osun River Basin Authority	South West	183.6
5	Upper Benue Basin Authority	North East	139.5
6	Niger River Basin Authority	North Cent.	131.1
7	Anambra/Imo Basin Authority	South East	118.3
8	Lower Benue Basin Authority	North Cent.	102.3
9	Benin/Owena River Basin Authority	Niger Delta	89.9
10	Niger Delta River Basin Authority	Niger Delta	76.7
11	Cross River Basin Authority	Niger Delta	60.6
	Total Allocation		**2,136.1**

Source: (NNPC, 2006:3)

From the allocation of funds to the various RBDAs it became clear that the focus of the programme was on the management of water resources in the semi-arid part of Nigeria, and not on the development of the Niger Delta region. The total amount of N650.7 million allocated to the Sokoto-Rima Basin Authority from 1976 to 1980 was more than 8 times of that of the Niger Delta River Basin Authority, and the total sum of N286.8 million allocated to the Hedeija-Jama'are Basin Authority was also more than the total amount of N227.2 million allocated to the three River Basin Authorities put together. These were located in the Niger Delta region, whose revenue receipts from its oil resources accounted for about 90% of the total allocation of N2.1 billion to the RBDAs within the period.

5.4.1.3 Presidential Task Force - the 1.5% Committee

Consequent to the failure of the previous regimes to develop the Niger Delta and due to increasing agitation for development by various groups in the region, led the President Shehu Shagari administration put together a Presidential Task Force also known as the 1.5% Committee in 1981. The committee was allocated 1.5% of the total revenue from oil, directly from the Federation Account for the development of the Niger Delta. The 1.5% emanated from the Revenue Act of 1981 as passed into law by the parliament and administered by the federal government for the development of the mineral producing areas. The allocation of the 1.5%, which

continued till the early 1990s, however could not reverse the trend of underdevelopment. It was largely ineffective, as its financial allocation and working structures were controlled by the federal government and from the federal capital (NDDC, 2006:102). After the military took over the government in December 1983 the Committee became moribund. The allocation of 1.5% revenue amounting to billions of Naira was only seen on paper, as part of the revenue allocation formula from 1983 to 1992. It did not make any traceable socio-economic and infrastructural development in any of the oil producing states.

5.4.1.4 Oil Mineral Producing Areas Development Commission (OMPADEC)

The increased frustration of the people because of their inability to access the benefits that oil resources has brought to Nigeria, and the expression of the same by violent means, forced the military regime of Gen. Ibrahim Babangida to establish in 1992 the Oil Mineral Producing Areas Development Commission (OMPADEC). That followed the recommendation of the Belgore Commission. The focus was on the rehabilitation and development of oil producing areas, and 3% of the federal oil revenue was allocated to it for that purpose (NNPC, 2006:4). Because of many years of neglect in the development of the region, the 3% allocation was insufficient to take care of its developmental needs, and consequently 'immediately OMPADEC was created it was overwhelmed with demands for roads, bridges, jetties, water supply and so on, the demands were greater than its expected allocation for several years' (Oguine, 2000:4).

The massive request for development projects overshadowed its other assignment of tackling ecological problems (ibid). It operated from 1992 to 1998 and received on the average just about 36.1% of the total 3% allocated to it from the federal government throughout its period of operations as shown in table 5.4. Another challenge OMPADEC encountered was the inability of the federal government to adequately fund the Commission, as the actual allocation of money fell from N3.3 billion representing 68.1% in 1992 to N3.1 billion representing 32.4% in 1995 and to 30.6% in 1998, despite the increase in oil revenue and the budgeted 3% due to it. Irrespective of the problem of under-funding encountered by the Commission, it actually received N23.2 billion for its operations during the period without any tangible developmental impacts in the region. The major reason for this was endemic

corruption and mismanagement in the Commission which led to the removal of two of its chief executives, Eric Opia and Albert K. Horsfall. In September 1998 Eric Opia was dismissed for being unable to account for N6.7 billion (Frynas 2001:38 and Omotola, 2007:79), and previously the Commission 'has been criticized for its wastefulness, massive mismanagement and corruption' (Kubeyinge and Nezianya, 1999:2-6). Rather than minimise discontent in the Niger Delta, the Commission further aggravated it by its actions.

Table 5.4: Oil Revenue and Allocation to OMPADEC (1992 – 1998)

Year	Oil Revenue (N Billion)	3% (OMPADEC) (N Billion)	Actual Allocation (N Billion)	Actual Allocation as a % of Expected.
1992	164.10	4.90	3.40	68.1
1993	162.10	4.90	2.62	53.9
1994	160.20	4.81	2.52	52.5
1995	324.55	9.74	3.15	32.4
1996	369.20	11.10	3.04	27.5
1997	416.81	12.50	3.52	28.2
1998	544.00	16.32	5.00	30.6
Total	**2140.92**	**64.27**	**23.25**	**36.1**

Source: NNPC: 2006:4

The Commission suffered from lack of proper planning, lost focus and turned itself into a contract-awarding organisation with advance payments to contractors for jobs that were not eventually executed (ICG,2006:18). Projects were abandoned; ill conceived and uncompleted projects dotted the landscape, 'massive land clearance for uncompleted projects without mitigating measures created further environmental crisis and disaster in the already ecological fragile and sensitive region' (Onosode, 1998:39). At the end of its operation in 1999, it had accumulated huge debts to contractors and left a litany of abandoned projects all over the region.

The return to democratic governance in 1999 brought with it an environment in which people of the Niger Delta could freely express their opinion against the continuing underdevelopment of their region. 'With the end of the military rule in

1999, the bar was raised, and the expectation of impoverished communities rose faster than the development efforts of the fledging civilian government' (ICG, 2006:12). So due to the increasingly violent attacks against oil facilities in the Niger Delta by various militant groups, the federal government in 2000 created the Niger Delta Development Commission (NDDC).

5.4.1.5 The Niger Delta Development Commission (NDDC)

The Niger Delta Development Commission (NDDC) was established in 2000 with a vision 'to offer a lasting solution to the socio-economic difficulties of the Niger Delta region' and a 'mission to facilitate the rapid, even and sustainable development of the Niger Delta into a region that is economically prosperous, socially stable, ecologically regenerative and politically peaceful' (NDDC, 2002). The NDDC Act also provided funding sources as follows; the federal Government - 15% of monthly statutory allocation due to the nine member states of the Commission from the Federation Account, 3% of total annual budget of the IOCs, 50% of the Ecological Fund allocations due to member states and other sources including gifts, grants-in-aids, loans and donations (NDDC,2006:103). The governing board is made up of 20 members; the nine member states have one member each, and there are representatives from the Federal Ministries of Finance and Environment and from the oil companies. Ten of the 20 members are appointed directly by the federal government from the presidency in Abuja, and that includes the Managing Director, two Executive Directors, and three representatives of non-oil producing states (ibid).

The Commission undertook a review, and subsequently completed during 2001 to 2003 some vital projects abandoned by OMPADEC in 1999, as well as taking on some new projects. In 2006 it produced a comprehensive Niger Delta Regional Development Master Plan (NDRDMP). It covered 24 different areas of development including environment and hydrology, agriculture and aquaculture (with focus on economic activities), rural, urban, regional planning and housing, community development, governance and capacity development, health, water supply, energy (electricity), small and medium enterprises, investment promotion and so on (NDDC, 2006:103-104).

It also has some Partners for Sustainable Development (PSD), for which a legal protocol has been drafted; these include the local and nine state governments in the

region, oil companies, National Planning Commission (NPC), NGOs and CBOs. Therefore:

> The PSD Forum is designed to enable all partners across the region collaborate in navigating, monitoring and funding the implementation of the Niger Delta Regional Development Master Plan (NDRDMP), beginning with the quick impact project (ibid).

It has an implementation time scale of 15 years from 2005 to 2020 (ibid). From 2002 to June 2009 it awarded a total of 2,423 projects across the nine states of the region; Akwa Ibom state with 393 had the highest number of projects, followed by Delta and Ondo with 368 and 323 respectively. Table 4.4 indicates that 1,120 projects have been completed and another 1,303 are ongoing (NDDC, 2009).

Table 5.5: Number of Projects Awarded by the NDDC in 9 States and their stages of completion 2002 -2009*

S/N	State	Year 2002 to 2003	Year 2004	Year 2005 to 2006	Year 2007 to 2009	Total Projects Awarded	Projects in Progress	Projects Completed
1	Abia	70	91	24	4	189	85	104
2	Akwa Ibom	120	229	35	9	393	231	162
3	Bayelsa	114	147	25	9	295	186	109
4	Cross River	21	51	16	-	87	68	19
5	Delta	164	52	45	7	368	156	212
6	Edo	51	167	15	9	242	131	111
7	Imo	63	133	12	9	217	131	86
8	Ondo	118	180	15	10	323	123	200
9	Rivers	54	130	62	63	309	192	117
	Total	**775**	**1,280**	**249**	**120**	**2,423**	**1,303**	**1,120**

*Covers Projects Awarded up to June 2009

Source: (NDDC, 2009 at http://nddc.gov.ng/?page=programs

There was a sharp reduction in the number of projects awarded from 2005 to 2009, compared to earlier years. This was an indication of reduced funding by the stakeholders, particularly by the federal government which owed the NDDC arrears of its counterpart funding to the tune of N350 billion from 2005 to 2008. This prompted the House of Representatives Committee on NDDC to summon the Minister of Finance on the 15th February 2008 for a meeting to work out the

modalities for immediate payment of the debt. According to Honourable Ajayi Agboola, 'the step became necessary because the committee was worried that if the debts were unpaid, the lofty objective of setting up the commission would be defeated' (Nkwazema, Stanley (2008). The funds were not released because some powerful government officials deliberately gave a wrong interpretation and application to the law that established the Commission, but the issue has now been resolved as the funds were later released (ibid).

While it seems too early to do a definite evaluation as in the case of its predecessor OMPADEC, there are many indications that it might have started failing just like OMPADEC. If adequate steps are not taken by the parliament and other stakeholders, to limit the overbearing influence of the federal government on the Commission, it might fail to develop the region. The National Economic Intelligence Committee (NEIC) also attested to this fact:

> If you look at the ways things are done, what we called rugged independence among the various stakeholders everybody wants to do things on their own. But the issue is that the plan is not been followed and been distorted and we drew the attention of the president to it in our last report. We believe there should be greater involvement among all the stakeholders but do you know that the states and Federal government are not paying their own percentage into the NDDC account so that is a problem (NEIC Chairman 2007: Interview 10).

From 2001 to 2004, the federal government released an average of $64 million representing about 77% of its budgeted counterpart funding, while the oil companies gave $130 million within the same period (FMF, 2006). Another challenge is in the area of management of the Commission's funds, adequate budget monitoring instruments are not in place, and the management of the Commission has been changed five times since its inception in 2000 under uncertain circumstances and for alleged corruption. For example, Godwin Omene, the first Managing Director, was indefinitely suspended and eventually removed from office under unclear circumstances (Omotola, 2007:84).

In addition, information on the Commission's monthly or yearly income and expenditures or their budget documents are neither available on their website nor accessible to the public. There are different opinions in the region itself on the

performance of the Commission; while some acknowledge its positive performance, others including some of the youth groups were angry at the flamboyant lifestyle of the leadership of the Commission while their communities are still underdeveloped. In reaction to this, on the 4th of January 2004 allegedly Ijaw youths went on the rampage and attacked the NDDC Delta State zonal office in Warri (Thisday, 2004); also on the 14 of March 2006 a suspected bomb was detected in one of the toilets of the Commission's headquarter building in Port Harcourt, Rivers State (Nigerian Vanguard, 2006).

According to Dunmoye:

> I think the NDDC is a step in the right direction but they too are still not doing well enough because this issue of corruption is still there (Dunmoye 2006: Interview 11).

5.4.2 Responses from IOCs and Development Agencies

5.4.2.1 International Oil Companies (IOCs) Development Initiatives

The (IOCs) have also been contributing to the developmental process of the Niger Delta since the 1960s, when Shell Petroleum Development Company (SPDC) began with a Community Assistance strategy by giving agricultural extension services to the agrarian communities. It gradually extended to the areas of education, infrastructure, and water sanitation programmes and in the 1990s it includes assistance with health care provision, hospitals and youth programmes (NDDC, 2006:108). By 1997 it developed a new approach that changed their social investment strategy from Community Assistance to Community Development (CD). The CD approach was that of strategic social investment that placed emphasis on community participation, partnering and local capacity building to ensure sustainability and multiplier effect of interventions; this was not part of the Community Assistance strategy (NNPC, 2006:6). The implementation of Community Development was also seriously hampered by an increasingly entrenched operating environment characterised by leakages and unclassified payments, and the expectations that the IOCs continue to act as a surrogate government in meeting needs arising from development deficits in communities. The leakages in the actual delivery of the projects, and the unclassified payments demanded by several traditional and youth leaders and their groups, most often leads

to further crisis. This was part of the crisis that eventually led to the killing of Ken Saro Wiwa[31] and eight others by the military government, because MOSOP was opposed to the Ogoni leaders, who wanted to circumvent the genuine struggles for emancipation for their own private comfort by collecting bribes from the IOCs in order to jettison the struggles.

After 1999, the IOCs began to redefine their previous approaches to development in the Niger Delta region. Shell Companies in Nigeria (SCiN) developed and implemented another development programme, the Sustainable Community Development (SCD) strategy, whose objectives among others are to:

> Promote sustainable social and economic development of the communities and ultimately secure SCiN's License to Operate and maximize oil and gas development revenues for the benefit of all (NDDC, 2006:108).

The new strategy emphasised partnership with the government, local and international development agencies such as UNDP, WHO AfriCare, NDDC and others to complement their efforts and achieve greater results that the oil companies would not have been able to achieve on their own.

Some examples were a five-year $20 million partnership with USAID to develop Nigerian capacity in agriculture, health and business enterprise in 2003, three-year $4.5 million partnership with AfriCare to reduce deaths from malaria, and an additional one with the UNDP in 2004 (NDDC, 2006:108). A further aim of the SCD is to eliminate cash payment of compensation to individuals and community youths which had hitherto led to more inter- and intra-community violence; another component of the SCD is the development of the a Peace and Security Strategy (PaSS) for the region, which was done with the assistance of internationally recognized experts on conflict reduction and peace building (ibid).

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[31] Detail of MOSOP struggles and the crisis that led to the killing of its leaders including Ken Saro Wiwa see section 5.2.3 above.

5.4.2.2 Niger Delta Environmental Survey (NDES)

The Niger Delta Environmental Survey (NDES) was commissioned in February 1995, by Shell Petroleum Development Company (SPDC) on behalf of its joint venture partner (NNPC, AGIP and ELF), to undertake an environmental study so as to reconcile the oil industry environment, and community interests of the region (NDDC, 2006:103). This was consequential to speedy deterioration of ecological and economic conditions, and social dislocation among the various settlements, which were being addressed neither by the government nor by the oil industry. The services of an international management consultant from the Netherlands, EuroConsult, were engaged to achieve its objectives which include among others:

> To appraise how the present state of the region has evolved overtime and assess the present conditions of social and economic underdevelopment; generate data and information on the Niger Delta, including the formulating strategies and plan for effective natural management towards the sustainable use of resources in order to protect the environment and livelihood of the people in the region; and to stimulate pro-actively and encourage relevant stakeholders to address and resolve specific current social and environmental problems identified by the survey and propose an indicative plan for future management of the region (ibid).

The NDES completed its report in 2000, and contained 53 volumes of comprehensive information base that should inform governments and other stakeholders' environment and socio-economic development programmes in the region. Commenting on the importance of the report after an assessment visit to NDES, Watts (2003) states that;

> I was deeply impressed by the quality of the GIS platform, and the sorts of cartographic and other information that has been generated. It is a world class project, and there is probably no comparable project (in terms of depth and coverage) of any delta in the world. The demand for, and utility of, the data generated is extraordinary; government, the NGO community, and the private sector obviously have pressing needs for the sorts of information you have generated. It is imperative that this information be circulated both to reveal to government and funders the quality and significance of the data generated but also to place such a valuable resource in the hand of those, and it is a substantial community, who need it most as soon as possible (Amakiri, 2003:41).

Due to the lack of commitment and sincerity on the part of both the government and the International Oil Companies (IOCs), many years after the completion of the survey the report has still not been published, 'ostensibly for lack of funds' (Amakiri, 2003:42). Albeit, various developmental programmes and projects have continued by the government and other development partners 'using the failed top-down, fragmented, and contract-driven approach of the past that had left the region parlous, short-changed by benefit captors and socio-economically unstable'(ibid:43).
Amakiri (2003:44) concludes on the NDES thus;

> The Shell Petroleum Development Company of Nigeria Limited that conceived and mid-wifed NDES is on the threshold of missing a historic opportunity. It will be a tragedy if the credit and benefit of what is perhaps industry's most meaningful and enduring contribution to the sustainable development and enhancement of quality of life in Africa's largest and most richly endowed delta is either lost in the dust of time or allowed to have its immense value degraded by long bureaucratic delays.

5.4.2.3 International Development Agencies and NGO's Development Initiatives

The International Development Agencies and NGOs have also been developing various initiatives to complement those of the Federal Governments and the IOCs. These includes the United Nations Development Programme (UNDP), European Commission, World Bank, United States Agency for International Development (USAID), the Department for International Development (DFID), International Fund for Agricultural Development (IFAD), Food and Agriculture Organisation (FAO), and AfriCare, all involved in development projects and other forms of interventions ranging from technical assistance to NDDC, support for poverty reduction, HIV/AIDS, strengthening the rule of law, fight against corruption and to improve management of resources, formalising linkages between NDDC, NGOs and Community Based Organisation(CBOs) and capacity building in conflict mitigation and management training (NNDC,2006:105). Some of these programmes have both direct and indirect impacts on the development of the Niger Delta.

The UNDP in its first Nigeria Country Cooperation Framework (CCF-1) 1997-2002 undertook a shift from a project to a programme approach, and carried over some of the projects and initiatives of the previous Third and Fourth Country Programmes of

1987 to 1991 and 1992 to 1996 respectively. The CCF-1 was drafted during the military regime and under a difficult political and social situation in Nigeria. It was only approved by the UNDP Executive Board on the condition that at least 80% of its core resources must directly benefit the poor and deliver its benefits at the grassroots level (UNDP, 2003:4, 15). The CCF-1 supported eight communities in each of the nine states in the region, improved their access to basic social services and health by supporting health centres, provided potable water through boreholes and supported schools to provide higher quality education (NDDC, 2006:105). Skills development centres were also provided with equipment and training of the trainers; this was targeted at reducing youth unemployment across the region, as the participants were given micro-credit to kick-start their enterprises.

Other projects of the UNDP after 2002 were on energy and the environment, information and communication technology (ICTs), issues of governance, gender and HIV/AIDS (ibid). The World Bank on its own part have been involved in a Community-Based natural resource management programme which commenced in 2005 with a total estimated cost of US$82.2 million, including a US$15 million loan. It 'aims to improve the standard of living and quality of life of the rural poor with emphasis on women and youth' by establishing a community development fund, support for village infrastructure, livelihood and natural resource management (ibid).

The European Commission (EC) projects focused on grassroots in the provision of water transport, rural roads, health, education and income generation (ibid: 106) In order to achieve its aims via a community-led approach it embarked on the Micro Project Programme 3 MPP3 first in three Niger Delta states of Delta, Bayelsa and Rivers, and then the Micro Project Programme 6 MPP6 in the remaining six states of the region. The overall goal is to 'improve the living standard of 2000 poor settlements thus contributing to reduction of poverty, social tension and crisis in the area' (European Commission, 2007). After the end date of the MPP6 in May 2008, the follow-on project called the MPP9 started in October 2008 and will run till October 2012. The objective is:

> To reduce poverty of rural and sub-urban communities in the nine Niger Delta states, through the promotion of participatory and gender

> equitable local development governance, contributing to achieve the MDGs. It aims to institute reforms, resulting in Local Government and State Authorities increasingly providing infrastructural services and income generating options (European Commission, 2008).

The MPP3 and MPP6 were implemented by the National Planning Commission in partnership with the European Commission Delegation to Nigeria, and financed under the 9th European Development Fund EDF, supported by all the 27 EU Member States. The same is intended for the implementation of the MPP9 (ibid). The MPP3 and MPP6 with a budget of €63 million supported over 2,360 mainly village-based projects in over 2,500 communities in the region (ibid). The MPP9 has a budget of €45.5 million to undertake integrated community development micro projects in sub-urban communities of the Niger Delta.

Most of the programmes and projects of the International Development Agencies in the Niger Delta region are now community based. This is because of the failure of past approaches to development in the region and in Nigeria. The UNDP on why some of the past development efforts in the Niger Delta failed to achieve its goals concludes thus:

> The greatest flaw in these (past) poverty alleviation strategies is their 'top-down' approach. The federal authorities have taken all the initiatives. The state and local governments were reduced to mere implementing authorities. Even here, their areas of manoeuvres were extremely limited as autonomous institutions manned by people with extremely limited experience were set up (UNDP, 2001).

In all, the effects of these changing strategies, and the claims by the IOCs, federal government and International Development Agencies to have expended huge resources on the socio-economic and infrastructural development of the Delta, have not been properly felt in the region, where the rate of violence is increasing by the day. But the main responsibility for the development of the Niger Delta and its people lies on the federal and the nine state governments. Therefore Ed Kashi posits thus:

> I saw very little evidence of the development, and you can put blames on the oil companies for lack of investment or almost the cynical use of the land to extract the resources. And it is amazing to me that in 50

> years the oil companies have not open one technical institute to train local people to work in their industry. I am a small businessman so I can imagine the scale which the oil industry works, to me that seems like bad business practice besides being sort of morally repugnant. So while I have tremendous issues with the oil companies and I have not seen a lot of evidence of schools; they claim to build schools, to build docks for the boats, water supply, electricity, quite often those projects becomes orphaned or not completed but ultimately it is the Nigerian government that is responsible for the people, the land and for the resources (Ed Kashi, 2008).

Consequently, in continuation of demands from the region, the traditional rulers from the Niger Delta came together and formed an association, the Traditional Rulers of Oil and Mineral Producing Areas of Nigeria (TROMPCON). To give the agitation for increased level of development in the region formal approach and legitimacy, they actually paid several visits to General Abacha, the then Head of State from 1994 to 1998 to inform him of the need to increase the derivation fund appreciably (Nigerian Vanguard, 2007).

The 1995 Constitutional conference, organised by the regime of the late Gen Sani Abacha, gave the Oil and Mineral Producing Communities of Nigeria (OMPCON) another avenue to air their grievances which has hitherto been suppressed by successive governments. They assembled a formidable group that comprised leading technocrats in various professions, academics and leaders of civil society and pressure groups that represented their interest at the conference. It was after the conference in 1995 that the derivation principle was increased from 3% to 13%, gazetted by General Abdulsalam Abubarkar's regime and included in the preparation of the 1999 constitution. After the return to democratic rule in 1999; the Obasanjo administration began the full implementation of the 13% payments to the oil producing states (Nigerian Vanguard, 2007). The next sections 5.5 and 5.5.1 will look at the principle of derivation of revenue allocation and analyse its impact on development in the Niger Delta since its re-introduction in 1999.

5.5.0 Derivation Principle of Oil Revenue Allocation and Development in the Niger Delta

The distribution of resources is an important aspect of the intergovernmental relations between the federal, state and local governments under section 162 (1) of

the 1999 Constitution, all revenues of the Federation are paid into the Federation Account, and the principle of derivation[32] among others shall be used in the distribution of the funds to the three tiers of government (NDDC, 2006:52). The derivation principle by definition 'requires that the component units of a Federation be able to control some of their preferences in their own way with their own resources, it is based literally on the argument that a state or region from which a source of revenue is derived deserves the right to be compensated reasonably according to its contribution' (Dunmoye, 2005:49). He further stated that:

> The resources of the Niger Delta have to be reinvested back to the Niger Delta. Not everything but at least you have to give them a fairer share of the resources accruing from oil. If it is a federal system it is not a question of morality, it is a question of equity (Dunmoye 2006; Interview 13).

In the case of the derivation principle in Nigeria, it is clearly stated in section 162 (2) of the Nigerian 1999 constitution that:

> The President, upon the receipt of advice from the Revenue Mobilisation Allocation and Fiscal Commission, shall table before the National Assembly proposals for revenue allocation from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of States, internal revenue generation, land mass, terrain as well as population density: Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than 13% of the revenue accruing to the Federation Account directly from any natural resources (FGN,1999:66).

5.5.1 Derivation Fund and Economic Development in the Niger Delta

Since 1999, various State governments in the Niger Delta region have been allocated large sums of funds from the Federation Account for economic and social development. Government spending at the State level is vital, as it is expected to develop the people by adequately providing economic and social services, but the results on the ground are unsatisfactory. The introduction of the 13% derivation fund led to an instant and dramatic increase in the revenue receipts of the oil producing states compared to the non oil producing states. Due to high oil prices since 2000,

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[32] For detail on the principle of derivation see chapter 1 and chapter 4.

the 13% derivation fund has translated into an extraordinary windfall that has made the major oil producing states richer than their counterpart states in Nigeria (Human Rights Watch, 2007:22).

Table 5.6: The Grand Summary of Net Revenue Allocation to the Niger Delta States and Local Governments (June 1999 – December 2005 in =N='Billion)

S/N	Beneficiary	State Government	Local Government	Total
		=N=	=N=	=N=
1	**Delta**	321.0	66.4	387.4
2	**Rivers**	286.4	71.1	357.5
3	**Akwa Ibom**	238.0	75.6	313.6
4	**Bayelsa**	259.9	25.8	285.6
5	**Ondo**	115.6	49.7	165.3
6	**Imo**	88.3	67.2	155.5
7	**Edo**	78.6	52.9	131.5
8	**Cross Rivers**	75.5	51.3	126.8
9	**Abia**	76.0	44.6	120.6
	Total	**1.539.3**	**504.6**	**2.043.9**

Source: Budget Office of the Federation, (2006:6)

Table 5.6 shows the analysis of net allocation[33] of revenue from the Federation Account to the nine Niger Delta states from June 1999 to December 2005. From the table it shows that the four major oil producing states in the Niger Delta received the highest revenue allocation from the whole revenue allocation to states of the federation within the period as indicated earlier in table 4.8 in chapter 4. Delta State has the highest allocation of N387.4 billion, followed by Rivers State N357.5 billion, then by Akwa Ibom N313.6 billion. Bayelsa State was fourth on the list with N285.6 billion. The amount of money received by most of these four major oil producing states of the Niger Delta is up to 4 or 5 times that of some non oil producing states, yet there is nothing much to show that such magnitude of funds went into the region

[33] The net allocation includes regular monthly statutory allocation for the states and local governments, plus the 13% derivation fund paid directly from the budgeted oil revenue and also their share of the allocation from the excess crude oil account – the 13% derivation principle also applies to the excess crude account any time is shared. See also chapter 1 and 4

from 1999 to 2005 as the level of development was not commensurate with such financial figures in table 5.6 above. Corroborating this fact a representative of the National Economic Intelligence Committee puts it thus:

> This is a report on the local government budget we are monitoring nationwide we didn't see too much on ground compared to the amount of money that has been given to them in fact in this report which is still going to the president the local government in the South-South (Niger Delta) got a total number of N671 billion naira between 1999 and May 2007, I am from the Niger Delta but when we got there, there was not much on the ground commensurate with that kind of money (NEIC 2006; Interview 15).

Most of the former state governors in those states who are now standing trial in law courts in Nigeria for corruption charges could not deny receiving the funds. Consequently, the level of violent attacks by the militants on the IOCs operating in the region has increased simultaneously with the increase in funds at the same period, because of the long-standing underdevelopment of the region.

It is pertinent to note that the expectation of these states and local governments to take on additional responsibility for the socio-economic development of their various States and local governments has been disappointed, despite the dramatic increase in the revenue earnings of the oil producing states compared to those of non-oil producing states. From the foregoing analysis it is important to ask the following questions. Will revenue allocation based on derivation be sufficient to restore economic development in the Niger Delta; considering the huge amount of oil revenues including the 13% derivation fund to the states in the Niger Delta since 1999? Do the people of the Niger Delta, the political leaders, traditional rulers, the middle class and so on, want to take advantage of the increasing oil revenues to develop their region or do they want to take advantage of the oil revenues to amass wealth for themselves?

Despite the huge amount of allocation from the Federation Account, the States governments in the Niger Delta have failed to combat the increasing poverty and improve healthcare and education (UNDP, 2006:7). Most of the previous analyses in section 5.3 as above on the pre-1999 state of socio- economic development in the

Niger Delta have not changed, and in some cases it has got worse. Over 36% of households in the Niger Delta State continue to have no access to electricity as a source of power; communities throughout the region also suffer from a weak infrastructure for effective delivery of water supply and access to potable water. The vast majority of the settlements depends on springs and wells for their water supply (FRN, 2006:85-6). Corroborating this fact the UNDP Niger Delta Development Report painted a damning verdict on the poor state of socio-economic development in the delta, and concludes that 'vast revenues' have 'barely touched the Niger Delta's own pervasive poverty' (UNDP, 2006:14).

The problem in the Niger Delta is socio-economic in nature, also due to the failure of political leadership at all levels of governance. It is not entirely unrelated to the wider problem of rent seeking and revenue sharing system in Nigerian federalism. Consequently, the oil producing communities are continuously agitating for special recognition and consideration in the allocation of resources since oil became a major revenue earner for the country. The principle of derivation was entrenched in the Nigerian Constitution and the 13% is allocated monthly to the nine Niger Delta state governments, but unfortunately due to continuous mismanagement and misapplication of resources, often by the state governors, local government chairmen and other elite groups of the communities themselves, no significant development has taken place in these areas.

> Their governors also get a lot of money the 13% derivation to the nine states all together they have got a lot of money and the way they deploy the resources is terrible. So searchlight has to be on them too how do they use the 13% derivation so this is a problem and unless we can do that we keep going round in circles (Dunmoye 2007; Interview 16).

Other major reasons why the 13% derivation fund has failed to produce the desired result were that first, the funds were being channelled through the various state governors instead of going directly to the oil producing communities who are suppose to be the main beneficiaries, and this had all kinds of political implications . Secondly, the onus for the disbursement of the funds was and is still on the state Governors and they are also responsible for the determination and distribution of projects and patronage. 'This situation presents tantalizing opportunities for the

dispensation of political patronage and of course the marginalisation of political disloyalties by perceived groups' (Nigerian Vanguard, 2007).

According to the former Economic and Financial Crimes Commission (EFCC) Chairman, Mr Nuhu Ribadu:

> .... the elite in the Niger Delta is the richest segment of the Nigerian population, but this is not translated into health, education or infrastructure....Resources that go into the Niger Delta are just going to feeds the patterns of corruption- it is going to complete waste and corruption (Human Rights Watch, 2007: 23).

Additionally,

> One of the Delta governors was caught by the Police at the Airport in London with £1 million and yet the states don't have potable water, they are not connected to the national grid for electricity as at the time of his arrest in 2005 (Adedeji 2007; Interview 18).

5.5.2 The Looting of State Funds in the Niger Delta

Some of the Niger Delta governors and political leaders are being tried by the Nigerian anti-corruption agencies; the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices Commissions (ICPC) and the British Judicial authority for money laundering offences and embezzlement of state funds amounting to several millions of US dollars. Ironically most of the former Niger Delta state governors on trial from 2007 were in the vanguard of the campaign for resource control, for example, Chief James Ibori former Governor of Delta state, whose assets in the United Kingdom estimated at between £20 to £25 million were frozen on the 2nd of August 2007 by Southwark Crown Court in London (Thisday, 2007:1). He was arrested in Nigeria in December 2007 and remanded in prison custody for about 60 days before he was granted bail, and is currently standing trial on 170 count-charges for money laundering and stealing allegation preferred against him by the EFCC at the Kaduna division of the federal high court in Nigeria (Thisday, 2008).

In the midst of these huge monthly allocations of fund from the Federation Account, Obong Victor Atta the former governor of Akwa Ibom state left behind an empty treasury and over N45 billion debts for the new administration that took over in May

2007, after receiving over US$2.3 billion from the federal government in monthly allocation from June 1999 to May 2007. The newly elected Governor Goodwill Akpabio lamented, while receiving the report of the transition committee in June 2007, 'Not only did we meet an empty treasury, but we are talking about an indebtedness that is well over N45 billion naira and the banks will not wait for us' (Thisday,2007:1).

Chief D.S.P. Alamieyeseigha former governor of Bayelsa state was arrested in London's Heathrow Airport with £1 million cash on September 15, 2005 by the Metropolitan Police, and was arraigned for money laundering charges but jumped bail and escaped to Nigeria. He was subsequently impeached by the state House of Assembly and arrested thereafter by the EFCC; he faced a 40-count charge for money laundering and for stealing over N50 billion in public funds, and was later convicted and imprisoned (EFCC, 2007:2). Also in February 2006, the South African authorities seized a luxury flat located at the Waterfront Marina in Cape Town estimated at US$2.3 million belonging to him (The Punch, 2006). Dr Goodluck Jonathan who replaced Alamieyeseigha as the governor of Bayelsa state lamented in a public lecture in February, 2006 that 'lack of implementation of the state's Master- Plan cost the state about N400 billion over a four-year period, without any physical development to show for it' (Thisday, 2006).

Mr Lucky Igbinedion, immediate past governor of Edo state in the Niger Delta, was arrested and detained in January 2008 by the EFCC and stood trial in the Enugu division of the federal high court in Nigeria, He was given a 156-count charge for money laundering and stealing N2.9 billion of public fund from 1999 to 2007 during his term in office (Voice of Nigeria, 2008). The state asset verification committee report revealed to the public that the administration of Mr Igbinedion left an 'external debt of US$34.99 million and an internal debt of N11.078 billion for the state and also made commitment of N5.3 billion'. It further described the debt as an 'unfortunate reality of a legacy of betrayal' (Nigerian Tribune, 2007). This was a state whose most of the roads in the capital city, Benin, were in a state of total disrepair and some un-motorable.

5.6 Conclusions.

This chapter started by examining the socio-economic characteristics of the Niger Delta; its demographic configuration and location. It then proceeded with analyses of the pre-2000 state of infrastructural development in the region. Part of the findings of this chapter is despite the fact that the oil and gas from the region has been a major source of revenue supply to the Nigerian government, which should have translated to accelerated socio-economic development of the region. But this was not the case instead, social services and infrastructure ranging from transportation to healthcare delivery system are either not available or in a state of disrepair in most rural villages and towns of the Delta. In the cities most people depends on boreholes and 45% to 50% of the urban settlements have access to potable water (NDES, 2000:30).

It posited that the main reasons for this state of crumbling social infrastructure and services in the region was inadequate attention and lack of political will by successive regimes to effect positive changes in the developmental needs of the Delta. The chapter argued that it was against the background of this economic deprivation and state of poverty, coupled with government policies of dispossession of land and its resources, such as the introduction of the Petroleum Act of 1969 and the land policy of the federal government through the Land Use Act of 1978 that led to the eruption of violence since the early 1990s. The increase intra-community, inter-community, inter-ethnic and conflicts between communities and the IOCs was coupled with various demands for infrastructural and other socio-economic development from the federal government and the IOCs.

As indicated in table 5.2, from 1957 to 2005 there were 10 major demands from the oil producing communities, 15 development initiatives from the federal government from 1958 to 2009, and 12 from the IOCs and International Development Agencies (IDAs) from the 1960s to 2009. From the Colonial government's Willink Minorities Commission report to the federal government's Amnesty and Post-Amnesty programme for the militants and from the IOCs and IDAs Community Assistance projects to Micro Project Programme 9 (MPP9). The impact of these changing strategies and huge financial resources claimed to have been expended on socio-economic and infrastructural development of the region has not been substantially

felt. Therefore it was a continuation of the further demands that led to the re-emergence of the 13% derivation principle as a major integral of revenue allocation formula during the 1995 Constitutional conference, and was later gazetted into the 1999 constitution in section 162 (2).

The payment of the 13% derivation fund has increased the revenue income of the 9 Niger Delta states, and substantially for the 4 major oil producing states as shown in table 5.6. Delta and Rivers states got revenues allocation of almost 4 to 5 times of other states from June 1999 to December 2005according to table 4.8 above. Despite these huge oil revenue receipts, the level of infrastructural development did not improve significantly during or immediately after this period. The reason was due to the flagrant looting of these funds by the state and local governments' officials, particularly the state governors. Most of the former governors are being tried in law courts for corruption charges both within and outside Nigeria. This were part of the major reasons the Niger Delta crisis have persisted side by side increases in oil revenue since 1999, the massive oil receipts failed to touch the lives of the people.

Successive governments have tried several development initiatives to bring the region out of underdevelopment but failed to do so, although most of them were not out of genuine desire to develop the region. It is pertinent to note that most of the development initiatives like OMPADEC and others also failed due to the high level endemic corruption among its own political leaders. The current efforts of the federal government, the establishment of the NDDC and implementation of the payment of 13% derivation fund to the Niger Delta states, though not enough as it may be due to many years of neglect of the region, still present a ray of hope for a lasting development in the Niger Delta if the opportunities are properly utilised by the political elites. But as it stands now the opportunities are being eroded due to failure at all levels of governance in the Niger Delta states, and unless there is a drastic reversal even if the derivation fund is increased to 50% it will still not make any difference to the level of economic development in the Niger Delta, but rather most of the allocations will end up in the various private bank accounts of the few political elites in the region.

Therefore, improving governance is certainly a pre-condition for peace and development. In particular, enhanced economic governance at state level could apply

the enormous public resources allocated to the states for equitable and sustainable development. Improved leadership, improved systems of financial management and accountability, and a more active role of enforcement agencies (the EFCC and ICPC) all have roles to play. There are now appropriate laws to try erring officials – the Fiscal Responsibility Law and the Public Procurement Bill[34] which does not allow any manipulation of the budget and also curtail over bloating of contracts at all levels of government.

The communities have continued to agitate giving room for the crisis to deepen, but in the midst of genuine agitations there are political activists who exploit rather than seeking to solve the problem. Many of the young men and women still remain unemployed and uneducated making them easy prey to agents of destabilization. Some of the advocacy groups and militant organisations are backed up by some members of state and local elites who want maximum confusion in order to keep on benefiting from the largesse of the crisis, for example ransoms from hostage taking of IOC's personnel. Others are often engaged by high ranking politicians to be political thugs and cause confusion during elections; all these have affected the political landscape of the Niger Delta (Watts, 2007:8).

Therefore there is the need to put in place a new development architecture for the Niger Delta region; in view of this if the Niger Delta Regional Development Master Plan (NDRDMP) is implemented to the letter, it will go a long way in bringing about a sustainable socio-economic development in that region. This can be achieved if all the stakeholders and Partners for Sustainable Development (PSD), which include the local and nine state governments in the region, all oil companies, international development agencies and the federal government, put their resources together rather than developing individual ambitious projects and programmes. Unless that is done on time, and if the crisis in the Niger Delta region is allowed to persist beyond a limited time, it would not only make the place almost ungovernable and destabilise oil exploitation and exploration activities as it is at the moment, but also pose the potential to disintegrate Nigeria as a whole.

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[34] See page chapter 3 pages 92, 95 and 102 above for the detailed explanation of these law and bill

Chapter 6

The Niger Delta Crisis, challenges of Resource Control and the Sustainability of Oil Production in Nigeria.

6.0 Introduction

This chapter focuses on the persistency of Niger Delta crisis and issues of agitation for resource control by those in the Delta, and argues that the acceleration of struggle and contestation around resource capture has escalated dramatically and shaped policy regarding fiscal federalism. It then examines the resultant socio-economic and environmental impacts of the crisis on the region and how that challenges the sustainability of oil production in Nigeria. By the late 1990s, the situation in the Niger Delta has transformed into aggressive agitations and violent protest of unprecedented dimensions that shook the very foundations of the Nigerian nation (NDDC, 2002:5).

Violence and youth restiveness grew in the years preceding the coming of Obasanjo's regime in May 1999. Youths in the region began to lay siege to oil installations and kidnapped oil workers from various IOCs, making it unsafe for any socio-economic activity to thrive (Djebah, 2003:3). The beginning of armed resistance, started from Isaac Adaka Boro's twelve-day revolution in February 1966 to the now commando-style operations of the Movement for the Emancipation of the Niger Delta (MEND)[35] Consequently, militant groups have increased deadly attacks on oil facilities and IOCs personnel from 2000 onwards and have taken a higher dimension since 2005 with activities of MEND, attacking offshore oil facilities 200 kilometres into the deep sea such as Bonga FPSO platform and shooting at IOCs servicing helicopter.

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[35] Movement for the Emancipation of the Niger Delta is an armed and formidable militant group based in the cities and creeks of the Niger Delta, particularly in the western region of the Delta in and around Warri (the so-called "Warri axis"). MEND is responsible for "shutting-in" 40 percent (November, 2008: approximately 900,000 barrels per day) of Nigeria's oil industry through making direct attacks on facilities, taking hostages, and generally creating an inhospitable and unsafe environment for the oil industry (Ed- Kashi, 2008:3 Curse of the Black Gold: 50 Years of Oil in the Niger Delta,) .

The conflicting claims to oil resources in the Niger Delta between the federal government and the oil producing states now pose major challenges to the Nigerian state, due to the intensity with which several oil producing states are clamouring for control of oil resources in their region. As asserted by the International Crisis Group (ICG) 'a potent cocktail of poverty, crime and corruption is fuelling a militant threat to Nigeria's reliability as a major oil producer' (ICG, 2006:1). Corroborating the ICG, Soyinka (2008) noted:

> What is happening in the Delta today, points a finger of guilt in so many directions and of course, the primary is within Nigeria itself and what Nigerian leaders have made of this incredible opportunity and however, but at the expense of some of the people within the Delta region. Then of course the oil exploration companies with their contempt for basic minimum standard of conduct towards the areas, the indigenes from whom this wealth is been dredged. So very often it is a matter of embarrassment, a guilt feeling and so they pretend it is just a few people restless, violence and kidnapping and so on whereas this problems goes back decades.

The first parts look at the origin and the causes of the crisis. The dimensions of the crisis examined in this chapter are those with violent militarised pattern against the IOCs and oil facilities in the Delta, which differs from the community protests and inter and intra-ethnic conflicts examined in the previous chapter. It looks at how it evolved and has escalated from the pre-colonial to post-colonial periods? The last part looks at the reasons for the persistency of the agitations for resource control in the Niger Delta. This chapter is a contribution to the overall thesis argument because it is locating the increase in the Niger Delta struggles to shifts and inconsistency in the federal government policy and strategy of revenue allocation and development in the Delta region.

6.1 The Origin of the Niger Delta Crisis

The tension in the Niger Delta has a fairly long trajectory. The crisis did not begin recently; its historical origin can be traced back to the trans-Atlantic slave trade period, through to the pre-colonial, colonial and immediate post-colonial period. The structures for the present conflicts were laid by the colonialists and the first sets of Nigerian political leaders, which successive regimes have built on and nurtured. The region had its first contact with the Europeans during the trans-Atlantic slave trade:

'Between 1562 and 1807, British ships carried up to three million people into slavery in the Americas. In total, European ships took more than 11 million people into slavery from the West African coast,' (David, 2007:5). 24.1% of the total slaves exported from the West African sub region were shipped out mostly on British ships from the Bight of Biafra's Ports of Bonny and Old Calabar (Lovejoy, 2000:80-1).

While most slaves from other parts of West Africa were captured through war, the ones from the Delta – Bight of Biafra were the product of diverse sources, mainly through kidnapping, defaults on pawn[36], religiously- sanctioned enslavement, judicial conviction and raiding (ibid). The slave trade became a booming business between the European slavers and the Niger Delta local chiefs, who collaborated and organised slave raids to capture slaves for cash and other rewards (ICG, 2006:2). In essence the trans-Atlantic Slave trade not only paid the slavers, it also created local commercial elites in the Niger Delta elites.

The abolition of the slave trade in 1807 by the British government though led to the decline in human trafficking from the Delta and West Africa sub-region. It was totally abolished towards the end of the 19th century. At the Berlin Conference of 1885, convened by Otto von Bismarck[37] to discuss the future of Africa, had the total abolition of slave trade on its agenda, the strategic and economic interests of the colonial powers, such as protecting old markets and exploiting new ones, were the major priority. (David, 2007:5). Subsequently, the next phase of exploration and exploitation in the Niger Delta was in the palm oil trade – described as the 'first oil exploitation' (Rowell et al, 2005:47). This will be the focus of the next section.

6.1.1 The Niger Delta Crisis: Post- Slave Trade to formal Colonisation Period.

The historical analysis as examined in this section, will help to expand the understanding of how the present wave of crisis originated, and the lessons from this is that it shows how deep rooted these issues are, and how central resources are as

[36] People left or deposited with a pawnbroker as security or collateral against money borrowed

[37] Otto von Bismarck (1815-1898), Prusso-German statesman, who was the architect of German unification and the first chancellor (1871-1890) of the united nation. Bismarck dominated German and European politics for nearly 30 years. (Encarta Encyclopaedia English UK)

part of the crisis. In essence these resources were first people (slave trade), then cash crops (palm oil), and then crude oil. In all of these periods there has been a dominant external force that finds ready collaborators in the local elites, who have a mercantile monopoly. First, during the slave trade, the dominant external force was the slave traders, with local elites collaborating; then during the palm oil period, the RNC and later the colonial power were dominant, again with local elite collaboration; and finally the IOCs, and the federal government with the local political elites collaborating to exploit the oil resources.

The British former slavers switched trade and now dealt in palm oil which was a high demand raw material for making soap, candles and nitro-glycerine [38] – commonly called 'Lagos oil'. During the first half of the 19th century, palm oil produced in the Niger Delta area quickly became so important an article of commerce that a British consul was sent to Calabar on the Delta, where British traders were firmly established (Flint, 1960:87). The region became an important area for European trade, thereby stimulating the political and socio-economic activities in the area. During this period middlemen became established as a powerful and prosperous class through the palm oil trade (UNDP, 2006:111). Figure 6.1 (Appendix B) Men Sampling Palm Oil Cask, in Bakana, 1896. These local elites also aided the European penetration of the Delta interior by establishing stores to sell wares assigned to them by their European dealers on the coast (Mabogunje, 1968).

The pursuit for more palm oil led to Sir George Goldie's co-ordinated incorporation of the other four major British companies into one mega-enterprise, the Royal Niger Company (RNC), with a royal charter in 1886 (ICG,2006:3). By 1894 the RNC had gained total control of the palm oil business and exported from Brass, Opobo, Lagos and Bonny ports through Liverpool and London in Britain (65%) and Hamburg, Germany (25%) to the industrial centres in Europe. They were also in charge of almost all the importation of goods to the region, about ninety-nine and a half per cent (Flint, 1960: 198 and Rowell et al, 2005:50). The RNC became more oppressive against the Brassmen from Nembe Kingdom as they prevented them from trading, and the economic deprivation was enough to trigger 'a revolutionary movement' in

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[38] A colourless thick oily flammable and explosive liquid use for the manufacturing of explosives and the treatment of angina.

the region (Flint, 1960:199). The Brassmen lamented to Sir Claude Macdonald, the British Consul-General and Commissioner of the Niger Coast Protectorate thus:

> The ill-treatments of the Niger Company are very bad. They said that the Brassmen should eat dust. According to their saying we see truly that we eat the dusts...Our boys fired, killed and plundered, and even the innocent provision sellers were captured and killed likewise. If the Queen of England was acting in like manner as the Niger Company the whole of Africa would have been dead through starvation... the company is not the Queen's man; and instead if we Brass people die through hunger we had rather go to them and die on their sword' (Flint, 1960:201).

The RNC in addition to their commercial roles were also a de facto surrogate government of the British in the region in the sense that it has 'its own secret service, customs, courts, prisons and territorial administration and police' (ICG, 2006:3). Their scheming and monopolistic tactics in the palm oil export business to the detriment of the middlemen and Delta Chiefs led to 'the first major rebellion by the Brassmen in the region against injustice' (UNDP,2006:111). The RNC headquarters in Akassa was attacked by the Brass warriors in a commando style and according to John Flint (1960: 201-2):

> On the 29 December 1894, Brass wars canoes slid into Akassa at half past four in the morning. The attack had been brilliantly planned and was a fearful success. The Kruboys[39] and other African employees were slaughtered as they slept in their huts. The Brassmen now put Akassa to sack. All the workshops and machinery were wrecked with hammers and crowbars found lying about, and particular care was taken to smash up engines of the hated steamers. The stores and the warehouse were looted and torn down. The prisoners and the booty were loaded in to forty or fifty war-canoes, and a triumphal return to Nembe began, with drums beating and flags flying.

Sixty-four people were killed, sixty-eight taken as prisoners. As soon as the report of the Brass crisis reached London, Sir George Goldie's reaction was that the attack was driven by a common desire to loot and perpetrate criminality. He ordered the British Navy, the Niger Coast Protectorate constabulary under Sir Macdonald and other company's men to 'exterminate Nembe', the Brass headquarters (ibid: 204), despite the fact that it was the RNC that provoked the attack by their oppressive

[39]Men recruited from the 'kru coast' of Liberia and well known for their skills as sailors

trade regime. There were a series of meetings with the Brassmen to settle the crisis but they would not lay down their arms and would only do that on the condition 'that they would be allowed to trade on the Niger' (ibid:204).

Therefore, RNC and the British officers responded with an armed expedition against Nembe, but 'the Brassmen put up a stiff resistance which could not be routed' (ibid, 205). Sir Macdonald sent the situation report to the Foreign Secretary thus:

> People of Brass understood thoroughly reparation has been and is being made for past offences; canons, canoes, plunder and prisoners have been surrendered, and the chiefs who took part in the atrocities fined; towns were destroyed, trade almost ruined, women and children starving in the bush; hundreds have been killed; smallpox has been raging; the raining season is beginning. I have seen all these and visited the towns destroyed. I most strongly deprecate further punishment in the name of humanity, and request a settlement of the question (Flint, 1960:206).

He also requested the RNC charter in the Delta withdrawn; in the letter he stated that:

> Now we have wiped the floor with the Brassmen because they have endeavoured to go for the biggest monopolist of the crowd –the Royal Niger Company. As I daresay you are aware, in the vast territories of the Niger Company there is not one single outside trader, black, white, green or yellow. The markets are all theirs. They can open and shut any given market at will, which means subsistence or starvation to the native inhabitants of the place. They can offer any price they like to the producers, and the latter must either take it or starve (Flint, 1960:207)

At the instance of the situation report of the Delta sent by Macdonald to London, and increased pressure from the public, the parliament and the press, a comprehensive inquiry was launched to investigate the activities of the RNC and the causes of the crisis (Flint, 1960:206).

Consequently, the British government revoked the Royal Charter of the RNC on the 31st December 1899 and took over the direct rule of the Niger Coast Protectorate in addition with the RNC's former territories to form the Protectorate of Southern Nigeria whose boundaries were then defined by the order in council of 27 December 1899 (Bart, 1927:122 and UNDP, 2007). There was an addition to the integration

history process of the Niger Delta region to larger Nigeria by an order in council of the 16th of February 1906 when the Protectorate and the Colony of Lagos were amalgamated with the Protectorate of Southern Nigeria to form the Colony and Protectorate of Southern Nigeria. Then Lord Lugard's 1914 amalgamation of the Southern and Northern Protectorate formed what is presently called Nigeria (Bart, 1927:123). Thereafter, 'the colonial state became the most powerful instrument of exploitation of the country, had unlimited power, repressive, and accumulated by terror' (Omoweh, 2006:38)

In the earlier period of British rule, infrastructure and other development activities were undertaken through the internally generated revenue of the various regions. The colonial administration commenced a series of Development Acts in 1929; introduction of new tax regime, trade restrictions, imposition of Warrant Chiefs, native judges and tax enumerators amidst a global economic recession in which the price of palm oil, the major export of the economy then, plummeted; this led to increasing unemployment and prices of goods coupled with the extortionist and corrupt practices of the British- appointed local administrators (Zukas, 2004:12).

These resulted in protest in the Niger Delta and other parts of the Eastern regions. On the 13th December 1929, local banks, post offices, and merchants stores associated with white foreigners were damaged. These actions were followed by a ruthless reaction: 'more than 50 women were killed and others injured when police fired directly at protesting crowds at Opobo, Utu Etim, Akpo and Abak' (ICG, 2006:4). The Aba women's riot of 1929 was part of the early stages of revolt against entrenched British colonial rule This series of protests forced the colonial government in 1939 to change and broaden the scope of their development plans by introducing the Colonial Development and Welfare Act, with the aim of promoting the development of the resources of the colonies and the welfare of the people; 'they also restructured the native court and authority system' (ibid and UNDP, 2006).

During the years immediately after the abolition of the slave trade in 1807, and throughout the colonial and the earlier post-colonial period up to 1965:

> The production of palm oil and kernels in much of the Niger Delta; rubber in mostly the current Edo, Delta and Cross Rivers States; Cocoa in Ondo and Edo states; and timber in most states was at a high peak (UNDP, 2006:112).

These exports were the main foreign exchange earners for the region and Nigeria as a whole (UNDP, 2006:112). In essence, palm oil from the Delta in the colonial period through to the early 1960's and up to the current exploitation of petroleum resources from the Niger Delta, had been over time the main export commodity of the Nigerian economy, because up until 1970, Nigeria was acknowledged as the world's leading palm oil producer. It is now the world's eleventh largest oil producer. The 1953 Constitutional conference produced a Federation of three regions and a federal territory of Lagos which some of the principal political parties accepted reluctantly after long deliberations. There were marked differences between the majority and the minority groups in each of the three regions as they formed two-thirds and one-third of the populations respectively (Willink, 1958:1).

In 1954 a federal system of government was introduced by the colonial government; Southern Nigeria was divided into the Western and Eastern regions, with the present day Delta and Edo states of the Niger Delta as minorities in the heavily and politically Yoruba-dominated Western region; so also the Akwa Ibom, Cross Rivers, Rivers and Bayelsa states became minorities in the Ibo-dominated Eastern region. 'The creation of minority populations also underlies the subsequent unfairness and inequity suffered by the Niger Delta states in a Nigeria dominated by three big ethnic groups', Yoruba, Hausa and Ibo (UNDP, 2006:111-112 and Ekeh, 2002). These concerns were first raised at the resumption of the Constitutional Conference in 1954 by the ethnic minority groups, including those from the Delta, about their future in the various regions where they were located, but were discarded by the influence of the bigger groups, with the result that such questions were not on the conference agenda and had to be presented again in 1957.

This discrimination and marginalisation continued towards independence, and as a result of the fears expressed continually by the minority ethnic groups including the people of the region the colonial administration in September 1957 set up a

Commission headed by Sir Henry Willink, with an overall mandate to 'enquire into the fears of Minorities and the means of allaying them', among others such as:

> To advise what safeguards should be included for this purpose in the constitution of Nigeria; if, but only if, no other solution seems to the Commission to meet the case, then as a last resort to make detailed recommendations for the creation of one or more new States, and in that case, (a) to specify the precise area to be included in such State or States; (b) to recommend the Governmental and administrative structure most appropriate for it; (c) to assess whether any state recommended would be viable from an economic and administrative point of view and what the effect of its creation would be on the region or Regions from which it would be created and on the Federation (Willink, 1958: ii).

The report was submitted in July 1958, and recommended the establishment of the Niger Delta Development Board (NDDB) to address the peculiar developmental needs of the Niger Delta region. The next sub-section will look at the post-colonial dimension of the crisis.

6.1.2 The Niger Delta Crisis: in Post-Colonial Nigeria.

After independence in 1960, the post-colonial Nigerian state continued unabated the totality of power it inherited from the colonialists over land and all mineral resources (Omoweh, 2006:40). Consequently, the first set of post-colonial Nigerian leaders jettisoned the Willink Commission's report, abandoned its implementation and the development of the Niger Delta Development Board, NDDB[40] and thereby laid the foundation for the current crisis.

The first post- colonial revolution against the injustice and underdevelopment of the Delta region was sparked by Isaac Adaka Boro in February 1966. Boro, an Ijaw, former school teacher and police officer in the Nigerian police force, was born on the 10th September, 1938 in Oloibiri; the place the first oil was struck by SPDC (Tebekaemi, 1982:6) He landed in Tontoubau in Bayelsa State on the 23rd of February 1966 accompanied by one hundred and fifty-nine men, and launched a guerrilla war against the government (Akpobibibo, 2001:7). Mobilising the people, Boro stated that:

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[40] See the discussion in chapter 4 above

> Today is a great day, not only in your lives, but also in the history of the Niger Delta. Perhaps, it will be the greatest day for a very long time. This is not because we are going to bring the heavens down, but because we are going to demonstrate to the world what and how we feel about oppression. Remember your 70-year-old grandmother who still farms before she eats; remember also your poverty-stricken people; remember, too, your petroleum which is being pumped out daily from your veins; and then fight for your freedom' – Isaac Adaka Boro on the 23rd February 1966 (Tebekaemi, 1982:6).

Isaac Boro declared an armed showdown against the Nigerian Police Force in a bloody battle and defeated them with a ragtag force of native comrades; figure 6.2 (Appendix B) shows one of the pictures of the Twelve-Day Revolution (ibid). They started with four rifles but broke into the armoury of a police station and forcefully collected more firearms. They then grounded all oil exploration activities in the region, declared the State of the Niger Delta People's Republic and instructed all IOCs to deal directly with Boro (Tebekaemi, 1982:6 and ICG, 2006:4). They engaged the federal armed forces in battle and held them off for twelve days before they were defeated; Boro and his men were later rounded up by the federal government forces with the help of the SPDC, which supplied pontoon boats. The rebels were tortured, tried and condemned to death (Tebekaemi, 1982:6).

This became known as the Twelve-Day revolution in the Niger Delta; although Boro lost the cause, he had already made a point. He was pardoned with others by the military government of General Yakubu Gowon; figure 6.3 (Appendix B) shows Isaac Boro and two of his lieutenants after they were released from the prison in 1967. He was forced to join the federal government forces in the civil war against the secession bid of Biafra from the Eastern region of Nigeria. He was later killed fighting for the unity of Nigeria near Port Harcourt on the 16 May 1968 in circumstances that looked like a set up by the federal government in the civil war (ibid). Boro's posthumous autobiography, The Twelve-Day Revolution, concludes with this quote:

> The Ijaws as may be seen from the list of Nigerian tribes were thus pronounced victims of a woolly[41] administration. Year after year we

[41] Confused, vague, and lacking focus

> were clenched in tyrannical chains and led through a dark alley of perpetual political and social deprivation. Strangers in our own country! Inevitably, therefore, the day would have to come for us to fight for our long denied right to self determination. –Isaac Adaka Boro (Tebekaemi, 1982:6).

After Isaac Boro's revolution the various governments dominated by the three main ethnic groups and the political class continued the oppression and provocation of the people of the Niger Delta. As Saro-Wiwa put it, the 'indigenous colonialism and the blind materialism of international capitalism which prospects for oil in the belly of the delta ring death knell of these peoples'(Wiwa,1989:11). One of the classical examples of this thinking is a statement made in a public lecture in 1980 by P.C. Asiodu, a onetime Super Permanent Secretary[42] in the Ministry of Petroleum and former Economic Adviser to President Obasanjo posits that:

> There is a nudging acceptance of the special needs of oil areas in the latest proposals being discussed by the government but I believe there is a long way to go to meet the claims of the oil producing areas which see themselves losing non-replaceable resources while replaceable and permanent resources of agriculture and industry are being developed elsewhere largely with oil revenue. Given, however, the small size and population of the oil-producing areas, it is not cynical to observe that even if the resentments of oil producing states continue, they cannot threaten the stability of the country nor affect its continued economic development (ibid, 11-12).

The wave of revolution which Isaac Boro started in February 1966 though suppressed temporarily by the military government, continued to germinate. Contrary to the thoughts of Philip Asiodu, the contemporary crisis threatens not just the oil exploration and exploitation in the Niger Delta region - but 'everything' about Nigeria - unity, politics and socio-economic development to its foundation. Echoing this fact Bush (2007:613-4) posits that:

> Resistance is at fever pitch in the Niger Delta. It is opposition to international oil companies and Nigerian state collusion with exploitation in the region. It is opposition to corrupt local politicians and leaders and it is driven significantly by the youth.

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[42] A few senior civil servants above the rank of Permanent Secretary at the federal government level from 1970 to 1975. They not only enjoy primacy, they virtually monopolized power in the civil service (Adamolekun, 1986:115-117)

The characteristics of the agitations in the Delta has changed over the years, first from violent to non violent and now back to a violent dimension since 1999, mostly led by the youth. This section has analysed the first post-colonial agitations against the government and IOCs, therefore the next section examines the pattern of the crisis from MOSOP in 1990 to MEND in 2009.

6.1.3 The Niger Delta Crisis: From MOSOP 1990 to MEND 2009.

The next phase of the struggle for the emancipation of the region developed with a diplomatic style of dialogue and non-violent politics – 'Gandhian tactics' towards the Nigerian government – led at first by Ken Saro Wiwa, the leader of the Movement for the Survival of the Ogoni People (MOSOP), (Watts, 2007:652). Ken Saro Wiwa, an author, activist and a businessman. From 1990 he led the Ogoni struggles against SPDC and the federal government to put an end to the environmental destruction orchestrated by SPDC against the Ogoni people in the name of oil exploration (Rowell et al, 2005:2).

MOSOP produced the Ogoni Bill of Rights, which was signed in August 1990 and presented to the federal government. It demanded 'political control of Ogoni affairs by Ogoni people and the right to protect the Ogoni environment and ecology from further degradation' (ibid, 3). Instead of responding to the Bill of Rights, the IOCs and the federal government, deployed the security forces to all the oil installations and the towns of Ogoniland; banned all public protest; and decreed any demand for self-determination and obstruction of oil production in any form as an act of treason which is punishable by death (Osaghae, 1994:336). The threats by the government only propelled the full scale mobilisation and mass attendance of thousands of protesters at the Bori rally of 3rd of January 1993(ibid).

This Bill of Rights and the tenacious campaign both at local and international level to popularise and enforce its aims drew the attention of the international community to the Ogonis' plight. The publicity and campaigning forced SPDC to call off its production throughout the Ogoni land in 1993, this event, signalled the advent of the contemporary struggles for resource control in the Niger Delta (ICG, 2008: and ibid). The ensuing circumstances brought MOSOP led by Ken Saro Wiwa and the Ogonis into direct confrontation with the Nigerian government and SPDC. On the 21st of

May 1994 a crisis broke out leading to violence between the pro-SPDC Ogoni elders, who were accused by the youths as receiving largesse from SPDC to scuttle the Ogoni struggle process, and the radical Ogoni youths; four Ogoni elders were killed. It was the moment the government had been waiting for to finally nail MOSOP and its leaders (ibid).

Ken Saro Wiwa and other MOSOP leaders (including Mr Ledum Mitee, the chairman of the Federal government 2008 Technical Committee on the Niger Delta who was arrested but later released), were tried by a Special Military Tribunal that was constituted by the Abacha regime to try their case in 1995. They were sentenced to death by hanging with the collaboration of Shell Petroleum Development Company (SPDC) and other IOCs. Although the SPDC strongly denied their involvement in Saro Wiwa and other MOSOP leaders' trial and death, they had a legal representative, a hired Queens Counsel (QC) flown into Nigeria from London on the account of SPDC, who monitored the whole trial process (Rowell et al, 2005: 4-5).

On the 10th of November 1995, Saro Wiwa and eight others were executed by hanging after eighteen months of incarceration; figure 6.4 (Appendix B) shows the 9 Ogoni leaders murdered by the government. To make matters worse the government created more psychological torture for the families of the dead MOSOP leaders: their bodies were not released to the families, but instead acid was poured on the bodies to be sure that they were destroyed, even after they were certified dead by medical personnel at the venue of the hanging (ibid). Apart from protests against SPDC in Europe and America where it had operational bases, and in a couple of Nigerian foreign missions, the Commonwealth reacted to the killings at its summit in New Zealand by suspending Nigeria and its delegation led by Mr Tom Ikimi, the Nigerian former foreign minister, walked out. The Nigerian government and Shell were also condemned by the United Nations Human Rights Commission, the European Union, and the US States Department.

However, all of them failed to act with any real effect, because the issue at hand was about energy security[43]; an oil embargo on Nigeria 'was deemed unacceptable to the United States' (Rowell et al, 2005:12). With the inability of the international community to reprimand Nigeria's military regime, it was 'mission accomplished' and the resumption of business as usual by both SPDC and the federal government in the Niger Delta. As the security forces continued their crackdown on the residents of oil producing communities Soyinka (2008) noted:

> The international community to some extent felt that this crime committed against the representatives of the Nigerian people, the defenders of the ecology, the protectors of the right of indigenous people, Ken Saro Wiwa and his companions, when this crime was committed under such a public global glare that it would compel the oil companies to tidy up their acts, and to some extent it did for a short while. But they become complacent once again (Soyinka, 2008).

The Rivers State Internal Security Task Force, which was a special squad put together by the military regime in the wake of the MOSOP agitations for a better deal from the government, in conjunction with Lt .Colonel Musa Komo started negotiating with SPDC to resume operations in Ogoni. Within the same period the chiefs and villagers were also intimidated to sign documents for SPDC to return to Ogoni. At the final sitting of the Special Military Tribunal in 1995 Saro Wiwa made a closing statement thus:

> I repeat that we all stand before history. I and my colleagues are not the only ones on trial. Shell is here on trial . . . but its day will surely come and the lessons learnt here may prove useful to it. There is no doubt in my mind that the ecological war that the company has waged in the Niger Delta will be called to question sooner than later and the crimes of that war be duly punished (Rowel et al, 2005:211).

This statement by Saro Wiwa has actually found fulfilment on the 4th of June 2008 when the federal government announced the final withdrawal of SPDC operating licence which has been suspended since 1993, and ordered the closure of all its operations in Ogoni land by December 2008. According to President Yar'Adua it

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[43] The energy security issue is also about geopolitics, there is the geopolitical position that Nigeria seems to have in relations to the ECOWAS region, and the US Africa Command (AFRICOM). Nigeria is seen as a steady regional policeman for the whole Gulf of guinea up to Angola. There is geo-strategic driver involved and that was part of what Michael Watts posits (Watts, 2004).

was evident that 'there was a total loss of confidence between the Ogoni people and Shell, government decided that another operator acceptable to the Ogonis will take over all oil operations. Nobody is gaining from the conflict and stalemate, so this is the best solution' (Thisday, 2008). Corroborating President Yar'Adua, Ledum Mitee on the 6th of June 2008 said 'we agree that the relationship between Shell and the Ogoni people has been damaged irreparably and therefore, the president's decision is timely and appropriate' (Nigerian Tribune, 2008).

After the Ogoni crisis from April 1997 onwards protest against all the IOCs in the Niger Delta increased considerably and this time it was not just against SPDC alone. The military government and the oil technocrats had 'feared all along; that other communities, inspired by Ken Saro Wiwa and the Ogoni struggle, would rise up against the devastation of their environment' (Rowell et al, 2005:18). Thus, the various youth groups began to form resistance movements across the Delta region. The first of such groups was the 'Chicoco movement' formed in August 1997 by Oronto Douglas (an environmental activist and lawyer and one of the youngest attorneys on Saro Wiwa defence team against the Nigerian government in 1995) in Ijaw town of Aleibiri, Bayelsa State with over 1,000 youths in attendance (Rowell et al, 2005:18). According to Oronto Douglas:

> The Chicoco movement is a pan Niger Delta resistance movement committed to reclaiming our humanity. Over the years we have been dehumanized, our environment has been plundered, our people raped, some jailed, others hanged and we feel that the time has come that we should put our hands together because we live on the same ecosystem right across the Niger Delta (Douglas,1997).

The Chicoco movement was a forerunner to the formation of the Ijaw National Congress (INC) which managed the implementation of the Kaiama declaration. In Bayelsa State, the Ijaw youths, under the umbrella 'Egbesu Supreme Assembly', drawn from over five hundred communities and forty clans that made up the Ijaw nation and twenty-five representative organisations, met in Kaiama on the December 11th 1998, 'to deliberate on the best way to ensure the continuous survival of the indigenous peoples of the Ijaw ethnic nationality of the Niger Delta within the Nigerian state' and put forward the "Kaiama Declaration". The declaration states that:

> As a step towards reclaiming the control of our lives, we, therefore, demand that all oil companies stop all exploration and exploitation activities in the Ijaw areas. We are tired of gas flaring; oil spillages, blowouts and being labelled saboteurs and terrorists. It is a case of preparing the noose for our hanging. We reject this labelling. Hence, we advise all oil companies' staff and contractors to withdraw from Ijaw territories by 30th December, 1998 pending the resolution of the issue of resource ownership and control in the Ijaw area of the Niger Delta (Ijaw Centre, 1998).

This declaration was synonymous to declaring an 'Ijaw Nation,' and war on almost all the oil companies in their area (Essien, 1999:5). They also set up the Ijaw Youth Council (IYC) to coordinate their struggles for self-determination and justice (ibid). Installations owned by oil companies were not only seized, but oil production ground to a halt which also led to a substantial revenue loss to the government.

The state still continued with the militarisation of the oil producing communities as a response strategy at the instance of community protest. This lead to the emergence of more youth groups: from 1998 to 2006, apart from MOSOP and the Chicoco movement, over thirty ethnic-based minority rights groups have emerged across the Delta region; they include the Egbesu Boys of Africa (EBA), Ijaw Youth Council, Ijaw National Congress, Ijaw Peace Movement (IPM), Isoko National Youth Movement (INYM), Itsekiri Nationality Patriots, and the most dreaded Joint Revolutionary Council which comprises the Reformed Niger Delta Peoples Volunteer Force, the Martyrs Brigade and the Movement for the Emancipation of the Niger Delta (MEND) (Adejumobi, 2002:6 and Ojakorotu, 2005:3).

The strategies and tactics of these movements have changed over the years from non violence to increasingly militarised and commando-style armed groups; this was to 'counter what local groups viewed as military's repressive tactics' by the Nigerian government's security forces (ICG, 2006:5). The Joint Revolutionary Council has led the new wave and has launched several violent attacks on the IOCs and the federal government's oil installations across the Niger Delta from December 2005. Although the military were using repressive measures to curtail anti-oil protests in the Delta before 1999, one of the factors that contributed to the increased violence and multiplicity of youth movements after the Constitutional conference and the killing of Saro Wiwa in 1995 according to Dr. Okogwu was when the:

> Late Gen Sani Abacha wanted to succeed himself as a civilian in the process he brought youths from all over the country including Niger Delta area to Abuja to do the 1 million man march for him in support of his bid, and when they got to Abuja they found out that Abuja didn't have the problems they have and they realised that, in essence there was a period of realisation, yes the military might have been suppressing them but also initially most youths in the oil producing areas were not quite aware of what was happening and suddenly they came to realise and concluded that if the problem of Abuja can be solved – a virgin territory was built up using the oil resources, why would the government not be able to take care of the place where the money comes from (Okogwu 2007; Interview 17).

This period from 1995 to 1998 also doubled as a period of 'realisation'[44] for the people of the Niger Delta, so this put momentum to the protest and resulted in further violent attacks on the IOCs.

The analysis in this section shows that in every one of the periods of both human and natural resource exploitation there are always external forces conniving with the local elites to exploit the people. In essence there has been a degree of continuity into the contemporary period, although a process of transformation has taken place, both in the exploitation of the people and in the natural resources of the Delta and the corresponding resistance. It is about continuity and change in the process of development and underdevelopment of Nigeria; it is also about the process of resource extraction and elite promotion in the Delta and how those elites have colluded with the federal government to continue to extract resources from a particular location, which has the consequence of also driving political opposition not only to those elites but also to the federal government. Thus there is constant struggle between state and opposition over the politics of resource extraction.

[44] The period of realisation in this context is the period after the Constitutional conference of 1995 when agitations for increase not only in the oil revenue allocation but also in the level of socio-economic development to the region. The youths turned to militancy and went on rampage from 1998 upward after realising that other parts of Nigeria especially the Federal capital Abuja were far more developed – using the oil revenue from their region -than their water logged villages and communities.

6.2.0 Security Responses and the Politics of the Crisis Today

This section will now examine the federal government and the IOCs security responses to the crisis. Section 6.2.1 will look at the attempt of the government to militarise the Delta by drafting soldiers to secure oil installations and in the process, there are human casualties. Section 6.2.2 will look at the impact of the political class on the crises.

6.2.1 Federal Government and IOCs Security Responses to the Crisis

The position of the government and the IOCs is that the community protests, agitations and losses which result from these disasters amount to acts of sabotage, and this prompts their actions in an attempt to stem the rate of increasing communal clashes and violence. Whenever there are crises, the government often react aggressively by drafting the security forces for reprisal attacks to quell the militants, who are branded criminals, looters and saboteurs[45] of the economy. Most of the time when the militants are not reachable, the security forces turn their grievances on the host communities resulting in many casualties and loss of lives of innocent people, and in the process exterminating some villages and communities in the Delta.

For example, the federal government masterminded a retaliatory attack against the Odi community in Bayelsa State in late 1999; some youth gangs in Bayelsa State kidnapped and killed some police officers of Yoruba origin in protest over an earlier killing of Ijaws by the Oodua People's Congress (OPC), a Yoruba militant group in Lagos, and took refuge in Odi. The refusal or inability of the Odi community to hand in members of the gang to the government, provoked them to draft in the Army which responded by rolling in armoured vehicles and tanks. They razed nearly all structures, and left 23 people dead according to government report, but the local activist groups reported 2,483 people dead or missing. The former President Obasanjo who ordered the military into Odi only described the incident as unfortunate but refused to apologise (ICG, 2006:6). His spokesman Femi Fani-Kayode, later described the massacre as a victorious model of intervention thus:

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[45] The accusations; treating resistance to oppressive regime by the people of the Delta as a law and order issue, started since the pre-colonial period. Similar reaction was given to the attack on the RCN headquarters by the Brassmen in 1894, see section 6.2.1 above.

> When we need to be hard, we have been very hard. We were very tough when it came to a place called Odi town where our policemen and our people were killed by these ethnic militants. And the Federal government went in and literally levelled the whole place. And the proof of the pudding is in the eating. It has never happened again since that time. So I think that policy works (ICG, 2006:6).

Another example was the case in the Ogoni land, where the government in the wake of the crisis in 1993 positioned members of the Rivers State Internal Security Task Force (RSISTF), to check agitations with financial assistance from the IOCs. (Frynas, 2001:50). Although they have been largely withdrawn from the streets of Ogoni land, a good number of the Joint Task Force are still on the streets and waterways of most of the oil producing states such as Port Harcourt, Warri and Bayelsa state.

In the case of the IOCs they are too confident of security protection by their own security forces and that of the federal government, and are quick to call for the State's security forces to quell community protest. That normally leads to heavy casualties on the side of the host communities due to the excesses of the security forces. For example Joshua Udofia, then the SPDC Divisional Manager in Port Harcourt, on the 29th of October 1990 ordered state security forces through the Rivers State Commissioner of Police to quell the 'impending militant attack' on Umuechem flow station (ibid). The following events of the 30th and 31st of October 1990 were a serious crisis as 'Mobile Police moved in with teargas and gunfire, killing about 80 people and destroying almost 500 houses' (ibid and ICG, 2006:6). The judicial commission of inquiry later found there was no planned attack as alleged by SPDC's manager as the youth protests were non-violent and the youths were not armed (Rivers State Government, 1991).

A similar situation occurred in Escravos Delta state at the Chevron Nigeria Limited (CNL) facility on the 20th of November 2008, when the men of the Joint Task Force opened fire on the Ugborodo community youths who were on a peaceful protest against the company, for breaching the Memorandum of Understanding (MOU) between the company and the community over job slots and contracts. Seven people were injured by gun shots and were later taken to the hospital for treatment by the company (Nigerian Vanguard, 2008). The responses of the IOCs and the government

through militarisation have been counterproductive as they generate more crises. Three people including a pregnant woman, while travelling from Foropa community to Lobia in the southern Ijaw local council area, were mistakenly shot dead by JTF soldiers guarding a house boat of an oil servicing company in Bayelsa State in August 2008 (Nigerian Vanguard, 2009). This incident provoked more protests across the state and the crisis was only resolved out of court on the 20th of February 2009 through the intervention of the Bayelsa chapter of the Niger Delta Peace and Conflict Resolution Committee (ibid).

The oil producing communities are therefore at the mercy of gun-toting security personnel, police and military, who constitute the Joint Task Forces. Some of these use the cover of providing security and maintaining law and order to torture and terrorize innocent citizens, openly demanding bribes from motorists and cyclists. Thus, 'the ugly relationship between oil and violence has played out along very clear lines in Nigeria' (Klare, 2004:127). From 1966 to 1999 the country was ruled at various times by the military, which having forcefully taken power has no other business than looting the oil wealth, leaving the Niger Delta region to wallow in poverty[46]: this led to the increase in ethnically based militias in the Niger Delta (ibid). Consequently, the few key actors in the domestic polity of Nigeria facilitate and encourage a mutually dependent process of systematic looting of the country's oil wealth (White and Taylor, 2001:324), and therefore have no incentives to change that fraudulent mutual dependency between the IOCs and the various regimes that have ruled the country. That was why electoral process is manipulated on a continual basis by government and the politicians to hold on to their political authority at any cost in other to maintain the status quo. These electoral manipulations lead to further crisis as will be examined next.

6.2.2 Political Authority, Electoral Process and the Crisis in the Niger Delta.

The local traditional authorities have lost their legitimacy through their unwholesome relationships with the IOCs and governments in the sharing of benefits and compensation paid by the IOCs. The same is applicable to the local government chairpersons and other elected officials; these officials are the closest to the people

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[46] Detailed socio-economic development analysis of the Niger Delta was discussed in section 5.2 above.

but 'in several communities in the Niger Delta there is no political authority capable of making authoritative decisions' (UNDP, 2006:115) The root of their legitimacy, local elections, is constantly being eroded by massive electoral malpractices across Nigeria and particularly in the Delta. From the political parties' primary nominations to the actual voting, candidates are imposed on the people by political godfathers and the state governors of various states, so the people are disenfranchised leading to more frustration and rebellion toward political authorities and the IOCs (ibid).

The example of the political process in Rivers State, one of the major centres of Nigeria's oil industry, at both the 2003 and 2007 local and general elections has tended towards aggravating more violence. The Peoples Democratic Party (PDP) has held on to most of the elective political offices, from the federal government to states and local governments in Rivers state and in most of the Niger Delta region, mostly via rigged elections (HRW, 2007:80). During the 2003 general elections, the PDP engaged the services of two gangs, the Niger Delta Peoples Volunteer Force (NDPVF) led by Mujahid Asari Dokubo and the Niger Delta Vigilante (NDV) led by Ateke Tom, armed them to ferment violence and in this way psychologically paralysed the opposition parties to withdraw or stay clear (ibid, 81). 'Election campaigns are constrained by thuggery and official hostility towards candidates of opposition parties' (UNDP, 2006:115). Apart from the initial cash reward for their services the gangs were also promised more reward after victory in the elections; however after the elections most of the promises did not materialise and in some cases the elected officials outright denied any involvement with the gangs.

It was frustration from the aftermath of the fallout between the gangs and the politicians that sparked the high wave of violence not just only in Rivers state but in the entire Delta region, as the gangs used their stocked arms for other violent criminal activities to pay for the loss of expected income from the politicians. These activities include:

> providing protection for or asserting control over oil bunkering operations, maintain camps of fighters in the creeks, kidnapping expatriate oil workers and wealthy Nigerians and members of their family for ransom became a profitable business for the gangs (UNDP, 2006: 82).

For example Gladys Dakouru the wife of King Edmund Dakouru Mingi XII, the Amanyanabo of Nembe Kingdom, and both a former petroleum minister and general secretary of OPEC, was seized on the 3rd of February 2009 in Port Harcourt, Rivers State by unidentified gunmen and taken to an unknown destination (Amaize, 2009 and BBC, 2009). She was later released on the 6th of February after the payment of ransom demanded by the kidnappers, and according to MEND's spokesman Jomo Gbomo in a press release 'MEND can confirm that the former minister of state for energy, Edmund Dakouru, paid the sum of $2.5million (US Dollars) in cash to the kidnappers of his wife after they threatened to gang-rape her every day'. (Amaize, 2009). The security agencies were kept out of the negotiations as the family, like many in the Niger Delta, have lost faith in them; however the family denied making such payments (ibid). Meanwhile two British hostages seized since September 2008 were still in the custody of MEND as at February 2009, and according to them:

> The two British nationals will be kept with us until the government of Gordon Brown stops offering training and materials to the Nigerian armed forces which has turned them into brutal animals against the civilian population in the Niger Delta (BusinessDay Newspaper, 2008).

The wave of violence continued up to the 2007 general election and beyond, as the PDP engaged the services of a gang linked to another prominent militant Soboma George, to rig elections. Just before the April 14 gubernatorial elections in Government House, Port Harcourt:

> Government officials handed out between N5 million and N10million ($38,500 to $77,000) to several different cult groups in return for their assisting or simply accepting the PDP's plans to rig the polls (HRW,2007:84).

Violence erupted on the streets of Port Harcourt and other communities around in August 2007; it was a battle for supremacy among rival gangs to obtain 'political patronage including money and oil bunkering routes from the state government'. The gangs 'used for the April14 and 21 elections having won the elections are now trying to establish supremacy against the other groups in the state' (ibid). It took weeks of

gun battles between the Joint Task Force and the gangs to restore normalcy after many casualties on all sides- the military (JTF), militant gangs and innocent civilians.

It was just before the gun battle that shook Port-Harcourt that Governor Celestine Omehia in June 2007 rolled out a plan to mop up the excess weapons put in the hands of the various gangs by the politicians in the run up to the 2007 general election. He announced 'a plan to award payments of N1 million ($7,700) each to any youths in armed groups who agree to renounce violence' (HRW, 2007:89). This was haphazard because he had no plans to reintegrate these armed gangs into a normal way of societal life; and it also allowed those who had committed mass murder through violence, and their sponsors, to go unpunished (ibid). This was similar to what the politicians did after the crisis that followed the 2003 general elections in the state, with regard to the two leaders of the gangs hired by the politician. Ateke Tom surrendered 600 guns and other ammunition, followed by Mujahid Asari Dokubo who also surrendered an armoury of 188 guns at the Nigerian Army 2nd Amphibious Brigade, Port Harcourt to the federal government Task Force on disarmament of militia and cult groups in Rivers state. Co-ordinated by Peter Odili, the then Governor of the state and chairman of the Task Force, who himself was one of the politicians that engaged the armed gangs (HRW, 2007: 90).

Unless the politicians who sponsor these gangs are held to account for their actions it is unlikely surrendering of a few weapons will reduce the violence. As one resident of Port Harcourt put it:

> What will this military intervention do to the whole idea of the politicians paying, recruiting and keeping and protecting these militants? That is the whole problem... The politicians just a couple of months ago paid these boys to win the elections for them they paid them and also gave them the [unofficial] licence to go and do oil bunkering. I don't see anything coming out of this unless these politicians are dealt with. – Anyakwee Nisirmovu (HRW, 2007: 90).

These illegal acts and atrocities by the PDP during the 2007 elections were confirmed when the Supreme Court on Thursday, October 25, 2007 upheld Rotimi Amaechi's appeal, challenging an earlier decision of the Court of Appeal, over who was the authentic candidate of the Peoples Democratic Party (PDP). In so doing,

they nullified the election of Celestine Omehia as the governor of Rivers state on the grounds that he was not the appropriate candidate of the party for the elections (Onuorah & Ughegbe, 2007). He was imposed on the party through his political godfather - the immediate past governor of the state. A Port Harcourt based journalist and activist summarises the whole connection between the politicians, oil and the entire crisis thus:

> They buy guns for our youths; destroy our school and amenities, and our communities. They ask our youths to kill one another and do others of their biddings. . . Most of these youths that the state had turned into cultist, hostage-takers, armed robbers, assassins, prostitutes and thugs would have been great and meaningful to this society, but today their future is rocked with violence and evil – Patrick Naagbanton (HRW,2007:80).

Bush also ascertained that:

> the young in Africa are so much neglected in debates about the continent's future and about their felt needs rather than those of 'traditional' leaders' intent on seeking benefits of spoils and proximity to the agents driving exploitation-companies, donors and officials (Bush, 2007:613-4).

These are the reasons the violence in the Delta has gone on despite all the efforts made by the governments, because the political office holders are the generators of the real problems due to their vested interest in the oil revenue coming to the Delta. The next two sections will examine the socio-economic and environmental impacts of the crisis in terms of economic and other social losses and also due to the oil production activities of IOCs, sabotages and oil thefts and the resulting damage.

6.3.0 Socio-Economic and Environmental Impacts

The Niger Delta crisis has impacted negatively on the nation's economy and on the welfare of the people in the Delta. Section 6.3.1 examines the social and economic impacts in terms of the revenue loss to the government as a result of incessant attacks on oil installations by the militants. Section 6.3.2 will assess the environmental cost of the crisis.

6.3.1 The Socio-Economic Impacts of the Crisis on the Region and Nigeria

The crisis in the Niger Delta has impacted negatively on Nigeria as a whole and also on the Niger Delta. The international community feels the effects particularly in terms of volatility in the price of oil at the international market. The impacts of the crisis in terms of political instability, lack of peace and socio-economic losses are substantial, it sometimes difficult to quantify. On the 16th of March 2003, due to the clashes between the Nigerian security troops and ethnic Ijaw youths, oil production from Forcados and Escravos fields, Ogidi (1and 2), Batan, Egwa (1and 2), and Jones creek flow stations were shut down. Oil production suffered reduction in output for close to three weeks by more than 800,000 barrels per day of crude oil, amounting to nearly 40 percent of Nigeria's output. These led to a substantial revenue loss to the government, and at least seven people, three of them soldiers, were killed (Energy Information Administration, 2003).

Events in the Niger Delta took another dimension in January 2006 when four expatriate oil personnel were kidnapped. They were all employees of Shell contractors Tidex and Ecidrill who were kidnapped from a support vessel in the Exploration Area (EA) shallow offshore field operated by Shell Petroleum Exploration and Production Company (SNEPCO) (Oduniyi and James, 2006). The Movement for the Emancipation of the Niger Delta (MEND) claimed responsibility for the kidnap; figure 6.5 (Appendix B) shows armed MEND militants display their weapons and ready for action in the swamps of the Delta. MEND demanded the release of Mujahid Asari Dokubo, the leader of another militant group, Niger Delta Peoples Volunteer Force (NDPVF), who was incarcerated but later released by the federal government as part of the efforts to calm the activities of the militants. They also demanded a US$1.5 billion compensation for oil pollution to the Ijaws, an ethnic group in the Niger Delta (Daniel and Olaniyi, 2006).

On Tuesday 24th January 2006 militants operating guns mounted on speedboats stormed the industrial facility of a subsidiary of the Italian oil giant, Nigeria Agip Oil Company (NAOC), in Port Harcourt Rivers state, and shot dead eight policemen and a civilian oil worker (Igbikiowubo et al, 2006). On 18th February 2006, nineteen days after the release of four expatriate hostages, and barely 10 hours after a helicopter gunship of the Nigerian Air Force launched the second in a series of

planned raids on oil "bunkerers"[47] in the Niger Delta at the Ijaw community of Okerenkoko, Ijaw militants in retaliation hit oil industry facilities in the area and kidnapped nine expatriate oil workers – three Americans, a Briton, two Egyptians, two Thais and a Phillipino (James, 2006). It was reported that the militants also set ablaze the multi-billion dollar Forcados Oil Terminal Loading Platform (ibid).

The threats and actions of the Niger Delta militants, however took an even heavier toll on Nigeria's oil production on 19th February 2006, when Shell Petroleum Development Company (SPDC) shut down its entire operations in the western division and declared "force majeure". The company's External Affairs Manager Western Division, Harriman Oyofo said that 'the action means that over 600,000 barrels of oil have been shut in with the consequences that the company would not be able to meet its crude oil loading commitment to buyers' (Abonyi, et al, 2006).

As a result of the attacks on oil installations across the Niger Delta, IOCs including SPDC, Italian energy giant Eni SpA, ChevronTexaco, ExxonMobil among others have declared force majeure intermittently since the emergence of MEND in December 2005, culminating in up to 1.3million barrels per day (bpd) shut-in of crude oil (Nigerian Guardian, 2008). MEND sent a clear signal to the IOCs and federal government that no oil installation within the Delta is unreachable when they launched a major attack on the 225, 000 barrels per day floating production storage facility in SPDC's Bonga oil FPSO, about 200 kilometres into the deep sea on 19th June 2008. It was automatically shut down and resumed production after a few weeks (Amaize, 2008) and according to General Boyloaf:

> We really wanted to prove that nowhere is untouchable that is why we visited there. We wanted to make this point because Shell and Chevron, all of them are moving offshore. So we visited them to prove that there is nowhere to hide (Lloyd-Roberts, 2009).

All these attacks amount to a great loss of revenue to the IOCs and government and is also hindering the pace of work in the industry. Figure 6.6 shows (Appendix B) MEND militants in an interview on the BBC, and on the military assistance

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[47] Bunkerers are those undertaking Bunkering which is the illegal tapping of oil both crude and refined products into barges or other containers and loading them onto vessels, tankers or cargo ships for sale locally or to neighbouring countries and other buyers at the international oil market.

promised the Nigerian government by Britain and Italy to tackle the Delta crisis, General Boyloaf said:

> The message I have for Gordon Brown is to tell him that any person supporting the Nigerian state to oppress the people that have the real resources must surely lose their fight, because we believe in the cause of the land and in Almighty God. No matter the military assistance, the amenities they bring from the United Kingdom and elsewhere we want to reassure them we will surprise them, we will make sure we shoot them down (Lloyd-Roberts, 2009).

The 'shooting' down process has already started by the militants. They attacked an Aero Contractors Sikorsky 76 helicopter operating a contract service, close to the Nigerian Agip Oil Company (NAOC's) Tebidaba flow station in Bayelsa State on the 25th of February 2009. The helicopter was damaged by gun fire and one passenger was wounded in the attack (Nigerian Guardian, 2009). MEND had earlier promised to attack the Italian Eni SpA and its Nigerian subsidiary NAOC due to the offer of two attack boats to the Navy by the Italian government (ibid).

Another major consequence of the oil production shut-in manifested in October 2008 when Nigeria lost its place as the biggest crude oil producer in Africa to Angola for the first time, although its position was later restored as production deferment returned. The impact was also severely felt in the government's budget in the first quarter of 2009; the 2009 budget was earlier benchmarked at $45 per barrel and 2.5 million barrels per day, but production export encountered instability as the international market price was below $36 per barrel and production level less than 2 million barrels per day in February 2009 due to increased hostilities against oil facilities and IOCs by the militants in the oil region (Thisday, 2009).

Other socio-economic areas affected by the Niger Delta crisis includes withdrawal of oil companies' workers including expatriates from the region, and some oil servicing companies leaving Nigeria altogether, leading to loss of jobs. The SPDC which is one of the largest employers of labour in the Nigerian oil sector have started the reorganisation of its Nigerian operations with the existing realities[48]. Over a

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[48] These oil production losses affected SPDC more than other IOCs because they have the largest share of Nigeria's crude oil production. This coupled with the global economic recession and a drastic

thousand of its workers have been retrenched due to reduction of its operations in the Niger Delta; the company had actually planned to cut its 3,500 work force by 1,500 to save cost of operations, as their production work had been diminished by the attacks on its facilities (Alike Ejiofor, 2009). Oil field engineering contractors have also been leaving Nigeria: US oil services contractors Willbross relocated to North America in 2008, and Kellogg, Brown and Root (KBR) engineering and construction Services Company and a member of TSKJ Nigeria Ltd, a joint venture that constructed the NLNG plants in Rivers state, also left in January, 2009 (Thisday, 2009). The downsizing in the industry was part of the consequences of the Delta crisis: 'The IOCs have a lot of projects, which could not be executed due to the restiveness in the Niger Delta...If they are postponing the projects, there will be no jobs for the oil services contractors, the crisis is responsible for this situation' (Fawibe, 2009) .

There are also other social consequences of oil on the poor; the surge in prostitution and the number of illegitimate children and sexually transmitted diseases including HIV and AIDS, because of the 'influx of young girls looking for livelihoods. Local young women and even school girls feel the pressure to join the race for petro-money to raise their own standards of living' (UNDP, 2006:121), and 'The idea that there is a huge pot of black gold out there for the taking has distorted everyone's values' (Lloyd-Roberts, 2009). Social disobedience as well as by those involved in drugs and social crimes such as kidnapping has increased (Onosode, 1998:42).

6.3.2 Oil Theft and the Resulting Environmental Impacts

'The environment is affected by the conduct of a people just as the environment often conditions the humanity of the environment' (Soyinka, 1998:6). Destruction and pollution of the mangrove environment have serious ecological implications. The reduction in the level of fish and shellfish, crabs, and other marine organisms that thrive in the mangrove environment are linked to the pollution and destruction of the mangrove ecosystem. As a result of oil losses and emission of gases into the atmosphere by the oil exploration and exploitation activities of the IOCs, together

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drop in the oil prices at the international oil market from the third quarter of 2008 to early 2009 led to restructuring by the IOCs.

with pipeline and flow station vandalism and bunkering activities of the residents and militant youths, vast tracks of agricultural land have been laid waste, thus becoming unproductive. Surface water and river courses are invariably contaminated and polluted, rendering the water undrinkable and aquatic life destroyed (Nwakwo and Ifeadi, 1988:208).

The result is great hardship for the inhabitants of the operation areas who are impoverished and deprived. Consequently, pollution either from the activities of the illegal refineries or crude oil being traded through unsecured vessels in the Delta, flaring of gas and other production activities of the petroleum industry constitutes a serious threat to the environment. The majority of oil spill incidents occurs in the purely mangrove swamp zones and the offshore areas of the Niger Delta, which constitutes the most productive biological areas in that region (Nwakwo and Ifeadi, 1988:212).

The result of the feelings of marginalisation and rape of local resources among the people in oil producing areas, has led some to attempt illegal tapping of both the crude oil and refined oil products, from the criss-crossing product pipelines across their land; figure 6.7 (Appendix B) shows children playing on the oil pipelines in Okrika[49]. The result has been fire disasters and loss of many lives. A classical example was the October 17th 1998 Jesse fire disaster in which over 1,200 people lost their lives (Ero, 1998:1). Figure 6.8 (Appendix B) shows the site of the fire incidence. Jesse, in Delta State, is an agrarian community rich in oil deposits with over 30 oil wells. Paradoxically its oil wells became its tragedy as epitomized by the unfortunate fire incident. The victims and other residents of the Niger Delta justify their actions as a way of getting their own share of the 'national cake'[50], while the government sees them as 'bunkerers'[51] and saboteurs of the national economy. This is reportedly costing oil companies at least 20 per cent of their production (Gray and Karl, 2003:27).

[49] This conflict-ridden oil-producing town 10 miles to the southeast of Port Harcourt on the Bonny River has experienced oil leaks and oil fires along these pipelines.

[50] National cake means the valuable resources in this case oil that belongs to everyone in the country.

[51] See section 6.4.0 above

The Commission for Africa (CFA), in its report on the British All Party Parliamentary Gr`oup (BAPPG) delegation's evaluation of the Niger Delta, urged the Nigerian government to stop the yearly theft of an estimated N625 billion (£2.5 billion) of the country's oil resources (Obayuwana, 2006:1). Mutiu Sunmonu the Managing Director of SPDC also told the delegates at the Nigerian Oil and Gas conference and exhibition in Abuja on the 24th of February 2009 that 'even with low oil prices, the Nigerian government loses between $1 billion and $1.5 billion every year to crude theft and now pose a threat to oil loadings from export terminals' which has now been reduced to six hours daily because of the security situation in the Niger Delta (Igbikiowubo, 2009). Figures 6.9 and 6.10 (Appendix B) shows the process of the oil theft in the Delta, and according to Magnus Onyibe, a former Delta state Commissioner for Information, the restive Niger Delta youths exchange the smuggled oil for firearms from their buyers, and the youths in return use the firearms to attack and vandalise oil installations for the accumulation of more crude oil to be smuggled out for sale (Laba, 2004:3).

In his overview of the Shell Petroleum Development Company (SPDC) of Nigeria to the British All Party Parliamentary Group (BAPPG) on the Niger Delta in August 2005, Basil Omiyi its country Chair declared that 'it is clear for this level of oil theft to continue at its current rate, it is highly organised' (Obayuwana, 2006:1). The APPG report also concludes that some senior Nigerian political and military personnel are allegedly involved as well as the neighbouring countries, and that no serious attempt has been made by the Nigerian government to prevent the stolen oil being transferred from land to sea (ibid). Corroborating (APPG) and SPDC Nigeria Chair, a former Chairman of the Ijaw National Congress (INC) Professor Kimse Okoko traced the origin of bunkering in the Niger Delta to the Nigerian military hierarchy who initially 'used the boys to run the oil ships to the high seas'. After learning the trade the boys started the business on their own so 'the doors of oil bunkering were thrown open' and posited that the oil bunkering business is now within:

> These boys, the Navy, Army and big government officials, these crooks of Nigeria are surprisingly the ones saying they want to stop bunkering. How can they stop bunkering? (Guardian, 2009)

Since 2008 the government have at least commenced efforts at reducing the level of the oil theft; for example the Joint Task Force arrested 13 Filipinos in possession of 12,000 metric tonnes of bunkered crude oil aboard a vessel M.T. Akuada on the 14th of November 2008. They were convicted on the 24th of February 2009 at the federal High Court, Benin to a 5 year jail term each with an option of N1million fine after they pleaded guilty to the charges (Idowu, 2009). Another 22 barges of stole crude oil were also seized from the Chanomi creek in Delta state on the 10th of February 2009 by the JTF (Alike, 2009). The Nigerian military authorities through its Chief of Defence Staff, AVM Paul Dike on the 16th of December 2008, declared to the members of the House of Representatives committee on the Niger Delta that not less than 300 illegal small refineries created by the militants in the Delta were uncovered. He stressed 'Those bunkered products are either processed through over 300 illegal small refineries or sold out as crude to foreign vessels at give away prices' (Idowu, 2008).

The activities of IOCs such as Shell, ExxonMobil, TotalFinaElf, Agip, and ChevronTexaco in oil production in Nigeria since the 1960s have caused some adverse effects on environment and socio-economic development in the region. This has been the result of oil pollution and gas flaring; figure 6.11 (Appendix B) shows an oil spill site in Oloibiri, Bayelsa state. Statistics from the Nigerian Department of Petroleum Resources (DPR) indicates that from 1976 to 1996, a total of 4,835 incidents resulted in the spillage of about 2,446,322 barrels (102.7 million US gallons) of oil, of which an estimated 1,896 930 barrels (79.7 million US gallons; 77 percent) were lost to the environment and destroyed hectares of mangrove forest (Nwakwo and Ifeadi, 1988:23).

There are about 100 gas-flaring sites in the nine oil producing states. Some of them have been burning ceaselessly for 40 years. (Darah, 1998:49). Each one of the bonfires, have incalculable environmental effects on both natural environment and the human beings; figure 6.12 (Appendix B) shows a gas plant in the midst of a displaced community. (Niboro, 1997:28-29) summarized the problem thus:

> In Uzere Flow station in Delta state, where crude oil was discovered in commercial quantity in 1958, the flares were ignited 39 years ago and have burnt fiercely and noxiously since then. Outside the

> deafening howl of the raging flames, the thick smoke, which billows into the skies, has poisoned Lake Oviere. Its waters are limped, almost motionless, as acid rain, along with frequent oil spills, and have dealt a deathblow on it. Lake Eni also in Uzere which is regarded as the largest ancestral lake in Isoko land is also going the way of Lake Oviere.

The socio-economic and environmental impacts of oil exploration activities and its resultant crisis of underdevelopment in the Delta region are enormous as analysed above. This has led to resistance manifested in the destruction of oil facilities, communal violence, and oil bunkering by the militants and other high ranking collaborators, the politicians and military personnel. But despite these negative impacts on the environment and people of the Niger Delta and the economy of Nigeria, the resistance and struggles for a better deal for its citizens from the oil resources in their region from the Nigeria Federation have been on an increasing tempo, and that is the focus of the next section.

6.4.0 Challenges of Resource Control and the Sustainability of Oil Production in Nigeria.

The origin of resource control in the Niger Delta region and its challenges predates the amalgamation of the Southern Nigeria Protectorate and Northern Nigeria in 1914. It can be traced to the pre-colonial period. The following section looks at what is understood by resource control, and the various patterns particularly from 1999, and will then examine the persistence of resistance and struggles to control the oil resources by the people of Niger Delta. These resistance and struggles challenges fiscal federalism and by extension governance and development in Nigeria.

6.4.1 Resource Control and the Niger Delta Region

Resource control has been defined by its advocates, the South-South governors, during one of their meetings in 2004 held in Benin-City, the Edo State capital:

> It is the practice of true federalism and natural law in which the federating units express their rights to primarily control the natural resources within their borders and make agreed contributions towards the maintenance of common services of the Sovereign nation State to which they belong. In the case of Nigeria, the federating units are the 36 states and the Sovereign nation is the Federal Republic of Nigeria (Attah, 2004:2).

This is 'relative resource control' which seek to keep part of the revenues whether 13% , 25% or 50%, and remit the balance to the common revenue pool for onward distribution in line with the prevailing allocation formula (Kolawole, 2006:32). A second form of control is the 'absolute resource control' which implies that every state or region such as the Niger Delta takes full control of every resource within its territorial boundaries. In both categories the states or region and not the federal government would be responsible for the award of oil blocks, mining and sales of oil and gas and any other resources (ibid). The second category was advocated by most of the advocacy groups in the Niger Delta like the Ijaw National Congress INC's Kaiama Declaration, MOSOP in the Ogoni Bill of Rights, and lately by MEND. Oronto Douglas also argued that vital resource access must in the first instance be granted to many people in the Niger Delta who continually bear the pain of many decades of neglect, poverty, instability and environmental ruination. He posited that:

> Niger Delta's abundant resources currently under the hammer of denial are power, peace, and the various other natural resources including forests, water, air, land, oil, gas and valuable community life among others (Douglas, 2007:108).

The explanations of resource control start by defining what it is not. According to one of the protagonists, James Ibori former governor of Delta state, 'Our objective is not to break up the country. We have put in so much into the 'project – Nigeria'- that we could not be demanding its breakup' (Ibori, 2004: 11). To him it is untrue and unfounded that the demands for resource control would threaten the corporate existence of Nigeria's nationhood and that:

> such mischievous allegations have only one aim; to blackmail the protagonists of resource control in the hope that they will either chicken out or be put on the defensive . . . We don't want to be misunderstood; our struggle is not aimed at the economic strangulation of any section of the country but is shoving aside all unitary clauses in our constitution which hamper our development and distract us from the practice of true federalism (ibid).

According to the six former governors of the South-South region in 2003-2007, while demanding full resource control, they reiterated that some of the laws relating to natural resources such as the Petroleum Act of 1969 and the Land Use Decree of 1978 have become anachronistic in today's Nigeria, at least for the sake of the

nation's federalism; to exclusively vest the control of all minerals in Nigeria in the federal government is untenable, since the federating units ought only to pay taxes on the mineral resources from their areas (Ibori, 2004: 3).

6.4.2 Persistency of Agitations for Resource Control in Post-Independence Nigeria

In the course of repeated agitations for resource control and several demands, both official and by violent means, and the responses in terms of development initiatives from the federal Government, IOCs and the International Development Agencies and NGOs over these periods, have been examined in chapter five sections 5.4.0[52] to 5.4.9 and security responses in section 5.3.1 of this chapter. Despite all these demands and initiatives between the people of Niger Delta, the federal government, and the IOCs, why has the crisis persisted notwithstanding?
Since the 1960s the responses from the government and IOCs have not been able to produce adequate positive results of bringing lasting solution to the challenges of underdevelopment in the Niger Delta region. Some have only brought more underdevelopment and ignited further violence in the region, some of the reports of the committees set up by successive regimes with huge overhead expenditure have not been implemented. For example the OMPADEC, initiated as a development agency by the Babangida regime, did more damage to the Delta instead of bringing development to the region.

There has been some level of opposition from other federating states against allocation of more oil revenue to the Delta region, as exemplified by the action of the Northern region state governors which challenged in court the abrogation of the onshore/offshore dichotomy by the National Assembly. They asked the court to declare that: 'The Allocation of Revenue (Abolition of Dichotomy in the Application of Principle of Derivation) Act 2004[53] is unconstitutional' (Edomaruse, 2005). But the Supreme Court threw out the case and ruled in favour of the Delta region littoral

[52] The details of the several demands by the oil producing states of Niger Delta and the various responses from the governments, IOCs and international NGOs is contained in chapter five table 5.2.
[53] The politics and circumstances that led to the re-presentation of an amendment Bill by the President to the National Assembly and its subsequent passage as 'The Allocation of Revenue (Abolition of Dichotomy in the Application of Principle of Derivation) Acts 2004' was detailed in chapter four above.

states that the payment of 13% derivation fund in accordance with the Act mentioned above was lawful and constitutional.

These were some of the reasons the situation has degenerated and become an all important issue on the front burner of politics in Nigeria in recent years. Reacting to the unfolding scenario in April 2004 James Ibori, former governor of Delta state, in a lead paper at the National Institute for Policy and Strategic Studies (NIPSS), Kuru, Nigeria states that:

> The meagre concession of 13% derivation in Section 162(2) of the 1999 Constitution is not a substitute for resource control. It is a palliative grudgingly granted the oil-producing states in order to temporarily arrest the trend towards violent revolt by the masses ....We in Delta state will never abandon the struggle for resource control because our losses are far too enormous to be forgotten. On each day, oil-production from Delta state grosses about $25million. The Naira equivalent for a year is about one trillion naira. Delta gets no more than N50 billion in a year (Ibori, 2004:1).

The agitations in the Niger Delta have in a way brought issues of resource control to the consciousness of those holding political power at the centre. Centre power holder have determined how revenues from oil resources have historically been allocated, and have now been forced to start thinking of kick-starting oil exploration activities in other parts of the country. Using the plans to grow the nation's oil reserve to a record 40 billion barrels by 2010 as a camouflage, the federal government through its Minister of State for petroleum on 17th November, 2008 urged the IOCs in the upstream oil and gas sector to step up exploration activities in other inland basins outside the Niger Delta Odein Ajumogobia states that:

> I would encourage you to make use of all available geo-technologies to de-risk the prospectivity and step up exploration activity in other Nigerian inland basins –Anambra, Benue, Bida, Chad, Dahomey and Sokoto basins apart from the matured basins of the Niger Delta (Vanguard Newspaper, 2008).

This was actually done by SPDC in the Chad basin of North East Nigeria in the 1980s, but after expending millions of US dollars, the project was abandoned for lack of prospects for oil: it was politically motivated by the thinking that because there was oil in Chad, so there should be oil in the Chad basin region of Nigeria.

Echoing the political clamour to re-start the abandoned project of the 1980s due to pressures of resource control agitations by the Niger Delta region, the communiqué of 17th conference of the forum of Northern House of Assembly Speakers issued on the 12th of March, 2009 called 'on the Federal government to revisit the issue of oil exploration in northern parts of the country, and commence it this year as earlier planned' (Danjuma, 2009:1).

In view of the reports and apparent efforts by the government, IOCs and other stake holders in the development efforts of the Niger Delta, why are the issues and debates of resource control still subject to such polemics? Why is the Niger Delta still bent on controlling the oil resources in their region, while the other regions in the country are insisting there can never be total resource control as it would hinder their access or deny them a bulk part of the revenue accruing to them from oil? But arguably one of the major resources that have been denied the Niger Delta people is access to political power at the centre (Douglas, 2007:3).

The necessity of the agitation for resource control cannot be over-emphasized, in the sense that many political leaders both in the northern and southern parts of Nigeria viewed resource control in terms of political power and authority. Since the 1970s those who control political power at the centre, be it military or civilian regimes, have also controlled the way the oil revenue is shared. In fact most of the dramatic changes in the revenue allocation formulae that reduced the derivation principle of revenue allocation on natural resources rents from 100% in 1954 to 1% in the 1990s[54], before the increase to 13% in 1995 whose implementation was delayed till 2000 (Ijaw Youths, 1998). These were done by undemocratic and autocratic military regimes in conspiracy with the various zones or regions they originated from, at the expense of other regions and in particular the Niger Delta region where most of the oil resources come from.

There were no negotiations and agreements with the various constituencies on how the revenue from oil should be shared; most often the military constituted committees and handed down the doctored reports that are referred to today as the

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[54] These reductions were detailed in table 4.1 and further explanation was also given in section 4.1.2 to 4.1.5 of chapter four above.

revenue allocation laws and formulae. Yet the Nigerian President Yar'Adua sees nothing wrong with these laws. When he answered a question asked by the Finnish President Tarja Halonen on her visit to Nigeria on the 9th of March 2009 on 'how the creation of the Niger Delta ministry will address the unjust distribution of wealth and how will it solve the crisis in that region' (Taiwo, 2009:1-2). He answered:

> When you talk of something being unjust it means it is not being done according to law. The distribution of wealth in Nigeria and the income is being done according to law which is contained in the Nigerian constitution. So the issue that the distribution is being done according to law does not make it unjust so I want to make you understand and remove this notion from your thinking about the distribution'...Yes there are problems of development, of all the regions of Nigeria, it is the most difficult region to develop because of the terrain so that is why this administration established the ministry to tackle the problems of the Niger Delta (ibid).

There has been an over-centralized control of resources which has denied the majority of Nigerians, and particularly the Niger Delta region, access to the benefits of the oil wealth; because resource allocation models have put the huge oil revenues over the years in the hands of a tiny cabal, making the struggle to gain access to political power at the centre very tense. For example the federal government appropriated N27 billion and N50 billion, for the Niger Delta Development Commission NDDC and the new Niger Delta ministry respectively, amounting to N77 billion for the year 2009, while previous funds allocated to the NDDC amounting to over N300 billion was delayed for close to three years by the federal government's bureaucracy (Onuba, 2008:1).

This was condemned by the Niger Delta leaders led by Edwin Clark, former information minister, who said 'the provisions for the Niger Delta via the two development agencies were most unexpected as they fell grossly below all expectation' (ibid). They described them as inadequate and unrealistic, and that N50 billion, the sum that was used to build just one boulevard in the federal capital of Abuja, is now budgeted for the development of a whole region crying for development, so to them 'the government does not appear very serious' at the moment (Oyebode, 2009). At the same time, they also located the headquarters of the Niger Delta ministry in Abuja. Yet the President has directed both the minister and the minister of state for the newly created Ministry of Niger Delta Affairs, Ufot

Ekaette and Godsday Orubebe respectively, to 'hurry up on the delivery of federal government's tangibles for the region' without any tangible plans on ground (Amaize, 2009). The development of the region calls for collaboration between different stakeholders; the oil companies, the NDDC itself, the states and the local governments and the federal government through the new ministry of the Niger Delta. Also confirming the lack of coordination among all the partners to the development of the Delta region, the National Economic Intelligence Committee posits:

> The way things are done at the moment; there is rugged independence among the various stakeholders: everybody wants to do things on their own. But the issue is that the Niger Delta Regional Master plan is not being followed and has been distorted, and we drew the attention of the president to it in our last report. We believe there should be greater involvement among all the stakeholders but right now the states and federal government are not paying their own percentage of funds into the NDDC account so that is a problem (NEIC 2007; Interview 15).

Part of the actions of both the IOCs and federal government that further aggravates the crisis, and sometimes shows they are not sincere, is the huge amount of money spent on security which by far exceeds the amount spent on efforts to develop the region. According to the country security manager of Addax Petroleum Nigeria, at the 2008 Offshore West Africa (OWA) conference in Abuja, IOCs operating in Nigeria jointly spent an estimated $3.7 billion on security in the Delta in 2008 alone, while the figures for 2007 stood at $3.5 billion (Alike, 2009). While government budgeted a meager amount of N77 billion on the development of the region in 2009, it is disheartening to note that in 2008 alone security against the militants cost the IOCs $3.7 billion (N432.9 billion), (ibid) almost five times as much as the government's budget for the region in 2009. If the IOCs had put this huge amount of funds in the development of the region over the years, the situation would not have degenerated to this chaotic state.

Resource control is about fair dealing in resource allocation, development, and deployment, and accordingly:

> What they are saying is that the resources of the Niger Delta have to be reinvested back to Niger Delta. Not everything but at least you

> have to give them a fairer share of the resources accruing from oil if it is a federal system it is not a question of morality, it is a question of equity (Dunmoye 2007; Interview 18).

Resource allocation and politics has been a contentious issue in Nigeria. It also polarized the delegates along North – South divide at the National Political Reform Conference of 2005 (NPRC, 2005:23-25). The conference recommendations were adopted in the absence of the delegates from the south-south region (Niger Delta), as they staged a walk-out of the conference to express their grievances when their call for a 25% derivation formula in the allocation of the nation's revenues, to be increased to 50% over five years, was blocked essentially by a majority of the delegates from the Northern geopolitical zones (ibid and Rowell et al, 2005:218-9). They protested that:

> This is an opportunity for the region to break free from the ambivalent and double standards which expropriate the resources of one geopolitical zone to satisfy the whims and caprice of other zones while those zones contribute nothing to the federal revenue (Mojeed et al, 2005).

But instead the conference adopted the recommendation to increase the level of derivation from the present 13% to 17% for oil producing states. However, even that recommendation has not been implemented. The report of the whole conference was dumped by the federal government. In July 2008, President Yar'Adua constituted a 46-man Technical Committee on the Niger Delta to find a way of solving to the region's crisis.

The Technical Committee on the Niger Delta, led by its chairman Ledum Mitee, the president of MOSOP, submitted a three-volume report to President Yar'Adua on the 1st of December 2008. The committee examined all the reports of previous committees and commissions listed in table 5.2 above and received memoranda from various groups within the Delta, Nigeria and internationally (Taiwo, 2008). They also went into the creeks of the Delta, visited the militants and received memos from the Joint Revolutionary Council comprising the MEND, RNDPVF, Martyrs Brigade and (IYLF) among others (JRC, 2008). To this effect there was a slowdown in militant attacks during the three months' working period of the committee.

The committee made recommendations to be implemented within six months of the submission which would stem the level of violence and provide a peaceful atmosphere for the implementation of both medium and long term development programmes of the government. These recommendations include: an increase of the derivation revenue allocation principle from the current 13% to 25%; dedication of additional revenues largely to new infrastructure and sustainable development of the region. There was also the recommendation to open trial and bail for accused militant Henry Okah; completion of the East-West Road with spurs to the coastline; payment of outstanding statutory funds owed to the Niger Delta Development Commission NDDC; disarming process for youths involved in militancy through creating the enabling environment and establishment of a credible Decommissioning, Disarmament, and Rehabilitation (DDR) process; and establishment of a Youth Employment Scheme (YES) that will employ at least 2,000 youths in each local government of the Niger Delta states (Agande, 2008).

Commenting on the report during the submission the President said 'government would implement those recommendations that it found acceptable', which is why since December 2008 when the report was submitted nothing has been done as of November 2009. It is time to take decisive action on the Niger Delta challenges and approach it holistically according to Soyinka (2008):

> In the context of what constitutes Nigeria, what are the protocols of association between the various regions? How do you actually address the issue of resource control, in other words do you say all the resources should go to the centre and then the centre doles out what it wants, or what it negotiates under circumstances which are not really equal which are not egalitarian what it considers appropriate to the various regions? Or it says let each section under a genuine federal system control its own resources and pay taxes, dues and payment for common services, etc., to the centre so that the centre is not just fattening itself on the sweat and the loss of various regions like the Delta region. That is what he is talking about and he's quite right. The Delta region issue has got to be treated also globally in the entire context of what is Nigeria how does it hold together, how does it operate, how does it control resources, regionally, sectionally, and what right has the centre over the genuinely productive areas of Nigeria.

The chairman of the committee reminded the government of the dangers of dumping the report when he said:

> What seems clear is that the reason why we are where we are has been failure of demonstration of political will to deal with those issues. The consequences of failure are enormous especially in the light of the downward trend in oil process...some $20.7 billion worth of oil revenue were lost to oil theft and vandalization between January and September 2008 alone ...the nation stands to gain tremendously if we invest similar amount in the short run to guarantee peace and safer investment climate in the region (Taiwo, 2008).

6.5 Conclusion

This chapter has examined the challenges of increasing agitations for resource control in the Niger Delta. It also assessed the resultant socio-economic and environmental impacts of the crisis on the region and how it poses challenges to the sustainability of oil production in Nigeria. It opened up tracing the genesis of the current crisis; the causes, and how it originated. The chapter posits that the crisis in the Delta region has a fairly long trajectory, as it has its origin dated back to the trans-Atlantic slave trade period, to the pre-colonial, colonial and immediate post-colonial period. The first major rebellion against oppressive policies of dispossession of the resources in the Delta took place in December 1894, when the Brassmen revolted against RNC's monopolistic business activities in the palm oil trade and destroyed its headquarters in Akassa. The agitations was however, suppressed by the RNC in conjunction with the British consular in Nigeria.

After independence, the first set of political leaders also continued this oppressive regime over land and every mineral resource in the Delta, this time in alliance with the IOCs; this led to the first post-colonial armed revolution against underdevelopment in the Delta. It then looked at the violent militarised dimension of the crisis against the IOCs and oil facilities, the armed resistance starting from Isaac Adaka Boro's twelve-day revolution in February 1966 to the Ken Saro Wiwa led MOSOP's non-violent struggles for the emancipation of the region in the 1990s and the now commando-style operations of the Movement for the Emancipation of the Niger Delta (MEND). This chapter concludes that the reasons for the persistency of

the agitations for resource control in the Niger Delta is underdevelopment and lack of opportunities, it then argued that the acceleration of struggle and contestation around resource capture has escalated dramatically and shaped policy regarding fiscal federalism.

In most cases the stand of the federal government and the IOCs is that the, agitations and losses which result from these disasters amount to acts of sabotage, they viewed it as a law and order issue and this always prompts their action of reacting aggressively by drafting the security forces for reprisal attacks to quell the militants, who are branded criminals, looters and saboteurs of the economy. In most of the military actions the host communities always bears the impact resulting in many casualties and loss of lives, and in the process exterminating some villages and communities in the Delta.

Shortly after the National Political Reform Conference and the failure of the government to take action on its report submitted since 2005 which increased the derivation fund allocation to the Niger Delta states from 13% to 17%, the Movement for the Emancipation of the Niger Delta (MEND) came into existence in December 2005. They launched unprecedented attacks on the oil industry, including the Bonga float oil facility, and have continued on the increase. The federal government has to do more to convince the people of the region that it is serious about the development of that region. Although we know that there are criminal elements within the struggles, in any kind of liberation struggle there are criminal elements that use the opportunity to further their own agenda. However, the government has to separate the two and solve the problem of the area, while at the same time enforcing the law on the people who are stealing oil, or taking advantage of the situation to do other things. They are not the poor people in the area; they are people with high technical skills who capitalise on chaos to perpetrate their own form of exploitation.

As clearly stated in the chapter, whichever category of resource control is adopted by the federal government in the long run, one thing is clear: that the people of the Niger Delta want a form of ownership and a sense of participation in oil production, from the allocation of oil blocks to the actual sales of the crude oil, and in the process decide how negotiations about the future of their environment and livelihood

would be sustained. Anything short of this would not bring lasting peace and solutions to the crisis, no matter the level of militarisation and intimidation from the federal government. Right from the 'first oil exploitation' crisis between the Royal Niger Company and the Brassmen in Akassa in 1894 about 115 years ago to the 'second oil exploitation' crisis now between the IOCs and the federal government on one side and the Niger Delta people on the other, it is evident that the level and dimensions of the resistance have been steadily increasing until it assumes an ungovernable state.

Close to a million barrels of crude oil are shut in, an amount still increasing on a regular basis, and there have been losses of some $20.7 billion worth of oil revenue in the first 9 months of 2008 via violent resistance by MEND and other groups. The future of oil exploration and exploitation in the Niger Delta by the federal government might be gradually drawing to a close, unless urgent and far reaching solutions such as the ones contained in the recent Niger Delta Technical Committee reports, and the practice of true federalism as it was at least at independence in 1960, are sincerely implemented with a vibrant political will from the federal government. If they do otherwise, according to a member of the Technical Committee, this might be the last time the people of the region would participate in such event:

> If by omission or commission the federal government fails to implement the report, it will be a clear manifestation that the people of the Niger Delta belong to the wrong federation as perceived in the past, and the precipitating crisis will be of gargantuan proportion that will make the current instability in the region a caricature of intentions. The agitation might move at such a crescendo that could lead to the fragmentation of the country (Onuorah, 2008).

A stronger opinion than the one expressed above by the members of the Technical Committee was expressed in 2005 on the verge of the deadlock at the political conference. Reacting to the wrangling at the National Political Reform Conference, a prominent leader of the Urhobo Progressive Union (UPU) from the Delta posits: if the requests tabled at the conference were not accepted, it automatically meant that the region has been counted out of the Nigerian federation. Therefore, there would be no option other than to gain independence just like Nigeria gained independence from the British rule in 1960. Asked about the consequences if the request of 25%

derivation fund is not granted and the Nigerian state did not allow the Niger Delta to go as a nation he said:

> Then they should come and kill all of us. All along, we have been checking our youths and we have been asking them not to be violent. But now that the other parts of the country don't want to listen to their fathers, the youths can launch a revolt. We will ask them to go ahead and stop the oil companies from operating and we will not be there to stop them (Osinaike and Oyekunle, 2005).

These are the opinion of the majority of the radical leaders, the political class and the youth movements and advocacy groups in the Delta. This opinion seems to be on the increase by the day, which portends great challenges to the future of oil production in that region by the Nigerian state. Odofin echoes this assertion that:

> They have gone to the bush challenging the Nigerian State so it is a problematic issue; the whole of South-South now is like a military state. If the Nigerian state does not response positively to the Niger Delta issue it may signal the disintegration of this country, because the United States or Britain or whatever you call them are not interested in the corporate existence of this country. In fact the corporate existence of Nigeria may even be a liability, they can go into partnership with the militants as long as they can get oil, they don't give a care. So the Nigerian State has to be very careful the way they respond to the Niger Delta issue (Odofin 2007; Interview 20).

The federal government should also adopt dialogue whenever there is crisis in the region; the deployment of military troops over the years has not brought peace to it, rather it further exacerbates tension and crisis in the region. Consequently, further attempts to use militarised strategies to tame the volatile area will always end up in frustration. It is only through multiple approaches that genuine results could be achieved.

Chapter 7

The Dynamics of Oil and Fiscal Federalism: Challenges to Governance and Development in Nigeria

A Summary and Conclusions

7.1 Introduction

This thesis has explored some of the major consequences and challenges to governance and socio-economic development in Nigeria through the lens of the dynamics of oil and fiscal federalism. This is particularly important because more than 90% of the country's revenue comes from oil. It examined the interactions between the external economic stimuli in the form of oil revenue from the international oil market and the national mechanisms (economic and political processes) for the management and allocation of the resources among the federal, state and local governments. The findings of this thesis established that the political and economic processes of allocating and expending oil revenues have both been severely undermined by the politics of fiscal federalism, i.e. the manner in which taxation and public spending are divided up between the federal, states and local governments. The thesis concludes that it is in the context of these fragmented and contested processes that the origins of predation and corruptions are located.

The socio-economic reforms initiated from 2002 onwards in the area of revenue management and expenditure systems have attempted to reduce the predation and corruption in the process. From 2003 to 2007 considerable progress was made, but the gains of this progress now stand the risk of being jeopardised due to the deceleration and in some cases total reversal of these reform programmes. The remaining three parts of this concluding chapter are as follows. The first part will summarise the findings of the thesis under 5 primary themes and sub-fields raised in this thesis: (1) oil revenue allocation mechanisms and challenges to governance in Nigeria, (2) oil revenue management and socio-economic development in Nigeria, (3) the impacts economic reforms on the allocation and management of resources, (4) revenue allocation and struggles for socio-economic development in Niger Delta, and (5) the persistence of agitations in the Delta and sustainability of oil production

in Nigeria. The second part will cover the limitations of the research and indicate areas of further research, and the third will suggest some wider implications of this research for the management and allocation of oil revenue in Nigeria and other developing oil-dependent countries, and also for the resource curse thesis in general.

7.1.1 Oil Revenue Allocation Mechanisms and Challenges to Governance in Nigeria.

This theme was captured by the first subsidiary research question, 'what are the challenges of the various revenue allocation arrangements between the three tiers of government to governance and development in Nigeria'? The challenges of fiscal federalism and the politics of revenue allocation between the federal, state and local governments in Nigeria are enormous, as analysed in chapter 4 of this thesis. It argued that the problem with fiscal federalism in Nigeria is rooted in the contradictions that produced the Nigerian state itself. In the colonial state, the colonialists put in place what they referred to as the federal principle, an arrangement to unite the different zones and ethnic nationalities, without negotiating with any of the indigenous communities or ethnic groups.

The first major challenge brought up by this forceful fusion was the collapse of the first republic in 1966 barely five years after the departure of the colonialists, and the subsequent military rule that followed. This thesis posits that the issue of revenue allocation has been recurrent and contentious, indeed sometimes polemic in nature, among the various levels of government in Nigeria since the colonial period.

Another challenge was that successive military regimes changed the face of fiscal federalism in Nigeria, by abolishing the former revenue formulae which reflected federal principles and replacing it with an increasingly more centralized system. They created first the vertical revenue allocation formulae to share revenue between the federal level and states, and then horizontal formulae between the states and local councils. Nigeria operates a federal constitution, but a dominant federal government in fiscal matters and other facets of national life has tended to portray her as a unitary state; this is particularly so because of the long history of military rule and its associated command structure (Ayorinde and Uga, 2001:313). The sub- division of

the nation into 36 states including the federal capital was not intended as a dual sovereignty, but as a system of cooperative and complementary federalism (Graf, 1988: 137-141). It argued however that Nigerian governments over the years have increased the number of states, as a strategy to diffuse the pressures from the powerful natural resource producing regions and ethnic minorities. Nevertheless, conflicts between federal and state governments were firmly rooted in partisan political disputes and access to resources and patronage.

It posits that, while it is not an easy task to come up with a satisfactory formula, the issue of devolution of power has to be looked at and taken care of first, before going on to the issue of an acceptable revenue formula, and this has not happened in Nigeria. The regime of the late General Sani Abacha could have corrected it in 1995, through a committee it set up headed by the late Abdulrahman Okene to address the problem of devolution of power between the three tiers of government, but unfortunately the report of that committee was not implemented.

K.C. Wheare, a pioneer scholar of federalism, argued that the purpose of federating units is not just to have a big centre that will share money, but to have constituent units that will be strong enough economically to support the centre (Wheare, 1964:11). This thesis identified that one major area of contention and agitation among the sub national governments on the revenue sharing formula has been the manipulation of the area of advantage of each region or state. Criteria such as the size of landmass, terrain, and population can determine how much a state gets from oil revenue sharing. The allocation of high percentages to these indices put some states in an advantageous position: whether they contribute less to the nation's revenue base or not, others, particularly the Delta region, are disadvantaged in the areas of landmass and population, but the resources from their region contribute from 70% to 80% of the national treasury. It therefore posited that this is not an equitable and productive system of allocating resources, it negates the principles of fiscal federalism, and this is the main source of conflicts and separatist agitations in the oil- producing region.

Because the horizontal revenue formulae over the years have included the principle of equality of states that distributes 40% of the statutory allocation to states on an

equal basis, irrespective of inputs, clamour for state and local government creation has increased and became a tool in the hands of political and military leaders to capture more oil revenue allocation to their various constituencies from the Federation Account. It was argued that the more the number of states and local councils, the larger the oil revenue for the region containing them. Another major finding of this research is that the politics of power has become a central issue, that is, which region controls political power, and how power can be restricted to the North or South, East or West, Yoruba, Hausa or Ibo. This is because whoever holds political power also controls almost everything in Nigeria, including the issues of revenue allocation, and this arrangement constitutes a major challenge to good governance in Nigeria, as it produces bad political leadership most of the time. Therefore:

> The people of Nigeria are suffering due to lack of leadership from within the country. As a result, the dangers from corruption and mismanagement are growing, causing concern for the coming 2011 elections. Nigeria hopes to be among the top twenty world economies by 2020 but this will not happen unless its leadership-at all levels, including federal, state and local government and civil society leaders- becomes organised and take direct responsibility for the people. The country and any hope of reform or moving forward are undermined if the government lacks legitimacy in the eyes of the people. (BAPPG, 2009: 2-4).

In this regard, the speedy implementation of the electoral reforms, by adopting fully the recommendations of the Justice Mohammed Uwais Electoral Reform Committee of 2008, will be the first stage in making the peoples' vote count in an equitable manner in electing their various political leaders.

7.1.2 Oil Revenue Management and Socio-Economic Development in Nigeria

This thesis has analysed how oil contributed significantly to Nigeria's political and socio-economic development in both chapters 1 and 3. But the question is 'how has the management of oil revenues impacted on Nigerian socio- economic development? The pre-oil economy was dominated by agriculture, but that suddenly changed in the early 1970s with the influx of huge income from oil revenues, and it seemed to have set the country on the launch pad for meaningful socio-economic development.

However, this has not happened; despite Nigeria's endowment with oil and other natural resources a substantial portion of its population are still poor because of the failure of successive governments in managing its wealth effectively (Thomas and Canagarajah, 2002:4). The thesis posits that various policy distortions in the management of the economy have undermined the efforts of successive regimes to effectively tackle poverty. Most of Nigeria's oil wealth has been squandered by large scale corruption and mismanagement since the 1970s, and the majority of the population are left impoverished without basic services such as electricity and a reliable public health care system (Reuters, 2009).

The thesis also argues that all these have had negative impacts on human development and welfare in the country. Nigeria with its formidable petroleum resources is no doubt one of the rich countries with poor people in the world, with per capita income in real term lower than at independence in 1960. There is, however, enormous potential to develop the economy through investment in other sectors such as agriculture, mining, construction and real estate, but this has not taken place and Okonjo-Iweala (2009:22) concludes that:

> Little progress has been made in putting in place the infrastructure, and consistent microeconomic and sectoral policies needed to encourage private sector investment to induce this growth. This has largely been due to serious corruption and governance issues. Little progress will be made as long as monies intended to upgrade and install new infrastructure are not directed to their intended uses.

Part of the findings of this research is that most of the explanations for the resource curse, particularly the internal or domestic explanations as analysed in chapter 2 of this thesis, readily find applicability in Nigeria's case, where poor management of excessive oil revenue has precipitated bad governance, political instability, lack of linkages between tax and government accountability, corruption and the weakening of democratic structures. Oil revenue has also allowed various regimes to reward political clients in order to remain in power, irrespective of their contributions, positive or negative, to the development of the country. It has also hindered the ability of Nigerian governments to fully undertake meaningful reforms that will benefit the majority of its citizens, because most of the accumulated massive oil revenues have over the years served the voracious appetite of the political class. This

explains why the most important explanation for Nigeria's socio-economic development woes is the gross mismanagement of its resources by successive governments. In order to reinvent the wheel and position the country on a path of sustainable development, corrupt practices must meet with serious consequences.

Another finding of this thesis is that the additional revenues accruing to the various tiers of government have not been used judiciously to develop their various constituencies and states, to create employment and a better life for the people, but have been to a large extent misappropriated by those in political authority. The brazen looting of state treasuries across the federation by the state governors and other top government officials, some of whom are standing trial for corruption charges for plundering state funds amounting to millions of United States dollars both in Nigeria and outside the country, attest to this fact. The main issue now for the government is to see that justice is done by punishing the wrongdoing of those former top officials and prevent future wrongdoing.

Therefore the thesis posits that the anti-corruption agencies must be strengthened by giving them more autonomous power and making them truly independent of both the executive and legislative arms of government, and not an appendage of any of them. This would guarantee non-interference from all the three arms of government in the agencies determination and concerted efforts to prosecute corrupt persons mismanaging public resources, either within or outside the government. The restrictions on legal proceedings against public office holders such as the President, Vice President, Governors and Deputy Governors, as contained in the section 308 (1-3) of the 1999 Constitution of the Federal Republic of Nigeria, should be reviewed and removed so as to pave the way for the prosecution of any public office holder, no matter highly placed they are.

This would make all public office holders conscious of the consequences of mismanaging public funds, and would minimise drastically the brazen looting of government finances as witnessed in the past, especially since 1999 by the various office holders whom this immunity clause protected and aided to perpetrate the looting of the funds in their various offices. This would also go a long way to achieving the cardinal objective of good governance, which incidentally is in line

with the goals of the African Union's African Peer Review Mechanism (APRM). The 1999 constitution and its provisions such as section 308 (1-3) was part of the recklessness and arbitrariness bestowed on the people of Nigeria by the past military regimes, which handed it down to the present democratic government during the transition period in the late 1990s.

7.1.3 The Impacts of Economic Reforms on the Allocation and Management of Resources

The return to civilian rule in 1999 brought with it a ray of hope for change and development, after nearly two decades of military misrule. The civilian government finally settled down to business after it was re-elected for the second term in 2003; it initiated and implemented some governance and institutional reforms, particularly within the federal government structures. However do the post-2000 socio-economic reform programmes present a different structure from the former system in the allocation and management of oil revenues, and what are the impacts of these changes?

The oil-price-based fiscal rule (OPFR) was the major oil revenue management structure of National Economic Empowerment Development Strategy (NEEDS) introduced in 2004. It allocates oil revenue annually to the three tiers of government, based on realistic budgeted oil revenue irrespective of the price of oil at the international oil market, and saves any amount above the budgeted price in the Excess Crude Account (ECA). These reform policies contributed positively in the areas of oil revenue management, creating for the first time in the history of Nigeria a saving account for oil revenue. The case before was to pay all the oil revenue into the Federation Account, spend it all, and even borrow more against future revenues. The establishment of fiscal prudence, strict monetary policy and low deficit/GDP rates produced single digit inflation during the same period (DMO, 2007:3). Other positive impacts of the reform include the accumulation of huge foreign reserves, and debt exit from both the Paris and London Clubs of creditors.

There has been an appreciable improvement in the operations of public agencies and in the allocation of resources in Nigeria since 2004, because other agencies such as Bureau of Public Procurement (BPP) and the Nigerian Extractive Industries

Transparency Initiative (NEITI) were established to complement the oil revenue management policy. For the first time also in the history of Nigeria, monthly revenue allocations to the federal, state and local governments are being published in every national daily, against the wishes of state governors and other government officials. Furthermore, for the first time in decades in 2004, Nigeria met and exceeded its national macroeconomic targets; from 2003 to 2007 the average annual real GDP growth was 6.5% as against 5 to 6% targeted. There was also a significant annual growth in the non-oil sector, as the share of oil contribution to the GDP from 2000 to 2006 declined from 48 to 37% and agricultural output increased by 6.1% in 2003 compared to 4.0% in 2002 (DMO, 2007:3; Nigeria Monthly, 2005:14-15 and IMF, 2008:5).

This thesis concludes that, even where progress has been recorded, it is now at risk of being jeopardized due to the level of inactivity and lack of political will of the Yar'Adua government to forge ahead with the reforms since June 2007. This signals a return back to the 'status quo' of misrule and flagrant looting of the common good.

7.1.4 Revenue Allocation and Struggles for Socio-Economic Development in Niger Delta

This thesis has established that the oil and gas from the region has been a major source of revenue supply to the Nigerian government, which should have translated to accelerated socio-economic development of the region. But this was not the case: instead, social services and infrastructure ranging from transportation to healthcare delivery system are in a state of disrepair. It posited that the main reasons for this state of crumbling social infrastructure and services in the region were inadequate attention and lack of political will by successive regimes to effect positive changes in the developmental needs of the Delta. But 'are their major turning points in the debate about the revenue allocation process and struggles for change in the Niger Delta?'

The thesis then argued that it was against the background of this economic deprivation and government policies of dispossession of land and its resources that community protests erupted in the early 1990s. The increased intra-community, inter-community and inter-ethnic conflicts, and those between communities and the

IOCs, was coupled with various demands for infrastructural and other socio-economic development from the federal government and the IOCs.

The impact of these changing strategies, and of the huge financial resources claimed to have been expended on socio-economic and infrastructural development of the region, has not been substantially felt. Therefore, it was a continuation of further demands that led to the introduction of the 13% derivation principle as a major integral element of revenue allocation formula during the 1995 Constitutional conference, which was later gazetted into the 1999 constitution in section 162 (2). This marks a major turning point in both revenue allocation and struggles for change in the region.

The payment of the 13% derivation fund from 2000 has increased the revenue income of the 9 Niger Delta states. Despite these huge oil revenue receipts, the level of infrastructural development did not improve substantially during or immediately after this period. The reason was due to the flagrant looting of these funds by the state and local governments' officials, particularly the state governors. Most of the former governors are being tried in law courts for corruption charges both within and outside Nigeria. This was one of the major reasons why the Niger Delta crisis has persisted side by side with increases in oil revenue since 1999 that the massive oil receipts failed to touch the lives of the people. As it stands now the opportunities are being eroded due to failure at all levels of governance in the Niger Delta states, and unless there is a drastic reversal, even if the derivation principle is increased to 50% it will still not make any difference to the level of economic development in the Niger Delta; rather, most of the allocations will end up in the various private bank accounts of the few political elites in the region. This is why the communities have continued to agitate, giving room for the crisis to deepen, Therefore, if the Niger Delta Regional Development Master Plan (NDRDMP) is implemented to the letter, it will go a long way in bringing about a sustainable socio-economic development in that region.

7.1.5 The Persistence of Agitations in the Delta and Sustainability of Oil Production in Nigeria.

This thesis examined the challenges of increasing agitations for resource control in the Niger Delta and the resultant socio-economic and environmental impacts on the region and how it poses challenges to the sustainability of oil production in Nigeria. But 'to what extent does the escalating contestation around resource capture affect the sustainability of oil production and policies regarding fiscal federalism?' The thesis posits that the crisis in the Delta region has a fairly long trajectory. After independence, the first set of political leaders also continued the colonialist oppressive regime over land and its mineral resources in the Delta. The armed resistance movements from Isaac Boro's twelve-day revolution in February 1966 to the now commando-style operations of the Movement for the Emancipation of the Niger Delta (MEND) were all reactions to these oppressive regimes. This thesis concludes that the reasons for the persistency of the agitations for resource control in the Niger Delta is underdevelopment[55] and lack of opportunities; it then argued that the acceleration of struggle and contestation around resource capture has escalated dramatically, shaped policy regarding fiscal federalism, and affected the sustainability of oil production in the Delta.

For example, shortly after the National Political Reform Conference (NPRC) and the failure of the government to take action on its report submitted in 2005, which recommended the increase of the derivation fund allocation to the Niger Delta states from 13% to 17%, the Movement for the Emancipation of the Niger Delta (MEND) came into existence in December 2005. They launched unprecedented attacks on the oil industry facilities including the Bonga floating oil production platform located in over 200 kilometres offshore. Close to a million barrels of crude oil were shut in and there were losses of some $20.7 billion worth of oil revenue in the first 9 months of 2008 via violent resistance by MEND and other groups. The future of oil exploration and exploitation in the Niger Delta by the federal government might be gradually drawing to a close, unless urgent and far reaching solutions such as the ones contained in the recent Niger Delta Technical Committee reports are sincerely

[55] See section 5.2 and 5.3 above for the analysis of socio-economic development and the nature of underdevelopment in the Niger Delta.

implemented with a vibrant political will from the federal government and the return to the practice of federalism at least as it was at independence in 1960.

Reacting to the wrangling at the National Political Reform Conference, a prominent leader of the Urhobo Progressive Union (UPU) from the region said that if the requests tabled at the conference were not accepted, it automatically meant that the region been counted out of the Nigerian federation. There would be no option other than to gain independence, just as Nigeria gained independence from the British rule in 1960. These are the opinions of the majority of the radical leaders, the political class, youth movements and advocacy groups in the Delta. Such opinion seems to be on the increase by the day, which portends great challenges to the future of oil production in that region by the Nigerian state.

As stated in chapter 6 of this thesis, whichever approach to resource control is adopted by the federal government, one thing is clear: that the people of the Niger Delta want a form of ownership and a sense of participation in oil production, from the allocation of oil blocks to the actual sales of the crude oil, and in the process decide how negotiations about the future of their environment and livelihood would be sustained. Anything short of this would not bring lasting peace and solutions to the crisis. No matter the level of militarisation and intimidation from the federal government, it is evident that the level and dimensions of the resistance have been steadily increasing until it assumes an ungovernable state.

The federal government should also adopt dialogue whenever there is crisis in the region; the deployment of military troops over the years has not brought peace to it, rather it further exacerbates tension and crisis in the region. Consequently, further attempts to use militarised strategies to tame the volatile area will always end up in frustration. It is only through multiple approaches that genuine results could be achieved, such as the amnesty granted to the militants in 2009. But how government manages the post-amnesty programme will determine its final outcome. This thesis concludes that the dynamics of oil and fiscal federalism pose a major challenge to governance and development in Nigeria, in the sense that it has ignored the productive contributions of the federating units and based revenue allocation on

predatory politically-motivated parameters. That has over the years resulted in failure to achieve a satisfactory path of economic and social development for Nigeria.

7.2 Wider Implications of this Research

This last segment suggests some wider implications of this research for the management and allocation of oil revenue in the developing oil-dependent countries, and also for the resource curse thesis in general.

Generally, this thesis has explored the challenges of perceived underachievement of economic growth in natural resource-dependent developing countries, particularly the failure to deliver on the potential promises of rapid socio-economic development that mineral resource, in this case oil, generated. And in particular, it has examined some of the major consequences and challenges to governance and socio-economic development in Nigeria, through the lens of the dynamics of oil and fiscal federalism. It began with a theoretical review of the political economy of development in oil and mineral-dependent countries in chapter 2, by defining what the resource curse is and what it is not. It examined the resource curse thesis not just because it is the main available framework within which to look at this topic but also because of its heuristic function and posited that the resource curse is not inevitable: there is nothing fundamentally bad about abundance of natural resources, but the nature of its management by the individual resource dependent countries will determine its consequences.

The resource curse thesis states that the natural resource-dependent developing countries, as a group, have experienced lower economic growth than other developing countries. It posits that the resource curse is not just about the endowment of huge oil reserves or mineral deposits, but it is the irresistible dependence on such resources as the main source of government revenue that leads to the curse. This is calculated in terms of the Mineral Dependence Index, MDI which is measured as a percentage contribution of such natural resources to merchandise exports or GDP.

First of all, an analysis of the empirical findings from this research shows that the assertion that the natural resource-dependent developing countries as a group have experienced lower economic growth than other developing countries is not entirely correct. Rather its application varies from one group of developing countries to another. Data from table 2.7 shows that the top 5 ranking countries according to HDI were mineral-dependent countries, and out of the top 10 ranking, 8 were mineral-dependent. These countries were not only top ranking above the less and non - mineral-dependent developing countries for 1991 and 2009, but the progress had also been faster than the non mineral-dependent countries; Brunei Darussalam, Kuwait, Libya, Oman and Saudi Arabia achieved successful development while maintaining or even increasing their MDI alongside.

Within the same period, other mineral-dependent countries depreciated in human development as indicated by the table: Trinidad and Tobago, Venezuela, Colombia, Indonesia, Papua New Guinea and Botswana. Table 2.7 also shows that despite these decreases, the level of human development in some of the countries, like Trinidad and Tobago, Venezuela and Colombia, still ranked at par with or better than other major non mineral-dependent and industrial developing economies such as China and India. On the other hand, six countries (Mexico, Malaysia, Brazil, Jordan, Morocco and Zimbabwe) that were permanently non mineral-dependent in tables 2.1 to 2.3 throughout the 36 years period from 1970 to 2006 also depreciated in their ranking of human development from 1991 to 2009.

This thesis also observed that most of the economic analyses on the resource curse have been undertaken by running regression analysis, and in most cases the Gulf Cooperation Council (GCC) countries are treated as though they were not part of the resource-dependent group. They are actually the leading ones, and at the same time have been experiencing not only economic growth and quality human development since 1990s, but have also accumulated huge savings and investments that now drive international capital by their various investments at home and internationally. Most of the explanations for the negative effects on growth of oil and mineral-dependence in the natural resource-dependent countries, which were applicable in the 1970's and early 1980's, are no longer applicable to all the resource-dependent countries,

particularly the top GCC countries, but are still evident in the sub Saharan Africa and other developing natural resource-dependent countries.

From the foregoing analysis, the negative effect of mineral or oil-dependent on the various countries concerned occurs on a country case-by-case basis; it is not as a group of countries that the mineral-dependents have experienced negative economic growth or are 'cursed'. While some of the mineral-dependent countries like the GCC in the Middle East and Libya in Africa since the 1990s have experienced unprecedented economic growth and development, at the same rate or even more than some non mineral dependent, other mineral-dependent countries such as Angola, Congo, Niger and Nigeria have not been able to take advantage of their natural resources to develop the economies of their various countries; instead they have plunged into mass poverty, conflicts and underdevelopment. This thesis argued that the main explanations why the huge income from natural resources have resulted in underdevelopment, mass poverty, conflicts and civil wars, are endemic corruption, mismanagement and the exorbitant profligacy of most of the political class and leadership of these countries, both military and civilian regimes.

Secondly, with regard to internal explanations such as political instability and civil war, most of the wars that have occurred and are still going on in the natural resource rich countries of the Middle East such as Iraq are not ordinarily instigated because of the presence of oil and gas, but are due to the resistance by the various countries against the rapacious economic interests of the West led by the United States and its allies, mostly under the pretext of wanting to install democratic governance at all cost. Also in other natural resource-dependent developing countries, particularly in Africa, resource conflicts are based on resistance to and reaction against long term neglect and socio-economic deprivation in the mineral resource rich regions, the capture and corrupt control of the revenues accruing from such resources by the central governments and their lack of accountability to the citizens. This is why conflicts over resources are not happening in Norway or other developing resource-rich countries such as Oman, Brunel, Qatar, United Arab Emirates and Libya. If wars happen merely because of the presence of natural resources or greed to loot, and not resistance against socio-economic deprivation, these types of conflicts should be happening in other resource- rich countries.

Thirdly, in the course of analysis this research discovered that there is no significant link between the World Bank's governance quality indicators and the level of human development in some of the natural resource-dependent countries. While the indicators which measured governance quality in selected countries from 1996 to 2008 in table 2.6 revealed a real multiplier effect in terms of progressive positive human development or otherwise in some countries, the indicators did not show any major impact in some of the selected countries. For example Libya had an overall negative governance index as against Botswana with an all positive overall governance index. If the quality of governance and institutions matter, as indicated by the positive development outcomes in Norway, Canada and Chile, then there must be factors other than the quality of governance, because the progress and quality of human development as indicated by the WDI and HDI is far higher in Libya than in Botswana.

Collier and Goderis (2009) also posited that the resource curse is not inevitable; rather it depends upon a threshold level of governance. The quality of institutions also matters, and the institutions that really matter are the ones with strong checks and balances (Collier and Hoeffler, 2008). It shows therefore that neither is abundance of natural resources an impediment to economic growth and development, nor is dependency on those resources. The most important issue is how the political and economic leadership of the individual natural resource-dependent countries set out sound economic governance structures, for the long- term strategic management and investment of huge revenues accruing from such resources that would determine whether the resource would be a blessing or curse. The implication of this finding, first for the resource curse thesis in general, is that some of its basic assumptions that were tenable 20 years ago are no longer tenable.

This shows that knowledge is incremental, and that the theoretical framework or body of knowledge should be constantly reviewed in accordance with new developments. Secondly, for the "resource cursed developing countries", whose natural resource has not been able to bring the majority of its citizens out of poverty, this research shows that the major reasons are endemic corruption and mismanagement by the political leadership of these countries, and that reforms in the revenue and expenditure mechanism could reduce predation, and direct oil revenues

into productive channels that will benefit the people at large. But the extent to which these reforms would be consistent in order to benefit the countries or otherwise is also dependent on the political will of the leadership, for example as shown by the acceleration and deceleration of the reforms programme in Nigeria.

7.3 Areas for further Research

If time and resources had permitted, a comparative analysis of other similar developing federal states such as Indonesia and Argentina would have been valuable in supporting the arguments put forward. The issue of local content was briefly addressed in chapter 2, looking at the extent of direct involvement of the indigenous workers in both the downstream and upstream sectors of the oil industry. Further research could show how the challenges of fiscal federalism, resource predation and corruption identified in this research have been resolved in the context of these other federal states. For example, Nigeria and Indonesia were almost on the same level of socio-economic development in the early 1970s, but 40 years after in 2010, Indonesia has been able to achieve socio-economic development at a much faster rate than Nigeria, despite facing similar challenges of resource dependence. Malaysia, Mexico and Argentina would appear to show similar results.

A second issue identified during the fieldwork that could be explored further is the life cycle of state and local government budgets in the Delta and the other fieldwork location in Kaduna, to see how budgets are actually developed and executed. The budget year in Nigeria runs from January to December. This would have given more empirical insight into the mismanagement and looting of the massive oil revenues in the Delta and other states, in addition to highlighting the arrest and prosecution of some state governors.

Moving away from the thesis to areas of further research, as analysed in this study the quality of institutions and governance needs to be sufficiently strong for the citizens of the various resource-dependent countries to benefit from its resources. But it has been suggested that of still more importance is the quality of the political leadership that will drive governance reforms. A study of the leadership and management principles of the political elite in the various natural resource-dependent countries would shed light on this question. This could be done by grouping the

countries that have deployed their natural resources to improve the human development of their citizens consistently over recent years. The GCC countries represent one such grouping; a second would be those resource-dependent developing countries that have not been able to utilize their natural resources in this way. The research would seek to identify differences between the two groups in the structure, organisation and behaviour of political leaders, the kind of decisions taken by them and their political will to effect major changes in the socio-economic conditions of their countries. Such research might suggest important solutions to other major challenges being faced by the countries in the second group on how to harness their natural resources for the benefit of the majority, rather than predation and corruption by small elites.

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Appendix A: List of Interviewees

1. Alhaji Shehu Yahaya Federal Commissioner (Kaduna State), Revenue Mobilisation Allocation and Fiscal Commission (RMAFC).
2. Chairman – House of Representative committee on Finance, Appropriation and Revenue Allocation National Assembly, Abuja.
3. Chairman committee on Finance, Appropriation and Revenue Allocation, Delta State House of Assembly, Asaba Delta State.
4. Chairman committee on Finance, Appropriation and Revenue Allocation, Kaduna State House of Assembly, Kaduna.
5. Chairman committee on Oil and Gas Delta State House of Assembly, Asaba Delta State.
6. Chairman Federated Niger Delta Ijaw Communities, Warri.
7. Chairman Senate committee on Niger Delta, National Assembly, Abuja.
8. Chairman Traditional Rulers of Oil Mineral Producing Communities (TROMPCON), Warri Delta State.
9. Chairman, Senate committee on Finance, Appropriation and Revenue allocation National Assembly, Abuja.
10. Chief Economic Adviser to the president and Chairman National Planning Commission, Abuja.
11. Co-ordinator, the Amalgamation of the Niger Delta Youth, Warri.
12. Delta State Commissioner for Inter Ethnic Relations and Conflict Resolution, Asaba Delta State.
13. Director General, Budget of the Federation (BOF) Ministry of Finance, Abuja.
14. Director of Planning and Research, National Economic Intelligence Committee (NEIC), the Presidency, Abuja.
15. Director of Renewable Energy Development, NNPC Abuja.
16. Director of Research and Planning Debt Management Office (DMO), Abuja.
17. Director of Research and Planning, Federal Inland Revenue Service (FIRS), Abuja.
18. Director Planning and Research, Central Bank of Nigeria, Abuja

19. Dr Bright Okogwu, Special Assistant to the Hon. Minister of Finance and Acting Executive Secretary Nigerian Extractive Industries Transparency Initiative (NEITI), Abuja Nigeria.

20. Dr Daniel Omoweh, Senior Research Fellow, Nigerian Institute of International Affairs (NIIA), Lagos.

21. Dr John Ayam, Department of Politics and Strategic Studies, Covenant University Otta, Nigeria.

22. Dr Peter Odofin, Political Science Department, Ahmadu Bello University, Zaria, Kaduna State.

23. Dr Robert Asogwa, Head of Research and Planning Unit Petroleum Technology Development Fund (PTDF), Abuja.

24. External Affairs Manager Shell Petroleum Western Division, Warri.

25. General Manager, National Petroleum Investment Management Services (NAPIMS) Abuja

26. General Manager, Nigerian Local Content Development Unit (NNPC) Abuja

27. Members of the Movement for the Emancipation of Niger Delta (MEND), Warri.

28. Mr Michael Hugman Technical Assistant to the Director General and Special Adviser to the President on (Budget) Budget Office of the Federation, Federal Ministry of Finance, Abuja.

29. President Arewa Youth Congress (AYC), Kaduna.

30. President Ijaw National Congress, Warri.

31. Professor. Anthony Adegbulugbe – Special Adviser to the President on Energy Matters, the Presidency Abuja.

32. Professor Adebayo Adedeji former Nigeria Minister for Economic Development and Reconstruction (1971-1975), former Executive Secretary UN Economic Commission for Africa (UNECA) and Chairperson of the African Peer Review Panel of Eminent Persons. African Centre for Development and Strategic Studies (ACDESS), Ijebu Ode Nigeria.

33. Professor Ayo Dunmoye Department of Political Science Ahmadu Bello University, Zaria Kaduna State.

34. Professor Matthew Olarotimi Ajayi, Head Department of Politics and Strategic Studies, Covenant University, Otta Nigeria.

35. Public Affairs Manager, AGIP Oil company Warri.

36. Representative of the Chairman Economic and Financial Crime Commission (EFCC), Abuja.

37. Representative of the Chairman of Independent Corrupt Practices and other related offences Commission (ICPC), Constitution Avenue, Abuja.

38. Representative of the Chairman, Revenue Mobilisation Allocation and Fiscal Commission (RMAFC), Abuja.

Appendix B: Photographs of the Niger Delta Relevant to the Research

Figure 5.3 Bonny Oil Export Terminals

Source: SPDC, 2007:9

5.4: Oil installation in the Niger Delta

Source: NDDC, 2006:107

Figure 5.5: A common source of supply of drinking water in rural villages in Niger Delta.

Source: (NDDC, 2006:102)

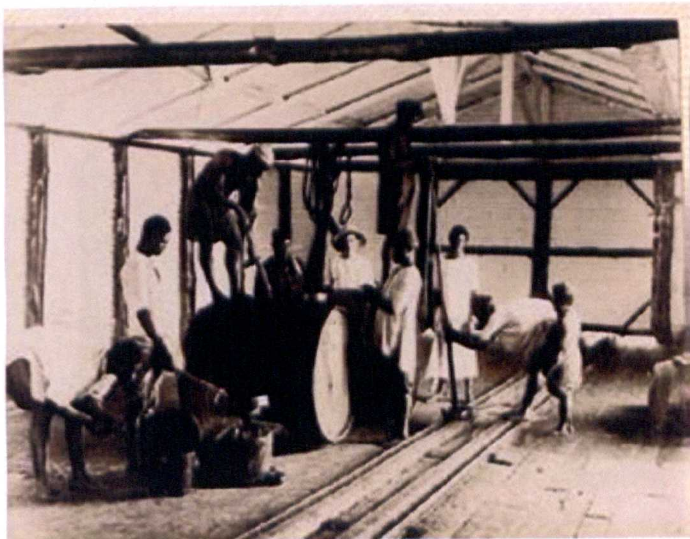
Figure 5.6 A Primary School Classroom without Desk and Seats in Tungbo, Bayelsa State

Source: (NDDC, 2006:87)

Figure 5.7: Commercial Road Transport on Benin-Ore Dual- Carriage Way

Source: (NDDC, 2006: 83)

Figure 6.1 Men Sampling Palm Oil Cask, in Bakana, 1896



Source: Ed-Kashi, 2008: 73

Figure 6.2: One of the pictures of the Twelve-Day Revolution

Source: Tebekaemi, 1982: 34

Figure 6.3: Isaac Boro (on left) and his lieutenants (Nottingham Dick and Samuel Owonaro) after their release from jail on August 4, 1967

Source: Tebekaemi, 1982:37

Figure 6.4: Showing the Murdered Ogoni 9 Ken Saro Wiwa (middle) and 8 others

Source: Movement for the Survival of Ogoni People (MOSOP) website at www.mosop.net/MosopHeroes.htm

Figure 6.5: Armed MEND militants display their weapons in the swamps of the Niger Delta

Source: Ed-Kashi, 2008: 14

Figure 6.6: General Boyloaf Field Commander of MEND in an interview with the BBC.

Source: BBC News: 2009

Figure 6.7: Children Play on the Oil Pipelines in Okrika[56].

Source: Ed-Kashi, 2008: 14

[56] This conflict-ridden oil-producing town 10 miles to the southeast of Port Harcourt on the Bonny River has experienced oil leaks and oil fires along these pipelines,

Figure 6.8: the Site of the 1998 Jesse Pipeline Fire Incidence

Source: BBC, 2009 online at http://news.bbc.co.uk/1/hi/world/africa/3009756.stm

Figure 6.9: Loading a Barge with Stolen Oil at a Swamp Flow station

Source: Legaloil.com/images.asp

Figure 6.10: Illegally Installed Valves to steal Oil from Pipeline System

Source: Legaloil.com/images.asp

Figure 6.11: Workers subcontracted by SPDC cleaning up an Oil spill from an abandoned well in Oloibiri, Bayelsa State.

Source: Source: Ed-Kashi, 2008: 61

Figure 6.12: The Mobil Exxon Gas plant looms in the background, in Finima with its displaced people

Source: Ed-Kashi, 2008: 89