

VIABILITY OF NIGERIA NATION AFTER CORONA VIRUS DISEASE (COVID-19): SURVIVAL STRATEGY AN IMPERATIVE ACTION

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ABSTRACT:

Nigeria had run a diversified economy and self-sustained regional governments before the military intervention in 1967. Thereafter, Nigeria was split into thirty-six states within six zones, which had depended almost completely on Federal government revenue from petroleum-dollar. This study examined how Nigeria could survive under the current world economic downturn and proffer solutions. Revenue data were collected and analysed with probability distribution function. Twenty-four states and five zones had depended more than 70% on the Federal Government revenue allocation. To avoid collapse, the government must diversify economically, stimulate production, and restructure along its geographical zones to reduce the cost of democratic governance.

KEYWORDS: Viability, Covid-19, Survival, Strategy, Imperative, lockdown, Internally Generated Revenue

INTRODUCTION

At independence in 1960, Nigeria comprised three regions, Western, Eastern, and Northern regions. In 1963 when Nigeria became a republic, Nigeria was partitioned into four regions, Western, Midwestern, Eastern and Northern regions. The military government on takeover of the civilian government in 1967 again divided Nigeria to twelve states. Since then, there had been some coups and counter-coups with the military further splitting Nigeria into thirty-six states, which were compartmentalized into six geographical zones as follows,

Three zones came from the North are,

- i. **North Central:** Kogi, Kwara, Nasarawa, Niger, Benue, Plateau
- ii. **North West:** Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, Zamfara
- iii. **North East:** Borno, Bauchi, Adamawa, Gombe, Taraba, Yobe

The three zones from the South are

- i. **South South:** Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Rivers
- ii. **South West:** Ogun, Ondo, Osun, Oyo, Lagos, Ekiti
- iii. **South East:** Abia, Anambra, Ebonyi, Enugu, Imo

Nigeria's Resource Endowment

Nigeria is endowed with human capital and a variety of natural resources which includes

petroleum crude oil and gas, solid minerals, rich forest and diversified fertile soils that supported agriculture. In Nigeria, God had blessed the different regions differently. God allocated different resources to different sections of the country with a suitable climate and soil. Agriculture was Nigeria's mainstay before the emergence of crude petroleum oil and contributed largely to the economy of Nigeria through employment generation, provision of food for its large population, supply of raw materials to various industries and foreign exchange earnings (Lawal, 2010, Nchuchuwe and Adejuwon 2012). According to FMARD, (2008) Nigeria had lost USD 10 billion in annual export opportunity from a decline in the production of agricultural products.

The southern regions produced and exported in commercial quantity cash crops which included, oil palm products, cocoa, rubber, timber, cotton. The northern regions produced and exported groundnut, cotton, hides and skin amongst others. All the regions had solid minerals that were peculiar to them. At independence, each region ran its regional government. Each region determined and adopted its economic policies, managed its natural resources, and developed at its pace. Every region had exploited and controlled its God-given gifts efficiently for survival and economic development.

Nigeria can produce 2.5 Million barrels of crude petroleum oil per day which is currently not achieved, largely because of frequent pipeline vandalization and production interruptions by the aggrieved militant youths (Dawha, 2014), quota restriction imposed by the Organization of Oil Producing and Exporting Countries (OPEC) and most recently the very low demand occasioned by the COVID-19 pandemic lockdown. According to the Oil and Gas Journal, Nigeria had an estimated 37.2 billion barrels of proven oil reserves as at January 2010 which made it to be ranked as the second-largest oil reserve in Africa. However, Nigeria's crude oil reserve is fast depleting such that by 2015, Nigeria's crude oil reserve contribution to the OPEC crude oil reserve had dropped to 3.1% (OPEC, 2015).

Effect of Military Governance

The incursion of the military into the Nigerian political arena and the fragmentation of the regions into states destroyed Nigeria's values of; patriotism, accountability, self-respect and dignity of labour. The regions lost their self-governance. They lost the economic integration which had created a healthy competition in the production of goods and services that was stimulated by the principles of resource endowment and comparative advantage. It had their economic agenda and the economic integration destroyed. The military diverted attention from agriculture and solid minerals for which Nigeria was richly endowed almost

completely to revenue generated from selling crude petroleum oil and gas as a commodity.

Definition of terms

The terms viability, survival and imperative had been defined variously in dictionaries. Despite this, the definitions of each of them implied very close meanings. For the purpose of this work, we adopt the following definitions. Viability as defined by the Cambridge dictionary as the ability to work as intended or to succeed (Anon 1, 2020). Imperative as extremely important and must be done (Anon 2, 2020). Survival as the state or fact of continuing to live or exist typically despite an accident, ordeal, or difficult circumstances (Anon 3, 2020).

Problem

For a very long period before THE EMERGENCE OF PETROLEUM, AGRICULTURE was Nigeria's mainstay which contributed largely to the Nigeria economy and foreign exchange earnings. Since the coming of the military into Nigeria politics, the Nigeria government has depended virtually on revenue from petroleum with insignificant attention to its other resources which it is highly endowed with. Before the emergence of COVID-19, there had been a significant cut in the production quota assigned by OPEC to Nigeria consequent upon the declining world demand and price of crude petroleum oil. The recent drastic drop in global crude oil demand and price resulting from the

economic lockdown has posed a very serious threat to the economic survival of Nigeria. It is expected that except drastic action is taken to restructure its economy, Nigeria may become a failed state very soon. To survive this threat, Nigeria must immediately review his current economic policies and develop new strategy that would shift focus from the dependence on crude petroleum to other sources of income to which it is well endowed.

OBJECTIVES

This work was designed to,

- a) Examine Nigeria's sources of revenue
- b) Management of Nigeria's Revenue
- c) Trend of the IGR by Zone for Planning Purposes
- d) Level of Viability of Zones
- e) Level of Viability of state
- f) Propose strategy for Survival

MATERIALS AND METHODS

Data on revenue and its sources were obtained from primary and secondary sources. The probability distribution functions were computed to determine the trend (Knezevic 2014). Bar chart and graph were prepared with excel software.

The annual internally generated revenue (IGR) of each state was obtained from the various records of the Central Bank of Nigeria for the

period 2009 to 2018. The states were compartmentalized according to the six geographical zones. The sum of the revenue for each zone for each year was computed. To determine the trend of revenue generation for each zone for future forecasting and planning, each zone was tested with the following probability distribution function models; exponential, normal, lognormal, and Weibull to determine the distribution function that best described the trend.

Similarly, the percentage of the Internally Generated Revenue (IGR) to the total revenue for each state and each zone were computed to determine their levels of dependence on federal government revenue allocated to each of them. Their state of reliability was measured by their respective percentage of IGR to total revenue.

Structured questionnaire was administered in clusters to obtain the views of Nigerians on the problems and way forward to restructure the economy.

ANALYSIS AND DISCUSSION OF FINDINGS

Nigeria's Sources of Revenue Generation

The federal government had classified its total revenue income into two main sources, oil and non-oil revenues. From the Central Bank records figure 1 shows that most of the Nation's revenue came from oil sources as shown. While

the non-oil revenue grew steadily but very slowly, the oil revenue fluctuated over time.

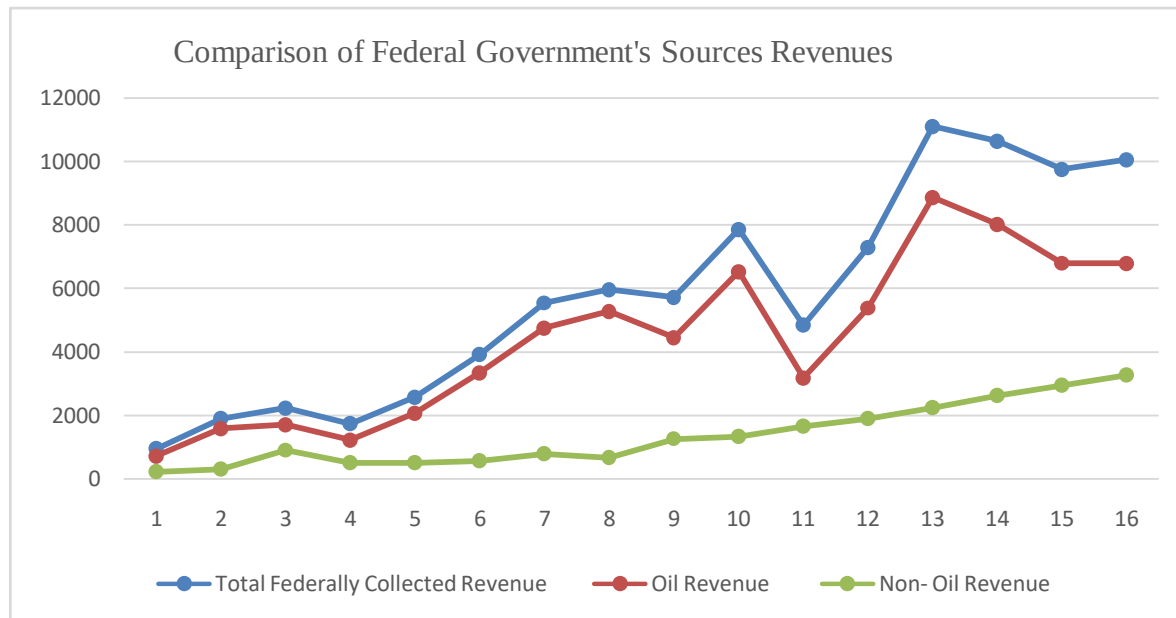


Figure 1: Summary of Federal Government Revenue Sources

from 1999 to 2014

Since Nigeria's main source of revenue came from petroleum, the country's budget was premised on the expected production, the operating price per barrel and the dollar exchange rate. Consequently, a fall in production, operating price per barrel and dollar exchange rate had led to a review of the budgets.

Management of Nigeria's Revenue

Nigeria's revenue was shared monthly by the Federal Revenue Allocation Committee in line with the legislated sharing formula among the three tiers of government which were, Federal, State and Local governments. The quantum of the federal allocation to each tier was

significantly determined by the oil revenue generated which made the revenue available to the government to depend largely on the following

- The stability or volatility of the crude oil production ceiling is determined by the Organization of Oil Exporting Countries (OPEC).
- The level of interruption by the protesting militant youths
- The level of oil losses to oil thieves and pipeline vandals.
- Price per barrel of crude.

The recent drastic fall in the demand for Nigeria crude and price per barrel occasioned by the COVID-19 lockdown has caused the federal government to plan to review its 2020 annual budget downwards by about 40% (Anon 4, 2020). A country whose finances are

determined mostly by crude petroleum revenue is endangered. It cannot survive indefinitely.

The trend of the IGR by Zone

The trends of the IGR in the zones are presented in figures 1 to 6. The summary is as follows

North Central

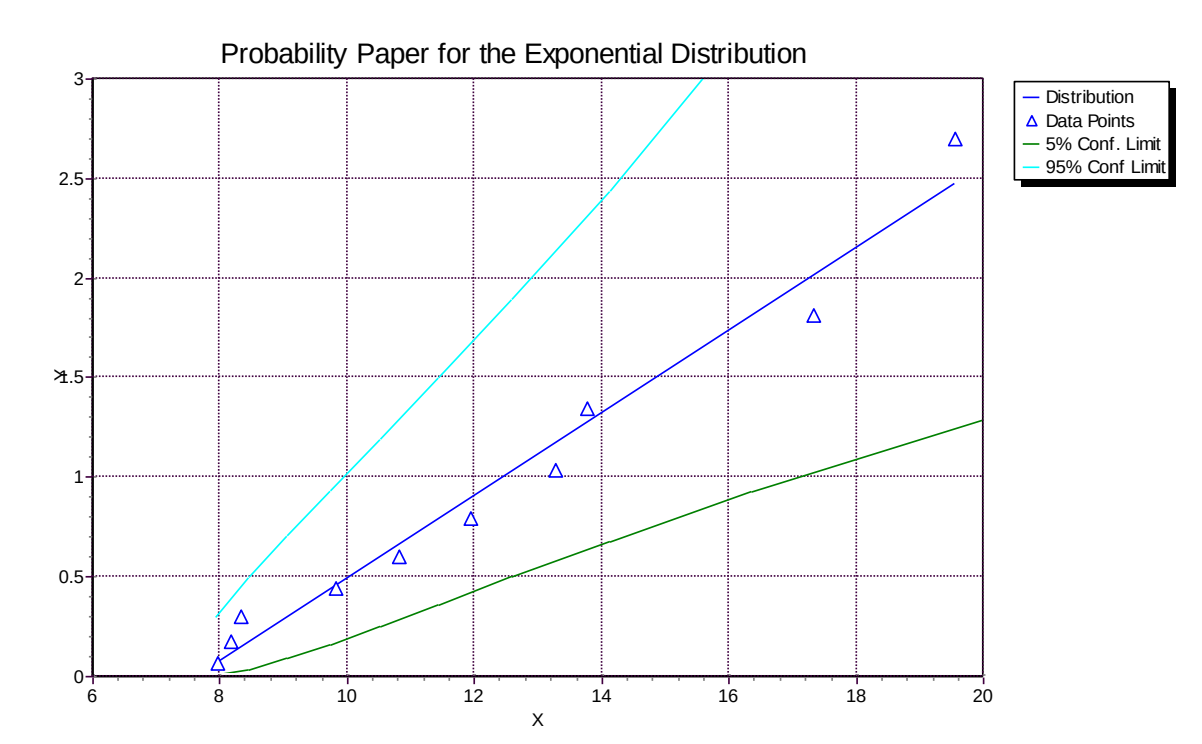


Figure 2: The trend of IGR (N' Billion) in North Central 2009 – 2018

The trend was best described by the Exponential Distribution Function with Correlation Coefficient Of 0.9907. Its annual expected IGR was 12.435 billion naira with a standard deviation of 12.4358 and a variability of 1.0000. The Kolmogorov test Dmax was 0.4050

North West

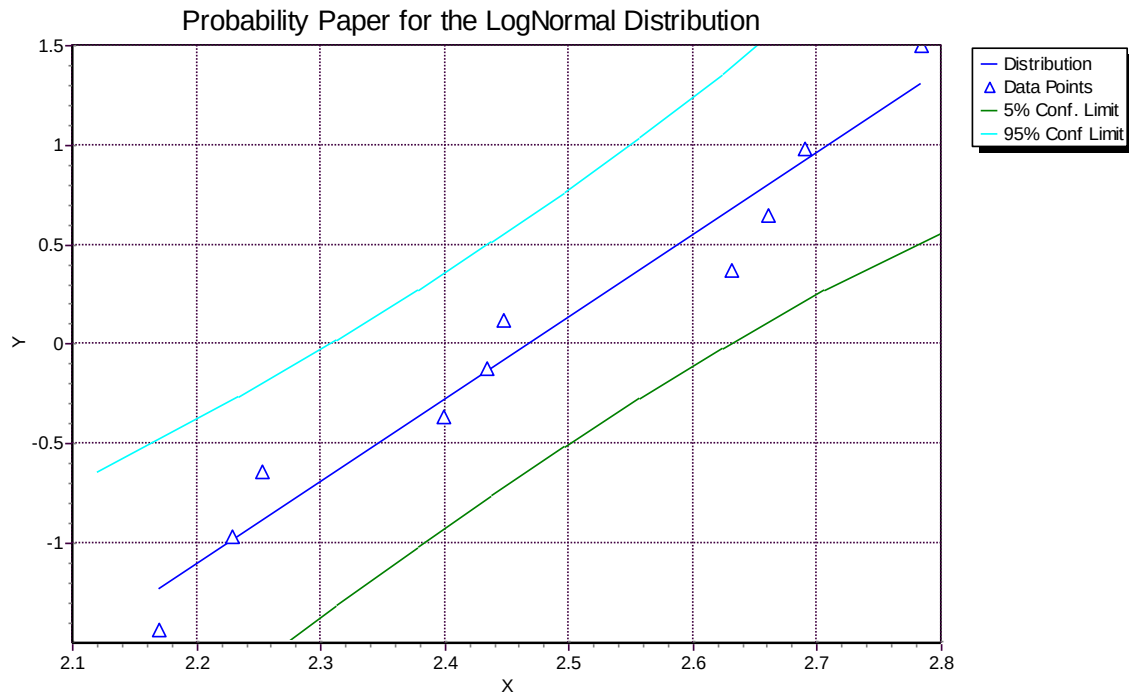


Figure 3: The trend of IGR (N' Billion) in the North West 2009 – 2018

The trend was best described by LogNormal Distribution Function with Correlation Coefficient Of 0.993634. Its annual expected IGR was 12.4677 billion naira with standard deviation of 2.8551 and a variability of 0.2356. The Kolmogorov test Dmax was 0.1148

4.3.3. North East

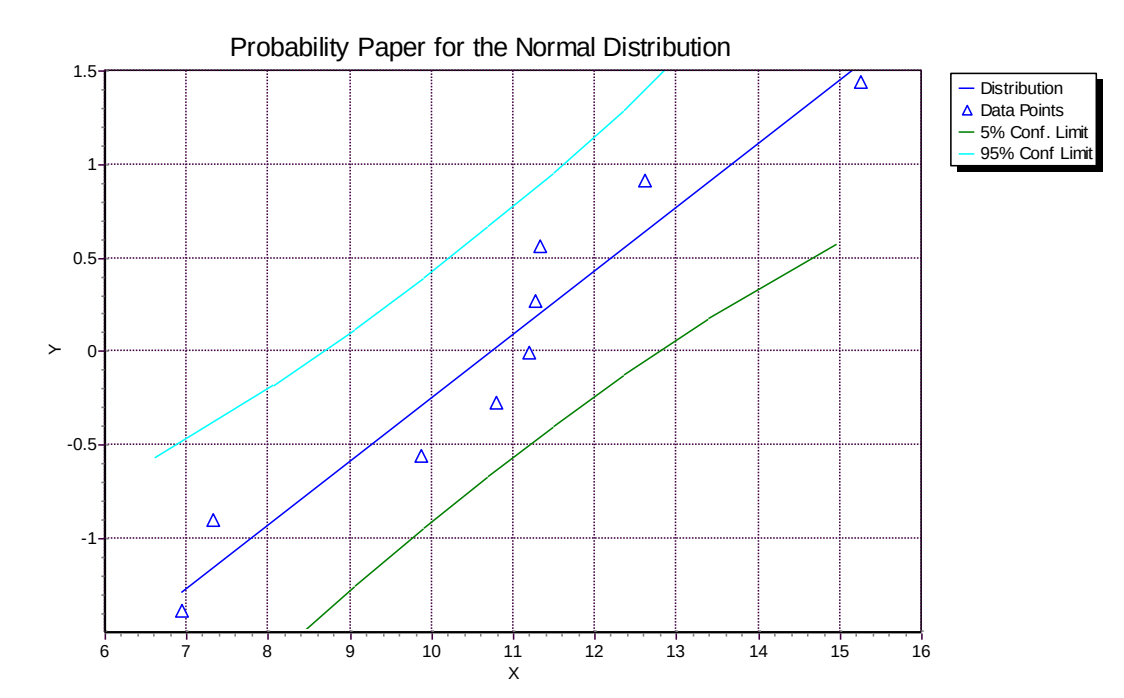


Figure 4: The trend of IGR (N' Billion) in the East 2009 - 2018

The trend was best described by Normal Distribution Function with Correlation Coefficient Of 0.9945. Its annual expected IGR was 12.4677 billion naira with standard deviation of 2.7293 and variability of 0.2550. The Kolmogorov test Dmax was 0.1234

South South

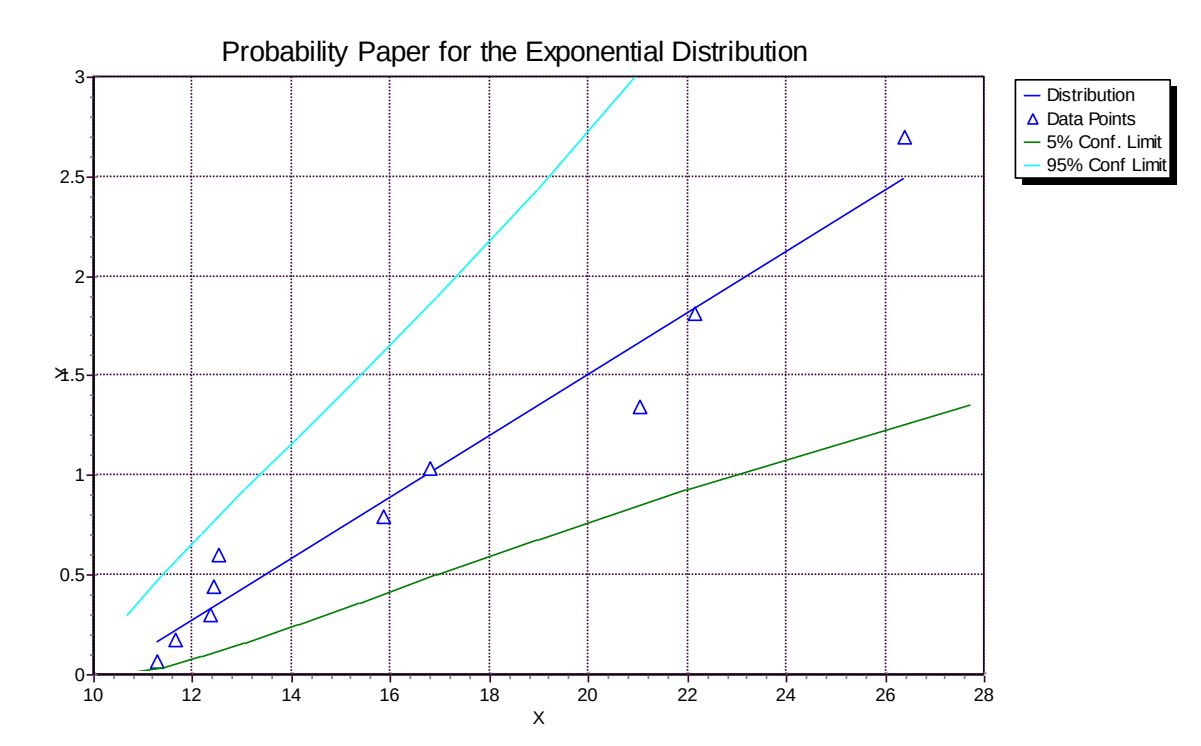


Figure 5: The trend of IGR (N' Billion) in South South 2009 - 2018

The trend was best described by Exponential Distribution Function with Correlation Coefficient Of 0.993566. Its annual expected IGR was 16.6976 billion naira with standard deviation of 16.6976 and variability of 1.0000. The Kolmogorov test Dmax was 16.6976

South West

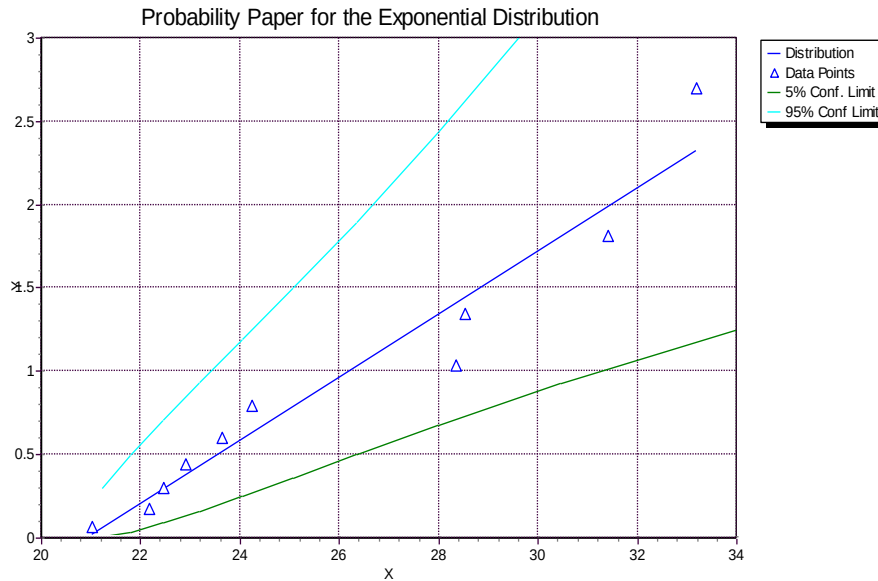


Figure 6: The trend of IGR (N' Billion) in South West 2009 - 2018

The trend was best described by Exponential Distribution Function with Correlation Coefficient Of 0.9984. Its annual expected IGR was 26.1491 billion naira with standard deviation of 26.1491 with variability of 1.0000. The Kolmogorov test Dmax was 0.4851

South East

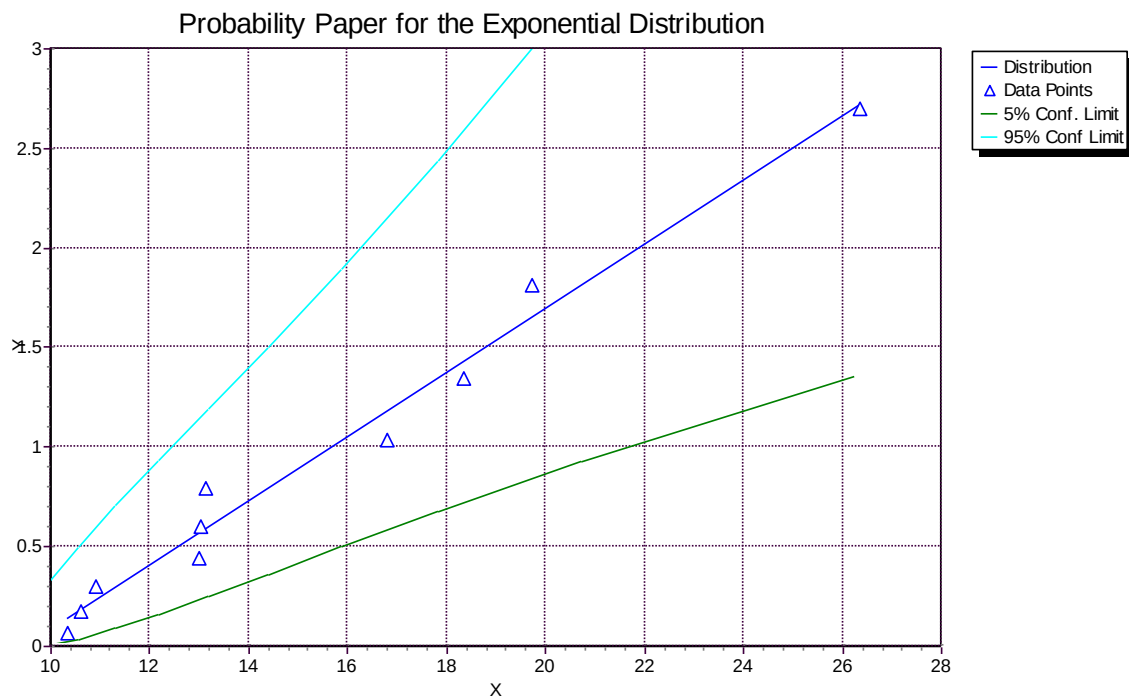


Figure 7: The trend of IGR (N' Billion) in South East 2009 - 2018

The trend was best described by Exponential Distribution Function with Correlation Coefficient of 0.98837. Its annual expected IGR was 15.6701 billion naira with standard deviation of 15.6701 and variability of 1.0000. The Kolmogorov test Dmax was 0.415765

There was no unanimity in trend among the zones. The revenue generation trend of North-Central, South-East, South-South and South-West were best described by the exponential distribution. That of North-West and North-East were described by LogNormal and normal distribution respectively.

From the above, the revenue generation trend of North-Central, South-East, South-South and South-West can be predicted by the exponential probability distribution function. While those of North-West and North-East can be predicted by the LogNormal and normal distribution functions respectively.

The wide standard deviation would make it unreliable for proper forecasting and management planning. The summary of the expected revenue of the states is shown below.

- i. North Central 12.435 billion naira

- ii. North West= 12.4677 billion naira
- iii. North East= 10.7030 billion naira
- iv. South South = 16.6976 billion naira
- v. South West = 26.1491 billion naira
- vi. South East = 15.6701 billion naira

Level of Viability of State

Table 1 shows the level of self-sufficiency of states described by the percentage of IGR to the total revenue of each state.

- Twenty four states depended between 70% and 91% on the Federal Government revenue allocation.
- Only three states depended less than 50% on the Federal Government revenue allocation.

Table 1: Ranking of the states according to their level of dependence on Federal Allocation From 2009 tom 2018

	State	Level of Self Sufficiency (IGR, %)	Level of Dependency on Federal Allocation %
1	Yobe	8.3	91.7
2	Borno	9.7	90.3
3	Kebbi	9.9	90.1
4	Akwa Ibom	10.0	90.0
5	Bauchi	10.0	90.0
6	Bayelsa	10.6	89.4
7	Katsina	11.5	88.5
8	Ebonyi	12.6	87.4
9	Jigawa	12.8	87.2
10	Niger	13.3	86.7
11	Adamawa	14.2	85.8
12	Gombe	14.4	85.6
13	Taraba	14.5	85.5
14	Nasarawa	14.9	85.1
15	Imo	15.2	84.8
16	Ekiti	16.2	83.8
17	Zamfara	17.5	82.5
18	Sokoto	17.9	82.1
19	Ondo	19.2	80.8
29	Kogi	22.1	77.9
21	Benue	23.8	76.2
22	Plateau	26.7	73.3
23	Abia	27.7	72.3
24	Anambra	29.6	70.4
25	Delta	31.8	68.2
26	Oyo	33.5	66.5
27	Kaduna	34.3	65.7
28	Enugu	36.8	63.2
29	Kwara	37.2	62.8
30	Kano	39.4	60.6
31	Edo	40.8	59.2
31	Rivers**	42.8	57.2
33	Cross River	43.6	56.4
34	Osun	52.9	47.1
35	Ogun	74.1	25.9
36	Lagos	78.8	21.2

** Data was incomplete

Table 2 shows the level of self-sufficiency of zones described by the percentage of IGR to the total revenue of each zone.

**Table 2: Ranking of the zones according to their level of dependence on Federal Allocation
From 2009 tom 2018**

North East Zone	11.83	88.17
North West Zone	20.47	79.53
North Central Zone	23.00	77.00
South East Zone	24.38	75.62
South South Zone	29.93	70.07
South West Zone	45.75	54.25

depended at least 70% on the federal government allocation for funding.

- This showed that most states depended almost completely on federal government revenue allocation which cannot be sustained for too long in the face of the present economic challenges.
- The dependence of the states and zones for at least 73% does not give the zones motivation for innovation and creativity to generate revenue from other sources.

STRATEGIES FOR SURVIVAL

Nigeria's dependence mostly on revenue generation from crude petroleum to the exclusion of other viable resources had negatively affected the economy of Nigeria. Similarly, the dependence of states largely on the Federal government had rendered them

Five of the zones indolent, less creative, innovative and entrepreneurial. This confirmed the views of authors that, innovation and creativity are driven by the economic factor (Nelson and Winter, 1974), demand and supply (Kravis, 1970) and survival (Schumpeter, 1934).

Most of the respondents agreed that the Federal Government's adoption of petroleum crude oil simply as a commodity rather than being treated as a resource had deprived the country of the positive multiplier benefits which were inherent in value addition of production processes.

It was found that the high cost of doing business, which was caused by epileptic power supply, insecurity, poor transportation, system amongst others, has discouraged foreign and local investment with its attendant benefits.

Most of the respondents agreed that the fragmentation of the old regions into states had

increased the cost of governance and misapplication of revenue. It had also destroyed the economic agenda of the regions, their economic integration, and healthy competition in the production of goods and services which could have been stimulated by the principles of resource endowment and comparative advantage.

Corruption was identified as the main problem in Nigeria. While I agree that corruption has become endemic in Nigeria particularly, in the application and management of the oil revenues (Subsidy Probe Report, 2012 and Lawal, 2014). This author holds the view that corruption is a symptom of the absence of accountability and disrespect for the rule of law in government.

Many held the view that Nigeria could survive the challenges ahead, only if It reviews its strategies urgently to regenerate its economy which should be targeted at harnessing other resources that the nation is endowed with, improve general infrastructure, stimulate production and reduce the cost of governance.

CONCLUSION AND RECOMMENDATIONS

Nigeria had depended mostly on revenue generation from crude petroleum to the exclusion of other viable resources that are available to the nation in abundance. Dependence on volatile petroleum oil is not sustainable and does not allow for sustainable

development. With the spread of the COVID-19 pandemic and the resultant reduction in demand for petroleum, drastic fall and unstable price, the country's survival is threatened. It has now become imperative for Nigeria to immediately review its strategies and pursue with strong commitment, new policy reforms as espoused by Jones and Kiguel (1994). The following are recommended.

Adoption of petroleum crude oil as a resource and not as a commodity: The government must adopt a new approach that should regard crude petroleum oil as a resource that would be used as an input to produce a variety of petroleum products. The transformation process would produce multiplier effects which include, employment generation, reduction of capital flight, conservation of foreign currency and improved revenue earning.

Encourage Value Addition to Local Products: The government should review its economic policies to discourage the export of its resources in the primary form and encourage value addition in the production value chain as a stimulus to investment in production and employment generation.

Political Re-structuring in line with the geographical zones. The present geographical structure of six zones should be given their independence and be allowed to manage their resources and pay royalty and taxes as

required to the federal government. This would encourage regional integration among the states in the zone, challenge their resourcefulness, explore their resource endowment and efficient financial management.

Reduction of cost of democratic governance: The number of lawmakers and political appointees is unnecessarily large, wasteful and not sustainable. The government must review its cost of democratic governance by putting the legislators on part-time remuneration and enforce financial discipline to conserve funds for the improvement of infrastructure and productive activities.

Reduction of cost of doing business: The government should give priority attention to the improvement of general infrastructure particularly, electricity, transportation, and insecurity to reduce the cost of doing business to attract direct investment in productive activities.

Installation of Accountability in Financial Management: To reduce high level of mismanagement and misapplication of revenue, government must hold those responsible accountable and prosecute them timeously irrespective of their social status, political, religious and tribal affiliations.

Diversification of Economy: The government should pay attention to the development of

other resources. Agreeing with Acemoglu and Robinson (2012), the government must provide incentives and reward innovations to attract investors in agriculture, exploitation of solid minerals, tourism and other enterprises.

Encouragement of Cooperative Project Development: The government should encourage agriculture and production centres in clusters to enjoy economy of scale, efficient utilization of resources, extension services delivery, storage, coordination, supervision and product marketing.

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