NIGERIAN STATE: DIALECTICS OF REVENUE ALLOCATION AND RESOURCE CONTROL

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ABSTRACT

Revenue Allocation, otherwise Fiscal Federalism or Resource Distribution is one significant issue that has become intractable and devoid of any agreeable solution since the formation of the union called Nigeria. It is an issue that could not be resolved by the colonialists who handed the mantle of leadership to the indigenous nationalist the petit-bourgeois that has been at the helm of affairs. In a federation, revenue allocation is a major index of inter-governmental relations. It is the process by which the national wealth or "cake" is distributed or shared among the component units. The national wealth or Resource could be natural or accrual in either ways, it means that component units are not equally or evenly endowed. Some are richer than the others. This is the scenario that the Nigerian state faces as some states are richer, better endowed and loaded with opportunities than others. As a result, at the level of states there is the issue of economic and financial mismatch in the Federal State called Nigeria where the issue of Revenue allocation has generated heated debate and attracted more commissions to handle than any other issue since amalgamation of the two regions North and South. This paper takes a critical look at the state actors at the Federal and Inter-governmental levels in the politics of revenue allocation. Also, it throws a searchlight on the economic parameters of income generation, cake-baking to enhance the revenue base with the belief that without sufficient revenue to be shared, the issue of revenue allocation or fiscal federalism will remain problematic.

Key words: Fiscal Federalism, Resource Control, Nigerian State, Sub-National States, Principles of derivation, Inter-governmental relations.

INTRODUCTION:

Revenue allocation also referred to as resource distribution, fiscal federalism or even resource control or any other terminology to describe the sharing of resources equitably between the various levels of governments in Nigeria has remained problematic in the evolution of the state. The unveiling of Sidney Philipson report of 1946 which has given preponderance to the centre in allocation of national revenues marked the genesis of the problem of the Nigerian federation. Although its application at the inception of the republic 1960 – 1966 up to 1970 did not adversely affect the regions negatively as each region was self-reliant, but the usurpation of political power by the military dramatically changed the content of federalism to Unitary and even though in theory Nigeria is a federal state, in practice everything suggests a unitary state in which there has not been a smooth working relationship in the vertical intergovernmental fiscal relations and the inability to break forth technologically. The situation was made worse as oil became the primary source of revenue for the state, such that it accounted for over 80% of all federal revenue and 90% of foreign exchange earnings.

In this scenario where the federal government has a preponderance share of allocation, apology to all the commissions and committees setup to find a most equitable formula for the vertical sharing of federally collected revenues - the Federal Government has always had a lion's share disproportionately bigger in relation to the other levels of government.

This paper wishes to examine the Nigerian state in relation to the unending clamour for resource control but more so that the problem is extant as well as ecologically induced factors to the nation such as poor leadership, economic mismanagement, ethnicity and general poverty in which over 50% of the population is enmeshed. With this introduction serving as background, Chapter one will examine statement of problems critically looking at class antagonism and the rentier state. Chapter two will focus on the dilemma of Nigerian state. The third chapter will look critically at revenue allocation and economic implications. Chapter four will round up the paper with concluding remarks.

STATEMENT OF PROBLEMS:

Power relations and class antagonism in Nigeria's political economy-

The issue of resource control or fiscal federalism cannot be adequately appreciated without examining the distributive pressure on the rent from oil by the respective national governing elites representing various local bourgeoisie political and economic elites from both the north and south. Because of the overwhelming position of the central government as the major custodian of the rent from oil, the battle for sharing has moved from the region to the federal. In essence, as remarked by Suberu (1999) *the preponderance of the federal government of Nigeria over all foreign – related matters has been largely but not exclusively, due to prolonged military rule and the tendency for stifling of the all – important concept of non-centralization by the military*. Thus, except for the brief period of fiscal regionalism in the 1950's, the predominant feature of vertical inter-governmental financial relations since the Sidney Phillipson report of

1946 has been the progressive concentration of financial resources in the centre and the concomitant emasculation of the states and localities. And so, the political class represented by the various local bourgeoisies as the capitalist (though not in the sense of Karl Max as they are non-productive but partners in the sharing of the *federal rent*) and the rest of the population as the proletariats. The fact as noted by Igweshi (2010) is that the political elites that took over governance from the colonial masters were economically weak and thus sees the oil boom as opportunity to enrich themselves at the detriment of the oil producing areas. While Okorie (2012) quoting (Ibenokwe 2000; Joakin: 2005 and Okorie: 2008) was of the view that cultural diversity, religious fanaticism and primordial politics wrapped in the selfish politicking of the political class results in the agitation for resource control and revenue distribution in Nigeria. After all, as recognised by James. O' Connor (1973) in allotments of money, reflect social and economic conflicts between classes and group. It is clear that a major contributory factor to the volatilizing of Nigeria's inter-governmental fiscal relations over the years has been the discovery of oil since the 1970s and its emergence as a single source of national revenue accounting for well over 70 percent. While the state and local government depend heavily on the revenues from the federal government. But as remarked by Olowononi (2006) that the revenues allocated statutorily to the state governments have not fostered any sense of financial responsibility on the part of state and local governments as they have become inefficient in the meagre funds they get. As a result, agitation for resource control has ended up in the purse of the political class while the rest continue to languish in poverty. While Elaigwu (2005) noted that participants in the political arena forget that there are two aspects to the issue of equity in distribution

(1) The increase in the production of allocatable resources; and (ii) the nature or basis of the distribution of these among groups. In Nigeria, there is more emphasis on the distribution of scarce but allocatable resources than there is concern about the increase in the production of resources to be shared. On the part of the Federal Government, which control the greater part of the revenue and on whom the other tiers depends has not done anything to transform itself from the rentier state to a real player as productive, determinant state in charge of controlling exploration, exploitation, exportation and marketing of the oil in the international market. In other words, what the country gets presently from oil (i.e. the rent), is nothing but

a fraction from what the expatriate companies are making. It is this fraction left to the state that the entire fiscal federalism revolves which is the basis of intra-ruling class squabble and the controversy over which regional faction on class will control the oil revenue. This is the dilemma of a rentier state, which has given rise to a poor leadership, economic mismanagement, ethnicity and poverty.

THE DILEMMA OF NIGERIAN STATE:

The Nigerian State from inception has been saddled with the dilemma of how to equitably share the national wealth among the component parts that make up the federation. Nigerian State, a creation of British colonialism is a country of extraordinary diversity and as such, one of extraordinary complexities. This complexity is a reflection of the avalanche of ethno-cultural and religious groups co-habiting the territory and the intricacies of interaction among them (Majekodunmi, 2012).

The dynamism and complexity of Nigeria's federalism has attracted academic scrutiny. This is because it has generated so many problems capable of threatening the corporate existence and continuity of the country (Arowolo: 2011). The establishment of the Nigerian Federal structure dated back to the 1946 adoption of Richard's constitution which granted internal autonomy to the then existing regions of Nigeria. Also, the adoption of the Littleton Constitution of 1954 laid further credence to the Federal structure of Nigeria (Nwosu: 1980; Adeola: 2012).

As remarked by Olowononi (2004) that revenues allocated statutorily to the state and local governments have not been judiciously used. In fact, they have become inefficient in the use of the funds they get. These governments have been found to spend on questionable projects. Also noteworthy is the fact that, the revenue allocation formula has not sufficiently given incentives to these governments to exploit fully their own sources of revenue. Rather, they have found it more rewarding to concentrate their energies on attempting to obtain larger transfers from the federally collected revenue than attempting to generate more revenues internally..

Table 1: Percentage Distribution of Revenue Allocation to States in Nigeria

1980 – 1989

State	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Akwa-Ibom								1.6	4.1	4.1
Anambra	5.1	5.1	5.5	5.5	5.5	5.1	5.6	5.5	5.4	5.4
Bauchi	4.1	4.2	4.3	4.3	4.3	4.1	4.4	4.3	4.2	4.2
Bendel	10.0	8.9	7.0	6.9	6.9	5.9	6.4	6.5	6.3	6.4
Benue	4.2	4.2	4.5	4.5	4.5	4.1	4.5	4.4	4.3	4.3
Borno	4.6	4.6	4.9	4.9	4.9	4.6	5.0	4.9	4.8	4.8
Cross River	5.2	5.1	5.3	5.3	5.3	4.9	5.4	4.3	2.9	2.8
Gongola	4.3	4.3	4.5	4.5	4.5	4.2	4.6	4.5	4.4	4.4
Imo	6.4	6.3	6.1	6.1	6.1	5.5	6.0	6.0	5.9	5.9
Kaduna	5.4	5.5	5.9	5.9	5.9	5.5	6.0	5.0	3.4	3.4
Kano	6.7	6.8	7.4	7.4	7.4	6.8	7.5	7.4	7.3	7.3
Katsina								1.6	4.2	4.1
Kwara	3.6	3.6	3.6	3.6	3.6	3.4	3.7	3.6	3.5	3.5
Lagos	3.4	3.4	4.0	4.0	4.0	3.7	4.0	4.0	3.9	3.9
Niger	3.2	3.2	3.1	3.1	3.1	2.9	3.2	3.1	3.0	3.0
Ogun	3.5	3.5	3.5	3.5	3.5	3.2	3.5	3.4	3.3	3.3
Ondo	4.4	4.4	4.7	4.7	4.7	4.4	4.8	4.7	4.6	4.6
Oyo	6.3	6.4	6.7	6.8	6.8	6.8	6.9	6.8	6.7	6.7
Plateau	3.9	3.9	3.9	3.9	3.9	5.0	3.9	3.9	3.8	3.8
Rivers	10.0	10.5	6.8	6.8	6.7	5.6	6.1	6.2	6.0	6.2
Sokoto	5.8	5.8	6.3	6.3	6.3	5.9	6.4	6.3	6.2	6.2
FCT			1.9	1.9	1.9	1.7	1.9	1.0	1.5	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	98.5	100.0

Source: Federal Ministry of Finance

Table 2: Statutory Revenue Allocation to States in Nigeria, 1992–95 (%)

State	1992	1993	1994	1995
Abia	2.34	2.65	2.74	2.88
Adamawa	3.44	3.46	3.03	3.10
Akwa Ibom	4.15	3.26	3.11	3.95
Anambra	2.73	2.587	2.54	2.66
Bauchi	4.23	3.98	3.55	3.68
Benue	2.59	3.92	2.96	2.66
Borno	2.25	2.92	2.95	3.63
Cross River	2.4	2.56	2.74	3.25
Delta	2.80	3.29	3.36	3.51
Edo	1.99	2.69	2.52	3.54
Enugu	2.43	2.53	2.89	3.62
Imo	3.84	3.34	3.21	3.13
Jigawa	4.0	2.84	2.87	2.96
Kaduna	3.12	3.61	3.98	2.44
Kano	3.34	5.26	5.54	4.13
Katsina	5.52	4.26	4.32	4.03
Kebbi	2.29	2.56	3.28	2.72
Kogi	2.42	2.71	2.29	2.40
Kwara	2.18	2.35	2.56	2.15
Lagos	5.25	3.34	3.21	3.35
Niger	1.94	2.56	2.85	2.97
Ogun	2.26	2.83	3.02	2.58
Ondo	2.71	2.22	3.55	2.88
Osun	4.04	3.23	3.22	3.36
Oyo	4.58	3.08	2.96	3.36
Plateau	2.95	3.67	3.47	3.50
Rivers	5.34	4.77	3.48	4.72

Sokoto	5.02	4.78	3.60	3.92
Taraba	1.87	2.41	3.46	2.56
Yobe	2.74	2.40	2.73	2.77
FCT, Abuja	3.14	3.64	3.96	3.58
Total	100.0	100.0	100.0	100.0

Source: Central Bank of Nigeria, Annual Report and Statement of Accounts, various issues, Lagos.

REVENUE ALLOCATION AND ECONOMIC IMPLICATIONS:

The Nigerian Revenue Allocation has left the states and Local governments in weak fiscal capacity. The existing expenditure assignment appropriated all the essentially economic and financially viable functions to the Federal Government while the States and Local Governments are given functions with high investment outlay and low return (Vincent: 2001). Also, Nigerian Federal system has over the years been characterised by a bogus centre which, through the instrumentality of fiscal centralism, has continued to initiate a process through which there continue to exist a progressive reduction in the share of the other components of the federation. Thus, both the states and the Local councils have been reduced to mere *beggars* whose fate is determined by the Federal Government (Olajide: 2006). This has been the basis of strained vertical intergovernmental financial relations in Nigeria and it provides explanation to why the Nigerian federation has not experienced a stable polity and sustainable development. Thus, 52 years after independence, dominant concerns and worries still relate to how best and satisfactorily national wealth should be shared (Olajide: 2006).

Table 3: Sectoral Contribution to Employment Generation

Description	2001	2002	2003	2004	2005
Total working population	100	100	100	100	100
Agric. Hunting, Forestry & Fishing	54.75	59.50	59.49	59.26	60.88
Mining & Quarrying	0.16	0.15	0.14	0.14	0.14
Manufacturing Industries	1.78	1.52	1.75	1.74	1.9
Prod. & Dist. of Electric, Gas & Water	0.82	0.72	0.88	0.88	0.90

Building & Construction	0.66	0.56	0.56	0.56	0.57
Comm. Repairs of Auto & Domestic Art	0.28	0.20	0.20	0.2	0.22
Hotels & Restaurants	0.21	0.19	0.19	0.19	0.20
Transport, Storage & Communication	0.89	0.87	0.85	0.86	0.87
Finance & Intermediation	0.83	0.54	0.58	0.57	0.59
Real Estate, Renting & Bus. Activities	0.16	0.13	0.13	0.12	0.13
Public Admin. & Defence, Comp. Soc. Sec	12.45	11.03	10.47	10.5	0.13
Education	20.18	18.56	18.01	18.25	19.88
Health & Social work	0.63	0.41	0.60	0.61	0.62
Others	6.21	5.52	6.17	6.13	6.2

Source: National Bureau of Statistics; the Nigerian Statistical Fact Sheets on Economic and Social Development, June, 2005.

The second economic implication of the present allocation system is the poverty of states arising from uncompetitivenesss due to over reliance on statutory allocation from the Federation Account. This in effect has turned Nigerian Federalism into uncreative and dependent state. This situation arises fundamentally from the reversal of revenue accruing to the Federal Government which now controlled important taxes previously controlled by the regional government, up till 1967, the regional governments were fiscally buoyant in relation to the Federal Government. With the creation of twelve states in 1967, which rose to thirty six in 1996, the existing expenditure assignment gave all the essentially viable functions to the Federal Government while the state and Local governments are given functions with high investment outlay and low returns (Vincent: 2001; Olowononi: 2004; Adesina: 2004) For instance, the sources of revenue of Federal Government included such as petroleum profit tax, mining rents and royalties, company incomes tax, customs and excise duties (Olowononi: 2004) while the states have personal income tax, entertainment tax, capital gains tax, stamp duties, estate duties, motor vehicle licences and registration fees. (Olowononi: 2004). In other words, states are allocated minor taxes which unfortunately have low yields and high cost of administration, for instance, between 1991 and 2000, internally-generated revenue of state governments averaged 17.6 percent, that of Local Governments averaged 6.8

percent. Both state and Local Governments therefore depended on externally generated revenues which are the Federation Account and Value Added Tax to execute their programmes. In other words, between 1991 and 2000, the revenue accruing from these sources by State Governments counted for 80.8 percent on average, while the Local government received 93.2 percent for the same period. The amount of revenue available to these levels of government explains their weakness in providing and maintaining social services (Vincent: 2001)

Table 4: Poverty Profile for Nigeria (Percentage of Poor People in Total Population)

Factor	1980	1985	1992	1996	2004
National	28.1	46.3	42.7	65.6	54.4
Geopolitical Zones					
North East	35.6	54.9	54.9	70.1	72.2
North West	37.7	52.1	36.5	77.2	71.2
North Central	32.2	50.8	46.0	64.3	67.0
South East	12.9	30.4	41.0	53.5	26.1
South West	13.4	38.6	43.1	60.9	43.0
South Central	13.2	45.7	40.8	58.2	35.1
Sector					
Urban	17.23	7.8	37.5	58.2	43.2
Rural	28.2	51.4	46.0	69.3	63.3
Gender of Head of Household					
Male	29.2	47.3	45.1	66.4	NA
Female	26.9	38.6	39.9	58.5	NA
Size of Household					
1 Person	2.0	70.0	29.0	13.1	12.6
2-4 People	8.8	19.3	19.3	59.3	39.3
5.9 People	30.0	50.5	51.5	74.8	57.9
10-20 People	51.0	71.3	66.1	88.5	73.3

more than 20 People	80.9	74.9	93.3	93.6	90.7
Education of Head of Household					
None	30.2	51.3	46.4	72.6	68.7
Primary	21.3	40.6	43.3	54.4	48.7
Secondary	7.6	27.2	30.3	52.0	44.3
Post Secondary	24.3	24.4	25.8	49.2	26.3

Source: Adapted from the National MDGs Report 2005, National Bureau of Statistics 1999, 2005 and NEEDS, 2004. (Obiechina, 2007)

CONCLUSION:

In Nigeria the politics of fiscal federalism or revenue allocation as been analysed in this paper has tended to make the states and local government uncompetitive and dependent. They are neither given financial incentives nor encouraged to generate sufficient revenue internally. In fact, they are giving minor taxes which unfortunately have low yields and high cost of administration. The states and local governments therefore depended largely on the Federation Account and Value Added Tax revenue to execute their programme. The fiscal relations on the other hand, has given excessive powers to the Federal Government than the other tiers, portraying federal government as too big and domineering in its relationship with the other sub-units in the sharing of revenue. As a result, the practice of fiscal federalism is a centralised one, whereas, as argued by scholars that for a truly and sustained federalism, there is the need for a fiscal decentralisation and financial autonomy. This politics of centralisation has made it expedient for federal government to transfer revenue to the states and local governments to meet the imbalance between functions and revenue accruing to them. This is the crux of the matter, the inability to design an equitable revenue formula in the sharing of funds from the federation account making revenue distribution the most debatable and sensitive issue in the union. As a result, lasting solution to the issue is a necessary factor to the stability of the nation.

Paradoxically, increases in revenue generation in Nigeria over the years from petroleum and taxes has not been matched by economic growth or wealth creation for the populace. The economic scenario as demonstrated in this article shows a country that is ranked among the poorest in the world despite enormous resources which points to the urgency of addressing the lopsidedness in revenue generation and equitable distribution among the constituent units of the Nigerian federation.

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