

Fiscal Federalism: The Bane of Socio-Economic and Political Development in Nigeria

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Abstract

Since 1914 when the incongruous people from different parts were brought together in the name of amalgamation, the country Nigeria has not actually been acting as one Nigeria. Though the country came together with the principle of federalism and its workability, the empirical study has shown that there is no unity in diversity as earlier envisaged. The typical Nigerian is a self interest person of me, I and myself, very nepotic and ethnic oriented personality. However the economic autonomies of federalism has also not been fully implemented as started by the principle of federalism. This has brought some acrimony among some sections of the country as they demand to control their resources or have greater share of the revenues therefrom. Also the unity of Nigeria has been questioned due to the cognitive phenomenon, thereby replacing meritocracy with mediocrity. This paper seeks to analyze the federalism alongside Nigeria polity and revenue/resource allocation vis-à-vis the unity of Nigerian and proffer means for lasting peaceful resolution.

Key Words Fiscal Federalism, Politics of Revenue Allocation, Socio-Economic Development, Political Development

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Introduction

Nigeria is a nation brought together by the British government (our colonial masters) not out of cultural affinity, nor religious belief, not even due to ethnic bondage, nor geographical location, neither due to economic development nor administrative uniformity, not even due to social understanding nor tribal resemblances or identity. It was merely due to political convenience. Hence, the British creation of the country - Nigeria and the amalgamation of Southern and Northern protectorate in 1914 gave birth to the social problems and lack of unity in Nigeria. The problems of Nigeria started by amalgamating incongruous people together. The imperialistic ideology of our colonial masters contributed greatly to the problems of unity in political and social life of Nigerian people. The issue of conglomeration of different Nigerians into a unified national system called federation has been a very serious issue of discourse. In other words, the concept of federalism is the main problem of unity in the political and social system in Nigeria.

Though there may be so many postulations as to the political and social problems of Nigeria, but for the concise attention of this paper we would concentrate on political issues regarding federalism, revenue distribution and the inherent unity. Political issues are such issues concerning power and its acquisition (Chikendu 2005), but Lasswell (1936) aptly summarized political issues as such issues involving who gets what, when and how for the purpose of acquiring power or position to effect decisions which is being guided by individuals or groups. For Ujo (2004), it is the process of reconciling interest in organized group while Easton in Nnoli (2003) believes that political issues are the issues of authoritative allocation of resources. Social issues are such issues that relate to the well being of the people, and they are such issues as health management, education, shelter, industrialization and employment, portable water, and electricity etc. All the factors that would enhance development and alleviate poverty are related to socio political problems. They include such factors that enhance the standard of living and increases per capita income of the people within the society.

Federalism is a situation or political setting of federal political orders where authority is divided between sub-unit and the centre (Onah, 2006). The sub-units maintain some elements of authorities, especially, as regards resource control and governance.

The Genesis of Political and Social Issues in Nigeria

Between 1806 and 1946 the Southern and Northern Nigeria maintained relatively fiscal autonomy, the 1946 Richards constitution recognized the three regions of Nigeria of Northern, Western and Eastern Nigeria (Nigeria, 1946). Later in 1963 the region of Mid-Western Nigeria was created. This action which aim was to bring development, rather, brought over zealously, tribalism, marginalization, nepotism and suspicion.

In 1948 Governor Richards noted that the creation of Nigeria as a single country was by accident by the British sovereignty. He maintained that it is still far from being a single country or one nation socially or even economically, as there are deep differences between the major tribal groups. They do not speak the same language and they have divergent customs and ways of life and they represent different stages of culture (Ifesinachi, 2006). This clearly shows how the people of Nigeria presented themselves in 1940s. The problems of unity and federalism had been nagging issues since 1940s hence in 1948 Abubakar Tafawa Balewa stated at the federal legislative House that the basis of unity in Nigeria was only superficial since the Southern people were not infusive with the Northern tribes who also looked at these southern people as invaders in the north (Reps proceedings of March 4th, '48). Even Obefemi Awolowo in 1947 maintained that Nigeria was merely a country by name as the people in the Southern part of the county is pathologically different from those in the Northern part and this was shown in the ways of their lives and behaviour (Awolowo, 1947).

There are so many activities and alliances that clearly show that federalism and sentiments in Nigeria have been the bane of Nigeria unity and peaceful coexistence. They reflect in the fiscal federalism and revenue methods as shown below.

Politics of Revenue Allocation and Federalism in Nigeria

Agitations and counter agitations by political pundits and pressure groups led to constant review of the revenue allocation. Between 1946 and 2000, about eleven revenue commissions had been constituted. These were due to constant agitations of people especially the political and social analysts. In fact by 1929, Sir, Graerme Thomson officially submitted to the Secretary of State to authorized the implementation of the Native Authority to retain 75% of the proceeds of direct tax to enable them carry out their task effectively and efficiently and for easy development. This, of course, could be assumed to be the chronological development of revenue allocation of **derivatives**. Also by 1935 Sir John Maybin- the then governor of Nigeria

permitted the raising of retentive tax fund from 50% to 60% for the native authorities of Buma and Kaima. He maintained that these Native Authorities were very poor and behind other native authorities in Nigeria thus the increase in the allocation would help them develop faster and also help in even development. By so doing the foundation for revenue distribution based on **needs** was laid.

Politics of revenue allocation and federalism became very typical and sensitive issues in Nigeria between 1945-51 Phillipson Commission which was entrenched in 1947 and was popularly referred to as Richards Constitution brought in revenue sharing formula. The Phillipson Commission recommended revenue allocation based on three principles, viz. derivation, even development and population (Onah 2006). In fact, the commission identified the sources of the revenues as revenues collected by the federal government e.g. Customs and exercise duties and those revenues that have implication on the national policy etc. The distribution was 50% (fifty percent) for the federal government and 50% (fifty percent) was distributed to the regions based on the above principles of derivation, even development and population.

The criticism that trailed the Sir Sydney Phillipson Commission led to the appointment of John Hicks and Sir Sydney Phillipson to review the revenue allocation and recommend a more acceptable revenue allocation for the government, hence, Hicks Phillipson Commission of 1951 – 1953 was part of Sir Macpherson constitution. However, the Macpherson constitution was short lived due to the constitutional changes which was made to give a more autonomy to the three regions. Another very sharp criticism over the issue of Hicks Phillipson revenue commission was the control of government collection of custom duties and tax on Premium Motor Spirit (PMS) , which proceeds were distributed among the regions proportionately to their consumption.

The politics of revenue allocation has been a major issue in the economic and socio-political discussion in Nigeria. The North was always agitating for increase based on needs and population that could enhance even and progressive development. Sir Louis Chick was appointed the fiscal commissioner in 1953 and was asked to make a healthier recommendation that would strengthen the self government of the regions of 1954. Hence, Chick Commission of 1953 was made and came into effect in 1954 (Nigeria 1951 –1953).

The politics of revenue allocation and custom criticism led to the establishment of other commissions such as Raisman commission of 1958,

the Binns commission of 1964 and Dina commission which was set up in 1967 to look into the revenue distributions based on the splitting of the nation into twelve states. Though the committee changed the Distribution Pool Account to States Joint Account and considered the sharing formula to include derivation, basic need, national interest and balance development.

A major shift in revenue allocation was in 1970 through Decree 13, of 1970. This Decree reverted the export duties which used to go to the states and was to be shared 60% and 40% for state of origin and federal government respectively. The federal military government decrees on revenue allocation continued to receive amendments almost yearly till 1977 when the government appointed Professor Aboyade technical committee to look into the revenue formula of the government and come up with a more acceptable recommendation. Among the terms of reference for Aboyade technical committee were to;

- examine the revenue allocation formula with a view to determine its adequacy in line with population, equality of status among the states, derivation, geographical peculiarity, even development, national interest and representation from federal and state government, etc,

- Recommend a new proposal as necessary for the allocation of revenue among the federal, state and the local government and also between the states and the local government.

- Make necessary recommendation for the collection and distribution of the federal and state revenue (Federal Government Gazette on Revenue 1977).

Aboyade technical committee made its recommendation and it was accepted (though with some modifications). The committee recommended for all the federally collected revenues to be pooled into the federation account and be allocated therefrom among the federal, state and local governments. It is noteworthy, here, that the local government started receiving their revenue allocation directly from federation account as the third tier of government after the Aboyade's committee submission of its requirement for the share proportion of 57% 30% and 10% for federal, state and local government respectively with the remaining 3% for special grant. Though Aboyade technical committee de-emphasized derivation, it was presumed to be very technical and such could not be entrenched in the 1979 constitution on the basis of its technicality hence a call for more acceptable revenue sharing formula.

By 1980 Puis Okigbo commission which was set up in 1979 due to pressure for an acceptable revenue allocation among the tiers of government

and special areas. Okigbo's commission was mandated to examine and make recommendation on the formula for revenue allocation with regard to;

- National interest, derivation, population, even development equitable distribution and equality of states.

- Make a more acceptable recommendation on revenue allocation sharing formula among the federal, state and local governments and between state and local governments recommend more effective collection of federal and state revenues and the distribution of such among the three tiers of government etc.

Okigbo, commission recommended revenue allocation sharing formula to be 53%, 30% and 10% for the federal, state and local governments respectively and also recommended 7% as special fund which should be distributed among federal capital territory (FCT), mineral producing areas, derivation, ecological problems, and revenue equalization fund (Okigbo 1980). On its acceptance, the federal government effected some changes as 53%, 35% and 10% for federal state and local government respectively. The government directed that the state revenue allocation of 35% should be applied as follows; equality of states – 30.5%, ecological problems – 1.0%, and derivation principle – 3.5%. (Nigeria 1982). This system of revenue allocation formula, just as the previous ones, also received political and social criticisms but the federal military government through their decree only effected changes regarding to derivations. Derivation of 2% was to be drawn from revenues relating to directly from the state in which minerals were extracted while 1.5% went into fund for the development of mineral producing areas of the country.

However, the constitutional amendment of 1999 recognizes the establishment of Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) which was established by the federal military government. On establishment, the Commission's duties include the following:

- Monitoring the accounts and effecting distribution of revenue from federation account

- Reviewing from time to time, the revenue allocation formula and principle in operation to ensure compliance. with the changing economic realities

- Advising the government on the fiscal efficiency and methods of increasing /raising their revenues.

- Make recommendations based on findings to the governments as regards the formula for the distribution of the federation account, etc. (RMAFC, 1999)

Since 1990, there have been slight changes on revenue allocation formula. By 1995 it was 48.5%, 24% and 20% for the federal, state and local government respectively while 7.5% was reserved for derivation.

The current revenue sharing formula which has been in use since 2005 is as follows; Federal government 47.19%, State governments 31.10%, while 15.21% is for the local governments and 6.5% Joint management fund (to be distributed as follows; ecology fund 1.5%, mineral development 1.75%, agricultural development 1.75% and 1.5% as reserve fund). Also, 13% derivation based on horizontal formula arrangement has to be provided from the State and Local governments shares. The above explanations were necessary so as to show how sensitive the issue of revenue fund has been. The issues of revenue allocations have been the dominant topics in Nigeria since 1940s.

Oil Revenue and Federalism in Nigerian Political System

Though the politics of revenue allocation and resource control have been ding-dong affairs for a very long time the issues got exacerbated by the discovery, exploration, sale and the management of oil revenue in Nigeria. The politics of oil revenue has really made Nigeria a polarized state. In fact with the discovery of oil, Nigeria drifted from Agro-based nation to oil based nation. Most of the goods, being exported like groundnut and cotton from the north, palm produce from the east, while cocoa and rubber from the west were de-emphasized and in fact they were almost stopped. Hides and Skins which used to be the pride of the Northern Nigerians were no longer remembered. The government attention was over focused on oil because it became the bench mark for the federal government budget.

Revenue allocation became the state government's benchmark for their budget proposals. The discovery/exploration and sales of oil have made the government not to think of the alternative sources of revenue. In fact the Udoji salaries and wages review of 1972 (Popularly referred to as Udoji Awards) was outright injection of fund into the society through jumbo pay of salaries. This was due to the oil boom of 1970s and ever since then, the three tiers of government have been receiving revenue allocation based on oil, excess crude oil and other ancillaries that are being associated there from. The oil revenue has been the crux of agitation of the Niger Delta people who constantly complain of exploitation and neglect. In fact, their main agitation is to control the resources or at least have more shares of the revenues of the federation pooled account. The Movement for the Emancipation of Niger Delta (MEND) and other pressure groups from the zone have been

complaining for the control of their resources and have been causing a lot of damages to the national polity.

Politics of Federalism as the Bane of Unity in Nigeria

As earlier stated, the problem of Nigeria started shortly after the amalgamation. It had been agitation and protestation of various groups including the women folk (e.g. the Aba women riot of 1929). The real political problem gained much pressure in 1930s when the minority ethnic group started agitating for being marginalized, and sometime out right negligence on political appointment and economic/social development. On political issue these groups complained of political exclusion in key political appointments and total negligence in elective offices as their population could not effect electoral desires/interest.

On Economic/Social issue, they complained of not benefiting from the economic gains of the regions especially from the revenue allocation of area derivation. The Northern Region concentrated development in major cities of Kano and Kaduna whereby the cotton, groundnut, hides and skins which revenues were retained at 50%. While the resources came from various parts of the North, the wealth distributions there were indeed very sectional. The West had the same problem of marginalization and lack of even development (Aigbokhan, 2006). The over-centralization/concentration of development facilities in such cities as Ibadan and Lagos at the expense of other cities created bickering among the people of the west and this was part of the reasons that caused the ferocious attack during election in the area since 1954 to date. It suffices to note that in 1960s, the main income of the west used to be retained at 50% as derivation. The Eastern region was not exceptional to this lopsided socioeconomic development. In fact, the proceeds from palm produce and coal gave the East economic prominence, yet in the development, it was never evenly effected. The concentration was much more in Enugu with skeletal effect in Port Harcourt.

On the political and electoral process, the minorities complained of absolute marginalization hence the 1963 Isaac Borroh led secession bid. During the various military regimes of 1966 to 1999 (except a brief period of 1979 to 1983) oil became the main source of revenue for the nation and as such, a source of unearned income for our military leaders and politicians who saw such venture as a conduit pipe for siphoning the fund for personal and group interest of the bourgeoisie, hence, revenue equation changed. Oil became national oil and its income became national income. Oil and its income became main income of the Federal Government hence various

decrees were promulgated with a view to make ownership of oil be of federal government own with little attention to the ecological problem and toxic nature of the oil producing areas. Derivation was almost jettisoned as little attention was paid to the producing areas. These have been the main agitations of the Niger Delta people.

The exploration of oil has not only exploited the people but has made the areas toxic/polluted environment in terms of agricultural economy. The sale and distribution of the proceeds has no recourse to the people as the government gave little attention to the socio-economic development of the people and their areas. The marginalization of the people looked real as revenue allocation took the inverse relation to the 1960s and even colonial era. The people of Niger Delta have been agitating for, not only political marginalization and lack of adequate revenue allocation but also for environmental degradation, payment of royalties by oil companies who bastardized their areas in the name of exploration with utmost disregard to the human right violation and abuse. This politics of Federalism has not only been reserved to Niger Delta people only but the government of Nigeria and all political and social analysts especially those from minority areas. The issues are degenerating to global affairs as the conglomerates (especially the oil companies) are affiliated to the developed countries of the world.

The Problems of Constitution and Federalism

As stated earlier the main political problem of the nation called Nigeria is the application of federalism, federalism by definition is a situation whereby the center and the sub units are economically autonomous and administratively responsible for most of their activities, i.e. a situation whereby there is devolution of constitutional responsibilities of power between the centre and regions/sub units. In other words, the states/regions (the sub units) and the centre share sovereignty. An ideal federal system should have independent revenue control mechanism or rather opportunity for the state/region to control/manage the resources from their areas. In practice, Nigeria's federalism is a mere gimmick as it ends at the pronouncement of the word federation.

The state has no control of the resources. In fact the Land Use Decree of 1976 arrogates the land and its resources to the federal government in addition, all mineral resources that is six feet deep or beyond belongs to the federal government (Land Use Decree, 1976). These laws were made so as to strip the Nigerian people off of asking for their inalienable rights to the resource from their areas. The Center Government controls every major

activities of this nation, thereby, making the Nigerian Federation a Federalism only by name as the branches (i.e. states) have little or no power or influence in major economic/social issues such as mineral resources, revenue allocation/distribution and of course the armed forces of Nigeria.

The constitution of federal republic of Nigeria is another ambiguous document of the nation. The constitution rather than separate and clarify issues muddles the issues to the extent that laws are mostly made by the judiciary through the interpretation of constitution or its opinion on any ambiguity of the constitution. This has made experts and constitutional analysts to consistently calling for an outstanding constitutional conference that would be embracing and people's oriented, rather than handed us the opinion of the military government apologists and appointees. A situation in which the State Government and Federal Government go to court for interpretation of the constitution, (due to its ambiguity), calls for questioning.

The Electoral Reforms which ought to have been a good guide for electoral processes are being politicized due to the self interest of the leaders.

Cognitive Phenomenon and Federalism in Nigeria

Nigeria is country with incongruous ethnic nationalities and culture. This has brought a lot of suspicion, self interest and politics on any national issues. The common question of every Nigerian on who holds the power, is which tribe? And of which extraction? In every situation the idea of who knows the authority and how best to get at the authority is what is in vogue. Knowing the Chief Executive or knowing somebody who has connection to the Chief Executive is an assured way of getting what one desires of, or is interested on in Nigeria. Merit is off board as name alone covers the merit, and ability to proper introduction of oneself is the main criteria in any interview in Nigeria.

All these have really posed a very big problem to the unity and progress of Nigerian federalism.

Conclusion and Recommendation

The constitution of Nigeria in its preamble states; "we the people of Federal Republic of Nigeria, having firmly and solemnly resolved to live in unity and harmony as one indivisible and indissoluble sovereign nation under God dedicated to the promotion of inter-African solidarity, world peace, international co-operation and understanding; and to provide for a constitution for the purpose of promoting the good government and welfare of all persons in our country on the principle of freedom, equity and justice,

and for the purpose of consolidating the unity of our people ; do hereby make and give to ourselves the following constitution” (Nigeria 1999).

It is therefore necessary to adhere to the principle of the constitution by living peacefully and maintaining justice. The problem is that there cannot be peace in a volatile environment. In other words, for peace to reign there must be justice. If the government enthrones justice in its activities, including the resource control, absolute peace will prevail. The moment every Nigerian sees himself as a Nigerian, and not to indulge in tribalism or be ethnic, then absolute unity and political progress will emerge. A situation whereby one is referred to as foreigner in his country simply because he is not from that state is very absurd.

Also the principle of merit should be assured, so as to bring competition and excellence in every activity involving governance. This will enhance productivity and general development.

The principle of federalism should be fully applied. Federalism as being practiced in developed countries such as the United States, will enhance unified, peaceful, political and socio- economic development. It will encourage the states to look inward and develop economic independence. The issue of resource control and dependence on revenue allocation from the federation account and other federal sources of revenue, such as, revenues from excess crude oil, income from excise duties, etc, would be de-emphasized. Rather the whole system should be constituted in such a way that high taxes be paid to the federal government on revenues generated from such mineral resources that yield high income, provided such resources are left for the people to control their resources by themselves. The bane of socio- political issue in Nigeria is poverty. In fact the popular adage that a hungry man is an angry man manifests very clearly in Nigeria.

Finally, the issue of cognitive melodrama and access to authority on the basis of familiarity should be discouraged. This system only breeds mediocrity and not meritocracy.

The prospect of a true Nigerian is very bright in the essence that the problems of political unity and federalism have been identified. A problem identified is half solved.

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