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REVENUE ALLOCATION IN NIGERIA AND THE DEPENDENCY ON OIL REVENUE: THE NEED FOR ALTERNATIV SOLUTIONS

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ABSTRACT: *This paper examines one of the most controversial issues in the political economy of Nigeria- Revenue allocation in Nigeria and the dependency on oil revenue: the need for alternative solutions. The paper argues that displacement of agricultural products by oil as the focal point of national revenue, and the attendant relegation of the principle of derivation in revenue allocation, is the root cause of the revenue allocation debacle in Nigeria federalism. The focus on revenue sharing rather than revenue generation is the root cause of political, economic and social decay in the country and has equally led to the proliferation of unviable state and local governments. The excessive government dependence on oil revenues, an institutional unstable revenue allocation system, weak political institutional arrangements, lack of effective agencies of restraints to demand transparency and accountability on the part of political office holders, failure to translate oil wealth to sustainable growth and increased standard of living for a lager majority of Nigerians, and a defective property right structure in relation to mineral resource endowment are the hallmark of Nigeria government. The paper conclude by making suggestions on how to diversify the Nigeria economy which include the investment and development of other sectors like agriculture, industries, solid minerals and human resources.*

KEYWORDS: Revenue Allocation, Derivation Principle, Oil revenue, Federalism, Oil Dependency

INTRODUCTION

Nigeria, since the 70s has been a mono-cultural economy relying heavily on oil as its major income earner. The implication is that the dynamics of the economy is at the whims and caprices of the price of oil, which for the most part, has been volatile (Enoma and Mustafa, 2011). The major fallout of this fragile structure of the Nigerian economy is a situation where the economy has been growing without creating jobs and reducing poverty (Onodugo, 2013). The on-hand explanation to this economic paradox is that the oil sector that produces about 90% of export earnings are in the hands of less than one percent of the Nigerian population dominated by expatriates and members of the political class who control production and the proceeds respectively. Worse still, the sector is disconnected from other tiers and sectors of the economy and thus offers little or no linkage and multiplier effect to the economy as a whole.

The adverse consequences of over dependency on oil trade heightened the need and call to diversify Nigerian economy away from oil towards the direction of non-oil export trade.

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Proponents of this increased proportion of non-oil export argue that the non-oil trade has great potentials to propel Nigerian economy to the desired growth and development. For instance, Onwualu (2012) maintains that the value chain approach to agriculture has the potentials to open up the economy and generate various activities which are capable of creating jobs and enhancing industrialization and thus makes the non-oil sub-sector to hold the aces for future Nigerian sustainable economic growth.

Successive Nigerian governments on its part have shown efforts over the years to grow the non-oil export trade by establishing supportive policies. Some of these policies with varying degrees of successes include but not restricted to: protectionism policy in the mode of import substitution policy of industrialization in the 1960s; trade liberalization policy (this took the form of Structural Adjustment Programme) of the mid 1980s and export promotion policy of 1990s which was executed through intensified policy support to Small and Medium Scale Enterprises (SMEs) to enhance productivity and subsequently, export of local products (Onodugo, Vincent, Ikpe & Anowor, 2003). The growing body of literature indicating possible linkage between non-oil export and growth of the Nigerian economy notwithstanding, there is still paucity of empirical evidence as to the magnitude of the contribution of non-oil export to the growth, and specific sectors and factors that are behind such growth. Further, it is observed that most time series studies in this line of investigation on Nigerian economy have focused on export promotion strategy of industrialization, as a way of diversifying the productive base of the Nigerian economy (Onayemi and Ishola, 2009) without clear information on how strong the impact of non-oil export has on the rate of change in the Gross Domestic Product (GDP). It is against this background that this paper investigates revue allocation in Nigeria and the need for alternative solutions to the dependency on oil revenue.

LITERATURE REVIEW

Theoretical and Empirical Framework

Economic diversification may be generally defined as distribution of investment into different sectors of the economy so as to minimize the risk of over-dependence on one or very few sectors. In the case of Nigeria it may be redefined as shifting investment towards the non-oil sectors to avoid risk and uncertainty. Due to the on-going privatization and globalization in general, the role of the private sector in the diversification process should be taken into account.From the afore-stated definitions and comments it follows that economic diversification may at least theoretically enhance using the pro-poor sustainable economic growth theory and resource control theory.

The Pro-poor Sustainable Economic Growth Theory state that as risk and uncertainty arising from over dependence on one or very few sectors is minimized a sustainable growth rate is assumed. Furthermore, as the economy grows it is assumed that the government concerned will be committed to the policy of equitable income distribution and poverty alleviation throughout the diversification process (pro-poor growth assumption). The 'trickle-down' effect is hereby assumed to be realised throughout the growth process (Philippe, 2006). the assumption of the is theory is that as an economy grows and diversifies, its ability to Counter the effect of natural disasters such as drought, floods, and outbreaks of cattle diseases is assumed also to increase. The economy is able to establish well-planned systems, which may need substantial funds to counter the effects of

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disasters. The theory also assumes that as an economy diversifies, the government concerned may collect enough taxes and other forms of revenue from various sectors – private sectors, mining and non-mining sectors. The revenue obtained is assumed to be essentially pro-poor, i.e. the government is assumed to use the revenue prudently to improve the welfare of the poor. It is expected to increase the share that goes to aspects which benefit all people including the poor such as universal and vocation-oriented education, primary health and basic infrastructure.

The resource curse theory, also known as the paradox of plenty was propounded by Przeworski, Adam in 1991 and it refers to the paradox that countries and regions with an abundance of natural resources, specifically point-source non-renewable resources like minerals and fuels, tend to have less economic growth and worse development outcomes than countries with fewer natural resources. This is hypothesized to happen for many different reasons, including a decline in the competitiveness of other economic sectors (caused by appreciation of the real exchange rate as resource revenues enter an economy, a phenomenon known as Dutch disease), volatility of revenues from the natural resource sector due to exposure to global commodity market swings, government mismanagement of resources, or weak, ineffectual, unstable or corrupt institutions (possibly due to the easily diverted actual or anticipated revenue stream from extractive activities). The idea that natural resources might be more an economic curse than a blessing began to emerge in the 1980s. The term resource curse thesis was first used by Richard Auty in 1993 to describe how countries rich in natural resources were unable to use that wealth to boost their economies and how, counter-intuitively, these countries had lower economic growth than countries without an abundance of natural resources (Gylfason, 2001). Numerous studies, including one by Jeffrey Sachs and Andrew Warner, have shown a link between natural resource abundance and poor economic growth. This disconnect between natural resource wealth and economic growth can be seen by looking at an example from the petroleum-producing countries. From 1965 to 1998, in the OPEC countries, gross national product per capita growth decreased on average by 1.3%, while in the rest of the developing world, per capita growth was on average 2.2%. Some argue that financial flows from foreign aid can provoke effects that are similar to the resource curse. Abundance of financial resources in absence of sufficient innovation effort in the corporate sector may also lead to the problem of "resource curse" (Auty, 1993).

It has been argued and rightly established that export trade is an engine of growth, being that it enhances employment generation through the development of export oriented industries, increase foreign exchange earnings and improves balance of payment position of a given economy. There is some studies in the literature that support this claim. For instance, Onayemi and Ishola (2009) report that elaborate historical studies have provided empirical validation of the view that growth performance is more satisfactory under export promotion. This supports earlier findings by Kruegor (1928), Bhawati (1978), and Papageorgious et al (1991), each of whom had earlier reported that sustainable increase in income per capita is better achieved under export promotion policy. On his export demand model, Iyola (1995) highlights the powerful effect of foreign trade on economic growth (though he used crude oil exports only). The attempt at finding out the extent to which Nigerian export promotion strategies have been effective in diversifying the productive base of Nigeria led Onayemi and Ishola (2009) into revealing that non-oil export have performed below expectation under export promotion policy. This outcome supports the argument by Subasat (2002) that export promotion does not have any significant impact on economic growth of low

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income countries. This same result however contradicts Usman (2010) who discovered that an insignificant non-oil export and exchange rate would slow down economic growth given that non-oil export for previous year positively affects growth.

Non-oil sector comprises those groups of economic activities which are outside the petroleum and gas industry or those not directly linked to them. It consists of sectors such as manufacturing, agriculture, telecommunication, service, finance, tourism, real estate, construction and health sectors. Non-oil (mostly agricultural) products such as groundnuts, palm kernel, palm oil, cocoa, rubber, cotton, coffee, beans, hides, skin and cattle dominated Nigeria"s export trade in the 1960s. But the discovery of crude oil in commercial quantity shifted the attention from non-oil export to a "petroleum mono-cultural economy" since the 1970s. While petroleum export was growing, non-oil exports were declining, this made the dominance of oil export over non-oil export much more rapid and pervasive. The transformation of Nigeria from a net exporter of agricultural products to a large-scale importer of the same commodities was particularly marked during the period 1973–1982 (Oyejide, 1986). Osuntogun et al (1997), report that nominal non-oil export earnings fell from N363.5 million in 1973 to N203.2 million in 1982. The decline was even more dramatic in real terms as oil exports in contrast rose phenomenally, from about N2 billion to about N8 billion in nominal terms during the same period.Also continued reliance on developed countries as markets for oil and non-oil exports has caused Nigeria great misfortunes, as recessions in developed countries are usually fully transmitted to Nigeria. Onwualu(2009), identifies key impediments to the growth of the non-oil sector as follows :

• Weak Infrastructure – a national challenge.
• Supply side constraints – due to low level of technology. This constraint is particularly prominent in the
agricultural sector. Low level of human capital development – general.
• Weak Institutional framework – general.
• Poor Access to finance – general

FEDERALISM AND REVENUE ALLOCATION IN NIGERIA

Federalism simply refers to a system of government where there is constitutional division of power between two or more levels of government. Revenue allocation in federal system of government involves two basic schemes. The first implies the vertical sharing between the federal or inclusive government and other tiers of government. The subject of this sharing scheme is the federally generated revenue, such as loyalties, export duties, import duties, mining rates etc.

The second principle of revenue sharing is the horizontal revenue sharing arises out of variations from the revenue generation capacities of component units. The logic is that, in areas where the revenue capacity is high, a relative higher tax is imposed vice versa to ensure stability. This transfers is called "equalization transfer". The implication is that high taxation in relatively low revenue generated areas will drive away business investments and also cause further depression of the economy of such areas. To avoid this, the federal government has to inject more funds to such areas. To avoid this, the federal government has to inject more funds to such areas to create stability (Ojo, 2010).

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One striking feature of the recommendations of various revenue allocation formula adopted from the 1970s is a phenomenon tagged the "concentration process" in Nigeria's fiscal federalism (Mbanefoh and Egwakihide 1998:22). This refers to situation whereby there is a gradual reduction of state Government Accounts and this is further exacerbated with the establishment of special account by the federal Government. This is because it was used to favour a few selected states/local councils more often than not, it provoked inter-state hostility and rivalry, thereby undermining the stability and corporate existence of the country.

The primary effect of such regional political maneuvers is to deprive the nation of the development of a coherent revenue sharing scheme that balances 'efficiency' and 'equity' principles of allocation in a politically healthy and economically productive manner. Third, and finally, Nigeria's horizontal revenue sharing policies and reforms give insufficient recognition to such largely non-political principles of allocation as the social development factor and internal revenue generation effort while blantly ignoring such other technical principles as budgetary obligation, absorptive capacity, fiscal efficiency and fiscal equalizations (Ojo, 2010).
The present formulae for sharing the federal revenue vertically as follows:

Federal Government	48.5%
State Government	24.0%
Local Government	20.0%
Special Fund	7.5%
Total	**100%**

The summary of the major features of the reports of cpmmissions recommendation of various revenue allocation commissions and military legislations in Nigeria from 1946-2009 are presented below:

Table 1: Revenue Allocation Commission and Recommendation of various commissions.

Commission or Commission	**Recommended Criteria**	**Other basic features of recommendations**
Phillipson, 1946	i) derivation. ii) even progress	Balance after meeting central Government's budgetary need allocated to regions
Hicks- Philipson, 1951	i)derivation. ii) fiscal autonomy iii) Needs, and iv) National interest	Proportion of specified duties and taxes allocated to regions on the basis of derivation, special grant capitalization, education and police
Chick, 1951	i)Derivation ii) fiscal autonomy	Bulk of revenues from import duties and excise to the regions on the basis of consumption and derivation.
Raisman, 1958	i)derivation ii) fiscal autonomy. iii) Balance development iv) Need	Proportion of specified revenues distributed on the basis of derivation. creation of distributable pool account (DPA) with fixed regional proportional shares: North 40%, west 31%, east 24%, and Southern Cameroun 5%.
Binns, 1964	Same as above plus financial comparability	Composition of DPA relative share slightly altered, North 42%, East 30%, West 20% and Mid-West 8%
Diana 1968	i)Even development ii) Derivation iii) Need iv)	Special grant account introduced, recommended the establishment planning and fiscal commission. Recommendation rejected.

	minimum responsibility of government	
Decree No. 13 of 1970	i)population 50% ii)Equality of states 50%	Export duties states reduced from 100% to 60%.
Decree No. 9 of 1971	Same as above	Transferred rents and royalties of offshore petroleum mines from the states to the federal government.
Decree No. 6 of 1975	Same as above	Onshore mining rents and royalties to states reduced from 45% to 20%. Remaining 80% to the DPA. Import duties on motor spirit and tobacco to be paid 100% into the DPA. 50 0f excise duties to be retained by the federal Government, 100% to DPA.
Decree No. 15 of 1976	Same as above	Regional proportion share of DPA split among the 12 new states, 6 Northern states receive 7% each, East and Western states share in accordance with relative population
Aboyade, 1977	i)Equality of access 25%. ii) National minimum standard 22% ii) Absorption Capacity 20% iv) Independent revenue 18% v) Fiscal efficiency 15%	Replaced DPA with federation account. Fixed proportional share ot of this account between the federal 57%, states 30%, Local Government joint account created.
1981 Act	Same as above	Federation account to be shared: federal Government 55%, State Government 30.5%, Local Government 10%, special fund 4.5%
Decree No. 49 of 1989	Same as above	Federation account to be shared: federal Government 55%, State Government 32.5%, Local Government 10%, special fund 2.5%
Danjuma Commission 1989	Same as above	Equality of states 40%. Population 30%. Social development effort 10%. Tax effort 10%. Land mass%.
Decree No. 49 of 1989	i)Equality of states 40%. ii) Population 30% iii) Internal revenue effort iv) Land mass v) Social Development factor 10%	Federation account to be shared: federal Government 47%, State Government 10%, Local Government 15%, special fund 8%
Decree No. 3 of January 1992	Same as above	Federation account to be shared: federal Government 50%, State Government 25%, Local Government 20%, special fund 7%
2009	Same as above	Federation account to be shared: federal Government 48.5%, State Government 24%, Local Government 20%, special fund 7%

Source: Otaha, 2010

From the foregoing, it is apparent that in any federal state, a formula is usually devised to share the revenue of federation between the federal government and the governments of the component units on the one hand and among the governments of the component units on the other (Oyovbaire, 1991). Revenue allocation is no doubt part of the processes of fiscal federalism. Typically the challenges of fiscal federalism in Nigeria hinge on the equality of the expenditure assignment and revenue-raising functions amongst the three tiers of government. The revenue sharing and

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expenditure assignment formula has been generally inadequate in addressing the needs and resource gap in the three tiers of government. The strategy and institutional arrangement for redressing the mismatch have been approached incrementally over the years. Beginning with the era whereby a committee was appointed every five years to make recommendations regarding fiscal responsibilities among the tiers of government, the 1999 constitution of the fiscal commission. Considering this foregoing arguments, the major challenge of fiscal federalism and revenue allocation commission in Nigeria is to ensure equitable distribution of resources to all groups that make up the nation and, at the same time guarantee that the geese that lay the golden eggs are adequately rewarded.

DEPENDENCY ON OIL AND THE REVENUE ALLOCATION DEBATE IN NIGERIA

Nigeria wasted much of her opportunities to break away from underdevelopment despite her massive natural and human resources endowments, in her chequered political history spanning over half a century. No wonder there has been hardly any consensus on the justification for Nigeria's centenary celebration. Regrettably, Nigeria has dwelled only on her huge crude oil resources as the major source of revenue, driving a monolithic economy for years in spite of the enormous developmental challenges she faces. More painfully, the oil resources are being mismanaged and a substantial part of it has gone on rent seeking and red-tapism common in Nigerian bureaucracy.

Nigeria economy greatly depends on crude oil production and the price of crude oil in the international market. However, the price of crude oil though favorable to Nigeria is not stable and any alteration in the price affects the economy of Nigeria. The table 2 below shows the changing price of crude oil in the internal market:

Table 2: Domestic Production of Crude Oil and International Prices (Bonny Light)

Period	Prices (US$ per barrel)		Output mbpd	
	2010	2011	2010	2011
January	77.62	97.96	2.33	2.49
February	80.27	106.57	2.39	2.51
March	80.27	116.56	2.44	2.29
April	85.29	124.49	2.41	2.42
May	77.54	118.43	2.41	2.50
June	75.79	117.03	2.21	2.34
Monthly average mbpd	79.46	113.51	2.37	2.43

Source: as compiled by the central bank of Nigeria, Abuja (2012).

As an observable dynamics, the politics of revenue sharing was brought to limelight when oil became the main source of national revenue and oils the wheels of the Nigeria economy. The revenue allocation commissions that were constituted when oil gradually displaced agriculture as

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the bane of the nation's economy trickled down the derivation percentage, and eventually displaced cum ignored it, as shown in Table 3:

Table 3: Federal-State Shares of Proceeds from Distributable Pool

Year	Producing state (Region). Percent (%)	Distribution pool/ Federation account Percent (%)
1960-69	50	50
1969-71	45	55
1971-75	45 (minus offshore)	55 (plus offshore)
1975-79	20 (minus offshore)	80 (plus offshore)
1979-81	-	100
1982-92	1.5	98.5
1992-99	3	97
1999-date	13	87

Source: Text of a world press conference organized by delegates from the south-south geopolitical zone to the national reform conference (2005:23)

The interest of minorities does not count if they do not have significant representation in the ruling class. Therefore, instead of derivation that hitherto benefits the regions, the commission lay emphasis on need, population, landmass, balance development, equality of states, national minimal standard etc, to the detriment of the goose that lays the golden egg. Without mincing words, the implication is the deliberate and criminal transfer of the oil wealth of the niger delta to develop other regions as shown in table 4

Table 4: Horizontal Revenue sharing formula for states and local governments

Indices	**Percentage weight assigned**		
	1990-date	Initial RMAFC proposal	Revised RMAFC proposal (January, 2003)
Equality of units	40	45	45.23
Populations	30	25	25.60
Social development factor	10	10	8.71
Internal revenue effort	10	8	8.31
Landmass	5	5	5.35
Terrain	5	5	5.35
Population	-	2	1.45
Total	100	100	100

Source: Danjuma (2004)

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it is evidently from the table 2 and 3 that, with the ascendance of oil {found mainly in the homelands of the ethnic minorities) as the pivot of the nation's economy, the interest of derivation on the part of those who wields state power faded, given that it will now promote the interest of minorities who do not control state power(ojo, 2010) . the abundant crude oil in the minority territories of the Niger delta region became a subject of envy, and the majority groups adopted every means to ensure that the owners receives very little benefit from it.

New conditions produce new negotiations, consensus, balancing and new problem- solving responses. As a resolve to make federalism more relevant to development and governance increases, so do consultations dialogue, negotiation and consensus over emerging issues, grow (ola, 1995:5). But since 1995, effort to revise the revenue allocation formula have been bogged down by intrigues. At the turn of this 21st Century with the fiery winds of globalization and monumental development challenges blowing, Nigeria has little choice but to pull herself and all the resources and people at her disposal together to turn her destiny around by exiting the ranks of The Poor and Developing Countries and become one of the twenty (20) most industrialized nations by the year 2020 supposedly a belated arrival anyway.

THE NEED TO DIVERSIFY NIGERIA ECONOMY

Nigeria, the most populous black nation with over one hundred and fifty million people and over three hundred and fifty-six thousand square miles land mass is blessed with abundant human and natural resources. Prior to the discovery of oil in commercial quantities sometimes in the sixties/seventies, agriculture was recognized as viable source of revenue to the country and crops like Groundnuts, Cocoa, Beans, Rubber, Gum Arabic, Kola nuts, Cotton, Soya beans, Palm Kernel, Cashew nut and the likes were exported to Europe, America and other continents across the globe. In the three main regions of Nigeria, that is, the North, South and the East, at least an agricultural product was largely produced and in commercial quantities, which enhanced the standard of living and economic status of the people.

However, for decades now, Nigeria's economy had been dominated by the petroleum sector. Oil, being Nigeria's single biggest source of income, is responsible for generating over twenty percent of Nigeria's GDP and clearly, ninety-five per cent of foreign earning. Indeed, if the type of adequate attention given to petroleum can be extended to mining, commerce, agriculture, tourism and other sectors of the economy, the socio-economic status of the country will improve. There is no doubt that Nigeria has tremendous opportunities in mining and mineral extraction. The country has one of the best quality coal deposits in the world, with lowest sulphur content. Others are gypsum, barites, kaolin and tale, which if properly harnessed, will increase the country's annual revenue.

The country is also blessed with tropical rain forests, savannah grasslands, mangrove swamps the sahel savannah and most especially, natural tourist sites like the Owu Water Fall in Kwara State, the steepest natural waterfall in West Africa and Esie Museum, also in Kwara State. Others include Asabari Hill in Saki area of Oyo State, the Niger-Benue Confluence in Kogi State, Ikogosi Warm Spring in Ondo State, Argungu Fishing Festival and Yankari Games Reserve and its warm spring

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among others can be given priority attention to attract vacationers and visitors to generate huge amount of money to the country.

Over-dependency on oil has slowed down the development of alternative sources of revenue. Apart from total dependence on revenue from oil export for all the government expenditure at federal, state and local government. The growing demand for oil in the country is overwhelming. In Nigeria the two main means of transportation, road and air depend solely on oil. Almost all sources of income at small and large scale capacity depend on oil, all mode of socioeconomic development are nothing without oil. These are seriously been threatened by the oil dependency phenomenon. Given the current reserves and rate of exploitation, the expected life span of Nigeria oil is about 40 years, based on 2.3mb/d production. It is imperative that drastic actions be taken towards the diversification of the economy.

Diversification in the opinion of this writer presents the most competitive and strategic option for Nigeria in light of her developmental challenges and given her background. Diversification has a lot of benefits for Nigeria to maximally utilize her abundant resource – base to rebuild the economy and enjoy the benefits of all the linkages, synergy, economies of scale, grow national technology and foreign investment profile, build human capital, exploit new opportunities, lessen averagely operational costs, increase national competitiveness and grow the standard of living and confidence of the citizens for national renaissance.

ALTERNATIVE SOLUTION IN THE DIVERSIFICATION NIGERIA'S ECONOMY

Investment in agriculture

Agriculture is one of the key sectors that provide unrivalled opportunities for Nigeria's accelerated growth. It shares linkage with virtually all the sectors of the economy with proven multiplier effect on the economy. It remains Nigeria's surest most strategic and competitive way to secure her rapid industrialization and future. It creates employment more than any other sector of the economy, earns foreign exchange, provides food and food security, provides raw materials for our plants and industries. It is the basis of the Nigeria economy, and even the source of the much celebrated oil (science of oil formation). From food and cash crops to animal husbandry, horticulture to fishery, the opportunities are numerous.

According to the first half Nigeria economy report (2011), agricultural sectoral growth slowed 5.69% in the first half of 2011 compared to 5.66% in the corresponding period of 2010, predominantly on account of crop production. This growth rate is however way below the annual target of 11.9% stipulated for the sector in the first NIP. The gospel of economic salvation cannot be preached without due regard to agricultural development. Agriculture is the major and most certain path to economic growth and sustainability. It encompasses all aspect of human activities - being the art, act, a cultural necessity and science of production of goods through cultivation of land and management of plants and animals which creates an activity web-chain that satisfies social and economic needs. Agriculture is the mainstay of mankind; therefore wise nations all over the globe give it a priority by developing and exploiting this sector for the upkeep of their teeming populations through the earning of revenue for development purposes; as well as employment for the stemming down crimes, corruption and other forms of indiscipline which work against all

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factors of life, living and most of all economic production. While many nations in the world are working hard and reaping their harvests in this direction, Nigeria happens to belong among the few that have greatly retarded from their past glorious heights in agriculture, down to a near zero scale of agricultural production. Surely, this neglect is because of irresponsible and ill-purposeful leadership.

With an expansive landmass covering 923.771km2, an estimated arable land of about 68 million hectare; abundance of natural forest and rangeland covering 37 million hectares. Varieties of livestock and wide life, an agricultural friendly climate, coastal and marine resources of over 960km shoreline, expansive rivers and lakes covering 120,000 square kilometre and large consumer market as depicted by National population of over 120 million in 1991 (now estimated to be about 200million). Large regional and continental markets, as well as the ever increasing world market exist for the reaping of the potentials that agriculture can offer any economy. Nigeria has great agricultural potentials that will outpace oil and gas on the long run. That notwithstanding, the country has had a history of agricultural prowess in the past, so, if it could work then, it surely will work better now, if judiciously and positively articulated. This is only possible if our oil-misdirected governments can start looking inwardly for other sources of revenue other than oil with an honest bid to boost agricultural production.

Industrialization

This sector provides the axiom for competitiveness, growth of local technology, expansion of export base, creation of employment, technology transfer and rapid technological change, innovation, mass production, research and development, and foreign investment. Nigeria has remained a traditional importer of primary products, the same which she imports later as better finished products of varying degrees and quality. Manufacturing is a pivot of any economy and a great function of science and technology which we need seriously in our economy. This technological process of conversion and transformation of raw materials into varying degrees and classes of goods and services for human consumption holds the ace for prosperity and national development.

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Table 5: Distribution of industrial establishment by state, 1997

Establishment			Workers engaged		Ownership structure				
State	**No.**	**% of Total**	**No.**	**% of Total**	**Public Ltd.**	**Private Ltd.**	**Statutory**	**Sole**	**Others**
Abia	4376	7.46	47557	4.77	154	380	46	3,409	387
Adamawa	286	0.49	9196	0.92	31	35	17	180	23
Akwa Ibom	1456	2.48	17714	1.78	104	121	32	1072	127
Anambra	1603	2.73	22824	2.29	104	84	38	2016	361
Buachi	1102	1.88	24878	2.49	115	83	22	786	96
Benue	1208	2.06	17360	1.74	96	191	28	768	96
Bornu	491	0.84	13417	1.35	59	53	30	274	75
Cross River	771	1.31	19636	1.97	54	113	20	507	77
Delta	1519	2.59	28023	2.81	61	280	24	1048	106
Edo	1676	2.86	36145	3.62	80	144	24	1289	139
Enugu	1463	2.49	15531	1.56	94	254	34	949	132
Abuja	1127	1.92	32594	3.27	125	278	11	561	152
Imo	1399	2.39	19566	1.96	81	250	51	897	120
Jigawa	585	1.00	12069	1.21	32	20	18	458	57
Kaduna	2696	4.60	61118	6.13	219	442	19	1722	294
Kano	2295	3.91	75283	7.55	197	704	20	1124	250
Katsina	1533	2.61	19828	1.99	97	101	24	1202	109
Kebbi	789	1.35	6147	0.62	34	44	10	606	95
Kogi	481	0.82	7585	0.79	46	61	9	311	54
Kwara	860	1.47	11074	1.11	64	124	15	571	86
Lagos	9899	16.87	179042	17.95	599	2688	36	5826	750
Niger	1198	2.04	20070	2.01	89	91	21	783	214
Ogun	665	1.13	76717	7.69	227	199	54	1617	216
Ondo	1873	3.19	37534	3.76	173	254	49	1286	111
Osun	2105	3.59	20654	2.07	92	49	8	1706	196
Oyo	4553	7.76	44993	4.51	216	407	53	3457	440
Plateau	1550	2.64	27025	2.71	110	156	137	997	150
Rivers	2290	3.91	4527	4.54	1510	98	418	62	202
Sokoto	4424	7.54	40621	4.08	78	86	22	3627	609
Taraba	131	0.22	1991	0.20	8	8	2	77	36
Yobe	613	1.05	5829	0.53	38	23	19	485	48
Total	58,665	100	997381	100.0	3,575	8,341	935	40178	5636

Source: FOS *Report of the National Listing of Establishments, 1997* (Abuja, 1998).

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Industrialization is critical to national economic development because it equips nation with the skills, equipment and processes to make fuller and better use of its resources for greater and more diversified production and exchange. In the last fifty years many developing countries have transformed their economies through rapid industrialization, but Nigeria, like most countries in Sub-Saharan Africa, is not among them. Yet Nigeria has great potential for industrialization, which should be fully exploited. Given its relatively level of human capital development and diversified natural resource base but table 1.2 above shows that there are only a few industries in Nigeria with only 25% of the potential for industrialization tapped.

According to the first half Nigeria economy report (2011), manufacturing continued to grow albeit as slower pace during the 1st half of 2011. Value added in the manufacturing sector grew by 9.07% in the first half of 2011, compared to 7.12% in the first half of 2010. This resulted to a stagnant share of manufacturing in the GDP at 2.59% which is a phenomenal distance from the 35.1% growth rate projected for the sector in 2011 .

According to Adejugbe (1997), the role of industrialization in economic diversification and development is summed up as under.

- Increase in national income. Industrialization makes possible the optimum utilization of the scarce resources of the country. It helps in increasing the quantity and quality of various kinds of manufactured goods and thereby makes a larger contribution to gross national product. (GNP).
- Higher standard of living. Industrialization helps in increasing the value of output per worker. The income of the labour due to higher productivity increases. The rise in income raises the living standard of the people.
- Economic stability. Industrialization is the best way of providing economic stability to the country. A nation which depends upon the production and export of raw material alone cannot achieve a rapid rate of economic growth. The uncertainties of Nature, the restricted and fluctuating demand of the agricultural raw material hampers economic progress and leads to an unstable economy.
- Improvement in balance of payments. Industrialization brings structural changes in the pattern of foreign trade of the country. It helps in increasing the export of manufactured goods and thus earn foreign exchange. On the other hand the processing of raw material at home curtails the import of goods and thereby helps in conserving foreign exchange. The export orientation and import substitution effects of industrialization help in the improvement of balance of payments.
- Stimulates progress in other sectors. Industrialization stimulates progress in other sectors of the economy. Developments of one industry lead to the development and expansion of other industries. For instance the construction of a transistor radio plant develops the small battery industry.
- Increased employment opportunities. Industrialization provides increased employment opportunities in small and large scale industries. In an agrarian economy, industry absorbs underemployed and unemployed workers of agricultural sector and thereby increases the income of the community.

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- Promotes specialization. Industrialization promotes specialization of labour. The division of work increases the marginal value product of labour. The income of worker in the industrial sector is therefore higher than that of a worker in agricultural sector.
- Rise in agricultural production. Industrialization provides machinery like tractors thrashers harvesters, bulldozers, transport, aerial spray etc, to be used in the farm sector. The increased use of modern inputs has increased the yield of crops per hectare. The increase in the income of the farmers has given boost to economic development in the country.

DEVELOPMENT OF SOLID MINERAL

Nigeria has a plethora of mineral resources deposits littered across her land space in amazing commercial quantities but remain substantially untapped. There is virtually no state in the federation where there is not one particular mineral resource deposit or the other while the occurrence is much more in some like Nasarawa, Plateau, Benue etc. This will provide catalysis for diversification of the economy if carefully and seriously harnessed and managed.
The table shows the availability of solid minerals in all states of the federation, which when develop can form a major source of revenue to the Nigeria economy.

Table 6: Distribution of natural resource in Nigeria

State	Solid mineral	Agric related	Oil and gas
Abia	Brine, iron, ore, lignite, Karolin, Clay.	Cowpeas, soya beans, Rice, Maize, Cassava, Oil Palm, Rubber, fruits, cocoa	Crude oil and gas
Abuja	Marble, Kaolin, clay, tin, lead, zinc.	Yam, cassava, maize, beans and fruit	-
Adamawa	Barites, salt, calcium, laterites, marble, gypsum, clay	Guinea corn, sugar cane, yam, cassava, maize, millet, rice, milk, cheese, cotton, groundnuts.	-
Akwa Ibom	Clay, glass, sand, bentomite	Coconut, cocoa, rubber, raffia palm, coffee, oil palm.	Crude oil and natural gas
Anambra	Kaolin, limestone, marble	Rice, yam, cassava	
Buachi	Limestone, columbite, iron ore, tin, kaolin	Sugarcane, maize, groundnuts, millet, guinea corn, cotton, rice.	

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Bayelsa		Plantain, banana, cassava, yam, cocoa, yam.	Crude oil and natural gas
Benue	Tin, columbite, kaolin gypsum	Yam, rice, cassava, sorghum, millets and fruits	-
Bornu	Gypsum, iron ore, feldspar, limestone, clay.	Millet, wheat, Arabic gum, hides and skins	-
Cross River	Limestone, barite, uranium, bentomite, lignite,	Rubber, cocoa, oil palm,	Crude oil and natural gas.
Delta	Lignite, gypsum, tar, sand silica	palm oil, kernel, cassava, rubber and timber	Crude oil and natural gas.
Ebonyi	Salt, limestone, lead, zinc, gypsum,	Yam, rice, cassava, maize, soyabeans.	-
Edo	Gypsum, tar, sand, lignite, marble.	Cassava, yam, garri, lignite, marble.	Crude oil and natural gas.
Ekiti	Tantalite, kaolin, sand, clay, gold, feldspar.	Cocoa, timber, palm produce	-
Enugu	Coal, clay, limestone, silica, iron ore, lead.	Palm produce, cassava, rice, maize, beans.	
Gombe	Gypsum, columbite, lead, zinc, tin, iron,ore,clay	Maize ,beans, groundnut ,millet, cotton, rice, sugarcane	
Imo	Limestone, lead,zinc,iron ore,	Oil palm, cassava, cashew	
Jigawa	Kaolin, tourmaline, copper, iron ore, clay	Groundnuts, wheat, millet	Crude oil and natural gas.
Kaduna	Gold, gemstone, tin, clay, iron ore.	Wheat, millet, rice, beans, potato.	-
Kano	Tin, zinc, lead, clay, copper, kaolin.	Onions, groundnut, rice, maize, millet, wheat, guinea corn.	-
Katsina	Marble, kaolin, feldspar, iron ore.	Onions, groundnut, rice, maize, millet, wheat, guinea corn, cotton.	-
Kebbi	Kaolin, salt, clay, limestone, iron ore.	Maize, ginger, beans, fruits.	-
Kogi	Limestone, clay, gold, coal, marble, iron ore.	Yam, cassava, rice, maize, coffee, cashew.	-

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Kwara	Iron ore, marble, limestone, clay, feldspar.	Yam, cassava, maize	-
Lagos	Iron ore, marble, limestone, clay, feldspar.	Fish, coconut	Crude oil and natural gas.
Nasarawa	Iron ore, marble, coal, lead, zinc, and tin.	Rice, yam, maize, cotton	
Niger	Glass, gold, iron ore.	Corn, rice, yam	
Ogun	Limestone, chalk, clay, kaolin, phosphorous, tar, sand.	Palm produce, rice, maize, beans, cocoa, rubber.	
Ondo	Bitumen, limestone, kaolin, granite.	Timber, palm produce, cocoa, kolanut.	Crude oil and natural gas.
Osun	Gold, clay, limestone, kaolin, granite.	Cocoa, kolanut, rice, maize	
Oyo	Dolomite, kaolin, marble, iron ore, gemstone.	Cocoa, palm produce, kola nut, cashew, maize, cassava	
Plateau	Limestone, iron ore, tin, columbite, clay	Onions, tomato, cabbage, yam, rice, fruits, potato.	
Rivers	Silica, sand, clay	Palm oil, fish, cassava, fruits	Crude oil and natural gas.
Sokoto	Kaolin, gypsum, salt, marble, limestone, gold.	Millet, groundnuts, rice, guinea corn, yam, fruits	
Taraba	Barite, bauxite, iron ore	Rice, guinea corn, yam, cassava, fruits.	
Yobe	Arabic gum, gypsum, limestone, kaolin, gold, mica.	Cotton, millet, groundnuts, maize, rice, guinea corn	
Zamfara	Gold, mica	Rice, maize. Guinea corn.	

Source: adapted from adesopo and asaju (2004:279-280)

From the table above, it clear that Nigeria has everything it takes to make federalism thrive. Nonetheless, all the states are not equally endowed with natural resources but there is virtually no state that is not endowed with resources. The development of these resources can result into huge diversification of the Nigeria economy.

Manpower development

Human beings unarguably remain the greatest asset of any nation. The greatness of a nation or organization is a function of what they do; and what they do is a function of their quality. Nigeria has a huge population that can bring their expertise to turn around the economy but unfortunately is a population of grossly low quality. With a historical poor human index ranking as 158th out of

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177 nations (UNDP 2006), Nigeria needs great investment on her population of dominantly high poverty, illiteracy, and other socio-political and economic vulnerabilities.

CONCLUSION

Nigeria, a nation believed to be one of the nations that have potentials to be great in the world because of her endowment with natural and human resources cannot unleash her potentialities if the country does not gain self reliance and self sufficiency. Our country will perpetually remain a borrower and debtor nation in the face of the booming globalization exercise. Until Nigeria summons courage to invest and exploit other sectors, our country cannot achieve economic and political independence. More importantly, our present economically hazardous environment should be politically repositioned in order to harness the resources that abound in the country.

RECOMMENDATIONS

1. Agriculture, as the "engine house" of world economies needs to be overhauled and serviced in order that the tears of the Nigerian masses may dry up. This can only be possible when the government starts investing substantial capital into the sector
2. Banks, Insurance companies, Co-operatives and Individual, groups and corporate investors should be encouraged to invest in other sectors of the economy other than oil.
3. There is need to adopt strategy which will make the state and local governments less dependent on the federal government and looking inward for fiscal sustainability will restore social contract and improve service delivery in the sub-national government.
4. The various levels of government in Nigeria should institute appropriate economic policies, institutional reforms and massive political will to address the "resource curse" and to break the "feeding bottle mentality" associated with oil dependence.

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