



## **The Political Economy of Akwa Ibom State of Nigeria: Impact on Private Sector 1999-2014**

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### **1.0 Abstract**

This article examined the Political Economy of Akwa Ibom State of Nigeria and Impact on Private sector 1999-2014. All financial obligations of the State are anchored on oil revenue. Urban bias theory is adopted for the study while observation and verification design was used to arrive at its conclusion. Over dependency on oil revenue makes it difficult to have future projection due to instability of the oil price in international market as the economy fluctuates in line with the price of oil. The State is the highest producer of crude oil in the country without adding any value to it and no reasonable income is generated from industrial or agricultural sector. The study discovered that the State is blessed with untapped mineral and agricultural resources. The State has weak private sector. Various mineral resources spread across the State are not fully tapped for industrialization. All industries inherited from Cross River State turn out to be distress. With the fertile land and favourable climate the State depends on food stuff from other States. The study recommended that the State should invest on agricultural sector that has the capacity to employ more labour and provide food for the people. It is also recommended that government should partner with the private sector for industrialization and also add value to the crude oil produced in the State, instead of depending on statutory allocation.

**Keyword:** *Political Economy, Revenue Allocation, Industrialization, Private Sector.*



## **2.0 Political Economy of Akwa Ibom State**

Every economy is aimed at exploitation of natural resources to support its production effort. It also provides the citizen with socio-political means of livelihood. The political economy of Akwa Ibom State is highly influenced by the capitalist system of government adopted in Nigeria. The Nigeria economy and foreign influence also played dominant role in the development of the economy. The French physiocrats along with Adam Smith, John Stuart Mill, David Ricardo, Henry Scorge and Karl Marx were some of the exponents of political economy, (Political economy, 2014).

The Study was developed in 18th century as the study of the economics of States or politics hence the term political economy. It was meant to express the laws of production of wealth at the State level just as the economic was the ordering of home (Ekpo and Inyikalum 2016, p.424). Foreign exchange rate also play vital role in the development of Akwa Ibom State political economy. Nikitin (as cited in Ekpo and Inyikalum, 2016) opined that political economy studies the basis of the development of society which directly affects the production of material wealth and the mode of production, (p.437).

Based on the above analysis, political economy of Akwa Ibom State is the study of government policy and its interaction with the economic and social system of the society. It is closely related with the political and economic development of Akwa Ibom State in an attempt of solving the most pressing economic and socio-political problems with the use of the available resources. However the political economy of Akwa Ibom State has much to do with the distribution of limited resources and less dependence on revenue allocation as well as making use of surplus oil revenue for industrialization of the State.



Nigeria as a nation operates a federal system of government. Federalism simply refers to a system of government where there is existent of constitutional division of power within two or more levels of governments. Nigeria operates a three tier structure of federalism – the federal, State and local government. The federal government controlled the federating units and determines the flow of income through revenue allocation. Each federating unit depends on the centre which is the federal government as the means of survival. The effect of this arrangement weakens the economy in the federating unit and only strong at the centre. The federating units do not have full control of its resources as it suppose to be in a true federalism.

As a federal nation, the 1999 constitution of the Federal Republic of Nigeria section 162: (3-6) provides that:

1. Any amount standing to the credit of the Federal Account shall be distributed among the federal and State governments and the local government councils in each State on such terms and in such manner as may be prescribed by the National Assembly.
2. Any amount standing to the credit of the States in the Federation Account shall be distributed among the States on such terms and in such manner as may be prescribed by the National Assembly.
3. The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the States for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.
4. Each State shall maintain a special account to be called “State Joint Local Government Accounts” into which shall be paid all allocations to the local councils of the State from the Federation Account and from the Government of the State.



Revenue allocation in federal system of government implies vertical sharing among the federating unit and horizontal sharing among the component units. The revenue sharing formula posed a lot of problem in Nigeria right from the colonial period. The history of revenue allocations in Nigeria shows that various commissions set up to find a lasting solution to the problems came up with recommendations in favour of the Federal Government that put them in place.

Nigeria, since the 70s has been 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 above scenario of Nigeria economy brought about the continuous growth without job creation and poverty eradication. The simple explanation to this economic situation is that the political class that controls the production with expatriates also controls the proceeds to the detriment of the rural dwellers. Akwa Ibom State economy under the umbrella of federal government is not different from the above. Nigeria economy depends on crude oil production just like Akwa Ibom State and the price of crude oil in international market. The price of crude oil is always unstable and any change in the price greatly affects the economy. Akwa Ibom State political economy is endowed with the potential to break away from dependency on oil revenue.

Akwa Ibom State depended on oil economy since inception in 1987. All financial obligations of the State is totally anchored on oil revenue especially with the constitutional provision of the 13% derivative. The total dependency on oil revenue made it difficult for government to have a future projection and plan to monitor the growth or otherwise of the



economy of the State. As further explanation to what may give additional income to the State, Akanika, (as cited in Emah, 2014) argued that:

The income of Akwa Ibom State is predominantly dependent on oil derivations and taxes on civil servant and then others. This is justified by the fact that a large percentage of workers in Akwa Ibom are civil servants then followed by traders. (p.1)

The analysis of the above conception is that the major sources of income to the States are federal government revenue allocation, taxes from civil servants and revenue from traders. The State is not generating any income from the industrial or agricultural sector. The fall in the price of oil in international market equally affect the income of the State which however has a corresponding effect on the civil servant as well as traders. The State cannot pay its civil servants if oil derivation is eliminated and failure of the civil servant means failure of the traders and collapse of the State economy.

The State is Nigeria's number one producer of petroleum. According to the Federation Account Allocation Committee (FAAC) records, Akwa Ibom is the highest collector of the Federal Government allocations to States. Serious effort is not made towards internally generated revenue and that is why the internal revenue collection of the State is lower than the Federal Allocation. The net Federal Allocation in 2012 was ₦2, 64.2bn while internally generated was ₦13.5bn, in 2013 Federal Allocation was ₦294.7bn with internally generation of ₦15.4bn and in 2014 Federal Allocation was ₦258.3bn while internally generated stood at ₦15.7bn (State of the States, 2017).

There can be improvement in internally generated revenue when the State looks inward and stop depending on revenue allocation. It is generally observed that most of the State that enjoy 13% derivative has not made any progress in internally generated revenue. The publication of Internally Generated Revenue (IGR) by the National Bureau of Statistics

(NBS) shows that Lagos State is the most self-sufficient State with (IGR) of ₦75, 163,978,675.95. The next most viable State is Rivers with (IGR) of ₦89, 112,448,347.58 followed by Delta State with ₦42, 819,209,025.24.

**Table 1.1 South South Total Revenue of IGR (2007-2011)**

State	Revenue (₦'bn)	IGR (₦'bn)	%
Akwa Ibom	1103.2	54.9	5.0
Bayelsa	728.5	23.7	3.3
Cross River	311.0	28.8	9.3
Delta	916.7	74.4	8.1
Edo	342.6	49.5	14.4
Rivers	1724.1	258.0	15.0
Regional Total	5126.1	489.3	9.5
Regional Average	854.4	81.6	9.5

**Source:** Central Bank of Nigeria (2007-2011) Annual Report

When the above is compared with other geopolitical areas, it reveals a remarkable improvement of internally generated revenue in none oil producing areas. It also shows that most of the States that have 13% derivative from revenue allocation are not having high internally generated revenue in proportion to the total revenue excepting Rivers and Edo State.



To ensure a better future economy, the State should look inward to embark on resource development and encourage public and private partnership to economic activities that can generate tax income for the State's economy. The political economy of Akwa Ibom State is not limited to the practice of the economy within the State but it is influenced by the economic situation of the country. Foreign exchange plays a dominant role in the development of the State's economy. As an oil dependence economy, any fall in the oil price affects the State's economy. The political economy of the State is battling with many problems since its creation without arriving at a permanent solution and they are,

- (a) Rising levels of unemployment and poverty,
- (b) Rural urban migration,
- (c) Total reliance on revenue allocation,
- (d) Low internally generated revenue,
- (e) Weak private sector and
- (f) Untapped agricultural potentials for industrialization.

The management of the State's economy should intensify effort to bridge inequality gap between the urban and rural areas in the provision of essential services. Rural urban migration and most of the conflict between the urban and rural areas are as the result of using income generated from the rural areas for development of the urban areas. A State such as Akwa Ibom State that is blessed with huge natural resources should not fold her hands and wait for federal allocation for all her financial needs. Eboh (2012) in his opinion stated that:

the political class is just playing games with the lives of Nigerians. Assuming there was no oil would we all die instead of focusing on how to develop our human capital and other aspects of our economy people are focusing on how to share oil money.



The economy of Akwa Ibom State greatly depends on crude oil production. With the instability of the price of oil in the international market, the economy of the State fluctuates as the price of oil fluctuates in the international market. It therefore means that the State has no control of its economy because of the market forces in international market. Eminue (2015) rightly argued that “the economy of our country, greatly speaking is not in our hands. “Over 70% of our overseas trade is controlled by forces over which we have no control” (p.401). He further opined that the major objective of the colonial masters was the domination and exploitation of the Nigerian people and their resources. Now that they provide expatriates in the oil industries and also determine the price of the oil, they cannot change their minds to work in our favour.

Akwa Ibom is blessed with many untapped natural resources. The State internally generated revenue would be increased if the resources are properly harnessed. It is over dependency on oil revenue that killed the vision of development of alternative sources of income which abound in the State. The State is not only blessed with oil but has a range of mineral resources which include gold, limestone, coal, glass, sand, clay, salt, etcetera. It can be seen from table 1.2. that agriculture has a great growth potential for the development of political economy of Akwa Ibom State. With all the available resources, the State is endowed with potential for development through industrialization.

### **Industrialization**

The State has a weak private sector economy. A good number of State-owned enterprises inherited from Cross River State were privatized. Such enterprises include Quality Ceramic Industries, Itu, Sunshine Batteries Limited, Ikot Ekpene, Qua Still Mill, Eket, Dr. Pepper Bottling Company and International Biscuits Limited, Ikot Ekpene among others. It is unfortunate to observe that privatization brought about the end of the industries



in the State that needed such to boost the economy as well as enhance employment opportunities. The Federal government owned large scale enterprises in the State such as: the Nigerian Newsprint Manufacturing Company (NNMC) Ltd. at Oku Iboku and Alluminium Smelter Company (ALSCON) at Ikot Abasi also turned out to be distressed.

The low level of industrialization in the State has deprived it of the dynamic potentials to drive development, thereby making the State critically dependent on the public sector for livelihood (Akwa Ibom State Strategy, 2002, p.6). Various mineral resources are spread across Akwa Ibom State as shown in table 1.2 in this work. The table shows where the resources could be found in commercial quantities but they remained untapped. There is no local government in the State where there is no mineral resource deposit or otherwise while the occurrence is much more in the areas indicated in the table. If the resources are fully tapped and managed, it will provide catalysts for diversification of the economy. As Akujuru (2015) put it “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 (p.30).

The State can establish refineries and petro-chemical industries because of the large deposit of both on-shore and off-shore crude oil. Ceramic manufacturing company can thrive because of the massive deposition of clay in many local government areas of the State. With the abundance of citrus in the State, investors on fruit juice factories will not regret embarking on such venture. Robber plant is used for the production of robber products.

Due to the domestic and industrial uses of robber products, establishment of a factory for production of the products can make meaningful contribution to the State’s economy. Although raffia palm is planted in other local government areas of the State, Ikot Ekpene,



Essien Udim have it in commercial quantity. Ikot Ekpene town by the virtue of its raffia works is popularly known as the Raffia City of Akwa Ibom State. Raffia products are used within and outside the State.

The arts and crafts produced by the people are popular both within and outside the State. At the last second Better Life trade fair for Rural Dwellers held in Lagos, the lawyers wig produced by Ikot Ekpene Women won the admiration of Federal Government for its high standard (Newswatch, July 30, 1990, p.36).

With the abundance mineral resources, the government of Akwa Ibom State should partner with private investors and use the resources for industrialization of the State. This will bring about the needed development and job creation thereby improving the Internal Revenue Generation (IRG). 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 (Akujuru, 2015, p.29).

### **Agricultural Development**

Abundance fertile land at all seasons and favourable climate provide the right conditions for year-round agriculture. The location in the coastal southern part of the country and water ways also blessed the State with diverse agricultural resources. The fertile land of the State is not properly developed for agricultural purposes.

From my investigation, more than 40% of the land in Akwa Ibom State is undeveloped for agriculture or other purposes. Yet the State is still importing foodstuffs like garri, yam, vegetables, meat, etc. because the local production of these items is not enough to satisfy local demands (Emah, 2014, p.2).



The agricultural sector of the economy was greatly affected by the sudden shift from agriculture to oil revenue. Some people, including young school leavers migrated to the urban areas just to benefit from the oil money without hard labour. The economy depended on consumption of goods produced by others. The exodus of people from rural to the urban areas greatly affected agriculture which requires more than 70% of the people.

The agricultural sub-sectors which include, tree crops, cash crops, livestock, fisheries and forest resources are yet to be fully exploited because of the low level investment and lack of modern technology. Before the discovery of oil in commercial quantity in Nigeria, history has it that agriculture was the mainstay of Nigeria economy. Crops like groundnuts, cocoa, beans, rubber, cotton, cola nuts, soya beans, palm kernel, cashew nut, etcetera were exported to Europe, America and other continent across the globe. The products were produced from the three main regions of Nigeria – the North, South and the East which raised their standard of living and economic status of the people. But for decades now, Nigeria economy had been dominated by petroleum sector which has equally affected the economic of other States including Akwa Ibom, which is my area of study. The instability of the price of oil revenue in international market equally affects the nation's economy.

It was the need to diversify the Akwa Ibom State economy that made Chief Godswill Obot Akpabio, the former governor of the State to venture into agriculture. Before his tenure, the State was a predominantly civil service State with government as the only source of livelihood. The people were mainly civil servant who was returned from Cross River State, farmers and fisher men in the riverine areas.

The bottom line of troubles arising from food, insecurity lie in the neglect of agriculture in favour of crude oil exploration in the country. In the era of oil boom, we lost palm fruits and its produce as the major source of revenue in the South East mangrove forest to Malaysia. From the South West, cocoa farms exterminate leaving



employees to park bag and baggage. Up North, the groundnut pyramids lowered gradually to the ground. (Akwa Ibom Strategy, 2011, p.1).

The above was the negative effect of turning attention from agricultural to the oil sector. Agriculture as one of the key sectors that can provide opportunity for Nigeria's accelerated growth has linkage with many sectors of the economy with a multiplier effect. Governor Akpabio embarked on agriculture in order to pave way for industrialization. As Akujuru (2015, p.32) observed that:

Agriculture creates employment more than any other sector of the economy, earns foreign exchange, provides foods and food security, and 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).

Development of agricultural sector had a positive impact on Akwa Ibom State economy. Other economic activities were carried out successfully because there was availability of food. Akpabio invested in community fish farms in each of the federal constituencies.

Under integrated farmers' scheme the Akwa Ibom State government has trained over 930 young men and women in different aspect of agriculture. Specifically the trainees go through rudiments crop production, livestock rearing as in poultry, piggery and rabbiting. Each session about 30 youths are selected from the 30 Local Government areas for even spread of empowerment programmes. (Akwa Ibom Strategy, p.2).

Many lives were impacted and transformed through Akpabio's agricultural programmes. Many became independent and self reliant economically. There was wealth creation, employment opportunities, economic growth and stability. Agriculture was Akpabio's strategy for elimination of poverty and unemployment. The economy of Akwa

Ibom State is basically agrarian and the State is blessed with an all-year round favourable climate and very rich vegetation. The State government did not involve in direct agricultural production but concentrates on provision of input and basic machineries as well as extension services to farmers. Private farmers and cooperative societies were encouraged to embark on extensive and mechanized agriculture through the provision of capital equipments and exposure to new types of input and techniques.

However with the available agricultural resources, if the right parameters are set out, the State can generate enough revenue without totally depending on the statutory allocations from the Federal government.

**Table 1.2: Distribution of Natural Resources in Akwa Ibom State**

<b>Local Govt.</b>	<b>Solid Mineral</b>	<b>Agric Related</b>	<b>Oil And Gas</b>
Abak	-----	Palm produce, cassava, yam, maize, coconut, plantain, banana	
Eastern Obolo	Silica sand	Palm produce, cassava, maize, coconut	Crude oil and gas
Eket	-----	Palm produce, cassava, maize, wood, plantain	Crude oil and gas
Essien Udim	Gravel	Palm produce, cassava, yam, maize, citrus, raffia palm, plantain, banana	
Esit Eket	Silica sand	Palm produce, cassava, maize, coconut	Crude oil and gas
Etim Ekpo	Silica sand	Palm produce, cassava, yam, maize, plantain, banana	
Etinan	Clay	Palm produce, cassava, maize, citrus, coconut, banana	Crude oil and gas not yet exploited
Ibena	-----	Palm produce, cassava, maize, seafood	Crude oil and gas
Ibesikpo Asutan	-----	Palm produce, cassava, maize, coconut, banana	
Ibiono Ibom	Gravel, clay	Palm produce, cassava, maize, rice	
Ika	-----	Palm produce, cassava, yam,	

		raffia palm, maize, coconut, plantain, banana	
Ikono	Gravel	Palm produce, cassava, maize, rice, wood, cocoa, plantain, banana	
Ikot Abasi	Clay	Palm produce, cassava, maize, wood, coconut, sea food	Crude oil and gas
Ikot Ekpene	Gravel	Palm produce, cassava, yam, maize, citrus, raffia palm, coconut, plantain, banana	
Ini	Gravel, limestone, clay, coal and utile	Palm produce, cassava, maize, rice, wood, cocoa	
Itu	Clay	Palm produce, cassava, maize, robber, raffia palm, sea food, plantain, wood, seafood	
Mbo	Silica sand	Palm produce, cassava, maize, raffia palm, sea food	Crude oil and natural gas
Mkpat Enin	-----	Palm produce, cassava, maize, citrus	Crude oil and gas not yet exploited
Nsit Atai	Coal, clay	Palm produce, cassava, maize	
Nsit Ibom	Gravel, sodium chloride, coal and utile	Palm produce, cassava, maize	
Nsit Ubium	Clay	Palm produce, cassava, maize, sugar cane	
Obot Akara	Gravel, sand	Palm produce, cassava, yam, maize, plantain, banana, raffia palm	
Okobo	-----	Palm produce, cassava, water yam, maize	
Onna	Clay	Palm produce, cassava, maize	Crude oil and gas
Oron	Silica sand, gravel	Palm produce, cassava, water yam, maize, wood, sea food	
Oruk Anam	-----	Palm produce, cassava, yam, water yam, maize, rubber, plantain, banana	Crude oil and gas not yet exploited
Udung Uko	-----	Palm produce, cassava, water yam, maize	
Ukanafun	-----	Palm produce, cassava, maize	Natural gas not yet exploited
Uruan	Gravel, sodium chloride, silver	Palm produce, cassava, maize, wood, rubber, raffia palm, sea	Crude oil and gas

	nitrate	food	
Urue Ofong Oruko	-----	Palm produce, cassava, water yam, maize	
Uyo	Clay, sodium chloride	Palm produce, cassava, maize, rubber, plantain	

**Source:** Researcher’s Computation from Nicholas, E. (2012). Developing Akwa Ibom economy with endowed natural resources <http://old.nationaldailying.com/editorial/comments-and-issues/4155-developing-akwa-ibom-economy-with-endewed-natural-resources> 2. Ministry of Investment, Commerce and Industries. <http://moici.akwaibom State.gov.ng/oil-and-gas>

**Conclusion and Recommendations**

From the foregoing, the article has revealed that one of the major reasons behind Akwa Ibom State’s struggle with socio-economic development within the past decade is because the effort of government at import substitution industrialization failed to provide even one substantial manufacturing sector in partnership with the private sector, viable enough to give the lead with the necessary growth needed for an improvement in the State’s economy. Thus, the State is still in starvation in the midst of plenty in spite of the oil revenue accruable to the State. This is as a result of the carryover of the colonial administrative mentality by the ruling class in the State. The article therefore recommends that:

- Government at the Local, State, and Federal levels should pay more attention on building structures that would lead to enhanced and sustained development.
- Akwa Ibom State is in dear need of a people-focused, visionary, purposive, targeted, determined and fearless leader and not ruler; a leader that will lead the State into industrial revolution through the principles of political economy rather than ethical revolution.
- It is also imperative to build a productive and consciencitized political class with the interest of the nation at heart (i.e. patriotic leaders).

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