UJJPS **University of Jos Journal of Political Science**

E-ISSN: 1595-4765 | Volume 3, Issue 3 | September 2026

Resource Control and Management in Nigeria, 1999–2023.

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Abstract

Since Nigeria's return to constitutional democracy in 1999, disputes over issues of ownership, control, and distribution of revenue arising from natural resources have continued to occur in Nigeria since the country returned to democracy in 1999 in spite of the 13% derivation floor, the Niger Delta interventionist agencies, and the Petroleum Industry Act (PIA) 2021. Existing literature views ownership, revenue distribution, environment grievance, and conflict as separate themes without considering how their co-existence can be explained and the reason for their persistence in spite of the reforms instituted by the country. This paper will therefore examine how the rentier nature of the Nigerian state has influenced resource ownership, distribution, and management between 1999 and 2023, how successful the post-1999 legal frameworks have been, and the implications of the centralization of control over natural resources. Based on the Rentier State Theory, the paper will use thematic content analysis of constitutional, statutory, judicial, agency, and academic documents as this method of analysis is suitable for documentary research data and theoretical analysis. In the study, it is evident that the ownership and rent distribution stayed centralized; the reforms changed the administrative structures but not the rentier system, while poor accountability, rent seeking, and disregard for environmental issues kept the host community agitated. The study offers a coherent explanation of the controversy and recommends phased fiscal-federal restructuring and diversification.

Keywords: accountability, economic diversification, fiscal federalism, rentier state, resource control, resource management

Introduction

Resource control and management have remained at the core of Nigeria's federal discourse since the return to democratic governance in 1999. The period from 1999 to 2023, the first twenty-four years of the Fourth Republic, ended with the transition from the Buhari to the Tinubu administration and the announced removal of the petrol subsidy in May 2023. Over this period the contours of fiscal federalism, the derivation principle, and the institutional architecture of the oil and gas sector were repeatedly contested. Nigeria's dependence on petroleum has shaped its political economy, influencing governance structures, intergovernmental relations, and socio-economic outcomes. In the

early 2000s, oil accounted for roughly 95% of foreign exchange earnings and about 70% of budget revenues (World Bank, 2004). Oil's share of government revenue has since fluctuated with production, prices, and theft, standing at about 29% of total government revenue in the first half of 2022, yet the sector still supplies the bulk of export earnings (U.S. International Trade Administration, n.d.). As Hassan and Ari (2023) argue, debates on resource control are rooted in the tension between the centralized constitutional ownership of mineral resources and demands for fiscal decentralization by subnational governments.

Since 1999, oil-producing states, particularly in the Niger Delta, have intensified calls for higher derivation percentages and a larger role in resource governance. These agitations are not only political; they are tied to environmental degradation, economic marginalization, and distributive injustice. Osawe and Uwa (2023) attribute the persistence of conflict in resource-producing communities to structural weaknesses in Nigeria's resource governance framework, including weak institutional oversight and inadequate community inclusion. Militancy and political agitation during the democratic era underscore the link between governance failure and instability in resource-rich regions, since militant movements in the Niger Delta have been closely associated with perceptions of inequitable resource control and inadequate federal responsiveness (Johnson & Lafenwa, 2023).

The problem is not limited to allocation formulas. The Constitution guarantees oil-producing states not less than 13% of the revenue derived from natural resources, yet the effective use of these funds remains contested. Adesanmi (2024) finds that governance inefficiencies, corruption, and poor fiscal transparency have undermined the developmental impact of derivation allocations. Gbadebo (2025) adds that elite capture and centralized revenue distribution have entrenched a rent-seeking culture that weakens productive diversification. Resource control in Nigeria is therefore a question of constitutional law, fiscal federalism, environmental governance, and political economy at once. The issue of resource control in Nigeria is certainly not a neglected field of research. Various works have analyzed the interlinkages between the phenomenon and the dynamics of federalism, the politics of revenue sharing, the Niger Delta issue, and the politics of resource-related conflicts from political-administrative and political-economic perspectives. The existing literature, nevertheless, approaches issues of constitutional ownership, revenue sharing, environmental discontent, and conflict in isolation or within particular cases like derivation, the Abia judgment, and the amnesty, giving little consideration to the issue of natural resource management as an integral part of the problem. The critical point is, therefore, why these issues coexist, and why various reforms, ranging from the derivation floor of 13%, to the elimination of the onshore/offshore divide, the creation of interventionist institutions, and the recent Petroleum Industry Act (PIA) 2021, have failed to put an end to the controversy. The

present paper seeks to address this point through a theoretically guided analysis of the rentier nature of the Nigerian state as the factor behind the ownership, distribution, and management of natural resources.

However, this paper suggests that the only thing that has changed between 1999 and 2023 is not the location of the ownership of resources, which remained unchanged, but the ground over which the resource control battle had been fought: agitation moved away from claims of constitutional ownership to demands for participation, environmental justice, and institutional reform, and the institutions involved in the governance of resources, emergence of new institutions, a Supreme Court judgment, and the entire Petroleum Industry Act have expanded significantly. The Rentier State theory accounts for this trend since it is the distribution of rents and not ownership per se, which maintains the rentier settlement and reforms, which do not affect the administration, can be easily implemented, whereas reforms that affect ownership and control are subject to the two-thirds constitutional requirement and the interest of the institutions that will have to ratify them. This adds to the existing literature on resource governance and federalism through the proof that a formally federal constitution is capable of maintaining a rentier settlement forever and ever if the reforms are aimed at management and not control, thus challenging the idea in some federalism literature that democratic consolidation undermines rentier centralization.

Consequent upon the forgoing, the study aims to elucidate the reason for the maintenance of centralized ownership and rent distribution in Nigeria's resource politics between 1999 and 2023 despite the repeated attempts at reforming the process and persistent subnational resistance to it, and to analyze the consequences of such maintenance for fiscal federalism, accountability, and host communities. The emphasis will be made on the inter-governmental relations in the federation and the situation in the host communities in the oil and gas sector of the country; the entire gamut of Nigeria's natural-resource politics cannot be examined.

Three research purposes will be pursued: (a) to examine the development of resource-control politics in Nigeria's federal polity from 1999 to 2023, taking previous experience into account; (b) to analyze the performance of the derivation principle, the Federation Account scheme, and the institutional reforms that have been undertaken since 1999 to manage resource revenues; and (c) to identify the consequences of centralized resource control for fiscal federalism, accountability, and host communities, and to establish to what extent Rentier State Theory explains such persistence.

Consequently, three research questions arise: how have issues surrounding resource control politics developed in the Nigerian federal structure since 1999 to 2023; what were the changes and the things that remained unaltered as a result of the reformations between 1999 to 2023?; how successful have the derivation concept, Federation Accounts

arrangement, and institutional reformation since 1999 been in addressing resource revenues management?; what implications has resource control centralization had on fiscal federalism, accountability, and host community and how much does Rentier State Theory justify its persistence?.

The analysis covers 1999 to 2023, with earlier history treated as background to the post-1999 debate. Oil and gas are the principal focus because they dominate federally collected revenue and the resource control controversy; water, land, and solid minerals are discussed where they illustrate wider governance weaknesses. The study is significant for three reasons. It links the resource control debate to a structural explanation of Nigerian statehood rather than to policy choices alone. It brings legal, fiscal, and political analysis together in one framework. And it offers reform proposals that identify the actors and instruments involved, which should be useful to legislators, the Revenue Mobilization Allocation and Fiscal Commission (RMAFC), and civil society.

The research builds on prior work on the nature of federalism, revenue sharing, and the problem of the Niger Delta by making four contributions. First, it considers 1999 to 2023 as one period and compares it against the centralization of the military era to make an assessment of what was different and what was the same about the democracy period. Second, it takes the concept of resource control and combines it with that of resource management rather than separating the two, as is typical in the literature. Third, it identifies four propositions drawn from Rentier State Theory and evaluates the evidence for them against the constitutional, judicial, statutory and fiscal records, while also pointing out the limitations of the theory: there are other rents besides oil, so rent-seekers are all across levels of government, not just at the center-periphery level. Fourth, it makes use of comparative analysis with the United States and Canada to determine design elements, and then suggests reforms that specify actors and instruments to be utilized, which would be useful to legislators, RMAFC, and civil society. These factors combined help to understand not only the existence of resource control conflict but also why the reforms have changed the administration while the system remains unchanged. The Discussion of Results takes up these contributions once again.

The paper adopts a desk research design relying solely on secondary data. Four categories of sources were used: (a) primary legal materials, namely the 1999 Constitution, statutes such as the Petroleum Act, the Land Use Act, the Allocation of Revenue (Abolition of Dichotomy in the Application of the Principle of Derivation) Act 2004, and the PIA 2021, together with the judgment of the Supreme Court in *Attorney General of the Federation v. Attorney General of Abia State* (2002); (b) reports and data from public and international bodies, including the Nigeria Extractive Industries Transparency Initiative (NEITI), BudgIT, and the World Bank; (c) peer-reviewed and scholarly literature on resource governance, fiscal federalism, and conflict in Nigeria; and (d) foundational works on Rentier State Theory. Sources were selected purposively for their relevance to ownership,

allocation, accountability, conflict, and reform in Nigeria between 1999 and 2023. Legal and official documents were preferred for statements of fact, and scholarly literature was used to interpret them.

The material was analyzed through thematic content analysis. Five themes derived from the theoretical framework guided coding and comparison: (a) ownership and control; (b) revenue allocation and fiscal relations; (c) accountability and transparency; (d) environmental and community grievance; and (e) reform and institutional change. The findings under each theme were compared across sources and periods, and conflicts between sources were noted in the text. The design has limitations. It generates no primary data such as interviews or household surveys, it depends on the accuracy and availability of published material, and some regional literature is uneven in quality. Future research could complement this analysis with field data from host communities and subnational treasuries.

Conceptual Clarifications

Resource Control

In this sense, the term “resource control” implies that the relevant issue is the one of ownership, jurisdiction, and authority — i.e., who owns the natural resources in terms of the rule of law, who has the jurisdiction over exploitation of the said resources, who has the right to license the exploitation process, who gains revenue from the exploitation, and on which basis the revenue will be distributed between levels of government. In Nigeria, for instance, section 44(3) defines the owner and the jurisdiction as belonging to the Federal Government, but the principle of derivation and the Federation Account determine the last two factors despite any controversies arising in this respect. Hassan and Ari (2023) refer to this situation as to the conflict between the federal ownership and fiscal decentralization in the federal system, and this conflict is indeed a resource control issue.

Resource Management

Control, therefore, is about answering questions related to the distribution of rights and revenues following the resolution of who owns resources. On the other hand, resource management is concerned with what follows the answers to the control questions: how resources are extracted, how the environment is managed, how revenue collection is transparent, how the revenue is spent, and how accountable the agencies performing these roles are to the citizenry and local populations. The deficiencies of resource governance in Nigeria, as identified by Osawe and Uwa (2023), are located squarely in the sphere of institutional accountability and community participation, not constitutional ownership of resources. A government can answer all of the resource control questions, resolve the issue of ownership, set up a formula for derivation and disbursement of revenue, yet fail

to manage resources if the revenue is poorly spent, the environment is damaged, or there is poor accountability. Gbadebo (2025) further posits that in rent-dependent states, such management failures stem from how resource control was established.

While the two concepts are not the same, they have an interrelated nature, with this paper studying both due to the contribution they make to explaining different aspects of the topic. Under the Rentier State Theory, the concept of resource control helps to explain why ownership rights and authority to allocate rent remained centralized in years from 1999 to 2023, despite all the reforms being done during this period of time. The concept of resource management explains why the centralization resulted in particular forms of inefficiency, weak accountability, neglect of environment and uneven allocation of derivation funds, instead of using the same revenue in a different institutional arrangement. Out of five codes used in the content analysis of this paper, three are dedicated to resource management (accountability and transparency; environmental and community grievance; reform and institutional change). One code is devoted exclusively to the question of resource control (ownership and control). Revenue allocation and fiscal relations stand on the borderline between these two concepts, with the former being a means of control and the latter being a management aspect.

Fiscal Federalism

Fiscal federalism concerns the division of functions and financial relations among levels of government in a federal system, and determines how revenue is raised, shared, and spent. It is central to the resource control debate in Nigeria because the Constitution vests ownership of minerals in the Federal Government while distributing revenue through allocation formulas. Hassan and Ari (2023) describe a high degree of revenue centralization that creates vertical fiscal imbalance between the federal and subnational governments. Adesanmi (2024) notes that the effectiveness of fiscal federalism depends on fiscal discipline, transparency, and efficient expenditure management as well as on sharing formulas.

Revenue Allocation

Revenue allocation is the mechanism through which federally collected revenue is distributed among tiers of government. In Nigeria it is governed by constitutional provisions, administered through the Federation Account Allocation Committee (FAAC), and informed by RMAFC's formula proposals, with a derivation principle that gives producing states a share of revenue originating from their territories. Adesanmi (2024) argues that the derivation principle, although intended to promote equity and compensate for environmental externalities, has had limited developmental impact because of governance inefficiencies and weak oversight. Gbadebo (2025) observes that revenue

allocation reflects a broader politics of rent distribution in which competition for centrally distributed oil revenue overshadows diversification and productive investment.

Theoretical Framework: Rentier State Theory

The paper is anchored on Rentier State Theory. The idea that some states live on external rents rather than domestic production was first developed by Mahdavy (1970) in his study of Iran and later elaborated by Beblawi (1987) and Luciani (1987). Beblawi (1987) identifies four characteristics of a rentier state: rent situations predominate; the rents are external, that is, they come from outside the domestic economy; only a small fraction of the population is engaged in generating rent while the majority are engaged in its distribution or utilization; and the government is the principal recipient of the external rent. Luciani (1987) distinguishes allocation states, which derive most revenue from oil sales and spend it, from production states, which finance themselves through domestic taxation. The central claim is that where the state relies on rents rather than taxes, its fiscal relationship with citizens weakens, government becomes less accountable, and control over rent distribution becomes a principal instrument of political power (Beblawi, 1987; Luciani, 1987). Ross (2001, 2012) and Karl (1997) developed related arguments on the political effects of oil wealth, and Watts (2004) applied the resource curse framework to the Niger Delta.

Four analytical propositions are drawn from the theory for use in this paper. First, rent collection and distribution are centralized because control over rents sustains elite cohesion and political stability. Second, weak dependence on domestic taxation weakens the fiscal contract between state and society and reduces pressure for accountability. Third, competition for centrally distributed rents, among tiers of government and among elites, generates distributional conflict, including agitation by producing regions. Fourth, institutional reforms in rentier systems tend to adjust administrative mechanisms without transforming the underlying political economy of rent control.

Nigeria fits the framework closely, given the peculiarity and contestations across the discovering, management of oil and importantly, the distribution of oil proceeds. Oil revenue has dominated government income and foreign exchange since the 1970s, taxation has contributed comparatively little, and the Federal Government collects and redistributes rents through the Federation Account (World Bank, 2004; Hassan & Ari, 2023). Beblawi's (1987) characteristics are recognizable: petroleum dominates exports, a small oil sector generates the rent, and the state is its principal recipient and distributor. The theory therefore helps explain why resource control debates are structural features of the political economy and not simply constitutional disputes. It also explains why decentralization meets resistance: devolving control over rents would reduce the discretionary distribution power that holds a rentier settlement together. And it explains why the reforms of the period, including the PIA 2021, restructured regulators and

introduced host community trusts without altering ownership or the centralized flow of rents (Gbadebo, 2025; Osawe & Uwa, 2023).

The theory also has limits, and the paper uses it as its principal analytical lens and not as a sufficient explanation. It can understate the role of democratic institutions, civil society, courts, and global energy markets in shaping outcomes. It risks economic determinism by attributing governance outcomes chiefly to rent dependence, overlooking the ethnic, historical, and ideological dimensions of Nigerian federalism. It also does not by itself explain conflict between tiers of government, since state governments are rent recipients as well and compete for the same pool; the distributional struggle is therefore not only between the center and the periphery but among rent-seeking actors at every level. Finally, the empirical link between taxation and accountability is contested in the wider literature (Ross, 2001), so the theory's claims are treated here as propositions to be examined against the Nigerian evidence rather than as established laws.

The hugely contestations and resource control conflict in Nigeria has been understood using many theoretical framing. Relative deprivation theory has used the disparity between the expectations of producing communities and what they get as the cause of the agitation; elite theory blames the capture of the state by a certain class; frustration-aggression theory sees militarism as the product of psychological frustration of grievance. All of them give some light on the matter, but none of them alone can help understand the puzzle of the paper, which is why the system of centralized rent control has managed to survive for twenty-four years of democracy and institutional reforms. The theory is used for analysis in this case because of its institutional prediction character compared to a behavioral one; this implies that, in a situation where a state gets most of its income through rent and not through domestic taxes, then having the control over the rent will become the basis of political power, regardless of the current regime and even if the people who are producing the rent are aggrieved.

Historical Evolution of Resource Control in Nigeria

Resource Control and Management in the Pre-Colonial Period

Long before the British conquest and the amalgamation of the Northern and Southern Protectorates in 1914, communities in the territory that became Nigeria had developed their own systems for controlling land, water, forests, and minerals. These systems rested on kinship, communal structures, and customary law. There was no concept of absolute state ownership of natural resources; that idea was introduced later through colonial and post-colonial legal regimes. Land, the most important productive asset, was generally regarded as belonging to the community, lineage, or extended family, and rights of use were allocated through lineage membership and customary norms, with chiefs and elders acting as custodians and not as proprietors (Elias, 1951).

Access to farmland, hunting forests, grazing areas, rivers, and fishing grounds was commonly regulated by lineage authorities and customary sanctions, and allocation decisions were generally subject to the approval of councils of elders or community assemblies. Conflicts over resources were typically settled through arbitration by elders, oaths, and compensatory fines. Trade also shaped resource management. Long-distance networks linked the Hausa–Fulani towns of the north, the forest kingdoms of the Yoruba, Igbo, and Benin, and coastal states engaged in Atlantic commerce, and local markets, guilds, and associations regulated exchange in commodities such as kola, textiles, metal goods, salt, and later palm oil (Falola & Heaton, 2008).

This picture should not be idealized. Pre-colonial Nigeria was not uniformly communal or consensual. Centralized polities such as Oyo, Benin, and the Sokoto Caliphate operated tribute, taxation, and land administration under royal or emirate authority, and hierarchy, slavery, and conquest shaped access to resources in many areas (Falola & Heaton, 2008). The point relevant to this paper is narrower. Where authority over land and resources existed, it was generally embedded in local institutions and obligations, in contrast to the later colonial and post-colonial pattern in which ownership of the most valuable resources was vested in a distant central state.

Colonial Rule and the Early Post-Colonial State

Colonial rule changed the foundations of resource control. Colonial mineral legislation vested minerals and mineral oils in the Crown, and licensing was designed to serve imperial economic interests. Commercial oil production began after the discovery at Oloibiri in 1956, and exports started in 1958, at a time when constitutional arrangements gave the regions substantial fiscal weight. At independence in 1960, the derivation principle was constitutionally recognized: the Abia judgment records that section 134 of the 1960 Constitution provided for derivation-based allocation of mineral revenue. The share going to the region of origin was 50% at independence.

Fears among minority groups about domination in the emerging federation had been examined by the Willink Commission of 1958, which recommended safeguards and identified the Niger Delta as needing special developmental attention. The commission's recommendations did not produce a durable settlement, and the grievances it identified resurfaced as oil became the dominant source of revenue. This marks the first shift: control moved from scattered customary rule to singular external claims of sovereignty by the Crown, regardless of who the occupier was. This pattern became the model for the Nigerian state after 1960.

Military Rule, Centralization, and the Road to 1999

The decisive shift toward centralization occurred under military rule. During and after the civil war, federal decrees redirected offshore revenue to the center and reduced the

derivation share, first to 45% in 1970 and then to 20% in 1975. It fell to 1.5% in the early 1980s and rose to 3% in 1992, in contrast to the 50% share at independence. The Petroleum Act 1969 vested ownership and control of petroleum in the State and gave the Federal Government the power to grant licenses, and the Land Use Act 1978 vested land in state governors, weakening customary claims by communities to land on which oil operations took place. By the 1990s, environmental degradation and the sense of exclusion in the Niger Delta had produced organized protest, from the Ogoni movement, whose leader Ken Saro-Wiwa was executed in 1995, to the Kaiama Declaration of the Ijaw Youth Council in 1998, which demanded resource control. The 13% derivation figure written into the 1999 Constitution was itself a compromise reflecting this history. Any account of the post-1999 debate must therefore begin from a system in which centralization was inherited, not chosen by the democratic governments that followed.

Legal and Constitutional Framework of Resource Control

Resource control in Nigeria is fundamentally a constitutional question. Section 44(3) of the 1999 Constitution vests the entire property in and control of all minerals, mineral oils, and natural gas in, under, or upon any land in Nigeria, its territorial waters, and the Exclusive Economic Zone in the Government of the Federation. The Exclusive Legislative List in the Second Schedule places mines and minerals, including oil fields, oil mining, and natural gas, within federal legislative competence. Critics argue that this centralism undermines fiscal federalism and subnational autonomy. Osawe and Uwa (2023) contend that the allocation of mineral rights entrenches vertical fiscal imbalance and regional discontent, and Ghana et al. (2024) argue that the concentration of resource powers in the center contradicts the logic of federalism and weakens accountability at the local level.

The constitutional framework must be read together with revenue allocation. Section 162 establishes the Federation Account into which federally collected revenue is paid, and section 162(2) provides that not less than 13% of the revenue accruing to the Federation Account directly from any natural resources be paid to the state of origin. The 13% figure is therefore a constitutional floor and not a fixed ceiling. Scholars question whether it adequately addresses environmental damage and developmental disparity in host communities. Osawe and Uwa (2023) observe that the formula has not dissolved grievances in the Niger Delta, and Hussain and Gbadeyan (2023) argue that the arrangement contributes to conflict because it does not tie benefits to local participation or environmental justice.

Judicial interpretation has reinforced federal ownership. In *Attorney General of the Federation v. Attorney General of Abia State* (2002), the Supreme Court held that the seaward boundary of a littoral state is the low-water mark, so that offshore resources belong to the Federation and cannot be claimed by coastal states as their own. The

decision consolidated federal supremacy over offshore petroleum. Its practical effect on revenue was, however, softened by the National Assembly, which enacted the Allocation of Revenue (Abolition of Dichotomy in the Application of the Principle of Derivation) Act in 2004. The Act does not transfer ownership; it deems the 200-meter isobath contiguous to a state to be part of that state for purposes of computing derivation, so that revenue from offshore production counts toward the state's derivation entitlement. The ownership question was thus settled in favor of the Federation, while the fiscal consequences were partly moderated by legislation. Ghana et al. (2024) maintain that judicial reinforcement of centralized ownership limits constitutional flexibility, while Gbadebo (2025) argues that, though constitutionally defensible, it has contributed to governance inefficiencies and weakened accountability.

The Petroleum Industry Act 2021 is the most significant statutory reform of the period. It created new regulatory institutions, the Nigerian Upstream Petroleum Regulatory Commission and the Nigerian Midstream and Downstream Petroleum Regulatory Authority, provided for the commercialization of the national oil company as NNPC Limited, and established a Host Communities Development Trust Fund financed by 3% of the actual annual operating expenditure of upstream operators in the preceding financial year. It nevertheless operates within the constitutional order and does not change the ownership of resources. Osawe and Uwa (2023) stress that the Act works within federal supremacy and does not devolve resource control to states, and Gbadebo (2025) adds that it improves regulatory clarity without resolving the structural imbalance embedded in constitutional design.

Beyond oil and gas, section 20 of the Constitution directs the State to protect and improve the environment, yet enforcement is weak. Adamu (2024) identifies fragmented institutions and inadequate policy implementation as major barriers to effective natural resource management, and Hussain and Gbadeyan (2023) show how weak regulation in artisanal mining has intensified insecurity and resource-based violence. Renewed calls for constitutional restructuring have been made repeatedly, and constitution review exercises have revisited the question without changing the constitutional ownership of minerals. Any such change requires, under section 9 of the Constitution, the approval of two-thirds of the members of the National Assembly and of the Houses of Assembly of at least two-thirds of the states, a threshold that makes reform depend on the consent of the very institutions that benefit from the present arrangement. Ghana et al. (2024) propose that greater state participation in resource management could improve transparency and responsiveness, and Osawe and Uwa (2023) argue that reconfiguring fiscal powers could reduce intergovernmental tension.

In sum, Nigeria's legal architecture reflects a paradox: a federal system with centralized resource ownership. The arrangement aims to promote national cohesion and redistribution, but it has generated enduring disputes over equity, accountability, and

environmental protection. The interplay of constitutional provision, judicial interpretation, and statutory reform shows doctrinal stability alongside political contestation.

Resource Governance in Nigeria: 1999–2023

Evolution of the Debate and Institutional Developments

Since 1999 the question of resource control has stood at the center of debates about federalism, equity, and development. The constitutional and fiscal architecture grants the Federal Government exclusive control of minerals, which limits the capacity of oil-producing states to influence how resource rents are shared and managed (Osawe & Uwa, 2023). The resulting perception of unfair distribution has sustained demands for greater fiscal federalism and for recalibration of the derivation principle. Table 1 summarizes the principal legal and institutional developments of the period.

Table 1

Key Legal and Institutional Developments in Resource Governance, 1999–2023

Year	Development	Significance for resource control
1999	1999 Constitution (ss. 44(3), 162(2))	Retains federal ownership of minerals; sets a constitutional floor of 13% derivation.
2000	Niger Delta Development Commission (Establishment, etc.) Act	Creates a federal interventionist agency for the region, funded mainly by federal contributions and a levy on oil companies.
2002	*Attorney General of the Federation v. Attorney General of Abia State*	Supreme Court affirms federal ownership of offshore resources and the low-water mark as the seaward boundary of littoral states.
2004	Allocation of Revenue (Abolition of Dichotomy) Act	Extends derivation computation to revenue from the 200-meter isobath without changing ownership.
2005	National Political Reform Conference	Derivation is hotly contested; no constitutional change follows.
2007	NEITI Act	Gives statutory backing to audit and disclosure in the extractive industries.

Year	Development	Significance for resource control
2009	Presidential Amnesty Program	Demobilization and reintegration program for Niger Delta militants; security outcome, not structural reform.
2021	Petroleum Industry Act	New regulators, NNPC Limited, and the Host Communities Development Trust Fund; ownership provisions unchanged.
2023	Announced removal of the petrol subsidy	Ends a major source of deductions and disputes in Federation Account accounting.

Note. Compiled by the authors from the legal instruments and sources cited in the text.

The record in Table 1 supports a specific claim about change: the site of contestation moved while the constitutional core did not. Three observations follow. First, the debate evolved from a demand for ownership into a demand for participation, environmental justice, and fiscal restructuring, and the reforms that were enacted addressed regulation and local benefit more than ownership. Second, most of the milestones are administrative or statutory: the 2004 Act, the Niger Delta Development Commission, and the PIA operate inside the constitutional settlement and none alters section 44(3). Third, the security response, notably the 2009 amnesty, reduced violence for a time but did not resolve the underlying grievances, which Johnson and Lafenwa (2023) link directly to perceptions of inequitable control and inadequate federal responsiveness.

Governance of natural resources has also raised persistent concerns about transparency and institutional capacity. Despite abundant natural wealth, mechanisms for managing revenue and ensuring equitable development remain weak, contributing to what Gbadebo (2025) describes as the political economy of resource mismanagement. Weak accountability has facilitated rent-seeking and limited investment in sustainable development. The problem extends beyond oil to water, land, and artisanal mining, where fragmented institutions, infrastructure deficits, and limited public engagement constrain equitable access (Adamu, 2024) and weak regulation has fueled violence (Hussain & Gbadeyan, 2023). Environmental degradation in the Niger Delta compounds these problems by linking ecological harm to political grievance (Ikelegbe, 2005; Watts, 2004).

Fiscal Federalism and the Revenue Allocation Formula

Revenue allocation remains central to debates about equity, autonomy, and national cohesion. The foundation of the system is section 162 of the Constitution, which establishes the Federation Account as the pool into which federally collected revenue is

paid and from which funds are shared among the federal, state, and local governments. The Federation Account remains the principal mechanism through which oil and non-oil revenue is shared, which reinforces a centralized fiscal structure within a constitutionally federal design (NEITI, 2022). RMAFC is charged with monitoring accruals and reviewing the allocation formula, while FAAC determines monthly distributions. Table 2 shows the structure of allocation.

Table 2

Structure of Federation Account Allocation in Nigeria

Stage	Beneficiary and share	Basis
Derivation	Producing states: not less than 13% of revenue directly from natural resources	Constitution, s. 162(2)
Vertical allocation	Federal Government 52.68%; state governments 26.72%; local governments 20.60%	Prevailing formula as reported by NEITI (2022)
Horizontal allocation	Among states and among local governments, using criteria such as equality, population, land mass and terrain, social development, and internal revenue effort	RMAFC proposals; FAAC administration

Note. Vertical shares are those reported by NEITI (2022) for the distributable revenue in the Federation Account.

The derivation principle expresses the tension between equity, meaning compensation for contribution, and equality, meaning balanced national development. NEITI (2022) explains that derivation is intended to compensate producing states for environmental degradation and infrastructural strain. Eme and Ugwu (2023), however, note that recurring disputes within FAAC reflect deeper disagreement about fairness, transparency, and the sustainability of oil dependence: producing states press for higher derivation or greater control, while other states warn that excessive emphasis on derivation undermines national solidarity and redistribution. Critics of the vertical formula argue that concentrating over half of distributable revenue at the federal level weakens subnational fiscal autonomy and reduces incentives for states to raise their own revenue, contrary to

the ideals of fiscal federalism, which stress decentralized responsibility and accountability (NEITI, 2022).

In sum, Nigeria's fiscal federalism is structurally anchored in constitutional centralization yet politically pressured toward decentralization. The derivation principle, the vertical formula, the operation of the Federation Account, and the conflicts over sharing together show a contested institutional arrangement. Reform requires a balance among national unity, fiscal autonomy, and distributive justice that is consistent with the constitutional mandate and with developmental needs.

Challenges of Revenue Allocation and Management

Revenue allocation and management are structurally complex and politically contentious because the framework rests on constitutional centralization, oil dependence, and intergovernmental competition. Seven challenges stand out.

The first is vertical fiscal imbalance. The Federal Government retains over half of distributable revenue, leaving subnational governments heavily dependent on monthly allocations (NEITI, 2022). This weakens fiscal autonomy and discourages states from strengthening internal revenue generation. Analyses of state finances, such as BudgIT's (2023) *State of States* report, show that many states rely on Federation Account transfers for the bulk of their revenue with little corresponding improvement in service delivery.

The second is overdependence on oil revenue, which exposes the system to volatility. NEITI (2023) reports that fluctuations in crude oil production, subsidy regimes, and exchange rates significantly affect Federation Account inflows. The decline of oil's share of total government revenue to about 29% in the first half of 2022, attributed in part to oil theft, aging infrastructure, and weak investment, shows how disruption creates fiscal uncertainty at all tiers (U.S. International Trade Administration, n.d.). This vulnerability limits long-term planning and encourages short-term fiscal behavior.

The third is the politicization of the allocation formula. Debates over derivation, equality of states, population, land mass, and social development reflect political bargaining more than objective fiscal criteria, and any adjustment is perceived as a zero-sum redistribution of national wealth (Eme & Ugwu, 2023). The fourth is a transparency and accountability deficit. Inconsistent reporting, opaque subsidy deductions, and extra-budgetary spending reduce public trust in how revenue is collected and distributed (BudgIT, 2023), and weak oversight at the subnational level compounds the problem.

The fifth is the unsettled derivation conflict. Oil-producing states argue that 13% is insufficient compensation for environmental degradation, while non-oil states emphasize redistribution and unity. Oni and Nwaechefu (2023) describe the tension between compensation-based and equalization-based federalism as lying at the heart of Nigeria's

fiscal instability, and Ekeuwei and Akpan (2022) argue that the fixed derivation floor has not been enough to address environmental and developmental disparities. The sixth is institutional inefficiency in FAAC: delays in remittances, disputes over revenue figures, and controversies over deductions generate intergovernmental friction, and reconciliation gaps between revenue-generating agencies and FAAC distributions have historically raised accountability concerns (NEITI, 2022). The seventh is weak internally generated revenue at the state level. Guaranteed federal allocations reduce the incentive for structural reform, which in turn sustains a dependency culture that discourages diversification.

These challenges reinforce one another. Dependence on shared oil revenue weakens internal revenue effort, weak internal effort deepens dependence on the Federation Account, and dependence on a formula that is politically contested keeps distributional conflict alive. Addressing them requires constitutional review, diversification of revenue sources, stronger transparency mechanisms, and recalibration of fiscal federalism principles.

Comparative Analysis: Nigeria, the United States, and Canada

Comparison with other federations clarifies the significance of Nigeria's constitutional design. The United States is a useful contrast because of the differences in ownership structure and revenue sharing, and Canada adds a second federation in which subnational governments hold constitutional title to resources. The comparison is used to identify institutional design features and not to suggest that another country's arrangements can be transplanted without adaptation.

In Nigeria, ownership of minerals is constitutionally centralized. Oni and Nwaechefu (2023) argue that this weakens the fiscal autonomy of states and fuels agitation in oil-producing regions, and that exclusive federal ownership contradicts the principle that federating units retain substantial control over resources in their territories. Hassan and Ari (2023) add that the disconnection between production and control, with revenue mediated through federally determined formulas, sustains regional grievance, ethnic contestation, and weak accountability.

The United States has a layered structure. Under the Property Clause of the Constitution (art. IV, § 3, cl. 2), Congress may manage federal public lands, which cover roughly 28% of the country's land area and are concentrated in western states (Vincent & Hanson, 2020). States retain ownership and regulatory authority over resources on state and private lands, and mineral rights may belong to private individuals, states, or the federal government depending on the tract (Coggins et al., 2022). The Mineral Leasing Act of 1920 shares revenue from onshore federal mineral leasing with the states in which extraction occurs, generally at one-half, and the Submerged Lands Act of 1953 gave

coastal states title to the seabed within statutory limits. States therefore have fiscal stakes in extraction on federal land as well as authority over their own.

Canada goes further in provincial ownership. Section 109 of the Constitution Act, 1867 vests onshore lands, mines, minerals, and royalties in the provinces, and section 92A of the Constitution Act, 1982 confirms provincial authority over non-renewable natural resources. Provinces collect royalties directly, and the federal government redistributes through equalization transfers. Disputes occur, including over pipelines and offshore rights, but they are conducted through negotiation and the courts within an established constitutional framework.

Table 3

Resource Governance in Nigeria, the United States, and Canada

Dimension	Nigeria	United States	Canada
Ownership of minerals	Vested in the Federal Government (Constitution, s. 44(3))	Divided among federal public lands, state lands, and private mineral estates	Onshore lands, mines, minerals, and royalties belong to the provinces (Constitution Act, 1867, s. 109)
Revenue sharing	Federation Account; derivation of not less than 13%; formula allocation	Statutory share of onshore federal mineral leasing revenue to producing states; state title to coastal seabed within statutory limits	Provinces collect royalties directly; equalization transfers from the federal government
Subnational fiscal base	Heavily transfer-dependent	Own-source taxes and royalties	Own-source taxes and royalties
Conflict channels	Agitation, litigation, and periodic militancy	Litigation, legislation, and political bargaining over public land use	Federal–provincial negotiation and courts

Note. Compiled by the authors from the constitutional and statutory sources cited in the text.

The comparison bears on the rentier framework. Subnational governments in the United States and Canada finance themselves largely through income, sales, and property taxes as well as resource royalties, and their economies are diversified, so the fiscal contract between citizens and government remains strong. They are not rentier states in Beblawi's (1987) sense, which helps explain why decentralized resource ownership has not produced the same zero-sum competition over a single central pool. Nigeria differs in ways that limit direct transfer of lessons: it has a colonial legacy of centralized extraction, a history of military rule, deep ethnic and regional cleavages, and a much narrower taxable base. The comparison nonetheless supports three conclusions. Dispersed authority over resources can reduce the stakes of control at the center. Statutory revenue sharing that rewards producing jurisdictions, together with their own taxing powers, strengthens subnational accountability. And conflicts are easier to contain when they are channeled through legal and intergovernmental institutions that both sides regard as legitimate. With reference to the domestic data in Nigeria, the difference shows that while federalism is a constitutional arrangement, it does not in itself prevent rentier centralization, but rather depends on whether the constituent units have an independent source of taxation income, a point which the case of Nigeria proves beyond the literature on resource federalism.

Discussion of Findings

The evidence supports the four propositions drawn from Rentier State Theory, with qualifications. On the first proposition, the record confirms that rent collection and distribution remained centralized between 1999 and 2023. Constitutional ownership did not change, the Abia judgment confirmed it, and the PIA operates within it. On the second, dependence on oil revenue coincided with weak accountability: derivation funds and state allocations have frequently been poorly used (Adesanmi, 2024), transparency deficits persist (BudgIT, 2023; NEITI, 2022), and states have weak incentives to raise internal revenue. The link should be treated cautiously because this paper does not test causation directly, and other factors, including weak enforcement and political culture, also contribute. On the third, the struggle over derivation, the FAAC disputes, and militancy in the Niger Delta show that competition over centrally distributed rent is intense. On the fourth, the reforms of the period adjusted regulation, institutions, and local benefit without transforming the flow of rents, which is what the theory predicts.

Turning to the three objectives, the first is met by the historical account. The debate evolved from communal stewardship through colonial vesting and military centralization to a democratic-era contest in which producing states seek participation and fiscal rights. The second shows that the frameworks have been only partly effective. The derivation principle has channeled additional revenue to producing states, but Adesanmi (2024) shows that governance failures limit its developmental impact. The Host Communities Development Trust Fund is new, and its effect cannot yet be judged, though Osawe and

Uwa (2023) caution that the PIA leaves federal supremacy intact. On the third objective, centralization has produced fiscal dependence, a weak fiscal contract, recurring conflict, and environmental grievance, with costs for national stability as well as for host communities.

The case for centralization deserves a fair statement. Concentrating control at the center allows the sharing of resources whose geographic distribution is uneven, so that the benefits of oil can support poorer regions and national cohesion. Derivation itself can deepen horizontal inequality between producing and non-producing states, as the disagreement recorded by Eme and Ugwu (2023) illustrates. There is also evidence that larger derivation flows do not automatically produce development when subnational governance is weak (Adesanmi, 2024). These points imply that decentralization is not a remedy in itself: transferring more rent to state capitals without strengthening transparency and community participation could reproduce the same problems at a lower level. The argument of this paper is accordingly not that ownership should simply be transferred to states, but that reform should combine a fairer sharing arrangement with accountability at every tier and a broader domestic tax base, so that fiscal relations between governments and citizens are strengthened at the same time.

Conclusion

This paper examined resource control and management in Nigeria from 1999 to 2023 through the lens of Rentier State Theory. It found that constitutional ownership and rent distribution remained centralized throughout the period despite the derivation principle, the 2004 Act, the interventionist agencies, and the Petroleum Industry Act 2021; that reforms mostly adjusted administrative arrangements and did not alter the rentier structure; and that weak accountability, rent-seeking, environmental neglect, and vertical fiscal imbalance have kept agitation alive in host communities and strained federalism. The comparison with the United States and Canada suggests that dispersed authority, statutory revenue sharing, and subnational taxing capacity make resource conflicts easier to manage, though Nigeria's context requires adaptation rather than imitation.

The development throughout the period was thus one of administration rather than structure: reform efforts rose but the locus of control remained the same, an outcome which is expected by Rentier State Theory and also calls into question assumptions made in broader federalism literature regarding erosion of control with democratic consolidation.

Policy Recommendations

The analysis points to six reform directions, each with a responsible actor and an instrument.

1. **Restructure fiscal federalism in phases.** The National Assembly and state Houses of Assembly should consider amendments to section 44(3), item 39 of the Exclusive Legislative List, and section 162, beginning where consensus is most attainable, such as concurrent jurisdiction over solid minerals and a more transparent sharing of royalties, while retaining national regulatory oversight of hydrocarbons. RMAFC should review the derivation percentage and the vertical formula on the basis of published fiscal data and stated criteria. Because section 9 requires a two-thirds majority of the National Assembly and of state legislatures, an incremental sequence has a greater chance of success than a single comprehensive amendment (Ghana et al., 2024; Osawe & Uwa, 2023).

2. **Implement the PIA credibly.** The regulators should publish the establishment, remittances, and audited accounts of the Host Communities Development Trust Fund, and enforce environmental remediation obligations against operators. The National Oil Spill Detection and Response Agency and the regulators require adequate independence and funding. Effective oversight and clear jurisdiction between federal and state authorities would reduce ambiguity and conflict (Gbadebo, 2025; Osawe & Uwa, 2023).

3. **Strengthen transparency and accountability.** NEITI's audits, BudgIT's analyses of state finances, and FAAC deductions should be published on a regular schedule and in accessible formats, with open contracting and digital revenue tracking in the extractive sector. Subnational legislatures and audit institutions should have the capacity to scrutinize derivation and allocation receipts. Adesanmi (2024) and Gbadebo (2025) show that weak accountability, more than formula design, limits the developmental value of resource revenue.

4. **Put community participation and environmental justice at the center of resource governance.** Host communities should be represented in the boards and monitoring arrangements of the trust funds, and community-based monitoring of spills and remediation should be recognized in regulation. Ikelegbe (2005) and Watts (2004) show how exclusion and ecological harm feed the grievances that sustain militancy, so that benefits and environmental protection are conditions of stability and not extras.

5. **Diversify the economy and broaden the domestic tax base.** Volatility in oil earnings, documented by the World Bank (2004) and by more recent reports, argues for investment in solid minerals, agriculture, gas, manufacturing, and value addition, and for stronger internally generated revenue at the state level. From the standpoint of Rentier State Theory this is the most fundamental reform, because a larger tax base rebuilds the fiscal relationship between government and citizens on which accountability depends.

6. **Institutionalize dialogue.** The persistent agitation shows that legal reform alone is insufficient without political consensus. A standing intergovernmental forum, with federal, state, and host community representatives and a statutory mandate to review resource revenue data and derivation matters, would give conflicts a channel for resolution short of confrontation, in line with the comparative experience of the United States and Canada (Hassan & Ari, 2023).

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