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Abbreviations

NR: Natural Resources
GDP: Gross Domestic Product
MNC: Multinational Oil Corporation
LGC: Local Government Council
Km: kilometer
DD: Dutch Disease
NDDC: Niger Delta Development Commission
CIA: Central Intelligence Agency
LNG: Liquified Natural Gas
IMF: International Monetary Fund
NNPC - Nigeria National Petroleum Corporation
SDN: Stakeholder Democracy Network
NBS: National Bureau of Statistics
NDBB: Niger Delta Development Board.
NDBDA: Niger Delta Basin Development Authority
OMPADEC: Oil Mineral Producing Areas Development Commission
INTRODUCTION

“Oil has generated an estimated $600 billion since the 1960s. Despite this, the majority of the Niger Delta’s population lives in poverty… Their poverty, and its contrast with the wealth generated by oil, has become one of the world’s starkest and most-disturbing examples of the “resource curse” (Amnesty International, 2009; 9).

In this paper I seek to discuss the usefulness of the concept of the resource curse, by contrasting the theory to the context of the Niger Delta and the effect that oil extraction in the region has had on the wellbeing and livelihoods of local communities in the Delta. The Niger Delta region (location of Nigeria’s crude oil resources) is poor despite the enormous royalties from crude oil export since discovery in 1956. This analysis will attempt to identify how the unemployment situation in the region has provided a motive for youths to engage in violent regimes and illegal activities. The principal argument is that the changes in the Niger Delta are not as a result of natural effects from resource endowment, but rather the causal mechanism for the curse of natural resources - a weak economy, violence, underdevelopment - in the Niger Delta are more of a result of political decisions and strongly linked to human factors.

Since the notion of the “resource curse thesis” was first used by Richard Auty (1993; 1) in his study of natural resource endowment and economic growth, an expanding number of studies on the effects of natural resource abundance on the wealth of nations have continually depicted mostly, adverse effects of abundant natural assets on the economic growth of resource-rich countries. The interest in the so-called resource curse may be related to the surprising fact that on the average, resource-poor economies often surpass resource-rich economies in economic growth (Sachs and Warner, 1995; 2).

For the political scientist Ross (2001; 328), the “poorest” and “most troubled” developing countries have a considerable amount of natural resource assets. According to him, resource wealth is likely to make development detrimental. Indeed, it is held that countries with larger natural resource asset tend to develop slower than other countries with little or no natural resources. According to Ross and others, such as Karl (1997; 32) the natural resource curse – also called the paradox of plenty – stems from the close association, which will be further explained below, between resource abundance and ills such as low government accountability, economic decline, civil war, corruption and authoritarianism.

Not everyone agrees with this explanation. For Wright and Czelusta (2004; 36) “resource curse” is a myth, “Minerals are not a curse at all in the sense of inevitability; the curse, where it exists, is self-fulfilling.” They conclude that minerals in themselves cannot be blamed for issues like corruption and rent seeking, rather they propose that it is the process through which policymakers and businesses handle minerals that determine the outcome on the economy.
Whether or not the presence of economically viable natural resource has an adverse or positive impact on the country’s economy appears to depend on the type of resources and host country’s circumstances.

There are a number of paradoxes regarding the economics of the Niger Delta and Nigeria at large that are necessary to explain, using selected theories put forward to explain the curse of natural resources. The Niger Delta region contains all of Nigeria’s abundant oil reserves. Crude oil resources account for over 85% of Nigeria’s gross domestic product (GDP), and it provides about 95% of the country’s budget, and accounts for 80% of Nigeria’s revenue. Paradoxically, the region remains poor, largely as a result of to the ecological devastation from oil and gas exploitation and state policy decisions that exclude the indigenous people of the Niger Delta from the proceeds of the natural resources. Oil spills in the area have rendered the previous occupation of the rural inhabitants, farming and fishing, impractical. (Aaron, 2005; 1)

The argument is that instead of seeing the present development in the Niger Delta as the result of the presence of abundant and highly valuable natural resources, the reasons for the slow-economic growth, violence and underdevelopment in Nigeria should be found more in political than in economic developments, and strongly linked to human factors. This leads to the following problem statement:

PROBLEM STATEMENT
Why is the Niger Delta region poor despite the resource abundance and wealth been generated from the natural resources?

In order to answer this question a number of working questions have been formulated, as shown below:

a) What is the nature of the alleged ‘resource curse’ and how has it been described by proponents and opponents?
b) What are the realistic social, political and economic dynamics at play in the Niger Delta and to what extent is this related to the resource (oil) exploitation?
c) Does the notion of the resource curse provide an effective and adequate explanation of the current situation?

METHODOLOGY.
I will first explore different mainstream and opposition theoretical positions approaches to understand the different ways in which the notion of the resource curse is being perceived. As representatives for a mainstream perspective, I have notably focused on the contributions of Paul Collier, who is among the most-cited political scientists on the matter. This is supplemented by contributions giving more emphasis to the economic aspects, derived from situations of resource abundance (Ross, Basedau and Lay, and Sachs and
Among those questioning the existence of such a curse, I have selected scholars such as Watts and Wright and Czelusta. Secondly I will try to test the applicability of the notion on the ground by looking at the realities of one of the resource-rich regions of the world, the Niger Delta (which supplies 2.62% of the world’s petroleum\(^1\)), in order to explore the paradoxes surrounding the richness of the region and the relative poverty of its population. I will focus on the social and economic development in the region, including the changing livelihood conditions encountered and look at the scenario to find out whether the abundance in oil revenues from the region has increased social and economic opportunities for the local population and in those cases where this is not taking place, look at the constraints encountered by the local community. One factor that will receive particular attention will be the issue of youth unemployment.

THEORETICAL LITERATURES
As mentioned above, there are different opinions on the theoretical understandings for the explanation of the resource curse notion. While Sachs and Warner (1995) may insist on that “resource curse” is a realistic phenomenon, Wright and Czelusta (2004) are wholly against the idea of natural resource being a curse and consider it a myth. However, despite their different opinions on the notion, they all seem to have a common ground on the point that there is a connection between governance and natural resources availability in the explanation of the curse.

The earliest literatures proposed economic hypotheses for the resource curse; the Dutch disease (DD) model - the most cited - is an example. The Dutch Disease notion was originally coined to explain an episode of economic decline in the Netherlands in 1959, following the discovery of a large deposit of natural gas in the North Sea. The notion explains the deleterious consequences of natural resource booms, in that, following the discovery of natural resource, as exploration and exploitation commenced the country’s tradable activities were fixated on the natural resource sector rather than the manufacturing sector, and then labor and capital that might be employable in the manufacturing sector were pulled into the natural resource sector and thus the manufacturing sector begin to shrink and become less competitive; while the non-traded goods (natural resource) area tends to expand (Sachs and Warner, 1995; 6). As the tradable (non-resource) manufacturing sector became less competitive and declined, this had a ripple effect on the entire economy, which declined equally (Olusi and Olagunju 2005; 160).

This model was further elaborated by Corden and Neary (1982) who outlined a core model of the Dutch Disease, wherein they divided the economy into three sectors - the booming natural resource export sector, the crawling export traded goods (manufacturing) sector; and the non-traded goods sector (services, construction, etc.). The manufacturing sector becomes dispossessed by the other two sectors due to an increase in the real exchange rate of the local

\(^1\) http://www.ektekeee.com/nigeria-and-a-world-without-oil-by-henry-nosegbe/
currency, which in turn makes the manufacturing export sector activities less competitive and consequently less attractive to importers - all resulting in economic decline in the end.

Other scholars have been more critical about the notion of Dutch Disease: – Hausmann and Rigobon (2002; 4), for example - sees this logic as relevant but insists that it (Dutch disease model) only emphasizes that the income from natural-resource sector would be associated with recession in manufacturing sector, not in overall economic growth; since the idea of the Dutch disease does not express any loss of welfare, it does not satisfactorily explain why a resource-rich country would grow slowly.

However, Matsuyama (1992; 139) further interprets the Dutch Disease notion to imply that the manufacturing sector characterizes an exclusive part of the overall growth process and if the returns to scale in manufacturing sector is more than a return to scale in the resource sector (due to the market volatility and prices fluctuation), an abundance of the natural resource may cause the economy to depend on a volatile area; this may explain the curse via the Dutch Disease model. This economic explanation for the resource curse is in contrast to the political science argument, which is more prominent in the literature on the so-called resource curse, which will be described below.

Recent studies on the phenomenon have suggested the key factors to be political. The political science literatures on the resource curse connect natural resources to weak institutions and poor management. For instance, Collier (2010; 1105) finds that although the foremost explanation for the resource curse was plainly economic (taking note of the Dutch Disease), recent studies find that the factors responsible for this scarcity amidst abundance and general slow-economic growth - the resource curse - are political.

Paul Collier, a Professor of Economics and Public Policy, is one of the mainstream scholars on political theories on the resource curse notion. He suggests that natural resources can affect the state’s political structure by undermining a regime’s accountability and also weaken the state security apparatus, which can provide an opportunity for rebellion. Collier construes this by describing the interplay between politics and natural resources. For him, the revenue from natural resource can shape the political system of a resource-rich country. Natural resources interfere with the political system by crippling two core elements of governance in an efficient state - security and accountability. Resource rents can deteriorate the functions of politics, making it prone to insecurity and like to be less accountable. According to Collier, natural resource affects accountability when the objectives of the elites and ordinary citizens are conflicting with regards to the provision of national public goods as opposed to accumulation of personal wealth. He finds that the smaller the size of the elites in the society, the stronger the incentive for them to choose personal wealth distribution (among themselves) over provision of national public goods. This
absurdity is viable in a country with weak judicial institutions among others. In addition, resource-rich nations with weak judicial system are more likely to experience low electoral accountability, and the politicians can loot public funds with little fear of prosecution when the electoral and judicial systems are bribable. For Collier, the issue of corruption is a domestic agency problem in resource-rich countries that connect to natural resources (oil) through revenue collection. For Collier, a lack of transparency (regarding negotiation for extraction rights, tax and royalty rates) is the primary causal factor because secret negotiations provide the incentive for extraction companies to bribe government delegates. Bribing government officials make it easier for multinational companies to cheat the state out of revenues that are due, and for government delegates to cheat the country out of payments made by companies.

Security, the second core element of an effective state, as Collier finds, that is weakened by natural resources due to the state’s low urgency to develop its security apparatus against external threats. After the significant decline of interstate wars and decolonization, most of the new-postcolonial states faced more threats from within than externally from neighboring countries. These internal threats are in the form of coups and rebellion as a result of inequality and uneven distribution of wealth. The risk of these political desecrating elements (coups and rebellious conflicts) provokes higher military spending - for repression of citizens. According to Collier (2010: 1109) military spending against external threats may be considered a national public good but when excessive spending on military aims at internal repression, it does not add to the state-capacity building and thus doesn’t pass off as a national public good. The military, designed for internal repression, disintegrates rebellious struggles while the military structure itself is deliberately and systematically rendered ineffective (by dividing it into several factions with unknown line of authority) by the state to reduce the risk of coups. Most of the postcolonial countries, Collier holds, did not need to build an active (and expensive) military against external threats. As a result, the urge to raise tax revenue (for the purpose of high military bankroll) did not increase. This is the security-taxation nexus brought about by resource rents.

Collier further indicates that most of the new-postcolonial states also failed to invest in a sound judicial system that would have minimized corruption and fostered individual prosperity. Most-effective states were built out of the need for higher spending on military during the period of interstate wars. High spending on military provided an increasing need for public money, and an avenue to rake in the funds needed was through tax revenue and government debt. A secure source of income was important for the state to raise the debt at a fair interest rate; this emphasized the significance of tax revenue. Consecutively the state had to build an efficient taxation system, which required time, fiscal capacity and adequate administrative structure to construct. In order to make this happen, the state invested in state-capacity building by providing an avenue for private economic activities to flourish; implementing essential support to the legal system that could enforce contracts did this. Therefore, it was in the best interest of such
countries to be accountable to the wealth generators. Promoting private wealth generation supported the state in reducing cost of borrowing and reduced the risk of seizure.

In Collier's version of the 'resource curse,' it is suggested that the risk of a coup creates a sense of regime insecurity, and this encourages the regimes to weaken their armies. Into this footing, he depicts three channels through which natural resource affects the politics of the state. Being a primary commodity, the first is, the opportunity that natural assets export provides for plundering: during conflicts, rebel predation on natural assets can escalate and provide the means to finance rebellion. Secondly, rebellion may not only be made feasible by the presence and exploitation of natural resources, it may be driven by the intention to take control of rents, during or after conflicts and even without a realistic prospect of capturing the state, natural resources make rebellion attractive; as it will provide a window for easier-looting during the period of chaos and lawlessness. The third channel addresses the issue of accountability: governments of resource-rich countries are less likely to be accountable due to the possibility of a deviating elite interest (pursuant of personal wealth as opposed to providing public goods) and low electoral competence.

As aforementioned, Collier's model suggests that the political system and natural resource endowment compliments one another. NR (rents) affects the political system and that the political system affects NR. The nature of the political system of resource-rich countries has a direct impact on the exploitation of natural resources, in the explanation of the resource curse.

The role of the government regarding exploitation of NR is center stage due to its ecological characteristic. It is necessary for the property rights over natural assets to be explicitly enforced by the government. This is to prevent chaos and social dysfunction. Otherwise NR exploitation will significantly be socially impaired, and fewer resources will be located and the outcomes will be highly unequal, favoring only the strong and lucky ones. The citizens of the state, together own the physical assets endowments; however the government has custodial rights over the resources - on behalf of the entire citizens. The duty of the state administration, therefore, includes active management of natural assets, to the benefit of the citizens. Collier identifies some challenges associated with the steps involved in the management of NR. NR must first be discovered, and extracted, and the revenue must be appropriately spent. NR rents are distinctive from other sources of government revenue because they accrue from a diminishing source and thus temporal, and the NR rents are unreliable because they are volatile due to global commodity prices. Also, due to the nature of the NR revenue, it is necessary for funds to be managed judiciously by saving in the form of asset acquisition since the funds are from a depleting source.

Challenges of managing NR rents includes knowing the appropriate assets to
acquire and to decide how much of the NR revenue to use for acquisition. Collier finds that most country’s policies have focused on deciding how much of the revenue to be used for asset acquisition i.e. how much to save. The government of oil-rich states’ decision on how much to save is a function of what assets to acquire.

The concept of permanent income is the bedrock of the policy of the Sovereign Wealth Fund. Collier insists that developing countries are capital scare, therefore investing within the country is the best form of saving; thus building the Sovereign Wealth Funds within the country. Also, that domestic asset has higher returns compared to low-yielding foreign assets. Based on Collier’s model, the high-yield domestic investment will signify that resource-rich developing states can expect accelerated growth. However, implication of using rents for domestic assets is that higher returns will depend on the investment process. The domestic asset investment may encounter a problem of physical and managerial bottlenecks - besides the amount or rate of investment - that can affect high return. Collier’s Model for the explanation of the resource curse identifies four political decisions and processes that affect the extraction of NR.

The first is insufficient prospecting: Collier argues that due to government lack of commitment and inconsistency, extraction companies can hold back on exploration activities that can result in loss of investment opportunity and unexploited potential reserve. The second is over extraction: this point suggests that biased political decisions are imminent if the society is divided and political powers are unstable. Incumbent regimes will have an interest to convert as much NR assets to capital while they still can, even at the expense of national public goods and social cost of extraction. The political decisions can be in the form of signing overgenerous contracts with extraction companies. The third is investment in public good: Selfish political decisions regarding NR may include plundering NR to invest in private capital and international borrowing against NR as collateral. Extravagant politicians may oppose the national public good of saving for future generation. The fourth political decision that affects the extraction of natural resource is have too little liquidity for smoothing shocks: this political process expresses the failure of resource-rich states government to acquire liquid foreign assets during the periods of high commodity prices to act as a shock absorber in downturn periods, since the prices are volatile and unstable. Collier suggests that borrowing against physical assets will amplify shocks rather than cushioning them. Nevertheless, this model indicates that well-motivated governments in resource-rich countries face a time-consistency problem and cannot control the behavior of their successor; as a result, the incumbent prudent government may avoid saving in the form of liquid assets. This resource curse explanation insists not all governments are susceptible to these kinds of challenges, and the differentiating factor is the quality of governance prior to NR boom. The quality of the institution that can protect the use of resource rents for political patronage. With the absence of security and accountability, a given state encounters more fundamental problems besides the
mismanagement of natural assets.

Michael Ross identifies crude oil as a resource curse due to its rentier, repression and modernization effects. By the rentier effect, Ross refers to the ways in which resource-rich countries use oil revenues to absolve civil pressures that demand higher accountability; he argues that this is carried out via taxation, spending and group formation effects. The taxation effect suggests that resource-rich countries are less dependent on citizen taxes for source of income due to the sufficient rents from oil resources export; this suggests that resource-rich states imposes lower tax rates or, no tax at all, on the citizens in a bid to lower demand for accountability on the side of the government (Ross, 2001; 332). The “spending” part of the rentier effect suggests that oil wealth may result in greater spending on patronage as a means of minimizing pressure for a democratic system of government, and maintaining a totalitarian rule (Ross, 2001; 333). The “group formation” component of the rentier effect cites that resource-rich countries use their oil wealth to prevent the formation of civil groups that are independent of the government because such groups tend to push for political rights (Ross, 2001; 334). This rentier effect suggests that the oil revenue and spending policies influence regime pattern.

His second point, the “Repression Effect”, proposes that resource-rich countries are likely to invest heavily in their military armed forces and security apparatuses, for the purpose of general fortification and repression of citizens, in a bid to withstand any possible pressure and to squash any potential tension and conflict (religious, ethnic) that may arise from oil-resources wealth (Ross, 2001; 335).

Thirdly, Ross’ view on the curse of natural resources underscores a “modernization effect” of oil. This effect is not a political one that works through the state, and rather it emphasizes on the social changes that can mobilize citizens, and are brought about by economic development. This component cites that social changes, like an increase in the education level (that creates a more expressive public that is capable of communicating and organizing) and occupational specialization (that forsters a self-determining workforce that is accustomed to making their decisions on the job and armed with specialized skills that will enhance their bargaining advantage against the government) are necessary to bring about the push for democracy. This argument holds that resource-based economic development does not necessarily bring about the social and cultural variations that push forward democratic aspirations (Ross, 2001; 336).

Much like Collier, Basedau and Lay argues that there is a strong relationship between oil resource dependency and a high probability of civil conflict. Their argument, however, puts emphasis primarily on per capita income as a key factor that determines the onset of conflict. Their study finds that resource-rich countries with higher per capita wealth are associated with less violence, and have been able to maintain internal stability than resource-rich countries with
lower per capita wealth. They amplify this theory, by showing that government of oil-rich states with higher per capita income can maintain political stability using revenue from oil to engage in wealth distribution via patronage and clientelism, high military spending and protection from allies; this conforms with Ross' rentier-state theory; however, they find that Ross' underestimates the stabilizing effect brought about by oil - that is a positive impact - in the prevention of armed conflicts.

Further explanations connecting resource abundance with violence have become more prominent explanations to the resource curse in the light of the many violent conflicts, which have proliferated during recent years. “Natural resources have played a conspicuous role in the history of armed conflicts” Le Billon (2001; 562) finds.

Insurgency in resource-rich states and Africa is, however, not a new occurrence. In Nigeria, the first documented cases of conflicts linked to natural resources dates back to the early post-colonial era and young people have come to be participants in the violent regimes and rebellion\textsuperscript{2}. Watts, (2004; 52) puts it “Oil is the theatre of conflict within which Nigerian politics is currently being played out.” Michael Watts, on a more tailored note, puts forward a theory of “oil complex” to explain the resource abundance paradox, rather than adopt the general “resource curse” term. Watts holds that this phenomenon can be better understood if the form of governance into which it (oil revenue) enters, is initially taken into account (Watts, 2004; 76). This theory of oil complex is uniquely tailored for Nigeria as he addresses the state of political affairs at different levels of government and how oil enters into them. Watts acknowledges that oil has a linkage to conflicts, but contrary to Collier, who focuses his explanation on conflicts as a result of predation, looting or rebellion. Instead, Watts insists on seeing conflicts as the effects of the direct restructuring of pre-existing form of governance caused by oil. Kicking off with the historical pre-colonial politics of the country, he considers the presence of the multinational oil corporations (MNC) (which enter into JV - Joint Venture - agreements with the Nigerian government) to be part of the oil-complex, which he explains, produces an augmentation in the customary form of community law. Watts suggests that the presence of the MNCs brings about a change in the form of rule at the community level through property and land feuds that are caused by traditional demonstration and unrest around the Niger Delta.

The unrest are carried out with the aim of gaining access to compensation income from the MNCs, also Watts denotes that the civil unrest are created in the delta region with another goal of capturing central crude-oil revenue allocation through the creation of more local government institutions. Nigeria exists under a democratic federal system of government that characterizes forms of rule in three groups, the first is the national level (controlled by the presidency), the second is the state level (controlled by state governors) and the third is the local level (controlled by local government chairpersons and traditional rulers). In Watts’
depiction of the political economy of oil in Nigeria, he identifies these three levels of authority as ‘governable spaces’ - The national (federal), indigeneity (State) and chieftainship (local) spaces - and he suggests that these forms of rule (created out of resources, territoriality and indigeneship) have contributed to the various forms of violence (besides rebellion and or civil war) incited by oil resources.

He suggests that these governable spaces within Nigeria strangely work against each other, there are conspicuous blunders between the spaces and each space has a central contradiction. Starting with the lowest, Chieftain (oil-community) level, Watts suggests an overthrow of the traditional gerontocracy rule in the oil communities by youth-led mafia control while the state level has the challenge of ethnic tensions and militancy, and the national level suffers from massive corruption and concludes that commercial oil production was inserted into a weak federal system of government.

In addition, Watts’ oil complex theory suggests that Nigeria’s oil economy and violence is deep and goes beyond a simple function of “resource curse.” He asserts that the case of Nigeria is not that the oil resource provides motive for secession rebellion, or that oil is simply predated by insurgents. However, more profoundly, oil did not just play a deterministic role in the creation of insurgency and violence, rather the violence and insurgency emerged out of political struggles over centralized oil revenue. This political struggle includes party politics, the electoral cycle, intergenerational politics, organized oil theft and a long history of ethnic marginalization and exclusion (Watts, 2011; 69).

He identifies five structural forces that operate within the “oil complex” theory. The first is the process by which the local ethnic minorities in the Niger Delta developed a political project for resource control, driven by the youth. The minority ethnic group, the Ijaws, is dominant in the Ogoni oil communities of the Niger Delta, mostly in Rivers and Bayelsa state. The movement originally began in the 1950s when some politically connected elders of the Ijaw ethnic group mobilized for the creation of an Ijaw state for Ijaw indigenes through formation of social groups (River State Forum and the Ijaw National Congress) to promote their aspirations. However, in the 1990s the elder-dominated movement was overtaken by youth politics and the creation of the Ijaw youth council in 1998. The social and environmental cost of oil exploitation, exclusion from the oil revenue (via the federal allocation process), unjust exploitation, misappropriation and broad history of theft became paramount to the development of the new youth-led political movement for resource control.

The second process involved in the oil complex was the inefficiency of the Nigeria state, through military and civilian guises, to address the political movement in the Niger Delta without resorting to state-imposed violence by the military, police and security forces that lacked discipline. The third process involves the militant groups in the Niger Delta. Watts suggests that the militants

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\(^2\) A secession campaign was led by Isaac Boro and some youths of the Ijaw ethnic group faction in 1966, the revolution lasted 12 days. See Osaghae, E. E., & Suberu, R. T. (2005).
are a product of state-supported electoral thuggery, consisting of militias, organized criminals, cults and political militant who were bankrolled by corrupt and ambitious politicians and local political godfathers. The fourth process refers to the increase of massive oil theft business in which the militants were able to include themselves (as a subordinate beneath high-ranking military and politicians) provided the resources for them to acquire arms and energize their military offensive. The fifth process addresses the operations of the Multinational oil corporations. Watts cites that the MNC provides fund for youth groups to act as local security forces. The MNCs are willing to use military and security forces against protesters. Also, the MNCs have a corrupt habit of distributing cash payments to local elites under the disguise of community development, which in turn contributes to the facilitation and encouragement of violence and conflicts. The youths fought corrupt local leaders, and youth groups fought each other over access to payments, and inter-community conflicts sparked up over land claims and boundaries of oil-bearing lands.

Watts is of the opinion that the political views on the resource curse notion, as put forward by Collier and Ross, is somewhat flawed because they do not take into account the pre-existing political dynamics of the resource-rich state. His criticism lies on the point that Collier did not specify exactly how oil can be plundered, compared to another natural resource like Diamonds; Collier suggests that oil can be looted because of choke points (pipelines, oil flow stations) that can be predated; however, Watts finds a weakness in this hypothesis because Collier does not say much about the forms of mobilization of the rebel organizations supposedly responsible for oil looting and how oil enters into them. Watt further expresses that other political studies on the resource curse notion did not consider the role of the multinational corporations (MNC) who are responsible for the resource extraction in these resource-rich states. Contrary to Ross and Collier, his line of argument links crude oil extraction to a pre-existing politics that consists of disunity, cultural differences, ethnic marginalization, segregation, destabilized institution and fragmented political practices which has disrupted the very idea of democracy and brought about violence and the ultimate crumble of nationalism in Nigeria. For Watts, the political economy of oil has reduced the force of the Nigerian symbol of nation building and stalled the building of a prosperous oil nation.

Le Billon’s (2001) study primarily links natural resources to violence and armed conflicts. For him, the political economy of natural resources shows that violent regimes are motivated by the control of natural resources while the resources can equally provide the means for financing these conflicts. His view on the notion is that natural resources can be deemed a curse when there is a dependency on a single mineral-commodity. In such cases, resource-dependency is associated with low-economic performance and high social-economic inequalities; it can also provide an opportunity for armed conflict due to its lootability (capable of being stolen). The lootability arises due to accessibility: Governments commonly has custodial rights over natural-assets within the state,
and a weak judicial system encourages stealing, while rebels, on the other hand, can also capture these resources with minimal bureaucratic support. They can do this using their networks and established rebel-group strongholds (at crucial points like the location of resources and routes for transport), especially when the security structure is ineffective, and thus generate funds to finance their rebellion. He insists that the resource type, location and socio-economic processes involved in the extraction can influence the likelihood of political instability.

Whereas Wright and Czelusta (2004), argue that other literatures give little consideration to the concept of “resource endowment” when disseminating the notion of the resource curse. In their view, other studies seem to homogenize “the export of natural resource products” with “resource abundance.” Natural geological endowment is not a curse; it is the exuberant reliance on a single commodity export earnings (especially if the market in question is volatile) for the main source of government revenue that provides the room for the “curse” situation. In their scrutiny of the resource-curse notion, Wright and Czelusta (2004; 8) reveal that countries with resource-based development have come to be prosperous; not primarily because of their geological endowment per se, but also due to the returns to investment in country-specific mineral education such as investment in large-scale knowledge of exploration, geological know-how and transportation; as well as, investment in the technology of extraction, refining and utilization. Other countries with resource-based economies that have performed poorly have become so due to their failure to advance their natural resource potentials via appropriate policies. Their study also reveals that production and reserve level (of mineral resources) has continued to increase in well-managed resource economies through technological progress, further exploration and advancement in geological knowledge contrary to the opinion of mineral extraction being a depletion of fixed amount of natural endowment.

Wright and Czelusta find the notion of “resource curse” to be questionable because it tends to portray the connection between natural resources and adversity more or less as a definite law. Collier suggests that oil creates corruption and insecurity. Watts and Le Billon sees the current crisis in resource-rich countries as the result of how local and global politicians and other agents react to the possibilities opened through the oil riches. Watts and Le Billon states that the development of resource extraction and the way that the state develops are closely connected. This gives more attention to how politicians use the oil or other resources for other aims- Thus they also see the curse as a myth. “The generic label ‘curse’ cannot be applied without qualification” as Deacon (2011; 114) puts it. Not to mention Deacon (2011) expressed doubt regarding the vigorousness of large statistical evidence supporting the resource curse notion because some resource-wealthy countries - including Norway, Chile, Malaysia and Botswana- have grown economically.
ANALYSIS OF THE RESOURCE CURSE IN THE NIGER DELTA

The Niger Delta area is located in the central part of southern Nigeria, comprising of wetlands and dry lands including montane ecosystem, derived savannah, lowland rain forest, freshwater swamp forest and mangrove forest and coastal vegetation. The area spans across 112,110 km² and makes up 12% of Nigeria’s territory. Politically, the Niger Delta region consists of nine of the thirty-six states within the Nigerian Federation. The states are Abia, Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers - however, the major oil-producing states in the region are Akwa-Ibom, Bayelsa, Delta and Rivers state, they cover 45,000 km² and account for half of the regional population. There are 185 Local Government Councils (LGCs) within the nine states.

In 2007, the total population of the Niger Delta area was estimated to be 28 million. There are 13,329 settlements in the Niger Delta region, 95% of which have fewer than 5000 inhabitants and rural. The rural inhabitants fall below the current poverty line (US$1 per day) and depend largely upon marine resources, farming and petty trading for their livelihoods - the systems of farming are predominantly small scale, distinguished by small land parcels, short-fallow cultivation system. Overall, 60% of the population is less than 30 years old, and almost 40% are between the ages of 15 and 29. The NDDC (Niger Delta Development Commission) indicates that the population continues to grow rapidly at a rate of 3.1%, and it estimated to hit 45 million by 2020. There is one doctor for every 150,000 people in the oil-rich states of Bayelsa and Delta. There are more than 40 different ethnic groups, who speak about 250 different dialects; no doubt the Niger-Delta is a region of extraordinary linguistic and ethnic intricacy.

Nigeria is the largest oil producer in sub-Saharan Africa, thanks to the enormous oil and gas reserves. When pumping at full capacity of 2,500,000 bpd (barrels per day), she is the eight-largest exporter of crude oil in the world (U.S, CIA 2008). Crude oil discovery (in Oloibiri, Bayelsa State) in Nigeria dates back to the mid-1950s, and the exploration and exploitation continues till date. As the thirteenth largest producer of petroleum globally, Nigeria is the largest oil producer in Africa and harbors the largest natural gas reserves on the continent; Nigeria was globally the fourth leading exporter of LNG (Liquefied Natural Gas) in 2012.

The IMF (International Monetary Fund) report for 2013 estimates that, oil and gas export revenue accounts for 96% of total export revenue in 2012. Petroleum products accounts for 80% of government revenues, 95% of export revenue, and 90% of foreign exchange earnings. This goes to show the importance of the Niger Delta region to Nigeria’s economy, and the Niger Delta Region holds Nigeria’s crude oil resources. Table 1.1 below shows an overview of crude oil export from the Niger Delta between 2004 and 2013, table 1.2 shows the average cost of crude oil between 2004 and 2013.
### Table 1.1

<table>
<thead>
<tr>
<th>Year/Month</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>75,326,188</td>
<td>67,456,297</td>
<td>71,062,566</td>
<td>70,552,458</td>
<td>56,793,954</td>
<td>57,920,658</td>
<td>67,145,981</td>
<td>74,688,111</td>
<td>89,067,879</td>
<td>67,225,757</td>
</tr>
<tr>
<td>February</td>
<td>73,082,052</td>
<td>62,778,435</td>
<td>66,829,351</td>
<td>58,955,150</td>
<td>63,301,288</td>
<td>57,280,104</td>
<td>67,648,691</td>
<td>64,340,771</td>
<td>66,348,663</td>
<td>53,000,330</td>
</tr>
<tr>
<td>March</td>
<td>75,697,415</td>
<td>70,156,144</td>
<td>66,289,600</td>
<td>63,803,365</td>
<td>59,582,300</td>
<td>63,302,135</td>
<td>70,768,401</td>
<td>67,931,652</td>
<td>66,315,592</td>
<td>71,131,048</td>
</tr>
<tr>
<td>April</td>
<td>72,073,593</td>
<td>63,695,905</td>
<td>63,576,863</td>
<td>63,456,666</td>
<td>54,376,043</td>
<td>53,621,759</td>
<td>67,260,046</td>
<td>66,794,717</td>
<td>71,735,025</td>
<td>63,023,818</td>
</tr>
<tr>
<td>June</td>
<td>72,205,187</td>
<td>67,719,039</td>
<td>68,187,970</td>
<td>61,246,627</td>
<td>54,265,316</td>
<td>62,116,894</td>
<td>74,591,290</td>
<td>70,527,957</td>
<td>74,880,498</td>
<td>56,892,775</td>
</tr>
<tr>
<td>July</td>
<td>75,792,943</td>
<td>75,770,411</td>
<td>72,460,018</td>
<td>70,740,161</td>
<td>57,417,639</td>
<td>61,994,406</td>
<td>75,843,753</td>
<td>70,650,154</td>
<td>70,214,352</td>
<td>66,139,246</td>
</tr>
<tr>
<td>August</td>
<td>76,725,592</td>
<td>70,382,521</td>
<td>67,340,856</td>
<td>63,249,478</td>
<td>60,596,105</td>
<td>66,450,920</td>
<td>69,009,003</td>
<td>73,173,567</td>
<td>79,837,780</td>
<td>68,446,299</td>
</tr>
<tr>
<td>September</td>
<td>74,100,218</td>
<td>69,157,525</td>
<td>64,917,141</td>
<td>70,353,429</td>
<td>64,361,582</td>
<td>63,242,730</td>
<td>77,962,880</td>
<td>62,053,661</td>
<td>69,325,453</td>
<td>65,798,905</td>
</tr>
<tr>
<td>October</td>
<td>71,407,315</td>
<td>68,970,056</td>
<td>70,966,162</td>
<td>68,214,009</td>
<td>68,072,988</td>
<td>71,442,502</td>
<td>76,732,148</td>
<td>70,586,656</td>
<td>63,045,795</td>
<td>63,284,658</td>
</tr>
<tr>
<td>November</td>
<td>68,135,233</td>
<td>74,118,223</td>
<td>70,727,123</td>
<td>65,930,520</td>
<td>61,136,734</td>
<td>64,972,801</td>
<td>71,161,171</td>
<td>62,976,593</td>
<td>60,033,979</td>
<td>62,493,899</td>
</tr>
<tr>
<td>December</td>
<td>70,425,870</td>
<td>78,714,746</td>
<td>70,379,949</td>
<td>72,194,901</td>
<td>61,607,478</td>
<td>78,482,761</td>
<td>79,208,460</td>
<td>70,014,740</td>
<td>74,564,323</td>
<td>64,536,670</td>
</tr>
<tr>
<td>Total</td>
<td>878,077,349</td>
<td>844,151,498</td>
<td>817,986,072</td>
<td>791,826,519</td>
<td>724,479,796</td>
<td>789,195,205</td>
<td>864,702,191</td>
<td>822,082,224</td>
<td>830,772,048</td>
<td>762,045,201</td>
</tr>
</tbody>
</table>

Source: NNPC - Nigeria National Petroleum Corporation

### Table 1.2

#### Annual Average Domestic Crude Oil Prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Price</th>
<th>Inflation Adjusted Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$37.66</td>
<td>$46.60</td>
</tr>
<tr>
<td>2005</td>
<td>$50.04</td>
<td>$59.88</td>
</tr>
<tr>
<td>2006</td>
<td>$58.30</td>
<td>$67.63</td>
</tr>
<tr>
<td>2007</td>
<td>$64.20</td>
<td>$72.30</td>
</tr>
<tr>
<td>2008</td>
<td>$91.48</td>
<td>$99.06</td>
</tr>
<tr>
<td>2009</td>
<td>$53.48</td>
<td>$58.20</td>
</tr>
<tr>
<td>2010</td>
<td>$71.21</td>
<td>$76.38</td>
</tr>
<tr>
<td>2011</td>
<td>$87.04</td>
<td>$90.52</td>
</tr>
<tr>
<td>2012</td>
<td>$86.46</td>
<td>$88.11</td>
</tr>
<tr>
<td>2013</td>
<td>$91.17</td>
<td>$91.54</td>
</tr>
</tbody>
</table>

Source: infationdata.com
From the table, a quick calculation can be made to show the average revenue generated per year, it is estimated to be over thirty-five billion dollars ($35,739,235,712). This is not the exact state figure because an average price for crude oil was used. Between the months of January and April 2014, monthly economic report by the Central Bank of Nigeria indicates that 2.432 trillion Naira (over twenty-seven billion dollars - $27,238,500,000) was made from oil revenue. This goes to show the amount of wealth been produced from the Niger Delta region.

The business of oil exploitation occurs in stages, the prospecting, extraction, refining and distribution phases all have significant stresses on the environment. Due to operational accidents and equipment failure, some amounts of crude oil are released into the environment during exploration, processing, transportation and storage - this leads to environmental pollution (Aghalino, 2000). Report of the 784 incidents of oil spillage between 1976 and 1980 amounted to the loss of 1,336,870 barrels of crude oil (Awobajo, 1981). Besides the physical damage to the country’s revenue, the impacts of oil spills are evident in the flora and fauna of these oil-hosting communities.

Ajibade and Awomuti (2009) therefore suggest that oil extraction enterprise has a physical impact on the people (dwelling around in and around the area) that need to be taken into account when evaluating the effects of crude oil exploitation. These impacts arise from the acquisition of land for test-sample pits and seismic activities, creation of oil platform pits, construction of access roads and rights of passage for pipelines. These actions have lead to deprivation, land desertion, degradation and deforestation, and the low reparation paid to landowners. A more pressing challenge followed up is the removal of topsoil and supplement soil and coastal erosion; in the long run the results are visible in low crop production, due to loss of soil fertility (Ikporukpo, 1983).

Oil extraction may also have impacts on the health conditions of those living in the oil hosting communities. Within the over 1,000 oilfields in the Delta Region, gas-flaring (burning) activities has posed a greater health and environmental risk to the host communities. The adverse effect of unnatural gas in the air is the occurrence of acidic precipitation. When sour gas (hydrogen sulphide) is flared, it produces sulphur oxides that are released into the air; this fuses with oxygen and water vapor and the result is “acidic rain.” The Ministry of Environment proposed the application of “Zero Gas Flares Policy” in Nigeria by 2003, the Multinational Oil Corporations (MNC) insist that the policy will not be technically feasible due to the high cost of investment required to acquire the needed technology. After pressure from the MNC, the Nigerian government compromised and overturned its initial 2003 deadline - which was extended to 2008 (Charles, 2003). As of 2014, gas flaring persists in the Niger Delta.

There are also Health consequences; People in areas affected by oil spill and environmental pollution in the Niger Delta complain about health issues including

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breathing problems and skin lesions thus affecting their ability to work. Illness can cause more serious economic damage to households than crop failure. The public health profile is poor: only half the population has access to safe drinking water, life expectancy is 47 years, patients can travel an average of 83 kilometers to get access to a doctor, one in five children die before their fifth birthday (SDN, 2013).

Prior to oil exploitation, the Niger Delta region people engaged in fishing and farming as means of livelihood. The Niger Delta region has always played an important role in the Nigerian economy. The coastal area provided the ports and rivers through which the British were able to penetrate the Nigerian hinterland. Export commodities such as palm produce, timber, and rubber were exported through the region. Products from the northern part of Nigeria, such as groundnut and cotton, were also exported through the Niger Delta. The region has suffered from environmental degradation and deprivation since exploitation and exploration of crude oil in the area (Snapps et al., 2010).

It is important to note that the traditional livelihoods have been greatly disturbed by the explosion of the oil economy: Among the local communities, fishing has traditionally been an important source of survival and income. Mangrove wood provides useful resources for making fishing tools such as making boats and paddles, fish stakes and traps as well as farming implements like yam stakes and fencing as well as for carvings, fuel and building timber. Production of Maize and Cassava make up the core elements of most families livelihoods in the Niger Delta as the farming systems are principally traditional subsistence crop farming. They consist of small-sized farm holdings of less than one hectare per household. Harvesting methods are manual; while processing and storage facilities are grossly inadequate; fertilizers, agrochemicals and improved seeds have not been widely adopted (Onakuse and Lenihan, 2008).

Before the reaching of the oil companies, the average size of farmland per family was 800 square meters (40 x 20m) land holding. This size has reduced over time to an estimated 200 square meters (20m x 10m) of infertile lands. Growth of cassava (a major household crop) is stunted due to effects from pollution (Omoweh, 2005).

The area of the Niger Delta most affected by the adverse impacts of oil exploitation are the communities where the oil wells are located, and on whose farm lands the oil pipelines lay across on. The community members insist that the fish or yam that they eat leave an acrid aftertaste of petroleum in their mouths. The crops are ruined, and now fishers have to travel much further to get fishes, the people in the affected communities depend on rain for drinking water, and even the rainwater is contaminated and unclear. By far the most-significant impact on peoples’ livelihood conditions can be related to the discovery of oil and the arrival of the oil companies; farming and fishing livelihoods are constantly exposed to the impacts from environmental pollution that leads to loss in
agricultural lands and fishing waters. Environmental damages and pollution brought about by the multinational corporations in the Niger Delta has ensued abuse of rights to a healthy environment, and good health, adequate living standard (infection is evident in food and water), right to sustain livelihoods through work, for thousands of people (Amnesty International, 2009).

Exploitation oil natural resources affect the Socio-economic activities of the residents of the oil-producing communities. Farmers are compelled to seek for alternative occupations as due to deterioration of their land (Ikporukpo, 1978). Farmers and Fishermen who cannot conform would migrate to the adjoining urban cities, like Port-Harcourt, Warri, Ughelli and Eket, with the hopes of improving livelihood outcome, the implication of these involuntary movements is the worsening of unemployment in the urban centers (Agahlino 2000).

Unemployment figure in Nigeria is unimpressive. Despite the number of skilled and high-income earning Nigerians employed by the MNCs, majority of Nigerians are unemployed. Fajana (2005) asserts that the exact figure on employment in Nigerian oil sector is non-existent, however he provides an estimate based on data from trade unions. The table below shows that Nigerians makeup about 80% of the regular staffs in the oil sector and employment in the sector rose within 1999 to 2003 with an average growth rate of 10% annually. The data also indicates that Nigerian nationals also makeup the majority of contract and subcontract staffs. The oil sector cannot employ all of Nigeria’s labour force, in the following paragraphs an overview of unemployment in Nigeria is outlined.

<table>
<thead>
<tr>
<th>Table 1.3. Estimated employment in the oil sector in Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of employment</td>
</tr>
<tr>
<td>Regular</td>
</tr>
<tr>
<td>Contract</td>
</tr>
<tr>
<td>Subcontract</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
</tbody>
</table>

Source: Fajana (2005)

The International Labour Organization (1982) defines unemployment or joblessness as the active search for work by people (who are without jobs) for five weeks without finding any. Unemployment in Nigeria increases at the rate of 16% per year (Doreo Partners, 2013). Salami (2013) suggests that the continuous increase of youth unemployment in Nigeria has contributed significantly to the rise in crime and social unrest including the Niger Delta militancy and Boko Haram insurgency (Salami, 2013; 18).
The National Bureau of Statistics highlights that the unemployment rate in Nigeria as at 2011 was 23.9% and in 2010, it was 21.1% and 19.7% in 2009; this shows an increase in the unemployment rate. The NBS also finds that the rural areas have higher rates (25.6%) than the urban areas (17.1%). The report also indicates that the economically active population (aged 15 to 64) constitutes 56.3% of the unemployed, those aged 0-14 and 65 and above represented 39.6% and 4.2% respectively (NBS, 2011; 10).

The table below shows the unemployment rate in Nigeria based on the 2011 population figure of 164,380,000 people. The labour force accounted for 67,250,000 people, within the labour force, 51,180,000 people were employed, and 16,070,000 people were unemployed.

Table 1.4. Increasing unemployment in Nigeria

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>140.11</td>
<td>144.02</td>
<td>149.56</td>
<td>154.34</td>
<td>159.28</td>
<td>164.38</td>
</tr>
<tr>
<td>Economically Active</td>
<td>70.92</td>
<td>81.44</td>
<td>84.05</td>
<td>86.74</td>
<td>88.52</td>
<td>92.38</td>
</tr>
<tr>
<td>Labour Force</td>
<td>57.45</td>
<td>59.29</td>
<td>61.19</td>
<td>63.14</td>
<td>65.17</td>
<td>67.25</td>
</tr>
<tr>
<td>Employed</td>
<td>50.38</td>
<td>51.76</td>
<td>52.07</td>
<td>50.7</td>
<td>51.22</td>
<td>51.18</td>
</tr>
<tr>
<td>Unemployed</td>
<td>7.07</td>
<td>7.53</td>
<td>9.12</td>
<td>12.44</td>
<td>13.95</td>
<td>16.07</td>
</tr>
</tbody>
</table>


The table below shows the rate of unemployment within some of the Nigerian states against the national average rate of 19.7%. Akwa-Ibom and Bayelsa state, both major oil producers, have high composite unemployment rate figures of 34.1% and 38.4% respectively.

Table 1.5. Unemployment rates by States (in %)

<table>
<thead>
<tr>
<th>State</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bayelsa</td>
<td>38.3</td>
</tr>
<tr>
<td>Katsina</td>
<td>37.3</td>
</tr>
<tr>
<td>Bauchi</td>
<td>37.2</td>
</tr>
<tr>
<td>Akwa-Ibom</td>
<td>34.1</td>
</tr>
<tr>
<td>Gombe</td>
<td>32.1</td>
</tr>
<tr>
<td>Adamawa</td>
<td>29.4</td>
</tr>
<tr>
<td>Rivers</td>
<td>27.9</td>
</tr>
</tbody>
</table>


Adebayo (2013) points out the rising wave of crime in relation to unemployment and shows that despite Nigeria’s tremendous human and natural resource, the unemployment rate has been on the increase; youths’ unemployment and the increasing occurrence of crime both have severe implications for national development. Crime ruins social and human capital and deters local and foreign investments and reduces the quality of life, all of which reduces the quality of
citizens-states relationship. He cites corruption, rural-urban migration, rapid expansion of the education system, and a decline in manufacturing sector among others to have contributed to the rise of unemployment in Nigeria. Adebayo further indicates that the Nigerian youth (30 years and below) population of 80 million represents 60% of the total population with a growth rate of 2.6% per year, between 2006 and 2011. Also, an annual average of 1.8 million youths join the labor force of which the majority have been either unemployed or underemployed even though the national demographics indicate that the youth population remain vibrant.

The poor and unemployed in Nigeria experience frustration, deprivation, low self-esteem, and acute want among others negative emotions. Correspondingly this poverty trap would uniquely provoke desperate diversification options - out of the need to survive - hence providing a motive for engagement in degenerative conducts like criminal activities and violence. Unemployment can result in poverty, especially when there are no widely accessible options and provision for welfare support from the state. Deprivation and an acute sense of want often lead the unemployed poor youths into crime and violent enterprises which pass off as a means of sustaining their livelihoods. The nature of these crimes includes car theft, armed robbery, drug trafficking, smuggling, food and drug adulteration, burglary, human trafficking, money laundering, internet scam, advanced fee fraud (419), bribery and corruption, gambling, rape, murder, and other illegal activities (Adebayo, 2013).

Adebayo (2013) points out that youths are most volatile when their energies are channeled towards chicanery and unemployed youths do little to represent the driving force for development of their country to become useful resources. He points out, latterly there has been a surge in the frequency of crime committed which has ultimately led to the feeling of insecurity - among the populace in crime rife areas - over lives and properties. Crime undermines democracy and rule of law, which in turn slows developmental processes since it is a threat to the economic, political and social security of a given nation and often associated with underdevelopment. Crimes such as Murder and Armed Robbery amongst other transgressions continue to plague Nigeria, further to this; terrorism and kidnapping-for-ransom – the most recent of these crimes – have resulted in both economic impediment and bloodshed (Ajaegbu, 2012).

Nigerians are employed in both public and private sectors of the economy, in a bid to analyze the resource curse theory in the Niger delta; it is important to recall that both Ross and Collier hint the unfavorable impact of lower tax rates in resource-rich countries. Ross’ rentier state theory expresses that low taxation in resource-rich states aims at hindering democracy, and Collier’s model conveys that low taxation comes about by the minimized desire by the resource-rich state to spend more on the military against external threats. The tax rate for Nigeria, a resource-rich state, is not far from the global average when compared to other developed economies like Denmark for example. Corporate tax in Nigeria is
30%, and the maximum individual income tax is 24% while Denmark has a corporate tax rate of 25%, and the maximum individual income tax rate is 61.03%.

However, the World Bank data shows that taxation makes up an excellent part of the gross domestic product (GDP) in Denmark, compared to Nigeria. In Denmark, revenues from taxation constituted 34.3% of the GDP in 2009, 33.6% in 2010, 33.7% in 2011 and 34.1% in 2012; these figures indicate that taxes make up an important part of the Danish economy. On the other hand in Nigeria, even though the tax rates are not as low as that of Qatar, Oman and the United Arab Emirates where individuals pay 0% income taxes, the contribution of taxation to the GDP is quite low; in 2009 taxes made up 5.1% of the GDP, 2.3% in 2010, 1.8% in 2011 and 1.6% in 2012. This shows a decline in the contribution of taxes to the GDP and this might be the consequence of the increasing rate of unemployment in Nigeria.

The issue of taxation in relation to the explanation of the resource curse notion is not as reliable as Collier and Ross might have indicated. Although Ross’ rentier state theory was intended to address how oil hinders democracy in resource-rich middle eastern nations while Collier utterly showed that low tax rates in resource-rich countries (including Africa) systematically brings about a challenge of insecurity and low accountability. Nevertheless this does not satisfactorily explain why the resource-rich Niger Delta is poor.

Amidst all the negativities emerging from the Niger Delta, it is important to equally note the effort of the state in their attempt to address the issue of poverty in the region. Overtime, the Nigerian government has created institutions and programmes to address the issues of poverty, under-development and conflicts in the Niger Delta. The first post-colonial administration in 1961, created the NDDB (Niger Delta Development Board). In 1976, the NDBDA (Niger Delta Basin Development Authority) was set up by the Military government; subsequently another military regime established the OMPADEC (Oil Mineral Producing Areas Development Commission) in 1992. After return to democratic civil rule in 1999, President Olusegun Obasanjo setup the NDDC (Niger Delta Development Commission) to replace the OMPADEC. The new setup institution inherited the problem of lack of capacity and accountability from its predecessors. In 2007, President Shehu Umar Musa Yar’Adua offered Amnesty to the militants in the Niger Delta, in a bit to resolve the problem of insecurity (Pelesai et al., 2013; 51).

The NR revenue distribution is a crucial part of understanding the economy of oil. In Nigeria, there are four distribution mechanisms: a national account (income allocated by the federal state); a state derivation principle (the right of each state to the proportion of taxes that its dwellers are assumed to have contributed to the federal exchequer); a federation account or states joint account (which allocates revenue to the states on the basis of population, needs, and other criteria); and a special grants account (which includes funds designated directly for the Niger
Delta through the NDDC - an institution that is said to be notoriously corrupt). Over time, the revenues have drastically reduced (and thus, revenue managed by the oil-rich Niger delta has dwindled) while the states joint account has grown immensely. This process of budgetary centralism has been recognized as a radical one in which oil producing states (composed of ethnic minorities) have lost and the non-oil producing (ethnic majorities) have gained (Watts, 2011; 66).

Unemployment has been linked to the onset of crime and other forms of violent regimes as aforementioned (See Adebayo, 2013). Criminal activities, besides being morally and societally wrong, can be seen as an individual survival strategy - diversification. Frank Ellis notes that diversification can be associated with a desperate struggle for survival in declining economies (Ellis, 1998; 2). The results of the 2010 country poverty assessment survey indicate that 46.0% of Nigerians live below the poverty line (US$1 Per Day) nationally, while urban and rural areas account for 34.1% and 52.8% respectively (World Bank, 2014). 90% of the rural dwellers in the Niger Delta fall below the poverty line of $1 per day, and between 1970 and 2000 the amount of people living below the poverty line increased from 36% to more than 70%, from 19,000,000 to a whooping 99,000,000 (Watts, 2011; 64).

Violence in the Niger Delta became more pronounced in December 2005, on a political stage, after a militant group called MEND (the Movement for the Emancipation of the Niger Delta) emerged. The violent group struggled against the Nigerian state over the ownership of oil resources, how the revenue should be distributed and demand for payment over the political operations during the 2005 April elections in Rivers state. Desperate politicians, in an environment of uncertain and unstable political, have attempted to gain the upper hand by use of political thuggery (a notion that sprung up in the oil region, and the federation over the last decade) to push their political ambitions, and this is where the Niger Delta militias come into play (Watts, 2011; 58). Organized robbery by gangs of gangs of estranged and angry youths has increased during the post-election months (Watts, 2011; 55).

Anger, dissent and poverty have nourished the driving force behind the militancy, organized crime and insurgent politics in the Niger Delta. Watts (2011) suggests that some sources estimate that more than 25,000 trained militants operate in the creeks of the Niger Delta and earn up to 50,000.00 Naira per month, which is twice the average minimum wage (18,000 Naira⁴) that might be earned by an educated youth employed in the formal sector in Nigeria. A survey in some of the Niger Delta communities revealed that 36% of the community members are willing to take up arms against the state (Oyefusi, 2007; 16). An Ogoni right campaigner, Ledum Mittee, notes that there is an overwhelmingly large sympathy for what the militants are doing. The militants are known to engage in oil bunkering (theft) activities. An SDN (Stakeholder Democracy Network) report indicates that the some of the oil producing communities support the oil bunkering activities, despite the environmental impact, as it compensates for
those livelihood assets lost from the deterioration of soils and fishing water. The report quoted an interviewee to have said “The government and oil companies are collecting our oil, and we don’t have jobs, no money, so we have to collect the oil and refine our own. We have no fish in these creeks because of pollution; even the few farmers we have, their farm lands have been polluted with oil, so they all joined the practice of illegal oil refining” (SDN, 2013; 6).

The crisis that prevailed in the Niger Delta in 2007 is not solely about crime but politics. It is more about the legitimacy of government and about rule of law. Local robbery within the city reflects the reality that criminals know full well that they can carry out their activities with impunity because a larger part of the government is a fraud and racket. A racket in the sense that state activities and public offices are both generally understood to be nothing far from organized crime (Watts, 2011; 56). Michael Watts is of the opinion that Nigeria has become a storm of corruption, waste, missed opportunity and venality. The corruption includes money laundering and fraud on gigantic scales, missing billions and inflated contracts in almost all aspect of public life; touts, gangs and the police involved in taking bribes from the various corrupt operations.

CONCLUSION.

The resource curse theory attempts to explain the reason for the scarcity and low development in the midst of abundance, insisting that majority of the citizens of resource-rich countries are poor. The resource curse is indeed applicable to the situation of the Niger Delta in Nigeria however; none of the theories put forward explicitly explains the situation on the ground, they identify some of the issues but not all. The Dutch Disease theory of resource curse certainly does not apply to the Niger Delta, as the scenario on ground is not related to economic factors like a decline in the manufacturing sector. Paul Collier’s idea did not take into consideration the situation of the people at the grass root level or the effect of the multinational oil companies. Michael Ross indicates that the poorest people often reside in resource-rich countries, but his Rentier state theory does not say much about the poor people and exactly why they have come to be so.

Although Michael Watts (2004) “economies of violence” theory paints a very gloomy picture of the political climate in Nigeria, he insists that political factors such as weak institution and corruption are the reasons for the poor situation in the Niger Delta. His oil complex theory provides a much better understanding of the dynamics at play in the Niger Delta and why the people have remained poor, generally the oil-complex theory sheds a whole different light on the “resource curse” phenomenon. Wright and Czelusta perhaps gives the most coherent explanation of the resource cures, they are of the opinion that “resource curse” is a myth and the presence of geological endowment in state cannot be considered to be a calamity, nevertheless it is how the minerals are been put to use by the government decisions that matter most.

4 http://www.minimum-wage.org/international/en/Nigeria
It is clear that oil exploitation activities have a direct impact on the lives of the oil-hosting communities, based on their relationship with their land as farmers, their swamps, rivers and creeks as fishermen, and their cultural life. Watts’ economies of violence theory shed more light on the monumental neglect and deprivation suffered by the Niger Delta region due to ethnic marginalization which has resulted to widespread poverty, and economic hardship experienced by the people. Furthermore, lack of basic socio-economic infrastructure, environmental degradation and high rate of unemployment also adds up to the situation that has further led to youth restiveness and militia activities in the area.

The main cause of poverty in the Delta is the loss of livelihood of the residents in the oil communities who are predominantly farmers and fishers. With polluted fishing waters and farmland, they are forced to diversify and find alternative source of sustaining livelihood. With the absence of jobs and infrastructural facilities (such as stable electricity) that promotes entrepreneurship – there isn’t much that can be done to find alternatives other than rural-urban migration to neighboring urban centers in search of greener pastures. The problem with this is that, the rural-urban migration adds up to the already amounting number of unemployed people.

The resource curse theories put forward have failed to mention the direct physical impact of natural resource – especially crude oil – on the livelihood of the people who reside around the oil producing areas; a loss of source of income will inevitably lead to poverty, and this could explain why the majority of the people in the Niger Delta oil communities have remained poor. The violent activities carried out by the youth including militancy and oil bunkering in the Niger Delta can be interpreted as a means of sustaining livelihoods due to the high rate of unemployment and grievance towards the state.

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