Resource Control and Revenue Allocation Problems in Nigeria: 
Implication for National Peace 

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Abstract: The struggle for who gets what, when, and how of the oil revenue has continued to be a source of hostility and powerful politics in Nigeria and has great effect on the continued existence of Nigeria as a nation. Apart from money and materials losses, the degree of human losses in the incessant struggle in the oil producing communities is unquantifiable. To this end, an avenue must be created to prevent the incessant conflicts to allow peace and progress to reign in Nigeria. The paper recommended that the Federal Government should allow the oil producing areas to control their resources in line with true fiscal federalism or at least the oil producing areas should be given 50% of revenue accruing from the resource in their domain.

Keywords: Resource Control, Revenue Allocation, Conflict, National Peace

I. Introduction

The year 1957 marked a turning point in the history of Nigeria federating nation as oil was discovered as its main source of economy. Prior to this period, each component region of Nigeria had its main source of economy, for instance, the Northern part of the country is reputed for the production of groundnut pyramid, the West cocoa production while oil palm was produced in economic quantity by the Eastern Region. With the change to monolithic economy by Nigerian, revenue allocation and formula for allocating resources become a problematic issue causing resentments and clog the wheel of the nation progress and development. The dimension which the agitation for resource control and revenue allocation has taken is shaking the Nigeria state into its very foundation and even threatening its continued co-existence. Therefore, this paper examines the conflicts associated with resource control and revenue allocation as well as the impacts of the conflicts on Nigeria socio-political development.

II. Resource Control and Revenue Allocation: Matter Arising

There is no disputing the fact that issue of resource control and revenue allocation has taken a precarious dimension in Nigeria. For instance, the Niger State Governor who is currently the Chairman of Northern Governors’ Forum, Dr. Babangida Aliyu, while inaugurating the Advisory Council of Sir Ahmadu Bello Memorial Foundation in Abuja, ascribed the underdevelopment and poverty of the Northern Nigeria to the poor allocations the 19 states in the region receive from the federation account. He equally sees the 13 per cent derivation allotted to oil-producing states as cheating on the northerners and therefore, called for its scrapping (www.punchng.com, February 24, 2012). Prior to Governor Aliyu outburst, the Governor of the Central Bank of Nigeria (CBN), Mallam Lamido Sanusi, had claimed in an interview with Financial Times of London, that the low financial allocation to the northern states was the major reason for the underdevelopment and activities of such groups as Boko Haram. Following Sanusi assertion and coupled with Aliyu’s outburst, the nation polity is thus heated and consequently polarised along North and South divides.
The issue has resulted to “politics of verbal attack and name calling”. For instance, a social critic and Second Republic parliamentarian, Dr Junaid Mohammed convened a meeting of Northern academics, media men, businessmen and political leaders of Northern origin in Abuja where he challenged the southerners that the North is ready for Nigeria’s break up, Mohammed asserts thus

So, whatever they want, we are ready for it, including the breakup of the country. If they want to initiate moves to break up the country, fine. If they want to secede and form their own Odudua Republic or the MOSSOB people want to re-enact the Biafran tragedy, they are welcome to it. But they should know that it is not going to be their own decision only; it is going to be the decision of all Nigerians (www.sunnewsonline.com, March 4, 2012).

He further lambasted the southerners to go to places as the northerner are not depended on them he states unequivocally that

It is up to them to say this is what they want and come out clearly. We are tired of people speaking to us in codes, in clichés and stupid meaningless agitation. Let them tell us they don’t want to be part of Nigeria; let them tell us they want to be part of the Odudua Republic. That will be fine. If those in the MOSSOB are demanding that they don’t want to be part of Nigeria, fine. If the terrorists in MEND and NDVF or whatever they call themselves say they also want to have their own state, fine. Let me tell you, in the event of the breakup of Nigeria, which will be very unfortunate, the North is the only component that will remain one and united. And we will retain Abuja as the capital of that truncated Nigeria much to our displeasure. We also have two other cities which could serve as capital of Nigeria. Kano is as good as a capital anywhere in Africa. Kaduna will be good a capital too. Don’t forget, Kaduna was the capital of Northern Nigeria. So going back to Kaduna will be the natural thing for us to do. So what is all the farce? What have we gained from being a part of Nigeria? Tell me! I don’t know what I gained for instance. Look at the revenue allocation formula and tell me how this revenue allocation formula can ever allow peace and stability in any country, not just in Nigeria, which already they say is an artificial creation. And let me tell you that in the event of the breakup of this country, Ilorin and Offa will remain 100% Northern Nigeria and not one each of land will be ceded to them (www.sunnewsonline.com, March 4, 2012).

There are also different outbursts from the southerners in their reactions to the demand by the North for a new allocation formula of oil resources in their favour. For instance, some key South-South figures described the call as insulting and a further proof that the North is “ungrateful” to the South. The founder of the Niger Delta Peoples’ Volunteer Force (NDPVF), Alhaji Mujahid Dokubo-Asari, declares that

I have said it before and I will continue to reinforce it; Nigeria is a forced union and such cannot stand the test of time. Very soon, we in the Niger Delta shall commence what we call Operation Occupy Niger Delta Resources; once that starts, we shall lead a protest to the President with a warning that no dime of our oil money should henceforth, be sent to the north which has all these years, criminally manipulated the Nigerian state to the extent of claiming more population than the south, a situation that has resulted in the parasitic accumulation of our resources to their desolate local government areas which are mere structural entities without human beings. It is now time for both the UN and the AU to come to Nigeria and conduct a scientific population analysis of the country; I make bold to say that Kano state is not more populated than Bayelsa not to talk of Lagos state. This is the fraud they have used to criminally determine the sharing of resources (http://tribune.com.ng, March 9, 2012).

In the same vein, Professor Itse Sagay, argues in response to the Northerners agitation for more revenue sharing and allocation that
I have been following the debate like others; unfortunately, those who speak on behalf of the Niger Delta on the issue have failed to hit the nail on the head. They should be bold enough to ask their northern colleagues, where the nation’s revenue comes from- instead of caressing the issue rather cautiously. The northern part of this country does not contribute anything to the national purse. If the area that produces the resources has just a token of 13 percent, the remaining 87 percent is free gift to the entire nation, particularly the North that has nothing to show for its existence. At the Political Reform Conference in 2005, we went to the Federal Ministry of Finance to get figures and facts about what each of the zones contributed to the commonwealth. What we saw was amazing; the North-West brings nothing, the same with the North-Central and North-East. The South-East and South-West brings minor but the South-South contributes 91 percent. The posture of the northern governors is the height of ingratitude and insult on the people of the oil-producing areas because they would have been bankrupt if not for the revenue that has been accruing to them from the proceeds of oil and gas. This is a wake-up call on the people of the oil-bearing region. For instance this is the time to come together and fight intellectually for the anomaly in the uneven allocation of oil blocs in the country. You will observe that because of the long stay of the north in power at the centre, they manipulated the process and cornered these blocs to the disadvantage of the south; today, you have all juicy oil blocs in the hands of the north. Now that Jonathan is there, I would not want to sound being immodest by calling for a revocation of the blocs allocated to the northern businessmen, but from the look of things, they have decided to take the entire South for a ride, so Jonathan should ensure that he corrects this imbalance by allocating more oil-blocs to people in the South to make up for the inequity in the sector (http://tribune.com.ng, March 9, 2012).

In his own reaction founder and President of Oodua Peoples Congress (OPC), Dr Frederick Fasheun, insists on return to the independent constitution that gave the component region the right to exploit mineral resources in their areas while paying 50 per cent tax to the centre government. He argues thus

50 per cent of whatever you derive in your backyard, you explore and exploit and sell and pay a particular per cent to the centre and you keep the rest for your own good, for the welfare of your people (www.sunnewsonline.com, March 11, 2012).

Fasheun went down the memory lane to buttress his arguments, using Nigeria independent constitution when each region had different economic resources in their different regions and they were entitled to 50 percent of such resources. He states thus

At that time, we had the groundnut pyramid; we had cocoa pyramid, palm oil and those who owned the commodities enjoyed 50 per cent derivation. Why have we changed that figure? At some point, the figure went as low as three per cent. That was not fair. That is why some of us started agitating for a national conference to reorder and restructure the country, to make it a truly federal state, where there will also be fiscal federalism. (www.sunnewsonline.com, March 11, 2012).

He then supports the call that state should control the resources in their area and give certain percent to the central. He states that

In other words, what God has endowed you with is yours. The fact that we are together can make you pay some percentage for that togetherness. That is true federalism. I think the northern commentators are wrong to demand a restructure of our federalism along a derivation principle that will dance to their own tune. I
think it is wrong. Are there no commodities that they can explore and exploit in the North? Nasarawa picked precious stones on the ground. Why are we not spending money to make sure that we have precious stones in Nasarawa? We have coal in Enugu. Why have we abandoned exploration for coal in the East? Why have we downplayed Tin in Jos? Why have we downplayed the availability of gold in Ilesa? We have done all these because there is oil. That principle has put us where we are (www.sunnewsonline.com, March 11, 2012).

With the verbal wars and outbursts, the battle line is being drawn along North/South divides, seeds of discord is already being planted and conflicts has raised its ugly head once again regarding the issues of revenue allocation and resource control. The political manipulation, calculations and scheming still continues. All these pose a great danger to the continuing existence of Nigeria as a unified nation.

III. Review of Literature

A. Resource Control

One of the contemporary issues in the political economy of oil in Nigeria is the ownership question or what has come to be termed ‘resource control’ (Chijioke et al., 2012). Sagay (2001) cited in Igbuzor (2007), posits that resource control is the power and right of a community or state to raise funds by way of taxation on persons, matters, services and materials within its territory. That is, resource control is the right to manage and to exercise authority over the resources both natural and created within the state’s territory by the state. To Ojo (2010), resource control is the right vested on the communities or state of derivation to levy customs and excise duties on goods manufactured in its territory. Such resources as mineral land rents, and oil royalties should be managed by the communities or state of derivation, rather than the federal government. This will go a long way in ameliorating the problems associated with resource control.

The problem of how to share resources according to Ukwueze (2011) has generated a lot of heat which is almost suffocating the whole nation. This is because Nigeria’s fiscal relations centers on the fundamental question of who gets what, when and how of the national cake. Given that Nigeria is a monolithic economy with the overdependence on oil and to the detriment of other areas of economy, there are agitations, reactions and demonstrations among different ethnic groups in Nigeria, to the extent that some people have taken up arms in order to get their share of oil booty.

The struggle for the control of the nation’s resources according to Ikeji (2011) has been based on the regional “cleavages” and entangled with political conflict. Resource control has thus being associated with political considerations with the purpose of influencing wealth allocation from federation account.

The political economy of resource control according to Orji and Jaja (2007) has assumed the status of an impediment to the socio-economic development and political stability of Nigeria’s democracy. To this extent therefore, Orji and Jaja warn that unless some urgent meaningful steps are taking, there will be no socio-economic progress in Nigeria. They thus advise that, any workable step at the resolution of the conflict associated with resource control must adopt a holistic approach. This is because the degree of violent issue relating to resource control has reached its crescendo to the extent that the political stability and socio-economic development of the nation is being threatened. The reasons given for the violent reaction especially on the part of Niger Delta communities include deprivation, and environmental pollution which has consequently bred youth restiveness and militarism.

Dibua (2004) further highlights the problems being faced by Niger-Deltans which include oil spillage, constant gas flaring which resultant effect is environmental degradation. Farming and fishing which were the main means of livelihood of these communities prior the discovery of oil were seriously hindered thus, making majority of the Niger Deltans to live in abject poverty and penury. It is thus disheartening that the oil-producing communities remained marginalised and lacked basic infrastructural facilities. This according to Salami (2011) is attributable to the revenues allocated to the oil producing states which is not commensurate with the environmental destruction being witnessed in those areas. Thus, there is a need for more revenue to accrue to the oil producing areas in the Niger Delta to improve the deplorable conditions in the area.
The centralization of the wealth derived from the exploitation of natural resources in the hand of the federal government is another source of conflict over the control of the wealth from crude oil exploration in Nigeria. The centralization according to Dibua (2004) has made the federal government too powerful and authoritarian thereby negating the operation of true fiscal federalism and made the federal government to distantly itself from the people such that the revenue from the exploitation of natural resources were not used to implement policies that would promote sustainable development in the country as a whole and the places of derivations in particular.

B. Revenue Allocation

One of the recurrent problems which always generate tension in a deeply plural and divided society like Nigeria is the issue of inequitable revenue allocation. In all federal systems, there is usually revenue sharing among the levels of government, in Nigeria for instance revenue is being shared among the three level of government that is, the federal, states and local government called intergovernmental fiscal relations due to third tiers system of federalism being practiced in Nigeria.

Akeem (2006), Mai-Lafia (2010) and Ikeji (2011) assert that revenue allocation is the distribution of nationally generated revenue among the various tiers of government in the federation to reflect the structure of fiscal federalism. That is, the structure of the nation determines the system of resource allocation, in other words revenues are disbursed according to constitutionally prescribed responsibilities. Thus, the stability of a nation as a political entity depends to a large extent on revenue allocation. To Salami (2011), revenue allocation is the re-distribution of fiscal capacity between the various levels of government, or the disposition of fiscal responsibilities between tiers of government. Revenue allocation is about fiscal relations that exist in a federating state, it is about the allocation of government resources to the various tiers of government in federalist state.

The major sources of Nigeria’s revenue are from petroleum taxes, mining rents and royalties. Nigeria has a revenue distribution system in which the central government shares revenues with state and local governments. The major problem of intergovernmental revenue sharing in Nigeria according to Phillips (1971) has always been the formula for sharing revenues among regions and states, that is, the horizontal sharing scheme. A fundamental problem in Nigeria’s revenue allocation is that revenue allocations since 1970 have been driven largely by political manipulations and formula factors which include jurisdictional population and state equality, rather than by factors related with economic development imperatives. Mai-Lafia (2010) argues that the major reason for the demand for more revenue among the federating component of Nigeria is to enable the three tiers of government in Nigeria have adequate financial base to cope with their constitutional functions. Thus, the issue of revenue allocation is one of the recurring controversial issues. Salami (2011) argues that Nigeria revenue allocation formula allocates more funds to the federal government to the detriment of the states and local government which he described as form of imbalances in revenue allocation. This is corroborated by Ekpo (2010) who argues that the fiscal arrangement in Nigeria is characterised by excessive concentration of fiscal powers in the federal government and that there is no correspondence between the spending responsibilities and the tax powers and revenue resources assigned to different levels of government. The concentration of fiscal powers in the hand of federal government according to Iguzor (2007) was tantamount to violation of the principles of Federalism as applied to revenue allocation. The true federal political systems allow the federating units to have the right to control the resources within its domain which Nigeria resource allocation system has bastardised.

IV. Resource Control: Implication for Nation Peace and Security

Since the inception of the entity called Nigeria following the 1914 amalgamation, there has been schemes, schedules, modes, methods and patterns of relationship among the federating units in terms of administration and finance (Chijioke et al., 2012). This was carried over to the post independence Nigeria where unrelenting struggle for resource control and revenue allocation has constituted a threat to the continue existence of Nigerian as one indivisible nation. The crisis associated with the control of oil resources has to do with the formula for allocating revenue among component units of the nation in that each state is scheming and embarking on political manipulations with the intention of getting more allocation for its area.
The year 1990 was very significant in the history for the struggle for resource control in Nigeria. This year a renowned environmentalist Ken Saro-Wiwa formed a new group in Ogoniland, South-south Nigeria known as the Movement for the Survival of the Ogoni People (MOSOP). This Movement helped in championing the cause for the liberation of Ogoniland against environmental degradation and pollutions. The movement also took the agitation for the resource control to international level by linking resource control to minority rights, true and fiscal federalism. The struggle continued till Saro-Wiwa was found guilty of felony by the military tribunal set up by General Sanni Abacha and was consequently hanged along with eight other Ogoni leaders in 1995.

Further to the above in 2002, the struggles for resource control resulted into litigation as the federal government of Nigeria instituted a court action against the oil producing states with respect to the offshore/onshore oil dichotomy in the Supreme Court. However, the ruling of the Supreme Court could not resolve the resource control controversy; instead, it resulted in the intensification of the resource control agitation (Dibua, 2004). The court scenario was aptly captured by Ikeji thus

The most recent development in the struggle for the control of oil resources in Nigeria is the recent Supreme Court action instituted by the federal government against the oil producing states with respect to the offshore/onshore oil dichotomy. The April 2002 decision of the Supreme Court to exclude the revenue derived from offshore drilling in the calculation of the revenue attributable to the oil producing states based on the derivation principle, has failed to resolve the controversy. “There arose a dispute between the federal government on the one hand and the eight littoral states of Akwa Ibom, Bayelsa, Cross River, Delta, Lagos, Ogun, Ondo and Rivers States on the other hand as to the Southern (or seaward) boundary of each of these states. The federal government contends that the southern (or seaward) boundary of each of these states is the low water mark of the land surface of such state…(or) the seaward limit of inland waters within the state, as the state so requires. The federal government therefore, maintains that natural resources located within the Continental Shelf of Nigeria are federal government’s contentions. Each of the states claims that its territory extends beyond the low water mark onto the territorial water and even onto the continental shelf and the exclusive economic zone. They maintain that natural resources derived from both onshore and offshore are derivable from their respective territory and in respect thereof each is entitled to the “not less than 13 percent” allocation as provided in the proviso to subsection (2) of section 162 of the Constitution (Judgement by the Supreme Court, 5 April 2002). (Ikeji, 2011:123)

The problematic situations of revenue allocation in Nigeria federalism in recent time have led the nineteen Northern Governors to question the criteria being used for the revenue sharing. Dr. Muazu Babangida Aliyu of Niger State who is the Chairman of the Northern Governors’ Forum, while delivering a speech at the 6th Annual Conference and General Assembly of the Society for Peace Studies and Practice organised in collaboration with the Nigerian Army Peacekeeping Centre, Jaji, Kaduna State argues that the review of the current revenue formula was long overdue and that the constitution stipulated that the exercise be carried out every 10 years. Therefore, he blames the lopsidedness in the sharing of the country’s revenue for the inability of the Northern states to embark on developmental projects. This agitation for more revenue by the northerners attracted reactions from the Southerners especially from the South-south geo-political zone of Nigeria who accused them (the Northerners) of being ungrateful and so, the South-south are now demanding for total control of the resources in their domain. The South-south geo-political zone of Nigeria based their argument on the premise of ‘True Federalism’ which implies that the component of a federal nation should pursue their own developmental programmes at their own pace, using resources within their territory. Contrarily, Nigeria’s federating units continue to mount pressure on available resources of the South-south. Such pressure makes it impossible for any meaningful development in the area (Chukwuemeka and Amobi, 2011).

V. Resource Allocation: Steps taken so far
At some stage in the pre-independence period, a considerable number of commissions were set up to look into the problems of Nigeria’s fiscal federalism with the intention of finding solution to the problem of revenue allocation yet the issue persisted. This led to series of post-independence commissions that were equally set up to provide the needed solution to fiscal federalism arrangement for the country. Several principles have been developed and implemented such principle include the principle of Derivation; Need; Population and Even Development. Other includes, Equality of State; National Interest; Independent Revenues and continuity of Government Services. Also, Financial Comparability; Fiscal Efficiency; Tax Efforts; Minimum National Standards and Equality of Access to development Opportunity were developed to tackle the problem of revenue sharing. All these developed and proffered solutions were to no avail. While the northerners were agitating for more allocation the southerners were calling for the total control of the resource.

VI. Conclusion and Recommendation

In view of the fact that the oil-producing communities remained marginalised, deprived, exploited and have suffered serious cases of oil spillage. Furthermore, the communities are subjected to constant gas flaring associated with oil exploration and environmental degradation where farming and fishing activities which are other means of livelihood of these communities were seriously destroyed. The consequent of which made the Niger Deltans to live in poverty without adequate basic infrastructure facilities such as roads, schools, electricity, hospitals, and potable water. In addition, the degree of human losses as well as material loses in the incessant struggle in the oil bearing communities is alarming, because whenever the federal government deployed the military to the area to quell civil disobedience it always results into loses, not of properties alone but also of human lives. Therefore it is recommended that the federal government should handover completely to the producing areas in line with true fiscal federalism as being practiced in the developed world like United States of America or at least the oil producing areas should be given 50% of revenue accrued from oil.

VII. References


