

Federalism in Nigeria

The Effect of Institutional Arrangements on Ethnic Conflict in Nigeria

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Introduction

Nigeria has from independence and onwards been a country ridden by ethnic conflict. This may not come as a surprise as Nigeria is a deeply divided society. The country has a population that outnumbers any African state and which consists of over 250 different ethnic groups who speak over more than 500 languages. The three largest ethnic groups are the Hausa-Fulani from the north, the religiously bi-communal Yoruba of the southwest and the predominantly Christian Igbo of the southeast. Unsurprisingly, subsequent governments have struggled with the accommodation of such a diverse population. In order to manage ethnic conflicts, the Nigerians have adopted a radical form of territorial pluralism: ethnofederalism. Nigeria started out with a geographic based federal system with three subnational states. Over the years, this geographic based federal system evolved towards a federal system largely based on ethnic groups in order to mitigate ethnic conflict (Ejobowah 2010: 251). In 1999, when the new democratic government (the fourth Republic) came into power after years of military dictatorship, the country experienced its last division, resulting in 36 federal states and one federal capital territory (FCT).

Many academics have argued that the ethnofederal system of Nigeria is a relative success: compared to countries such as Sudan and Cameroon, Nigeria has done relatively well (Suberu 2009). The federal system has established inter-regional integration and has ensured the survival of Nigeria as one political unit without a large-scale secessionist conflict (after the civil war in the 1960s). However, this does not tell us much about the absolute success of the Nigerian federal system. Compared to Sudan, almost any country would do 'relatively well'. Moreover, ethnofederalism, in general, has been studied in large-N studies where only countries that have had large-scale secessionist conflict have been taken into the analysis. This does not tell us whether this kind of institutional arrangement contributes to the solution of ethnic conflict. This could be due to the way academics have defined success or failure in their studies (Anderson 2014: 201). He argues that: *'In the case of Bosnia, for example, the ethnofederal system survives, but it is scarcely an exemplar of efficient governance.'* Additionally, Charron (2009: 17) concludes his research on effective governance within an ethnofederal context with *'While studies that evaluate whether or not ethno-federations are more likely to erupt in civil conflict or succession are important, it is also critical that we go beyond whether or not ethno-federations are simply stable systems in divided societies.'* Whereas Nigeria has not seen full-blown

secessionist strive in recent history, ethnic conflict has seen an increase in the fourth Republic (Salawu 2010: 345). The research question this thesis is concerned with is thus: To what extent have institutional arrangements within the ethnofederal context contributed to the enduring occurrence of ethnic violence in the fourth Republic of Nigeria?

This thesis seeks to explain the occurrence of Nigerian ethnic conflict since the installment of the fourth Republic. It will focus on the institutional arrangements in the ethnofederal context of Nigeria and assess whether the institutional arrangements can help explain the occurrence of ethnic violence. This thesis does not seek to contribute to the extensive academic pro-con-discussion on ethnofederalism but instead will try to find the failure of particular institutions in an ethnofederal context that might provide an explanation for the occurrence of ethnic conflict. In this thesis, I will argue that the lack of fiscal autonomy for the regions in Nigeria has led to a lower degree of self-governance that led to ethnic conflict.

This thesis is divided into several sections. The first parts elaborate on the literature on ethnofederalism, state the hypotheses, will define the various concepts and will give an overview of how this research has been conducted. The subsequent sections will give a historical background on federalism in Nigeria as well as the analysis of the hypothesis and the conclusion.

Literature review

Causes of ethnic conflict

There is a vast academic literature that deals with the nature and causes of ethnic conflict. Four broad traditions of explanatory enquiry in the research on ethnic conflict can be defined: primordialism, institutionalism, political entrepreneurs/instrumentalism and competition over resources (Bojana Blagojevic 2009). Primordialism explains ethnic violence by asserting ancient hatreds among ethnic and cultural groups, but many no longer regarded primordialism as a sufficient explanation of ethnic conflict (Varshney 2001). Instrumentalism is an approach that argues that political entrepreneurs mobilize their support around ethnic themes, even when it is only to mask their own political and economic interests. Competition over resources deals with the political mobilization of ethnicity, which could lead to competition over resources, especially when resources are (very) scarce. The fourth approach is institutionalism. Institutionalists argue that state institutions play an important role in mitigating or exacerbating ethnic conflict. Ethnic groups might be present in a society, but whether institutions respond to the ethnic make-up of

society determines whether ethnic divisions might lead to ethnic conflict. As with the primordialist approach, the institutional approach is widely debated. Some argue that organizing a state along ethnic lines might harden ethnic divisions, ultimately leading to conflict. This thesis will examine ethnic conflict through institutionalist eyes, as the purpose of the paper is to explore whether institutions in an ethnofederal context can contribute to ethnic conflict.

Institutional arrangements in accommodating ethnic conflict: ethnofederalism

Ethnofederalism is a form of institutional arrangement where a state is divided into several regions/states that follow ethnic divisions within a country. In order to be qualified as an ethnofederal state, the political system must have the following characteristics (Charron 2009: 10):

1. sub-units that are defined territorially and identified with an ethnic and/or linguistic minority;
2. dual sovereignty, where policy-making is divided between a center and its sub-units and;
3. a center-sub-unit relationship that is marked by coordination and autonomy

The purpose of organizing a state in such a way is that it should give the ethnic groups or 'nations' within a state a degree of self-governance as states in the political system and it should allow regional political communities do deal with their differences in a non-violent manner. There is a longstanding academic debate on the effects of such a political system. The violent secession of regions in many ethnofederal states such as the USSR, Yugoslavia and Pakistan, have been used as examples by opponents of ethnofederalism whereas the relative successful examples of Canada and Switzerland have been widely praised by proponents. In the next part follows a brief discussion of this debate.

Proponents of ethnofederalism provide extensive empirical evidence which points to the success of ethnofederalism. Bermeo (2002: 97-98) has argued that in Canada, Spain, Belgium and Switzerland, ethnofederalism has kept the country unified and democratic and that federal institutions promote successful accommodation of ethnic groups. Saideman et al. (2002) have argued that in a democratic context, ethnofederalism might contribute to ethnic protest, but detracts from ethnic violence. Hechter (2000) has made a similar argument. Nevertheless, why should such a political arrangement detract from conflict? Many scholars see ethnofederalism as a compromise between the central government and regional groups seeking some form of self-

determination. Self-governance should detract from conflict (Hechter 2000: 316). This is because groups see both their physical survival as the survival of their identity protected (Deiwiks 2010: 3). When a group is able to assert control over issues such as language, education, religion or ideology, their identity is protected and when groups are able to install their own judiciary system or law enforcement can protect their physical survival (Deiwiks 2009: 3). Summarizing, in a system where groups enjoy self-governance, the political rights for these groups are protected. Moreover, these arrangements can provide a solution to conflict among ethnic groups because it might reduce the fear amongst minorities that their grievances will be either ignored or increased by losing out from governing at the national state level (Lake and Rothchild 1996: 61). As such, these groups should be less likely to rebel against the central government. At the same time, the unity of the state as a whole remains intact (Bermeo 2002; Lijphart 1977).

Opponents of ethnofederalism however, have found evidence that point to the failure of ethnofederal systems. Many academics regard the fall of the USSR and the breakup of Czechoslovakia and Yugoslavia as examples of the failure of ethnofederalism (Snyder 2000; Brubaker 1996; Roeder 1991). Mozaffar and Scarritt (1999) have argued that territorial autonomy has not been a viable solution for managing ethnic conflict in sub-Saharan Africa. They use the example of the ethnofederal variant of Ethiopia that has had the highest score of any African country on ethnopolitical rebellion. Again, why has ethnofederalism failed in these instances? Many authors have argued that self-governance amongst ethnic groups might harden ethnic lines between these groups. By drawing tight linkages among territory, group identity and political power, ethnofederalism can 'freeze' group identities (Bunce 2004: 180). This can have several consequences: the prevention of cooperation between the ethnic groups because of the absence of a common identity could push minorities to pursue secessionist aspirations (even minorities that were not even mobilized as a politically active group). This especially happens when competition over scarce resources exist (de Zwart 2005; Haddad 2011). Separatist elites in an ethnofederal context are provided with institutional resources that enable them to pursue secession and to mobilize their support around ethnic themes (Hale 2008; Snyder 2000). Moreover, some have argued that ethnofederal states are especially sensitive for secessionism because secessionism by definition needs a reference to a particular territory. In an ethnofederal state, this desire is already fulfilled by the administrative region to which the secessionists belong (Sambanis, Milanovic 2005). Another main reason for failure of ethnofederalism is that attempts or cries for self-

determination of ethnic minorities within a country will always meet opposition from the central government: *'against a right of self-determination, the authorities raise the right and duty to preserve union, to stamp out rebellion, to insure domestic tranquility, and to defend the state's political and territorial sovereignty* (Connor 1973:12) . This means that according to Connor, federalism is contradictory in nature: ethnofederalism is often proposed as a way to accommodate several territorially based differences, while at the same time, the goal is to maintain the territorial integrity of the existing state.

However, as academics remain divided over the empirical successes of ethnofederalism, it might be useful to turn to specific institutional arrangements within the ethnofederal context that could contribute to conflict. Thus, this thesis does not seek to contribute to the discussion on whether ethnofederalism can be conflict inducing than unitary systems, but will instead investigate a specific arrangement of great importance in (ethno-) federal states: fiscal policies.

Self-governance, fiscal centralization and ethnic conflict

In an ethnofederal state, the purpose is to make sure that ethnic groups enjoy a degree of self-governance, within one sovereign state. As is often argued in academic literature: the purpose of ethnofederalism is to promote unity through diversity. Thus in an ethnofederation, there are two spheres of political communities: the national level and lower ones in which people should have the right to deal with their own local affairs, organized in ethnic entities (Ejobowah 2000: 41-2). To accomplish that, power is delegated from the national level to the regional level. Self-governance, or autonomy, is especially important in an ethnofederal context as ethnic regions will be able to make their own decisions with regard to issues vital to the survival of the ethnic group such as, but not limited to: educational systems, language issues, religious issues and/or law enforcement systems (Tranchant 2008: 495). This not only prevents the regions from conflicting with each other but also that ethnic groups are protected from national policies regarding these issues that might threaten the very survival of the groups. Additionally, Hechter (2000: 143) has argued that *'whereas some universally valued goods may better be provided centrally, goods that are valued only by a segment of the society are better provided locally'* as local governments are expected to know better what their constituencies need. Thus, autonomy protects individual rights, group survival, and makes sure the *'right mix of collective goods will be produced'* (Adler 1997: 1233; Hechter 2000: 143). If such a level of autonomy cannot be

reached, conflict is prone because then individual rights and group survival are threatened (Hechter 2000: 143). How should such a degree of autonomy be reached? As mentioned above, powers must be delegated from the national level to the regional level. Here, it is important that each tier of government is financially independent of each other (Adesopo et al. 2004: 182). Herther-Spiro (2007: 358) adopts a similar argument: independent finance of the regions is important to the viability of the federal structure. In order to reach this level of financial autonomy for the different tiers of government, it is important that a country harbors a system of fiscal decentralization (Adesopo et al. 2004: 182). Fiscal decentralization means that the federal regions are largely responsible for collecting their own taxes, are able to control the revenues that they raise within their region and spend their money as they see fit. Of course, no federation has perfect fiscal decentralization, but regions should be able to meet these criteria to some extent. Federal countries must thus make important decisions with regard to which level of government collects what kind of taxes and how revenues are allocated (Adesopo et al. 2004: 184).

Fiscal autonomy for the regions is jeopardized when the most important and profitable taxes fall under the jurisdiction of the national government and are redistributed on the national level, i.e. when fiscal policies are centralized. In the first case, the tax assignments cannot guarantee an independent and adequate revenue base for the regions and as such, fiscal autonomy cannot be guaranteed (Adesopo et al. 2004: 184). In the case of the latter, it is expected that especially wealthy regions will rebel. Wealthy regions would want revenues to be distributed in such a way that the allocation is based on the contributions regions make (Adesopo 2004: 186). Deiwiks et al. (2012: 291) have made a similar argument: when revenue is allocated on the national level in a federal context then conflict could be a consequence as wealthy regions in a country are not willing to redistribute their incomes to poorer regions. They see that as a threat to their fiscal autonomy. When fiscal autonomy is threatened, self-governance for the regions is threatened, thus leading to conflict. As Nigeria can be defined as an ethnofederal state where the regions are largely constituted by ethnic groups, it is expected that it will be the ethnic groups that rebel against fiscal centralization policies.

Thus my hypothesis is:

The centralizing of fiscal policies in Nigeria leads to less autonomy for the regions which contributes to ethnic conflict in Nigeria

Methodology and variables

This thesis is concerned with the following research question: to what extent have institutional arrangements within the ethnofederal context contributed to the enduring occurrence of ethnic violence in the fourth Republic of Nigeria? The unit of analysis is the ethnofederal institutional arrangement of Nigeria. This research will conduct a qualitative research method based on an in-depth case study. I will use process tracing to gather in-depth information on the variables. Process tracing is suitable for this research because as Van Evera (1997: 65) writes: *‘Evidence that a given stimulus caused a given response can be sought in the sequence and structure of events and/or in the testimony of actors explaining why they acted as they did’*. So in order to establish *how* the independent variables influenced the dependent variable, a structure of events must be sought that, in this research, has led to ethnic conflict.

3.1 Dependent variable: ethnic conflict

The dependent variable this thesis is concerned with is the occurrence of ethnic conflict. In order to explain ethnic conflict, a definition of ‘ethnic’ is important. As with many concepts in political science, ethnicity is not a clearly defined concept. Horowitz’ classic work *Ethnic Groups in Conflict* was among the first of political science research that sought a comprehensive definition of the concept of ethnic identity (Horowitz 1985). Horowitz’ definition of ethnicity is an inclusive one: *“ethnicity easily embraces groups differentiated by color, language, and religion; it covers ‘tribes’, ‘races’, ‘nationalities’ and ‘castes’”*. Cohen (1974) applies a related definition: *‘An ethnic group is an informal interest group whose members are distinct from the members of other ethnic groups within the larger society because they share kinship, religious and linguistic ties’*. Nagel adds to this that ethnic identities are subject to change because the bonds between the members of the group are imagined. It is the product of social interactions between members of the group and between members and non-members of the ethnic group (Nagel 1994).

I will define ethnic conflict as a violent, armed conflict between members of different ethnic groups or ethnic groups rebelling against the national government. Of course, conflict doesn’t necessarily need to be violent, one could also include peaceful ethnic protest for example, but for the purpose and length of this thesis, I will focus on armed conflict. What makes ethnic violence ethnic? Fearon and Laitin (2000: 869) provide a comprehensive answer to this question.

Violence is ethnic when perpetrators are motivated by a generalized hostility towards another ethnic group; when ethnic elites justify violence by saying it is on behalf of their ethnic group and when attackers are indifferent about the identity of their victims apart from their ethnicity. Thus, this study will assess the intensity of armed ethnic conflicts by studying ethnic armed conflict in both countries using process-tracing. I will rely mostly on secondary literature to assess ethnic armed conflict.

Independent variable: fiscal centralization

As stated in the hypothesis, I expect that fiscal centralization policies have led to less autonomy for the region that has contributed to ethnic conflict in Nigeria. I will assess fiscal centralization by two indicators: tax assignments and revenue allocation (Adesepo et al. 2004: 184). I will investigate which tiers of government are responsible for what kind of tax collection. If the most profitable and important taxes fall under the jurisdiction of the national government, then fiscal policies are highly centralized. I will also turn to revenue allocation. If revenues allocated at the regional level flow upwards to the national level to be redistributed there, then fiscal policies are centralized. More importantly, if the subnational governments remain largely dependent on fiscal transfers from the national government for their revenues then this is an important indicator of fiscal centralization.

Additionally, as Bakke and Wibbels (2006: 24) have stated; there is reason to believe that federal countries may experience conflict over oil resources if the oil is concentrated in certain regions of the country and the central government seeks to redistribute revenues generated from these sources. As Nigeria is an oil-rich country, I expect that this will be of vital importance. To assess the level of fiscal centralization with special respect to oil revenues, I will mostly use secondary academic sources.

Historical background of federalism in Nigeria

The emergence of federalism in Nigeria

Nigeria is one of Africa's most populated and most ethnically diverse countries. With over 130 million people belonging to over 250 different ethnicities, it must come as no surprise that Nigerian politics have always be surrounded by ethnic issues. The roots of the current ethnofederal system in Nigeria can be found in its colonial history. The British established political control over three separate territories in 1900. The basis of the current North-South dichotomy was already laid in 1906 when the Lagos colony was merged with the protectorate of Southern Nigeria (Alapiki 2005: 52-3), where the revenue-rich South was responsible for funding the less endowed North protectorate. In 1946, the British created three separate regions through the Richard's constitution: the Northern, the Western and the Eastern region. In all three regions, Regional Houses of Assembly were established. It is this point in time that many academics refer to as the starting point of Nigerian federalism and where the foundations for ethno-regional politics were established (Vande 2012: 38). It is possible that this division of regions has led to very strong sectional orientation in the subsequent years: whenever a region was going to lose out from some national political arrangement, it threatened to secede. It is important to note that in this time, Nigerian politics revolved around three major ethnic groups: the Hausa-Fulani, the Yoruba and the Igbo. However, as Nigeria became independent, many ethnic minorities started to feel marginalized and demanded the creation of more federal states to make sure their voices were heard. This struggle motivated the political elite to mobilize support around ethnic themes in order to gain power. In 1963, a fourth region was created: the Mid-Western region. However, this was not an attempt to accommodate minority grievances, but a way of the federal coalition parties to remain in power (Vande 2012: 39). Consequently, the government did not meet the demands of the minority ethnic groups.

In 1967 the government was overthrown by a coup d'état and twelve new states were created by the new military regime. It was an effort to balance the North and the South as these regions had been struggling for power for years, but it could not prevent the three-year civil war that followed (Alapiki 2005: 56). Another motivation behind this state creation was to 'bring the government nearer to the people' and to 'promote unity through diversity'. In 1976, General Mohammed exclaimed that the government should create more states in order to ensure Nigeria's future political stability (Vande 2012: 58). However, this state creation exacerbated interethnic

and intergroup conflicts, rather than unifying the Nigerian people. In 1991, more states were created, but this was accompanied by various protests and violent conflicts.

Of crucial value in the history of Nigerian federalism is that the country has been under a military dictatorship for almost thirty years. The military government strengthened the federal government at the expense of federal regions by taking control over television stations and newspapers (Ojo 2009: 388). Moreover, the various military regimes centralized many fiscal policies, serving political interests and personal enrichment (Nolte 2002: 177). The turn to democracy in 1999 did introduce elections on all administrative levels but did not alter the federal system, which thus remained highly centralized and dominated by the north. The transition to democracy was highly influenced by the military; the former military Head of State Obasanjo became president. The complete lack of popular participation in the drafting process of the constitution is important to note as this resulted in a widespread lack of support for the new laws. It was widely criticized to be supportive of the northern and military interest while ignoring the interests of the southern Nigerians (Nolte 2002: 178).

Federal political system since 1999

The constitution of 1999 divided Nigeria into 36 states and one Federal Capital Territory. Nigeria has three tiers of government: the federal government, the state governments and the local governments. Nigeria has a bicameral legislature. Both the National Assembly and the House of Assembly of the States have legislative powers, but when a law is produced at the state level that is inconsistent with national law, the national law prevails. According to Nolte (2002: 179), many critics have argued that the division of Nigeria into 36 states has built the dominance of the north into the system; 17 out of 36 states are from the south. Both the Senate and the House of Representatives have a majority of Northern politicians. The two largest political parties are the All People's Congress (currently ruling) and the People's Democratic Party (PDP). In the next section, I will turn to the fiscal policies in the federal context of Nigeria and analyze whether fiscal policies have contributed to ethnic conflict in Nigeria.

The effect of fiscal centralization on ethnic conflict

In this section, I focus on the fiscal policies of Nigeria as I expect that fiscal centralization has contributed to ethnic conflict in the fourth republic of Nigeria. The centralization of fiscal policies is expected to threaten the autonomy of the regions, whereas autonomy is an aspect of high importance in an ethnofederation. I expect that the regions will rebel against these centralizing policies. As the regions are largely constituted of an ethnic group, I expect that the ethnic groups are the main perpetrators of rebellion, thus contributing to ethnic conflict in Nigeria.

Firstly, I will give a brief overview of the history of fiscal policies in Nigeria in order to provide for an understanding of the main trends in the fiscal policies of Nigeria. Then I will assess the level of fiscal centralization in the fourth Republic of Nigeria by investigating tax assignments and the revenue allocation system, with special regard to oil revenues. Lastly, I will investigate the ethnic conflict associated with these policies and establish the relationship between the centralization of fiscal policies and ethnic conflict in Nigeria.

Historical overview of fiscal policies in Nigeria

There are two important periods for the fiscal policies of Nigeria: before and after the discovery and exploitation of crude oil (Ukwueze 2010: 180). In the first period, the country was heavily dependent on agricultural revenues, while in the latter period the country was highly dependent on oil revenues. Before Nigeria became independent, the fiscal policies of the colony were highly decentralized. This means that taxes were retrieved at the national level and streamed back to the regions. Revenues largely returned to the states of their origin. The states relied on their own wealth to cover their expenditure. This contributed highly to interregional inequality as the wealthier states remained wealthy, and the poorer states remained poor (Offensend 1976: 508). However, this system was subject to political manipulation as the appropriate allocation percentages were determined at the national level. The percentages were often skewed in favour of one region at the expense of the other region, depending on which region was the most powerful in the national government. However, in 1966 when the military overthrew the government and installed a military dictatorial regime, the federal government started centralizing this system to solidify its power. One way this was done was to alter the way the Distribution Pool Account (D.P.A.) was shared among the regions. Before the military coup, a part of the national revenue was allocated through the D.P.A., so states would receive revenue

based on the size of its population. The military government changed this: 50 percent would be distributed proportionally among the states according to the size of their population, the other 50 percent would be divided equally among the states (Offensend 1976: 510). The aim was to solve the interregional inequalities that existed in Nigeria. Moreover, the new government slowly moved away from the derivation principle towards a more centralized policy. This is important because it is in this period that oil was discovered in the Niger-Delta region. Nigeria went from an economy largely based on revenue from agriculture to an economy based highly on oil revenues. The political elite failed to avoid the Dutch disease. According to Asadurian et al. (2006: 415) ‘*From 1970 onward, the percentage of nonoil exports and manufactured goods never climbed above the 1988 figure of 8.8%.*’ The economy remained highly based on oil revenues, without an incentive to develop other industries. On top, the agriculture sector was neglected when the oil boom began. The revenues of the oil profits under the old system would have returned to the states of origin, but were now federalized and redistributed among all states. The increase of federal fiscal power can be indicated by the fact that the states became highly dependent on federal revenue allocation, which is controlled by the national government. This has left the states to be less autonomous than in the early years of the Nigerian federation. The states were now dependent on the federal government for fiscal transfers, which were in turn highly dependent on global oil prices. A drop in global oil prices thus meant less fiscal transfers for the states. The centralization also led to problems of accountability, creating bad macroeconomic policy. Moreover, the political centre was not able to address the economic interests of the diverse society, creating large economic problems and mistrust (Asadurian et al. 2006: 420). In sum, the subsequent military governments of Nigeria have centralized fiscal policies, creating various problems in the country.

Fiscal policies during the Fourth Republic of Nigeria (1999 and onwards)

In the previous section is established that the subsequent military governments centralized the fiscal policies in Nigeria. In this section, I will investigate whether fiscal policies have remained centralized by looking into Nigeria’s tax assignments and revenue allocation system as these are two important indicators of centralization.

Tax assignments

In the 1999 Nigerian constitution, the various tax assignments have been established. In the next table, an overview of the various taxes within different levels of government's jurisdictions is presented.

Table 1. Tax assignments to the various levels of government

Type of Tax	Law	Administration and collection	Right to revenue
1 Import duties	Federal	Federal	Federation Account
2 Exercise duties	Federal	Federal	Federation Account
3 Export duties	Federal	Federal	Federation Account
4 Mining rents and royalties	Federal	Federal	Federation Account
5 Petroleum profit tax	Federal	Federal	Federation Account
6 Company income tax	Federal	Federal	Federation Account
7 Capital gains tax	Federal	Federal	State
8 Personal income tax	Federal	Federal	State
9 Personal income tax*	Federal	Federal	Federal
10 Licensing fees on television and wireless radio	Federal	Local	Local
11 Stamp duties	Federal	Federal/State	Local
12 Capital transfer tax	Federal	State	State
13 Value added tax	Federal	Federal	Federal/State/Local
14 Pool betting and other betting taxes	State	State	State
15 Motor vehicle and driver's license	State	State	State
16 Entertainment tax	State	State	State
17 Land registration and survey fees	State	State	State
18 Property taxes and survey fees	State	Local	Local
19 Market and trading license and fees	State	Local	Local

*armed forces, external affairs, nonresident, residents of the FCT. and Nigerian police

Source: Asadurian et al. 2006: 423)

Of all the taxes listed in table 1, the most important taxes fall under the jurisdiction of the federal government. These are for example the import duties, mining taxes, and the petroleum profit tax and altogether account for 80% of the total national recurrent revenues (Adesopo et al. 2004: 184-185). The taxes that are relatively harder to collect fall under the jurisdiction of the lower tiers of government, such as the market and trading license fees. Thus the less profitable revenues fall under the jurisdiction of the state and local governments. In other words, the tax assignment in Nigeria indicates a centralization of fiscal policies.

Revenue allocation system

The second indicator of fiscal centralization is Nigeria's revenue allocation system. This is especially important since the largest share of tax revenues goes directly to the federal government, which then redistributes it among all tiers of government. All revenues collected by the national government flow into the 'Federation Account', monitored by the national Revenue Mobilization, Allocation and Fiscal Commission. This account is established by the 1999 constitution. The redistribution of the large share of revenues collected by the federal government means that the lower tiers of government are dependent on national transfers for their expenditures (Asadurian et al. 2006: 424). Only 14% of the revenue of the federal states (second tier of government) and 3% of the revenue of the local governments (third tier of government) is internally generated revenue (Salami 2011: 31). This means that both tiers of government are heavily dependent on national transfers, and thus a high level of fiscal centralization is present in Nigeria. Unsurprisingly, what often remains a thorny issue is the formula that establishes the sharing rates and principles among the levels of government. In Nigeria, the allocation principle emphasizes the size of the population and equality of state of each region. In the next table, the vertical allocation of revenues in Nigeria is presented.

Table 2. Vertical allocation of the Federation Account since 1980 in percentages

Tier of government	1980	1984	1992	1999
1 Federal government	53,0	55,0	50,0	48,5
2 Regional government	30,0	32,5	25,0	24,0
3 Local government	10,0	10,0	20,0	20,0
4 Special funds	7,0	2,5	5,0	7,5
(i) Federal Capital Territory	N.A.	/	1,0	1,0
(ii) Derivation	N.A.	2,0*	1,0	***
(iii) Development of oil mineral producing area's	N.A.	1,5**	1,5	3,0
(iv) General ecology	N.A.	1,0	1,0	2,0
(v) Statutory stabilization	N.A.	/	1,5	0,5

Source: adapted from Adesopo et al. 2004: 187

* Shows that the 2% is not of the Federation Account but of the mineral revenue component of the 32.5 of the Federation Account

** shows that the 1.5% of the revenue accruing to the Federation Account derived from the mineral producing areas

*** 13% derivation principle partially implemented

As indicated in table 2, the allocation of the Federation Account is tilted towards the federal government. Although in 1999 the number is significantly lower than in 1980, a trend can be found. The number has not changed much since the 1999 constitution, although various proposals have been made. In 2001 for example, the national Revenue, Mobilization, Allocation and Fiscal Commission proposed the following revenue allocation formula: 41.3% for the Federal Government, 31% for the state governments, 16% for the local governments. A new proposal in 2008 allocated 53.69% to the Federal Government. The centralization has led to a vertical fiscal imbalance and a fiscal mismatch between the states' expenditure responsibilities and their ability to raise revenue to meet them (Adesopo, Asaju 2004: 284). Moreover, it has not provided the much-needed incentive for development and growth at the state level. Arowolo (2011: 11) for example argues that: *'The revenue increment over the years has only further created an avenue for most of the state governors to loot their treasury'*. Additionally, because states depend heavily on federal transfers, states have little incentive to generate revenue internally. Rather, when states need money for projects, they turn to the federal government thus needing approval from the federal government for carrying out such a project.

Another principle that can be derived from table 2 is the derivation principle, very important to Nigerian fiscal policies and national politics. The derivation principle is the percentage of revenues that regions pay into the Federation Account and which flows back directly to the region of origin without being redistributed to other regions or levels of government. The derivation principle only applies to revenues raised from natural resources (Constitution of Nigeria 1999). It has been a source of friction between the Niger-Delta states and the federal government for decades. Before the military came into power, the derivation percentage was maintained at 50% (UNDP 2006: 14). The remainder of the revenue was redistributed among all regions (including the producing regions) and the federal government. However, the military administration that came into power after the civil war put all petroleum resources found upon and under the land in ownership of the federal government. This meant that the states were denied their right to the minerals (UNDP 2006: 15). Subsequently, the derivation percentage decreased from 50% to a mere 1.5%. In 1993, the percentage rose to 3% as a palliative to a political crisis that followed the cancellation of democratic elections. The constitution of 1999 established that the principle of derivation should not be lower than 13% (so at least 13% of revenue raised by natural resources directly flows back to the state of origin). Although this was an improvement compared to earlier years, it has not been enough to compensate for the negative consequences that are associated with the oil production (degradation of land etc.) (Salami 2011: 44). In the next section, I will focus on the conflict the centralization policies have inflicted in Nigeria.

Conflict in the Niger-Delta

The centralization of fiscal policies has been a source of conflict over decades in Nigeria. As mentioned above, the economy of Nigeria depends largely on the oil industry. There are nine states within the Nigerian federation that produce oil: Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo, and Rivers, all together commonly referred to as the Niger-Delta region. In 2010, petroleum and related products make up 98% of Nigerian exports. Moreover, over 80% of the government's annual revenue comes from these resources. As mentioned earlier, the revenues from these resources flow into the Federation Account, to be redistributed among all states. At least 13% of these revenues must flow back directly to the states of origin, according to the principle of derivation established in the 1999 constitution. This was a slight improvement to earlier years when even less of these revenues returned directly to the oil states. This has, as also

mentioned above, not been enough to compensate for the negative consequences associated with oil production. The exploration of crude oil has led to oil spillages, uncontrolled gas flaring, coastal erosions etc., threatening the health of the people and the natural environment. At the same time, over 70% of the people in the region depend on the natural environment for subsistence living (Eregha, Irughe 2009: 161). The oil-state representatives seek a 20-25% for the derivation principle to accommodate for their expenditures (International Crisis Group 2006), thus the current 13% is widely perceived as unfair. Moreover, the people living in the Niger-Delta are amongst the poorest of the world. In 2004, the relative poverty percentage¹ in the region lies around 30%. (UNDP 2006: 35). The region experiences high levels of unemployment, shortages of essential goods, facilities and money, poor communication and infrastructure, agricultural underdevelopment and health threats. The problem is that many of the citizens in this area feel that they could have done far better, considered they live in a resource-endowed region (UNDP 2006: 36). Add to this fact that they are completely dependent on national transfers and that oil is the only natural resource in Nigeria that has been nationalized, one can imagine that these policies have created feelings of alienation in the region (Ukiwo 2011: 21-22). The people of the Niger-Delta states feel deprived of their rightful ownership to the minerals on their land. Additionally, many feel that were the oil found in the areas of the major ethnic groups instead of the areas of the ethnic minorities of the country, the derivation principle would have looked very different (UNDP 2006: 15). Unsurprisingly, this has led to widespread protests in the region. Initially, protests against these policies have been peaceful, but the recent years have seen an increase in violent militancy, carried out by ethnic groups. In the next section, I will discuss the emergence of these violent militant groups.

Militancy

The militant groups in Nigeria have largely been revolved around ethnic themes, like Nigerians in general define themselves largely in terms of their ethnic identities rather than any other identity (Osaghae 2005:8). This is not surprising because ethnicity has been politicized in Nigeria even before Nigeria became an independent country by the colonial and post-colonial regimes. As Osaghae (2005: 16) argues: *“Indeed, colonialism was the single most important factor in the crystallization of contemporary identities and identity conflicts in Nigeria.”* In this section, I will examine these violent ethnic militant groups.

¹ The relative poverty measure refers to people below living two-thirds of the average weighted household income

As early as 1966, only a decade after oil was discovered in Nigeria, the leader of the Ijaw Niger Delta Volunteer Service declared the “Niger Delta Republic, distinct and separate from Nigeria. This group argued that they felt politically marginalized, economically deprived and were provoked by ethnic chauvinism (Courson 2009: 12). The uprising was overpowered by the government however and its leader arrested. Resistance in the region continued to grow as the Nigerian economy, now largely based on the oil industry, collapsed in the 1980s. This resistance was articulated among others by the Movement for Survival of the Ogoni People. It called for local autonomy for the Ogoni ethnic group and the recognition of the economic contributions of the Ogoni people to the Nigerian state. It protested the political marginalization of the Ogoni’s at the national state level. Its demands were established in the Ogoni Bill of Rights, presented to the Nigerian government in 1990. Its demands were rejected, although they were articulated through peaceful means. These protests were crushed down by the state government using military instruments and their leader Ken Saro-Wiwa was hanged. After the hanging of Ken Saro-Wiwa, other ethnic resistance groups emerged in the country. The federal government responded through the militarization of the Niger Delta. The resistance groups began to feel that non-violent means of pressure on the government were not helping their case and many started to take up arms. Examples of these groups are the Niger Delta People’s Volunteer Force and the Niger Delta Freedom Fighters. This struggle forms the background of the ongoing violence in the new democratic republic. In the next section, I will elaborate more on the ethnic violence in the fourth republic.

Ethnic violence in the fourth republic of Nigeria

Ethnic violence seems not to have declined since 1999. In his first year as president, Obasanjo deployed more troops in the Niger Delta. In 1999, government forces raided an oil-producing community in Bayelsa state where an estimated 2500 people lost their lives in order to protect oil installations in the territory. A state official stated that: “*when we need to be hard, we have been very hard. We were very tough when it came to Odi town where our policemen and our people were killed by these ethnic militants. And the federal government went in and literally leveled the whole place. And the proof of the pudding is in the eating. It has never happened again since that time. So, I think that policy works.*” (Courson 2009: 15). The government had acted against militias believed to be loyal to the Ijaw Youth Council that had supposedly killed twelve policemen in Bayelsa state. This incident was seen as the largest deployment of troops

since the Biafran war (Omotola 2009: 140). Another important militia group in the fourth republic is the Niger Delta People Volunteer Force, comprised of Ijaw young men (Human Rights Watch 2005: 4). Its leader Alhaji Mujahid Abubakar Asari Dokubo threatened to launch a war unless greater control of the oil resources was given to the Ijaw people, arguing that the Ijaw are an endangered community (Ukiwo 2007: 71) . In 2005, Asari was arrested leading to increased feelings of the Ijaw of being targeted unfairly by the national government. The presence of the Joint Task Force (a government military force whose mandate is to repress (non-) violent protests in the region) adds to these feelings. In the aftermath of this struggle, another important militant group emerged: The Movement for the Emancipation of the Niger Delta. This group, constituted of a coalition of various Ijaw armed groups across the region, has been profiled by the Memorial Institute for Prevention of Terrorism as “*an active terrorist group that uses violent means to support the rights of the Ethnic Ijaw people in the Niger Delta*”. They object to the lack of benefits the community has received from its extensive oil resources (Hanson 2007: 2). It has attacked oil companies and abducted foreign employees of such companies in order to block the production of oil in the region. The government increased its troops deployed in the region in order to ‘neutralize the militants’, regarding the group as criminals. For example in 2006 the government again crushed three Ijaw communities, leaving 20 persons dead. MEND has always stated that they want justice and fairness. The spokesperson of the organization has stated that: “*We are asking for justice. We want our land, and the Nigerian government to transfer all its involvement in the oil industry to host communities which will become shareholders in these oil companies*”. Also in 2006, MEND declared it would carry out ‘Operation Black Mamba Strike’ on 10 March 2006 if the government did not comply with a derivation principle of 25% (Ukiwo 2007).

According to Courson (2009: 21), this statement is consistent with the demand of many ethnic minorities of the Niger Delta for resource control and local autonomy in the region. Other active groups include the Egbema National Congress (ENC), Ijaw Elders Forum (IEF). Movement for the Reparation of Ogbia, Movement for the Survival of Itsekiri Ethnic Nationality (MOSIEN), the Izon National Development and Welfare Association (INADEWA), Isoko Community Oil Producing Forum (ICOPF), and Movement for the Survival of Izon Nationality (MOSIN) (Ikelegbe 2001: 443). The rather controversial elections of 2007 put another president in power. He initiated the formation of the Niger Delta Peace and Conflict Resolution

Committee, supported by MEND-leader Henry Okah. However, his arrest in 2007 led to the declaration of armed campaigns by MEND, deteriorating the peace process. The government expanded its military presence in the Niger Delta in the years after and clashes between government forces and MEND-forces still exist on a regular basis.

Analysis

How has fiscal centralization led to ethnic conflict in the case of Nigeria? The fiscal centralization policies have established that the federal government is responsible for most tax collections, the subsequent redistribution and that the redistribution is tilted towards the federal government. More importantly, the federal states collect very little revenue on their own (see table 1) which makes them highly dependent on national transfers and provides for little incentives for economic development. Moreover, the redistributions the states receive are too little to compensate for their expenditures. In the Nigerian case, this has meant that regions endowed with oil cannot benefit from their resources and remain unable to bore into other sources of development. The oil found in the region is owned by the state and thus the revenues coming from this industry (also the most profitable revenues in the Nigerian tax system) are collected by the national government and redistributed throughout the country with a derivation principle of 13%. The oil extraction comes with many disadvantages for the people in the region: the environment suffers a lot of damage while more than 70% of the people who live in the delta depend solely on the natural environment for subsistence living. Moreover, the people of the Niger-delta region are amongst the poorest of the world (UNDP 2006: 35-7), while at the same time, the gross domestic product of the region is relatively high due to the oil industry. Thus the 'goose that lays the golden egg' benefits little from the rich resources. This has created the feeling that the people are deprived of their rightful ownership of the minerals and that the people did not need to be this poor if they controlled the resources.

As a result, there has been a rise of economic nationalism in the Niger-Delta region. Various ethnic groups including MEND, Ijaw Youth Council, and others, have protested peacefully and violently against these centralization policies and make claims for resource control and local autonomy. These groups complain of marginalization, unfair treatment and feel that the survival of their group is at stake. According to these groups, *'anything short of an adequately applied derivation principle makes it to be an instrument of domination, oppression*

and exploitation' (Akinola, Adesopo 2011: 254). These claims follow the assumptions of ethnofederalism: each government should be able to sustain a significant level of self-governance to the extent that they should be free of interference from any other government. Financial independence is key to such a level of self-governance. The lack of fiscal autonomy and the ability to exploit their own resources is a threat to that freedom and thus to the self-governance of the inhabitants of the region, hence the conflict. Additionally, I expected that it would be most likely that the wealthy regions rebel against fiscal centralization as they would want revenues to be distributed in such a way that the allocation is based on the contributions regions make. Although the people of the Niger-Delta states are not wealthy at all, in terms of gross domestic product, this region is relatively wealthy. This conclusion thus confirms my hypothesis which states that *'The centralizing of fiscal policies in Nigeria leads to less autonomy for the regions which contributes to ethnic conflict in Nigeria'*.

Conclusion

Nigeria has been an ethnofederal country since independence. In 1999, Nigeria experienced its last division, resulting in 36 federal states and one federal capital territory. Many expected a decline in ethnic violence, from which the country had suffered for decades, but this obviously was not the case. This thesis has focused on the following research question: to what extent have institutional arrangements within the ethnofederal context contributed to the enduring occurrence of ethnic violence in the fourth Republic of Nigeria? There is an extensive academic debate on the success of ethnofederalism with regard to containment of ethnic conflict. Some argue that ethnofederalism exacerbates the differences between ethnic groups and that those groups are handed the tools to pursue secession. Others have argued that when ethnic groups are able to govern themselves, ethnic conflict will decrease. However, this thesis did not seek to contribute to this debate but instead looked for institutional arrangements in an ethnofederal context that might account for the occurrence of ethnic conflict in Nigeria. As in ethnofederal countries, regions are ought to have a substantial degree of self-governance. I expected that regions that do not reach that level would experience ethnic conflict, as the survival of ethnic groups would be threatened in such a case. Ethnic groups cannot fully be autonomous if their regions are not financially independent to a substantial degree. Thus, I investigated the level of fiscal autonomy.

To assess the level of fiscal autonomy I have used two important indicators: tax assignments and revenue allocations. Tax assignments are important because it provides government with what revenue they can control. In a federal state, tax assignments should provide an independent revenue base. In Nigeria, the most important and profitable taxes are assigned to the federal government, providing the federal government with the largest fiscal power, while the other tiers of government are not able to establish an independent revenue base. The federal government redistributes these revenues to the other tiers of government. The largest share of the redistribution goes to the federal government. As such, I concluded that Nigeria experiences a high level of fiscal centralization. This leaves the other tiers of government highly dependent on national transfers. When states need money for projects, they must seek permission from the national government. Moreover, the fiscal centralization provides no incentives for the states to seek an independent revenue base and jeopardizes economic development on the state level. Subsequently, I have argued that the centralization policies of Nigeria have led to ethnic conflict. I have argued that the oil producing states of the Niger Delta region pay their revenues from the oil industry into the Federation Account. The national government redistributes those revenues to all tiers of government with a derivation principle of 13%. The derivation principle has been a bone of contention in Nigerian politics for decades. In Nigeria's early years, this percentage was around 50%, reduced to 1.5% in the military era and is currently 13%. The citizens of the region regard this percentage as unfair as they feel that the national legislation deprives them of their rightful ownership of these minerals. In the context of land degradation due to the oil exploration, a high level of poverty and health threats, this has created a tense situation in the region that eventually boiled over in ethnic conflict. Many ethnic militias such as the Ijaw Youth Council and MEND started to engage in violent conflict with the national government in order to gain more autonomy and power over the resources. As such, I have confirmed my hypothesis. The lack of fiscal autonomy and ability to exploit resources is a threat to their financial freedom and thus to the self-governance of the various ethnic groups of the region, hence the conflict.

A major limitation of this research is that I have only looked into an institutional explanation for ethnic conflict, whereas other explanations might also work. Greed could for example also be a main driver of ethnic conflict, especially in in the Niger Delta. The conflict in the Niger-Delta will be difficult to resolve. Based on this research, I would recommend guaranteeing the people of the region more fiscal autonomy, starting with changing the derivation

principle. However, this thesis did not seek to look for a solution to the conflict, but merely an explanation. Further research will be needed in order for a resolution to come through.

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