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Contending issues in Nigerian federalism and the politics of revenue allocation: Case study of the Niger delta

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Abstract

The philosophy and principles of federalism is anchored on the division of governmental power and functions among deferent layers of government in a political entity. Thus, when Nigeria first adopted the federal structure in 1954 it had so many things in mind and one of such was to avoid a problem peculiar with countries that are multi-ethnic like Nigeria; resource allocation problem, and to reduce the years of the minorities by giving the constituent units a degree of freedom. However, despite adopting the federal structure for donkey years now, Nigeria has found it difficult to keep her constituent unit happy there by bringing into question the nature of the country federalism. It is in line with the above that the research interrogated the politics of resource allocation as practiced 'in Nigeria's federalism and how it has undermined the development capabilities of the Niger Delta. Using the relative deprivation theory, the study drew a correlation between marginalization, conflict and underdevelopment in the Niger Delta area and thus concludes that the failure by the various post-independence Nigerian leaderships to evolve an equitable mechanism for the distribution of political power and economic resources is at the root of the Nigerian problem and that the deliberate annulations of the resource allocation formula by successive government in the region. And thus, the study made the following recommendation: that derivation should be adopted as the main criteria for revenue allocation.

Keywords: federalism, politics, Nigeria

Introduction/Statement of Problem

When Nigeria first adopted the federal structure in 1954 it had so many things in mind, and one of such was to avoid a problem peculiar with countries that are multi-ethnic like Nigeria; resource allocation problem, and to reduce the fears of the minorities. This is because the philosophy and principles of federalism is anchored on the division of governmental power and functions among different layers of government in a political entity. However, after so many years of federalism in the country, records have shown that the Nigerian federal system is a negation of the above principle of federalism. Thus, according to Arowolo (2011) [5] "The dynamism and complexity of Nigeria's federalism has attracted academic scrutiny. This is because it has generated so many problems capable of threatening the corporate existence and continuity of the Nigerian state." One of such problems that have threatened to destroy the unity of the country is the issue of revenue allocation. It is in line with the above that Arowolo (2011) [5] further asserted that: "Over the years, the issue of fiscal federalism has remained dominant and most contentious in Nigeria's polity. This is because of its multi-dimensional perspectives. The fiscal federalism in Nigeria has crystallized and remained dynamic as a result of its multiplicity in terms of ethnic composition and pluralism vis-a-vis socio-cultural dimensions." The above was further upheld-by Akeem (nd) when he stated that:

> *The sharing of funds from the federation account is one of the contentious and sensitive issues in the Nigeria polity, this has remained a central element of inter fiscal relations.*

It is important to note however, that hitherto to the discovery of crude oil and at the time when agriculture was the mainstay of the Nigerian economy, contending issues relating to derivation principle was silent in the revenue allocation. However, with the discovery of oil and the subsequent oil boom of the 1970s which made Nigeria solely dependent on the oil sector as a source of foreign exchange and consequently neglected the agricultural sector which hitherto accommodates over 70 per cent of the productive youth, in addition to being the source of funding to the public authority, the formula for revenue allocation became a heated debate.

Orokpo and Stephen (2012) [15] rightly captured the issue confronting fiscal federalism in Nigeria when they stated that:

> *In all federations, there are always constitutional wrangling or how' resources should be shared among the constituent units since there are always poor and relatively rich units for instance, in Nigeria, the poor units/regions/states often prefer a re-distributive system of federal resource while the richer or more endowed States are in favor of more financial autonomy and revenue allocation based on the relative contribution of each constituent units to the federal purse. In Nigeria revenue allocation largely implies the allocation of oil revenue, therefore, oil is central to the politics of inter-governmental fiscal relations thus, the contending forces over power and access to oil extraction and accumulation of resources constitute the major conceptual issues that must be objectively confronted in seeking to understand the political economy of federalism in Nigeria and revenue allocation.*

The bulk of crude oil in Nigeria is found in the Niger Delta region, thereby making it strategic to Nigeria's socio_-economic development. The region, which is the main oil (and gas) producing area of Nigeria has been described. as

one of the world's largest wetlands. It covers an area of about 70,000 square kilometers and consists of four distinct ecological zones which are characteristic of a large delta _in a tropical region; namely, coastal ridge barriers, mangroves, fresh water swamp forests, and low land rain forests. This natural ecological factor has thereby made the region difficult to develop coupled with the activities of oil exploration going on in the region thereby bringing into question the regions' quest for sustainable development. Sustainable development in this wise is not only about protecting the environment; it is equally concerned with the best -productive use of natural resources for the elimination of poverty and the improvement of human welfare and the quality of life (Omotoso, 20l0).Thus, it is in line with the above that this paper seeks. to scrutinize how the politics of revenue allocation as practiced in Nigeria's federalism have enhanced or further undermine the development capability of the
Niger Delta region,

Methodology

In order to effectively carry out this study, secondary data were drawn from current journals, official publications, magazine, newspapers, text books, constitutions, commission reports, and non-printed electronic materials from the internet etc. In the analysis of this work, the descriptive and qualitative data interpretation method' was adopted. Therefore, this research is historical, exploratory, and descriptive in nature.

The relative deprivation theory (an offshoot of the deprivation theory) was used to draw a link between the politics of resource' allocation as practiced in Nigeria's federalism and the underdevelopment in the Niger Delta region. Thus, two variables were used to highlight the negative impacts of Revenue allocation as practiced in Nigeria's federalism to the development of the Niger Delta region. These two main variables were; the rise of armed militancy, and the negative impact of oil exploration in the region.

Research Questions

In the words of Ojo (2010) cited in Orokpo and Stephen (2012) [15]," the perennial problems which has not only defied all past attempts at permanent solution, but also has a tendency for evoking high emotions on the part of all concerned (each time it is brought forth for discussion or analysis) is the issue of equitable revenue allocation in Nigeria. It is an issue which has been politicized by successive administrations in Nigeria both military and civilian regimes." Little wonder did Ikeji (2011) opined that:

> *The question of an acceptable formula for revenue sharing among the component tiers of the Nigerian nation is one of the most protracted and controversial debates in the political and macroeconomic management of the economy*

Past attempts to create an equitable formula for revenue allocation have ended in some section feeling aggrieved. The issue has, over the years, engaged the attention of various commissions and committees. That include:

1. **Phillipson Commission (1946):** This commission recommended the use of derivation and even developmental criteria for distribution of revenue. By derivation, the commission means each unit of government would receive from the central purse the same portion it has.
2. **Hicks-Phillipson Commission (1951):** This commission recommended need, derivation, independent revenue or fiscal autonomy and national interests as the criteria for revenue sharing.
3. **Chicks Commission (1953):** The commission recommended derivation.
4. **Raisman Commission (1957):** It recommended need, balanced development and minimum responsibility: percentage division of 40% to the north, 31% to the east, 24% to the West and 5% to Southern Cameroon.
5. **The Binns Commission (1964):** This commission rejected the principles of need and derivation. In its place, it proposed regional financial comparability and percentage division of 42% to the north, 30% to the east, 20% to the west and 8% to the mid-west.
6. **Dina Commission (1969):** It recommended national minimum standards, balanced Development in the allocation of the state's joint account and basic need.
7. **Aboyade Technical Committee (1977):** It recommended a national minimum standard for national integration (22%), equality of access to development opportunities (25%), absorptive capacity (20%), fiscal efficiency (15%) and independent revenue effort (l8%). Other criteria are:
8. 57% to Federal Government, 30% to State Governments, 10% to Local Governments and 3% to a special fund
9. **Okigbo Committee (1980)**: It recommended percentages on principles: Population (4%), equality (4%), social development (15%) and internal revenue effort (5%). Percentages for governments: Federal (53%), States (30%), Local Governments (10%), Special Fund (7%).
10. **Danjuma Commission (1988):** It recommended percentages: Federal (50%, States (30%),
    Local Governments (15%) and Special Fund (5%). Other laws and decrees on revenue allocation:
    > Decree 15 of 1967,
    > Decree 13, of 1970
    > Decree 9 of 1971
    > Decree 6 of 1975
    > Decree 7 of 1975
    (oyeneye, *et al.* 1988 in Arowolo, 2011) [5].

The major arguments on revenue allocation in Nigeria have always revolved around the issue of what should be the main criteria for revenue allocation: needs, even development, population, national interest or' derivation? Consequently, the major challenge of fiscal federalism in Nigeria is to ensure equitable distribution of resources to all groups that make up the nation that will be acceptable to all. Thus, it is the attempt to proffer a lasting solution to this dilemma that informs this study. Consequently, this research will attempt to give answers to the following questions: to what extent has revenue allocation formula adopted in the past affected the path of economic growth and development in the Niger Delta region (were the bulk of Nigeria's resources are found)? And should states be equal in consumption even though they are unequal in production in other to promote even development?

Theoretical Framework

It is difficult to achieve the twin task of being original and new in a discourse of this magnitude; this is because the topic has been a subject of heated debate among political scientists in Nigeria.

While many will attempt to look at Nigeria's federalism and the politics of resource allocation from a resource curse perspective, this study has attempted to look at it from a different perspective: using the relative deprivation theory.

It is important to state right away that the focus of this research-is not on how natural resources have led to the underdevelopment of the Niger Delta region (Resource Curse), but on how the inability of the federal government to device an equitable means of wealth distribution that would be acceptable to all have led to some regions (especially the Niger Delta region) feeling deliberately deprived of their resources, _(Relative Deprivation Theory) and on how this and other factors have undermined sustainable development in the area.

The framework for theoretical analysis adopted for this study is the relative deprivation theory.

According to Wikipedia the free online encyclopedia, the theory was first used by American sociologist Robert K. Merton. It refers to the` discontent people feel when they compare their positions to others and realize that they have less of what they believe themselves to be entitled than those around them.

Social scientists, particularly political scientists and sociologists, have cited 'relative deprivation' (especially temporal relative deprivation) as a potential cause of social movements and deviance, leading in extreme situations to political violence such as rioting, terrorism, civil wars and other instances of social deviance such as crime. The theory can be simplified in the analysis given below:

1. Mr. A have Y and gets X in retum as a direct benefit of having Y
2. Mr. B also have Y but does not get X
3. Mr. B is aware of Mr. A and the benefit accruing to Mr. A as a result for having Y
4. Mr. B will _feel relatively deprived of getting X and will form or join a social movement to revolt against the system.

The essence of this theory to the research is that it draws a link between the deliberate manipulation of the allocation formula by successive Nigerian government as regards to derivation over the years and the rise of militancy in the Niger Delta region and how this has undermined sustainable development in the Niger Delta region.

Analysis/Discussion

Hitherto, the issue of revenue allocation was never a problem in Nigeria, but that seized to be the case with the discovery of crude oil in the minority region (Niger Delta) and the heavy dependence of the nation on crude for revenue generation, revenue allocation suddenly became a heated debate that elicited interest from all angles.

After almost forty years in search of a workable fiscal federalism, the country's federalism is still faced with a lot of issues this is because the country have decide to break all the rules that makes federalism workable especially those governing resource allocation. The root of the problem surrounding the country's federalism was summed up by (Akinyemi, 2001 in IKEJI, 2011) when he stated that:

> *It is an act of self-deception for anyone to argue that there is nothing wrong with the revenue formula. We have had basically two systems of revenue allocation in Nigeria. The first system which we practiced during the First Republic allowed the North to keep the proceeds from its groundnut and cotton, the West to keep the proceeds from its cocoa, and the East to keep the proceeds from coal and oil produce. Then we changed the system so that the federal government got its hands on the proceeds from onshore and offshore crude petroleum proceeds, and yet we don't expect the minorities in the oil producing areas to perceive that is an injustice done to them. I have even heard some people -turning history on its head by arguing that the country was developed on the proceeds of groundnut, cocoa and oil palm. Perhaps, [one could be correct] you are arguing that the whole is the sum of its parts. But the oil producing minorities has a point that the rule of the revenue allocation game was changed to disfavor them.*

It is in line with the above that this paper will take a critical analysis of revenue allocation formulas adopted in the past (the politics of revenue allocation) as regards to derivation, the socio-economic impact of oil exploration in the Niger Delta region and finally, the rise of militancy in the Niger Delta region.

Revenue allocation formula in Nigeria: an historical overview

Odje Mudiaga, in his book: The Challenges of True Federalism and Resource Control in

Nigeria succinctly considers the twin concepts of true federalism and resource control. As far as he is concerned, the two concepts mutually complement each other. A true federal state practices resource control while resource control functions vibrantly in a true federal state. Put together, resource control is an indication of the practice of true federalism. (Odje, 2000 in Ebegbulem: 2011) [6]. It is in line with the above that this section will interrogate the revenue allocation formula adopted in the past. In other words, the section is structured to look at the politics of who gets what, when and, how in Nigeria's federalism.

Table 1: Brief Historical Outline of Revenue Allocation Formulas in Nigeria

ITEM	Date	Federal Govt. %	State Govt. %	Local Govt. %	Special Funds %	Total %
Phillipson Report	1946		Largely By Derivation, resulting in Northern Region -46% western Region – 30 Eastern Region-24			
Hicks-Phillipson report	1951		By derivation (for taxes that can be regionally identified) need (eg by population) and national interest			

Chicks Commission	1953	FG-50% of general import duty FG-50% of the import and excise duty on tobacco FG 50% share basis on export duty on hides and skins	Regions- 50% on general import duty on derivation basis; region: - 50% of import and excise duty on tobacco based on derivation ; regions: - 100% import duty on motor spirit -100% of the mining rent and royalty should go to the regions, regions: 50%-50% share basis on export duty on hides and skins			
Raisman Commission	1958	Introduced Distributable Pool Account (DPA) under federal control from DPA: 20% of mining rent and royalty. [DPA- according to principles of "continuity, Minimum responsibility, population and balanced development of the federation"]	Sales produce and motor vehicle tax – 100% from DPA: 50% of mining rent and royalty returned to region of derivation From DPA: 30% of mining rent and royalty of all other regions			
Binns Commission	1964	No Fundamental Changes	Proceeds of the excise duty imposed on locally produced motor spirit and diesel oil, the federal shall paid to the regions, duty based on their consumptions			
Dina Commission	1969 (rejected)	DPA renamed States Joint Account (SJA) and that a Special Grant Account (SGA) Allocation of funds based on: tax effort, balanced development and national interest	Offshore operations revenues shared: Federal Governmet, 60%; SJA, 30% and SGA, 10% Onshore Royalties shared: Federal Government, 15%; State of derivation, 10%; SJA, 70% and SGA, 5%. Revenue from Excise duty shared: Federal Government, 60%; SJA, 30%; and SGA, 10% revenue from import Duty shared: Federal Government 50% and SJA, 50%. Revenue from Export Duty shared: Federal Government, 15%; State of Derivation, 10% SJA, 70% and SGA, 5%.			
Federal Military Decree 6	1975	DPA: -80% of mining rents and royalties, -35% of import duties, -100% of duties of motor spirits, tobacco and hides and skin, -50% of excise duties	DPA: -divided among the states on following basis: -50% based pm equality states -50% based on population			
Aboyade Commission	1977	57.00	30.00	10.00	3.00	100.00
Okigbo Commision	1980	53.00	30.00	10.00	7.00	100.00
Revenue Alocation Act	1981	55.00	30.00	10.00	4.50	100.00
Pre Supreme Court Legal Decrees/Law	Pre-April 2002	48.50	24.00	20.00	7.50	100.00
Pre-Supreme Court – RFMAC Proposal	August 2001	41.23	31.00	16.00	11.70	100.00
Supreme Court Ruling	April 2002				Unconstitutional	
Presidential Proposal	Submitted to NASS January 25, 2005	47.19	31.10	15.21	Ditto + Horizontal Formulas +State*** Derivation funds Boards to manage 13% derivation***	100.00

Source: Aluko, 2004 [6]: Historical Revenue Allocation Outline

When Nigeria was divided into three regions by the Sir Arthur Richards constitution in 1954, there was the need to device an equitable means of revenue allocation. Thus, a commission headed by Sir Louis Chick was set up (in 1954) to work out revenue sharing formula. The commission recommended that the total revenue available to Nigeria be allocated in such a way that the principle of derivation be followed to the fullest degree, for the purpose of meeting the reasonable needs of the centre and each of the regions, among others. The 1954 federal constitution embodied most of the recommendations of the commission, especially the derivation formula. It is important to state right away that cocoa, groundnut and palm oil (all produced by the three majority ethnic group: Yoruba, Hausa and Igbo respectively) was the mainstay of the

Nigeria economy at the .time this recommendation was made, and funny enough, the recommendations were implemented to the latter.

A critical look at the table above` (table 1) will reveal that the amount allocated based on derivation drastically reduced after 1954-59 thereby, living us to ponder with the question: What is the rationale behind the deliberate reduction? The possible reason for this was pointed out by

lgho (1999) when he stated that “It is interesting to note that, the decline of the amount due each state of the federation coincided with the growing significance of oil as the main stimulant of the Nigerian economy.” The above conforms with the general feelings in the minority region were the bulk of the resources is gotten from especially the Niger Delta as they strongly believe that the rules ,of the game was changed to disfavor-them from benefitting from the proceeds of crude.

A look at the various laws governing the oil industry will prove them right.

The laws that govern the Nigerian Oil industry. .gives the federal Government dominion over oil proceeds. For instance, under the Petroleum Act of 1969, the entire ownership and control of all petroleum in, under or upon any land in Nigeria is vested in the state (Omorogbe, 2001: 20) [14].This and other obnoxious laws like the Land Use Act of 1976 etc, denies the ethnic minorities populated Niger Delta from benefiting from the resources whose burden of production they bear.

That is, the Nigerian State has become the manager of Nigerians national income and has maintained a tight grip on the purse strings (Lubeck, 1977) in Ebienfa (2012) [7].

The Chick’s formula was in operation from 1954 to 1958, when another commission headed by

Jeremy Raisman was set up to 'replace it in 1957. The Raisman Report played down considerably the principle of derivation and instead placed great emphasis on population, which is regarded as an approximate index of fiscal need. It also emphasized the basic responsibilities of the regional governments as well as the need for an even development of the country as a whole.

Elekwa *et al* (2011) [8] captured the breakdown of the commission when they stated that:

> *As for the principles to be used for revenue sharing, the Raisman Commission recommended derivation, fiscal autonomy and need.*
>
> *Need was indexed by' population requirement for continuity in government service, minimum responsibilities of government and even development. Using these criteria, the funds in the D. P. A.*
>
> *were allocated as follows; the north 40%,' East 31%,' the West 24% while the Southern Cameroon was le/9 with 5%. The Midwest region which was created in 1963 received 8% out of the 24% that was allocated to the western region.*

This recommendation was taken and thus the whole revenue allocation formula was reversed.

Once again, this formula for revenue allocation favored the majority ethnic groups (especially the North). This according to Adeyeri (2012) [1] is because of “The dominant and domineering posture of the Northern region' over other sections of the country...the North’s 281,782 square miles constitute three quarters of the country’s total land mass...Due to this uneven st1ucture,... the North continues to occupy over 50% of states in the country. Thus, the Northern geopolitical zone enjoys certain advantages in terms of resource allocation and federal appointments.” The above once again shows the anomaly in Nigeria’s federal structure. The North doubling the size of the other region will always ensure she has a permanent majority this arrangement is also fulfillment of Mill’s Law of Federal Instability which states that no federation can be stable when one part of it constitutes a permanent majority in joint deliberations.

The Raisman commission of 1957 was replaced by the Binns Commission of 1964. This commission rejected the principles of need and derivation. In its place, it proposed regional financial comparability and percentage division of 42% to the north, 30% to the east, 20% to the west and 8% to the mid-west. In May 1966, (after the first military coup that toppled the civilian administration) the military government under Major General Johnson Thomas Aguiyi-Ironsi abolished the federal system of government and formed a military system of government, with the centre taking lion’s share of the resources from the states. After the counter-coup of July 1966, General Yakubu Gowon promulgated a decree abolishing the unification decree of Ironsi and restored Nigeria to federal system of government. However, Nigeria did not go back to the old four regions that controlled their resources. The military legislated for the whole country. This was the situation until the May 27, 1967, when the military Decree No. 15, empowered the government to carve out 12 states out of the existing four regions.

The Federal Military Government appointed, in July 1968, an interim allocation committee headed by Chief I. O. Dina, who submitted its report in February, 1969. The committee recommended that in distributing resources the fiscal needs of the states should be the Determining factor. This is mainly on the side of distributing oil revenues. It recommended that only 10 per cent, as against 50 percent, should go to the mining states, while the remaining 90 per cent should go to the other states through the Federal Government. The recommendations were rejected.

In 1977 the Aboyade Technical Committee was set up. It recommended a national minimum standard for national integration (22%), equality of access to development opportunities (25%), absorptive capacity (20%), fiscal efficiency (15%) and independent revenue effort (18%). Other criteria are: 57% to Federal Government, 30%ito State

Governments, 10% to Local Governments and 3% to a special fund.
During the Second Republic, President Shehu Shagari, in 1980, set up a commission headed by
Dr. Pius Okigbo. It was the first in presidential system of government in Nigeria. The commission significantly raised the revenue of some states at the expense of others and, therefore, it negated the idea of balanced development in the country. The Supreme Court of
Nigeria invalidated the Okigbo commission's recommendations. However, the revenue Act that was passed by the National Assembly in l98l was based on the commission's report. According to the Act, the Federal Government 'was to receive 55 per cent of the allocation. State governments were to collectively get 30.5 per cent and local governments, 10 percent. The remaining 4.5 percent was for special funds. With this, the derivation principle was discarded in revenue allocation _scheme. This was a departure from the principle of derivation. The non-oil producing states benefited more from this arrangement.
The Shagari's administration was later overthrown in a coup. However, the military government that took over from Shagari continued in the arbitrary sharing of revenue. In 1992, the military government of Ibrahim Babangida established Oil Mineral Producing and Development
Commission (OMPADEC), this was basically because of the restiveness in the Niger Delta region which rose apparent concern about the declining security situation in the region arising from increased agitation from the oil-producing communities and its consequent threat to the economy. Attempt to address the ecological problems caused 'by oil exploration in the Niger
Delta received a boost, when, the 1995 Constitutional Conference recommend that in sharing the revenue, 13 per cent should be set aside as derivation revenue to assist the development of oil- producing communities (the 13 percent was structured into the 1999 constitution). It is important to state right away that the fundamental issue (derivation) which gave rise to the agitation was not addressed by the increment of the derivation principle to 13 percent and the establishment of a development agency. The 13 percent principle still holds sway as at the time of this article while the OMPADEC has long been replaced by the Niger Delta Development Commission (NDDC). While so many things have changed in the Nigerian Federal structure since 1960, what has remained however is the struggle for an equitable-means of revenue distribution. It is in line with this that the rise of armed militancy would be scrutinized. The Socio-Economic Impact of

The Socio-Economic Oil Exploration in the Niger Delta Region

The environment is considered as the global life support that encompasses the biosphere that all living organisms draws their existence, produce, distribute, consume and other economic activities exist within. It is the provider of all sorts of raw materials as well as inputs without which other factors (production and distribution) would be an illusion. Mba and Ogbuagu (2012) [12].
The Niger Delta which is the main oil (and gas) producing area of Nigeria has been described as one of the world's largest wetlands. It covers an area of about 70,000 square kilometers and consists of four distinct ecological zones which are characteristic of a large delta in a tropical region; namely, coastal ridge barriers, mangroves, fresh water swamp forests, and low land rain forests. This natural ecological factor has thereby made the region difficult to develop coupled with the activities of oil exploration going on in the region. Oil exploration started in the region with the discovery of crude in commercial quantity at Oloibri (present day Bayelsa state) in
1956. Ever since, the country has relied" heavily on crude for sustenance with crude
"...contributing over 80% of the gross domestic product (GDP), 85% of the national budget, and
90% of Nigeria's foreign exchange earnings in l998" (Etekpe, 2007:5). It is worthy of note that in as much as oil has brought wealth to Nigeria, it has also brought doom on the Niger Delta region at large and the host comrmmjties where it is found in particular. It is in line with this that
Aghalino (2001) [2] asserted that f'The common reference to oil as "black gold" is apt. Apart from the fact that gold connotes wealth and what is worthwhile, black is associated with "evil."
Nigeria has experienced this dual appellation ascribed to oil." The activities of oil corporations operating in the area have led to oil spillage and gas flaring-so far the twin-evils of oil exploration in the-country. Available records show that a total of 6,817 oil spills occurred between 1976 and 2001 with loss of approximately three million barrels of oil in the region.
Approximately twenty-five percent spilled in swamps and sixty-nine in off-shore (UNDP Report,
2006 in Eregha & Irughe, 2009).
The effect of the above on the aquatic life is alarming. This is even more detrimental to the people of the region (Niger Delta) as a bulk of the rural dwellers there depends on fishing to survive. The incessant incidence of oil spillage has reduce the aquatic life and has made portable water difficult for the rural people there by bringing untold hardship on them. There is also the effect on farming. Oil exploration have also affected the agricultural production of the region as it has made most of the lands un-farmable thereby sky rocketing the price of commodities.
According to Aghalino (200l) [2] in lsoko alone, a total of 1,723.6 acres of land was acquired for oil drilling activities by the Shell Petrolelun Development The land appropriated by the Oil firms are also used for the construction of the network of pipelines, access roads and burrowed pits to store test samples. The threat posed by land alienation was clearly expressed in the protest made by the Uzere Community to the SPDC.
Apart from oil spillage, there- is also the issue of gas flaring which is one of the deleterious effects of the oil industry in Nigeria. According to Aghalino (2001) [2] 76 percent of all the natural gas from petroleum production in Nigeria is flared. This is in contrast to the 0.6 per cent in the
United States, 4:2 per cent in the United Kingdom, 21 per cent in Libya, 20 and 19 per cent in Saudi Arabia and Iran respectively.
From the effects of oil exploration above Aghalino (2001) [2] concludes that the gross negligence of the Nigerian enviromnent, and the marginalization of the people in the oil producing communities by way of absence of basic social amenities and the payment of inadequate compensations have

been the sore point in the relationship between the oil firms and their host communities

The Rise of Armed, Militancy in the Niger Delta

In the words of Adeyeri (2012) [1] Agitations by ethnic minority groups, particularly in the Niger Delta, over the allocation and control of oil revenue, compensation for environmental degradation arising from oil exploration, and political marginalization, appear to be the greatest challenge to nation-building and national stability in Nigeria, in recent times. Oil, the mainstay of Nigeria's mono-cultural economy, has been a source of persistent discontent and tLu°moil since the colonial era. It is in line with the above thought that we are going to look at the origin of armed militancy in the Niger Delta region of Nigeria.

The origin of the Niger Delta militancy can be traced to the period when Jasper Adaka Boro (a former police officer) led a rebellion on behalf of the Niger Delta in 1966. Boro recruited men into an organization known as the Niger Delta Volunteer Force (NDVF). The NDVF fought the Nigerian military for 12 days and even attempted to emancipate the region as the Niger Delta Republic, however, Boro and-his accomplices were captured and sentenced to jail for treason.

Although unsuccessful, Isaac Boro's attempt to fight injustice paved the way for other like- minded activists, campaigning for the same cause.

In the 1990s 'Ken Saro-Wiwa attempted a more peaceful agitation for compensation for environmental damage caused by oil drilling and a greater slice of oil revenues. Saro-Wiwa's charisma and appeal for greater autonomy struck a dangerous nerve with Nigeria's then military regime which brooked no opposition and was hyper-sensitive to any threat or challenge (real and imagined) to its control of oil resources. Saro-Wiwa and his followers were sentenced to death by a Divil Disturbances Special Tribunal and hanged. The death by hanging of Ken Saro Wiwa in 1995 was one of the most poignant events in recent Nigeria history and highlights the deep sense of injustice felt by many in the Niger Delta.

In recent times, armed militancy _in the Niger Delta can be traced to the formation of the Movement for the Emancipation of the Niger Delta (MEND) in 2005. Ever since, militant groups that have emerged from the Niger Delta include: Movement for the Emancipation of the Niger Delta (MEND), Niger Delta 'Strike Force (NDSF), Niger Delta People's Volunteer Force (NDPVF), Niger Delta Vigilantes (NDV), and People's Liberation Force (PLF) etc.

Militancy in the Niger Delta was launched as a tool to draw international attention to the region's plight. Planned attacks by militant groups gave them a sudden national recognition, a bigger recognition by the deprived Ijaws, and an influx of cash, most of them, ransoms paid by oil giants within the Niger Delta creek and also the government. The modus operandi adopted by militant groups was simple? Destroy oil installations, and kidnap politicians and oil workers. The activities of militancy started drawing the necessary attention when their attacks started leading to shuttering reduction of more than half a million barrels of crude outputs. The Obasajo's administration tried to silence them by engaging in an aggressive military campaign in the region. When this approach failed, his successor (Alhaji Musa Yar'Adua) decided to adopt a more dovish approach to the situation, culminating into the formation of the amnesty program in 2010. The amnesty program was established by the late Yar'Adua to rehabilitate ex-militants who renounced fighting and surrendered their weapons under the federal Government's terms for ceasefire. The program has been a relative success for now as it has restored relative peace in the region.

Findings/Conclusion and recommendations

Despite adopting the federal structure for donkey years now, Nigeria has found it difficult to keep her constituent unit happy there by bringing into question the nature of the country's federalism. It is in line with the above that the research interrogated the politics of resource allocation as practiced in Nigeria's federalism and thus made the following findings:

That the unbalanced division of the country by the British which made the North a permanent majority, will always pose a threat to any genuine attempt to adopt an equitable means for revenue allocation in the country. Secondly, that the deliberate manipulation of the allocation formula especially that pertaining to derivation is the major threat confronting the survival of federalism in the country. Thirdly that the development of armed militia group in the Niger Delta is as a result of the-region feeling relatively deprived of the benefits of her resources.

Fourthly, that the amnesty program is not a panacea to peace and development in the Niger Delta region, and finally that there is nothing wrong with the adoption of federalism in Nigeria, but her in ability to steak to its tenets.

Conclusion

When Nigeria adopted the federal structure in 1954 it was majorly to keep the constituent units happy by giving them a degree of freedom and by extension keep the country as one. However, after more than fifty years of -federalism in the country, majority of the constituent units that form what is now known as Nigeria has attempted to secede the country at various times in history thereby questioning the nature of the count1y's federalism.

Resource allocation has been the major problem that has threatened the existence of this country.

Various scholars have argued that the politics of resource allocation as practiced in Nigeria's federalism is an aberration and is responsible for the state of the country. Using the relative deprivation theory, the study tried to draw a correlation between marginalization, conflict and underdevelopment in the Niger Delta area and thus concludes that the failure by the various post-independence Nigerian leaderships to evolve an equitable mechanism for the distribution of political power and economic resources is at the root of the Nigerian problem and that the deliberate manipulation of the resource allocation formula by successive governments (both military and civilian) has undermined sustainable development in the Niger Delta region and is thus responsible for the state of development in the region.

Recommendations

In order to device and equitable means of revenue allocation, in the country, the following recommendation has been suggested.

In the course of this research, it was found out that the deliberate manipulation of the allocation formula especially that pertaining to derivation is one of the obstacle to development in this country as it has encourage some states to be lazy and thus depend on monthly allocation from the federal government to survive. It is thus recommended that derivation should be adopted as the main criteria for revenue allocation.

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