

THE FIRST REPUBLIC AND THE INTERFACE OF ETHNICITY AND RESOURCE ALLOCATION IN NIGERIA'S FIRST REPUBLIC

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ABSTRACT

In 1960, Britain bequeathed to Nigeria an imperfect Federation, consisting of three uneven regions. This lopsided arrangement, paved the way for the domination of the federation by the biggest region- (Northern region)

This paper adopts the instrumentalist view of federalism. It interrogates the impact of ethnicity on allocation of federal finance in Nigeria between 1960 and 1966. The paper explores the constitutional basis for revenue distribution and the process of subversion by the ruling party. It examines the various mechanisms employed by the North to appropriate federal patronage for its region at the expense of other regions in the period.

The paper contends that the unequal access to and competition for scarce resources at the Centre made politics become a dangerous enterprise. The ruling elite (Northerners) seized this opportunity to institutionalize iniquitous fiscal policies which snowballed into political tribulations in the first republic. Till date the ethnic factor continues to play a pivotal role in the political economy of resource sharing in Nigeria.

The paper concludes that Nigeria has not been able to manage the challenge of revenue allocation well because the ruling class has been sectional and corrupt. Much more importantly the ability of the North through the instrumentality of the Central government to dominate its competitors engendered serious crisis in the Nigerian federation which eventually led to the political instability that engulfed the first republic and led to its demise in 1966. It suggests the adoption of key pillars of fiscal federalism such as

equality and partnership between the centre and federating units, state ownership of natural resources, funds transfer and scientific equalization, all of which have made developed federations' Intergovernmental relations adaptive and innovative. These measures could help evoke equity, douse tension and make the Nigerian federation very viable.

Key words: Nigeria, Ethnicity, Federalism, Revenue Allocation, Britain

Introduction

Strictly, the term “first republic” refers to the period between 1963 and 1966 when Nigeria constitutionally became a republic, and when that republic was brought to an abrupt end by a military coup in 1966. In this chapter however, the term is used to include the first three years of the country as an independent state, that is the period 1960-1963 independence. The two personalities who were saddled with the responsibilities of piloting the affairs of the Nigerian state were the deputy leader of the Northern Peoples Congress, Sir Tafawa Balewa as Prime minister and Nnamdi Azikwe, the leader of the National Council for Nigeria and Cameroons (NCNC), who became the Governor General in a coalition government. Their exalted positions were made possible by the alliance their two parties entered into at the 1959 general elections which left the third major party, Action Group (AG) and its leader Chief Obafemi Awolowo in the opposition at the Federal House of Representatives¹.

The political setting in Nigeria's first republic, the interplay of the forces of ethnicity and resource allocation and the interpretations that historians and political scientists have placed upon these issues are the topics that this chapter will cover.

It is within this framework that this chapter examines the interface of ethnicity and resource allocation in Nigeria's first republic.

Pre-Independence Political Setting

In examining ethnicity and resource allocation in the first republic, we can hardly appreciate and comprehend what took place within that period without taking a cursory look at what went before it.

Prior to independence in 1960, the strategy of decolonization adopted by the colonial regime gave impetus to politicization of ethnicity in Nigeria. Indirect rule adopted by the British Colonial government made the major administrative and political units of the country to coincide with the cultural and spatial locations of the three major ethnic groups – Hausa-Fulani, Igbo and Yoruba². Consequently, under pressure from nationalists the British devolved power to these regions. This process hardened regional and ethnic lines³ as the regions now came under the control of regional leaders who won premiership seats in their various regions. By implication the premiers consolidated their power bases in their respective regions with the result that Nigeria came to be dominated by three regional ethnic parties⁴. The NCNC became the party of the Igbos in the East, the NPC in the North and the A.G in the West.

As political independence approached, the regional premiers who had cooperated in the nationalist coalition began to maneuver for power at the centre. At the 1959 general elections no party emerged sufficiently strong in all the regions to qualify as a national party⁵. Even though the British favoured the North because they found them malleable⁶, the incoming independence government of 1960 had to be a coalition government. Thus the NPC and NCNC went into a coalition, won federal elections and eventually formed the independence government⁷. A fallout of this was the sharing of federal portfolios among members of the coalition government.

Ethnic Politics in Post Colonial Nigeria 1960-1966

The structural framework of the first republic was defined by the 1960 and 1963 constitutions. However, the key feature of Nigeria's first republic was the perpetuation of a regionalist federal system which impacted greatly on resource allocation in that era. The post independence economic and political experience of Nigeria was a turbulent one. The major factors responsible according to Sam Iroanusi were "the shaky tripartite federal structure with strong regionalism, disparity in the sizes and populations of the three regions; three regionally based and tribally sustained political parties and a weak political class driven by ethnic ideologies⁸.

Buttressing this claim, Osadolor Benson argued that in the first decade of Nigeria's post independence history, the nation fell short of evolving a strong mechanism

to mediate and reconcile a series of conflicts and contradictions that arose from the nation's constellation of economic, social, class and ethnic forces. In essence according to him, what the nation witnessed was inter ethnic competition and "winner take all" politics in a political space where opposition was tantamount to treason⁹.

Be that as it may, the coalition government in the first republic started to experience some challenges within the coalition as early as 1960. The junior partner in the coalition, the N.C.N.C. began to feel that she was less favorably placed than her other partner (NPC) in the scheme of things. The signs of strain became obvious when negotiations started in 1960 with regard to the implementation of the Second National Development Plan of 1962 – 1968. The release of the plan in 1962 gave credence to this feeling of NCNC as most of the federally sponsored projects in the plan totaling £670 million were to be located in the Northern region¹⁰. Despite this fact NCNC still believed that she was better off in alliance with N.P.C than with the A.G¹¹.

In this same 1960, Abubakar Tafawa Balewa, the Prime Minister, had sought a national government at the centre. The A.G under Chief Obafemi Awolowo's leadership refused to serve in a national government and preferred to stay in the opposition¹². The following year, in April 1961, the Federal house of representatives passed a motion for the creation of a new Mid-Western Region to be excised from Western Region. Apparently this was a calculated attempt by the coalition government at the centre to reduce and neutralize the overall political and economic influence of the A.G in the Western Region while leaving their own regions intact¹³.

The Northern and Eastern regional parliaments approved the creation in 1962¹⁴. Implicit in all these events was the use of power to achieve some ulterior political ends. The coalition government used its powers to intimidate the A.G¹⁵ which in turn remained confrontational as Nigeria quickly headed towards deep political crisis. Consequently upon the factional strife within the A.G controlled western region in May 1962, the coalition government seized the opportunity to liquidate the A.G. A state of emergency was imposed on the Western region and its administration taken over by the central government¹⁶. The administrator appointed by the coalition government, Dr. Moses Majekodunmi, came down heavily on the A.G and its supporters. The A.G was subjected to a relentless punitive investigation. Awolowo and the elite of the party, twenty six in

number, were in November 1962 charged for treasonable felony and jailed on August 11, 1963¹⁷. In the face of this persecution members of the embattled A.G defected en-masse to rival parties as its strength in the House of Representatives fell drastically from seventy five to thirteen. Thus the NPC grew in confidence after dealing with the A.G, moreso, after gaining seven additional Federal seats in the House of Representatives¹⁸ consequent upon the incorporation of Northern Cameroon's into the Northern region as the thirteenth province¹⁹. By implication the NPC got an absolute majority in the House of Representatives and it was not long before she got into trouble with her coalition partner the NCNC.

National Head-Count 1962/1963

In Nigeria every census has been controversial to the extent that there is no generally acceptable head-count. This stems from its twin function of fiscal allocation and constituency delimitation. Thus the contest over census figures was an important political issue. The first post-independence headcount in 1962 appeared as the best opportunity for a built-in Northern majority to be challenged, since its pre-eminence in population terms was the reason for its political and economic dominance in the federation.

The considerations of the use of census for allocation of revenues and distribution of power help to explain the fraudulent inflation of figures. For instance in 1953, the North used its majority to throw out a motion by an A.G parliamentarian demanding self government by 1956 (many Southern politicians couldn't readily accept the fact that some of them who had been most vocal in the struggle for independence were to play second fiddle while the reins of power went to those who had delayed self rule). Besides this fact the Northern ruling party had persistently refused to extend its field of operation to other parts of the federation, being convinced that as long as population of the North exceeded that of the South it could always gain enough seats to enable it to control the Federal government²⁰. The reason why so many premiums were placed on the 1962 and 1963 census exercises must be seen against this background.

The 1952-1953 census exercise conducted by the colonial government was used as the yardstick for allocating seats to the regions in the federal legislature and according

to Harold Smith the massive power of the North rested on these census figures produced by the British²¹. Apparently the A.G and NCNC had been hoping that the 1962-1963 census exercise would give the regions they controlled a much higher population increase relative to the North and lead to a redistribution of the seats in the federal legislature to their advantage and to the mitigation of what they considered the northern domination of the Nigerian state. Truly and contrary to conventional claims by scholars on the 1962 census figures, Harold Smith a colonial officer at the time had revealed that the 1962 census showed that the North no longer had a numerical majority over the rest of the country combined²².

The 1962 head count allegedly gave the population of the North as 21.4m, West, 12.3m and East, 10.8m. This gave the South an edge. ⁽²³⁾However, the NPC - controlled government decided that the figures of the Western and the Eastern regions were somewhat unrealistic to validate the census and cancelled it. Thus the 1962 census returns were never officially published²⁴.

The prime minister decided on a new one which was conducted in November 1963. The new head count result gave Nigeria 55 million with the North and East polling 67 percent increase each over the 1952-1953 census results, while the Western region got a percentage increase of 100 percent. By this result the new population spread was as follows.

The Northern region had 29,758,875, the Western region 12,801,685 and the Eastern region, 12,394,462²⁵. The Eastern and Western regional governments were disappointed that the census would reinforce the supremacy of the North by maintaining the old distribution of parliamentary seats. One curious fact that emerged from the 1963 census result was that the North emerged with a figure that gave it the same percentage lead over the rest of the federation as it had after the 1952 census. That is, ratio 53.4% to 46.6%²⁶. Thus, the two Southern regions rejected the results which were accepted by the NPC and her ally in the West, Ladoke Akintola who was the leader of Nigerian National Democratic Party (NNDP). Chief Dennis Osadebey, Premier of the Mid-West region, in the words of Eghosa Osaghae “decided to accept the results after initially rejecting them, for the sake of national unity.” The real reason for Midwest’s decision was the forceful threat by the N.P.C. that it would withdraw federal aid on which the young fledgling

region depended²⁷. The Federal government went ahead to use the figures to delimit constituencies for the December 1964 Federal elections²⁸.

By the time of the 1964 Federal elections a new bipolar alignment had emerged in reaction to the census results. The two major Southern parties, A.G and N.C.N.C, formed the United Progressive Grand Alliance in opposition to the N.P.C. which went into alliance with the NNDP, the party founded in the South by Chief Ladoke Akintola, forming Nigerian National Alliance (NNA).

The campaigns started and the Southern parties protested the limits placed on their freedom to campaign in the North and there was widespread boycott of the elections. The results were manipulated and it left the N.P.C. in an absolute majority²⁹. This was bitterly protested in the East and eventually precipitated a severe constitutional crisis³⁰.

At stake between the two alliances was power to control the systems of reward, the operational allocation and distribution of political and economic benefits of the Federal government. In the midst of the constitutional crisis the elections to the Western House of Assembly were conducted on 11 October 1965. The decline in constitutionalism and disorder accelerated with this election. Ironically no state of emergency was declared; instead the Federal government sent security forces to support the N.N.D.P'S victory. It was under these conditions that a section of the military finally overthrew the government³¹ on 15 January 1966.

Constitutional Basis for Revenue Allocation in the First Republic

One of the matters discussed by the London Constitutional Conference of 1957 was that relating to the system of revenue allocation which would be adopted at independence. In line with this, the Raisman - Tress Commission of 1958 was mandated to work out vertical and horizontal financial relations in the federation which had been discussed in the previous chapter.

However it is important to note certain specific provisions of the commission and their impact on the regions in the federation. In fact a major preoccupation of the Raisman Commission was with horizontal rather than vertical fiscal relations. Also it created the Distributable Pool Account (D.P.A) to facilitate the sharing of some federally

collected revenues among the regions. Each major revenue source was shared into a portion to be paid to the regions on the basis of derivation, a portion to go to the central government and a fraction to be remitted to the distributable pool for sharing among all regions³².

Consequently, these important changes affecting the management of government finance were fully implemented in the financial year 1959-1960 following the adoption of the Raisman Fiscal Commission's report by the central government. A significant and beneficial effect of this change was the improvement in regional revenues such that the Eastern region which in 1958-1959 financial year got just under £2million increment from Federal sources, i.e. £7,418,600 to £9,3782,000 in 1959/60 subsequently got £2,832,000 from the new D.P.A which had just been established. Payments into the pool were distributed to the regions as follows

TABLE 3.1 Percentage of Revenue from the D.P.A to the Regions

Region	Percentage %
Northern region	40
Eastern region	31
Western region	24
Southern Cameroon	5

Source: N.A.I AR7/AF2 Auditor General's report for the year ended 31st March 1960 Pp. 97-98

It is however important to note that between 1959 and 1965 one major defect of the operation of the Raisman commission was that burden of shortfall in Nigeria's major revenue sources were shifted from the central government to the regional governments. Thus each region had to predominantly depend on exports duties on products from its own area, which were a highly unstable source of revenue³³.

Furthermore by 1963, with the introduction of the Republican constitution, payments to the regions from the D.P.A were revised. This was because the Southern Cameroon's had left the Federation and the regional governments could not agree on the basic terms for sharing the 5 percent which was later divided equally at 95th fractions. It

was thus shared as follows- Northern Region 40.95% Eastern Region 31.95% Western Region 18.95% and Mid Western Region 6.95%³⁴. Other important provisions of the 1963 Constitution were that 30% of proceeds of duties on certain imports (excluding motor spirit, diesel oil, tobacco, wine and beer) should be paid into the D.P.A. Imports duties on motor spirit and tobacco should be paid by the Federal government to regions on the basis of derivation³⁵. For mining royalties, the federation should pay to each region a sum equal to 50% of proceeds of any royalty received by the federation in respect of any minerals including mineral oils extracted in that region. Gini Mbanefo had observed that the 50% mining rents to be paid on the basis of derivation to the regions sowed another seed of discord which generated a lot of tension in later periods. Accordingly, Mbanefo argued further that “to the opponents of derivation principle if the allocation of revenue from agricultural exports on the basis of derivation was questionable, then sharing the proceeds from what was considered to be the “free gift of nature” on that very principle must surely be indefensible³⁶. Thus logically the 1963 constitution was a derivative of the 1960 constitution which according to Osaghae was basically the same constitution³⁷. The point here is that which ever way, the constitutions (1960 and 1963) and their fiscal provisions were structured to favour the coalition government. According to Harold Smith, the independence constitution emerged from the constitutional conferences of 1957-1958, which in turn was the result of cooperation between the North, the East and the British government. The reasons why the North maintains pre-eminence in terms of financial devolutions to it from the D.P.A is evident here. According to Harold Smith it is because the structural size of the North was seen by the British as a bulwark of British security³⁸. This was why it was left intact and by implication received the largest share from the D.P.A.

The Federal government also had a leverage over the regions in terms of the provisions in section 70 of the 1963 constitution which empowered it to determine fiscal relations and economic planning for the federation as a whole³⁹. This leverage, as we will soon observe, was exploited to the fullest by the party in the majority (N.P.C) to further the North’s economic hegemonic influence through the second national development plan of 1962 to 1968.

Statutory Allocation of Revenue from the Distributable Pool Account 1960 – 1966

The apportionment of Federal revenues between regions was again sharpened by the changing constitutional, political and economic conditions of the time. Prior to 1960, total statutory revenues allocated to regions was 58.26% but from 1960 it climbed up significantly to 71.86%⁴⁰. The shared revenue was obtained from direct taxes, custom duties, excise duties, export duties mining royalties and rents and miscellaneous revenues such as license fees, loans funds and stamp duties⁴¹. These earnings were to be shared according to the fiscal structure under the Nigerian Constitution order in 1960⁴².

The pervasive feature of the fiscal arrangement in the years between 1960 and 1966 was the lessening of emphasis on derivation principle and greater emphasis on principles of need, population, continuity and balanced growth all of which inadvertently favoured the Northern region. Thus a cursory look at the fiscal profile of the 3 major regions, comparatively in revenue terms revealed that the Northern region received £246.44 million or 255.68% of statutory revenues allocated to the regions from the centre, the West got £209.68million or 230.48% and the East £191.81million or 197.66%⁴³.

From April 1960 to March 1966 the statutory grant received from the Federal government by the various regions were as follows:

**TABLE 3.3 Statutory Allocations to Regions by Central Government
1960/61 - 1965/66 (£ = Pounds)**

YEARS	NR	WR	ER	MWR
1960/61	£ 13,742,087	£ 6,105,153	£ 10,639,978	
61/62	£ 15,883,229	£ 7,980,715	£ 11,514,427	
62/63	£ 16,880,556	£ 8,158,291	£ 12,381,302	
63/64	£ 17,876,906	£ 6,079,699	£ 13,780,873	
64/65	£ 24,632,836	£ 14,699,194	£ 18,081,945	
65/66		£ 14,461,725		

Author's calculation of various years.

Source: N.A.I Auditor Generals' Report of Statutory Allocation to regions by Central Government, various Years.

Quite obviously the Western region got the least amount of statutory allocation from the federal government; between 1960 and 1966 the Eastern region and the Northern Region did not do badly. This revenue profile to an appreciable extent reflected the political reality on ground at the period of the first republic with the inequity in revenue allocation.

Federal and Regional Financies 1959-1966

Quite different from statutory grants of the preceding sub topic, this deals with both statutory and recurrent revenues of federal and regional governments. B.O. Nwabueze had observed that 5% of the D.P.A went to the central government and that what the 1960 and 1963 constitutions assigned to the regions in whole or in part was only revenue collected by the Federal government from import duties, excise duties on tobacco, export duty on produce, hides and skin, mining rents and royalties but not federally collected revenue, such as revenues from petroleum, profit tax, company tax, excise and export duties on commodities other than tobacco, hides and skin and produce. However the derivation principle was brought to play in certain allocations to regions. For example, each region got a proportion of revenue from import duty on motor spirit, diesel oil and tobacco and from excise on tobacco based on the quantity distributed for consumption within the regions, while the 50% of the mining rents and royalties apportioned to the regions went to the oil producing regions⁴⁴.

The tables below show federal and regional revenue profile, 1959-1966. Evidently between 1959/60 and 1961/62, federal government's revenue increased by 31% while that of the North, West and East increased by 26%, 31% and 29% respectively. Furthermore between 1962 and 1966 the rates of growth in revenues of all governments except the Western region were even greater than in the preceding three years both in absolute and relative terms. The revenues of the Federal government increased by 43% while that of the North and East rose by 47% and 57%, the West's fell by 7%⁴⁵. This was due to the downward fluctuations in the world market prices of cocoa, palm produce and rubber, the West had a short fall of £938,000 on the estimated revenue of export duty on these commodities⁴⁶.

TABLE 3.4 Federal and Regional Recurrent Revenue 1959-1966 (N) Millions

YEARS	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
Net. Federal Revenues	50.24	70.09	65.76	66.86	75.57	85.83	94.30
Total regional government revenues	50.95	53.03	65.14	68.94	70.66	89.28	94.88
Western region	18.68	20.55	23.92	24.45	19.40	20.87	22.39
Eastern region	14.75	16.82	19.08	21.96	22.18	26.71	29.97
Mid Western	-	-	-	-	3.77	8.24	9.93
Northern region	17.52	17.66	22.80	22.80	25.31	33.46	32.59

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.135.

Corroborating this claim of drop in produce prices, Adebayo affirmed that the fall of cocoa prices weakened the regional revenue of the West which now made it run on deficit⁴⁷. Chief Awolowo had also warned as far back as 1961 that the trade deficits of Western region had gone up by 345% given the falling earnings of cocoa, palm kernel, palm oil and rubber by £3.7m, £2m and £2.1m respectively. However, Awolowo's plea to the minister of finance to check the decline was met with stereotyped response that "overall balance of payment positions will be kept under constant review" which was not carried out⁴⁸.

Generally all the tables below show that all regions appeared to have relative increases in their financial resources. Thus cumulatively, financial resources of the Northern region increased from E22.96m in 1959/60 to £41.66m in 1965/66 see table 3.5, the East £21.07m to £38.61m (see table 3.6) and Western region £22.68m to £29.82m (see table 3.7) in the period. The mid West also moved from £3.77m to £13.46m between 1963 and 1966 (see table 3.8). The tables are as follows respectively.

Table 3.5 Northern Region Finances 1959-1966 Million Pounds

YEARS	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67
Independent revenue	5.62	4.45	5.89	6.81	7.44	8.83	8.87	
Statutory payments from federal government	8.25	7.94	9.76	9.34	11.22	14.72	14.34	
Grants from distributable pool accounts	3.65	5.27	6.49	6.65	6.65	9.91	9.54	
Total recurrent revenue	17.52	17.66	22.14	22.80	25.31	38.46	32.59	
Marketing loans and grants	1.00	-	-	-	-	-	2.00	
Transfer from consolidated revenue fund	1.00	1.50	5.00	3.70	2.73	4.05	7.50	
Others	0.03	0.20	0.36	0.58	0.28	0.75	-	
Total recurrent and capital receipts	19.55	19.36	27.50	27.08	27.72	38.86	40.09	
Federal grants and loans	1.77	6.59	-	3.00	3.67	4.00	1.43	
External grants and loans	1.64	1.64	2.28	0.59	0.15	1.90	0.14	
Total recurrent finance	22.96	27.59	29.78	30.67	31.54	44.76	41.66	

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.138.

Table 3.6 Eastern Region Finances 1959-1966 (N) Million

YEARS	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
Independent revenue	5.68	6.57	7.78	7.66	8.40	8.95	10.24
Statutory payments from federal government	6.24	6.16	6.83	8.88	8.64	10.09	12.29
Grants from distributable pool accounts	2.83	4.09	4.47	5.15	5.14	7.67	7.39
Total recurrent revenue	14.75	16.82	19.08	21.69	22.18	26.71	29.92
Marketing loans and grants	-	-	4.00	2.00	3.00	2.00	1.00
Transfer from consolidated revenue fund	4.18	-	-	4.00	2.00	3.00	2.00
Others	0.46	-	-	1.80	0.19	0.38	0.31
Total recurrent and capital receipts	19.39	16.82	23.0	29.49	27.37	32.09	34.23
Federal grants and loans	0.59	-	2.80	2.00	3.00	2.50	2.84
External grants and loans	1.09	1.72	0.18	0.60	3.60	2.64	1.54
Total recurrent finance	21.07	18.54	26.06	32.09	33.97	37.23	38.61

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.140.

Table 3.7 Western Region Finances 1959-1966 (N) Million Pounds

YEARS	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
Independent revenue	4.44	4.55	7.43	7.51	6.30	6.17	7.93
Statutory payments from federal government	12.05	12.84	13.23	2.95	9.77	10.08	9.83
Grants from distributable pool accounts	2.19	3.16	3.26	3.99	3.33	4.62	4.63
Total recurrent revenue	18.68	20.55	23.92	24.45	19.40	20.87	22.39
Marketing loans and grants	1.00	12.88	4.83	8.36	-	-	-
Transfer from consolidated revenue fund	3.00	-	1.50	4.50	1.90	2.66	0.70
Others	-	-	3.10	1.03	0.90	0.73	1.30
Total recurrent and capital receipts	22.68	33.43	23.69	38.34	22.20	24.26	25.45
Federal grants and loans	-	-	3.12	6.59	5.17	0.24	2.72
External grants and loans	-	0.27	-	0.66	-	0.45	1.65
Total recurrent finance	22.68	33.70	26.81	45.59	27.37	30.95	29.82

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.138.

Table 3.8 MidWestern Region Finances 1963-66 (N) Million Pounds

YEARS	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66
Independent revenue	-	-	-	-	0.63	1.87	1.68
Statutory payments from federal government					2.48	4.24	4.38
Grants from distributable pool accounts					0.66	2.13	3.87
Total recurrent revenue					3.77	8.24	9.93
Marketing loans and grants					-	0.20	0.05
Transfer from consolidated revenue fund					-	-	1.30
Others					-	-	-
Total recurrent and capital receipts					3.77	8.44	11.28
Federal grants and loans					-	2.50	0.15
Total recurrent finance					3.77	10.94	13.46

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.141.

One fact that can be observed in table 3.4 is that from 1959/60 to 1962/63 the recurrent revenues available to the Western region surpassed that of the North and East marginally and substantially. However from 1963/64 to 1965/66, that of the North and East surpassed revenues of the Western region. This change was dramatic; apparently the East had improved its relative position while the West had lost a substantial part of its advantage. This was one objective of the Raisman fiscal commission and it impacted very negatively on the finances and revenues accruable to the Western region.

The Raisman commission held the view that the Western region had enjoyed undue favourable treatment under the Chick revenue allocation regime. Thus it was expedient that in order to ensure parity, Raisman commission fashioned out a scheme that

would inevitably checkmate the rate of expansion of government services in the Western region while expanding the revenue positions of the Northern and Eastern regional governments⁴⁹.

Hence what the commission hoped would be merely a tentative check on the Western region turned out to be, according Adebayo Adedeji, “a penalization of the West”. The impact wouldn’t have been very profound but for the fact that it tallied with the period when there was a drastic fall in prices of cocoa in the international commodity market and it also coincided with the period when the Mid-West region (a region which just began to produce oil in commercial quantities) was carved out of Western region resulting in loss of a potentially important source of revenue⁵⁰. This obviously made the revenue position of the Western region fragile as can be viewed on (Table 3.7) where total regional finances for Western region was always having marginal increases and substantial decline.

It is significant to note that inequity in terms of revenue distribution pervaded all the facets of financial administration both vertically and more especially horizontally in the first republic. Though the independence and republican constitutions dictated the tone and tenor of financial relations, the Western region suffered colossal losses during this period as punitive and reactionary measures of the coalition government worked against it.

FISCAL FEDERALISM AND PUBLIC EXPENDITURE:

The National Development Plan 1962-68

Although Nigeria had had development plans before independence, it was with the 1962-1968 National Development Plan, formulated with the aid of American economic consultants, that planning really started in the country. Officially it was the 2nd National Development Plan. The plan embodied three main objectives which were the achievement of a growth rate of 4 percent per annum for the economy as a whole, the rapid development of opportunities in education, health and employment and the achievement of a modernized economy compatible with the democratic aspirations of the

people and the equitable distribution of welfare among the people and between the regions⁵¹.

The development plan was thus devised: the formal institutions for decision making and for social choice were all put in place and were at least in a formal sense national in character. At the coalition government level (NPC and NCNC) there were a number of departments. Foremost was the economic planning unit of the federal ministry of economic development. It was according to Pius Okigbo, the power house of planning for the federation, issuing guidelines, format and overall macro economic parameters for planning at the federal and regional levels, and reconciling the plans of both levels of government to ensure articulation and coherence of plans. Okigbo observing further said that this was unlike the Indian planning commission that was entirely made up of civil servants (who were in the formal sense non-partisan) and recruited for their professional and administrative capabilities, coordinated by a senior civil servant who was responsible to a senior political official⁵². The organization of the National Development Planning Commission of Nigeria as different from that of India denotes one fact. That is that the propensity was high for the Development Planning Commission in Nigeria to be vulnerable to central government (N.P.C) control.

Pius Okigbo again submitted that attitudes at the National Economic Council reflected the political realities on ground at the period which was the coalition of NPC and NCNC against the AG⁵³. This invariably impacted on the plans and implementation of the 2nd National Development Plan as we will see later. Arguing further on the issue of the Development Plan, Okigbo affirmed that the Northern region, dominated by its Premier, Sir Ahmadu Bello, controlled the Federal government through its Prime Minister⁵⁴. This in a way ensured that maximum benefits accrued to the North in this regards. Supporting Okigbo's view, Tom Forest posited that the Nigerian government in the First republic was an instrument used by the ruling class (NPC) to redistribute federal resources in its favour⁵⁵. The thinking of the North according to John N. Paden in the first republic was to use federal resources to make their region catch up with the South⁵⁶.

Granted that it was expedient that the imbalance be reduced, the North was immodest with their plans. In the words of Post and Vickers, "they (North) were,

competitive conservatives intent on using the full weight of the North to ensure that the biggest share of political valuables went to that region⁽⁵⁷⁾

It should be borne in mind that this period (1960-66) coincided with the era when regional governments were in dire pursuit of funds to develop their regions and ways of meeting sharply rising recurrent expenditures. The coalition partner (NCNC) however did not get the needed assistance of her ally (the N.P.C) as by the end of December 1960 all sixteen independent members of the parliament had switched to N.P.C along with smaller parties which hitherto had allied with A.G to win seats. Thus by the beginning of 1961 the N.P.C through these accretions was comfortably strong enough and no longer required the support of N.C.N.C to govern at the centre⁵⁸.

Thus, far from being indispensable, the N.C.N.C. found itself irrelevant in the coalition. A relative sign of her irrelevance played itself out in the implementation plan of the 2nd National development plan of 1962 to 1968. We now turn to examine the details of the six years National Development Plan and its biased nature.

The Six Year Development Plan: The Six Year Development Plan of the £29.7m scheduled for defence was spent in the North; a good proportion of the £39.2m on health and education was directed to the North. Of the £10m earmarked for regional agricultural expansion, the first £4m disbursed in 1963/64 was distributed as follows: North £2.2m, East £1.1m and West £0.7m, the North received more than 50 percent of the total. Furthermore, £12m was spent on the Borno railway extension in the North as part of federal expenditure for the development plan. Also much of the £35.3m allocated to be spent on roads was spent on the North⁶⁰.

Federal expenditure on building and maintenance of aerodromes in the regions were as follows; North £68,314m, East £26,542m and Western region £24,406m. For bridges, they were as follows, North, one each of 40 feet, 160 feet and 240 feet span, for the East, two of 40 feet span and West one of 40 feet span. Mileage of trunk A road constructed and tarred by the federal government in each of the regions were as follows, North 149½ miles, West 19 miles East 85 miles and Lagos 3 miles⁶¹. Quite obvious here is the fact that federal expenditure was heavily balanced in favour of the Northern region because it controlled the central government.

The refusal of the Northern regional leaders to permit the exploitation of iron ore located in their region for utilization elsewhere led to the proposed iron and steel industry for £30m being split into three separate plants, one in the north, the other in the East with the probability of the third one in the West⁶². In fact the question of location of the iron and steel industry was a classic example of symbol of national disunity in the Nigerian state.

Here the politicians were divided along ethnic lines and some civil servants who were administrators involved in the planning and implementation of the national plan ceased to be faceless technocrats and their regions of origin either influenced their views or seemed to determine their expertise. In fact Ladipo Adamolekun had made the point that the tripod theory of power which subsisted in Nigeria in the first republic encouraged unhealthy rivalry among the three major ethnic groups, and this made rational planning in the centre impossible. Moreover the regions and central government did not consider the issue in economic terms. Again in the words of Adamolekun “on financial and economic grounds the Nigerian market was barely large enough to sustain one modest plant”, how much more three⁶³. Samuel Aluko also advanced the view that the 1962-68 development plan was bedeviled by serious political crisis⁶⁴, hence its inability to achieve its basic aims. Appraising the second National Development Plan Okechukwu Okeke also commented that the major party in the centre (N.P.C) used federal might to concentrate federal expenditure in the North. Specifically, he noted that the federal government rejected an expert advice which counselled that it was cheaper to use gas (which was and is still being flared in oil fields of the Niger Delta) than a dam to generate electricity in the giant power station that was to be built in the country during the Second National Development Plan. Thus rather than use gas which could have made it incumbent on the Federal government to build the station in the South, the North led Federal government opted to build a hydro-electric power station which was located at Kanji, deep in Northern Nigeria⁶⁵. It gulped a whopping £88m at the time though the initial budget was for £68.1m. In fact it is on record that the cost of the dam represented slightly more than 10% of the federal government’s total expenditure during the plan period⁶⁶.

It is important to also note that since 1954, residual powers had been vested in the regions such that they were charged with the responsibility of providing social services,

developing agriculture and industry. This aspect impacted negatively on the Northern and Western regions as the development plan charged them with dispensing these social services. In this regard this burden made it extremely difficult for the West to balance her budget once and the North on two occasions respectively while the East had budget surpluses all between 1962 and 1966⁶⁷ see (Table 3.9 & 3.10) below.

Table 3.9 Regional Government's Budgets 1962-66 £ Million Pounds

YEARS	1962/63	1963/64	1964/65	1965/66
Northern region				
Recurrent revenue	22.8	25.3	33.5	32.6
Recurrent expenditure	24.6	24.7	30.0	35.9
Recurrent budget surplus (+)	-1.8	+0.6	+3.5	-3.3
Western region				
Recurrent revenue	24.4	19.4	20.9	22.4
Recurrent expenditure	24.9	19.1	21.0	24.2
Recurrent budget surplus (+) deficit (-)	-0.5	+3.0	-0.1	-1.8
Eastern region				
Recurrent revenue	21.7	22.2	26.7	30.0
Recurrent expenditure	17.9	19.3	24.1	24.9
Recurrent budgets(+)	+3.8	+2.9	+2.6	+5.1
Surplus(+) Deficit(-)				

Source: - Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.150

**Table 3.10 Regional Government's Budgets 1962-66 £ Million Pounds
Midwest Region**

YEARS	1962/63	1963/64	1964/65	1965/66
Recurrent revenue	-	3.8	8.2	9.9
Recurrent expenditure	-	3.4	6.7	7.8
Recurrent budget surplus (+) Deficit (-)	-	+0.4	+1.5	+2.1

Source: - Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969), p.150

Thus in the face of rising recurrent expenditure and inadaptable revenues which led to recurrent budget deficits and depleted reserves in 1963, the Northern government thought of ways to shore up the region's revenue. According to Billy Dudley, "having failed to increase efficiency of internally generated revenue, the only existing option was

control of the Federal government which readily guaranteed access to federal finance for the Northern region's (N.P.C). The extent of this reliance was shown in the expectations of the North of financial resources for development purposes⁶⁸.

**TABLE 3.11 Development of Financial Resources Expected for Northern Region
(Not Actual) £ Million**

Earlier Resources	Recurrent surplus	Other receipts	Federal government grants and loans	Marketing board loans	Total 1-5	Foreign AID	£.M	Total
1.1	2.6	0.6	3.0	-	7.3	11.0	0.9	8.2
-	2.1	0.2	5.0	-	7.3	18.0	1.6	8.9
0.5	1.5	0.6	5.0	2.0	9.6	23.0	2.9	12
0.5	0.9	0.7	5.0	2.0	9.1	38.0	5.5	14
0.5	0.4	0.8	5.0	2.0	8.7	45.0	7.0	15
-	-	1.0	5.0	2.0	8.0	50.0	8.0	16
2.6	7.5	3.9	28.0	8.0	50.0	34.0	25.9	75

Source Billy J. Duddley, Parties and politics in Northern Nigeria, London, Frank Cass, 1968, p.276.

Quite obviously then the North expected 56% of total “internal financial revenue and approximately 37% of the overall total from the federal finance in favour of the North. Thus as authors of the North’s own development plan noted, ‘a reallocation of revenues between the federal and regional governments was imperative adding that while such a redistribution obviously does not add to total resources of plan implementation, but will influence each of the separate plans which altogether form national plan.’”⁶⁹

Conclusion

For much of its existence as a subject of economic enquiry, scholarly analysis of economic development did not include examination of a non quantifiable variable such as ethnicity. However it is clear from the foregoing analysis that there is a link between ethnicity and the viability of economic development which is powerfully influential on a region’s prospect for development. In the Nigerian federation, ethnicity impacted a great deal on resource allocation in the first republic.

The challenge of ethnicity and resource allocation in the Nigerian state had its root in the colonial socio-political and economic structures. The imbalance geographically was apparent and this was carried over wholly into the post-colonial period which eventually created serious problems of inter ethnic relations in the first republic. This inter ethnic hostility was exacerbated by political competition for scarce economic resources. As political parties became custodians of ethnic interests, the inter ethnic competition for federal revenues became politicized. With the ascendance of N.P.C. to the central government, political power got into her custody and she used federal power to mobilize and divert federal revenues, infra-structures, industries, public work projects and federal patronage to her ethnic home land. This politicization was reflected partly in the implementation of the recommendations of Raisman Fiscal Commission as modified in the Republican Constitution's fiscal structure. It was also reflected in the formulation and implementation of the second national development plan which Professor O. Aboyade noted was heavily influenced by political considerations⁷⁰. In addition, the political statement by the N.C.N.C in reaction to N.P.C.'s monopolization of federal projects and resources in the development plan also give credence to this. See table 3.12 below

TABLE 3.12 The Second National Development Plan 1962-1968

Summary of Projected Public Capital Expenditures 1962 – 1968 £ Millions

Distribution	Federal Government	Northern Region	Eastern Region	Western Region	Total	% Distribution
Primary production	20,466	22,494	30,361	18,439	91,760	13.6
Trade industry	44,030	9864	13,930	23,445	90,269	13.4
Electricity	98,140	1500	600	1500	101,740	15.1
Transport system	103,957	24,660	8850	6350	143,117	21.3
Communication	30,000	-	-	-	30,000	4.4
Water and irrigation	1,863	7442	5,100	9,853	24,258	3.6
Education	29,154	18,949	8805	12,855	69,763	10.3
Health	10,304	3,317	1819	1,635	17,067	2.5
Town planning	23,160	6000	3306	9280	41746	6.2
Cooperatives	-	2439	-	1500	3939	0.6
Social welfare	2,689	-	534	1510	4723	0.7
Information	2,351	88	450	773	3662	0.5
Judicial	272	-	250	442	964	0.1
General	43,915	993	2067	1114	4089	7.1
Financial obligations	2,200	-	120	1600	3900	0.6
Total	412,501	97,746	76,000	90,267	675,706	100

Source: Plus Okigbo, National Development Planning 1900-1992 London: James Curry, 1989, p. 209

Thus between 1960 and 1966, the unequal access to and competition for resources at the federal level ensured that politics became a dangerous enterprise in which official rules regulating competition for state power and the allocation of state resources were manipulated and used against perceived opponents. Crisis after crisis, the Federal government ruthlessly suppressed the opposition and also used Federal might to ensure that the result of the controversial 1963 census which favoured her region (North) was consented to by relative majority (knowing fully well that it is a potent tool for resource distribution and delimitation of constituencies for elections). Thus, the ability of the North, through the Central government to dominate its competitors engendered serious crisis in the Nigerian federation which eventually led to the political instability that engulfed the first republic and led to its demise in 1966.

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