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Contemporary Issues in the Management of Nigeria's Fiscal Federalism

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Abstract
This paper x-rays the contemporary issues in the management of Nigeria fiscal federalism. In so doing, the first section of this paper conceptualizes the concept of federalism, fiscal federalism and management as well as the decentralization theorem which served as the theoretical discourse. the second section dwells on the Nigerian fiscal federalism, heralding its historical ontology to this point and observed that fiscal federalism in Nigeria has been skewed in favour of the federal government hence the recent clamour by the state governors for bigger share of the federation account. The third section however, reveals the major fiscal federalism challenges in Nigeria in comparative analogy which heralds the four challenges of fiscal federalism in Nigeria. The fourth section discuses the contemporary issues in the management of the Nigeria's the fourth section discusses the contemporary issues in the management of the Nigeria's fiscal federalism such as the minimum wage saga, the federal character principle; the state and local government creation; oil revenue issues and the principle of derivation application as well as the statutory role of the Revenue mobilization allocation and fiscal commission (RMAFC) in the fiscal federalism management of Nigeria, while the last section recommends policy options and concludes the work.

Keywords: Federalism, Fiscal Federalism, Revenue Allocation, Derivation of power, Decentralization and Decentralization theorem.

1. Introduction

The resurgence of the debate on Nigeria's fiscal federalism underlined the fact that the nation needed to "move away from the current military –imposed 'feeding bottle' federalism to enthrone one predicated on self-reliance, hard work, enterprise, resourcefulness, and ingenuity to catalyze development. This is in consideration of the fact that the brand of fiscal federalism in place in Nigeria today looks every inch that of master and servant relationship and is therefore killing the industry, initiative, and creativity, while promoting indolence, bad governance, and rentierism.

Thus, senator Ike Ekweremadu, identified what he referred to as "defective fiscal federalism" as one of the major hindrances to Nigeria's national development, hence the socio – economic prosperity recorded in the first republic was possible because the exiting regions were neither subservient to check dependent on the centre. He recommended a structural balance and a return to regionalism in the long term as well as addressing the integration deficits as a way out of the development problems, because between 1954 and January 1966 was the golden era of Nigerian federalism.

Waheed, (2012) averred that we have made of federalism a huge joke by applying half- heartedly, the principles of federalism both in letter and in spirit that made American system such as good model all over the world; hence we have a central government that is running the country more like a unitary state than a federal one and it is backed by the constitution, and a lot of people have spoken against this system as it is, but the leadership especially at the federal level seems to be comfortable with this warped federalism and not ready to rework it. The attraction is the enormous power at the centre to the detriment of the states and local government. Hence it has been said that our president is the most powerful head of states and the world owing to the enormous powers given to him by our constitution. Now we are saying let some of these powers go to the state and local government, and Abuja is saying no.

According to the nation (2012) Rochas Okorocha- the executive Governor of Imo state and Oshomole Adams – the Edo state Governor disagreed on what true federalism is. While Okorocha decried the over- concentration of "every thing in Nigeria's federal system, calling for devolution of powers and a true federal structure hence it is not the Nigeria's configuration that matters but responsible leadership. He furthered "everything we practice in Nigeria is upside down and that Nigeria is a victim of *kwasiokorism*, with the big head (wealthy federal government), tiny legs (the states with tiny resources) and protruded stomach (the local government suffering from mal-administration and starvation of fund) which are in near subjugation. He however recommended *Ohasierism*- the whole cooking for one rather than one cooking for the whole. He encouraged the states to cook for Nigeria instead of Nigeria cooking for the states as it is.

But Oshomole averred that no matter the structure of Nigeria, if there is no responsible leadership recognizes that resources belong to the people and that the government's role is to mange them in a way that would benefit the greatest number of people, the country would remain backward hence the various issues that have clasp the furtherance of fiscal federalism in Nigeria. Such issues in contemporary analysis have propelled this paper in the context of investigating the factors that have ensured that the administration and management of Nigeria's fiscal federalism must remain contentious and controversial.

2. Conceptual and Theoretical Discourse

In the words of (Arowolo, 2011:11) understanding federalism as a concept facilitates the understanding of fiscal federalism as a larger concept. This is because federalism is the operational context within which fiscal federalism is situated. Thus, it is an integral aspect of federalism. But according to Iyekekpolo, et al (2011), it has been difficult for scholars over the years to reach a consensus as regards the definition of federalism. This difficulty is hinged on the problem of inability to establish a proper linkage between theory and practice of federalism on the one hand and the issue of different scholars viewing federalism from different perspective, on the other hand. However, the concept of federalism has attracted the attention of various scholars, in their definitions of the concept of federalism.

Conceptually, **federalism**, according to (Ajayi, 1997:150) refers to a political system where there are at least two levels of government. In such cases, there is the juxtaposition of two levels of power of a central government otherwise called the federal government and other states labeled variously as states, regions, republics, cantons or unions.

Etymologically, Akindele and Olaopa, (2002) revealed that federalism is derived form the latin word "foedus " meaning covenant, with a governing representative head, further, the term is also used to describe a system of the government in which sovereignty is constitutionally divided between a central governing authority and constitutional political units such as states and local government.

Itse Sagay (2008) conceptualized federalism as "an arrangement whereby powers within a multi- national country are shared between a federal government and component units in such a way that each unit, including the central authority exists as a government separately and independently from others, operating directly on persons and prosperities with its territorial area and with a will of its own as apparatus for the conduct of affairs and with an authority in some matters exclusive of others"

In line with the claim that federalism as apolitical theory is divergent in concept, varied in ecology and dynamic in practice; having to do with power is distributed or shared territorially and functionally among the various units in a federation, Wheare (1967), the highly acclaimed father of federalism concentrated on the legal perception of federalism, when he defined federalism as a constitutional arrangement which divides law making powers and function of the state between two levels of government which are coordinate in status (Iyekekpolo, et al 2011). In lieu of his definition, it become obvious that (he) wheare accentuated the need for respect of the federal structure as enshrined in the constitution of the land, especially when consideration is paid to the coordinate status of the components of the federation. He went further to argue that if the components discovers that the services given to them are two expensive fro them to perform and call on the federal government for assistance, they are no longer coordinated to the federal government, but subordinate to it and when this happens, federalism cease to exist. In support of this observation, (Nwabueze, 1983:1) acknowledged that: federalism is an arrangement whereby powers of government within a country are shared between a national (nationwide) government and a number of regionalized (i. e. territorially localized) governments in such a way that each exists as a government separated and independently from the others, operating directly on persons and property within its territorial areas, with a will if its own and its own apparatus for the conduct of its affairs and with an authority in some matters exclusive of all others.

In the final analysis, it is pertinent that each unit of government within a federation exists, not as an appendage of another government, but as an autonomous entity capable of conducting its own will free from directive by any other government. It is in this context that federalism is been seen as the approach to governance that seeks to combine unity or shared rule with diversity or self rule (Kincaid, 1995). With over 150 million people, two or more major religions, a few major and many minor languages, major geographic difference, 36 states and 774 local governments, Nigeria is one of the largest and most complex federations in the world. It has been said that counties are not difficult to govern because they are federations; they are federations because they are difficult to govern. Surely, Nigeria exemplifies this.

The knowledge derived from the conceptualization of the concept of federation makes it easier to come to terms with the assertion that fiscal federalism is concerned with "understanding which functions and instruments are best centralized and which are best placed in the sphere of decentralized level of government" (Oates, 1999:1120).

Characteristically, fiscal federalism is typified by the fiscal relations between central and lower levels of government, especially as made manifest by the financial aspects of the development of authority from he national to he regional and local levels, covering two interconnected areas- the division of competence in decision making about public expenditures and public revenue between the different levels of government (national, regional and local) and – the degree of freedom of decision making enjoyed by regional and local authorities in the assessment of local taxes as well as in the determination of their expenditure (Kesner- Skreb, 2009:235).

Semantically, Akindele and Olaopa, (2002) sees fiscal federalism from the standpoint of the allocation of tax-raising powers and expenditure responsibilities between levels of governments, hence fiscal federalism concerns the division of public sector functions and finances among different tiers of government (Ozo-Eson, 2005:1). Sharma (2005:38) perceives fiscal federalism as a set of gilding principles, a guiding concept that helps in designing financial relations between the national and sub- national levels of the government, fiscal decentralization on the other hand as a process of applying such principles.

This brings to mind the vivacity of the concept of management in fiscal federalism issues. Management is the act of handling or controlling something successfully. It could be the skillful handling or use of something such as resources: resourcing encompassing the deployment and manipulation of, but not limited to financial resources. Management in simple terms means the act of getting people together to accomplish desired goals. It comprises planning, organizing, resourcing, leading or directing, and controlling an organization or effort fro the purpose of accomplishing a goal (Agalamanyi, et al 2012:18).

In terms of the importance of fiscal federalism, the issue of fiscal federalism is an intrinsic element in a federation, which is dependent on, but synonymous with fiscal decentralization. Suffice it however to aver that decentralization as a very important concept in any federalism question, including fiscal federalism. This is why; fiscal federalism has been considered a general normative framework for the assignment of functions to the different levels of government and appropriate fiscal instruments for carrying out these functions.

According to Arowolo (2011:2) fiscal decentralization has become fashionable regardless of levels development and civilization of societies. Hence nations are turning to devolution to improve the performance of their public sectors. In the United States, for instance, the central government has turned back significant portions of federal authority to the states for a wide range of major programmes, including welfare, Medicaid, legal service housing, and job training. The hope is that state and local governments, being closer to the people, will be more responsive to the particular preferences of their constituencies and will be able to find new and better ways to provide these services (Sharma, 2005:;169).

Theoretically, the basic foundations for the initial theory of fiscal federalism were laid by Kenneth Arrow, Richard Musgrave and Paul Sadweh Samuelosn's two important papers (1954, 1955) on the theory of public goods. Musgrave (1959) provided the framework for what became accepted as the proper role of the state in the economy which was later known as "decentralization theorem" (Ozo Eson, 2005:1).

However, according to Luciano (2003:3) Oates' decentralization theorem grounds on the assumption that the central government is incapable to discriminate public policy on a regional basis. This assumption has sometimes been justified by some informational advantage of local governments about the social and economic features of regions (Oates, 1999). However, under the revelation principle, asymmetric information cannot be proved to be sufficient to explain why the central government does not replicate the allocation of local governments, when governments are. Moreover, empirical analysis seems to prove that central policies are not uniform across countries.

Within this framework, three roles were identified for the government sector. These were the roles of in correcting various forms of market failure, ensuring an equitable distribution of income and seeking to maintain stability in the macro- economy at full employment and stable prices (Musgrave, 1959). Each tier of government is seen as seeking to maximize the social welfare of the citizens within its jurisdiction. This multi- layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localized. In such circumstances, local outputs targeted than the central provision. This principle, which Oats (1999) has formalized into the Decentralization theorem" constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralization (Bird, 2009). The theory focused on situations where different levels of government provided efficient levels of output of public goods "for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions" (Oates, 1999:5). Such situations came to be known as "prefect mapping" or "fiscal equivalence" (Olson 1996).

Nevertheless, it was also recognized that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a prefect mapping for all public goods. Thus, it was recognized that there would be local public goods with inter- jurisdictional spillovers. For example, a road may confer public goods characteristics, the benefits of which are enjoyed beyond the local jurisdiction. The local authority may then under- provide for such a good. To avoid this, the theory then resorts to situation whereby the central government is required to provide matching grants to the lower level government so that is can internalize the full benefits.

Based on the fore-going, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government.

3. Fiscal Federalism In Nigeria

The issue of fiscal federalism in Nigeria has engaged various commissions and committees since the colonial days. Yet even today, this issue has continued to be in the front burner of national discourse. The demand for resource control and the recent clamour for new revenue sharing formula that bequeaths more to the states ad reduces that of the federal government clearly demonstrates that this is still an unsettled matter. Yet, in agreement with Ozo- Ezon, (2007) it is an issue we must find a way to resolve if Nigeria is to continue as a federation and enthrone "true federalism" as it is an established fact that the manner of revenue generation and distribution in a federal structure is critical to the sustenance of such relationship (Ezeh, in Onuoha & Nwanegbo 2007: 76). Fiscal federalism therefore refers to the fiscal arrangement among the different tiers of government in a federal structure (Ekpo,, 2004). Indeed, Nigeria's fiscal federalism has emanated from geographical, historical, political, economical, cultural as well as social factors, the basic point has remained that in all these, fiscal arrangement that can guarantee peaceful coexistence had remained a mirage.

This hallucination of the Nigeria, s fiscal federalism, according to Uche and Uche (2004) dates back to the origin of Nigeria hence one of the main reasons for the amalgamation of northern and southern Nigeria in 1914 by the colonial government was to enable the colonial government reduce its subsidy on the colony of northern Nigeria by using up the surpluses from southern Nigeria. Irrespective of the formula in use, before the 1914 amalgamation of Nigeria, the principle of derivation was in vogue as each of the regions collects revenues of its internal resources mainly from agricultural, cash or export crops, taxation on import and export and excise duties (Nwokedi, 2005:24).

However, the history of fiscal federalism in Nigeria became glaring from 1940s such that between 1948 and today, nine commissions, six military decrees, one act of legislature and two supreme court judgments have been resorted to in defining and modifying fiscal interrelationships among the component parts of the federation.. Egwaikhide and Isumonah, 2001). That the federal government has always taken the "lion share" of the vertical allocation to itself and delegating more constitutional functions to the states is not an over exaggeration because statistically, the 1981 act which was signed into law and subsequently used in allocating revenues in 1982 and the remainder of the second republic gave 55% to the federal government and leaving the state (36) and (589) local government with 35% and

10% respectively. In 1999, the president Obasanjo amended the formulae to give the federal government 56% and the state and the local government sharing 44%.

In the last 13 years of democracy, the nation has not been able to wok out a revenue formula that complies with section 16 (2) of the 1999 constitution that empowers the RMAFC to determine the mode of distributing the nation's wealth. The current formula is a slight variation of the one former president Olusegun Obasanjo imposed on the federation in 2002 through an executive order. Obasanjo had then arrived at a formula that gave the federal government 54.68 percent, states 24.72 percent and the local government 20.60 percent.

Two years later, his minister of finance Dr. Ngozi Okonji- Iweala, modified the executive order by raising state allocation by two percent to 26. 72 percent. The two percent was taken from the federal government's share brining its own down t 52.68 percent. Between these periods, the RMAFC resubmitted another proposal on revenue formula where it proposed as follows: FG, 46.63 PER CENT, states 33 per cent and LGCs 20.37 per cent which never survived due to a mysterious reason that there was an allegation of circulation of fake bills in the national assembly.

This allegation influenced the withdrawal of the formula until September 2004, when another proposal from RMAFC was submitted to the president. The proposal submitted to the national assembly, which failed to see the light of the day, recommended for FG 53.69 per cent; states, 31.10 per cent and LGCs, 15.21 per cent. As a matter of fact, there was 6.5 per cent built into eh allocation of federal government's allocation to cater for special funds, thereby leaving the FG with 47. 19 per cent as its rightful due.
According to the RMAFC, the spirit behind lumping the funds into the FGs allocation was to guard against the repeat of constitutional errors which the Supreme Court voided in its ruling of April 2002. The 6.5 per cent would be applied as follows: ecological fund, 1.50 per cent; solid mineral fund, 1.75 percent (Eme and Ugwu 2011:14).

However, political observers believe that the lion's share of the national revenue given to the federal government runs against the grains of the current global trend in federalism, vis –a –vis, fiscal federalism. Under this arrangements, state governments cannot be regarded as coordinate with the central government, and against this background, there is a widespread clamour for the return of "true federalism" thwarted in 1967 with the creation of 12 states. In addition, this high percentage of federal government's share of the revenue, is not only the main source of injustice but also the principle cause of corruption, alienation, marginalization, instability and reckless agitation for restructuring in the country (Chibuike, in Ugwu et al 2012:83), and this high concentration of federal wealth on the federal government has bugged the prudent management of fiscal federalism in Nigeria.

4. Comparative Analysis Of Nigeria's Major Fiscal Federalism Challenges

For the purpose of this paper, there are three major fiscal challenges in Nigeria are

- Managing a petro- economy with its swings and the eventual depletion of the resources;
- `providing regional and vertical` equity in the distribution of fiscal resources; and
- Promoting coordination of major policies within the federal system.

4.1 Managing a petro- economy with its swings and the eventual resources depletion

Oil revenues account for about 80 to 85 percent of all government revenues in Nigeria. The only federation that comes close to that is Iraq. Other federations such as Venezuela, Mexico and Russia have a very large proportion of their revenue coming from oil and gas, but significantly less than that of Nigeria. However, such dependency has consequences such as:

- Political accountability issues because the federal government raises its revenues from such a narrow base and most states contribute very little to national or their own revenues. Hence only 6 out of 36 states in Nigeria produce petroleum, with 4 being the most important. Thus the large majority of states turn to the federal government for the vast majority of their revenues and most of those revenues are effectively collected in other parts of the country. The public, on its part, pays little of the cost of government programs little of the cost of government programs (tax aversion)
- Source of major tensions between the producing and other regions of the country.
- Stifled development of alternative revenue source because it is easier to tax oil than citizens. This has longer- term (adverse) implications for any economy.
- Destabilization of public finances tied to a resource whose value swings widely and deplete over time. This poses short- term issues about the central government's ability to manage cyclical pressures on the

economy as well as longer- term issues about the sustainable level of public services. This issue has led a number of countries (Russia being probably the best federal example) to be very aggressive in developing revenue stabilization funds. Bu suffice it to say that Nigeria has largely succeeded in this regard, with the policy of basing budget on a $40 a barrel price. But this type of policy inevitably gives rise to conflicts over the appropriate level of spending, as well as over the control and purposes of the stabilization funds (George, 2007).

4.2 Providing Regional and Vertical Equity in the Distribution of Fiscal Resources

Every federation is confronted with the need to achieve some sort of fit between the revenues of the federal, state and local governments and their responsibilities. There is also the very closely related need to promote some measure of equity between the regions or state of the county.

In the case of Nigeria, there has been a rapid (but not enough) decentralization of revenues to state and local governments to address their responsibilities, lending credence to the recent clamour for further decentralization by the components. With the federal government now spending somewhat less than 54 per cent of total government spending, Nigeria falls in the broad company of federations such as Argentina, India, Mexico, Russia, Spain, south Africa and the united states. By that count, her spending is a good deal hence more decentralized than Brazil, Malaysia and Venezuela. However, some federations are still more decentralized, hence in Belgium, Canada, Germany and Switzerland, the federal government accounts for between 30 and 40 percent of direct government spending; perhaps why the current state clamour for higher share of the generated collected revenue (George, 2007).

4.3 Promoting coordination of major politics within the federal system

The classic or simplistic notion of federalism is that each order of government has its responsibilities get on with doing its business in water tight compartments. The reality is quite different because all federations face the need to coordinate some major policies such as the spill- over of public goods. There are essentially three devices for achieving such coordination:

- Concurrent powers;
- The use of the federal spending power; and
- Intergovernmental meetings and mechanisms.

Concurrent powers are a classic way in which to try to balance the need for a national framework policy with the need for flexibility on the part of stats. While Nigeria has a concurrent list attached to her constitution, it appears that many of her problems of coordination lie outside that list.

The second way to promote coordination is through the use of the federal spending power. In most federations, the federal government can spend on ay object and can make conditional payments or grants to the states. In the USA, all transfers from eh federal government to states are program specific, frequently requiring matching funds and states compliance with very detailed conditions. The use of condition grants is quite a typical means for federal governments to try to shape national programs. In Canada, such grants were used to establish some of the major programs of the welfare state, but as the programs became established the conditions became less and less onerous, so as to permit the provinces to experiment with aspects of program design. There have been some such programs here in Nigeria, such as the universal basic education, but they are typically small and the federal government does not have the resources to make great use of the spending power because most revenues are allocated out of the federation account by formula.

Finally, intergovernmental mechanisms and meetings can be helpful. Nigeria has a large number of these, but I would make the point that in many federations these mechanisms are very important not just for policy coordination at high levels, but also for detailed information gathering and exchange regarding implementation. Given the weakness of the first two instruments for coordination in Nigeria, you have a heavy stake in effective intergovernmental mechanisms (George, 2007).

5. Issues In The Management Of Fiscal Federalism In Nigeria

The dynamism and complexity of Nigeria's federalism has generated so many problems that have threatened the corporate existence and continuity of the Nigerian polity. Its perennialness has therefore called for investigation into the real issues that has kept the management of Nigeria's fiscal federalism on a cliff-edge. Authors have adduced many such issues as federal character, power sharing, revenue allocation, maintenance of public order, fiscal federalism tenets, prudent judiciary, etc as the major centripetal and centrifugal forces that have threatened the consolidation of the Nigeria federation or what may be called "true federalism".

In lieu of the current situation where the federal government is accused of towering overlord over the component states on issue s enumerated above, and much to the disenchantment of the states, a thorough re-examination and possible redress becomes eminent to avert the imminent dangers that looms. On the basis of the above, this paper seeks to probe the character of the following in the Nigeria's fiscal federalism management crises. Such factors include but not limited to the following:

5A. Minimum Wage Saga

On the 23rd of February, 2011, the senate of the federal republic of Nigeria approved eighteen thousand naira (N18, 000) as the minimum wage for the Nigerian workers. The bill which was given an expeditious passage by the upper chamber increased the minimum wage from N7, 500 to N18, 000 (USD$118.00). section 2 (1) of the national minimum wage states, "as from the commencement of this act, it shall be duty of every employer to pay a wage not less than the national minimum wage of N18, 000) per month to every worker under his establishment". Its applicability has been subject to employers whims and caprices hence many workers in Nigeria today earn between #5, 000 and #17,000.00 in fact, the law seems for the government workers alone but considering the provision of section 2 (1) of the national minimum wage, all workers are indicated but even the state and local governments refused to comply let alone the private sector.

Aside the above cited point, the international labour organization , ILO's definition of minimum wage, "as a wag which provides a floor to the wage structure in order to protect workers at the bottom of the wage distribution" and that "minimum wages are a nearly universal policy instrument" its application in Nigeria is austerely flawed.

Against the background of ILO's further note that minimum wage must take a legal perspective that must have the backing of force by law and be enforceable under threat of penal or other sanctions, which is lacking in Nigeria. It is however, this aspect of the minimum wage saga that generates the heated battles between labour organizations and governments on the one hand and between the federal government and the state governments on the other hand over shares in the federal allocation.

5B. Federal Character Principle

> *The composition of the Government of the Federation or any of its agencies and the conduct of its affairs shall be carried out in such a manner as to reflect the federal character of Nigeria and the need to promote national unity, and also to command national loyalty, thereby ensuring that there shall be no predominance of persons from a few States or from a few ethnic or other sectional groups in that Government or any of its agencies.*
>
> *Constitution of the Federal Republic of Nigeria: section 14 subsection (3)*

The above provision of the Constitution enshrined the federal character principle: arguably one of the most controversial provisions of our Constitution (Amanni, 2011).

The phrase Federal Character was first used by the late General Murtala Ramat Muhammed in his address to the opening session of the Constitution Drafting Committee on Saturday the 18th of October 1975. Federal character of Nigeria, according to the CDC's report of 1977, refers to the distinctive desire of the peoples of Nigeria to promote national unity, foster national loyalty and give every citizen of Nigeria a sense of belonging to the nation notwithstanding the diversities of ethnic origin, culture, language or religion which may exist and which it is their desire to nourish, harness to the enrichment of the Federal Republic of Nigeria.

Mindful of the country's diversity, Nigeria's founding fathers had evolved measures to ensure that every component and group in the Nigeria project is fairly represented in the running of the country's affairs. The 1979 constitution incorporated it as a core principle that should be observed by all levels of government and their agencies. However, over the years, its application has belied the spirit behind its introduction. Federal character principle through its dubious application has become an instrument for enthroning and nurturing mediocrity, denying opportunities to capable Nigerians and, in the long run, damaging the country's development strides.

In his opinion, (Amanni, 2011) the federal character principle is a necessary evil that Nigerians, have to endure because it is a sacrifice work making for the emergence of the just and egalitarian society we all aspire to have. But the president of Nigeria- Goodluck Jonathan thinks otherwise.

5C. State and Local Government Creation

As a resolve to make federalism more relevant to development and governance increases, so do consultations dialogue, negotiation and consensus over emerging issues hence new conditions, consultations, dialogues, negotiations, consensus, balance and new problem-solving responses (Ola, 1995:5), but since 1995, efforts to revise the revenue allocation formula have been bogged down by intrigues. State and local government creation is a tactics of revenue sharing in Nigeria. Since, the states are not viable economically, but totally dependent on the monthly allocation from the federal government, ethnic groups and region balkanized into more states, receives more from the federation account (Mbanefoh and Egwaikhide 2004), and that does not benefit the Niger Delta. According to Aiyede (2005) once a state is spilt in to two, each of the parts become equal with those that remain intact with respect to the size of allocation to be received automatically from the federal government. The equality principle, for instance, has been the major incentive for the proliferation of non viable sub-federal administrations in Nigeria since it ensures that each constituent unit (no matter how demographically small and administratively and financially weak) is guaranteed an equal share with other units of nearly half of federal revenue in the horizontal distributable pool. In this way, the existence in Nigeria of too many sub-national governments which simply exist to receive and consume their own equal shares of central financial handouts, has undermined the very essence of governance (Olashore, 2003:19).

5D. Oil revenue issues and the principle of derivation application

Following from the above, it becomes correct to assert that there is a high level of financial imbalance in the Nigerian federalism. With the present 36 States and 774 local government structures, where as the federal central government has huge revenue at its disposal to execute its functions much less is available at the level of the other tiers of government.

The politics of revenue sharing was brought to limelight when oil became the main source of national revenue and oils the wheels of the Nigerian economy. The revenue allocation commissions that were constituted when oil gradually displaced agriculture as the bane of the nation's economy trickled down the derivation percentage, and eventually displaced cum ignored it, as shown in Table 1 below. The commissions were the Binns (1964), Dina (1968), Aboyade (1977), and the Okigbo (1980) Revenue Allocation Commissions. The interest of minorities does not count if they do not have a significant representation in the ruling class. Therefore, instead of derivation that hitherto benefits the regions, the commissions lay emphasis on Need, Population, Landmass, Balance Development, Equality of states, National minimal standard etc, to the detriment of the goose that lays the golden egg. Without mincing words, the implication is the deliberate and criminal transfer of the oil wealth out of the3 Niger Delta to develop other regions. It is evidently clear from the tables 1 and 2 that, with the ascendance of oil (found mainly in the homelands of the ethnic minorities) as the pivot of the nation's economy, the interest of derivation on the part of those who wields state power faded, given that it will now promote the interest of the minorities who do not control state power (Ibaba, 2005).

The abundant crude oil in the minority territories of the Niger Delta region became a subject of envy, and the majority groups adopted every means to ensure that the owners receives very little benefit from it (Etekpe, 2007). Due to the difficult terrain of the Niger Delta, and the effect of oil exploration and production, the region obviously needs more funds to promote development, hence agitations to reverse to at least 50% derivation fund for the region. Some may argue that, the Niger Delta, which is agitating for increment in the derivation percentage equally benefits from the era the principle held sway in the pre-oil economy era. However, the undeniable truth is that, the region was Balkanized into the Eastern and Western regions, where they constitute minorities. For example, the western Ijaws in present Delta State were minorities in the Yoruba's dominated western region, and as such were even excluded from the famous free education legacy that the Yoruba's enjoy. More so, the glaring need of development and absence of basic social infrastructures, excruciating property and generation backwardness in the region corroborates the fact, the Niger Delta was neglected parts of the Regions. Yenagoa which was a provincial head quarters since the pre independence era was connected to the national grid in terms of electricity only in 2007.

The simple logic of this misfortune is that, the federating or Oil Economy and the Revenue Allocation Debacle in Nigeria component units are not allowed to control the resources produced in their territories, as was practiced before the advent of the oil regime. The laws that govern the Nigerian Oil industry equally gives the federal Government dominion over oil proceeds. For instance, under the Petroleum Act of 1969, the entire ownership and control of all petroleum in, under or upon any land in Nigeria is vested in the state (Omorogbe, 2001:20). This and other obnoxious laws like the Land Use Act of 1976 etc, denies the ethnic minorities populated Niger Delta from benefiting from the resources whose burden of production they bear.

5E. The statutory role of RFMAC

Sequel to the turmoil from the oil economy and derivation principle application saga, the establishment in 1999 of Revenue Mobilization Allocation and Fiscal Commission (RMAFC) was a response by the Federal Government to provide for all-embracing and permanent revenue body in Nigeria. RMAFC is a body that reflects the Federal Character Principle in its membership composition and has enabling laws which empower the commission to act as follows:

1) Monitor the accruals into and disbursement of revenue from the federation account;
2) Review from time to time, the revenue allocation formula and principles in operation to ensure conformity with changing realities;
3) Advise the federal, state and local governments on fiscal efficiency and methods by which their revenue is to be increased;
4) Determine the remuneration appropriate to political office holders; and,
5) Discharge such other functions as may be conferred on the commission through the constitution or any act of the National Assembly (Shuaibu, 2002)

Statutorily, Part I, Section 32(b) of the Third Schedule to the 1999 Constitution, empowers the Commission to "review, from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities". Again, Section 162(2) of the same Constitution which stipulates that "The President, upon the receipt of advice from the Revenue Mobilization Allocation and Fiscal Commission, shall table before the National Assembly proposals for revenue allocation from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of States, internal revenue generation, landmass, terrain as well as population density: Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the Federation Account directly from any natural resources", alongside their substantive rules shows that they are fully empowered by the constitution to ensure that the issues of revenue and expenditure at the national level are disbursed judiciously, but the obvious question is have they lived up to their constitutional requirement or are they bought over by the executives? There are still others questions such as who determines the appointment, determination and pay of the officials of the commission. The essence is to juxtapose the assertion that he who pays the piper dictates the tune and have a soft land on the RMAFC in the management or mismanagement of the Nigerian fiscal federalism.

6. Recommendations

The following are recommended for onward policy option adoption:

(1) That there should be readjustment of the tax revenue sharing power of the federation in an equitable manner among the component units which is currently skewed in favour of the federal government to the detriment of the other tiers of government;
(2) That a deliberate, pragmatic and radical diversification of Nigerian economy should be embarked upon to activate other viable and productive sectors of the economy, such as Agriculture, Mining, Industry, Education and Human Development.
(3) That a constitutional review is imminent to ensure a return to true federalism which will in turn inform an outstanding fiscal federalism management.
(4) That the current revenue sharing formulae be re-worked so as to ensure that the current clamour for new revenue sharing that will give more share to the state will be settled once and for all.
(5) That good governance via good leadership that ensures harmonious peaceful co-existence be allowed to prevail in Nigeria by curtailing corruption and outright looting in the political administration of Nigeria.

7. Conclusion

Fiscal federalism has remained one of the potent challenges to the Nigeria's national question. The federalism question has remains one of the compelling challenges to Nigerian nationhood, says Awolaja (2011). Accordingly, others being the fear of ethnic dominance and population census controversy. There is also the issue of conflicts over revenue sharing formula, centralization of fiscal relations and the agitation for resource control; and for over 40 years, they have proved somewhat intractable.

Comparative to some federal republics, Nigeria operates a bi-cameral legislature at the centre, and a unicameral legislature at the regional or state level. It also boasts a third tier of government, the local government, which underwent massive reform under the Olusegun Obasanjo regime in 1976. In addendum to the above, she has a centre which is stronger than the component units - 36 states plus the Federal Capital Territory (FCT), within which the 774 local governments are housed

Also, questions of equitable revenue sharing formula have been at the forefront not only of policy discourse but also physical agitation, including militancy movements. The state governments in the country, especially since the return to civil rule in 1999, have also been engaged in wrangling with the Federal Government on the issue of securing adequate financial resources to discharge their constitutional responsibilities.

In this regard, particularly with reference to the Obasanjo era (1999-2007), fiscal federalism issues were encapsulated in debates and litigation over the controversial on-shore/off-shore dichotomy in the oil sector, with the former Minister of Justice and Attorney-General of the Federation, the late Chief Bola Ige, advising the affected states (the Niger Delta states) to pursue their case at the Supreme Court, which finally gave its verdict in April, 2002.

In tackling the fiscal question, the Federal Government had, at various times, even from the colonial days, set up committees/commissions to look into the question. In addition to Decrees 15 of 1967, 13 of 1970, 9 of 1971, 6 of 1975 and Decree 7 of 1975, some of the commissions set up were the Phillipson Commission (1946), Hicks-Phillipson Commission (1951), Chicks Commission (1953), Raisman Commission (1957), Binns Commission (1964), Dina Commission (1969), Aboyade Technical Committee (1977), Okigbo Committee (1980), and the Danjuma Commission (1988).

Suffice it to say that none of these commissions was able to evolve a viable fiscal allocation formula for the country. With the return to civil rule in 1999, the Federal Government established the Revenue Mobilization Allocation and Fiscal Commission and the Politics of Revenue Allocation (RMFAC) to, among others, monitor the accruals into and disbursement of revenue from the federation account; review from time to time, the revenue allocation formula and principles in operation to ensure conformity with changing realities; advise the federal, state and local governments on fiscal efficiency and methods by which their revenue is to be increased; determine the remuneration appropriate to political office holders.

In 2001, the commission evolved the following sharing formula: Federal Government (41.3%) state governments 31%, local governments (16%), Special Fund (11.7 %). This formula, however, proved unworkable arising from the Supreme Court judgment on resource control in April 2002. Thus, in 2008, the fiscal body drafted a new proposal, which seemed to reinforce the hegemony of the Federal Government. By new arrangement, the Federal Government was to have as much as approximately 54 per cent of the total revenue.

However, sequel to the proposal of the RMFAC and the current revenue sharing formulae in use, Arowolo (2011), observed that the revenue allocation formula in Nigeria is parasitic in nature and therefore inevitably encourages parasitic governance where states become relaxed and endlessly expectant of the monthly ritual of allocation from the federal government; thus limiting their capacities to provide public goods needed to promote and sustain governance, and as such predates on the Internally Generated Revenue (IGR) of each state, thus making the states perpetually dependent on the Federal Government. A fair case for the clamour by the states for new revenue allocation formula that will guarantee a higher share of the federally generated revenue to them, negating the statutory role of Revenue Mobilization Allocation and Fiscal Commission (RMAFC) in the scheme of things, bringing to mind the question “who is in charge of the management of the Nigerian fiscal federalism”

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