

THE NORTH AND POLITICAL ECONOMY OF NIGERIA REVENUE ALLOCATION IN NIGERIA

Eme Okechukwu Innocent¹, Anyadike, Nkechi²

*¹Department of Public Administration and Local Government Studies
University of Nigeria, Nsukka*

*²Department of Public Administration and Local Government Studies
University of Nigeria, Nsukka*

ABSTRACT

The current controversy between Northern Governors and their Southern Counterparts, over how oil revenues accruing to the Nigerians should be shared has created a deep gulf in the ranks of the governors. In the last few days, the governors have been polarized under ethnic and regional lines over who gets what from the Federation Account. Political and opinion leaders across the polity have also joined the fray politicians in the nineteen (19) northern states want the fund to be abolished or its percentage significantly reduced because its sustenance not only puts the north at a disadvantage but also poses danger for the part of the country where literacy, poverty, ignorance and general backwardness are on the rise. The oil producing states, on the other hand are determined to fight back to protect their right and push for a progressive increase in the derivation formula up to 50 percent to cushion the impacts of years of marginalization and environmental degradation by the oil companies in the region political watchers fear that the oil producing states could revive the age long agitation for total resource control or demand a review of the current derivation formula from the current 13 percent to 50 percent. All seem not lost for the North. The region may begin to enjoy a special derivation from solid minerals based on ongoing arrangement by the Revenue Mobilization and Fiscal Allocation Commission (RMFAC). Despite the criticisms there are indications, that the north was ready to go the whole hog as the region recently set up the ten (10) Committees to harmonise its interest. The paper concludes by positing that the Northern agitation is rather, a product of deep seated envy and parochial interest.

Keywords: Fiscal Federalism, Derivation Principle, Fiscal Commission, Intergovernmental Relations and Political Economy.

INTRODUCTION

The Federal Government, recently, said Nigeria earned a total of N5.561 trillion from oil and gas in 2011. The Federal Government, in its revised 2011 to 2014 Revenue and Expenditure Framework document obtained by Vanguard, disclosed that after deducting the 13 per cent derivation fund, the country was left with N4.838 trillion for distribution to the various levels of government by the Federal Account Allocation Committee, FAAC.

However, the Federal Government is projecting a 21.35 per cent drop in oil and gas earnings to N4.374 trillion in 2012, while the amount accruable to oil producing states under the 13 per cent derivation formula is expected to drop to N568.59 billion in 2012, with N3.805 trillion available for distribution by the FAAC.

Also, government is projecting total oil and gas revenue of N5.174 trillion and N5.249 trillion for 2013 and 2014 respectively; 13 per cent derivation distribution of N672.63 billion and N682.38 billion for 2013 and 2014, while projected balance of oil revenue available for distribution by FAAC is N4.501 trillion and N4.567 trillion for 2013 and 2014 respectively. The 13 per cent derivation fund accruable to oil producing states has been a major issue of contention, over the past years, with some non-oil producing states calling for its discontinuance, while some oil producing states are calling for increase in the figures.

The Governors of the 19 Northern states had a couple of days back advocated a review of the revenue allocation formula due to what they called perceived inequality in sharing of the country's revenue. The governors are of the opinion that the current revenue sharing formula will not help in promoting equity, adding that until equilibrium is achieved, they would not give up.

The Northern governors also called for a review of laws on the ownership of oil blocs in the continental shelf. According to the Northern Governors, all oil blocks outside the 200 kilometres of the continental shelf should be shared as a commonwealth, rather than allowing a few states to share the proceeds.

Also, the Arewa Consultative Forum, ACF, had said it would press for a review of the present revenue sharing formula on the basis of what it claimed was the increasing financial disparity between the north and the south.

The ACF declared that the Niger Delta states and other oil producing states have lost their leverage on oil revenue, given the fact that 78 per cent of the nation's oil revenues are now obtained offshore.

However, South-South leaders and other economic analysts have kicked against this argument by the Northern leaders, saying the ongoing debate has brought to the fore the need to review Nigeria's fiscal structure.

They called on the northern leaders to undertake a tour of the riverside oil communities of the Niger-Delta by boat to see the difficult terrain, degradation and pollution to fully realize the implication of their demand.

According to them, it is a well known fact that the South-South had remained consistent in their quest, over the years, for a review of the revenue allocation formula on grounds that the 13 per cent derivation to oil states was insufficient, and so, for anybody to say that 13 per cent should be further slashed was insulting.

Professor Anya Anya had told *Vanguard* recently that the Northern governors' clamour was reflective of a desperate effort of a failed leadership which superintended the affairs of the country for 38 years out of her 51 years existence as an independent nation. He said,

What the Northern governors were asking were some of the problems they created during the 38 years the north held the leadership of the country. They brought the problem to being. They should start interrogating their leaders on what they did to alleviate poverty when they ruled the country (Eme and Elekwa, 2011).

Also commenting on the issue, Senator Victor Ndoma-Egba, Majority Leader of the Senate and leader of the Senate South-South caucus, said,

It is something that could go either way. If you recall, historically there has been this agitation by the South-South that 13 per cent is inadequate. For me the time has come to take a totally new look at the fiscal terms of our federalism. We have to review it because what we are using now has its origins not in negotiations but from the days of the military and since then we have been doing incremental adjustments here and there. We must go back to the basis and negotiate the fiscal terms of our union (Eme and Elekwa, 2011).

Put differently, the call by the Governors of the 19 northern states for a review of the revenue allocation formula is not new. Similar calls have been made in the past regarding the imbalance in the nation's revenue sharing formula. However, the call from the north did not strike the right chord. It veered off the mark when it was presented as a northern agenda.

While inaugurating the Advisory Council of Sir Ahmadu Bello Memorial Foundation recently, the Governor of Niger State and Chairman of Northern Governors' Forum, Dr. Muazu Babangida Aliu, stated that the current revenue formula needs to be reviewed to reflect current realities. He lamented a situation where some states in the South receive allocations that are 20 times or more those of some of the northern states. This, he said, has led to a situation where certain parts of the country are not doing well while others are doing exceptionally well. But if Governor Aliu did not go far enough in underlining the angst of the north over the current revenue formula, the Governor of Central Bank of Nigeria, Mallam Sanusi Lamido Sanusi, a northerner, brought the northern position into sharper focus when he decried what he saw as the low allocation to the northern states from the Federation Account.

He linked the on-going violence in the north to the uneven distribution of the country's wealth and submitted that it was necessary to focus funds on regenerating other regions in the interest of long-term stability of the country. The need to review the current revenue formula in which the Federal Government gets the lion's share of the country's resources cannot be overemphasized. With the Federal Government's 52.68 percent, States 26.72 and Local Governments 20.6 percent, it is glaring that states and local governments are not well represented in the revenue allocation formula ().

Quite a good number of concerned Nigerians have made this point in the past. The argument is that fiscal federalism is not guaranteed by such an arrangement. As a country of federating units, no one unit should be made to go cap-in-hand before the other. The present arrangement also makes the centre a lot more powerful than the other units. The fierce competition for political offices at the federal level has, sometimes, been linked to the financial preeminence of the federal government.

However, the northern governors and Sanusi got it all wrong when they presented the problem as if it is peculiar to the North. The fact is that apart from the few oil-rich states of the South that receive huge monthly allocations, the other states of the south are as disadvantaged as the states of the north. Any advocacy for a review must therefore recognize this fact. To seek to regionalize an issue that affects the entire country is to weaken the force and import of whatever merit the issue has.

Sanusi did not help matters when he failed to draw a line between his office and his regional affiliation. As CBN Governor, he should have spoken like an expert, not as a northerner. Besides, he should have striven to offer an informed and unbiased perspective on this matter. But his lack of circumspection led him to assume, rather wrongly, that the current revenue allocation formula is decidedly in favour of the south. It is not. We expect commentators and analysts who choose to speak on issues such as this to strive to illuminate them rather than draw wrong parallels. If they do that, we will not be saddled with regional or sectional outcries such as the one emanating from the north.

However, we recognize the prevalence of poverty in the north. Even though poverty is a third world phenomenon and affects the entire Nigeria, we are aware that it is more extreme in the north. But the right reasons have to be sought for this state of affairs. The problem of extreme poverty in the north is largely traceable to the low level of education among the people and their cultural norms and attitudes which permit and promote dependence as against the competitiveness that the south is known for. The north needs to work toward dismantling this cultural hang-up. Therefore, if poverty is less prevalent in the south, it is not because the states of the region receive huge allocations, it is because individual quest for self-attainment is very pronounced in the region. Nigerians should always strive to advance the right arguments on issues so that an all-important issue such as revenue allocation formula is not made to wear a sectional garb.

The essence of this paper is to examine impact of Northern Nigeria's position on revenue allocation vis-a-vis their clamour for a review of revenue allocation in Nigeria

CLARIFICATION OF CONCEPT:

Intergovernmental fiscal relations

Fiscal federalism belongs to one of the three theories of public finance (Ndubuisi, 2009:116). Fiscal federalism is concerned with the existence of a multilayer system of government, which necessitates corresponding division of functions and resources between different layers of tiers, such as federal, states and local governments. Kujubu and Akujuobi (2006:16-24) assert that fiscal federalism is a function of devolution or decentralization of powers between the segments of governments. Especially in the emerging economies, where lower-tier governments are bestowed with powers under the constitution or particular laws, to raise taxes, earn income and carry out some responsibilities within clearly defined criteria (1996:35). Polinsky (1970) goes beyond sheer definition of fiscal federalism to neutrality; centralized stabilization; and such other supplementary criteria as: correction of spillovers; minimum provision for essential public services; and equalization of fiscal position. Wallace Oates in Akujuobi and Akujuobi (2006:21) recommends fiscal federalism because, as he argues, not all public goods have similar spatial characteristics and preferences. In

their submission, Akujuobi and Akujuobi (2006:23) maintain that true principles of fiscal federalism are not practiced in Nigeria because control of natural resources is in the hand of the central authority than within states and local governments. Eke (2007:4) corroborates the assertion and states that whereas local governments are relegated to pseudo-tier of government in Nigeria, the states and federal exercise measurable autonomous power and authority although both states and local governments are financially dependent on federation allocations.

The deplorable dangers of tokenism are much evident in the central control of resources in Nigeria under section 43; subsection 3 of the 1979 Nigerian Constitution which orders.

...the entire property in and control of all minerals, mineral oils and natural gas in, under or upon the territorial waters and the exclusive zone of Nigeria shall rest in the government of the federation and shall be managed in such a manner as may be prescribed by the National Assembly (Constitution, 1979).

To further perpetuate the odious deprivation of local access to natural endowments and resources, the Nigerian federal government under Yakubu Gowon scrapped the derivation formula and successive administrations have tampered with it to deny the other tiers of government, equity in revenue allocation thus the continuous agitation for resource control in Nigeria.

Put differently, intergovernmental fiscal relations covers such issues as models, for the assignment of responsibilities and tax powers, discussions of intergovernmental spill oils and intergovernmental grants, fiscal mobility and migration, vertical fiscal imbalance and dependence macroeconomic management and fiscal decentralization.

According to Egwaikhade (2004:1) several pertinent issues are discernible from the literature. First, is the problem of how to allocate revenue among the three tiers of government, such that each tier can carry out its constitutional assigned functions. There is vertical revenue imbalance with the federal government appropriating more than its fair share from the federation accounts. The revenue expenditure divergence is reinforced through increased fiscal centralization. Intergovernmental fiscal conflict is the resultant direct effect of the concentration process in Nigeria.

Second there is horizontal imbalance – unequal fiscal capacity among states. Derivation principle, which dominated the horizontal revenue allocation scheme between the late 1940s and mid 1960s, exacerbated the horizontal imbalance (Mbanefoh and Egwaikhide, 1988). It was advocated that this criterion should be de-emphasized or discarded since it promoted uneven development. Since 1970s when oil revenue started to account for a sizeable proportion of Nigeria's total revenue, the use derivation diminished to a negligible level. The third issue has to do with the oil production externalities in the oil-producing states which has climaxed to the demand for resource control by the Southern Governors and leaders.

Put differently, fiscal federalism in Nigeria has its legal basis laid in the constitution. For example, the 1999 constitution contains various clauses in the second and fourth schedules on the powers of the federal, state and local governments and also on the system of revenue sharing and management of public funds. Details of these are contained in sections (i) 162-168, items 59 (part i), item A 1a, b and 2 part (ii) D 7-10 in

the second schedule, item 32 a-c in the third schedule and item: 1b, section 7 of the Fourth schedule respectively.

Fiscal federalism according to Anyanwu (1997:159) "... implies the co-existence of both national and sub national governments which perform the economic functions required by the society or an association of two or more levels tiers of government within a country". He goes on to argue that "the method of taking collective decisions is predetermined and that it is relatively efficient".

For the purpose of this paper, Fiscal federalism describes the division of fiscal resources and responsibilities among levels of government. It deals with problems arising from the situation of divided political jurisdictions within an economically integrated state-system. It covers efforts to define the appropriate functions and finances of the various tiers of government as efficiently and complementarily as possible to maximize welfare of the political community. Intergovernmental fiscal relations covers such issues as models for the assignment of responsibilities and tax powers, discussions of intergovernmental spillovers and intergovernmental grants, fiscal mobility and migration, vertical fiscal imbalance and dependence, macroeconomic management and fiscal decentralization.

THEORETICAL FRAMEWORK OF ANALYSIS

This paper will adopt the radical political economy approach as its framework of analysis. Economic structuralists believe that economic structure determines politics. That is the structuralists contend that society is divided between have and have-nots and that the former work to keep the latter in order to exploit them. To change this, economic

structuralist favour a radical restructuring of society and the economic system designed to end the uneven distribution of wealth and power. The structuralists can be divided into two major camps. The first is the Marxist Theorist Group, which sees the state and Capitalism as inherent sources of economic evil. The second group includes dependency and world system analysts, who do not necessarily share the view of the evils of capitalism. Instead, they advocate fundamental reforms to end economic oppression. Marxism is perhaps the best-known strand of structuralist thought. Communalist ideology, associated with Karl Marx, maintains that the economic order determines political and social relationships. Thus, the distribution of wealth and the struggle between the propertied and powerful bourgeoisie and the poor and oppressed proletariat is the essence of politics.

According to Beckman (1983) "the theory and method of Marxian political economy is based on historical and dialectical materialism" (Beckman, 1983:106). Momoh and Hundeyin, (2005) adds: "Marx believes that it is the material existence of an individual that determines his/her consciousness. Marxian political economy thus gives primacy to the material existence and production of the society, especially the role of the economy in the study of society. For the sake of emphasis, the commoditization process is the basis of the scientific analysis of the Marxian political economy. According to this approach (especially under capitalism), those who control the means of production (economic/sub structure are those who also control

the polity (super structure), to this extent, the societal ideology, values, philosophy, legal and political institutions all reflect and reinforce the economic interest of the dominant ruling class. It is only this approach that has strongly established the linkage between the economy and policy. The state therefore is an organ of oppression by the ruling class. It exists as a result of the irreconcilable antagonisms between the bourgeoisie and proletariats contrary to the claims of bourgeois political economy that states, exists as a neutral entity regulating conflicts among social forces in the society. This assertion has led to accusation by bourgeois scholars that Marxists analysis amounts to economic determinism or a unilinear analysis of society. This claim can hardly be sustained because what Marxist analysis emphasizes is the role of the economic as the determinant in the last instance" (Momoh and Hundeyin, 2005:46). According to Ibeanu, the very separation of the state from the economy is a capitalist phenomenon. To understand why this is so, we need to understand the nature of production relations in class societies generally, and subsequently, their specificity under capitalism. In a society divided into classes, the commodification relations appear as a double interaction:

(a) The interaction between man as the agent of production and the objects and instruments of labour, and through this,

(b) Relations among these agents of commodification, which are class relations. These two interactions involves

1. The relationship between the non-worker (the owner) and the objects and instrument of labour, and
 2. The relationships between the direct producer (the worker) and the objects and instruments of labour.
- These relationships define two crucial issues. First, they define economic ownership. By this we mean the real economic control of the means of production that is, "the power to assign the means of production to given uses and so to dispose of the product obtained" second, they define possession that is, "the capacity to put the means of production – always corresponds with economic ownership. "It is the owners who have real control of the means of production and thus exploit the direct producers by extorting surplus labour from them in various forms" (Poulantzas, 1975: 18-19, Ibeanu, 2006:5)

This approach is characterized two major distinguishing features in terms of orientation:

1. it stresses the dynamic character of social reality and relation and
2. it assumes the relatedness of the different and complies elements of society.

Applying this approach in the analysis of the study to the Nigerian situation, the analysis goes as follows: it is only under capitalism that the direct producer loses possession of the means of production, leading to the emergence of the "naked worker". This occurred by forceful mean initially (primitive accumulation). But, importantly, underlying all of these elite perceptions and struggles and the mobilization of identities to garner popular support for their political projects is the imperative of capital accumulation dependent on the character and role of the Nigerian state in capitalist development as nurtured and conditioned by its colonial origin and the mono-cultural and rentier nature of the modern, post-colonial Nigerian economy. (Jega, 2003:17) Critical to understanding these, is an appreciation of the nature and character of the postcolonial sate in Nigeria. Many scholars (e.g.: Graf, 1988; Forest, 1993; Joseph, 1987; Diamond, 1986.) have identified capitalist rent

seeking; patrimonialism as the major characteristics of the postcolonial Nigerian state. Some have even fancifully referred to the Nigerian state as a 'rogue state' (e.g. Joseph, 1996). These characteristics have combined with one another, and with many others, in complex dynamics, to undermine the Nigerian state's capacity to discharge those fundamental obligations of a modern state to its citizens, such as socioeconomic provisioning, guarantee of fundamental rights and freedoms, ensuring law and order and facilitating peace and stability as preconditions for growth and development. Those who have presided over the state have tended to personalize power and privatization collective national resources, while being excessively reckless in managing the affairs of the nation. Indeed, the state has become the prime mover of capitalist development and class formation, with all the associated contradictions that this is wont to spew up. As noted elsewhere, in Nigeria: The ruling class derived both its origin and wealth from the state, around which it gravitates, using every available means to secure power and access. Hence, in the competition and struggles for state power, especially in the period of economic crises, identity politics become heightened and tend to assume primacy. The state tends to resort to politics of identity for its legitimation, while those excluded tend to resort to identity politics to contest this exclusion. The state, thus, is projected as the critical variable in identity transformation, and the resurgence of identity politics (Jega, 2000:19) According to Jega (2003); the colonial state pursued a capitalist development strategy initially through the promotion of primary commodity production for export, through which foreign commercial interests established a firm footing in the Nigerian economy; facilitating the rise of an indigenous commercial comprador class and the introduction of capitalist relations of production. Subsequently, in the postcolonial Second World War epoch, manufacturing enterprises controlled by foreign capital burgeoned, with the growing comprador classes playing a supporting role. With this came an accelerated process of urbanization and proletarianisation, the development and consolidation of capitalist production processes and relations.

Jega (2003) goes on to posit that the role of the indigenous class in the capitalist production processes and accumulation increased in the era of decolonisation, as foreign capital sought willing partners to protect its investments, and then even more swiftly in the postindependence period when the post-colonial state became a prime mover of capitalist development. These forces of self-serving "urban parasites" repressed oppositions (middle class professionals and the working/unemployed poor) by justifying their actions using capitalist ideology. The self-serving "urban parasites" in the 1970s till date not only colluded with colonial trading and manufacturing firms, but also recruited from the critical organs of the state such as the police, the military, bureaucracy, the legislature, the executive and the judiciary and the state itself has been the major source, facilitator and protector of their wealth, either through deliberate policies, such as indigenization, economic reforms or through corruption.

Thus, given the critical role of the state in capital accumulation in the post-colonial epoch, political contest for the capture of state power became intense, more with the expanded revenue base it came to acquire from oil and gas earnings, which rose dramatically and profoundly in the late 1990s. Clearly, also, this phenomenon is associated with, if not directly caused by, the dynamics of the accumulation processes under

economic crisis and economic reforms, as dominant social forces compete for access to the state for its power and resources.

According to Jega, "the onset of economic crises in Nigeria in the decade of the 1980's, which was accompanied by the introduction of structural adjustment programme (SAP) by the Babangida regime, gave rise to a profound crises of legitimacy of the postcolonial state (Olukoshi 1993; Fadahunsi and Babawale, 1996; Jega, 2000). SAP was acclaimed to have, not only structurally adjusted the Nigerian economy to the requirements of global capitalism, but also created mass poverty in Nigeria. (Jega 2002:37). As noted elsewhere:

The incidence and magnitude of poverty has increased dramatically in Nigeria since the 1980's, with the result that about 67% of Nigerians are decisively entrapped in conditions of acute poverty. Poverty has ravaged communities and families, it has torn the moral fabrics of society, and it is now threatening the country with violent eruptions. Most of the recent violent ethno-religious and communal conflicts can also be explained by poverty, joblessness and intense competition over scarce resources and services both in the urban and rural contexts. The mass of unemployed youth in both the rural and urban areas of Nigeria need little motivation or mobilization to partake in riots and 'reprisal attacks', given the inducement or 'opportunity' for looting that often accompany these. Thus, poverty and joblessness, especially amongst the youth, are important causal and facilitating factors in violent conflicts.

Such objective economic conditions nurture the subjective conditions of frustration and aggression, which create conducive atmosphere for violent conflicts to erupt (Ayoade and Jega, 2002).

From the analysis above, we posit that the problem of fiscal federalism lies in the material relations and ordering of human needs and aspirations. In short, fiscal federalism forms the foundation upon which societal coalescence: acquiescence and dissent are built and appreciated. In Nigeria, constituent nationalities live in mutual suspicion, fear and weak tolerance. As a result of this, the issue of fiscal federalism has remained largely disagreeable, contentions and disaggregating. This continuously undermines social cohesion, social engineering and national integration. The fallout of these disaggregating indices leaves the polity in a throes of break up trained in parochial and ethnic contraptions.

The scenario expressed above is germane and re-enforcing. Thus, fiscal federalism as a policy in Nigeria reflects these conflicting views whose fundamental thesis is conflict. For instance, Tanko Yakasai, a leading voice in the north told Newswatch recently that: If you look at the situation before the introduction of derivation in the country, how many banks were controlled by people from the Niger Delta? Go and find out. But today, with the 22 so-called mega banks, who have the controlling shares in majority of these banks? ...The banking industry is owned by indigenes of the Niger Delta through one way or the other is going into the private pockets of some individuals thereby turning them into the richest people who now own majority shares in the banking industry (Akpan, 2012:7).

The impending stand-off, between the northern and Niger Delta States will be a continuation of the battle started in 2005 National Political Reform Conference, on the same issue. At the conference, northern delegates ganged up to block every move by their South-South delegates to push for a progressive increase

in the derivation formula up to 50 percent (Eme, 2011). The controversy which the issue sparked off raised tempers on both sides resulting in the decision of the South-South delegates to walk out of the conference. But now, the battle is over whether the derivation principle should be retained or not. The governors of the 19 northern state are now using the existence of the fund as an excuse for their failure to deliver on their election promises. Some of them even attribute the emergence of Boko Haram to the existence of derivation fund for the benefit of oil producing states only.

Okolie (2009) adds that the pre occupation of constituent nationalities which masked and manifest primordial, mundane and ethnic cleavages and credentials arising out of unacceptable revenue allocation formula has unleashed unpatriotic and micronationalism, which in turn, reproduces micro-ethnic contextualized domestic policy orientation. A revision of the above, lies in redressing the revenue allocation formula towards the direction of derivation principle, improving the productive capacities, and enhancing the competitiveness of the economic structures of constituent nationalities, and more importantly, institution a just, responsive and legitimate political order.

The fallout of these agitations include low development of productive forces and primitive accumulation private regarding interests. That is, the pre-occupation of the Nigerian state remains essentially econo-political accumulation and rapacious appropriations. Thus, little or no regard is given to national cohesion and development.

A REVIEW OF REVENUE ALLOCATION IN NIGERIA

Fiscal federalism has been widely discussed by scholars because of its importance in ensuring stability of the country. What actually goes to each tier of government concerns every individual. In his words, Jega (2007) said:

States quarrel with the federal government and local governments quarrel endlessly with state ...state bicker and contest their allocations relative to others..

Watts (1970:115) similarly observed that, federal finance is a controversial subject because, it affect its allocation of administrative responsibilities, the political balance within a nation because the level of government with major financial resources has political control and the assignment of fiscal and expenditure powers will determine which governments are able to use these instruments control the economy. Thus, in Nigeria, the nature of fiscal federalism and revenue allocation formula places the federal government at a vantage position and hence controls the economy.

In a pluralistic society such as Nigeria, the revenue allocation formula tends to naturally assume political religious and social dimensions. At this juncture let us pay tribute to Riesman Revenue Allocation Commission of 1957 (CBN, 2000:160) whose recommendations, among others saw the establishment of a Distribution Pool Account (DPA). Arising from the same recommendations, the following also came up: Section 162 (1) which states, that: "*the federal government shall maintain a special account to be called the Federation Account "into which shall be paid all revenues collected by the Government of the Federation...."*" (FRN 1999:66).

Similarly Section 192 (3) of the 1999 constitution establishes the need for distribution of revenues in the Federation Account among the tiers of government. The said document puts it this way:

Any amount standing to the credit of the Federal Account shall be distributed among the Federal and State Governments and the Local Government Councils in each state on such terms and in such manner as may be prescribed by the National Assembly.

When Sir Arthur Richards (Lord Milveton) divided Nigeria into three regions, in 1954 and Nigeria became a federation, a commission headed by Sir Louis Chick was set up the same year to work out revenue sharing formula. The commission recommended that the total revenue available to Nigeria be allocated in such a way that the principle of derivation be followed to the fullest degree, for the purpose of meeting the reasonable needs of the centre and each of the regions, among others. The 1954 federal constitution embodied most of the recommendations of the commission, especially the derivation formula.

Chick's formula was in operation from 1954 to 1958, when another commission headed by Jeremy Raisman was set up to replace it. The Raisman Report played down considerably the principle of derivation and instead placed great emphasis on population, which is regarded as an approximate index of fiscal need. It also emphasized the basic responsibilities of the regional governments as well as the need for an even development of the country as a whole. This recommendation was taken and thus the whole revenue allocation formula was reversed. This was the situation until independence.

The next fiscal review commission was appointed in 1964 and was headed by Binn. The report of the commission was not published until 1965. When it came out, it still emphasized on the use of the principle of fiscal need.

In May 1966, the military government under Major General Johnson Thomas Aguiyi-Ironsi abolished the federal system of government and formed a unitary system of government, with the centre taking lion's share of the resources from the states. After the countercoup of July 1966, General Yakubu Gowon promulgated a decree abolishing the unification decree of Ironsi and restored Nigeria to federal system of government. However, the Nigeria did not go back to the old four regions that controlled their resources. The military legislated for the whole country. This was the situation until the May 27, 1967, when the Military Decree No. 15, empowered the government to carve out 12, states out of the existing four regions.

Owing to the prevailing situation in 1967 during the creation of 12 states, what obtained was to subdivide federal transfers to each former four regions among the states in a particular region. This arrangement met with stiff opposition and criticisms because of its arbitrariness. This initial creation of states and subsequent ones saw the centre getting stronger while the regions, as replaced by states, are getting weaker.

Against the background of revenue sharing being an agitated issue, the Federal Military Government appointed, in July 1968, an interim allocation committee headed by Chief I.O. Dina, who submitted its report in February, 1969. The committee recommended that in distributing resources the fiscal needs of the states should be the determining factor. This is mainly on the side of distributing oil revenues. It recommended that only 10 per cent, as against 50 per cent, should go to the mining states, while the remaining 90 per cent should go to the other states through the Federal Government. The government never implemented this recommendation of the commission. Rather, during the period, between 1969 and 1974, the government relied on an interim allocation arrangement.

In 1975, the Federal Military Government promulgated the Revenue Allocation Decree to reverse the situation. This was a departure from the principle of derivation. The non-oil producing states benefited more from this arrangement.

During the Second Republic, President Shehu Shagari, in 1980, set up a commission headed by Dr. Pius Okigbo. It was the first in presidential system of government in Nigeria. The commission significantly raised the revenue of some states at the expense of others and, therefore, it negated the idea of balanced development in the country. The Supreme Court of Nigeria invalidated the Okigbo commission's recommendations. However, the revenue Act that was passed by the National Assembly in 1981 was based on the commission's report. According to the Act, the Federal Government was to receive 55 per cent of the allocation. State governments were to collectively get 30.5 per cent and local governments. 10 per cent. The remaining 4.5 per cent was for special funds. With this, the derivation principle was discarded in revenue allocation scheme.

The military government that took over from Shagari continued in arbitrary sharing of revenue. However, attempt to address the ecological problems caused by oil exploration in the Niger Delta received a

boost, when, in 1992, the military government of Ibrahim Babangida established Oil Mineral Producing and Development Commission (OMPADEC). During the build-up to the return of civilian government, because of the restiveness in the Niger Delta region, there was apparent concern about the declining security situation in the region arising from increased agitation from the oil-producing communities and its consequent threat to the economy. This made the 1995 Constitutional Conference to recommend that in sharing the revenue, 13 per cent should be set aside as derivation revenue to assist the development of oil-producing states of the Niger Delta to tackle the monumental neglect and degradation of the area.

The now contentious 13 per cent derivation principle was enshrined in the 1999 Constitution. The affected states started getting the 13 per cent from April 2000, 10 months Constitution on May 29.

It was not yet Uhuru for Niger Delta as the region had to contend with the contentious issue of revenue allocation and derivation formula is on the front burner of national discourse again. Specifically, the apex northern socio-political and cultural organization, the Arewa Consultative Forum (ACF) and the Northern Governors Forum (NGF) are demanding a review of the revenue allocation formula. The northern governors insist that the low revenue accruing to them is the cause of the underdevelopment of the region. In response, South-South leaders say the NGF is either uniformed, fishing for trouble or has deliberately set out to provoke the South-South. Meanwhile the Nigeria Employers Consultative Association says the only way to position the country on the path of genuine economic growth and development would be to adopt the principle of derivation, otherwise known as "resource control." For clarity, revenue allocation involves the Federal Government deciding on how revenue collected from the sale of crude oil is to be shared among the various states in Nigeria. The sharing formula has varied from as much as 50 per cent, during the First Republic, to as low as 10 per cent, during military dictatorships. In 1968, for example, 40 per cent of the total revenue was paid to the Federal Government and 60 per cent distributed to the states, states were allowed to keep 50 per cent of the taxes paid to them for exploitation of resources within their boundaries on the principle of derivation. In 1968, the allocation formula was reviewed, with 80 per cent paid to the Federal Government and 20 per cent to the state; 20 per cent to the local government; 7.5 per cent for special projects and 13 per cent derivation. It is note-worthy that the allocation to the states is shared on the basis of equality of states. In addition to this, the government also pays another 13 per cent as derivation to states where the resource, in this case crude oil, is generated.

The NGF is now calling for a review of the revenue allocation formula, insisting that the sharing formula must be based on population, rather than on equality of states, to 'reflect current realities. Governor Babangida Aliyu of Niger State, chairman of the forum, said it was unfair that Niger State got between N4.2 billion and N4.5 billion as monthly allocation while some other states received 20 times the amount. The demand has not gone down well with South-South leaders who have described it as unrealistic. The South-South insists that the subsisting 13 per cent derivation is insufficient, and any move to slash it amounts to an insult. According to them, the ACF and NGF should try taking a tour of the riverine oil communities of the Niger Delta by boat to see the difficult terrain, degradation and pollution there, to fully realize the implication of their demand.

Undoubtedly, the states need a greater percentage of revenue allocation. After all, the states and local government areas are closer to the people and are, therefore, in a better position to directly address the yearnings of the people at the grassroots. But the position of the NGF that revenue must be shared based on population, an area where the North has comparative advantage, going by the 2010 census, suggests that the NGF may be pursuing a northern agenda. Besides, there is no empirical evidence to support the claim that the North is underdeveloped because it collects less revenue; during the First Republic, the regions were able to adequately utilize their earnings because the Premiers were committed to improving the lives of the people. The same cannot be said about the present crop of leaders.

If the truth were to be told, the demands of the NGF are founded on greed. Revenue allocation was never an issue in the country until crude oil became the mainstay of the economy. In fact, in the early years of independence, the then three regional governments controlled their resources and paid tax to the Federal Government. The Northern Western and Eastern regions controlled 50 per cent of proceeds from the hides and skin, groundnut, legumes and other food crops from the North; cash crops like cocoa and kola nuts from the west; and palm produce from the east. Then the South-South had nothing and depended on whatever was extended to the area by the Eastern region government of which it was a part.

The three regions had a clear vision of what they wanted. The vision, which was progressive and complementary, not only made the regional governments economic power bases, it also made Nigeria a major exporter of agricultural products. In addition, the three regional governments used the resources from

groundnut, cocoa and palm produce, respectively, to embark on aggressive infrastructure development as well as industries that provided jobs for their people. Today, the groundnut pyramids of Kano have disappeared, the cocoa plantations in Ibadan are gone and the palm plantations are dead. Nigeria has gone from a food exporting country to a major importer. All this happened because emphasis has been on crude oil since 1959. The vast oil resources of the country have not led to development because the different geo-political zones are at each other's jugular as they continue to bicker over who controls the larger share of the oil wealth.

The northern governors should look inwards and use what they have for the benefit of their people. Unless state governors imbibe the culture of accountability and judiciously utilize the 'little' they now get from the Federation Account, no amount of money given to them will be enough.

Since 1954 when Nigeria became a federation, revenue allocation formula has always been a knotty issue, causing some resentments and frictions in the wheel of the nation.

Recently, the Niger State Governor and Chairman of Northern Governors' Forum, Dr. Babangida Aliyu, stirred the hornet's nest, when he attributed the underdevelopment of the North to the paltry allocations the states in the region receive from the federation account. He called for the scrapping of the 13 per cent derivation given to oil-producing states in the South, so that the states in the North will get more for development.

Governor Aliyu was echoing what the Central Bank of Nigeria (CBN), Mallam Lamido Sanusi, had said in an interview with Financial Times of London. The CBN governor said that the low financial allocation to the Northern State was the major reason for the underdevelopment and activities of such groups as Boko Haram. Indeed, since Sanusi flew the kite and followed by Aliyu's outburst, the arguments have polarized the nation along North and South divides, especially coming at a time when the agitation for restructuring and convocation of a national conference has reached fever pitch.

Intend with another issue: onshore/offshore dichotomy in oil revenue. They considered this a betrayal.

In 1978, the then military government of General Olusegun Obasanjo passed a decree, known as the Exclusive Economic Zone Act. The thrust of this decree or act is in Section 2(1), which states: "Without prejudice to the Territorial waters Act, the Petroleum Act or the Sea Fisheries Act, sovereign and exclusive rights, with respect to the exploration and exploitation of the natural resources of the sea bed, subsoil and superjacent waters of the Exclusive Zone rest in the Federal Republic of Nigeria and such rights shall be exercisable by the Federal Government or by such minister or agency as the government may, from time to time, designate in that behalf, either generally or in any special case."

The Federal Government interpreted this provision to mean that revenue derivable from offshore production of oil cannot be credited to the states to which that offshore geographically belongs, using the Offshore Revenue (Registration of Grants) Act, 1971 Cap. 366 LFN. 1990 as guide. On the basis of this interpretation, the Federal Government split oil revenue into 60 per cent: 40 per cent as onshore/off-shore revenue and proceeded to base payment of the minimum 13 per cent derivation revenue from the 60 percent. In effect, the Federal Government paid 7.8 percent of oil revenue as derivation rather than the minimum of 13 percent enshrine in the Constitution.

This issue of offshore/onshore was finally resolved by the Supreme Court that gave the offshore resources to the contiguous states and this why some states, particularly, Akwa Ibom, River, Delta, and Bayelsa go home with jumbo allocation.

If the report of the 2005 Constituents Assembly set up by former President Obasanjo saw the light of the day, the cry by the northern states would have been louder because the oil producing states demanded 50 percent as against the current 13 percent. The Constituent Assembly resolved to give them 25 percent. This was not, however, implemented.

The politics of resource control revisited

The discovery of crude oil in commercial quantity in Oloibiri in 1958 opened a new chapter in the economy of Nigeria; a country that prides itself as the most populous black country in the world and the giant of Africa. The black gold had since then opened opportunities for Nigeria economically and socially. Today, Nigeria is the seventh largest producer of crude oil in the world.

Though the enviable position has not reflected in the lives of the majority of the over 150 million Nigerians, it will be unfair to say that nothing has been achieved with the trillions of petrodollars that have accrued from oil exploration and exploitation in the Niger Delta. It is obvious that the beauty of Abuja, the nation's capital, can be attributed to the funds from the sale of crude oil drilled from the nine oil-bearing states. To accelerate the development of the region, Nigerians, at the 1995 Constitutional Conference, agreed that 13 per cent of the total oil revenue be earmarked for the oil-producing states. When the law became operational, Rivers, Akwa Ibom, Cross River, Bayelsa and Delta, began to enjoy 13 per cent oil derivation. Other states that have been getting the largesse from crude oil are Ondo, Edo, Imo and Abia.

The agitation for resource control by Niger Delta people was as loud as ever before the issue of derivation was concluded and documented. Many years have passed since then and environmental degradation occasioned by oil spills and gas flaring appear to have eclipsed whatever gains the 13 per cent derivation has brought. The pollution of the Niger Delta became an open sore that everybody could see. The United Nations Environment Programme was brought into Ogoniland to ascertain the level of damage in the area due to years of oil exploration and exploitation. The outcome of UNEP's findings was shocking as some communities in Ogoni were warned not to consume water from their areas. The people of Ogoni and other Niger Delta areas have been ruminating on how they could escape from consuming their local water, which had been certified to contain benzene; a substance that causes cancer. While the Federal Government has been unable to begin any clean-up exercise in Ogoni, the Northern governors are moving against the current sharing formula that allocates more revenue to the oil-bearing states as against what the Northern states receive.

Before the northern governors took a position on the vexed issue, the Governor of the Central Bank of Nigeria, Mallam Sanusi Lamido Sanusi, had criticised the lopsidedness in the revenue sharing formula in the country, even as he suggested that the situation might have been one of the reasons for the emergence of the Boko Haram sect that is causing mayhem in the northern part of the country. His views were later amplified and supported by the northern governors. The Chairman of the Northern Governors' Forum and Niger State Governor, Babangida Aliyu, had during a forum in Abuja, declared that the Northern states were not getting their fair share of the country's oil wealth. Aliyu suggested that revenue accruing from the continental shelf should not benefit the Niger Delta states alone. According to him, such revenue should be shared more equitably, taking into consideration the population of the states.

Aliyu, who cited Niger as an example, said the state received an average monthly allocation of N4.2bn and spent N2.1bn on salaries and emoluments, leaving it with about N2bn to service a population of over four million people. He observed that some states received 20 times more for a lesser population. The governor later re-echoed his position on the matter while delivering a lecture in Lagos when he said some states were living in paradise, while others were in need. According to him:

We must remember that the idea of common nationality implies that the resources of the nation should be considered as a common patrimony for the common good of all the citizens. We need to examine our revenue sharing arrangement to balance derivation with need requirements to guarantee the economic and political health of the nation (Ojiabor and Onogu, 2012).

Nobody mistook the fact that Aliyu was speaking the mind of Northern governors, even as the leading northern socio-political organisation, Arewa Consultative Forum, openly expressed its support for the position of the Northern governors on the need to review the national revenue formula. The ACF Secretary, Anthony Sani, had described the 'huge allocation' to the South-South as injustice, adding that the collection of derivation fund on offshore exploration could not be justified by the Niger Delta. Sani queried the rationale behind the allocation of N24bn to an oil-bearing state, while non-oil-producing states receive N4bn or less.

The deluge of reactions on the call for a review of the national revenue sharing formula was swift. The position of the Northern governors appeared to have annoyed some opinion leaders in the Niger Delta. A human and environmental rights activist in the region, Ann Kio-Briggs, said it was wrong for Northern

governors to describe the oil derivation enjoyed by Niger Delta as injustice. She recalled that the North had governed for 38 years out of Nigeria's 50 years in a multi-ethnic country, adding that no injustice could surpass that. Kio-Briggs said in a telephone interview with *SATURDAY PUNCH*:

"Kano has 44 local government areas, while Bayelsa has only eight local government areas; that is injustice. To get justice, let all the 19 northern states reduce their LGAs to eight. The population figure of Kano is not factual. It is inflated" (The Time Nigeria Editorial, P9).

Expressing shock over the position of the ACF, the Northern governors and the CBN governor on the revenue sharing formula, she said the North had opened the Pandora's Box that would be difficult to be shut. According to her, the CBN boss has made himself the spokesman of *Boko Haram* by relating the revenue sharing formula to the mayhem unleashed by the Islamic sect. According to her:

My question to them (Northern governors) is that what are they bringing to the table in Nigeria? The fire that is raging on the Atlantic is not affecting the people of the North, but the Niger Delta communities. The fact is that the North is getting a percentage of the oil revenue without bringing anything to the table for Nigeria (Daily Sun Editorial, P34).

Rivers State Commissioner for Information and Communications, Mrs. Ibim Semenitari, expressed surprise that the Niger State governor could call for an equal sharing of revenue. Semenitari explained that such demand was not expected at a time when people were thinking about resource control. She called on Northern governors to explore the opportunities at their disposal to shore up their revenue base, rather than wait for a review of the national sharing formula in their favour.

Also, the Concerned Advocates for Good Governance described as immoral, the agitation by Northern governors for a review of the sharing formula of oil revenue. CAGG had warned that the demand for equity in oil derivation could overheat the polity and urged the northern governors to have a rethink on their position over the matter.

The National Coordinator of CAGG, Mr. Olusegun Bamgbose, told our correspondent in Port Harcourt that Niger Delta had experienced a lot of deprivation in the past and deserved more funds than the northern states. Describing oil derivation accruing to oil-producing states as statutory, Bamgbose explained that the North should be grateful to the region for producing the wealth of the nation. He was of the view that while the country was still battling with the menace of the Boko Haram sect, adding that it was unnecessary for any person to begin to talk about revenue sharing formula. According to him, *"the agitation against oil derivation is immoral, unethical and unreasonable. If you don't want the giver, then you have to despise his gift. They (Northern governors) should not overheat the polity,"* (Eboh, 2012).

Similarly, a Niger Delta youth leader, Mr. Preye George, said Northern governors threw caution to the wind in calling for a review in the national revenue sharing formula. George recalled that the North enjoyed 50 per cent derivation during the days of groundnut pyramid, which came without any environmental degradation. He suggested that the North should invest in agriculture where it had comparative advantage rather than agitate for increased federal allocation.

However, as the Northern governors and the oil-producing states appear to be heading for a collision course, many observers believe that the FG should intervene and start speaking on the matter before it degenerates into a crisis that will be difficult to resolve.

Before Independence, different regions in Nigeria clamoured for the control of the natural resources in their territory or for certain percentages of the revenue generated from the exploitation of such resources as statutory allocation.

The agitation for resource control, which has been one of the most crucial aspects of national conferences, constitutional amendments and discourses of national unity, is presently rousing the polity in a fierce debate particularly between the leaders of the states in the Northern geopolitical zones and leaders of the oil-bearing states.

The debate, which started two weeks ago when the Chairman of the Northern Governors' Forum and Governor of Niger State, Dr. Babangida Aliyu, decried what he described as an unbalanced revenue formula, which favours the South-South at the expense of the North, is just a repeat of history.

The oil-producing states were quick to reply their northern counterparts and referred to themselves as "the goose that lays the golden egg." Figures of revenue allocation by the Federal Account Allocation Committee, published by the Federal Ministry of Finance, showed that oil states shared 13 per cent derivation fund of about N48.35bn in January 2012, with Akwa Ibom State getting the largest share of N12.58bn, followed by Rivers State, with N12.43bn, while Abia State had the least, N116.36m (Daily Sun editorial, P34).

However, out of the total amount of N238.6bn that went to the states and their local governments in January, Rivers State got the largest amount of N23.67bn, followed by Akwa Ibom State with N22.86bn, and then Delta State, which received N18.92bn, all being oil states in the South-South geopolitical zone (Eboh, 2012).

The state that received the least amount was Ebonyi State (South-East) with N3.34bn, followed by Ekiti State (South-West) with N3.47bn, and then Nasarawa State (North-Central) with N3.63bn. In the North-West geopolitical zone, Kano State got the highest amount of N7.10bn, while Zamfara with N4.10bn got the least. In the North-East, Borno State got the largest amount of N5.23bn, while Gombe State with N3.97bn got the least in that zone. Aliyu's Niger State got N4.86bn, the largest amount among the states in the North-Central geopolitical zone, while Nasarawa State had the least amount in the zone. In the South, the South-South zone, made up of oil states, obviously got the largest share of all the zones, with Rivers State getting the highest, and Cross River State getting the least amount, N4.48bn. The South-West got a considerable share with Lagos State getting the largest amount, N10.41bn, and Ekiti State getting the least amount in the zone (The Time Nigeria Editorial, P9).

Despite being an oil state, Abia State, in the South-East, got N4.40bn. Imo State, with N5.24bn, got the largest amount in the zone, while Ebonyi got the least.

According to the Executive Director, African Centre for Leadership, Strategy and Development, Dr. Otiye Igbuzor, in his 2002 paper titled, 'Constitution making and the struggle for resource control in Nigeria' there has always been controversy over the appropriate formula that should be used to divide resources in Nigeria.

He noted that starting with the Phillipson Commission of 1946 to the T.Y. Danjuma Fiscal Commission of 1988, at least nine commissions were set up to work out acceptable and equitable revenue allocation formula for the country. Igbuzor posited that the outcome of the work of those commissions showed that they were set up basically to establish certain preconceived self or sectional interests that suited particular constituencies. He said,

In the first republic (1963 to 1966), there was no oil. The revenue of the country was distributed based on derivation principle. Fifty per cent of the revenue from mineral resources was given to the region from where the minerals were extracted. Then, 30 per cent was put into a distributable pool which was divided among all the regions including the producing regions while the remaining 20 per cent went to the Federal Government. But the formula changed when oil became Nigeria's main source of revenue (Daily Sun Editorial, P34).

According to Igbuzor's paper, national revenue derivation and allocation formula went from 50 per cent for the producing states and 50 per cent for the Federal Government between 1967 and 1969, to 45 per cent for producing states and 55 per cent for the Federal Government between 1969 and 1971.

After a slight variation between 1971 and 1975, the derivation of oil-producing states dropped to 20 minus offshore proceeds, while the Federal Government had 80 per cent plus offshore proceeds between 1975 and 1979.

Between 1979 and 1981, oil-producing states got no derivation. All oil proceeds went to the Federal Government. Then between 1982 and 1992, oil states derived one and a half per cent of the revenue from oil, while the FG had 98 and half per cent.

Probably, in response to the agitation for more resources to tackle the gross environmental degradation, which had been the consequence of the oil exploitation in the Niger Delta, the then military government raised the derivation of the oil states to three per cent in 1992 and to 13 per cent in 1999, just before the advent of the present democratic dispensation.

In his analysis of these variations of the revenue derivation formula, prominent constitutional lawyer, Professor Itse Sagay argued that the reduction of the derivation of producing states was mainly because Niger Delta ethnic groups were in the minority, while the major ethnic groups controlled the Federal Government. According to him:

In 1960, there were no petroleum resources of any significance. The main income earning exports were cocoa (Yoruba West); groundnuts, cotton and hides and skin (Hausa /Fulani); and palm oil (Igbo East). Therefore, it was convenient for these majority groups usually in control of the FG to emphasize derivation, hence its strong showing in the 1960 and 63 constitutions. However, by 1967 and certainly by 1969, petroleum, particularly the mineral oil, was becoming the major resource in terms of total income and foreign exchange earnings in the country. It was therefore not difficult for the majority groups (in the FG) to reduce the revenue allocation with regard to petroleum resources. They were in control of the FG and therefore in control of the mineral resources. This meant that the resources of the Niger Delta were being transferred to the majority group in control for the Federal Government at any point in time (Eboh, 2012).

Corroborating Sagay, Igbuzor said instead of establishing true fiscal federalism, in which the federating units would develop the natural resources in their territories and pay royalties to the central government, the political class has been satisfied with practicing unitary government which concentrates power and resources at the centre. For Igbuzor,

The political class is just playing games with the lives of Nigerians. Assuming there was no oil; does it mean we would all die? Instead of focusing on how to develop our human capital and other aspects of our economy, they are focusing on how to share oil money. It is just a lazy argument. There are mineral resources in virtually every part of this country, why don't they think of how to develop them. At this point I think it is necessary that we have a Sovereign National Conference. If we don't have it, our children would have it (Eboh, 2012).

Delta State Governor, Dr. Emmanuel Uduaghan, who spoke to Sunday Vanguard recently on the call by the northern governors said it was within their constitutional duty to ask for a review of the revenue formula, just as South-South, had, over the years, been agitating for an upward review of the 13 per cent derivation. He, however, said the argument by his northern colleagues that oil well, 200 kilometers away from the shore of the country does not belong to a particular state was untenable, as in actual fact, the land and water that belong to the country are located in a specific state.

Uduaghan, however, said South-South governors would be meeting, among other things, to take a position on the demand of the northern governors. He said the matters would be squarely addressed by the South-South governors when they meet and that they would not let the people down. This is where the problem lies. According to the national coordinator of the Ijaw Monitoring Group, IMG, Comrade Joseph Evah, "Northern governors and indeed, northerners are talking like this because we don't have politicians like them, they are well organized, our politicians are selfish, and they are cash and carry politicians (Sunday Vanguard, P10).

But in unison, the governments in Abia, Akwa Ibom, Ondo and Rivers, have all pooh-poohed the idea. Chief Press Secretary to Governor Theodore Orji of Abia State, Mr. Ugochukwu Emezue, and the information commissioners of Akwa Ibom, Ondo and Rivers, Mr. Aniekan Umanah, Mr. Kayode Akinmade and Mrs. Ibim Semenitari, respectively, the idea was pilloried.

A source close to one of the governors told Sunday Vanguard, It is not true that South-South governors are uncoordinated and selfish. They don't have to talk or make noise when there is no need to. Governor Uduaghan made the point clearly that Governor Babaginda's argument is on shaky ground, remember that the arguments of the northern governors are old wine in a new bottle, the issue of offshore oil wells had been tackled and settled in the past. The source maintained that south-south governors would not buckle on the issue of 13 per cent derivation and that review of the revenue formula that is not in accordance with the constitution will be receive their blessing. In his words,

The minimum the south-south will accept is the present status-quo or adoption of fiscal federalism, where the owners of resources will pay tax to the Federal Government. We are aware that our oil will soon finish and there solid mineral deposits and other natural resources in the north, which they are not developing because of oil money (Sunday Vanguard, P10).

Even though Edo state is not seriously in contention among the oil states, Governor Adams Oshiomhole is not prepared to give in to the north on the issue of revenue allocation formula. Sometime in 2011, he called for a review of the revenue allocation formula which he said was skewed in favour of the Federal Government. Uduaghan, who is an apostle of derivation had at the first Information Summit and Unveiling of the True Face of Delta, he challenged the National Assembly to confirm its autonomy by increasing derivation to oil producing states from 13 per cent to 50 per cent, as it was in the 1960 and 1963 Constitutions of the country". Governor Uduaghan said the increase does not require an amendment of the Constitution, as the law simply says not less than 13 per cent should be paid as derivation, and not necessarily that derivation is fixed at 13 per cent.

As the Chairman of the Nigeria Governors Forum, NGF, Governor Rotimi Amaechi is trying to be careful so as not to be accused of showing bias for his people of the south-south. However, Amaechi and the entire governors had before now, clamoured for a review of the revenue formula to favour states.

From the findings of Sunday Vanguard, the governors from both south and north are not against a review of the revenue allocation formula, the issue is to whose advantage- federal, north or oil states.

RECOMMENDATION

Governors from the Northern States of Nigeria have recently embarked on a rather mischievous clamour for more slice of the national cake, as baked in the Federation Account. Since crude oil was discovered in commercial quantity in Nigeria about 50 years ago, the country has lapsed irretrievably into a mono-product economy. Government after government has talked about diversifying the economic base government after government has been unable to break out of what has come to be known as the oil doom syndrome.

Nigerian governments at all levels seem content with merely gathering the enormous rent from crude oil exploration and sharing same, thereupon they go about to mismanage and squander the revenue for more than 50 years, Nigeria have not been able to grow local capacity, the industry has remained foreign dominated....

Nigeria have resources in all parts of the country to sell. All states of the federation have products they can export. The governors should work with private sector operators to produce and sell what they have not only to Nigerians but also for export.

It is axiomatic to posit that the northern opposition to the continued retention of the derivation principle in the polity's revenue sharing formula is not based on sound thesis. Rather it is a product of deep seated envy and parochial interest. Proponents of the thesis are oblivious of the fact that its success is capable of dismembering Nigeria. What, indeed, right thinking populace expects the north to do is to join the campaign to bring about fiscal federalism in Nigeria. This will enable the states to control and develop the resources located within their territories and pay royalty to the federal government rather than always going cap-in-hand to Abuja to beg for funds. There is also the need to review the current revenue allocation formula. If reviewed, more money should be given to the sub-national governments (States and Local governments). Also more powers and responsibilities should be devolved to constituent states for rapid development.

Again, the north should diversity by developing resources in their area such as agriculture to sure up their revenue base. The south on the other hand should shore up their internally generated revenue sources.

Furthermore, the cost of governance be reduced drastically by the various tiers of government by cutting down recurrent expenditure particularly, the number of aides, ministries, departments, agencies and wastages among others. There should therefore be more emphasis on capital projects.

Apart from the above, the National assembly should suspend public hearing on state creation. This is because the current financial position of many states who were groaning under heavy debt burden should be an eye opener. For instance, The Chairman of the Revenue Mobilization Allocation and Fiscal Commission, Elias Mbam, disclosed recently that all the 36 states of the Federation are on the verge of bankruptcy just as the domestic debt profile of the Federal Government is estimated at N5622 trillion (Fola Sade – Koyi, 2012:14).

He disclosed this when he appeared before the Senate Joint Committee on National Planning, finance, Appropriation and State and Local Government. From the figure before the committee, Lagos State had the highest external debt profile of \$491.847 million, Kaduna, \$182.261 million, Cross River, \$107,532 million, Ogun, \$94.532 million, Oyo \$78.085 million, Katsina, \$74.138 million, Borno \$12.957 million Delta, \$15.404 million, Taraba \$20.396 million and Akwa Ibom \$62.648 million (Nigerian Compass Editorial, 2012:10).

The stem this title of borrowing, the National Assembly should make law that will peg the power of state to borrow from external sources. And if they are to borrow, the states, borrowing capacity should not exceed 20 percent of their monthly allocations. The RMAFE boss observed that there were huge deductions from the allocations of most of the states to settle their external and domestic debts and bonds.

The implications, he said, are enough indications that most of the state governments have collateralized their share of the monthly Federation account receipts to service such debts (Ojiabor and Onogu, 2012:62)

Figures presented by Mbam Elias to the joint committee shows that the highest amount of N47,608, 580, 436.11 was deducted from Bayelsa State's allocation of N58,756, 863, 268.89 between January 2009 and December 2011. The deduction represents 81.03 percent of the total allocation for the period.

Delta State followed with N14,859, 658, and 105.28 from a total allocation of N55, 624, 245, 350.56, representing 26.71 percent. Borno State has the lowest deduction of N1,273, 275, 887, 78 of N90, 310, 545, 138.25 representing 1.41 percent (Ojiabor and Onogu, 2012:62

Finally, the north should develop her solid mineral sub-sector.

CONCLUSION

The paper explored the linkages between revenue allocation formula and intergovernmental conflict and its fallouts. We anchored our analysis on specific propositions emanating from the political economy paradigm. Basically, we posted inter alia, that at the heart of Nigeria's fiscal federalism lives in the sphere of econo-political relations, which bear upon the balance of social forces and the distribution of economic surplus within the polity.

Indeed, the puzzle of fiscal federalism lies in the material relations and ordering of human needs and aspirations. It is regrettable that instead of energies being directed towards a development agenda free people from poverty, resources are being wasted on populist programmes aimed at attracting cheap but transient popularity for future re-elections. In some cases, large resources are being misdirected outright to private interest. The situation is more worrisome where the bulk of state revenue is used to finance the salaries of civil servants, and political appointees who constitute less than 40 percent of the total populace

REFERENCES

- Ademola A. (2002), "Revenue Formula, NULGE Frowns at 16 percent for Local Government," *This Day*, Tuesday, August 21, p 4.
- Aiyede, E.R (2008), "Intergovernmental fiscal relations in a federalist structure Nigeria: The Controversy, Cautions and Concessions," paper Presented at Leading Age Workshop Held at Kaduna Between 15th – 18th December.
- Aiyede, E.R. (2005) "Inter Government Relations And The Strengthening of the Nigerian Federation", In Onwudiwe & Suberu (Eds.) *Nigerian Federalism in Crisis, Critical Perspectives and Political Options*. Ibadan; PEFS, U.I and John Archers Publishers Ltd.
- Ajayi, S. (2004), "Resource Control as panacea for Sustainable Peace and Development of the Niger Delta,:" *Vanguard*, Monday, September 6, p 32.
- Akasike, C. (2012), "Northern Governors, Oliver twist on oil revenue", *The Punch*, March 7, p. 12.

- Akpan, M. (2012), "Fishing in Troubled Waters", *Newswatch*, March 9, p. 7
- Akujuobi, B and Akujuobi, N (2006), "The Joke called Revenue allocation," *Newswatch*, November 9, p.23.
- Amazie, E. (2012), "Derivation Fund: The banter between South-South governors and the Northern governors," *The Nigerian Tide*, March 3, p.14
- Bernard, B. (2012), "Revenue Rage", *The Source*, March 9, pp.43-44.
- Boadway, R. (1990) "The Reform of Federal – State Transfers In Mexico"
- Boadway, R. and Watts, R.L. (2004), "Fiscal Federalism in Canada, The USA and Germany", Working Paper (6) 11GR, Queen's University.
- Break, G.F. (1967) *Intergovernmental Fiscal Relations in the United States*, Washington D.C: The Brooking Institution.
- Daily Independent* (2008) "A New Revenue Allocation Formula For A Federal Nigeria"(Editorial), Wednesday, January 30, P B4
- Daily Sun Editorial (2012), "North and Revenue formula," *Daily Sun*, March 5, p4
- Debo, A (2002), "States and Dwindling federal allocation", *Guardian*, Monday, March 18, p 22
- Dwivedi, O. Graf, W and Nef, J. (1985), "Marxist Contributions to the Theory of Administrative State", *Indian Journal of Political Science*, January – March
- Eboh, M. (2012), "Nigeria earned N5.5 trillion from oil in 2011," *Vanguard*, March 7, p. 10
- Egede P., (2002), "NLC May Champion review of Revenue Allocation Law," *Guardian*, Thursday, March 7, p 7.
- Egwaikhinde, F.O. (2004) "Intergovernmental Fiscal Relations in Nigeria" In F.O. Egwaikhade et al. (eds) *Intergovernmental Relations in Nigeria*, Ibadan: Programme On Ethnic and Federal Studies (PEFS).
- Eke, O.A. (2007), *The Policy of Monetization of Fringe Benefits in the Public Sector*, Abakiliki: Willy Rose and Apple seed Pub. Coy
- Ekpo, A.H. and Ndebbio, J. (1991) "Fiscal Operations In a Depressed Economy: Nigeria, 1960-90," *AERC*, Nairobi: Kenya, Research Paper 44
- Elekwa and Eme, (2011), "A New Revenue Allocation Formula as a Panacea for Improved Inter-Governmental Relations in Nigeria's Fourth Republic" in Terhemba Wuam and Talla Ngarka Sunday (eds), *Governance and Economic Development in the Fourth Republic*, Abuja: Aboki Publisher.
- Eme, O.I. et al (2012), 'Issues in Nigeria Fiscal federalism: The Relationship between the Principle of derivation and resource control", *Arabian Journal of Business and Management Review*, vol. 1 No. 5 (January) pp 78-91
- Eme. O.I and Nnadozie, O.U. (2007) "Policy –making process and socio-economic Reforms in Nigeria, 1999 – 2007: An Analysis", papa prepared for the 26th Annual National Conference of Nigeria Political Science Association (NPSA) held at Bayero Univeristy Kano between 24th – 25th August.

- Fadahunsi, A. et al (1991), *Nigerian Beyond Structural Adjustment*. Lagos: Panaf Pub. Inc.
- Falodun, A. (2004), "Intrigues Behind New Revenue Allocation Formula" in Mobolaji, E.A. <http://www.newage-online.com/politics/article01>
- Federal Republic of Nigeria (1999), *Constitution of the Federal Republic of Nigeria*, Abuja: Government Printers
- Federal Republic of Nigeria (2004), *Public Bodies Act (CAP. B10, LFN, 2004)*, Abuja, Federal Government Printers.
- Folasade, A. (2012), "\$2.165 million external Debt: State on the Verge of bankruptcy – RMAFC", *Daily Sun*, March 15, p. 15.
- Gboyega, A. (1987), *Political Values and Local Government in Nigeria*, Lagos: Malthouse
- Gboyega, A., (2002, "Revenue generation and accountability," Paper Presented at a workshop Held at Ebonyi Hotels, Abakaliki November 12-15.
- Graf, W.D. (1988), *The Nigerian State*. Ibadan: Heinemann.
<http://ww.utexas>.
- Ibeanu, O. (2006), "Nigerian, State and The Economy Under Obasanjo (Mimeo).
- Jega, A. (ed) (2000), *Identity Transformation and Identity Politics Under Structural Adjustment In Nigeria*. Stockholm: Nordiska Afrika Institutet and Centre for Research and Documentation.
- Jega, A.(2002), "Tackling Ethno-Religious Conflicts in Nigeria", *The Nigerian Social Scientists* Vol 5, No 2. (September)
- Marx, K. (1967) "Critique Of Hegel's Philosophy of the State", in L. Easton and Guddat, K, *Writings of the young Marx on Philosophy and Society*, New York: Doubleday.
- Mbanefoh, G.A & Egwaikhide, F.O. (1998) "Revenue Allocation in Nigeria: Derivation Principle Revisited", In Amuwo et al (Eds) *Federalism and Political Restructuring in Nigeria*. Ibadan; Spectrum Books Ltd and IFRA.
- Momoh, A. and Hundeyin, T (2005), "Perspectives on Political economy" in Anifowose, R. and Enemu, F. (eds), *Elements of Politics*. Lagos: Sam Iroanusi Pub. Ltd.
- Musgrave R.A. (1973) *Fiscal Systems*, New Haven Connecticut: Yale University Press.
- Ndonkgo, W.A. (1981), *Revenue Allocation and the Stability of Nigerian Federation*, Calabar: University of Calabar Press.
- Ndubuisi, P. (2009), *Anatomy of Banking and Finance*, Abakiliki: Willy Rose and Appleseed Pub. Coy.
- Nigerian Compass Editorial (2012), "State and Insolvency", *Nigerian Compass*, Thursday, March, 15. p. 10.

- Nwokedi, P. (2003) *Revenue Allocation and Resource Control in Nigerian Federation*. Enugu; Snaap Press Ltd.
- Nwolise, O.B.C. (2005) "How the Military Ruined Nigeria's Federalism", In Onwudiwe and Seberu (Eds) *Nigerian Federalism in Crisis: Critical Perspectives and Political Options*. Ibadan; PEFS, U.I. And John Archers Publishers Ltd.
- Obi, C.I. (1998) "The Impact of Oil on Nigeria's Revenue Allocation System: Problems and Prospects for National Reconstruction", In Amumo et al (Eds) *Federalism and Political Restructuring in Nigeria*. Ibadan; Spectrum Books, Ltd and IFRA.
- Ojjabor, O. and Onogu, S. (2012), "N346.4 billion debts cripple states," *The Nation*, Thursday, March 15, p.62.
- Okolie, A. (2009), "Fiscal federalism and Conduct of Nigeria's external Relations, 1960-2009," *Nigerian Journal of Politics and Administration*, vol. 2; No 1 (January), pp 75-87.
- Okpi, a. (2012), " Politics of resource control," . *The Punch*, March 1, p. 18.
- Omoh, G. (2012), " Wipe your crocodile tears, Arewa and Northern Governors," *Vanguard*, March 5, p. 6.
- Oni, S. (2008)" Time to return to Fiscal Federalism", *The Nation On Sunday*, January 26, pp 1, 40.
- Onwudiwe, E. And Suberu R.T. (2005) "Introduction: The Promise and Pitfalls of Nigerian Federalism", In Onwudiwe and Suberu (Eds) *Nigerian Federalism in Crisis: Critical Perspectives and Political Options*. Ibadan; PEFS, U.I. And John Archers Publishers Ltd.
- Onyeoziri, F. (2005) "Federalism and the Theory of State", In Onwudiwe, E. And Seberu, R.T. (Eds) *Nigerian Federalism in Crisis: Critical Perspectives and Political Options*. Ibadan; PEFS & John Archers Publishers Ltd.
- Polinsley O. (1996), *Fiscal federalism in Brazil*, Washington D.C.: World Bank.
- Poulantzans, N (1975), *Political Power and Social Classes*, London: Verso Press
- Rouke, J.T. and Boyer, M.A. (2005), *International Politics on the World Stage*. Boston: Mc Grill-Hill.
- Sabowale, D. (1997), "Federal government Remains God-father of Revenue Allocation Formula," *Vanguard*, January 20, Vol. 13 No. 3629.
- Shah, A. (1983) "Efficiency, Equity and Fiscal Equalization Grants: Issues and Alternatives; Discussion Paper, *World Bank*.
- Shah, A. (1991) "Perspectives on the Design of Intergovernmental Fiscal Relations", *World Bank Working Paper*, No. 726, Washington DC.
- Tanzi, V. (1995) "Fiscal Federation and Decentralization: A Review of Some Efficiency and Macro Economic Aspects" *Annual World Bank Conference On Development Economics*.
- Tanzi, V. (2001) "On Fiscal Federation: Issues To Worry About".
- The Time of Nigeria Editorial (2012), " Northern Governors demand more share of Revenue," *The Time of Nigeria*, p.9.
- Udogu, E.I. (2004), "Nigeria: Impasse on the Revenue Allocation Debates,"
- Umoh, G. (2002), "Existing Revenue formula Unconstitutional", *Punch*, October 25, p 6.