

**NIGER DELTA QUESTION, OIL AND FISCAL FEDERALISM IN
NIGERIA: AN HISTORICAL EXCURSUS**

Nwachukwu J. Obiakor

Department of History and International Studies

Nnamdi Azikiwe University, Awka

DOI: [10.13140/RG.2.2.14922.03528](https://doi.org/10.13140/RG.2.2.14922.03528)

Abstract

This paper discusses the Niger Delta Question in the light of myriad of issues bothering Nigeria's fiscal federalism. Given the view that the Niger Delta question has continued to defy all panacea adduced for its resolution, there arises the need to go beyond the rhetoric of marginalization of the region to an examination of the causes of the region's economic challenges and social malaise. These challenges can best be explicated within the purview of the perceived imbalance in Nigeria's fiscal structure. More so, aside the investigation of the fiscal relations among Nigerian governments, this study also attempts a history and discourse on the politics of revenue allocation in Nigeria. This study employed the thematic and analytical methods of historical research. The themes studied herein are presented in chronological order. The inter-disciplinary approach was utilized in the collection data. This study observes that that the imbalance and inequity in the fiscal regimes of the Nigerian state are the reasons for the myriads of challenges confronting the Niger Delta people. This study recommends a total and comprehensive restructure of Nigeria's fiscal relations to reflect what obtains in other functional federal systems. This is because a restructured system will reflect on the fiscal regime of the Nigerian state so as to protect the interests of all federating units. This will also permanently proffer solution to the Niger Delta question thereby promoting equity, peace and national cohesion.

Keywords: Niger Delta Question, Oil, Revenue Allocation, Fiscal Federalism, Derivation

Introduction

The Niger Delta region of Nigeria has undeniably transposed into a site for scholarly inquiry of many and varied ramifications. The socio-economic marginalization of the region coupled with the difficult environment and the ecological disasters occasioned by the activities of oil companies have become recurrent themes in many international symposia, conferences, workshops and seminars. In the academia, the position that the Niger Delta question has assumed can be simply inferred from the plethora of disciplines that push to have a say on the Niger Delta issue. These disciplines range from those in the

humanities to the social sciences, law, management sciences, natural sciences, engineering and medical sciences. In fact, the Niger Delta question appears to have become an established multi-disciplinary field¹. What then sustains this fervid interest in the Niger Delta of Nigeria despite plethora of works churned out on the region? What reasons actuate the continuous research interest in this area of Nigeria even when there are now Research Centers, Journals, Books, Monographs, and so on, in which intellectual enquiries into the Niger Delta anchor?

The issues of economic marginalization and political neglect from various Nigerian governments and the lack of social responsibility on the part of Multinational Corporations (MNCs) are amply explicable for the level of underdevelopment in the Niger Delta. It is pertinent to reiterate that what obtains in the region dates back to the colonial times in 1958, when Sir Willink's Commission Report observed that the Niger Delta was deplorably poor and neglected and recommended that a federal board be appointed to consider the challenges confronting the area. This formed the root of the Niger Delta question. The proponents of this position are, thus, inclined to believe that the inability of successive governments to permanently put an end to the deplorable state of life in the area accounts for the crises therein. The inherent challenges in the region derive from the ambivalent Nigerian fiscal federalism.

Consequently, this problem of revenue allocation and resource control has been a very sensitive one and many regime and administrations which have attempted to grapple with the problem have always come out with soiled hands. Nigerian federation is a queer and unique creation which has equally evolved to contrive some unique and queer revenue allocation formula between the central government and the federating units. Federalism has been generally understood to be a form of government where the component units and the central government of a political organization participate in sharing powers in a functionally cooperative manner ...². The features of federalism include; "the method of dividing powers so that the general and regional governments are each within a sphere coordinate and independent"³.

It is therefore not difficult to observe that the fulcrum of any federal system lies in a statutorily stipulated arrangement/division of powers which ensures mutual interdependence and independence of the central government and federating units. Although, it is pertinent to observe that no country has been

able to domesticate all the principles of federalism; it is better said that federal systems vary from country to country. Accordingly, J. I Elaigwu opines that; “the particular political coloring that a country’s federal government takes is often reflective of its historical experiences, its political, cultural, social and economic environment and the disposition of its people at a particular point in time”⁴. 13. The complexities of federal systems notwithstanding, it is incontestably clear that an agreeable fiscal federalism is indispensable to the health of any federal system.

Land and People of the Niger-Delta

The oil states of Nigeria otherwise referred to as the Niger Delta region is a densely populated area and geographically occupies the area enclosed by longitudes 50 and 6; 45 East and latitudes 40 401 and 60 101 North⁵. The Niger Delta is occupied and inhabited by many ethnic nationalities, among who are the Ijaw, Urhobo, Igbo, Ibibio, Itsekiri, Anang, Ikwerre, Kalabari, Efik among others.

Before the advent of colonialism, the various peoples of the region have related with each other; sometimes competitively, consensually and conflictual⁶. With the advent of colonialism, the area became known as the Oil Rivers Protectorate (1885-1893); and from 1893 the region became known as the Niger Coast protectorate and since then the suffix "Niger Delta" has stuck⁷. We may not know exactly when the various peoples of the Niger Delta began to arrive at their present abode. What is clear, however, according to C.C. Ifemesia is that “the communities inhabiting the coast and hinterland of South Eastern Nigeria had settled in their present locations long before the beginning of the 19th Century”⁸.

In any case, recent investigations have shown that in the Niger Delta, large-scale dislocation and movement might have happened because of the disruptive effects the slave trade. However, ethno-linguistic units have remained "very much the same for three, four or five centuries earlier"⁹.

It is worthy of note that while K.O Dike asserts that no one ethnic group has the monopoly of the peopling of the Niger Delta due to its heterogeneous nature¹⁰, A.I Moro on the other hand maintains that "the Ijaw, own more than seventy per cent of the long stretch of land that constitutes the Niger Delta harboring the prodigious oil wealth..."¹¹. Whatever the point, C.C Ifemesia suggests that the Niger Delta people may have taken descent from a common ancestry. Ifemesia further notes that:

What would appear to have happened is that, at some date in remote antiquity, a fairly large group of original Ijo stock lived in the central Ijo area in the neighbourhood of the Igbedli-Sagbama creek, and later in the Nembe area. From there, at an early date and in various stages, they dispersed thinly all over the delta, until they covered the area from the Mahin River in the west to the Opobo River in the East. Later, this original Ijo stock was expanded and galvanized by migration from Edo and Itsekiri, the Igbo, Ibibio and Efik regions¹²''.

The Urhobo people are located at the upper area of the rain forest and the swamps of the South. They are found in Delta and Ondo states. The people are mostly farmers whose farmlands have been deteriorating as a result of the discovery of oil in the area (Ughelli and Kokori Islands). Apart from these core areas of the Niger Delta, the politics of oil has added three additional states to the list viz; Ondo, Abia and Imo states. Whilst Ondo is largely occupied by the Yoruba, Abia and Imo are conspicuously peopled by the Igbo.

Generally, the Niger Delta area measures about 70,000 square kilometers. It is the southernmost part of Nigeria stretching from the Nigeria-Cameroun boundary in the East to the Ondo-Ogun boundary in the West¹³. The area is bounded on the North by Enugu, Ebonyi, Anambra, Kogi and Ekiti States, whilst the Atlantic coast forms the natural boundary on the South. By extension, what is now referred to as the Niger Delta comprises about 1,600 communities in nine states of southern Nigeria, namely: Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers. The inhabitants of this crucial and life-line of the Nigerian state also speak about 55 languages and inhabit 185 out of the 774 local government areas in the country. Its population is estimated at over 30 million people accounting for more than 23% of Nigeria's total population¹⁴. More so, they are rated as the World's third largest wetland, and extend over about 70,000 m and makes up 7.5% of Nigerian's land mass¹⁵.

TABLE SHOWING ETHNIC NATIONALITIES THAT MAKE UP THE OIL STATES (UNDER THE NIGER DELTA DEVELOPMENT COMMISSION)

SN	STATE	NAMES OF ETHNIC NATIONALITIES
1	Abia/Imo	Igbo (Southern Igbo)
2.	Akwa Ibom	Anang, Andoni, Eket, Ibeno, Ibibio, Okobo, Oron,

		Obolo
3.	Bayelsa/Rivers	Abua, Andoni, Degema, Engenni, Epic, Gokana, Igbo, Izon, Ogoja-Kugbo, Odual, Ogbogolo
4.	Edo/Delta	Bini, Ebu, Esan, Etsako, Etuno,(Akoko Edo) Igbo, Itsekiri, Isoko Ijaw, Owan, Uneme, Urhobo
5.	Cross-River	Abayom, Awagwuna, Alege, Agoi, Akpet-ghom, Anyima, Bacheve, Bahumono, Bekwarra, Bette, Boki, Efik, Efutop, Ejegam, Ekajuk, Evant, Ikom, Iyalla, member, Mbube, Nde-Nsele-Nta, Nkum, Nkukoli, Obut, Obanliku, Otant, Qua, Kukele Uiyanga, Yache, Yako
6.	Ondo	Ebirra, Ijaw (Iron), Yoruba

Culled From: M. A. Onwuejogwu, The Multi-Ethnic Nationalities of Nigeria and the Problems of Governance, Ibadan, Institute of African Studies, 2009, pp. 38-62.

Defining the Niger Delta Question

It may be a little difficult to establish the genesis of the usage of the term 'question' in relation to the underdevelopment and other challenges in the Niger Delta region of Nigeria. Be that as it may, the phrase 'Niger Delta Question' refers to as embodying the totality of the issues that triggered off the face-off between the government of Nigeria and the people of the Niger Delta. The question is: what is the Niger Delta question and how does it qualify as a national question? This study views the Niger Delta question as the sum total of the grievances, demands and struggles in the Niger Delta region of Nigeria which inheres from the deprivations, marginalization and other injustices meted out on the people of the Niger Delta. Also there has been the tendency of viewing the Niger Delta question to include the activities of the oil companies and the attendant environmental degradation and health challenges on the people¹⁶.

TABLE SHOWING PHASES OF THE NIGER DELTA AGITATIONS

S/NO	PERIOD	FORM
1	1885-1956	Resistance to colonial rule. Petitions seeking the establishment of an administrative unit for the Niger Delta
2.	1956-1980	Petitions and law suits
3.	1980-1990	Non violent protests against oil companies
4.	1990-1998	Organized agitations with substantial youth and intellectual involvement

5.	1998-2011	Law Suits Militant activities/ Youth Restiveness
----	-----------	---

The elevation of the Niger Delta issue to a national question could be explained from the economic and security implications of the crisis in the area on the survival and sustenance of the Nigerian state. In other words, the Niger Delta crises became a national question since its varied implications have the capacity of altering the political foundations of Nigeria.

Federalism, Revenue Allocation and the Principle of Derivation in the Nigerian State

Federalism refers to that form of government where the component units of a political organization participate in sharing powers and functions in a cooperative manner¹⁷. As a concept, the term Federalism is traceable to the American political evolution¹⁸. It is noteworthy to observe that the founding fathers of federations and early writers on federalism used the term "Federalism" and 'con-federalism' interchangeably. Eme Awa, in this regard notes that "the founding fathers of America often used the term federal and con-federal synonymously¹⁹. In any case, the modern usage of the two terms now differs significantly and can rightly be understood as opposites. For, a Confederation is now understood as a union of states which have their independent status virtually intact.

A federal system on another part has over the years distinctly assumed the form whereby authority and functional competences are shared among different levels of government²⁰. Federalism involves basically the combination of shared rule within a single political system so that no unit is subordinate to the other. Ronald Watt posits that; Federalism like other systems of government is dynamic in spite of the colonial experience and the over centralization tendencies of Nigeria's federalism from 1960. Till date, federalism remains a viable system for the allocation of power between governments and as an instrument for national integration²¹. A restructure of Nigeria's federalism in which each of the states must become autonomous in theory and in practice is the panacea. Nigeria should be reinvented to become a true federal state with clear demarcations of powers and functions among the levels of government. The issue of the fiscal autonomy between the central government and the federating unit should be resolved once and for all. National questions involving the distribution and

allocation of resources should be tackled in a sincere and constructive manner especially through the convening of a national conference.

It is pertinent to observe that Nigeria's brand of federalism is a compromise between nationalists, especially those from the southern part of the Country and the British/Northern politicians. Thus, from the earliest time, the federal structure was compromised. Recall the secessionist threat of the North over the allocation of seats in the legislative arm of government. The 1954 constitution that laid the framework for federalism in Nigeria could not tackle the centripetal issue of fiscal relations between the federal government and the federating units. In capitulation, it appointed the Chick/Philipson Committee to undertake the onerous task. Since then the issue of revenue allocation has been a recurrent theme in Nigeria's federalism. However, this problem is not peculiar to Nigeria. Indeed, in almost all 23 countries that practice federalism, the problem of how to allocate revenue to different tiers of government in relation to the constitutionally assigned functions always rears its ugly head. What is, however, vexing in Nigeria is the level of discordance between fiscal capacity of the various levels of government and their expenditure responsibilities²².

The history of the principle of Derivation as one of the most salient contrivances in the bid to finding a solution to the fiscal debacle between Nigerian governments must be located within the general history and evolution of Nigeria's federalism. As usual, emphasis is placed on the politics of the Lugardian imbroglio of 1914. R.C Nwokedi puts the argument better in his submission that:

The history of creating a central account for Nigerian federation to which the regional governments contribute and also receive their allocation of revenue began when the scheme of amalgamation in 1914 was introduced by Lord Lugard, the first Governor General of the amalgamated Nigeria. The scheme...placed the administrative areas of the Northern and Southern Nigeria under two Lieutenant Governors... Each Lieutenant Governor was required to submit his annual budget of revenue and expenditure for approval and incorporation into the general budget.. This is the genesis of fiscal federalism in Nigeria²³.

In the Lugard's arrangement, the fiscal relation between the North and the South was parasitic²⁴. In fact, the amalgamation itself was essentially for the purpose of relieving the burden on the colonial government of the dependence of the North

on its financial grants and to tap the financial resources of the South to offset the deficit incurred in running the Northern Administration²⁵. Suffice it to state that the North had received grants from Her Majesty's Government (the British government) averaging £314,500, the eleven years ending in March 1912²⁶. We can therefore, see that lopsided fiscal arrangement in today's Nigeria has deep historical antecedents.

It was more or less in order to remedy this fiscal imbalance in the wake of the regionalization that has been introduced by the Richard's Constitution of 1946 that a one man commission known as the Philipson Commission of 1946 was appointed to advise the government on revenue allocation. Sir Philipson was known to have recommended the principles of derivation and even development with derivation as the dominant principle²⁷. The principle of derivation implied that each region (as was then) should receive revenue from the central government in proportion to its contribution to the centrally collected revenue. The Philipson Commission intended the derivation principle to promote fiscal discipline in the regions. On the basis of derivation, it was envisaged that each region must necessarily relate its expenditure to available resources²⁸.

Historically, many principles have been adopted in the allocation of resources in Nigeria's federalism. The principles adapted to date include: social development and absorptive capacity, equality of states, population, fiscal autonomy, national interest, even development and of course derivation principle. None of these principles have been free from the iron slam of critics as each of them has attracted a number of criticisms from fiscal federalists, economists, historians and social scientists. As was stated earlier, the Nigerian brand of federalism was a compromise such that whenever any policy does not protect the interests of a section, loud protestations and wailing lamentations are made by the disadvantaged. This appears true in the area of fiscal federalism.

The principle of Derivation has attracted the most significant attacks and protestations, especially, by those who appear to be disadvantaged vis-a-vis working. Indeed, it was the dominant criteria up to the mid-70s until the appointment of the Aboyade Technical Committee and the Minority Report of the Okigbo Revenue Allocation Commission in 1981 which advised that "this principle should not feature again in the revenue allocation scheme²⁹. However, the resurgence of the Derivation principle in the 1995 constitutional conference and the 1999 constitution reveals to a great extent the indispensability of this

principle as a framework for revenue allocation in Nigeria. Ginigeme Mbanefo, *et al* report that, “empirical enquiries have shown that influenced the revenue allocated to the regions/states³⁰.

As a resource allocation principle, Derivation is best suited for Nigeria's socio-economic situation. Although, it would appear to be that the first attempt to introduce the Derivation formula as a framework for revenue allocation in Nigeria could not work smoothly as the Philipson Commission saddled the principle with another seemingly contradictory principle, Even Development. In practical terms, the principle of Derivation seemed to be in tandem with the principle of Even Development but contradicted one another. First, there was at that time, no efficient or adequate administrative machinery to obtain accurate statistics on certain important sources such as corporate tax, excise duties, import and export duties on which the principle of derivation would be applied. Second, population which should be the most suitable index for determining the principle of Even Development was not given adequate attention³¹. In line with this, Mbanefo, *et al* point out that the principle of Derivation was used to share revenue that accrued from import and excise taxes on tobacco; import duties on motor fuel; salt and Spirit, export duties and mining rents and royalties in accordance with regional consumption of the products on which tax revenues were obtained. As stated above, the principle was attacked because it negated equity due to several factors.

Accordingly, it was observed that central to the criticisms was the lack of accurate statistics on the regional distribution of imported (other than tobacco and fuel) products³². Indeed, it was reported that figures for regional consumption of the affected items were based on broad assumption and approximation. More so, the Country at its state of development then, did not possess the capacity to effectively handle the calculations required from time to time. Thus, to share revenue generated from customs duties to the regions on the basis of the amount of imported goods represented a blatant violation of the principle of equity and fairness³³.

It is pertinent to point out that Derivation could not work effectively on the taxable capacity of only imported goods. However, with the emergence of oil, the calculations of the revenue based on the barrels of exportable crude become a lot easier. The discovery of oil and its attendant elevation to the highest revenue earner for Nigeria has had various implications for Nigeria's fiscal federalism,

especially on resource allocation and the principle of Derivation. The antagonists of the use of derivation argue that it bred inequality among the states. A. O. Philips for example contends that "there was increased inequality in inter-state revenue between 1970/71 and 1974/75 fiscal years and that it increased from 0.48% in 1970/71 to 0.74% in 1974/75 fiscal years (all as a result of the use of derivation)³⁴.

Derivation principle has been a very contentious issue in Nigeria. This is because the major responsibility of government is the promotion of the welfare of the citizens. In order to do this, effective distribution of scarce but allocable resources is a *sine qua non*. To effectively distribute these scarce and allocable resources, a sound framework for distribution is paramount. This is even more crucial for Nigeria which practices a multi-level system with fiscal responsibilities vested in both central and lower level governments (federal, state and local)³⁵. The fiscal roles performed by various levels of government and their relationship with one another are appraised from a vertical and horizontal consideration.

The vertical structure deals with the distribution of revenues between the federal, state and local governments. The horizontal structure deals with the equalization factors among states to cater for their needs. Philips Usman agrees that "the allocation of distribution of resources among the component units of a federation can be quite contentious"³⁶. In tandem with Philip's position, Joseph La Palombara notes that "all problems of governance may be considered as distribution problems that may or may not reach crisis proportions"³⁷.

The Derivation principle and resource allocation in Nigeria has always been a weapon in the hands of the major ethnic groups, notably the Hausa-Fulani in the northern part of Nigeria, to control the development of other states. More often, the brunt of the imbalance in Nigeria's fiscal federalism has been borne by the oil producing areas which have variously voiced their disillusionment over the neglect and insensitivity they have experienced. The paltry 13% Derivation formula allowed the oil producing states by the 1999 constitution should be reviewed upwards. This is because oil prospecting, exploration and exploitation systematically destroy the environment of the producing areas; pollution and continuous flaring of associated gas create health hazards and render farming and fishing almost impossible; thereby emasculating the people from their sources of livelihood. In line with the above, Eghosa Osagie reports that:

This disillusionment takes an ominously political complexion...In the 1970s when successive military decrees progressively reduced the share of oil producing states in the federation account, one of the implicit reasons for such decisions was to prevent a situation where two states out of 12 states enjoying large amounts of oil revenue develop much faster than the others, thus introducing widening disparities in standards of living within the same country³⁸.

Thus, the military governments were able to use this weapon of revenue sharing) to halt the accelerated development of the two oil-producing states (Rivers and Bendel) in the 1970s. It is clear that the Niger Delta states are the major contributors of mineral revenue, and by implication, to the Federation Account. Majority of the States contribute very little to the Federation Account. Amounts received by states in the Niger Delta region reflect their Contributions.

CONTRIBUTIONS AND ALLOCATIONS TO ZONES (STATES AND LOCAL GOVERNMENTS) FROM FEDERATIONACCOUNT (JANUARY-APRIL 2005).

ZONES	AMOUNT RECEIVED BY EACH ZONE (IN BILLIONS)	% CONTRIBUTION	% ALLOCATION
North Central	N45.811	0.00	7.48
North East	N46.213	0.00	8.00
North West	N44.488	0.00	8.31
South East	N33.476	2.75	8.31
South West	N42.502	N3.97	7.43
South South	N145.171	912.54	17.3

Source: Extracted from the Budget Book (2005), Federal Ministry of Finance, the Punch (Lagos), Tuesday July, 12 2005. p.14

This study, therefore, observes that the crises in the Nigerian federation are mostly occasioned by the fiscal imbalance in the country both vertically and horizontally. The crisis that have emanated from resource distribution is the result of inequality and unfairness by the leaders of the component units of the federation. As individuals and groups compete to maximize their share of the scarce but allocable resources, conflicts easily emanate, requiring urgent attention to ensure the smooth operation of the system³⁹. The Niger-Delta

question is one which begs for an urgent answer and this study posits that an upward review of the revenue accruing to the area is critically imperative, if the Nigerian nation is to survive the next rounds of insurrection and crisis that emanate from the region.

Derivation principle has been severally criticized because, according to critics, it promotes regional hostility and disunity since it supports uneven development. For example, A.O Philips argues that derivation could lead to a radical shift in revenue from majority groups, which are very influential and powerful, to minority groups which are politically powerless. According to him, "Derivation could lead to a shift in political power which should not be⁴⁰. Suffice it to say that decentralization of power is not an anathema for a federal system; it is indeed, the hallmark of an ideal federal state. Other criticism against the use of derivation is that it is statistically demanding. Mbanefo, *et al* appear to have extensively studied these criticisms against the use of derivation principle, their contention is that the principle would not have been attacked on any front had it favoured the majority ethnic groups. In his contribution, Eghosa Osagie, having considered the four most prominent principles which have informed and had had bearing on Nigeria's resource allocation, *viz*:

- a) The principle of Derivation (source)
 - b) The principle of need (population)
 - c) The principle of equality (sameness)
 - (d) The principle of national interest (enhanced welfare). He advocates a revenue sharing formula thus
- (a) Equality of states 45%
 - b) Population 20%
 - (c) Social development factor 15%
 - (d) Internal revenue effort 20%⁴¹.

Without much ado, this study submits that any revenue allocation formula that ignores the derivation principle may not mean well for the country. The position of this study is that, instead of jettisoning the derivation principle, it should be upwardly reviewed to 50% and should be continually reviewed upwards gradually. This could, apart from ameliorating the years of neglect in the Niger-Delta, also spur the mining of crucial mineral resources deposited in other states of the federation for export.

The Discovery of Oil and the Emergence of a Monolithic Economy

According to Ibrahim Muheed, politics is local, but oil is global. Oil also known as black gold is a crucial internationally traded commodity that attracts foreign exchange. Accordingly, Ibrahim Miller maintains that for most developing countries, oil is a quick source of capital accumulation or Foreign Direct Investment (FDI)⁴². Thus, oil politics affects all states of the societies of people living in countries that are endowed with this vital source of energy. Also, huge revenues are realized from the wide differential between unit production cost and economic rent, royalties, petroleum taxes, oil exports, and so on.

The discovery of oil in Nigeria has been a mixed blessing. Apart from ushering in unparallel prosperity and improved well-being for a fraction of privileged Nigerians, especially those in government and their cronies in the employ of multinational oil companies, this princely possession has reduced Nigeria to a monolithic economy. An economy that is dependent on the vagaries and the politics of Organisation of Petroleum Exporting Companies (OPEC) and the attendant ups and downs of international petroleum crises. Oil accounts for more than 90% of Nigeria's export earnings. This dependence on oil has halted Nigeria's developmental ambitions. O. I Mbachu succinctly underscores this point when he posited that:

To say that the economy is heavily dependent on the oil industry will amount to an understatement as the oil industry is nothing short of a life-blood for the Nigerian economy. Like all energy resource dependent economy, the Nigerian economy remains highly unshielded from the swing and volatility that characterize world energy prices. Thus, a cycle of boom and bust in the international price has seriously affected macro-economic stability of the economy⁴³.

Mbachu went on to assert that Nigeria's case is worsened by the inability of the government to diversify the economy away from its over-dependence on crude oil production and export⁴⁴. The origin of oil exploration and exploitation in Nigeria actually pre-dates 1956 when oil was discovered in large and commercial quantity at Oloibiri in the present Bayiesia state. According to Lawrence Atsegbua, "The search for oil in Nigeria dates back to 1908 when the German firm known as Nigeria Bitumen Company Started drilling and exploring for oil within the Okitipupa area about 200 kilometers East of Lagos⁴⁵. Although, it would appear that the endeavour was not quintessential as oil was not available in commercial quantities at the site. The search for oil in Nigeria reached its crescendo with Shell Petroleum Development Company which was then known

as Shell D'Arcy, (later as shell B.P). Shell D'Arcy, as it was known then initiated a move in 1937 to scout for oil in Nigeria.

As a result of the World War II, oil exploration activities were halted until 1945 when Shell resumed its search for the black gold. By 1951, Shell had settled to drill oil at Iho, Imo state. It would appear that the enterprise did not yield many dividends. The company however, was not deterred as it proceeded to take its search efforts to Akata I, even though negligible amount of oil was discovered at Akata I, the site was eventually abandoned in 1954. Walter Emerole however, notes that Akata was significant to the search for oil in Nigeria because it gave the searchers the hint that oil was available in the Niger-Delta area⁴⁶. Thus, in 1956, Shell moved to Oloibiri and therein found oil to their satisfaction. At Afam too, oil exploration was favourable as large quantity of oil were also discovered.

Shell was not alone in the search for oil in Nigeria. Historical evidence show that since 1908 when the Nigeria Bitumen Company and the British Colonial Petroleum Company prospected for oil in Nigeria, most oil companies began to apply for concessions from Her Majesty's government. In 1938, Shell D' Arcy was granted licence to prospect for oil in Nigeria. In 1955, Mobil Oil Corporation received approval to mine oil as Satrap. In 1962, ELF came on-board and discovered Ohaji field and Ubata Gas Field⁴⁷. Again, in 1965, Agip found its first oil at Ebocha⁴⁸.

The rise to preeminence by Nigeria's oil sector did not commence with the discovery of oil in 1956. The rise to its current dominant position was a mid-1970s phenomenon. This was aided by an astronomical rise in national production and the hike in international price resulting from the Arab-Israeli war. The year 1979 and 1980 heralded Nigeria's oil boom era in terms of production, exports and earning Peak production in the boom era was achieved in 1979 with a yearly production of 845.463 billion, representing an average daily production of 2.3 million bpd⁴⁹.

The high level production in the oil industry coupled with the rise in the international market throughout the 1970s led to unprecedented inflow of revenue for the federal government. Ironically this prosperity did not affect Nigeria much, especially the masses. The monumental level of corruption in every facet of government ensured that the oil wealth got to the purse of a few comprador leaders in government and those of their cronies in business⁵⁰.

What is more, even though the growth in the oil industry enhanced Nigeria's position in the global energy market and in international politics, the overall developmental ambitions of the Nigerian state were dashed by oil politics, such that many analysts and scholars are given to the belief that Nigeria would have fared better without oil. Nigeria's oil blessing appears to be a curse- a Pandora box. Mostly the monolithic economy occasioned by Nigeria's over-reliance on the oil-sector has created an inverse relationship between economic growth and natural resources abundance. High levels of income inequalities has been created such that those employed in the oil sector whether upstream or downstream, now live as if they are not in Nigeria. The socio-economic hardships induced by the Structural Adjustments Programme (SAP) did not affect them since the Nigerian petroleum sector was not affected by SAP. Nigeria's monolithic economy has displaced more stable sources of revenue. For example, as a result of oil money, Nigeria has no commendable tax policies. The government seems to be beholden to oil exports and nothing else.

What appears to be the most harmful impact of Nigeria's monolithic economy is the lack of linkages between the oil sector and the economy in general. The forward and backward linkages which are considered desiderata for Nigeria's economic development with regard to industrialization are grossly absent. This is because the oil sector has continued to be run like an enclave sector. O.I Mbachu notes that given the low level of the oil and gas industry linkages to agriculture and manufacturing sectors of the economy and its low level of employment generation, the sector's main impact has been largely transmitted through the income effect⁵¹.

An undiversified economy is at the mercy of international predators much as its macro-economic stability is continuously assailed by the gyrations of the price of its mono-cultural export⁵². Nigeria's problems are partly occasioned by overdependence on oil export earnings. The Niger-Delta question would have been resolved justifiably if the federal government had developed alternative sources of revenue without having to depend excessively on the wealth of the Niger-Delta. In the United States for example, mineral wealth are owned by individuals, families, counties and boroughs that only pay tax to the Federal government. The United States can afford this because there are various ways through which it generates revenue⁵³.

In this regard, this study submits here that diversifying the revenue base of the government away from oil is not only politically expedient but economically imperative. This is a must, for without this the country is headed for more economic and developmental problems.

Conclusion

At the heart of the issues that have found anchor on the Niger Delta question lies on the nature of Nigeria's fiscal federalism. At the surface level, the Niger Delta question seems more predicated on the issues of economic marginalization and political neglect from various Nigerian governments with their foreign collaborators. However, it has been unarguably observed that the Niger Delta question hinges more on the injustices of Nigeria's fiscal set-up. The problem of revenue allocation and resource control has been a very sensitive one and indeed, attempts by different regimes with it always failed. Yet the ability of any federal state relies on the robustness of the fiscal relations between the center and federating units. In other words, the vertical and horizontal fiscal relationships among the tiers of government form the pillars upon which any federal state rests. Indeed, fiscal federalism is not a thing to be side-lined within federalism; and as such the Niger Delta question aptly buttresses the injustices and lopsidedness in Nigeria's federalism.

The Niger Delta question is as old as the Nigerian state. This hinged on the minority question and the inherent fear of domination that greeted the inclusion of the Oil Rivers Protectorate in the union that gave birth to Nigeria. This area is a land flowing ceaselessly with oil, and as such oil has been a major revenue earner for Nigeria. Immediately crude oil took the stage as the major revenue earner for Nigeria, the revenue sharing formula was distorted.

Nigeria's inability to apply the basic tenets of federalism as regards the issue of fiscal relations among the federating units, has entangled her to the shackles of underdevelopment, politico-economic crises and the proliferation of arms, which has adversely affected oil production in the area in recent times.

This study observes that there is an urgent need to embark on political restructuring of the Nigeria federation along four geo-political zones, *viz*; Eastern, Northern, Southern and Western regions. This is because most of the states that federate in Nigeria are unviable and cannot effectively federate, hence the crises and confusions inherent in the current arrangement. With a

restructuring of Nigeria's political system as canvassed above, a reconstitution of the fiscal system becomes inevitable. This study begs to recommend that all resources be communally owned. In this regard, the oil wealth in the Niger Delta region should be controlled by the people. The provincial or local government could be brought in to play a trusteeship role. The ultimate powers to determine what and how to deploy the wealth from the export of crude oil must reside with the communities, while at the level of vertical fiscal relations, the regional government will collect taxes for the export of crude petroleum. For the forging of the corporate entity, Nigeria, this study recommends that the communities' provincial governments as well as regional governments pay some percentage of their income to the central government, which may be referred to as Federal tax.

In the light of the foregoing, a sound fiscal policy as canvassed by this study will benefit not only the Niger Delta region but indeed the entire country. This will spur other federating units to look inwards towards discovering ways of creating wealth to enable every federating unit the resources to effectively federate.

Notes and References

1. A. S Akpoto, "Preface" in A. S Akpoto, *et al*, (eds) *Five Decades of Oil Exploration in Nigeria: Impact on the Niger Delta*, Abraka: Center for Environmental and Niger Delta Studies, 2012, p. 103.
2. Tekena N. Tamuno, "Nigeria Federalism in Historical Perspective" in Kunle Amuwo, *et al* (eds), *Federalism and Political Restructuring in Nigeria*, Ibadan: Spectrum Books, 1998, p. 13.
3. K. C Wheare, *Federal Government*, Oxford: Oxford University Press, 1963, p. 10. See also J. Isiawa Elaigwu (ed), *Fiscal Federalism in Nigeria: Facing the Challenges of the Future*, Jos, Aha Publishers, 2007, p. 12.
4. J. Isiawa Elaigwu (ed), *Fiscal Federalism in Nigeria: Facing the Challenges of the Future*, Jos, Aha Publishers, 2007, p. 13.
5. C.C Ifemesia, *South Eastern Nigeria in the Nineteenth Century: An Introductory Analysis*, Lagos, NOK Publishers, 1978, pp. 1-5.
6. Ibid
7. C.C. Ifemesia, *South Eastern Nigeria in the Nineteenth Century...* p. 1. .
8. Ibid.
9. K. O. Dike, *Trade and Politics in the Niger Delta, 1830-1835*, London, Oxford University Press, 1956, pp 29-30.
10. Ibid. p. 5

11. A. I. Moro, *Socio-Political Crisis in the Niger-Delta*, Ibadan, Spectrum Books Limited, 2009, p. 209.
12. C.C Ifemesia, *South Eastern Nigeria in the Nineteenth Century*., p. 1
13. K. E. Aniakor, "Militancy in the Niger-Delta: Implications of Nigeria's Economic Growth and Development in the 21 Century", An M.A Thesis, Department of History and International Studies, Nnamdi Azikiwe University, Awka, October, 2010, p. 25.
14. Ibid.
15. C.E Ezeugwu, "The Niger-Delta Crisis: A Moral Appraisal' in *Uzu: Journal of History and International Studies*, Vol. 1, No. 1, 2007. p.119.
16. See C. B. N. Ogbogbo, "Towards Understanding the Niger Delta Question: A Review of Osadolor's "The Niger Delta Question: Background to Constitutional Reform" in *Journal of Historical Society of Nigeria*, Vol.16, 2005/2006, p. 82.
17. T.N Tamuno, "Nigerian Federalism in Historical Perspective' in K. Amuwo, et al. (eds), *Federalism and Political Restructuring in Nigeria*, Ibadan, Spectrum Books/Safari Books, 1998, p. 13.
18. E. Onwudiwe and R.T Suberu, "Introduction: The Promise and Pitfalls of Nigerian Federalism" in E. Onwudiwe and R.T Suberu (eds) *Nigerian Federalism in Crisis: Critical Perspective and Political Options*, Ibadan, PEEFS, 2005, p. 4.
19. E.Awa, *Issues in Federalism*, Benin, Ethiope Publishers Limited, 1973, p.5
20. [http://: www.hrg.org](http://www.hrg.org) (Accessed 1/06/2012)
21. Nwachukwu J. Obiakor, "The Niger Delta Question and Fiscal Federalism in Nigeria, 1999-2011", An unpublished PhD Dissertation, Department of History and International Studies, Unizik, Awka, October, 2012, p. 105.
22. Ginigeme Mbanefoh and F.O. Egwaikhide, "Revenue Allocation in Nigeria derivation Principle Revisited", in K. Amuwo, et al (eds) op cit, p. 213.
23. R. C Nwokedi, *Revenue Allocation and Resource Control in Nigerian Federation*, Enugu: Snaap Press, 2001, p. 20.
24. Ibid.
25. Ibid.
26. Ibid.
27. G. A. Mbanefoh and F.O Egwaikhide, op cit, p. 222.
28. Ibid.
29. Ibid.
30. Ibid

31. R. C Nwokedi, op cit, p. 41.
32. G. A Mbanefoh and F.O Egwaikhide, op cit, p. 222.
33. Ibid.
34. A. O Philips, "Nigeria's Federal Financial Experience", in *Journal of Modern African Studies*, Vol. 9. No. 3, pp. 389-408.
35. See the Constitution of the Federal Republic of Nigeria 1999, section (14)(b).
36. P. Usman, "Resource or Revenue Sharing" in J.I. Elaigwu (ed) op cit, p. 75.
37. Quoted in P. Usman, Ibid.
38. E. E Osagie, "Revenue Sharing (Vertical and Horizontal) in J.I Elaigwu, op cit, pp. 124-125.
39. P. Usman, op cit, p. 76.
40. Ibid.
41. E. Osagie, op cit, p. 134.
42. I. O Muheed, "Nigerian Oil and Gas, Niger Delta and the Global Energy Supply", *Nigerian Forum: A Journal of Opinion on World Affairs*, Vol. 28, Nos 7-8, July/August, 2007, p. 188. See also A. I Miller, "Problems and Prospects of Petroleum Mining in the Niger Delta Nigeria) Since 1970" An M.A Thesis submitted to the Department of History and International studies, University of Nigeria, Nsukka, September, 2007, p. 25.
43. I. O Mbachu, "The Nigerian Petroleum Bill: An Appraisal", in A.S Akpotor, et al (eds) *Five Decades of Oil Production in Nigeria: Impact on the Niger Delta*, Abraka: CENDS, 2012, p. 4.
44. Ibid.
45. Lawrence Atsegbua as quoted in Walter Emerole, *Niger Delta Oil: The Precursor of National Development and Underdevelopment*, Owerri, Jufi Ventures, p.15.
46. Ibid. p. 16.
47. Ibid. p. 17.
48. Ibid
49. Central bank of Nigeria, Annual Report and Statistical Accounts, 2008.
50. I. O Mbachu, op cit, p. 10.
51. Ibid.
52. See M.P Todaro and S.C Smith, *Economic Development*, Delhi: Pearson Education Books, 2004
53. A.I Moro, op cit, pp. 69-91.