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Published online: 10 Mar 2015.

To cite this article: Eghosa E. Osaghae (2015) Resource curse or resource blessing: the case of the Niger Delta ‘oil republic’ in Nigeria, Commonwealth & Comparative Politics, 53:2, 109-129, DOI: 10.1080/14662043.2015.1013297

To link to this article: http://dx.doi.org/10.1080/14662043.2015.1013297
Resource curse or resource blessing: the case of the Niger Delta ‘oil republic’ in Nigeria

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This paper explores the developmental outcome of resource abundance when the analytical focus shifts from the macro (national) to the micro (subnational) level, especially to areas where resource abundance is expected to have its greatest impact. It focuses on the Niger Delta, Nigeria’s ‘oil republic’ whose resource curse has involved environmental devastation, relative deprivation, resource distribution injustices, political marginalisation and material underdevelopment. However, in spite of the huge resource flows to the core oil-producing states of the region and other political and social benefits, which were expected to obviate the curse, oil wealth has not made the region more developed than other parts of the country. This is due to the inability of subnational governments in the Niger Delta whose performances are crucial to this determination to translate the advantages to the benefit of citizens in the region and because the other material benefits from the national government have been monopolised by a privileged few. The paper concludes that the key to transmuting resource curse to blessing lies in how the abundance is used rather than who controls the resource.

Keywords: resource curse; Niger Delta; resource control; federalism; revenue sharing; governance; ethnicity; development; subnational government; conflict

Introduction

Nigeria is a paradigmatic case in the resource curse literature (Auty, 1993; Collier & Hoeffler, 2004; Frankel, 2010; Humphreys, Sachs, & Stiglitz, 2007; Rosser, 2006). Stupendous oil wealth (estimated at over US $400 billion since the 1970s) has, in typical resource curse redact negatively correlated with development, state legitimacy and governance, and precipitated armed conflicts that endanger human security and the stability and survival of the country. At the macro level of the state, the resource curse hypothesis

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is substantially validated by the Nigerian case, especially when other important intervening factors (such as elite behaviour and effectiveness of agencies of transparency and accountability) that have made resource curse less reductionist and increased its explanatory power are considered. But would the thesis still hold true if the focus shifts from the macro (national) to the micro (subnational) level, especially to areas where resource abundance is expected to have its greatest impact, and when viewed from the perspective of the expectations from the abundance?

This is the question explored in this paper, which focuses on the Niger Delta, Nigeria’s ‘oil republic’ and the source of the country’s oil wealth, whose resource curse has involved environmental devastation, neglect, relative deprivation, resource distribution injustices, political marginalisation and material underdevelopment. Although the grievances provoked by the curse are multifaceted and would require multiple redress mechanisms and interventions, it is obvious that the central issues in the agitations by the various groups in the region have to do with gaining an increased proportion of the country’s pooled revenues which mostly come from oil (or gaining substantial control of the oil resource and revenues) and securing social, economic and political benefits that reflect the economic importance of the region. The agitations have recorded successes in terms of the huge resource flows since 2002, giving the core oil-producing states of the region over 40 per cent of statutory revenues allocated to the country’s 36 states, interventions by various development agencies, welfare packages for former militants and enhanced economic and political status of elites from the Niger Delta. Does this suggest a shift from resource curse to resource blessing in the region? That determination depends largely on the ability of the subnational governments which have received resource windfalls that ought to be used for developing the region to translate the advantages to this end. Our analysis shows that unfortunately the state governments have failed in this task. The other material benefits from the national government have been also been shared by a privileged few, including ex-militants.

**The context for analysing resource outcomes in the Niger Delta**

The likelihood that a natural resource will be a curse or a blessing does not only depend on the policies and actions of national governments or on whether the resource is concentrated or dispersed, but depends also on the political actions of the groups or peoples who ‘own’ the resources, the history of social and political relations, the nature of government in terms of relations between national and subnational governments, and the extent to which expectations of abundance are fulfilled. The need for a contextual analysis of the political economy of resource outcomes cannot therefore be overemphasised, a point
that has been well made by Deacon (2011). Deacon argues that the resource curse – or blessing – analysis is best undertaken at the within-country level to properly gauge the resource–governance nexus, which is the key to determining outcomes. He identifies two frames of within-country analysis which can be used singly or complementarily: timing, operationalised as critical junctures of resource trajectory such as point of discovery and tapping, price hikes in the world market, revenue windfalls and booms, and case-studies. Case-studies are particularly appropriate in federal systems where, as is the case with the core states (Akwa Ibom, Delta, Rivers and Bayelsa) of the Niger Delta region under focus here, subnational governments have substantial powers to make resource outcomes and development differ from one part of the country to the other.

They also direct attention to the perspectives – attitudes, values, reactions and expectations – of the ‘owners’ of the resource and provide alternative criteria for determining whether resource abundance is a curse or a blessing. What if, for example, the hopes and expectations of economic and political benefits and development, such as those held by the Niger Delta groups, but not the entire country, were fulfilled: would the outcome be curse or blessing? Timing has also been a critical factor in Nigeria: the discovery of oil led to the decision to transfer minerals and mining rents and royalties from the regional governments to the national government; the outbreak of the civil war (1967–1970) is tied to the ascendancy of oil as a major revenue earner; the oil boom of the early 1970s was the greatest incentive for hyper-centralisation of resources and responsibilities by the military governments at the time; and the rising prices of crude oil and the windfalls of the 2000s were positively correlated with the intensification of anti-state mobilisation by nationalists, militants and civil society groups in the Niger Delta region.

Two factors define the context for analysing the Niger Delta case in this paper. The first is that material benefits expected from being the source of the country’s wealth were fundamental to the struggles by Niger Delta groups. Oil and gas account for 90 per cent of Nigeria’s export earnings and 85 per cent of total government revenues. All of the country’s estimated 36.5 billion barrels of crude oil and 180.4 trillion standard cubic feet of gas reserves come from the Niger Delta region and adjoining continental shelf, but the ecological and human costs of ‘housing’ oil and gas have been colossal. Several decades of environmental degradation and pollution occasioned by oil spillage and gas flaring have destroyed the agricultural and aquatic livelihoods of the people. Lax legislations and enforcement on the part of the federal government, which has exclusive control over oil and gas, for a long time left the people unprotected against the poor practices and impunity of the oil multinationals. While the region suffered under these conditions of neglect, deprivation and poverty, revenues from oil grew in leaps and bounds. Niger Delta people
minimally expected distribution of resources by the national government to be
guided by two considerations. One, following the country’s history of revenue
allocation which emphasised the principle of derivation under which subna-
tional units receive transfers from pooled revenues in proportion to their con-
tributions, that states and localities in the region would receive a greater
proportion of the pooled national revenues, the Federation Account. The
other, which reinforced the first, was that the region would be compensated
for the environmental hazards suffered over the years.

These expectations were not met. The principle of derivation, which gave
regions 100 per cent of mining and minerals rents and royalties in the period
before independence was halved to 50 per cent after oil became a major
export commodity to prevent what the Raisman Report (1958) on revenue allo-
cation feared could ‘upset the balance of national development’ since oil devel-
opment was likely to take place in only one of the regions. Derivation lost more
ground as the country came to depend more on oil, reduced to between 1.5 and
3 per cent after abolition for extended periods under military rule, until it was
finally restored at its current level of a minimum of 13 per cent (this applies
only to oil and not gas). Worse, in 1968, following a dichotomy drawn
between onshore and offshore sources of oil, the basis of derivation was
limited to onshore sources only, while the national government assumed exclu-
sive control of offshore oil2 (the dichotomy issue resurfaced more controver-
sially in the 2000s as we shall see).

In the absence of derivation, the greater weights assigned to the criteria of
equality/even development (45 per cent), population (25 per cent) and land
mass and terrain (10 per cent) in revenue allocations to subnational units
placed the Niger Delta states with their low populations, land mass and local
government units3 at a disadvantage meaning, in effect, that ‘their’ oil
wealth was being used to enrich other units (the northern states were the great-
est beneficiaries of the weights assigned to equality, population and need). The
discretionary transfers by the national government which favoured northern
states where military rulers at the time mostly came from, as is consistent
with the model of rent-seeking that ‘traces the size and distribution of transfers
among politically powerful groups to the distribution of political influence in a
country’ (Deacon, 2011, p.118), heightened perceptions of marginalisation of
oil-producing states.

In its submission to a committee on revenue allocation in 1980, the Rivers
state, which was the leading oil-producing state at the time, protested the abuses
of discretionary transfers:

Rivers state did not receive fair allocation from the ad hoc grants even though it
was contributing immensely to the federation revenue. A survey of roads pro-
posed to be carried out by the federal government in the 1970–1975 plan
period shows that out of 10,058.8 miles of roads only 338 miles were proposed for Rivers state . . . which is the smallest mileage in the whole country. (Okigbo Report, 1980, p. 376)

The region did not also have a fair share of the 3 per cent of the Federation Account that was apportioned to ecological funds meant to address environmental issues even though it faced some of the worst oil-induced ecological problems in the country. According to the South–South Conference, a Niger Delta advocacy group, ‘the Lagos bar beach project and the Ogunpa re-channelisation project, both in the south west had more than what was disbursed to all environmental projects in the Niger Delta’ (Newswatch, 5 May 2003, p. 24).

Oil wealth and the special status of the Niger Delta as the source of this wealth did not also bring other expected social and political benefits. They had new and more states and local government units created in the region, which at least gave a modicum of local autonomy and guaranteed increased transfers of resources and delivery of public goods, but other regions enjoyed similar benefits from the redistributive policies of the national government. In terms of political influence which is usually gauged by the number of plum appointments at the federal level, the region’s lot did not improve much. According to Akpabio and Akpan (2010, p. 118), ‘Nigeria’s power equation has not in any way favoured the Niger Delta region from independence . . . while all other regions in the country have produced the country’s president, the Niger Delta ha[d] not’. Unemployment levels were high, no thanks to the destruction of arable farmlands, rivers and waterways by oil operations, neglect of rural agriculture for elusive petro-dollars in the cities; roads, bridges, schools, hospitals and other infrastructure decayed and, overall, with poor delivery of public goods and social services, the quality of life and human security was low. The oil companies, which were expected to create new development opportunities through (preferential) employment, extension of first-world infrastructure and services (safe water, electricity, roads, schools, hospitals, telecommunications, etc.) in areas occupied by staff of these companies to host oil-bearing communities, and pay compensation for losses due to pollution, gas flaring, spillage and other hazards of oil operations, also failed to live up to expectations.

The foregoing instances of unfulfilled hopes and expectations made up the Niger Delta variant of the resource curse, which has been partly explained as a continuation of the entrenched domination politics by members of the country’s major ethno-regional groups (Hausa/Fulani, Yoruba and Igbo). They triggered the redress-seeking revolts in the Niger Delta region that became more intense and persistent from the mid-1980s. The main objectives and demands of the revolting groups, which more sharply defined the expectations, were: resource
control or assertion of the right of oil-bearing communities and states to a measure of control of the resource; compensation by the state and oil companies for long years of environmental devastation and neglect, and guarantees of better environmental safety and protection practices; economic prosperity and development and better life for all, specifically employment, roads, electricity, safe water, education, quality health care, safety and security, higher incomes and poverty reduction; and increased political and social valuation by the rest of the country (Obi, 2010; Osaghae, 2010). It is worth noting that the promise of better life for all was a key element in the mobilisation of support of ordinary people by the various claimant groups in the Niger Delta; they were told that if their struggles succeeded, people in the Niger Delta would join Nigeria’s club of oil-made millionaires. The extent to which these expectations were met is crucial to the determination of whether oil has been a curse or a blessing.

The second factor that defines the context for analysing the Niger Delta case is the increased importance of subnational units, specifically state governments, in the management of public goods since 1999 when the country returned to civil democracy. This is mainly on account of the huge transfers to the states and their rising public expenditure profiles. Total expenditure by states rose from N1 trillion (US $6.4 billion) in 2004 to N2 trillion (US $12 billion) in 2007 and N3.5 trillion (US $22 billion) in 2011, while total revenues for states and local governments rose from 5 per cent of GDP between 1990 and 1999 to over 25 per cent from 2004, and ratio of state expenditures to total federation expenditures rose from 30 per cent in 2000 to 45–50 per cent from 2008 (Ushie, 2012). Increased state revenues have come via statutory allocations from the Federation Account which has been boosted with proceeds from additional sources: VAT which replaced sales tax in 1994, from which states receive the greatest share of 50 per cent (federal government 15 per cent and local government 35 per cent); excess crude account which houses windfall receipts from oil price spikes for the rainy day, but from which funds are shared from time to time by the tiers of government to offset fiscal shortfalls; refunds from Nigerian National Petroleum Corporation which failed to remit oil incomes to the Federation Account for some years; and the Subsidy Re-investment and Empowerment Programme (SURE-P) funds which are ‘savings’ from subsidies removed from petroleum products from January 2013.

The financial situation of the states has also been greatly boosted by a number of favourable judgements by the Supreme Court that have increased their revenue bases and jurisdictional competences. These include one in 2002 that declared deductions by the federal government from the Federation Account for debt servicing and joint oil agreements before sharing proceeds among tiers of government illegal, and another in 2013 that granted states jurisdiction of taxes paid by hotels and the entertainment industry. Oil-producing
states enjoyed special leverage with derivation-based allocation. A ruling by the Supreme Court in 2002 restricting the application of derivation to onshore oil fields (nearly half of the country’s oil is now derived from offshore sources) threatened this advantage but it was quickly restored by a political settlement between the President and Governors of affected states that abrogated the onshore–offshore dichotomy in the Allocation of Revenue (Abolition of Dichotomy in the Application of the Principle of Derivation) Act of 2004\(^4\) (this has however remained a contentious issue between littoral and non-littoral states mostly in the landlocked northern region whose leaders insist that offshore oil should belong to the country as a whole).

The increased role of state governments in the development terrain as analysed above, which Ushie (2012, p. 17) says demonstrates the ‘workings of a federal system’, contradicts the view held by scholars and advocates of true federalism in Nigeria that the states lack the resources and legislative competences to act effectively as determinate units of government, especially in the provision and maintenance of infrastructure and other public goods (see Suberu, 2010). The true federalism argument, which laments fiscal over-centralisation and incapacity of states, is not fully supported by the empirical evidence especially in terms of public expenditures. It is even less so when we consider that state governments are not accountable to the federal authorities for how the transfers and other receipts including domestic and foreign loans are expended. In the absence of serious legal and practical constraints, state (and local) governments should and do play a very important role in the determination of how resources are to be used (Akpan, 2011; Wantchekon & Asadurian, 2002) – in the case of Niger Delta states, in determining whether receipts from the oil resource would be a curse or blessing.

Having set the frame for analysing the Niger Delta case, we next turn to consider the revolts that defined the expectations and demands of the Niger Delta groups from oil. The extent to which these have been met is a major factor in considering whether oil has been a curse or blessing.

**The revolts and their rewards**

The Niger Delta revolts or ‘oil wars’ are well covered in the literature (Frynas, 2001; Gore & Pratten, 2003; Human Rights Watch, 2005; Ikelegbe, 2005; Obi, 2010; Osaghae, 2010; Peel, 2011; Tamuno, 2011; Ukiwo, 2007). The explanations basically relate, first, to the frustrations and anger of the unfulfilled expectations outlined in the earlier section, the environmental devastation that deprived citizens of the region of their sources of livelihood and threatened their very survival, and the failure of the state to protect them from the high-handedness of the oil companies which cared less about environmental safety and security and the interests of the people; second, to historically
located ethnic minority nationalism and dissenting politics against majoritarian domination within the country’s federal system; and, third, to a mix of supporting domestic and external factors including democratisation and, at the global level, the legitimation of the rights of minorities, indigenous groups and other endangered peoples as well as the environmental remediation and justice movement which had the struggles by the Ogoni and other Niger Delta groups as reference points. The revolts fall into three phases based on scope, strategies and intensity of the revolts and the responses by the state.

The first phase covers the period from 1956 when oil operations began in the region to 1995 when Ken Saro-Wiwa and eight other minority and environmental rights activists were hanged. This phase was generally peaceful, except for the civil war (which partly had to do with conflicts over control of oil between the then Eastern region to which the Niger Delta belonged at the time and the rest of the country) and the 12-day revolutionary uprising of the Niger Delta Volunteer Force led by Isaac Adaka Boro in 1966, whose high point was the declaration of an independent Republic of the Niger Delta, that was crushed by the federal government. For most of the 1970s and 1980s, there were peaceful protests against pollution, spillage and other forms of environmental degradation and the refusal of Shell and other oil companies to pay compensation, and representations and petitions were made to state and federal governments for support and protection in the face-off with the oil majors. However, by the late 1980s, the failure to address the dangers of degradation (which, according to Saro-Wiwa (1992) verged on genocidal proportions) and demands for compensation and the rights of the groups forced a change in orientation as new ethno-nationalist and rights-seeking movements emerged to engage the state and oil companies.

Three main strategies, which remained essentially peaceful but with a sprinkling of violence at the later stages as the state deployed military units to suppress the revolts, were adopted: political mobilisation and propaganda to bring the plight of the oil communities to global attention and win international support; submission to the federal government of bills of rights which articulated the problems and demands of the oil-producing groups; and direct confrontation with the oil companies which involved the issuance of deadlines to and threats of expulsion of oil companies operating in their areas and various acts of sabotage notably seizure and blowout of oil flow stations and pipelines. The Ogoni case, especially the Ogoni Bill of Rights, was path-setting at this stage and subsequent bills and declarations by groups representing other ethnic nationalities drew their bearings from it. The major points which were common to the bills included (1) reaffirmation of faith in membership of Nigeria but based on guaranteed rights as autonomous political units, resource control and fiscal federalism; (2) repeal of laws considered inimical to the justiceable right to the resources in the land including...
the Petroleum Act of 1969 and the Land Use Act; (3) provision of infrastructure and social services and payment of adequate rents, royalties and compensation directly to communities, state governments and local governments; (4) decentralisation of security organisations, demilitarisation and withdrawal of military forces from the region; and (5) environmental protection and review of contracts with oil companies.

The second phase, covering the period 1995–2007, was marked by increased conflict and violence between Niger Delta groups and the state military – the Joint Task Force (JTF) – which was deployed to suppress the insurrection and safeguard oil operations. This period was characterised by spells of oil price increases (between 1998 and 2013, prices per barrel steadily rose from US $10 to US $100 and higher), which was a factor in the desperation on the part of Niger Delta claimants to maximise the gains from the resource. Although the state made some efforts to appease the Niger Delta region by creating special development agencies (Oil Mineral Producing Areas Development Commission, Niger Delta Development Commission (NDDC) and the Ministry of Niger Delta Affairs) and restoring the principle of derivation, greater reliance continued to be placed on subduing the militants through military action. In the event, it was the violent response of the state that precipitated the phase of violent struggles. The violent conflicts and warfare involved warlords (the most notable of whom were Asari Dokubo, Government Ekpemupolo, alias Tompolo, Ateke Tom, Ebikabowei Victor Ben, alias Boy Loaf and John Togo), and the youth-dominated militant and armed groups and criminal gangs which all claimed to be fighting for the liberation of the Niger Delta from internal colonialism and environmental destruction by the oil companies. The Movement for the Emancipation of the Niger Delta (MEND) emerged as the main militant group with Asari Dokubo and other warlords as leaders.

The major strategies adopted by the groups were increased sabotage action, kidnapping of oil workers especially expatriates for ransom, attacks on and seizures of oil installations, vandalism of oil pipelines, increased oil theft and illegal bunkering, sea piracy and bombings and armed attacks which spread to other parts of the country notably Lagos and Abuja. Perhaps the most intriguing of these strategies was criminal bunkering, or the theft of crude oil and illegal production of crude oil using so-called bush refineries, which became a popular and widespread instrument of ‘self-determined resource control’ (Maass, 2009, p.77). In March 2014, the JTF claimed to have destroyed 308 illegal refineries, 30 barges, 155 boats and 20 tanker trucks, 566 surface tanks and 273 pumping machines used in bunkering operations in six months (The Punch, 9 March 2014, p.2). These tactics plunged Bayelsa, Delta and Rivers states, the core states of the region, into a state of war and insecurity. The greatest casualty, of course, was the oil industry and oil revenues. Production levels fell from 2.0–2.5 million bpd to 1.0–1.5 million bpd. The
Technical Committee on the Niger Delta set up by the Federal Government to consider options for the peaceful resolution of the crisis in the region reported that between 2007 and 2008 alone there were over 50 attacks on oil installations leading to shutdowns and spillages and loss of revenue estimated at about US $20 billion, while another US $3 billion was lost as a result of illegal bunkering (this rose to over US $12 billion in 2013 at an estimated loss of 300,000 bpd). These were the circumstances that forced the state to consider more reconciliation options especially after the late President Yar’Adua, the first civilian president since 1983, assumed office in 2007.

The third phase of the revolts, beginning from 2007 saw a simmering down of the oil wars. MEND even raised a negotiating Aaron Team, including notable Nigerians such as Wole Soyinka, Mike Akhigbe and Luke Aprezi, to engage the federal government. The reign of sabotage of oil operations, vandalising of oil pipelines, attacks on oil wells, sea piracy, kidnapping for ransom and occasional armed conflicts continued all over the Niger Delta, albeit on a far lesser scale (this kept the JTF in the region), but the region was relatively more stable and secure, most importantly, for oil operations to resume. The turning point was the release of Asari Dokubo from detention in 2007, which was followed by negotiations with MEND and other militant groups that led up to the proclamation of amnesty by President Yar’Adua for members of armed groups that surrendered their weapons and agreed to embrace peace. The amnesty programme involved the disarmament, demobilisation and rehabilitation of over 100,000 militants and their leaders (Nwozor, 2010).

In the aftermath of the oil wars, which is one of the manifestations of resource curse dynamics, forced in this case by the determination of the Niger Delta groups to ameliorate and if possible obviate the curse, what benefits have they secured, and to what extent can the benefits be said to have reversed the curse of deprivation, neglect and marginalisation? Let us first examine the benefits of the struggles based on the goals and demands that triggered them. As outlined earlier, these were resource control or assertion of the right of oil-bearing communities and states to a measure of control of the resource; compensation by the state and oil companies for long years of environmental devastation and neglect, and guarantees of better environmental safety and protection practices; increased political and social valuation by the rest of the country; and economic prosperity and development and better life for all, specifically employment, roads, electricity, safe water, education, quality health care, safety and security, higher incomes and poverty reduction. We shall take the goals one after the other, beginning with resource control. This remains an exclusive federal domain, but the restoration of the principle of derivation at a minimum of 13 per cent from 2000 counts as a major victory. Even though 13 per cent is far lower than the 50–100 per cent Niger
Delta claimants want, it has nonetheless made the oil-producing states, especially Rivers, Akwa Ibom, Bayelsa and Delta, the highest beneficiaries of revenues from the Federation Account.

A cluster analysis of transfers to state governments by geopolitical zones of the country by Olofin, Olubusoye, Bello, Salisu, and Olalekan (2011) shows how derivation receipts shot the south–south zone (Niger Delta) to the top of the horizontal allocation (allocation to states) ladder, displacing states in the north–west zone like Kano and Kaduna which received the highest allocations pre-derivation (between 1999 and 2004, the Niger Delta states received an estimated US $13 billion). Gross statutory allocations to Rivers, Akwa Ibom, Delta and Delta states since 2003 have been higher than allocations to all the 19 northern states put together. Allocations for the last quarter of 2013, which reflect the trend of transfers since 2003, show the full benefits of derivation. The federal government received N702.22 (US $4.5) billion, states N356.17 (US $2.3) billion and local governments N274.60 (US $1.8) billion, while N157.15 (US $1.02) billion, representing 44 per cent of the total allocations to all the 36 states went to oil-producing states. Akwa Ibom state, the highest oil-producing earner, received N163 billion ((US $1.03 billion) or 9.4 per cent of total revenue to all 36 states between January and September 2012. The sharing of receipts from SURE-P and refunds by NNPC also followed a similar pattern6 (Central Bank of Nigeria, Q4 Economic Report, March 2014, p. 3).

The lop-sided transfers have met with the hostility of the other states, especially those in the north which on aggregate received the highest transfers before the (re)introduction of derivation (Bakke & Wibbels, 2006). They (along with three non-littoral southern states) tried unsuccessfully to get the Supreme Court to annul the Allocation of Revenue (Abolition of Dichotomy in the Application of the Principle of Derivation) Act of 2004, and have championed a campaign to reduce the weight assigned to derivation and restrict its use to onshore oil, arguing that resources in the country’s continental shelf offshore belong to the country as a whole.

For the purpose of this paper, the essence of the resource windfalls to the core oil-producing states is that the responsibility for reversing the curse of oil now depended largely on their performances. In terms of compensation for pollution, spillage and other environmental hazards, the situation has not changed much, though a number of court judgements has affirmed the right of oil communities to adequate compensation and awarded costs to the communities for the violation of this right.7 The major obstacles remain the lax regulations on pollution, spillage and other hazards,8 the Land Use Act which vests ownership of land in the state and denies compensation when land is used for public interest purposes, and the inability of government to monitor spillages and enforce existing regulations. But the Niger Delta struggles have at least forced the national government to create institutions and practices that
address issues of environmental protection as well as transparency and accountability in the oil and gas sector.

These and other important remedial reforms have been consolidated in the Petroleum Industry Bill (PIB) which represents the most comprehensive attempt to restructure the oil and gas industry and optimise its benefits. First introduced in 2008, the PIB addresses issues of the regulatory framework for oil operations, including relations between oil companies and oil-producing areas, responsible environmental management practices, management of the upstream and downstream sectors, promotion of local content and participation, and increased profits from rents, royalties and taxes. Of direct significance to the Niger Delta case in the bill is the provision for the establishment of a Petroleum Host Communities Fund into which upstream oil companies would contribute 10 per cent of net profits on a monthly basis for the direct development of the communities hosting oil operations. Although the PIB has potential to make the petroleum industry more beneficial to Nigeria, it still falls short of the expectations of Niger Delta claimants by continuing to place oil and gas under the exclusive control of the federal government, granting the president unilateral authority to allocate oil blocks, and placing greater emphasis on revenue gains and rent-seeking opportunities. The oil companies also oppose the increased taxation and other so-called investment disincentives in the bill, but so far, the passage of the PIB has suffered delays for several years.

In terms of political benefits, the struggles paid off handsomely. The region’s political clout increased tremendously with the ascent of Niger Delta sons and daughters, especially the Ijaw, to plum positions in government, bureaucracy, military and security agencies, including the most coveted and all-powerful offices of President, Minister of Petroleum, National Security Adviser, Chief of Defence Staff, Chief of Army Staff, Director-General of Nigerian Maritime Administration and Safety Agency (NIMASA) and so on. In addition, as is fairly common with rent-seeking and patrimonial formations, several people from the region have joined the country’s select club of oil-made millionaires in the oil and gas, banking, service and contract sectors. One interesting category of the nouveaux riches is made up of former warlords and militants who have been ‘compensated’ with superfluous contracts, showing that militancy pays! Governor Ekpemukpolo, alias Tompolo, one of leaders of MEND, is estimated to have a personal estate worth over US $153 million. In 2012, Tompolo’s company, Global West Vessel Specialist Ltd secured a ten-year contract of US $103.4 million (over N16 billion) to provide platforms for tracking ships and cargoes, enforcing compliance with regulations, and collecting revenue for government, a job that ought to be the responsibility of the Nigeria Maritime Administration and Safety Agency (NIMASA). The contract was seen as part of the spoils accorded to warlords and ex-militants for their roles in ensuring that oil flowed once again, albeit with a slant of nepotism.
The warlords were also said to be paid huge ‘security fees’ by Shell, NNPC and other oil companies and state governments to protect oil pipelines and waterways.

Finally, we come to the area where the Niger Delta has faced the greatest paradox: a region with abundant natural resources but at the same time an underdeveloped region with meagre infrastructure and social services, and widespread poverty. It was in this area that the revenue windfalls to the oil-producing were expected to make a difference. The template for responding to the ‘peculiar’ development challenges of the region was set by the Willink committee which was appointed in 1956 to inquire into the fears of the minorities in the country and the means for allaying them. The committee attributed the peculiarity to the difficult terrain caused by seasonal flooding and erosion of freshwater swamps and brackish water of mangrove swamps, which has been worsened over the years by the oil and gas industry, and believed that only a well-resourced intergovernmental agency – rather than a separate state as representatives of the region insisted at the time – was capable of addressing the developmental issues (Willink Report, 1958). This led to the establishment of the Niger Delta Development Board, whose model was reinvented by federal authorities in response to the oil revolts. The Oil Mineral Areas Development Commission was established in 1992 to manage the 3 per cent derivation revenues to oil-producing states for the development of infrastructure and provision of social services. It was replaced in 2000 by the NDDC, which produced a master plan for the development of the region in 2004. In 2007, the federal government created the Ministry of Niger Delta. These intervention agencies have been active in infrastructural renewal (construction of roads, schools, boreholes) and poverty alleviation, but their effectiveness has been limited by underfunding and massive corruption.

The intervention agencies have been replicated at the subnational level. State governments in the region with the exception of Rivers and Akwa Ibom have established special agencies, also known as derivation commissions, to address the developmental needs of the actual oil-producing communities. The agencies are allocated varying portions of the 13 per cent derivation receipts by the states (40 per cent in Edo and 60 per cent in Delta and Bayelsa) for this purpose. This development is important because although states and local governments enjoy derivation funds, many oil-producing communities still suffer neglect and accuse the governments of diverting the funds to developing non-oil-producing areas – just what the oil-producing states accused the federal government of doing! The non-governmental sector also became increasingly involved in community development efforts, as oil companies especially seemed to have found in ‘corporate social responsibility’ a less expensive but effective support-buying alternative to paying huge compensations.10
However, in spite of the interventions of governments and corporate bodies which built roads, schools, health centres and supported manpower development and job-generation initiatives, a report card on public governance and infrastructure development in the Niger Delta by a coalition of civil society groups lamented the littering of the region by abandoned projects which were initiated but never completed by the various intervention agencies (*The Guardian*, 12 April 2011, p. 33). Also, in October 2010, 52 oil-producing communities in Delta state accused the state agency – Delta State Oil-Producing Areas Development Commission – of not involving or consulting them in the determination of budgets and projects and threatened to sue the commission over failure to account for the over N93 billion (approximately US $641 million) it received between 2007 and 2009.

Another *better life* dividend that came directly from the revolts is the welfare package for ex-militants under the amnesty programme. The package comprised educational and vocational training in local and foreign institutions (over 18000 ex-militants had benefitted by 2014). Each ex-militant in training was entitled to a monthly stipend of N65,000 (US $422), which was higher than the monthly salary of a fresh university graduate, while ‘transformed militants’ were entitled to reinsertion/transition safety allowances of N150,000 (US $974) each. The 2012 and 2014 budgetary estimates of N69 billion (US $450 million) and N63 billion (US $406 million) respectively for the amnesty programme were higher than the total budgets for basic education in the country in both years.

**Oil: now blessing rather than curse?**

To a large extent, the expectations that underlay the revolts in the Niger Delta were met. So has oil finally become a blessing? Yes, if the attention focused on the region, massive revenue transfers and political and economic ascendency of elites and the nouveaux riches is considered, but this is obviously too restrictive to be the basis for such conclusion. The real test is the extent to which the quality of life, infrastructure and social service delivery has improved in the region. Have unemployment and poverty reduced? For a long time, these issues were expected to be dealt with by the federal government, which was why the struggles were targeted at it. As we saw above, the federal government responded by establishing special intervention agencies, but beginning from 2000, the greater responsibility devolved to state governments which apart from being better located to address issues of subnational development now had oil revenue windfalls to make the difference.

A study by Ushie (2012) shows that increased revenue flows to Akwa Ibom and Bayelsa states saw enlarged budgets with huge allocations to capital projects and social services. However, a large proportion of the capital budget
went into security vote and general administration, votes that were expended at the discretion of the state governors. In 2008–2011, Akwa Ibom, allocated a total sum of N244 billion (US $1.5 billion) to general administration in the capital budgets, which was higher than the allocations to health, education and housing, and another N18 billion (US $120 million) went to security votes. Bayelsa, on the other hand, allocated N69 billion (US $446 million) to general administration, which ranked second to works and transport, but was higher than allocations to rural development, agriculture, water supply, housing, health and education. The oil-producing areas development commissions have a similar expenditure pattern, and have been accused of being conduits by which Governors siphon derivation windfalls for private use. Moreover, rather than channel resources to pro-poor sectors like agriculture, health, housing, microfinance, potable water and electricity to stimulate economic growth, the focus has been on conspicuous urban renewal projects (beautification, hotels, airports, roads, schools) in state capitals.

These capital-intensive expenditures produced huge budget deficits which the states tried to reduce through development bonds and local and external loans. With such lop-sided allocations and expenditures, it is not surprising that the more critical pro-poor sectors have not had the expected lift. Based on indices like unemployment and poverty levels, electricity consumption, primary school enrolment and access to safe drinking water, there have been no significant differences in development levels between oil and non-oil states – indeed, poverty and unemployment levels in the Niger Delta remain some of the highest in the country, with the average unemployment rate of 27 per cent in the Niger Delta in 2012 being higher than the national average of 25 per cent (Nigerian Bureau of Statistics, 2012). The 2012 poverty incidence percentages for Akwa Ibom (63), Bayelsa (58), Delta (70) and Rivers (80) were higher than those for non-oil states like Ogun (44), Oyo (48), Osun (57), Jigawa (57), Ekiti (59), Nasarawa (59) and Sokoto (59).

Even more disappointing is the fact that the states have not been involved in the more critical area of environmental devastation which has been left to federal authorities. Perhaps the states consider their statutory contributions to funding the NDDC (15 per cent of monthly statutory allocation and 50 per cent of ecological funds due to oil-producing states) sufficient, but this does not absolve them of accusations of neglect. They have also been accused of failing to contribute to the youth empowerment initiative of the amnesty programme, even though the coordinator of the programme considers them to be the ‘greatest beneficiaries’ in the sense that the resumption of oil production in the region has swelled revenue transfers from the Federation Account (the oil companies were also accused of the same thing and criticised for training youths for menial jobs rather than courses that enhance their employability in the oil and gas industry).
There are two main explanations for the failure of subnational governments to translate increased wealth to meaningful development. The first has to do with the skewed federal structure which assigns the main responsibility for development to the national government (Anderson, 2012). This is reinforced in the case of the Niger Delta by the development intervention agencies and the creation of the ministry of the Niger Delta, which functions like an alternative to states. Thus, in spite of the huge revenues they have enjoyed since 2002, state governments continue to hold the federal government responsible for their failure to better living standards and insist that only a greater share of the Federation Account (from the present 26 per cent to 50–70 per cent) can make them development drivers. They have also supported the removal of petroleum subsidies to give more revenue to the states from the Federation Account (this because the huge amounts spent by the federal government on importing the products, which run into several billions of Naira yearly, are deducted from the account) on similar grounds. According to the commissioner of finance of Cross Rivers state who chaired the forum of state commissioners of finance in 2014, this was expected to make it possible for states to grow their own industry and employ youths, ‘compared to the situation where subsidy takes away money that could be used for the purpose of industrialization; employment, [and] investment to halt the vicious cycle of poverty’ (The Nation, 14 March 2014, p. 4).

The Niger Delta case where more money has not meant more development suggests that this is not necessarily the case. If anything, the problem with the states has to do more with lack of accountability than a lack of fiscal or political capacity. They are not answerable to federal authorities for the use of the funds received and subnational institutional checks and balances are too weak and ineffective to restrain the discretionary powers enjoyed by state governors. In effect, the second explanation for the failure of state governments to transmute resource curse to blessing is massive corruption and stealing of state funds. The evidence that a large proportion of the huge resources that have flowed to Niger Delta states has been diverted to personal use includes the large number of governors and other officials of state governments that have gone on trial and/or been convicted for money laundering, embezzlement of public funds and corruption (this is a country-wide trend as over forty ex-governors faced corruption charges between 2008 and 2012). The cases of James Ibori, former Governor of Delta state (1999–2007) and Dipreye Alamieyeseigha, former Governor of Bayelsa state (1999–2006) illustrate the whole point. Ibori was jailed for thirteen years by a UK court in April 2012 for stealing public funds of over £250 million. Alamieyeseigha was on trial in the UK for fraud and money laundering involving over £150 when he jumped bail and escaped to Nigeria in 2005. In July 2007 he was convicted on charges of stealing public funds and
sentenced to two-year imprisonment (he however received a presidential pardon in March 2013).

The restiveness in the Niger Delta has not ended, suggesting that the rewards from the struggles have not changed the curse trajectory. Indeed, new problems and paradoxes are emerging which indicate that the oil curse may be assuming more complicated dimensions. First, conflicts among states, localities and communities over locations and boundaries of oil fields and stations, which are used for calculating derivation, have intensified. The conflicts include those between the Ijaw and Itsekiri in Delta state, Benin-Ijaw in Edo, Ogoni and Andoni in Rivers state, as well as disputes between Edo and Delta over Oben oil fields, between Rivers and Bayelsa, Imo, Abia and Akwa Ibom states over Nda and Okwori fields, and Rivers and Bayelsa over Soku oil wells. Second, Niger Delta states have become so dependent on derivation receipts that they have abandoned internal revenue generation (although all states are guilty of this, averaging 90 per cent dependence on federal transfers for funding budgets, non-oil states generally raise higher inter-governmental relations than oil states).

This makes them most vulnerable to oil price fluctuations and macroeconomic instability, as has indeed been the case when state governments have been unable to pay workers’ salaries and have had to dip into the excess crude account to make up for fiscal shortfalls. Third, oil-producing states, especially Rivers, Bayelsa, Delta, Akwa Ibom and Ondo, are also some of the most indebted states having taken domestic and foreign loans with oil revenue collaterals. Fourth, ‘self-help’ resource control activities such as oil theft, illegal refining, vandalising and seizures of oil pipelines and flow stations have increased (NNPC estimates that over 300,000 bpd averaging 10 per cent of total production and US $9 billion are lost annually to theft and sabotage-related spills).

Conclusion
The empirical question raised by the resource curse conundrum is not its inevitability but how to obviate the curse by making the best use of natural resources (Frankel, 2010). The Niger Delta case analysed in this paper strengthens the argument several scholars have made that we need to expand the scope and levels of analysis to examine the complex factors that determine whether a natural resource will be a curse or a blessing (see Olarinmoye, 2008). Federalism, as a multilayer system of government provides a useful within-country framework in this regard (Anderson, 2012). This was the context within which the roles of the core oil-producing states of the Niger Delta were analysed. The analysis shows that control and benefits from oil for which the resource owners insist they have first claims are important, but that these are only
necessary not sufficient to make the resource a blessing. A much more important factor is management, which has also been identified as the variable that makes a lot of difference in comparisons of blessing and curse (Rosser, 2006). Our conclusion is that the greater responsibility for the failure to obviate the curse lies with the state governments which are the closest to the developmental problems and have received huge amounts from oil to change its abundance from curse to blessing.

Unfortunately, as it turns out, the states have not made oil count and are as irresponsible as – may be even more irresponsible than – the national government. Unchecked and unaccountable, they have not managed the resources well and large parts of their revenues have disappeared into private pockets. When governmental power is used in this reckless manner, it diminishes the incentive to create wealth and develop (Karl, 1997). The irresponsibility of sub-national governments has so far been shielded by the perception encouraged by the state governments and the preponderance of federal intervention agencies that the responsibility for developing the region lies with the federal government. However, this perception is changing fast, and what is more likely is that future redress-seeking struggles in the region would be directed at state and local governments for failure to manage oil wealth properly as much as the federal government – it should be remembered that the anger of Niger Delta groups were initially directed at oil majors until the federal government was identified as the main culprit in the 1990s.

Acknowledgements

This paper was written when the author was at the University of London as the Emeka Anyaoku Visiting Professor of Commonwealth Studies. The author acknowledges the support of colleagues at the Institute of Commonwealth Studies and the London School of Economics who commented on earlier drafts of this paper at seminars.

Disclosure statement

No potential conflict of interest was reported by the author.

Notes

1. In this regard, the report of the Raisman Committee which reviewed the system of revenue allocation in the country after the discovery of oil in 1956 is worth quoting at length:

   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 within the next few years . . . There is therefore a double obstacle in our recommending the simple continuation of the existing
method of allocating mineral resources. First, it would involve . . . crediting the Eastern region [where the Niger Delta was located at the time] with a source of income which is at once too uncertain to build upon and too sizeable to ignore. Secondly . . . [it would affect] stability for the future since oil development might take place in any one of the regions on a scale which would quite upset the balance of national development . . . Our considered conclusion is that the time for change is now, while there is still uncertainty as to which of the regions may be the lucky beneficiary or which may benefit the most. (Raisman Report, 1958, p. 24)

The committee accordingly recommended a drastic reduction in the use of the derivation principle which previously gave regions 100 per cent of revenues from resources to 50 per cent.

2. This was reinforced by the Exclusive Economic Zone Act of 1978 which gave the federal government sovereign and exclusive rights over exploration and exploitation of the natural resources of the sea bed, subsoil and superjacent waters of the exclusive zone.

3. Based on 2009 estimates, the population of Kano state, 9,401,288 the highest in the country, was equivalent to the combined population of Rivers (5,198,716) and Delta (4,112,445) states, the most populous oil-producing states. Similarly, the combined land mass of Borno (71,130 square kilometres or sq kms) and Bauchi (64,605 sq kms) was more than double the combined land mass of the four major oil-producing states of Rivers (11,077 sq kms), Delta (18,050 sq kms), Akwa Ibom (6187 sq kms) and Bayelsa (10,773 sq kms).

4. The Act provides that an area of 200 metre water-depth isobaths contiguous to the littoral state would be deemed to belong to the state for the purpose of derivation.

5. Ten major bills, declarations and resolutions were submitted to the federal government by various groups: the Ogoni Bill of Rights (1990); the Charter of Demands of the Ogbia People (1992); The K’aiama Declaration (1998); Resolutions of the First Urhobo Economic Summit (1998); the Akalaka Declaration (1999); the Warri Accord (1999); the Ikwerre Rescue Charter (1999); the Oron Bill of Rights (1999) and the Niger Delta Peoples’ Compact (2008).

6. For SURE-P, federal government got N48.88 billion (US $317.4 million), states N24.79 billion (US $161 million), local governments N19.11 billion (US $124 million), while N13.86 billion (US $90 million) went to derivation. For NNPC refunds, states got N11.23 billion (US $72.9 million), local governments N8.65 billion (US $56.2 million) and derivation N2.97 billion (US $19.29 million) (The Guardian, 11 March 2014, p. 11)

7. In 2010, a federal high court in Abuja awarded damages of N15.4 billion (US $100 million) against the Nigerian Shell subsidiary for oil spill that affected 255 hectares of Ejama-Ebubu community lands in 1970. In December 2012, the ECOWAS Court found the federal government of Nigeria and six oil companies (Shell, Total, Chevron, Exxon-Mobil, Elf, Total and Agip) guilty of violating the rights of oil communities to a generally satisfactory environment and natural wealth and resources, which are guaranteed under the African Charter on Human Rights which Nigeria ratified in 1983 (The Guardian, 15 December 2012, p. 2). Another landmark judgement was by a Dutch court in January 2013 that held Shell’s Nigerian subsidiary responsible for the pollution of farmlands and fishponds in Ikot Ada Udo of Akwa Ibom State in 2000, 2005 and 2008, and asked it to pay compensation to the community.
8. For example, the oil companies have exploited the law denying compensation where spillage is due to sabotage by claiming that most spillages result from sabotage, as well as the law binding them to unspecified ‘best international practices’ in environmental safety and protection.

9. The institutions include the National Oil Spill Detection and Response Agency whose responsibility includes monitoring and remedying spillages and pollution. NASREA has however been poorly funded and lacks the technical capacity to do its work, and it has so far relied greatly on the oil companies it is supposed to be regulating to do its work. For transparency and accountability, there is the Nigeria Extractive Industry Transparency Initiative, which was created in 2004 to address issues of transparency, accountability and corruption in the extractive industry.

10. One notable corporate social responsibility initiative was that of the Deep Offshore Community Affairs Group, a consortium of deep offshore operators (Shell, Chevron, Statoil, Total, Petrobas, British Gas and NNPC), which undertook collaborative social interventions. Although the group regards the entire country as its community since deep offshore operations have no single host community, the Niger Delta has been a major beneficiary of its projects. Another is the Indorama Eleme Petrochemical Limited’s initiative which allocates 7.5 equity partnerships to communities in its areas of operation, which has yielded nearly US $26 million to six communities in three years (2010–2013).

11. The system in use by March 2014 gives 52.68 per cent of the Federation Account to the federal government, 26.72 per cent to the states and 20.60 per cent to local governments.

12. As of December 2011, Bayelsa State’s domestic debt was N163 billion (US $1.1 billion), Delta N91 billion (US $591 million), Rivers N84 billion (US $545.5 million), Ondo N48 billion (US $311.7 million) and Akwa Ibom N41 billion (US $266.2 million) (Daily Independent, 16 October 2013, p.12).

References


