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Distribution of oil revenue to Niger delta of Nigeria in post-2000: Is the debate how fairly the federal government has redistributed oil revenue?

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Abstract

Arguably, the changing nature of oil resource-related conflict in Nigeria and Ijaw politics associated with it emerged from the limitations of the politics of revenue allocation and state creation as significant vehicles of development on the ground. Taking Bayelsa State, the heartland of Ijaw ethnic minority politics and pivot of petroleum resources in Niger Delta of Nigeria as this paper's context, this article interrogates perceived inadequacy of the oil revenue allocation system in Nigeria from the Ijaw standpoint. To this extent, this paper empirically examines whether or not the Federal Government of Nigeria has fairly distributed oil revenue. Based on fieldwork research, I argue that post-2000 debate about oil revenue suggests that Bayelsa State is not significantly deprived of its fair shares from the Distributive Pool Account in the context and dynamics of the present day Nigeria. Interestingly, the Bayelsa State and the wider Niger Delta show a comparative revenue advantage in their favour. In this context of analysis, this paper concludes that the case for more oil revenue to the Niger Delta region should take into account of new circumstances, such as the emergence of a more oil-centric revenue than non-oil in Nigeria's economy; and widespread poor economic governance.

Keywords: Re-distribution of Oil revenue in Nigeria; Niger Delta; Economic governance; Bayelsa State

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1. Introduction

This paper not only builds on the logic of the Nigerian political system, but advances the frontier of analysis on oil producing state - Federal Government relations, nesting the politics of oil revenue in Nigeria's economic history. Bayelsa State, the focal point of pan-Ijaw politics is occupied mainly by the Ijaw, where their language and culture dominate; and are the largest ethnic minority group in Niger Delta and fourth ethnic group in Nigeria. Based on this information and for the reason of convenience and simplification, this paper uses Bayelsa State and Ijaw state interchangeably, and as it relates to oil producing states of Niger Delta of Nigeria. Interestingly relevant to this paper's analysis is that the Ijaw state has crude oil deposits across the state, which generates about 45% of Nigeria's oil and gas resources, a fact commonly shared by the elite interviewees, whether government officials, oil company representatives or Ijaw ethnic groups (Takon, 2013). I will return to this analysis in detail under background (1.1) to this article.

That said, it is important to clearly state form the onset that this paper is an integral analysis of my ongoing works that seek to investigate whether or not oil resource-related conflict in Niger Delta since the 1990s can be adequately explained by a political economy analysis that associates petroleum and other minerals in developing countries to negative development outcomes, such as violence. Within this academic community, the conventional political economy scholarship or the popular 'Greed-Grievance' frameworks are a common tool of analysis, perhaps given the proximity to the Nigeria case (Collier and Hoeffler, 2005; Berdal and Malone, 2000). Notwithstanding the similarity to the Nigeria case, my works assert that the political economy analysis of the link between the presence of natural resources and conflict is inadequate both in case analysis and in the context of oil resource-related conflict in Niger Delta. Arguably, the resource-related conflict is modified by the theoretical assumption that other contextual variables, such as the role of Ijaw ethnic politics, who are embedded in the conflict in the area where oil resources are found in Nigeria could not be ignored. In this sense, a more nuance understanding needs to appreciate the role of socially constructed Ijaw ethnic politics, a useful debate on the politicization that occurs around ethnic politics in Nigeria in the analysis of contemporary violence (Yeros (Ed.), 1999; Young, 1976; Amao, 1997; Carnegie Commission, 1997); such as the rise of twenty-first century violence related to oil revenue redistribution in the Niger Delta region.

1.1. Background

The politics of revenue is clearly an important part of the history of Niger Delta, a relationship that brings together the politics of states and budgetary provision allocation; and makes a crucial theme in mobilized Ijaw ethnic politics. Hence, this paper also attempts to focus on the significance for Ijaw ethnic politics of the rise of oil resources as government's main source of revenue, and is not surprising since Nigeria's economy revolves around oil resources found mainly in Ijawland (Ikein, 1990; Ibeanu and Luckham, 2006; International Crisis Group Africa Report, 2006).

Instructively, oil and gas are Nigeria's strategic minerals. According to official government estimate the oil sector accounts for "70-80 per cent of federal government revenue (depending on the oil price), around 90 per cent of export earnings, and about 25 per cent of GDP, measured at constant basic prices" (Economist Intelligence Unit, 2007 p.23; Forrest, 1995; and Ikein, 1990). Based on the advantage of geography, Niger Delta generates most of the resources, and houses significant infrastructure of the oil industry in the country. Thus Niger Delta region is the pivot of petroleum resources in Nigeria or the vital force of the country's oil-centric economy.

The subject of revenue allocation in territories that became known as Nigeria dates back to Lugard's amalgamation of the Southern and Northern Protectorates, which according to some scholars was partly rooted in the Colonial administrative policy of 'cross-subsidization' (Hiskett, 1971, p.188; Hicks-Phillipson Report, 1951; Nyong, 1998). Table 1.1 (a) shows the trends, changes, and principles adopted in Nigeria's revenue allocation trajectory, which began with the introduction of the principle of derivation by the Philipson Commission in 1946. Arguably, this framework of revenue sharing intended that the relatively richer South should subsidize the colonial administration and development costs of the relatively poorer North (Federal Republic of Nigeria, 1987; and National Revenue Mobilization Allocation and Fiscal Commission, 1993).

The Phillipson Fiscal Commission proposed the 'derivation principle and even development principle' as basis for fiscal federalism and to conform to the country's unitary administration at the time (Forrest, 1995; Ikein, 1991). The derivation principle meant that allocation of revenue was intended to be based on how much each region collected. Apparently, this policy, which became the main criteria used to allocate revenues to the regions, hinged on the fact that the three main agricultural exports of Nigeria each came from the three main Regions in Nigeria, namely: North (groundnut/cotton), East (palms/rubber), and West (cocoa), which were formal administrative entities (Walker, 2001). Thus the colonial economy in the territories that became known as Nigeria, and onto the first decade of independence in 1960 was driven by exports of agricultural produce.

Agriculture from the Regions remained the main source of export earnings and public revenue in Nigeria, and its contribution to the national economy requires further analysis. In 1960, agriculture dominated the country's Gross Domestic Product (GDP) contributing a ratio of about 64.1% (see Table 1.1b). In a more analytic sense, agriculture was the mainstay of 50-70% of rural populations in Nigeria and the means of livelihood, which between 1960 and 1964 accounted for an average of 79% of the country's Gross Domestic Product (GDP) (Egwu, 1998). Indeed, the agricultural economy produced 60% of Nigeria's export earnings in 1960 and fed its population except where comparative advantage was the case, it was augmented with minimal food imports.

The revenue strategy that emerged in this context of 'derivation' at the time was inevitable for a number of reasons. First, derivation was informed by the concept of cultivating the right incentives to boost the Regions' revenue sources, which of course were the 'power house' of the national economy at the time (World Bank, 2003). Second, ensure sound fiscal behaviour in the Regions since the central government placed greater emphasis and dependence on agricultural exports and its resources, which each Region specialized in at the time according to its comparative advantage before oil resources. Third and lastly, knowledge regarding the emerging petroleum industry was shallow, hence, not much was available to government about the prospective role that oil resources might have in significantly shaping fiscal policies in Nigeria (Robinson, 1964; Ekundare, 1973). I will return to this analysis in detail under Sections 2 - 5.

Table 1.1a. The Search for a Viable Revenue Formulae: trends and changes

Commission - named after the Chairman)	Year	Prevailing Principle
Philipson	1946	(i) Derivation (ii)Even Development
Hicks-Philipson	1951	(i) Derivation (ii) Need (iii) National Interest
Chick	1953	(i) Derivation
Raisman	1958	(i) Derivation (ii) Need (population, continuity in government service, minimum responsibility, and balanced development)
Binns	1964	(i) Financial comparability (need and even development)
Revenue Allocation Decrees / Dina Commission	1967 – 1977	(i) Equality of States (ii) Population (iii)Derivation (20% of onshore mining royalties)
Aboyade (rejected for being too technical)	1977	(i) Equality of Access to Development opportunity (ii)National Minimum Standards (iii)Absorptive Capacity (iv)Independent Revenue and Tax effort (v) Fiscal Efficiency
Okigbo	1980	(i) Minimum Responsibility (ii) Population (iii) Internal Revenue Effort (iv) Social Development Factor (primary school enrolment, and Derivation was later added to the Okigbo recommendations
The 1999 Constitutition / RMAFC	Emergence of the Fourth Republic in 1999	(i) Equality (ii)Population (iii) Social Development factor (iv) Land Mass and Terrain (v)Internal Generated Revenue

Sources: Adapted from Augustine Ikein (1991), The Impact of Oil on a Developing Country: The Case of Nigeria, Ibadan: Evans Brother Limited; and http://info.worldbank.org/etools/docs/library/5783/State_and_Governance_Nigeria.htm [accessed 5/29/2008].

Table 1.1b. Nigeria: Sectoral Contribution to Gross Domestic Product (GDP)

Sector	1960	1970	1980	1990	2000
Agriculture	64.1%	47.6%	30.8%	39.0%	35.7%
Manufacturing	4.8%	8.2%	8.1%	8.2%	3.4%
Crude Petroleum	**0.3%**	**7.1%**	**22.0%**	**12.8%**	**47.5%**
Others	30.8%	37.1%	39.1%	40.0%	13.4%

Source: Adapted from Central Bank of Nigeria, Changing Structure of the Nigerian Economy (2000), and Annual Report and Statement of Accounts (2002), CBN Documents.

1.2. Methodology

The main mode of this paper was by fieldwork research to Niger Delta of Nigeria. Secondary and Tertiary types of data from relevant sources – local documentation and library research - were useful and collected, but Primary data was of central importance and generated from semi-structured interviews, referred to in Social Sciences as 'elite' interviewing (Dexter, 1971). In this context, the respondents or informants in elite interview are not necessarily elite in terms of social status, but have access to the information that helped answer the central theme of this paper's research. Thus this paper targeted key interviewees and informants in the Niger Delta communities and community-based organizations, civil servants - both State and Federal -, and politicians. Others were traditional rulers, oil company representatives and youth groups. The data provided historical and contemporary information, and thereby illuminate narratives of oil revenue allocation issues that have become significant features of Niger Delta politics in Nigeria (see: Section 2).

2. The transition from 'derivation' to distributable pool account following the emergence and growth of oil resources

Some scholars assert that the derivation-based revenue policy galvanized 'constructive' economic competition among the Regions in agricultural production toward the end of the colonial administration in Nigeria (Oyovbaire, 1978; Amuwo, Agbaje and Suberu, 1998). Though there is no necessary connection between the country's growth rate of the economy as a whole and fall in agricultural exports, export earnings from agriculture had been steadily falling in the face of the increasing significance of petroleum oil since the 1970s, which nevertheless increased growth of national economy as a whole. This trend is captured in Table 2 (a), which also shows an overview of the increasing importance of oil in Nigeria vis-à-vis other sectoral contributions to GDP between independence in 1960 and the emergence of the Fourth Republic in 1999.

Table 2a. Nigeria: Oil and the Structure of the Economy

SECTOR	EXPORT EARNINGS	GDP	FEDERAL GOVERNMENT REVENUE	INVESTMENTS
Oil	94.95%	40.58%	71.07%	93.33%
Non-Oil	5.05%	59.42%	28.93%	6.67%

Source: Adapted from Central Bank of Nigeria, Annual Report & Statement of Accounts (2002)

In the context of this analysis, the emergence and growth of oil resources was an immense influence in the country, such as the onward review of the fiscal policy of the central government in respect of revenue collection from the oil industry, which in turn impacted on the relationship between states, local government, and the Federal Government. Though the Raisman Commission (1958) recommended a lion share of the revenue accruing from mineral wealth to the producing region, the Commission introduced the Distributable Pool Account (DPA), where the State of origin also shared. The specific question of the relationship between the central government's policies in oil resources and Ijaw politics is important in this context and requires examination.

Historically, in mining and mineral resources the central government before and after independence limited itself to collecting royalties from oil companies operating in Nigeria and also made rudimentary laws to regulate the domestic oil economy (Amu, 1982). Government policy at the time was dictated by the constitutional structures of 1954 and the dynamics of decolonization. However, the politicization that was beginning to emerge around the advent and increasing profile of oil resources compelled the review of the federal fiscal structure by Sir Jeremy Raisman and Professor Ronald Tress in 1958 as noted:

> *The allocation of mining royalties has presented us with a most perplexing problem. Although the revenues from Columbite royalties rose rapidly at the time of the American stockpiling in 1953-1955, royalties on Tin, Columbite and Coal, normally yield a fairly constant annual sum. If these were the only minerals concerned, there might be no difficulty in our recommending the continuation of the present system... The problem is oil. While the yield from oil royalties is at present comparatively small… we cannot ignore the possibility that the figure may rise very markedly...* (Colonial Office Report, 1958).

In the light of the prospect for marked increase in oil revenue, the Raisman Report made a number of recommendations, such as the establishment of a 'Distributive Pool Account' (DPA) for the purpose of sharing federally collectable revenues. The Committee Report also uniquely discontinued the previous practice of returning mining rents and royalties to the regions. Hence, all such revenues were shared through the DPA with the region of origin receiving 50 per cent, the federal government obtaining 20 per cent, and all other regions 30 per cent (Raisman Report, 1958). Though the use of derivation as a principle for sharing the DPA was reduced at the threshold of Nigeria's independence in 1960, oil revenue had great prospects as noted by Raisman Report despite its estimation at the time being sixty-five thousand pounds only.

Table 2b. Estimated Crude Oil Production and Revenue in Nigeria, 1958-2006

Year	Production (million barrels)	Revenue (N million)
1958	1.9	0.2
1959	4.1	3.4
1960	6.4	2.4
1961	16.8	17.0
1962	24.6	17.0
1963	27.9	10.0
1964	44.0	16.0
1965	99.4	29.2
1966	152.4	45.0
1967	116.6	29.6
1968	51.9	Not available
1969	196.3	75.4
1970	395.8	167
1971	558.7	510
1972	655.3	764
1973	719.4	1,016
1974	823.3	3,724
1975	660.1	4,272
1976	758.1	5,365
1977	766.1	6,081
1978	696.3	4,556
1979	845.5	8,881
1980	760.1	12,354
1981	525.5	8,564
1982	470.6	7,815
1983	450.9	7,253
1984	507.5	8,269
1985	547.1	10,915
1986	535.9	8,107
1987	482.9	19,027
1988	529.0	20,934
1989	626.7	39,131
1990	660.6	55,216
1991	689.9	60,316
1992	711.3	115,392
1993	695.4	106,192
1994	696.2	160,192
1995	715.4	324,548
1996	681.9	369,190
1997	855	416,811
1998	806.4	289,532
1999	774.7	500,000
2000	828.3	1,340,000
2001	859.6	1,707,600
2002	725.9	1,230,900
2003	844.1	2,074,300
2004	900.0	3,354,800
2005	923.5	4,762,400
2006	814.0	6,109,000
TOTAL	**23,183.9**	**N29.8 trillion**

Summary: Crude oil production (1958-2006) = 23.2 billion barrels

(i) Total revenue from crude oil (1958-2006) = N30trillion or $250billion projected

Sources: Adapted from: Annual Abstract of Statistics, 2006; Petroleum Inspectorate (NNPC) 2006;
and Central Bank of Nigeria, Annual Report and Statement of Accounts, 2006, CBN

Table 2c. Fiscal Operations of the Federation Account (1998 BUDGET ESTIMATE)

Actual 1996 (N.billion)	Description	Approved Budget 1997 (N.billion)	Actual 1997 (N.billion)	1998 Budget (N.billion)
	Oil Revenue			
236	(i) Crude oil sales, royalties etc	202	259	216
30	(i) Other oil revenues	41	27	41
266	Total Oil Revenue	243	286	257
151	**Non-Oil Revenue**	161	166	167
417	**Total oil and Non-Oil Revenue**	**404**	**452**	**424**
	Less			
39	(i) Joint Venture cash calls	45	45	55
44	(ii) National priority Projects	53	44	54
44	(iii) External debt service	44	44	54
42	(iv) Transfer to Trust Fund	30	30	30
35	(v) Transfer to Reserve	-	35	-
204	Sub-total	172	198	183
213	**Total Federally Collectable Revenue**	**232**	**254**	**241**
	Less			
14	Federal Government Independent Revenue and VAT	20	24	26
20	Value Added Tax (States)	23	22	26
179	**Total Federation Account**	**189**	**208**	**189**
	Distribution of Federal Account Revenue			
87	Federal Government – 48.5%	92	101	92
43	State Governments – 24.0%	45	50	45
36	Local Government – 20.0%	38	42	38
13	Special Fund – 07.5%	14	16	14
179	**Total**	**189**	**208**	**189**

Source: Adapted from the 1998 Budget Briefing by the Minister of Finance

Interestingly, beginning with the Ironsi's regime (Decree No. 33 and 34) and fully fledged military regimes thereafter, however, the revenue allocation was marked by a process of centralization of fiscal powers by the federal government. The incursion of the military into politics in 1966 heralded Decree No. 33 of May 1966, which eroded the subsisting federal revenue system (Oyovbaire, 1994; World Bank, 2003). Thus a unitary form of government was introduced with all its implications for the regions, revenue allocation, and for the outbreak of the Civil War in 1967.

The era of military rule in Nigeria introduced other criteria of revenue distribution (Clark, 2008). They included: continuity, minimum responsibility, population, and balanced development of the federation. Instructively, crude oil production and exports between 1958 and 1970 signposted the problem of derivation principle anticipated in the Raisman Report, which the Nigerian military interests needed to grapple with after the fratricidal war in 1970 (Colonial Office Report, 1958). Arguably, the revenue policy framework under the first phase of military rule in Nigeria might have been informed by the limitations of the principle of derivation as a single basis of revenue allocation.

For example, John Hick Report asserted that the derivation principle obscured the needs of the citizens of a united Nigeria, and was difficult to apply when taxes or revenue sources were not simple and certain (Hicks and Phillipson Report, 1951). However, the re-structuring of the Nigerian federation under General Yakubu Gowon and the military's organizational structure affected the operation of the derivation principle as an inclusive revenue criterion in Nigeria.

The near-permanent presence of the military in politics sustained the centralizing characteristics of Nigeria's revenue formula, akin to a military command structure. In this sense, the military set up a number of revenue committees and their formulae centralized economic power against the states and expanded the role and revenue base of the federal government, thereby reinforcing the military ethos (Panter-Brick (Ed), 1978). For instance, the Dina's Committee Report of 1968 renamed DPA as States Joint Account (SJA). However, the 1968 Report was rejected by the Federal Military Government (FMG) because the recommendations were aimed at national integration (Nafziger, 1972). The Committee established a Special Grants Account (SGA) for balanced development, national interest, and revenue effort, which the FMG however, considered too integrative. The Dina Committee also introduced the onshore and offshore dichotomy in the sharing of oil revenues. The latter was shared as follows: the federal government received 60 per cent, SJA 30 per cent, and SGA 10 per cent. On royalties from onshore operations, the federal government received 15 per cent, the state of derivation 10 per cent, SJA 70 per cent, and SGA 5 per cent (Dina Committee Report, 1968; and Aboyade and Ayida, 1971).

The growing fiscal centrality, especially in the context of oil revenues generated a zero-sum mentality in the oil-producing region, which impacted negatively on Ijaw politics in the 1990s. For instance, the evolution of the policy of de-emphasizing the derivation principle was arguably consolidated by the Petroleum Tax Law 1969 and the Land Use Decree 1978, which gave the central government ownership and exclusive powers to legislate on these matters (Forrest, 1995). Arguably, the legislation eroded the principle of derivation in place of a new revenue sharing formula based on re-distribution by need and other expedient factors and the states came to depend more on transfers from the central government. Thus the derivation principle based on rising oil revenue apparently produced too skewed a distribution in favour of oil producing states (Oyovbaire, 1978; Oyediran and Olagunju, 1979). Hence, the transition from derivation principle to Distributable Pool Account (DPA) saw the states contributing their revenues to a DPA at the centre of the federal government, which was shared out on the basis of population and other criteria and not on derivation (Osadolor, 2002).

In the specific context of oil resources and for Ijaw politics, the DPA legislation produced a transition away from the derivation principle as it was before independence, which re-defined the thinking of Niger Delta states well before the creation of Bayelsa State in 1996. This is in the sense that the new criteria deviated from the idea of the federal constitution at independence at the time when oil production increased total federally-collected oil revenue from 0.2m (naira) in 1958 to 6,109.000m (naira) in 2006 (see: Table 2b) or 71.07% of total federally-collected oil revenue vis-à-vis 28.93% of Non-oil in 2002 (Table 2a).

Both Tables – 2b and 2a - capture the phenomenal growth and growing importance of oil resources in Nigeria after independence in 1960. Moreover, just as the policy of revenue centralization beginning from the 1970s was a significant development since increased revenue from petroleum resources found itself at the centre of Nigerian federalism; the case was also made for the distinction between Onshore and Offshore rents and royalties.

The Onshore and Offshore dichotomy not only saw the federal government carting away 100 per cent of the off-shore rents; but in 1975 the share of Onshore oil revenue paid to the states was reduced to 20%, signaling and signifying the loss of power from states to the federal government. From Ijaw point of view this was especially worrying for states with oil in their backyard and the neglect of the origin of revenue contribution to the federation.

The changing economic dynamics whereby oil became the mainstay of national economy compelled the federal government to drop derivation. In place of derivation, the government was in favour of a Special Account for mineral producing areas, which split 4.5 per cent of the percentage share of on-shore petroleum proceeds into 1 per cent for ecological problems, 2 per cent for derivation, and 1.5 per cent for the development of the oil-producing areas during the Second Republic (1979-1983) (Draft Constitution, 1995). Thus this revenue collection and sharing arrangement resulted to the concentration of fiscal power at the federal level, which has implication for Ijaw politics vis-à-vis federally-collected revenues. Though Oil Mineral Producing Area Development Commission (OMPADEC, 1992), Petroleum Trusts Fund (PTF, 1994), and Niger Delta Development Commission (NDDC, 2000) were established to address the difficulties and sufferings of inhabitants of the oil region, nonetheless the intervention regimes were bogged down with corruption and mismanagement (Horsfall, 1999; Bassey, 2006).

The poor economic governance regarding the execution of applied responses in the oil producing states and concentration of fiscal power at the federal level was compounded by a lack of transparency in petroleum revenue management by the Federal Government way into the Fourth Republic. Table 2(c) shows the upfront deductions, such as external service, national priority projects, and joint venture cash calls reduced the legitimate flow into the Federation Account, and hence seen by Ijaw political elites as 'leakages' of oil revenues, which could have been used to develop oil-producing states (Subaru, 2001). Thus Table 2c shows how the total revenues was derived, the various deductions, and how the balance was shared between Federal, state, and local governments based on the 1998 budget estimate. In this context, between the mid-

1990s and 1999 federally retained revenues was the equivalent of an average of 75% of federally-collected revenues of which a substantial share was from oil based on Table 2c (Vincent, 2001).

From the Ijaw standpoint the condition for oil resource-related conflict, which was already apparent in Niger Delta in the 1990s as seen in the increase of youth activism intensified leading up to the Kaiama Declaration of 1998 in Bayelsa State, the watershed of Ijaw ethnic politics and violence (Ijaw Youth Council, 1998). Arguably, Nigeria's fiscal regimes reinforced ethnic minorities' perception of disadvantages that have emerged since the constitutional development process of the 1950s and the mobilization that occurred around ethnic relations in the country. That said at the heart of Ijaw politics in the Fourth Republic has been the perception that the 1999 Constitution, which forms the basis of the Fourth Republic did not effectively alter the legal frameworks for revenue allocation and resource control associated with the concentration of fiscal power in the central government began since military rule.

3. Allocation of revenue to states under the 1999 constitution: The Ijaw State

The 1999 Constitution forms the basis of the Fourth Republic, and Sections 162-168 and items A and D of Part 11 of the Second Schedule of the constitution is relevant to the analysis of Niger Delta because it highlights the allocation of revenue between the federal, state, and local governments (Constitution of the Federal Republic of Nigeria, 1999). According to Section 162 of this document:

> *The President, upon the receipt of advice from the Revenue Mobilization 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, and terrain*…(Constitution of the Federal Republic of Nigeria, 1999).

The 1999 Constitution also states that:

> *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 resource* …(Constitution of the Federal Republic of Nigeria, 1999).

Furthermore, the Constitution aims to increase the resources of states experiencing peculiar financial difficulties aside from the revenue sharing formula. In this respect, the Constitution provides that:

> *The Federation may make grants to states to supplement the revenue of that state in such sum and subject to such terms and conditions as may be prescribed by the National Assembly* (Constitution of the Federal Republic of Nigeria, 1999).

The Fourth Republic also ushered in a new regime of revenue formula in response to at least three significant occurrences, which arguably would have an impact on Ijaw politics relating to oil revenue distribution. First, Bayelsa state and local government allocations increased under the civilian governor than during the military administrators, which was essentially based on high international oil prices at the time. Nevertheless, the 1999 Constitution raised derivation principle to "not less than 13% of the revenue accruing to the Federation Account directly from any natural resources" (Constitution of the Federal Republic of Nigeria, 1999). However, this provision of the constitution was substantially eroded in April 2002, in a case between the federal government and eight costal states, and underpinned Ijaw agitations at the time. In this case, the Supreme Court held that the derivation principle applied only to resources derived from the seaward boundary of coastal states, defined as a state's "low water mark of the land surface" (Attorney General of the Federation vs Attorney General of Abia State & 35 Ors, Supreme Court of Nigeria, 2002). However, the 2004 Offshore / Onshore Oil Dichotomy Abolition Bill provided that the derivation principle does apply to offshore oil at depth of less than 200 metres (Igbuzor, 2001).

Second, upfront deductions from the Federation Account, such as debt service and other features associated with revenue allocation during the last military regime were discontinued. In this context, through executive orders a new federal revenue proposal for all the tiers of government was made in 2006 as follows: 53.69 per cent for the Federal Government, 31.10 per cent, and 15.21 per cent for states and local government councils respectively. Though in another development the Supreme Court verdict in April 2002 nullified the provision of Special Funds, to be seen as respecting court orders, 6.5 per cent was built into the federal government's allocation of 53.69 per cent for Special Funds, which meant that the Federal Government in effect received 47.19 per cent.

Third and lastly, a positive feature of the Fourth Republic was that the Revenue Mobilization and Fiscal Commission proposed that derivation funds be directed to oil communities and to be managed by traditional and youth leaders unlike the practice in the past where oil region states received the funds (International Crisis Group, 2006). This proposal was informed by poor management of oil revenue through the structure of government as well. Interestingly, the issue of governance was novel, but got enshrined in the new approach as a strategy towards managing intensifying oil resource-related conflict since the emergence of the Fourth Republic in 1999.

In the context of this analysis, the allocation of 1.5 per cent for the development of the oil communities from the 'Special Account' for mineral producing areas has been increased to 3 per cent and 'at least 13 per cent' in accordance with the provisions of the 1999 Constitution of the Federal Republic of Nigeria (Cited in Iyayi, 2005). However, the horizontal revenue formula, which was based on Equality of states (40%), Landmass and terrain (10%), Population (30%), Social Development Factor (10%), Internal generated revenue (10%), and Special Fund (7.5%) are perceived as a disadvantage to the Niger Delta states.

In addition to the provisions of the Fourth Republic Constitution on oil revenue matters, other forms of negotiations worthy of mention between the Federal Government and the Ijaw ethnic groups include: NDDC 2000, Marshall Plan in 2006, and the attempt at the National Political Reform Conference of 2006 to address oil revenue issues (International Crisis Group, 2006). Yet others are the attempt to convene a Niger Delta

Summit in 2008, the Ledum Mittee Technical Committee on Niger Delta in 2008, the creation of the Niger Delta Ministry in 2009, and the 2009 Amnesty by the Federal Government to the Niger Delta militants. Arguably, poor governance and a lack of sufficient political will may have hindered the implementation or proper and optimal functioning of the outcomes of these ideas, policies, and dialogues. Nonetheless, at the heart of Niger Delta politics and conflict in the Fourth Republic has been the perception that the 1999 Constitution did not effectively alter the legal frameworks for revenue allocation and resource control associated with the concentration of fiscal power in the central government began since military rule (Constitution of the Federal Republic of Nigeria, 1999).

In a more analytic sense, revenue allocation formulae underpin minority agitations because of their relationship with state creation, and in turn is about local, state and federal government budgetary allocation politics in Nigeria's federalism, which solely relies on oil revenue. Based on remarks from my interviewee, at issue was the question whether the revenue comes mainly from the minority ethnic Ijaw areas (Interview with one member of Ijaw political movement, 2008), which implies that petroleum resources are neither found in all parts of the country nor in the same quantity and reserves. Bayelsa State, the stronghold of the Ijaw ethnic groups is arguably the most important in the oil resources equation in Nigeria in the eyes of Ijaw political elites and youth leaders alike. In this context, the derivation figure from oil resources was either considered an 'instigation' to violence by the oil-endowed communities, or a half-hearted response on the part of the federal government to address strong and growing concerns in the oil producing states in the 21st century.

Arguably, the policy changes and frequent adjustment of budgetary spending had a bearing on the high 'politicization' of the fiscal regime in Nigeria along the complex lines of ethnicity and 'minority-majority' power relations. In this light, the fiscal regimes reinforced ethnic minorities' perception of disadvantages that have emerged since the constitutional development process of the 1950s and the mobilization that occurred around ethnic relations in Nigeria in post-2000.

4. Perceived inadequacy of the politics of revenue allocation: Governance, transparency and accountability

This paper's analysis of oil revenue distribution in Nigeria is to enhance understanding of the fundamentals and trajectory of the debate around this theme with a view to illuminate its convoluted nature, and hence, equitable revenue allocation has been in the forefront of policy discourse, physical agitation, and constitution making. Instructively, the growing perception of the structural imbalance was sharpened by the increasing profile of oil after 1970, which heightened changing resentment among the oil-endowed in Niger Delta, of what they termed 'expropriation' of their 'God-given oil resources by majority 'ethnic' groups in Nigeria (Utomi, 2000). This was discernible in terms of the number of states and local government councils created within ethnic majority enclaves as structural avenues of revenue sharing (Interview with one member of MOSIEND, 2008).

Furthermore, federal legislations, such as the Petroleum Act (1969), Exclusive Economic Zone Act (1978), Territorial Waters Act (Cap 116) (1990), and Oil Pipeline and lands Decree No.2 (1993) clearly jettisoned the erstwhile principle of 'derivation' applied during the colonial era into early independence, which might have benefited Ijaw more. Though the derivation principle as conceived in 1946 arguably had become anachronistic, the sharing of the central government's main revenue source (oil) based on such criteria as population and need according to Ijaw political elites 'robbed' the Ijaw state of the right to physical and social development considering its peculiar terrain (Igbuzor, 2001). The main or growing source of the Federal Government's revenue is shown in Table 4a, and has been demonstrated in Tables 2a, 2b and 2c, which show rise in importance of oil revenue and distribution to oil producing states. On the contrary, Tables 4b and 4c show typical examples of Ijaw state's proportion of Distributable Pool Account under the last of the military regimes in Nigeria and the Fourth Republic in 1999 - before the implementation of the 13% derivation fund respectively.

Table 4a. Estimated Crude Oil Production and Revenue in Nigeria (1996 and 2006)

Year	Production (million barrels)	Revenue (N million)
1996	681.9	369,190
1997	855	416,811
1998	806.4	289,532
1999	774.7	500,000
2000	828..3	1,340,000
2001	859.6	1,707,600
2002	725.9	1,230,900
2003	844.1	2,074,300
2004	900.0	3,354,800
2005	923.5	4,762,400
2006	814.0	6,109.000

Sources: Adapted from *Petroleum Inspectorate Division; and NNPC Annual Extract of Statistics, 2006*

Table 4b. Gross Revenue Allocation under the Abubakar Regime to states created on October 1, 1996*: August 1997 Figures only

Description	Ijaw state	Ebonyi State	Ekiti State	Nasarawa State
No. LGA	8	17	16	13
Revenues (in millions of Naira)	101,889,334.	83,611,780.	79,948,315	88,938,969

*Source: Calculated with data from Kimse Okoko and Johnson Nna (1997), 'Federalism and resource Allocation: the Nigerian Experience', in Nigerian Journal of Oil and Politics (OPJON), Vol.1, No.1, September, pp.26-28. * October 1, 1996 state creation was the last in Nigeria at the time of research; and the Abubakar regime was the twilight of military rule in Nigeria*

Table 4c. Gross Revenue Allocation by the Federal Allocation Committee to states (that were created on October 1, 1996) at the beginning of the 4th Republic compared: May 1999 – December 1999 figures only – before the implementation of the 13% Derivation fund

Months	Ijaw state revenues (in millions of Naira)	Ebonyi State revenues (in millions of Naira)	Ekiti State revenues (in millions of Naira)	Nasarawa State revenues (in millions of Naira)
May 1999	139,881,450.58	111,610,258.56	116,167,203.41	117,618,348.81
June 1999	136,170,572.26	125,593,117.06	130,719,815.51	132,349,923.31
August 1999	332,025,757.08	262,200,244.45	272,905,826.05	276,315,383.52
October 1999	396,206,281.91	296,055,627.61	308,144,675.21	311,997,327.04
November 1999	451,469,636.34	340,615,853.71	354,524,222.88	358,956,164.16
December 1999	464,078,900.97	340,619,459.15	354,528,660.35	358,962,335.01
Total	**1,919,832,599**.	**1,476,694,561**.	**1,536,990,403**.	**1,556,199,482.**

*Source: Calculated with data from Federal Government of Nigeria (Federal Ministry of Finance) 'Federal Allocation Account' to the state government; and Office of the Accountant-General of the Federation: http://www.fmf.gov.ng/ [accessed 15/10/2008]. *July and September 1999 figures are not reported.*

4.1. The Emergence of the Fourth Republic constitution and re-introduction of derivation

Politically, the democratization process in Nigeria since 1999 has been a successful attempt to move from military to civil rule and has impacted the resources revenue distribution and power relations in Nigeria. For instance, in addition to the normal revenue allocations advantage provided to the Ijaw state under Section 162 (2) of the 1999 constitution, a proviso under the section also provides for a derivation proceed not less than 13 per cent of the revenue accruing to the Federal Government from any natural resources (Constitution of the Federal Republic of Nigeria, 1999). In this context, Table 4.1a shows the comparative revenue advantage in favour of the Ijaw state (Oil-producing state) than Ekiti State (Non oil-producing state / ethnic majority) from the Federal Government since 1999, which does not match socio-economic development in the Ijaw state.

In addition to the derivation fund or '13%' is the sum equivalent to 15 per cent of Federal Government set aside for the development of the Niger Delta region through NDDC. Though analysis of the Ijaw state – Federal Government relations and the crystallization of Ijaw politics around federalism and resource allocation attract debates, however, Tables 4b, 4c and 4.1 figures evidently suggest that Bayelsa State or the Ijaw state is not significantly deprived of its fair shares of oil revenue from the DPA in the context and dynamics of the present day Nigeria. Furthermore, recent debate on the Petroleum Industry Bill (2012) before the House of Assembly reveals that revenue accruing to four states in Niger Delta region of Nigeria is higher than that of 19 states of the North put together (Vanguard Newspapers, 2012; and The Punch Newspaper, 2013). To this extent, the Ijaw state's revenue allocation vis-à-vis states created on October 1, 1996 illustrate that the debate could be more about poor management of oil revenue at all levels of government than how fairly the federal government has redistributed oil revenue. Hence, the Ijaw state is one of Nigeria's richest states going by the distribution of revenue allocation to state governments by the

Federation Account Allocation Committee, but characterized by poor economic and political governance (De Sardan, 1999; and The Washington Post, 1998).

Table 4.1. Gross Revenue Allocation by the Federation Account Allocation Committee to Bayelsa & Ekiti State compared: 2000 - 2008 figures only- since the implementation of the 13% Derivation Fund based on the Constitution of the 4th Republic

Description	Ijaw state Revenues (in millions of Naiara) – Oil-producing state	Ekiti State revenues (in millions of Naira) – Non oil-producing state
2000*	15,515,718,851.	5,140,011,312.
2001**	17,373,362,461.	5,156,335,134.
2002***	21,344,064,474.	6,427,090,239.
2003	36,695,486,120.	9,147,204,078.
2004	64,846,069,291.	13,309,925,197.
2005	88,881,718,534.	14,572,459,632.
2006	90,466,650,532.	16,059,606,916.
2007****	62,002,084,139.	16,725,585,198.
2008	86,632,824,943.	21,299,329,022.
Total	**483,757,979,345**.	**107,837,546,728**.

*Sources: Calculated with data from Federal Government of Nigeria (Federal Ministry of Finance) 'Federal Allocation Account' to the state government; and Office of the Accountant-General of the Federation: http://www.fmf.gov.ng/ [accessed 15/10/2008]. *The implementation of 13% Derivation Fund commenced in 2000. ** October 2001 figure not reported *** May and September 2002 figures are not reported **** April 2007 figure not reported*

Scholars with interests in the political structure of Nigeria's federalism argue that majority ethnic groups determine the framework for petroleum exploitation and unfairly profit from it (Agbola and Alabi, 2003; Agiobenebo and Aribaolanari, 2001). The narratives were often re-echoed by some of the 'elite interviewees', who assert that the Ijaw state and other minority ethnic groups are placed at the periphery of national decision-making, which is usually controlled by the 'big' ethnic majority groups and their grip on power at the centre. The Constitutional arrangements of the 1950s reinforced ethnic loyalties in political organizations, which not only subordinated smaller demographic groups to their larger ethnic neighbors in each region but, also created minority fears of marginalization in Nigerian politics.

In favour of Ijaw ethnic politics, some scholars assert that the derivation principle was deliberately abandoned or minimized during the military era because of the shift in revenue generation from the majority ethnic group areas, which are politically powerful, to the comparatively weaker Ijaw and other minorities (Mbanefo and Egwaikhide, 1998). However, the emergence of Goodluck Jonathan, Ijawman / Niger Deltan in the Fourth Republic as Nigeria's first Vice President, Acting President, and President of the Federal Republic of Nigeria in 2011 has generated a number of interesting issues for further comparative academic and policy study.

5. Conclusion

In the context of this paper's analysis, the Ijaw ethnic minorities claimed the outcome of the politics of state creation, which witnessed the creation of a wholly Ijaw state in 1996, and revenue allocation reinforced in disguise the structures that compound their perceived marginalization in Nigerian politics in terms of resource allocation and political appointments. Interestingly, states were created from both minority and majority ethnic groups, which Ijaw political elites claim enhanced the power and influence of the ethnic majorities in revenue allocation politics more than the minorities. Thus Ijaw political elites might have thrown precaution to the wind by not acknowledging structural changes of the Nigerian federal systems and the country's total dependence on oil export.

By interviewing key participants in the Ijaw political movements and other informants, this paper gained data about the contexts and debates around oil allocation issues from first-hand testimony. Also to enhance the process of triangulation, data from local documentation, such as ephemera, memoranda of agencies/commissions and newspapers helped offset the limitations of elite interviewing technique, as well as shed light on the hidden elements of the theme of this paper that are not clear from analysis of other primary sources. This eclectic data gathering process helped to verify, corroborate and clarify new knowledge; and hence helped illuminate empirical evidence and analysis of oil revenue debates. Furthermore, the data and analysis helped my paper make inferences about the perspective of the wider Niger Delta, who are not themselves interviewed.

For instance, from the standpoint of Ijaw identity politics, the oil region states, which account for 80% of government revenue, 95% of export receipts and 90% of foreign exchange earnings have found themselves short-changed by the centralization of revenue sources (World Bank Report, 2002; Obi, 1997; Taiwo, 1999; and Danjuma, 1994). However, there are gaps between the impact on the lives of the Ijaw people and the huge budgetary allocations to Niger Delta based on the increase in the revenue allocation formulae of derivation to 13 per cent in the Fourth Republic (Report of the Special Security Committee on Oil producing Areas, 2002). Though the Report of the Special Committee on Oil Producing Areas submitted to President Olusegun Obasanjo in 2002 noted that in reality oil producing states are being paid 7.8% under the revenue allocation principle of derivation as opposed to 13% stipulated as minimum in the 1999 Constitution, Niger Delta governors could not significantly account on the ground the resources they have been given (Horsefall, 1999; IRIN, 1999). In this context, the problem arguably may not be in the oil companies, and / or the Nigerian state alone, but the political elites in the Ijaw state, managers of Bayelsa State leadership, such as Alamieyeseigha, who was impeached in 2005.

The huge budgetary allocations accruable to Bayelsa State and its local government councils arguably have not made any significant impact on the lives of their people in terms of development. The inflow of revenues from Federation Account into Niger Delta as a whole has not marched the region's poor infrastructure development. Hence, this paper argues that the case for more oil revenue to oil-producing Niger Delta states should take into account new circumstances, such as the emergence of a more oil-centric revenue than non-oil in the national economy and in the context of 36 states of the Nigerian federation. In this light, the failure to deal with oil-related environmental damage and the failure to provide meaningful economic development may have nothing significantly to do with the distribution of oil revenues, which brings to the fore the core debate in this article.

In the context of this paper's analysis, the struggle for state power has become the vortex around which political elites in Niger Delta and in the wider context of Nigeria seem to be united only because they have a common interest in plundering the oil resources of the country (Effeh, 2008; and De Sardan, 1999). Another facet of poor economic governance was the impeachment of Alamieyeseigha, the first civilian governor of the Ijaw state for corruption-related offences. Also another former governor of the Ijaw state, Sylva, is being prosecuted at the Federal High Court in Abuja for alleged misappropriation of 6.46b (Naira) State fund (Vanguard Newspaper, 2013). Responses in the state indicate that the Ijaw people do not prefer their own people to steal their money than outsiders. For example, local narratives by Ijaw outside formal activist groups at one of the village meetings I observed hold the view that:

> *No better thin happen for dis state since Alamieyesigha time till now, na so so siren u go hear, wyan wyan wyan, him don enter Jeep from Airport come, then na pba pba pba you go hear, the governor don enter helicopter go after sharing the allocation him go back to airport*.
>
> *(Village meeting at Kaiama, 2008. This conversation is in Nigerian Pidgin about poor economic governance. Nigerian pidgin is an English-based language used in informal conversations and widely spoken in Niger Delta)***.**

This is likely a true representation of the general sense of opinion shared by Ijaw of all generations who are not in the corridors of power concerning their political representatives, which corroborate De Sardan's assertion of the prevalence of 'a moral economy of corruption' (Rubert, 1998; and De Sardan, 1999). Though Ijaw political elites acknowledge the phenomena of a corrupt and non-transparent image of political practice in Niger Delta, they do not see the corruption at the state and local government levels as the defining variable (Okoko, 2008). This is perhaps considering the resources at the disposal of Niger Delta vis-à-vis the Federal Government, and revelations from ongoing power sector, NNPC, and oil subsidy probes by the National Assembly (This Day Newspaper, 2008; The Guardian Newspaper, 2008; and Daily Independent Newspaper, 2008).

Finally, the current PIB (2012) debate before the National Assembly, which seeks to harmonize and consolidate all petroleum industry laws in order to better regulate, coordinate, and manage the operation of the oil industry is one half of the equation. The other half is the political will to pass the bill, as well as whether or not in practice, this bill will stem the moral economy of corruption associated with the oil industry.

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