



Intergovernmental Fiscal Relations in Nigeria’s Fourth Republic: Issues and Challenges

Oni Ebenezer Oluwole

Department of Political Science
and International Relations,
Crescent University, Abeokuta.
Email: ebinotopsy9@gmail.com

Abstract: This paper examines the various issues and challenges confronting fiscal federalism in Nigeria’s Fourth Republic. It argues that there is the need to find a revenue base in order to maintain the important function of governments at all levels but managing these important government function and the accompanying revenue base has been a major challenge for intergovernmental relations in the current democratic experience. Several issues bothering on the operation of the federal structure, revenue allocation and resource control have dominated the country’s fiscal federalism practice in the fourth republic with their attendant crises and contortions. The paper submits that restructuring the federal polity in a ‘true sense’ of it and constitutional adherence to provisions on common good are recipes that would ensure and guarantee a smooth, unhindered fiscal relations among the federal, state and local governments in Nigeria.

Key Words: Intergovernmental Relations, Fiscal Federalism, Constitutionalism.

INTRODUCTION

The issue of intergovernmental relation has received apt attention from scholars over time in Nigeria and the world over. This attention becomes imperative as there are increasing levels of interaction among the different tiers of government in every country. The concept of intergovernmental relations describes “the gamut of activities or interactions that take place between and among the different levels of government within a state” (Roberts 1999:60). It is essentially a practice that defines the patterns of interactions among the layers of government in

a state. Even though, it is often used to describe interactions among governmental unit in a federal state, it is a practice that is common to other non-federal states. This is because other forms of government do manage their affairs as well. In these forms of government such as the unitary system, government is structured into many divisions like counties, regions or local governments but these layers of government are not constitutionally empowered like the central government that created them. However, the reality is that interactions occur among them for the purpose of

administrative convenience in realizing governmental objectives. As a machinery of operating federal structures, intergovernmental relation dates back to the Greek civilization when concerted efforts were made to describe the legal relationships between the leagues and the city states (Akinyemi et.al 1979). These legal relationships are codified as principles that find expressions in a constitution for the purpose of managing intergovernmental relation (Mc Whinney: 1983). A basic defining feature of federalism in the distribution of powers between the centre and the constituent units by constitutional means (Osaghe, 1990: cf Aiyede: 2005, 221), however, the only area that has received unending attention in the distribution of such powers and responsibilities is the fiscal arrangement. Fundamentally, fiscal finance has dominated public discourse in Nigeria's federal arrangement more than any other issue even before independence. This is simply because the process of distribution of power and responsibilities has financial implications hence the struggle by the federating units to influence the fiscal arrangements. Finance has therefore emerged as the most critical policy issue in Nigeria's colonial and post-colonial political economy with its attendant crises. This paper therefore seeks to examine the

challenges of managing intergovernmental relations and the issues that have dominated fiscal federalism in Nigeria's fourth republic with the view to exploring the options for harmony.

Intergovernmental Fiscal Relations in Nigeria: A Histography

The evolution of fiscal federalism in Nigeria can be properly situated within the different political and constitutional, social, cultural and economic developments which have in turn influenced the nature and character as well as the pattern of intergovernmental relations in Nigeria before and after independence. It is more expedient to properly work out fiscal arrangements among the different levels of government. This is for the purpose of ensuring fiscal balance in the content of macro-economic stability. Fiscal federalism therefore suggests a legal arrangement describing the distribution of revenue among the different levels of government in a federal structure. For government to fulfill its constitutional responsibilities of maintaining law and order and providing social amenities that promote citizens' well-being, governments at all levels must imperatively find a revenue base. It is the management and distribution of such revenues that forms the crux of fiscal federalism.

Extant literature agrees that it has been problematic to work out a generally acceptable formula for sharing revenues between and among the different levels of government in pre-independent Nigeria. The problem continues to characterize fiscal relations in Nigeria up till today. Based on this, the approach adopted to solve the age-long problem is the distribution of national revenues on the basis of recommendations made by a revenue allocation commission or committee set up by the federal government from time to time. It is worthy of note that the adoption of federalism in Nigeria since 1954, apart from Aguiyi Ironsi's unitary system in 1966 has ensured the continuous decentralization of governmental structures, powers and responsibilities hence the periodic changes in fiscal arrangements. Any incisive analysis of fiscal relations in Nigeria will require periodization as follows:

- (i) Pre-Independence era (1946-1958)
- (ii) Post-Independence era (1964-1999)
- (iii) Fourth Republic experiences (1999-date)

The Pre-independence Era /Period of Teleguided Fiscal Federalism

Incredibly, the colonial Nigerian state also witnessed the crisis of fiscal relations between the

existing governmental structures. Before the 1960 and 1963 independence and Republican Constitutions were introduced, fiscal arrangements were largely influenced by political and constitutional factors. This occasioned the creation of several commissions to renew and review existing fiscal arrangements and make appropriate recommendations. These commissions and highlights of their recommendations are discussed below:

The Phillipson Commission

The creation of regional assemblies in the Western and Eastern regions as well as the establishment of a Northern regional council under the 1946 Richards constitution necessitated the allocation of a degree of financial responsibilities to these new bodies. Consequent upon this, the financial secretary to the Nigerian Government Sydney Phillipson was appointed sole commissioner charged with the duties of preparing financial arrangement under the new constitution. The Phillipson Commission, as it was later known, was mandated to study indepthly and make useful recommendations regarding the problems of the administrative and financial procedure to be adopted under the new constitution. The commission was pre-occupied with attempts to resolve three fundamental problems namely:

- (i) The criteria to be used in declaring revenue as regional revenue
- (ii) How to determine the size of the grants from the central revenue and
- (iii) The formula for allocating grants among the regions

The problems are fundamental problems of the sub-national governments which would define the extent of their freedom and relevance in the federation (Adamolekun, 2005: 63). This problem also relate to the pattern of fiscal federalism in Australia. However, the onerous challenge faced by the Phillipson Commission was how to derive a formula for distributing grants among the regions. Two principles were considered by the commission in the light of the above task:

- (a) Derivation and
- (b) Even Progress or Even Development.

The commission suggested that the sharing of the grants be based solely on the principle of derivation. The shares, as distributed among the three regions into which the federation was divided were as follows: East 24%, West 30% and North 46%.

Instructively, the implementation of the Phillipson Commission recommendations marked a watershed in the adoption of the principle of derivation in sharing revenue among the regions in Nigeria. The derivation principle, as rightly observed by Ekpo (2004) has since become a thorny issue in Nigeria's inter-governmental fiscal relations.

The Hicks-Phillipson Commission

The revenue allocation system under the Phillipson commission generated greater dissatisfaction among the federating units. The decision to also transfer educational grants-in-aid from the central to the regional estimates further exacerbated the dissatisfaction. Consequently, the Hicks-Phillipson Commission was appointed in June 1950 to among other terms of reference submit proposals to the governor-in -council for division of revenue over a period of five years between the three regions and the central Nigerian services in order to achieve in that time a progressively more equitable division of revenue among the three separate regions and the centre (Adefulu, 2001). In allocating revenue therefore, the

commission adopted the following criteria: liberty, Justice, fraternity and efficiency. It consequently recommended four principles corresponding to these criteria namely:

- i. Independent revenue
- ii. Derivation
- iii. Need and
- iv. National Interest.

The Commission further apportioned 50% of tobacco tax on derivation principle; based capital grants on the principle of need and transferred to the federal budget, police and education. The native Authority Police received 50% national interest. Surprisingly, the commission recommended that a one-time grant of 4 million be paid to the Northern region as compensation for its deprivation, arguing that the North was under-capitalized as compared to other regions. This singular move further deteriorated the process of national cohesion and fomented inter-regional conflicts and misunderstanding.

The Louis-Chick Commission

As the nationalist struggle persisted, the two constitutional conferences of 1953 and 1954 in London and Lagos respectively created the Louis-Chick

Commission. Aside other terms of reference, the commission was tasked with the mandate of providing the center and the regions an adequate measure of fiscal autonomy and the importance of applying the principle of derivation to the fullest degree compatible with meeting the reasonable needs of the two governmental units. Fiscal autonomy in therefore not an oil driven agitation as many would want to believe, but major feature of the crisis of pre-independence Nigeria's fiscal federalism. As reported by Adefulu (2001), the report of the commission provided that:

- (1) The federal government should retain the revenue from the following: company income tax, and 50% of the duties on exports, tobacco, excise and import.
- (2) 50% of import duties except those on tobacco and motor spirits should be shared thus:
West 40%
North 30%
East 29%
Southern Cameroon 1%
- (3) Revenue from the following sources should be shared among the

regions in accordance with regional consumption: 50% of tobacco, export and excise duties; 100% of the duty on motor spirit, all mining rents and royalties and fees from small craft licenses.

The Raisman-Tress Commission

The commission was inaugurated as a result of the shortcomings of the Louis Chick Commission. The disaffection with the chick's commission was based on three grounds:

- (1) Insufficient independent revenue to the regions
- (2) The utilization of the principle of derivation in revenue allocation and
- (3) The rejection of the principle of need and national interest in revenue allocation.

In its recommendations, the commission divided each type of revenue into three parts to be paid to states of origin, federal government and the newly introduced distributable pool account. These included for the states of origin 50% of mining rents, royalties and import duties; for the distributable pool account 30% of mining rents and royalties

as well as 40% of import duties. The sharing of the distributable pool account was as follows:

- North 40%
- West 31%
- East 24%
- Southern Cameroon 5%.

Significantly, fiscal federalism in pre-independent Nigeria was characterized by agitations for autonomy, frequent alterations in revenue allocation formula as a result of rapid political and constitutional developments, and inter-ethnic misunderstanding. It was summarily an era of teleguided fiscal arrangements.

The Post Independence Era/Period of Self-Determinism

During this period, intergovernmental fiscal relation was conditioned by significant economic, social and political changes including an almost three-year fratricidal war (July 1967-January 1970). This war, and its attendant consequences coupled with the frequency of military rule and the bourgeoning oil economy largely affected government expenditure and revenue patterns. Also political structure was significantly altered as the form of government was decentralized in 1967 with the creation of 12 states out of the

erst-while four regions. Similar exercise followed in 1976, 1987, 1991 and 1996 bringing the total number of states to 36 with Abuja as the Federal Capital Territory, which received full governmental status and thus was entitled to federal allocation.

Another significant development during this period was the official recognition accorded local government as the third tier of government thereby making it entitled to federal funds. The frequency of military rule and its modus operandi affected Nigeria's fiscal operations. Instructively, the issues highlighted above and many others extensively influenced positively or negatively the evolution of fiscal federalism during Nigeria's post independence period. The commission/committee approach to the share of federally collected revenue still dominated post-independence fiscal relations.

Consequently, the Binns revenue commission was appointed in 1964 to review the country's financial arrangement following the introduction of a republican constitution in 1963. The commission after several deliberations recommended that the distributable pool account(DPA) would be shared in the ratio of 42% to North, 30% to East, 20% to West and 8% to the Mid-west region. Following the creation of 12 states, the empanelled Dina's committee recommended that for onshore operations, 15% was set aside for federal government, 10% to state of derivation (40% less than what obtained in the first republic) and 75% to DPA (Oketa, 2001:174). In respect of the offshore operations, 6%, 30% and 10% was earmarked for the federal government, DPA and Special Account respectively (Ibid). The table below explicitly explains the committee's recommendations.

Account	ED1	IM2	ED3	MRI4	MRRO5
Federal	60	50	15	15	60
State derivation	-	-	10	10	-
State Joint	30	50	70	70	30
Special Grants	10	-	5	5	10
Total	100	100	100	100	100

Source: Report of the interim revenue allocation committee (cf Ekpo: 1995)

Notes: 1 Excise Duty; 2 Import duty; 3 Export duty, 4 Mining Royalty (on shore); 5 Mining rent and Royalty (off shore).

Fundamental Changes in revenue allocation were effected in 1970 via Decree No. 13. The changes included a reduction in export duties meant for states of origin to 60% from 100% while 40% was allocated to the federal government, a redistribution of duty on fuel paid to states of consumption on the basis of 50%-50% between the federal government and the affected states, reduction of 5% mining rents and royalties paid to state of origin to 45%, Excise to be shared between the federal government and the distributable pool account, the DPA to be distributed 50% on a proportionate basis to the population of each state. Certain fundamental changes were also noticeable in 1971 (Courtesy Decree No. 9) and 1975.

The Tunji Aboyade Technical Committee of 1977 which was saddled inter alia with the task of taking into consideration the need to ensure that each government of the federation had adequate revenue to enable it discharge its responsibilities with regard to population, equality of status among states, derivation, geographical peculiarities, even

2. 3.5% for the mineral producing states shared on the basis of derivation

development, national interest and any other factor bearing on the problem (Ekpo 2004), recommended 57% to the federal government, 30% to state joint, 10% to local governments and 3% to Special grants. The nullification of the recommendations of the Okigbo commission by the Supreme Court on October 2, 1981 paved way for a new revenue act passed by the parliament. Under the new act, federally collected revenues were distributed as follows: federal government 55%, State 35% and local governments 10%. The statutory share of the state was distributed thus:

1. 30.5% to be shared among the states on the basis of:
 - (a) Minimum responsibility of government 4%
 - (b) Population 4%
 - (c) Social development as indicated-15% (by primary school enrolment of which 11.5% is based on direct primary school enrolment and 3.5% on inverse enrolment)
 - (d) Internal revenue effort measured as the ratio of total internal revenue to total recurrent expenditure 5%
3. 1% to be allocated to the federal fund for ecological problems.

It is useful to mention that the 1981 revenue Act remained in use until December 1987. Perhaps, it remained the most ensuring effort at fiscal arrangement since 1946. Instructively, the National Revenue Mobilization, Allocation and Fiscal Commission were inaugurated in 1988 under the chairmanship of General T.Y

Danjuma (Rtd). The commission reviewed existing fiscal arrangements and in 1989 submitted its report to the federal government. Government accepted the recommendations of the Danjuma Commission and modified certain aspects of the revenue allocation formula as shown below:

Commission Recommendation		Government's Approval
Vertical Allocation		
Federal Government	47%	50%
State Government	30%	30%
Local Government	15%	15%
Special Funds	8%	<u>5%</u>
	<u>100%</u>	<u>100%</u>
Special Funds		
Federal Territory	1.0%FA	1.0%
Stabilization	0.5%FA	0.5%
Savings	2.0%FA	-
Derivation	2.0%MR	1.0%
Development of oil MPA	1.5%OMR	1.5%
Development of Non-oil MPA	0.5%NOMR	-
General Ecology	0.5%	1.0%
	8.0%	8.0%
Horizontal Allocation		
Equality of States	40%	40%
Population	30%	30%
Social Dev. Factor	10%	10%
Land Mass and Terrain	-	10%
Internal Revenue Effort	20%	10%
	100%	100%

Source: Olutayo (1998)

One reducible observation from the foregoing historical analysis is that the recommendations of each fiscal commission/committee set up by the federal government do not go without any form of controversy or criticism. These controversies were responsible for the dispanelling of the various revenue allocation committees by successive administrations in Nigeria and this has partly been responsible for a number of contortions and contradictions the revenue allocation formula went through under various governments. The pattern of fiscal relation in Nigeria has equally been largely affected by the prevailing political structure/system whether colonial, civilian or military and extensively by the style of leadership orientation either democratic or autocratic. The observable crisis of revenue allocation associated with successive governments in Nigeria did not abate in the present fourth republic as many formula have been experimented without any logical effect on intergovernmental fiscal relations. For instance, the

revenue allocation and fiscal commission had proposed to the National Assembly in 1999 that the federal revenue be shared in

the following order: Federal government 47.19%, State governments 31.10%, Local governments 15.21% and National priorities services fund 6.5%. Additionally, the new horizontal formula were to determine in actual terms how the 31.10% to the States, the 15.21% to the local governments and 13% derivation (to states, local government and community entities) are to be shared. Despite ferocious agitations for 50% derivation, the commission still maintained the 13% recommended by the constitutional conference of 1995. The proposal also indicated that 79.15% of the horizontal distribution was based on three indices namely equality, population and internal revenue generation effort.

However, the civilian administration of President Olusegun Obasanjo dramatically made volatile changes to the proposed revenue allocation formula at will throughout his eight year tenure making intergovernmental fiscal relation assume a new dimension in the fourth republic and purposely redefined the nature and size of governmental structures. Aside this, the absence of reliable census figures particularly when population is used as a revenue

sharing index and the unreliability of socio-economic data used by various commissions have contributed to the down-ward trend fiscal federalism has and challenges that characterize federal-state-local fiscal relations in the present fourth republic.

Managing Intergovernmental Fiscal Relations in Nigeria's Fourth Republic: Issues and Challenges

A balance sheet of intergovernmental fiscal relations under successive governments in Nigeria summarizes the fact that the whole processes and arrangements have been and are still marred with problems and conflicts which are structural and operational in nature. Of course, the problems are generic as they are traceable to the formative years of the country when it was still under full blown colonialism. Unfortunately, the political elites who inherited the post colonial Nigerian political structures have surprisingly found it difficult to surmount these challenges and have failed to evolve a truly adaptable pragmatic fiscal arrangement devoid of mundane primordial sentiments that have bedeviled the practice of federalism in Nigeria. While the belief was and is still shared today that in order to maintain law and order, ensure good governance and provide social amenities, a revenue base must be found, the dynamics

experienced in the past. Having explored the histography of fiscal federalism in Nigeria, it is compelling to delve into the issues

of mobilizing and allocating the revenue have always been problematic in Nigeria's federal practice. This is because the jurisdictional powers of raising revenue and the criteria for allocating federally collected revenue have been severally contested by all governmental structures. Previous attempts at finding a suitable revenue allocation formula acceptable to all governmental units have been faulted even right from the colonial era. This view is aptly captured by Oketa (2001:172) when he asserts that:

The native authority revenue ordinance of 1917 was established to realize the need to maintain law and order, good government as well as provide Social services. Unfortunately the 1917 arrangement by the colonial Government was hardly satisfactory. This necessitated the setting up of the very first fiscal commission in 1946 under the chairmanship of Sir Sidney Phillipson.

Since then, over nine of such commissions have been empanelled and dispanelled

bringing in the process various contortions and conflicts that have brought a spill-over effect to the present fourth republic. Therefore events of the fourth republic cannot be divorced from their historical past. The major issues and challenges raised in fiscal finance discourse in the current political experiment can be located within four issues namely the structure of Nigeria's federalism; the question of what constitutes the Nigerian federation and the attendant agitation for local government autonomy; derivation principle/resource control and revenue allocation formula.

At the structural level, the practice of federalism in Nigeria is far from the realities of federal systems like Canada, the United States of America, India and Australia. Architects of the current operational federal constitution in Nigeria have erroneously neglected the need to reflect the principles of theory and practice of federalism the world over which has arguably made the 1999 Nigerian constitution defective. It was on this defective note that present republic was inaugurated. To be certain a federal principle both in theory and practice is, according to K.C. Wheare (1963:10) "the method of dividing powers so that the general and regional governments are each, within a sphere, coordinate and independent".

However, the method of dividing powers between the federal government and the sub-national governments has made the federal government too large and powerful while the sub-national governments are too small and weak thereby subservient to federal might. Although federal theorists did not agree in extant literature on the nature and size of each government in a federation, i.e. whether the federal government should be more powerful than the sub-national governments, or vice-versa, the comments of where are instructive as each government is allocated independent and co-ordinate powers. The structure of federal practice in Nigeria has deliberately placed the federal government at the center of intergovernmental relations which has implication for fiscal finance. The lopsided federal structure which skewed favorably towards the centre has consequential effect on the jurisdictional allocation of power and responsibilities. This reflected in the relations between the contents of the exclusive and current legislative lists of the 1999 constitution. The federal constitution empowered the federal government to allocate to itself juicy and lucrative responsibilities such as federation account, control of arms, ammunition and explosives, aviation, census, defense, foreign policy, currency etc with huge

financial attractions. Instructively, only the federal government can legislate on the matters contained in the exclusive list. The concurrent list which accommodates joint legislative powers by both federal and state governments on such matters as university, primary education, revenue allocation, tax collection, electric power, agricultural development etc is overwhelmingly dominated by the federal government in practice. The state governments are subordinate even in their primary areas of jurisdiction made possible by the provisions of the 1999 constitution. Indeed the preamble to the concurrent list of the 1999 constitution prescribes that: subject to this constitution, the National Assembly may by an Act make provisions for all matters in that list including those on revenue allocation, statistics, agriculture, health and education (FGN, 1999). This provision has made the states subservient to the ‘almighty’ federal government even on their constitutional responsibilities and powers. Clearly, this hegemonic tendency of the federal government negates where’s conception of federalism. Akinsanya (1989) rightly observed this in first republic intergovernmental relation when he noted that:

intergovernmental relations in Nigeria has not only been

characterized by the political and financial dependency of the state on the federal government but also by an ubiquity of the federal government in matters which the constitution of the federal republic of Nigeria 1963 reserved to the states, for example primary education and even in matters in which the federal government despite its concurrent jurisdiction had been inactive.

The domino theory of intergovernmental relations as reminded us by Adedokun (1997) has extremely granted the power of the purse to the federal government with respect to the collections and distributions of the most lucrative revenues. The overbearing tendencies of the federal structure has continued to generate demands from state governments and other relevant stakeholders in Nigeria’s federal project for restructuring the country’s federal system to clearly give space for sub-national governments to demonstrate their true powers in an ideal federation since, according to (Adamolekun, 2005:63), the role of sub-national governments in raising revenues and their actual spending powers are regarded as good indicators of the degree of decentralization in a given state.

Another issue that has generated unprecedented hitch in the fourth republic's fiscal finance discourse relates to the agitation for local government autonomy with concomitant financial independence. No previous era in Nigeria's history of political and constitutional development has witnessed tensed face-off between the federal government and the state governments over who controls local governments than the present political dispensation. The tensed nature of the face off generated many legal tussles at the Supreme Court especially between 2001 and 2007 and again resurfaces at the present constitutional amendment exercises. Proponents of local government autonomy see local government as a full-fledged tier of government as provided by the 1979 constitution consequent upon the 1976 local government reform. Another re-organization carried out at the local government level by the Ibrahim Badamosi Babangida military regime in 1987 further increased the posture of local government in Nigeria's tripartite governmental arrangements with improved responsibilities and financial allocation. However, experiences from the fourth republic are totally different. State governments have consistently argued that local governments are appendages of the state and therefore should be treated as such. The question often

raised by the state governments begging for answer is what constitutes federating units in Nigeria?. The answer to this question would simply lay to rest the agitation for local government autonomy. From all intent and purposes, the provisions of the 1999 constitution are clear on what constitutes the federating units. Section 2 (2) of chapter 1 of the General provision of 1999 constitution provides that:

“Nigeria shall be a federation consisting of states and a Federal Capital Territory” (FGN, 1999: LL15)

The provision above implicitly surrendered the power of control and supervision of local governments to state governments. In fact, a cursory look at the provision disempowers local governments from accessing funds from the federation account since it is not a federating unit constitutionally. But the practice of federalism in Nigeria, an aberration of classical theory and practice of fiscal federalism has continued to sustain local governments' access to federally collected revenue. The present political dispensation has witnessed stiffened relationship between the federal government and state governments over local government system. The desire of states to create additional local governments for effective local

governance and service delivery has been constantly hampered by the federal might as witnessed between the federal government and the Lagos State Government in 2003. The lopsided federal arrangement that skewed power towards the center unwittingly allowed the federal government to deny Lagos State Government of federal allocations to its local governments unless it was ready to revert its decision on creation of additional local governments. It was simply a daring political robbery and gang rape of the 1999 constitution by the hegemonic federal government. Clearly, section 7 (1) of part 2 of the 1999 constitution expressly provides that:

“the system of local government by democratically elected local government councils is under this constitution guaranteed; and accordingly the Government of every state shall subject to section 8 of this constitution, ensure their existence under a law which provides for the establishment, structure, composition, finance and functions of such councils”.

The above provision has instructively fore-closed the autonomy of local government in terms of financial independence

but architects of local government autonomy movement have only exacerbated the loopholes exploited by the centrifugal forces in fourth republic's transitional politics. This is because the horizontal and vertical relations on resource mobilizations and allocation have been severely constrained.

At another level, the resource control/deviation imbroglio has thrown the country's fiscal federalism into political and economic crises fueling in the process inter and intra-ethnic conflicts and occasioned the sudden uprising of different insurgent groups within the Niger/Delta region of the country. The most contentious issue at the genesis of the present political era in 1999 was the demand for resource control particularly by oil producing states that constitute the Niger-Delta region. The demand for resource control became unattainable as the federal government resisted the agitation by “all means”. However, the agitations have taken several violent dimensions bordering according to Adefulu (2001:80) “on willful sabotage, kidnapping of foreigners working in the oil exploration sector, assassination of security agents and vandalisation of oil pipelines all of which have meant a substantial loss of revenue to the Nigerian state which depends on oil export earnings to finance its varied development

projects and alleviate circle of poverty afflicting its teeming population". The agitations for resource control were founded on the obvious long years of neglect of the region despite the nation tapping almost 95% of its revenue earnings from the region. Socio-economic activities of the people of the zone have suffered abruptly while environmental degradation and health hazards have attended oil exploration activities of multinational companies without adequate infrastructure, qualitative education and human capital development, accessible health care system and environmental renewal as compensations for the immeasurable losses suffered over years. It was within this context that the Yar' Adua Administration granted the Niger-Delta militants who took to violent protest Amnesty as a panacea for restoring peace within the region and apparently for the federal government to continue to reap from the largesse of oil revenue from the region. However, how much of peace the Amnesty Programme has brought to the Niger-Delta is another topical issue for a stimulating debate but that is outside the purview of this paper. The derivation principle which grew out of the agitation for resource control does not go without controversies. For instance, the contestation for the distinction between offshore and on-shore oil in the implementation

of the 13% derivation allocation to oil producing state generated a lot of heat until the omnibus judgment of the supreme court on 5 April 2002 which declared that the littoral states could not seek control of natural resources located beyond their sea ward boundary legally. The on-shore/offshore dichotomy has implication for revenue accruable from derivation on oil hence the fierce and partisan politics it generated in the beginning of the fourth republic. It is in this sense that the oil producing States are demanding for the restructuring of the Nigerian federation to allow for the practice of true federalism which guarantees states control of resources located within their boundaries. The structural imbalance in wealth distribution coupled with the damage to the ecosystem in the areas make the demand more compelling. An Editorial in the Guardian sums up the situation in the Niger Delta thus:

The states of the region provide the nation with about 95 percent of its income to the extent that Nigeria runs a mono-cultural economy that is dependent on crude oil resources extracted from Niger-Delta region. In return for its being the wealth basin of the country, however, the Niger Delta suffers much

neglect. Its peoples are impoverished in the midst of so much wealth; their lives are constantly endangered on account of oil exploration activities resulting in perpetual damages to the eco-system and the environment (July 24,2000:20 cf Adefulu 2001)

It is therefore not out of place to demand restructuring of the fiscal arrangements in favour of the region that lays the 'Golden egg' considering the unsalutary effect oil exploration activities have had on the economic life of the people in the Niger Delta region and the danger of oil pollution and spillage, environmental degradation etc to which they are exposed (Bello-Imam, 1990:29). Lastly, and relating to the resource control/derivation palaver is the issue of resource allocation which has generated a lot of heat in the polity from the commencement of the present operational political dispensation in 1999 till the present moment. Resource allocation which ordinarily is an economic issue has turned into a political agenda because of the 'high political content' contained in its discourse. Arriving at an acceptable formula for sharing federally collected revenue has been problematic and thorny between the three tiers of government. This is because each governmental structure raises

argument of mismatch between responsibilities and revenue. The experimented formula and the sharing principles have witnessed high content of intrigues, power play, sectional interest and partisan politics. For instance, sharing revenue on the basis of land-mass does not only depict sectional interest but also erroneously shifts development away from the people, thereby making development land-focused instead of being people oriented. The adopted formula in use presently is allocated in the ratio of 52% to the federal government, 26.7% to states and 20.60% to local governments. This again depicts the ubiquity and dominance of the federal government in the allocation of responsibilities and revenue, subjecting in the process other sub-national governments to the whim and caprices of the over bloated federal government. The domino tendencies of the federal government became apparent when it unilaterally created the excess crude account from which it draws revenue without appropriate legal frameworks and the approval of other federating units (States) in a system that should ordinarily be 'independent and co-ordinate'. As observed by Tinubu:

the excess crude oil account is illegal and I therefore urge the governors of the 36 states of the federation to

challenge it at the courts because the constitution states that all revenues from the nation's resources must be paid into the federation account (National Mirror 2013;2).

The development has reinforced the super ordinate/subordinate relation in Nigeria's fiscal federalism and this has had unsalutary effect on effective intergovernmental relations especially at the vertical level. The evolution of the Nigeria Governor's forum, another instrument of conducting intergovernmental relations in the fourth republic, has only been to challenge the ubiquity and the overbearing powers of the federal government particularly on matters affecting both levels of government. The forum is strongly advocating a significant cut in federal government's powers of the purse in favour of states and local governments who arguably are more visible in state-citizen relation, suggesting therefore that federal revenue should be allocated in the ratio of 35% to the federal, 42% to states and 23% to local governments on the basis of geographical configuration, demographic spread, social development and regional revenue drive (www.transformation.com).

The different contortions Nigeria has witnessed in revenue allocation debate, resource control

agitations and jurisdictional allocation of responsibilities and power between the different levels of government have been responsible for a static fiscal federalism and the underdevelopment syndrome the naturally endowed but artificially incoherent country and managerially deficient country has experienced in the fourth republic. This has unprecedentedly increased the demand for political restructuring that can guarantee a true Nigerian federation.

CONCLUSION: Towards an Improved and Developmental Fiscal Federalism

Formulations on the theory and practice of fiscal federalism in Nigeria are numerous and growing (Akpan 1995, Akpan 2004, Akinsanya 1989, Olutayo 1998, Adefulu 2001, Adebayo 1998, Mbanefo and Egwaikhide 1998, Oketa 2001 etc). But one reducible conclusion as instructively observed by Adefulu (2001:78) is that the sharing of federally derived revenue, a seemingly contentious issue has generated fierce competition and partisan politics among the federal, state and local governments in Nigeria. However, to achieve a developmental fiscal federalism, it is expedient to take pragmatic initiatives and harmonize plausible options dynamic enough to resolve challenges that arise from federal-state-local fiscal relations. One of such is the recognition that the

current federal structure of Nigeria is arguably defective thus it is more than expedient to restructure the whole polity to reflect 'true federalism' that institutionally copes with the twin but difficult tasks of maintaining unity while also preserving diversity (Jinadu 1971:13) and in which federating units are coordinate and independent (Where 1953:10).

The demand for political restructuring becomes more imperative as many insurgent groups and ethnic militias have unprecedentedly seized the fourth republic on accounts of inequity, injustice and lack of fairness in governance processes. The politics of restructuring is however the daunting challenge the country faces. This is because the process of restructuring through constitutional re-engineering has been highly politicized with various schools of thought polarized between whether the process should be anchored by the current legislature which is 'popularly' elected by the electorates or 'a sovereign assembly of nationalities' in the country to decide the yet to be resolved national questions which bother on how the various nationalities would continue to live together while deriving maximum benefits from the union, the system of government suitable and practicable for the country and the methods of sharing political power, all in a bid to decide who

gets what, when and how. Intergovernmental fiscal relation, which in principle, is an economic matter has become more of a political issue essentially to achieve sectional and particularist interests. It is incontrovertible, as usefully noted by Dudley (1982:8) that the major political issue in Nigeria today is not the unity of the country, but of the distribution of wealth.

True federalism will engender economic competition, efficient and effective resource mobilization and utilization which would have salutary implication for development. The argument put forward here is that states and even local governments should be constitutionally allowed to control resources gifted them by nature and located within their jurisdictions while the federal government should assume the position of a regulator, facilitator and enabler of economic activities with the power to collect royalties/taxes on these resources to execute federal projects. Sub-national governments need to be better empowered in terms of responsibilities and powers of the purse since they are closer to the people at both urban and grassroots level. The implication of the above is that more powers and responsibilities are devolved to sub-national governments to allow for even and rapid development. By extension, politics at the centre would look

less attractive but more focused and issue-based.

Second, states and local governments should as a matter of reality focus more on economic entrepreneurship rather than political entrepreneurship in order to boost their internally generated revenue and create more wealth within their domains so as to move out of their dependency syndrome. Oil has undoubtedly created more crises (economic, political, and ethnic/communal) in Nigeria than it tended to solve. The dynamic management of economic resources by the Lagos state government saved it from sudden and impending economic crises and possibly collapse when the

Obasanjo administration deliberately 'raped' the constitution with impunity by withholding federal allocations meant for the local governments in the state between 2004 and 2007 on the ground that the former created additional local government councils without federal approval. But dynamism in economic entrepreneurship and fiscal operation can only be realized when the rule of law operates in its highest form free from political maneuvering. Constitutionalism is therefore a recipe that can ensure and guarantee a smooth, unhindered federal-state-local fiscal relation in Nigeria.

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About the Author

Oni Ebenezer Oluwole was born in Ibadan. He had his Primary and Post Primary education in Ibadan before proceeding to the department of Political Science, Olabisi Onabanjo University Ago-Iwoye, Ogun State Nigeria, where he obtained a Bachelor's degree in Public Administration. He also holds a Master's degree in Political Science from the prestigious University of Ibadan, where he is presently running a Ph.D programme in Political Science. Oni has an enviable academic record as he emerged the best graduating student in the pioneer set of Public administration at the Ago-Iwoye School of Politics and Administration and also emerged one of the best students in his master's class. Oni Ebenezer has previously worked with the Center for Democratic Values and Practices (CDVP) as a Democratic Governance Program Manager. He took part in several International and national consultancy projects on governance, human security and disaster management. He presently teaches in the department of Political Science and International Relations, Crescent University Abeokuta Ogun State specializing in Democratic governance, Public Policy and Administration.