

## The Effect of the Cost of Militancy and Unrest or Peace Accounting on the Productivity of Private Organisations in Nigeria

<sup>1</sup>Fidelis Esira Arong & <sup>2</sup>Egbere Michael Ikechukwu

<sup>1</sup>Department of Public Administration, Faculty of Management Sciences, Kogi State University, Anyigba, Kogi State, Nigeria. esirarong@yahoo.com; esirarong@gmail.com **Corresponding Author**

<sup>2</sup>Department of Accounting, Faculty of Management Sciences, Kogi State University, Anyigba, Kogi State, Nigeria. michaelegbere@yahoo.com

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### Abstract

The objective of this study is to investigate the effect of the cost of peace, militancy and unrest or peace accounting on the productivity of firms in Nigeria. To achieve this purpose, Niger-Delta region was used as the case study, hypothesis was raised and a review of extant literature and theoretical framework was made. In order to generate the necessary data for this study, the secondary method of data collection was employed and a longitudinal survey designed for a period of ten (10) years i.e. 2003-2012 was adopted. The data for the study were generated from the Central Bank of Nigeria's Statistical Bulletin of 2009. The result of the researchers' analysis showed that cost of peacekeeping in the Niger-Delta region of Nigeria has a significant negative impact on the productivity of firms in Nigeria. It was therefore recommended that to eliminate cost of peace-enthronement in the Niger-Delta region and consequently improve the economic development of Nigeria, the federal government and her parastatals as well as the multinational oil companies should pay special attention to the Niger-Delta question by making provision for higher level of infrastructures (electricity, good roads, efficient communication systems, portable water, employment opportunities, scholarship awards, etc) to the people.

**Key Words:** *Accounting for peace, Cost of Peacekeeping, Economic Development, Insecurity, Militancy and Productivity.*

### Introduction

"The exploitation and production of oil in the Niger-Delta have created some of the largest fortunes for the multinational companies and have helped to achieve impressive economic growth and development through high productivity of firms of the Nigerian state, but little or no attention has been directed by both the multinational companies and the Nigerian government to the effects of such oil activities on the welfare of oil-producing communities" (Ikein, 1990). Oil has not as expected, brought prosperity, better living conditions and governmental attention and development; rather, it has become a curse and impoverishes the inhabitants of the Niger-Delta region. However, a fight for their rights against the multinational companies and the federal government has resulted in large-scale violence, crises, social tension, hostage-taking, manslaughter, kidnapping and other social vices of the region and beyond. Like the activities of Boko-Haram of Northern part of Nigeria, the aftermath of these vices is the high degree of insecurity in the region which has led to the withdrawal of major oil-producing companies from the Nigerian state. "The low level of oil production as a result of insecurity of lives and properties in the region has a strong negative impact on the Nigerian economy"



(Ikelegbe, 2008). In their effort to bring the situation under control, the multinational companies, government and other stakeholders have been clamouring for peace in the Niger-Delta region to boost economic development.

The term “peace” is relative and the conditions for peace differ from one society or nation to another. However, Ibeanue (2005) asserted that “peace is a process involving activities that are linked to increasing development and reducing conflict. It is described as justice and development, respect and tolerance between people, wholeness and making whole and the absence of war.” Despite its relative nature, peace has a common denominator i.e. the harmonious or friendly pursuit of individual and collective interests defined by rules of conduct or standard of behaviour. Thus, in this context, peace is described as a condition in which people live in agreement with accepted standards of conduct or rules of behaviour that promotes public good and the happiness of everyone.

Various strategies are being devised by the multinational companies and the government for the enthronement of peace in the Niger-Delta region of Nigeria. Multinational companies are spending so much money to hire security agents to protect their facilities and personnel from militant attacks. The government on the other hand is spending huge amount of money to maintain peacekeeping forces in the region. In 2009, the federal government of Nigeria under the administration of President Umaru Musa Yar’Adua granted amnesty to militants and these former militants are currently on the payroll of the government thereby reducing government’s current revenue. Akeem and Erhun (2010) posited that “the recurrent expenditure of the federal government increases on a basis at an average of 12.69 due to security measures taken by government to ensure peace in the Niger-Delta region.” It is upon this premise that this paper tends to investigate the impact of cost of militancy and unrest or peace accounting on the productivity of firms in Nigeria using Niger-Delta as a case study. To achieve the above objective, it is hypothesized that:

H<sub>0</sub>: Cost of militancy and unrest or peace accounting has no negative significant impact on the productivity of firms in Nigeria.

The remainder of this paper is structured as follows:

First, the researchers review the literature and investigate both the concept of peace and the impact of militancy on the economic development and productivity of firms in Nigeria. The researchers then develop the theoretical framework they used to analyze the cost of militancy and unrest or peace accounting on the productivity of firms in Nigeria - the Niger-Delta case. In section 3, the researchers explain the methodology and section 4 presents the analysis and the result. And finally, section 5 concludes and recommends the best solutions to the problems.

**Table 1.2: Police Records on some cases of Kidnapping/Hostage-Taking/Sea-Piracy in Niger Delta.**

S/N	Nature of Case	Date Reported	Location of Case	Militants Involved	Hostages/Victims & their Origin	Date Released	Reason(s) for Action
1.	Kidnaping	63/03/04	Biseni Bayelsa (BYS)	32 Militants	13 Hostages	08/03/04	Oil company security operatives/youth clash
2.	Hostage-Taking	19/12/05	Peretoru BYS	24 Militants	42 Hostages	03/01/06	Impeachment of BYS speaker/government
3.	Hostage-Taking	15/12/05	Swali BYS	48 Militants	14 Expatriates and one Nigerian	23/02/07	Arrest of one militant in Port-Harcourt
4.	Sea-Piracy	19/01/06	Sagbnama BYS	9 Sea Pirates	6 Policemen	19/02/06	Oil-production without development of the area
5.	Militant Attack	10/05/07	Otueke BYS	Faceless Militants	16 Victims	23/05/07	Detention of Alami-eyesigha
6.	Kidnaping	25/05/07	Akassa, BYS	40 Militants	9 Expatriates of TEXACO	08/06/07	Oil-production without development of the area
7.	Kidnaping	31/07/07	Amarata BYS	14 Militants	11-Year Old Boy of a Member of BYHA	07/09/07	Welfare of militants
8.	Kidnaping	08/08/07	Abarain BYS	11 Militants	Mother of the Speaker of BYHA	07/09/07	Welfare of militants
9.	Kidnaping	18/08/07	Arassa BYS	23 Militants	Mother of a Member of BYHA	07/09/07	Welfare of militants
10.	Kidnaping	08/10/07	Odi, BYS	Comman der Pius Group	1 Nigerian	15/10/10	Ransom
11.	Kidnaping	15/10/07	Southern Ijaw, BYS	Unknown	1 Nigerian	15/10/12	Ransom

*Source: Culled from Police Crime Diary, Bayelsa State Command (2013).*

## Literature Review

### Conceptual Framework

The problems in the Niger-Delta region of Nigeria (the oil-producing region of the country) are increasing everyday in leaps and bounds; from mere demands for reparation and agitations against unfair treatment in terms of their ecology in the 1960s-1980s to confrontations, riots, demonstrations, kidnapping of oil-workers, holding of hostages, pipeline and flow-station vandalisms to uncontrollable youth restiveness and killings in recent times. Mr. Ron Van Don Berg (the former Managing-Director of Shell Petroleum Development Company of Nigeria) in his message contained in the Company's Annual Report of 1998 as cited by Wodu and Nwaeke (2005) stated that "there was increased unrest amongst communities in the Niger-Delta region during the year.

The rise in the number of community incidents and disturbances is of great concern, particularly the increase in violence and hostage-taking. A major cause of the underlying discontent is the community's sense of grievance that a fair share of oil revenues has not been returned in the form of development projects to the oil-producing areas." The level of insecurity in the Niger-Delta region is assuming a tremendous dimension. According to Thomas (2008), "insecurity could be seen as the presence of and or apprehension of those tendencies which could undermine internal cohesion and corporate existence of the nation and its ability to maintain its vital institutions for the promotion of its core values and socio-political objectives, as well as meet the legitimate aspirations of the people." It also implies the presence or apprehension of danger to life and property and the presence of non-conducive atmosphere for the people to pursue their legitimate interests within the society. Insecurity therefore, embodies the presence or the apprehension of threat to and or direct violation of security. "Threat is conceptualized as representing anything that can undermine the security of the nation or the peaceful coexistence of the people" (Imobighe, 1990). "The sources of security threats in Nigeria include: militancy, military experiences, ethnic/religious pluralism, unemployment, poverty and failure of governance, socio-economic inequalities and demographic factors, small arms and ammunitions trafficking, migration and indigence question in Nigeria" (Arase and Iwuofor, 2007; Ikonne, Williams and Nwagbara, 2005; Bassey, 2004).

"The Niger-Delta region is today enmeshed in violent conflicts over oil. There are not just pervasive conflicts, violence and insecurity, but a breakdown of social and political order and an increasing ungovernability in the region" (Lubeck, Watts and Lipschutz, 2007). The creeks, riverine and coastal areas are becoming ungovernable. There is heightening insurgency, insurrection and criminality. "The crisis cut oil output by about 40% between 2003 and 2004 and about 33% in early 2006. In April 2004, Shell Petroleum Development Company (SPDC) cut production by about 370,000 bpd in the Western Delta. Since 2006, SPDC has cut down production capacity to about 2mbpd" (Thomas, 2008). The crisis in the region has brought into sharp focus the nature of relations of the Nigerian state with oil, the MNOCs and the host communities, as well as the nature of MNOC relations and contributions to the host communities.

The nature and character of the Nigerian state has underpinned the nature of relations with oil and the MNOCs. First, being a neo-colonial capitalist peripheral economy, the state is controlled by a dependent comprador ruling class which is

accumulative, parasitic, violent, exploitative, clientlist, corrupt, profligate and unproductive. The Nigerian ruling class has depended on oil since the late 1960s for accumulation. The mentality, outlook, methods, orientations and activities of the ruling class have determined the predatory relations to oil and the crass and amoral plunder that has occurred. Second, Nigeria is regarded as a renter state. One major fall-out of state-renterism has been that the nation has earned and earns huge oil revenues without production, control and responsibility. Since there has been no relationship between revenues and expenditure on one hand and citizen-based taxes, the state has not been liable or responsible to the citizens and has been absolved from accountability, checks and resistance from the citizenry. Oil has created a large system of patronage, clientelism and corruption. The consequence has been enormous oil-based leakages and frittering which with over ₦400 billion earned, has kept the nation tottering as one of the most endowed, most corrupt and poorest countries in the world.

### **Causes of Militancy and Insecurity in the Niger-Delta**

There has been a high rate of militancy and insecurity in the Niger-Delta starting from 2006. This can be attributed to several factors including the marginalization of the people of the Niger-Delta, environmental degradation, bad governance and inconsistent policy framework and the divide-and-rule policy of the oil companies. These factors are discussed below:

### **Marginalization, Abject Poverty and Massive Unemployment**

The Niger-Delta communities have remained grossly socio-economically underdeveloped and pauperized amidst the immense oil wealth owing to systematic disequilibrium in the production exchange relationship between the state, the transnational companies and the people. “Enormous money had been derived from oil exports but the area has been subjected to severe land degradation, socio-economic disorganization, increasing poverty, misery, military occupation and bloody violence” (Pegg, 1999).

Oil extraction has impacted most disastrously on the socio-physical environment of the Niger-Delta oil-bearing communities massively, threatening the fragile subsistent peasant economy and bio-diversity, and hence, their entire social livelihood and very survival. The oil-producing communities have basically remained dependent and underdeveloped, persistently disempowered, socio-culturally marginalized and psychologically alienated. “The wealth derived from oil resource exploitation and exports benefit directly only the operators of the oil industry and the bureaucrats in government” (Owabukeruyele, 2000).

Ejibunu (2007) posits that “the discovery of oil in the Niger-Delta region in 1957 triggered a chain of events that has led to the political and economic marginalization of the inhabitants.” “Despite over forty (40) years of oil production in Nigeria and hundreds of billions of dollars of oil revenue, the inhabitants of the Niger-Delta region, especially the riverine (creeks), remain in abject poverty” (Oronto, et al 2003). “Poverty level is about 80% while unemployment level is about 70%. They live without even the most basic amenities such as pipe-borne water and electricity” (Ibaba, 2005). Mukagbo (2004) opines that “in the Niger-Delta region, scenes of abject poverty pervade the area, very similar to what you find in a refugee camp.”

### **The Distribution of Resources from the Federation Account**

This has been another source of marginalization for the Niger-Delta region. Prior to 1999, the allocation to the Niger-Delta from the federation account of revenues from oil decreased progressively as Nigeria became more dependent on oil. "In 1960, the allocation was 50%, then down to 45% in 1970, declining to 20% in 1982, down to 3% in 1992. It was raised to 13% following persistent agitations from the Niger- Deltans" (Ikelegbe, 2006).

### **Unemployment**

Unemployment is very high among the people of the Niger-Delta. The youths from the Niger-Delta do not benefit from the presence of the transnational corporations, especially the oil companies operating in their communities. "Less than 5% of the people from the Niger-Delta work in the companies while women from the region working with the oil companies are less than 1%, those who benefit through employment by the oil companies are from the non-oil producing parts of Nigeria" (Ejibunu, 2007; Brisibie, 2001).

### **Environmental Degradation**

According to the World Bank, "there are five (5) great plagues of mankind: war, famine, pestilence, environmental pollution and death. The Niger-Delta is in the throes of becoming an environmental wastebasket. From the oil-spills to the round-the-clock gas flares and effluents from industrial wastes, the fragile ecosystem of the Niger-Delta is under constant assault. "However, it is still a mystery that no comprehensive study of oil-exploration in Niger-Delta and its effect on the environment exists" (Ile & Akukwe, 2001). "The unbridled exploitation of crude oil and natural gas beneath the lands of the Niger-Delta has caused indescribable and irredeemable ecological devastation of the Niger-Delta land" (Azaiki, 2003). Okaba (2005:18-20) sums up the environmental impact of the oil industry in the Niger-Delta of Nigeria as land deprivation, soil quality alteration, destruction of aquatic ecosystem and air pollution.

### **Destruction of Aquatic Ecosystem**

A major environmental tragedy in the Niger-Delta is the waste of aquatic ecosystem. This aspect is quite significant to the people, being that it constitutes a grave threat to a hitherto economic hub of their lives - fishing. "It is a common sight that in the process of oil-exploration and production materials such as drill-cuttings, drill-mud and other fluids that are used to stimulate production are discharged into the environment and most end up in the streams and rivers" (Nwaomah, 2009a). "These chemicals are not easily degradable and the skimming of oil on the water surface hardly solves the problem since most of the oil might have sunk to the bottom of the water-surface leaving grave consequences such as surface and ground water quality deterioration in terms of portability, aesthetic and recreation; destruction and reduction of fish life and fishery production of the waters; destruction by acute and sublethal toxicity of aquatic flora and fauna of spills on water and benthic macro" (Okaba, 2005: 19-20).

### **Soil Quality Alteration**

Soil quality alteration is another environmental problem that the Niger-Deltans contend with as a result of the oil industry. "It is an environmental condition that is caused by a

collection of oil-exploration and exploitation activities such as construction of flow-lines and trunk-line networks, terminals, digging of location waste-pits and barrow-pits, oil-spillage either from equipment failure, human error, corrosion of pipes due to age and sabotage" (Nwaomah, 2009b). "It is estimated that as at 2002, about eight thousand, five hundred and eighty one (8,581) oil-spills involving nearly twenty-eight (28) million barrels of oil have occurred in the Niger-Delta" (Okaba, 2005: 15).

Other factors responsible for the soil quality alteration are the unceasing gas flares, drill-cuttings, drill-mud and refinery waste. "The harmful effects of these elements on the soil are unquestionable" (Nwaomah, 2009a). Owabukeruye argued that "the compounds from the numerous petroleum wastes contain organic chemicals such as phenol-cyanide, sulphidesuspended solids, chromium and biological oxygen that leave destructive effects on the land and water" (Owabukeruye, 2000).

### **Air Pollution**

Gas-flaring is a primary source of air pollution in the Niger-Delta. The oil companies are wrecking the ecosystem of the Niger-Delta through uncontrollable gas-flaring. Gas-flaring takes place twenty-four (24) hours and some are believed to have been burning for over thirty (30) years, thereby resulting in the release of hydrogen-sulphide. "The oil companies are not only destroying the Niger-Delta but they are also contributing to global warming" (Comet Newspapers, 2001).

The pollutions released and the noises from the vibration are injurious to human health. It is also argued that "the chemical emissions from the flaring contribute to acid rain, trigger skin diseases and the quick corrosion of roofing sheets in the Niger Delta area - a common sight in this region" (Okaba, 2005). "A secondary source of air pollution in the Niger-Delta is the incidents of fire resulting from leakages from the exposed and corroded oil-pipes that are scattered all over the region" (Nwaomah, 2009a).

The environmental degradation being carried out by the oil companies in the Niger-Delta as a result of their non-compliance with internationally-recognized environmental standards are damages that their consequences cannot be limited by time. "Unfortunately, available evidence shows that the trend is worsening as the government lacks the political will to ensure compliance to rules by the oil companies" (Doran, 1995; Ojomu, 2002; Susa, 1999).

### **Divide-and-Rule Policy**

Over the years, the oil-producing companies operating in the Niger-Delta have adopted a divide-and-rule method in which they identify for compensation people in the host communities they believe have the capability to influence the indigenes to ensure that they have a peaceful environment to operate in at minimal cost. A minute part of the money that should have been spent on Corporate Social Responsibility (CSR) in the development of the host communities are paid to such individuals and groups. "As such, in some communities, traditional rulers and local community-leaders have become corrupt as they have become recipients of various contract awards and cash payments at the detriment of the communities they represent" (Kemedi, 2003).

"Where there has been crisis of leadership in the host communities, the oil-producing companies have tended to support whichever faction they believe had the

capability of disrupting its operations as opposed to which groups or factions were properly constituted and traditionally legitimate” (Ikelegbe, 2006). In furtherance of this policy, the Shell Petroleum Development Company (SPDC) ignored the traditional rulers and elders and accorded recognition, partnered and related with the youths simply because the youths had more disruptive power on oil-production. “Therefore, the youths emerged as community-leaders; these youths became the powerbrokers, the liaison with the MNCs, and the object of MNCs’ patronage” (Kemedi, 2003; Ile & Akukwe, 2001).

The realization by the youths that violent protests and disruptive actions elicited immediate actions and payments by the oil companies led to emergence of several youth groups or militias. These youth groups became more daring in their tactics, from minor threats of disruption of activities emerged full blown militancy activities. “Some youths began to hijack ships and helicopters, kidnap MNCs’ staff and vandalize facilities in order to obtain payoffs, ransoms and payments from the oil companies” (Ikelegbe, 2006).

### **Impact of Militancy on the Nigerian Economy**

#### **National Loss of Income and Resources**

The lingering Niger-Delta crisis is making Nigeria lose money. The chairman, Senate Committee on the Niger-Delta and Conflict Resolution claims that Nigeria lost an estimated \$58.3 billion between 1998 and 2007. The country is still losing more daily. Conflicts consume a large portion of national resources. The government is spending a large amount of money maintaining the peace-keeping forces. The oil companies are spending money to hire security agents. The vigilante groups are spending a lot to buy arms. These are resources that can be used to improve Nigeria but are now diverted into servicing violence. Nzelu (2002) remarks that “the NNPC lost products worth ₦10.2 billion in 2001 as a result of pipelines vandalism.”

The operations of militants in the Niger-Delta and the insecurity have made it impossible for security agencies to adequately cover locations of various oil facilities. This has created a veritable ground for illegal oil-bunkering to thrive in the region. “Illegal oil-bunkering (an euphemism for oil-theft), has assumed considerable dimensions in the Niger-Delta. Estimates range from 30,000 to 200,000 bbl/day” (Oudemans, 2006).

Several of the militant groups are also believed to be involved in illegal oil-bunkering. It is believed that illegal oil-bunkering has become a major source of funding for the operations of the militants in the Niger-Delta. Militant warlords who engage in illegal oil-bunkering justify their actions by claiming that it is a means of providing income for the impoverished residents of the oil-producing communities. It is reported that “one day’s worth of illegal oil-bunkering in the Niger-Delta (at 100,000 bbl at \$15bbl) will buy quality weapons for and sustain a group of 1,500 youths for two months” (ICG, 2006).

#### **Kidnappings, Hostage and Death**

Kidnapping, hostage-taking and death has been a major tactic of the militant groups with foreign nationals working with oil companies as primary targets. In January 2006, Hostage-taking of oil-workers started in Bayelsa after the declaration of “Operation Orido Danger” by MEND with the kidnapping of four set of hostages. “Over two hundred (200) expatriates had been kidnapped; although, most have been released within



weeks in exchange for ransoms, typically hundreds of thousands of dollars” (Amaize, 2006). Thousands have been killed, have their home destroyed and suffered different types of violence.

Though casualty figures from kidnapping by militants operating in the Niger-Delta has been low, reportedly put at about fifteen (15), however, the implication of the kidnappings which involved mainly foreign workers and development partners on Nigeria’s economic development has been enormous. It succeeded in scaring away potential development partners and robbed the Nigerian state of the benefits of such development alliances and opportunities. “The state of insecurity has led to a reduced volume of productivity, investments and capital flow to the region” (Akpan, 2010; Saturday Punch, 2007).

### **Destruction of National Unity**

Conflicts can and do destroy the foundations of national unity and nation-building. The Niger-Delta conflict is destroying Nigeria’s unity as the communities in the Niger-Delta think that they are being destroyed to build up the other parts of Nigeria. Their assumptions challenge the building of the nation. It is necessary to point out that oil is necessary for the survival of the nation. Since this oil is produced from the Niger-Delta, it is most important that agitations in the Niger-Delta be quickly resolved so that the country is not destroyed.

### **Downsizing of Oil Companies’ Employees and Disruption of Business Activities**

As a result of the activities of militants in the Niger-Delta region, “SPDC retrenched 3,500 workers in September 2007” (Punch Newspapers, 2007a:14). “Indorama Petrochemical Company shut down its operations, thereby rendering over 3,000 youths jobless and aggravating the unemployment situation” (Sunday Trust Newspaper, 2007). Restiveness has reduced growth in the business sector. As a consequence of militant activities, Royal Dutch Shell has seen its production dropping from one million bpd to about 380,000 bpd at its Bonny terminal in the south of the Delta. Exxon has also experienced increased insurgent activities in its Nigerian operations. “Nigeria is already suffering from production slowdown due to militancy; currently, the Niger-Delta is only exporting 1.8 million bpd compared with a targeted 2.2 million bpd” (Harper, 2009). “In Rivers State, over 80% of the companies have stopped operations as expatriates have either gone to their home-countries or relocated to safer environments” (Ejibunu, 2007). “MTN had 43 base-stations shutdown as militant activities made them inaccessible” (Punch Newspapers, 2007b).

### **Individual Peace**

The total peace of the individuals making up the society is the peace of that society. If the peace of the individuals is disturbed, then, the peace of the society is disturbed. Olagunju (2002) aptly puts it this way: “the peace of the individual in the society is the foundation for social harmony. It is therefore in the society’s interest that disputes be successfully resolved.”

Human suffering, destruction of livelihood, constant displacement, fear and acute insecurity disturbs the individual’s peace. The present situation is disrupting their economies and multiplying their woes. In order to estimate the cost of peace

enthronement, the need for peace accounting becomes a *sine qua non*. Peace accounting is the systematic recording and ascertainment of the cost of peacekeeping. This becomes necessary in order to measure the impact of such cost on the economic development of Nigeria. According to Ikelegbe (2008), the low level of oil-production resulting from militancy in the Niger-Delta region of Nigeria has a strong negative impact on the country's Gross Domestic Product (GDP).

Exploitative, clientelist, corrupt, profligate and unproductive, the Nigerian ruling class has depended on oil since the late 1960s for accumulation. The mentality, outlook, methods, orientations and activities of the ruling class have determined the predatory relations to oil and the crass and amoral plunder that has occurred.

Second, Nigeria is regarded as a renter state. One major fall-out of state renterism has been that the nation has earned and earns huge oil revenues without production, control and responsibility. Since there has been no relationship between revenues and expenditure on one hand and citizen-based taxes, the state has not been liable or responsible to the citizens and has been absolved from accountability, checks and resistance from the citizenry. Oil has created a large system of patronage, clientelism and corruption. The consequence has been enormous oil-based leakages and frittering, which with over ₦400 billion earned, has kept the nation tottering as one of the most endowed, most corrupt and poorest countries in the world.

The nature and forms of oil-exploitation and the practices and behaviour of the MNOCs are underpinned by the politics of oil, the policies that flow from it and the nature of collaboration, regulation and control that exist between the Nigerian state and oil capital. For example, because of the renter nature of politics and the character of the ruling class as well as the identity and power struggles over oil, the Nigerian State has remained entirely and largely dependent on the royalties, taxes and profit-shares from oil-exploitation. It is not seriously involved in the operations of the oil industry. It is not seriously engaged in regulating and controlling the industry. Its concern is on maintaining and protecting the oil-flow and its profits. In the same manner, the nature of relations of the Nigerian state with oil is at the root of the problems of the Niger-Delta, its marginalization, oppression, inequitable and unjust treatment, repression and violence.

Thus far, an assessment of the legal and regulatory framework for the industry, the compliance by oil-operators and the effectiveness of the Nigeria's control and regulation of the industry reveals deep inadequacies and poor performance. The Nigerian state has been and remains weak in the monitoring and regulation of the operations and practices in the industry and the behaviour, conduct and practices of the industry-operators. Particularly, the state has not adequately engaged the industry and its operators in terms of oversight and enforcement activities. There are numerous indications of these weaknesses, inadequacies and poor performance.

There is laxity, sluggishness and passiveness in the Directorate of Petroleum Resources (DPR) monitoring, oversight and enforcement functions. The DPR has not effectively occupied its roles and effectively engaged the oil-industry-operators in terms of effecting compliance with rules, standards, regulations and prescriptions. Oil industry practices in the management of waste and environmental pollution is extremely poor and far below international standards.

The explanations for the poor performance are several. The NNPC and the DPR have lacked adequate technical and technologically-competent manpower to effectively monitor the petroleum industry. Furthermore, the technological capacity to effectively monitor and oversee the industry is poor. "There is the problem of overlapping functions, the lack of effective coordination and sometimes distrust between the DPR and other agencies of government" (Gidado 1999). This limits the latitude and span of activities and hampers effective functioning. Hutchful (1998) has identified several difficulties of the petroleum inspectorate which reflect those generally faced by such third world institutions that regulate critical resource sectors and powerful multinationals. First, the department found it difficult to regulate a critical resource exploitation in which the Nigerian state was extensively involved. Particularly, it was difficult to regulate the negative externalities of oil and gas production which itself constituted the revenue base of the government. The inspectorate and indeed the state, is expected to supervise and regulate an industry in which the state was a major stakeholder and beneficiary. "As an equity-holder in the MNOCs, the state and the inspectorate lacked the distance and arms-length relationship required to impose costly regulations" (Hutchful 1998). More specifically, powerful political elites and bureaucrats benefited from the MNOCs and the negative externalities of their operations and production. Second, the multinational oil companies which were supposed to be overseen were powerful, large, complex, technologically-advanced and very influential.

Third, the regulatory agencies - in this case, the Petroleum Inspectorate Department, did not have the capacity and ability to effectively supervise and monitor the oil industry. The inspectorate staff were not adequately trained and equipped and they did not have the logistic capability to effectively supervise the petroleum industry. Furthermore, the capacity to gather, process, analyze and interpret data and materials was poor because of poor logistic, research, scientific and laboratory capabilities. Finally, the inspectorate staff did not match the MNOCs in terms of competence, incentives, commitment and technical and operational experience and equipments and infrastructural support.

### **Theoretical Framework**

The paper adopts as its analytical construct, the Marxist political economy approach. The choice of this approach is influenced by the fact that it scientifically studies the society as a whole and takes into consideration the interconnection of the social relations, class conflict and the organic relationship between the substructure (the economy) and the superstructure (politics). The approach is seen as a window to understand the laws that govern economic life of the society. It explains the relationship between what man produces and how he benefits from the surplus he produces. Ake (1981) posits that "a major advantage of this approach is that, it emphasizes the relatedness of social phenomena, exposing the links between the substructure and the superstructure." Furthermore, the approach helps to penetrate deep into the processes and policies, lay bare their essence and then explain concrete forms of their manifestation.

As Marx & Engels (1977) put it, "the history of all hitherto existed society, is the history of class struggle." Thus, the class analysis framework of the approach best explains the endemic struggle between the exploiters (the multinational oil companies



and government) and the exploited (the Niger-Delta people, including the militant groups). Marxists hold that the dominated, exploited and marginalized groups which paradoxically generated or bears the burdens of creating resources, seek to change the status quo when it becomes conscious” (Libman & Borisox, 1985; Marx & Engels, 1977; Luckac, 1968).

Therefore, militancy in the Niger-Delta region is attributed to the consciousness of exploitation being perpetrated against the people and the struggle to change the status quo. This struggle has also created a state of insecurity which has by extension, affected Nigeria’s economic growth because of the monolithic nature of the national economy.

### Methodology

The secondary method of data collection was adopted in this study which involves a longitudinal survey method for a period of ten (10) years i.e. 2003-2012. The data for the study were generated from the Central Bank of Nigeria’s (CBN) Statistical Bulletin of 2009.

In analyzing the data generated for this study, the simple regression analysis was employed as shown in the model below which was computed with the aid of the Statistical Package for Social Sciences (SPSS).

**Model Specifications and Estimation:** The following simple model in log form is designed for this study:

$$GDP = f(a_0 \log + b_1 \log COPEAK + \dots ?)$$

Where GDP = Gross Domestic Product (At Current Prices)

$a_0$  = Regression Constant  $b_1$  = Regression Co-efficient

COPEAK = Cost of Peace-Keeping.

### Analysis and Result

The data generated for this study were analyzed in this section and the result obtained is presented in the table below.

**Table 1: Impact of Cost of the Peacekeeping on Gross Domestic Product**

Statistical Variables	Value
Co-efficient of correlation (R)	0.8392
Co-efficient of determination (R <sup>2</sup> )	0.7043
T – statistics	-2.318
P – value	0.0214
Regression constant	-3.246
Regression co-efficient	-.5671

*Source: SPSS Version 16 Window Output*

The table above shows that a conciliation co-efficient in the Niger-Delta region has a strong impact on gross domestic product. However, the regression constant of the model indicates a negative value which implies a negative relationship between cost of peacekeeping and gross domestic product. More so, the analysis shows that one percent increase in COPEAK brings about 56.71% decrease in GDP. Again, the p-value (0.021)

which revealed that there is a significant impact on economic development of Nigeria was rejected.

### Conclusion and Recommendations

The Niger-Delta region of Nigeria has become very volatile in recent times resulting to insecurity of lives and property. Militarism, kidnapping, killing and other vices have become the order of the day. Multinational companies are spending so much hiring security agents to protect their facilities and personnel. The government is equally spending huge amount of money to maintain peacekeeping forces in the region and also to provide compensation to the militants. This study revealed the cost of peacekeeping force in the region and also to provide compensation to the militants. This study revealed that the cost of peacekeeping in the Niger-Delta region has a negative significant impact on the productivity of firms and economic development in Nigeria. This finding agrees with previous studies such as that of Akeem and Erhun (2012) and Thomas (2008).

Reports from newspapers, radios and televisions in Nigeria have shown that the cost of peace enthronement in the Niger-Delta region is almost equivalent to the cost of providing development and other compensation plans to the people. It is therefore out of place for government to continue investing in security measures of the Niger-Delta question. Based on the above, it is recommended in the paper that the federal government and her parastatals (e.g. NDDC) as well as the multinational oil companies should pay special attention to the Niger-Delta question by making provision for higher level of infrastructures such as electricity, good roads, efficient communication systems, portable water, employment opportunities for the youths, scholarship awards among others. This will bring about peaceful coexistence in the region, thereby eliminating the cost of peace enthronement and consequently improve the economic development of the country.

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