Fiscal Federalism and the Challenge of Development in Nigeria: A Reconsideration of Decentralization

By

Ikaonaworio Eferebo, PhD
Department of History and International Studies,
Faculty of Humanities and Social Sciences,
Federal University Otuoke, Bayelsa State, Nigeria,
Tel: +234 (0) 806-394-4906 E-mail: efereboikaonaworio@gmail.com

Abstract

This paper posits that fiscal federalism concerns the appropriation and allocations of state resources amongst the federating units to enable them fulfil their constitutional obligations. However, the case of Nigeria is that the federal tier of government has monopolized an advantageous position over the other tiers since the 1970s. This is because most of the power (financial and legislative) relating to economic development has been historically and structurally centralized at the federal level. It is the opinion of this paper that a high level of fiscal decentralization is required in Nigeria because of the unjustifiable skewed revenue distribution formula and the need to resolve the controversial issues surrounding the contentious concept of fiscal federalism and its practice in the country. In an attempt to do this, the paper is anchored on a historical descriptive approach to x-ray fiscal federalism and its associated dynamics during the colonial and post-colonial periods. Using the historical descriptive analysis approach, the paper highlights how Nigeria's current operation of fiscal federalism has robbed off negatively on the relative development of the various regions or states in the country. It is also that the contention of the paper that the contending issues and challenges of fiscal federalism could be termed a mismatch or misplacement between revenue resources and *functions of the various tiers of government. Besides recommending a substantial review of the fiscal policies, it spotlights attention around the imperatives of a constitutional amendment to place resources and responsibilities where they ought to be.*

Keywords: Federalism, Fiscal Federalism, Intergovernmental Fiscal Relations, Fiscal Decentralization, Resource Control and Development.

Introduction

One of the key features of the federal system of government is the sharing of functions between the various components or federating units. Federalism is about the sharing of burden and benefit. The sharing principle, which underlines the essence of federalism, suggests that no one group could overstress whatever advantages it has to the detriment of the others. It is essentially to strike a balance between legal justice and social justice. This is understood to mean fairness. It is in this context of fairness and the ◎give and take◎ principle of federalism, which adheres to the assignment of decision making and responsibilities to all the tiers of government that one begins to benchmark what is functional and or dysfunctional in the practice of the federal system of government. This in turn formalizes the basis for appropriation of revenue rights and the determination of tax powers which constitute the bedrock of intergovernmental fiscal relations.

The division of functions and responsibilities to the various tiers of government in the federal system is to galvanize for the realization of political and economic aspirations of the citizenry. This development has to a large extent has led to the situation where specific public sector functions are assigned to the level of government perceived to be most effective and efficient in performing them. This situation has propelled the classification of functions of the various units in federal system of government. The basis for this classification could be defined by historical, political, economic etc. considerations in the assignment of responsibilities and functions.

For almost a century, the Nigeria federation continues to witness a tremendous transformation in its socio-political architecture or structure. It started with a tripod federation of three large semi-autonomous and powerful regions at independence in 1960 but today, it has transformed into a federal structure of thirty-six states and a federal capital territory. This has also revolutionized the number of Local Governments including Area Councils as contained in the 1999 constitution putting it at seven hundred and seventy four. This has resulted to the structural change of progressive strengthening of the federal government powers and weakening of the state and local government. This, according to Fajana (2001), has led to some changes in the intergovernmental division of powers and responsibilities between the federal government and the other tiers. This paper systematically examines fiscal federalism in Nigeria within the context of its evolution, principles, political economy and challenges posed by the practice of fiscal relations in Nigeria.

Conceptual Clarification

There are several key concepts associated with this paper that would require clarification for ease of understanding. These are federalism, fiscal federalism, intergovernmental relations, fiscal decentralization, resource control and development. We shall naturally begin with the clarification of the concept of federalism.

Federalism as a phenomenon, a concept and a practice has varying meanings and definitions from one scholar and practitioner to the other. According to Wheare (1963, p. 10), federalism is ◎the method of dividing powers so that general and regional governments are each, within a sphere, coordinate and independent◎. From the above scholarly, definition, we figured out its classical conceptualization of federalism which draws reference from the American model, which in any case, Wheare saw as a best practice template for federalism. On the other hand, Sulu-Gambari (1998, p. 9) sees federalism to mean ◎a form of governmental and institutional structure designed to cope with the dual but equally different task of maintaining unity and the preservation of diversity◎.

In this case, federalism is seen as a mechanism for holding together diverse interests that eventually stayed together. But the much ado about nothing of the principle of federalism reveals that much of the world is resistant to the idea of accommodating national and ethnic interests through federal institutions (McGarry, 2004, p. 3). Other notable theorists on the concept such as Carl J. Friedrich, William Riker, William Livingston, Graham Smith, Ben Nwabueze, Daniel Elazar among others have also lent credence to the conceptualization. For example, Friedrich (1964), adduced that ◎Federalism is a process rather than a design◎ any particular design of competencies or jurisdictions is merely a phase, a short run view of a continually evolving reality◎. He further stressed that ◎if thus understood as the process of federalizing it will become apparent that federalism may be operating in both the direction of integration and differentiation◎. While not disagreeing with Wheare, Livingstone (1952, p. 22) writes that federalism is simply a political arrangement through which the federal attributes of a society are expressed. According to him, the essence of federalism lies not in the institutional or constitutional structure but in the society itself. Federal government is a device by which the federal qualities of a society are articulated and protected.

From the forgoing analysis, it is easy to decipher that despite the differences in conceptualization of the federal concept, it is apparent that federalism denotes a system of government that emphasizes unity in diversity, division of functions or powers between levels of government and limited autonomy to the federating units.

Drawing from the above, fiscal federalism refers to the financial relationship among the tiers of government. It is a system of government where revenue and expenditure functions are shared among the levels of government commonly referred to as intergovernmental fiscal relations. This is basically why sometimes both terms are used interchangeably. Specifically, it is the system of transfer or grants by which the federal government shares it revenues with states and local government. Put differently, it is the disposition of tax powers, retention of revenue and method adopted in sharing centrally collected revenue in accordance with the constitutional responsibilities of all the levels of government.

Fiscal federalism according to Ajibola (2008) denotes an intergovernmental fiscal relation which defines the functions and responsibilities among the various tiers of government as well as the financial resources to achieve stated objectives. It is a term used to describe a system of government in which the fiscal responsibilities rested with the various components in the country. It also means that, the federal, state and local governments have joint responsibilities, Nigeria for example. Fiscal federalism therefore emphasizes the division of tax income and function responsibilities among the various tiers of government in a federal system.

Whereas Wheare (1985, p. 231) remarked that if state governments, for example, found that services allocated to them in a federal system are too expensive to perform, and if they call upon the federal government for grants and subsidies to upset them, they are no longer coordinates with the federal government, but subordinate to it. Financial subordination makes an end of federalism. In fact, no matter how well structured the political or legal forms may be preserved. It follows, therefore, that all the tiers in a federation must derive their powers in the constitution, each do have access to and power to control its own financial resources; each must have power to tax and to borrow for the financing of its own services by itself.

In the light of the above, Ozor (2004, p. 342) argued that in a federalism, the allocation of taxing power, federally collectable revenue and federal expenditure to the different components of government in such climes as to enable them discharge their constitutionally assigned functions and responsibilities to the citizenry. He quickly added that in most federations, taxes of citizens constitute the essential components (items) that go into the common purse of the federation while in Nigeria, the mining rents, and oil loyalties of over 80% accounted for the largest items in the federation account, the common fund (or commonwealth) that is shared amongst the units of the federation.

In view this, the underlying imperative of fiscal federalism is that, the greater the fiscal autonomy through Internally Generated Revenue (IGR) amongst the component states, the stronger the foundation of its federal system and the greater the chances of the survival and continued existence of the federation. It is therefore essential that each level of the government in the federation must not only have identifiable autonomous sources of revenue, but that such independent sources should to a large extent, provide the basis for its revenue needs and economic potentialities. Generally speaking, the core issues in fiscal federalism are revenue generating and spending responsibilities, intergovernmental transfer and administrative aspects of fiscal decentralization. (personal communication with Professor Adaye Orugbani, 11 November, 2018)

Intergovernmental fiscal relation is referred to the vertical fiscal relationship that transpired between the central and the federating entities. In a federal system, intergovernmental relation is the sum totality of all the permutation and combinations of relations among the units of governments. However, despite the constitutional division of functions and responsibilities, intergovernmental fiscal relations within federations are often marked by cooperation, competition and conflict (Ekanade, 2013, p. 71).

In all of these, fiscal arrangements remain a controversially endemic issue since 1946. Therefore, there exist unresolved issues on this matter. The return to a democratic experiment in 1999 re-echoed the challenges of intergovernmental fiscal arrangement among the different tiers of government with the issue of resource control coming to the front burner. The interference by the executive arm of government on the powers and functions of Revenue Mobilization and Fiscal Commission (RMAFC) on the appropriate revenue-sharing formula among the different tiers of government, the debate concerning the correct interpretation of the section of the 1999 constitution dealing with the derivation principles and sundry issues have posed challenges for Nigeria's fiscal federalism (personal communication with Nimitenbofa Dambo, 20 November 2018).

Development as a concept can be defined as a process of economic and social advancement in terms of quality of human life. It is therefore complex and difficult to explain the concept by not simply taking for granted its meaning at face value. Thus, Okpata (2004) agreed with this fact when he posited that the term development is conceptually difficult to handle, yet, it is the fundamental economic ingredient for growth and economic process. He further observed that development in common sense may mean ◎growth, change or planned growth◎. While Abah (2000) contends that development has utilitarian dimension which connotes increase in the quantity of usable items available to man in the society. The position of Abah in his conceptualization indicates that development must be accounted for by increase or uprising in the quantity and quality of usable items at man's disposal in the society. But the problem with this conceptualization is that there is no variable for the measurement of the level of increase in the quantity of usable items that are available to man and therefore, it is difficult to determine the amount of increase of usable items that are capable of making the man or the society developed.

The work of Walter Rodney (1969, p. 9) also factored development as a many sided process. At the level of the individual, it implies increase in skill and capacity, greater freedom, self-discipline, responsibility and material wellbeing. Also Todaro (1992, p. 108) corroboratively wrote that, ◎development is a multi-dimensional process involving the organization and re-orientation of the entire economic and social system ◎ an improvement of income and output, radical changes in institutional, social and administrative structures as well as in popular attitudes, customs and beliefs◎.

It is easy to infer from the various definitions above that development is both physical (societal) as well as a state of the mind (psychological) and it is a transformation of every facet of society. It is obvious that development is the embodiment of many aspects which is greatly nested on financial consideration. This is why this paper is focused on relating the fiscal federalism or revenue allocation in Nigeria to development. It is therefore, the quest to determine how resources are appropriated for development and its workability in Nigeria over the years.

Evolution of Nigeria⚜s Fiscal Federalism

Nigeria' s fiscal federalism is anchored on economic, political, constitutional and socio-cultural development. As the country progressed from a unitary to a federal form of government, the structure of government became more and more decentralized; there were key changes in fiscal arrangements.

Before the amalgamation of Nigeria in 1914, the constituent units that is, the protectorates of Northern and Southern Nigeria and the Colony of Lagos each enjoyed complete fiscal autonomy. Also before 1914, unified fiscal arrangement had been in place while a centralized budgeting system was introduced in 1926 (Williams & Orokpo, 2014,p. 40). Corroborating the above Ikime (1980, p. 403) opined that:

> The problem of revenue allocation in Nigeria' s administrative history pre-dated federalism. It formed part of the negotiation for the amalga-mation of Nigeria and was examined by

> the Niger Committee in 1890 under the need for pooling economic resources. The 1914 amalgamation gave Nigeria one consolidated revenue.

He further opined that thereafter, the government regularly faced the problem of how best to utilize this revenue for the benefit of the citizenry. We note, however, that with the adoption of regionalism in 1946, a decentralized fiscal framework was evolved. Sir Author Richard' s constitution 1946 was the first building block of federalism laid on the foundation of Governor Bourdillon. Also the 1946 constitution, necessitated for the first time in Nigeria' s history, a revenue allocation commission. Before the coming of the Nigerianizaed constitution (republican constitution) in 1963, the fiscal arrangements were influenced by political and constitutional considerations consequent upon the new regional political structure, several commissions were established to renew existing fiscal arrangements and make appropriate recommendations (Ekpo & Ndebbio, 1996; Larab, 2013; Obiajulu et al, 2016). These were: (i) Sir Sydney Phillipson; 1947, (ii) Hick and Phillipson; 1951, (iii) Chick Commission; 1954, (iv) Raisman and Tress Commission; 1957, (v) Binns Commission; 1964, (vi) Dina Commission; 1968, (vii) Aboyade Technical Committee; 1977, (viii) Okigbo Committee; 1981, (ix) Theophilus Danjuma Commission; 1989. Also, new formula was introduced in 1990 and 2000 (Dunmoye, 2002). Each of these commissions came up with their preferences as to how the revenues in the country are to be shared. Arguably, none of the commissions' recommendations were completely accepted by government.

Aside the above commissions, it is worthy of note that, there are several decrees and administrative fiats (prevalent during military regimes) applied to address the issue of revenue allocation or sharing. The military governments had promulgated four decrees each of which altered the existing basis of revenue allocation. These are Decrees No. 15 of 1967, No. 13 of 1970, No. 9 of 1971 and No. 6 of 1975 (Fayam, 2013, p. 186).

With the inception of democracy in 1999 an enabling environment was created for robust debates and discourses in political and court premises over revenue allocation, allocation of tax powers and expenditure responsibilities in the Nigerian federation. The controversies surrounding fiscal federalism took a new dimension with the federal government been labelled by oil producing states for not strictly adhering to the derivation principles as orchestrated in the 1999 federal constitution. These issues propelled the Federal Government to introduce the on ◎ off shore dichotomy implying that oil found in the sea cannot be ascribed to the adjourning state. The on ◎ off shore controversy resulted in states of the South South (Niger Delta) region calling for a greater control of their resources (Oil and Gas). This eventually led to the struggle for resource control which climaxed by some states suing the Federal Government with the matter terminating in the Supreme Court that ruled in April 2002 (Ukuta, 2009, p. 98; Ekanade, 2013, p. 76). Arguably, despite the Supreme Court judgement there are still lapses in revenue allocation issues, owing to several interferences where the presidency undermined the functions of the Revenue Mobilization Allocation and Fiscal Commission (NRMAFC) reminiscence the fact that Nigeria' s fiscal federalism is still at its embryonic stage of development. Also, the discussions and submissions of the South South delegates at the National Conferences in 2014 tends to show the unresolved controversies around revenue allocation question in Nigeria.

Principles of Fiscal Federalism

Since the beginning of federalism, Nigeria had sought an appropriate mechanism that is acceptable to all the tiers of the federation especially the allocation of revenue among them. Several fiscal commissions/committees were established to work out an equitable formula for this reason. Many principles had been introduced and applied to revenue sharing among the constituent units consequent upon the commissions and committees discussed earlier, yet the challenge of equitable revenue sharing remain unresolved. In Nigeria, for instance, certain basic principles are used for revenue allocation. These could be categorized under three broad headings, namely: (a) derivation (b) need and (c) national interest/ even development. Other allocation criteria are (i) population (ii) geographical peculiarities (iii) absorptive capacity (iv) equality of states (v) internal revenue generation efforts (vi) fiscal efficiency (vii) landmass (viii) financial comparability (Okeke, 2004, p. 48)

Apparently, the general principles of fiscal federalism seemed to have given birth to varieties of principles dictated by the miscellany of historical or constitutional exigencies and peculiarities of a developing political system. Thus, from the Phillipson Commission (1946) to Binns (1964), the derivation and consumption principles were considered the most potent factors while population was smuggled in as a means of allocating federal block grants to the regions. And again, between 1947 and 1970 the two contending principles which guided revenue allocation in Nigeria were derivation and need, but derivation taken the lead. Following the understanding that it is germane for retention of the tax revenue generated by the state of origin. The derivation principle postulates that the component units of a federation should be able to control some of their preferences in their own way with their own resources on the other hand, the principle of need is based on the number of adult male tax payers. This formed the basis for the Raisman Commission (1958) on revenue allocation to widen the base of the principle of need to accommodate factors such as population, basic responsibility of each regional government and the need for balance development (Williams & Orokpo, 2014, p. 41).

By and large, the military regimes variously promulgated decrees which increased financial allocation to the Federal Government and reduced export duties that went to the states from 100% to 60%, especially Decree

No. 3 of 1970 consequent on the oil windfall. The Federal Government also allotted to itself many functions of state governments such as primary and tertiary education. From that humble but staunch beginning, the principle of derivation was gradually jettisoned. The agitation for resource control arose now from the frustration of the oil producing states over the policy of successive federal governments to de-emphasize derivation. Put differently, the demand for resource control now is the extreme case of an indirect clamour for a return to the principle of derivation (Okeke, 2004, p.49). See tables below for distribution of allocation of revenue, intergovernmental fiscal relations and tax jurisdiction etc.

Table 1.

A Summary of Revenue Allocation Formulae Adopted in Nigeria

Latest RMAFC Proposal	Submitted to President, Sept. 20, 2004	47.19	31.10	15.21	National Priority Services Funds Ecology-1.50; Mineral Devt.-1.75 Agric Devt.-1.75 Reserve Fund-1.50 Total-6.50 {Joint FG/State/LG management}	100.00
Presidential Proposal	Submitted to NASS, Jan.25, 2005	47.19	31.10	15.21	Ditto +Horizontal formulas +State Derivation Funds Board to manage 13% derivation	100.00
Pre-Supreme Court-RMAFC Proposal	August 2001	41.23	31.00	16.00	11.70	100.00
Supreme Court Ruling	April 2002				Current Allocation ruled unconstitutional	100.00
Post-Supreme Court-Execute Order No.1	May 2002	56.00	24.00	20.00	0.00	100.00
Post-Supreme Court-Execute Order No.2	July 2002	54.68	24.72	20.60	0.00	100.00
Post-Supreme Court-RMAFC Proposal	January 2003	46.63	33.00	20.37	0.00	100.00

Item	Date	Federal Govt %	State Govt %	Local Govt%	Special Funds %	Total 1%
Aboyade Commission	1977	57.00	30.00.	10.00	3.00	100. 00
Okigbo Commission	1980	53.00	30,00	10.00	7.00	100. 00
Revenue Allocation Act	1981	55.00	30.50	10.00	4.50	100. 00
Danjuma Commission	1988	50.00	30.00	15.00	5.00	10.00
Pre-Supreme Court-Legal Decrees/Law	Pre-April 2002	48.50	24.00	20.00	7.50	100. 00

Source: Adapted from Aluko, January 26, 2005.

Table 2. Jurisdiction of Major Taxes in Nigeria

S/N	Types of Tax	Administration and Collection of the tax
1	Import duties	Federal
2	Excise duties	Federal
3	Export duties	Federal
4	Mining and royalties	Federal
5	Petroleum sales and profit tax	Federal
6	Companies gains tax	Federal
7	Capital gains tax	Federal/States
8	Personal income tax (other than listed in 9)	States
9	Personal income tax: armed forces, external affairs officers, on-residents, resident of the Federal Capital territory and the Nigeria police.	Federal
10	License fees on television and wireless Local radio	
11	Stamp duties	Federal
12	Capital transfer tax (CTT)	Federal
13	Values Added tax	States
14	Pools Betting and other Betting taxes	Federal
15	Motor Vehicle and Drivers Licenses	States
16	Entertainment tax	States
17	Land registration and survey fees	States/local
18	Property taxes and rating	States
19	Marketing and trading licenses and fees	Local
20	Motor park duties	Local
21	Advertisement fees	Local
22	Gift tax	States

***Source:** Constitution of the Federal Republic of Nigeria (1999)*

Date	Federal	%	%	State and FCT	Local	%	Total
1993	1912229.1	75	17	44180.9	19475.5	8	25885.5
1994	160893.2	68	24	55916.4	18967.1	8	235776.7
1995	248767.8	71	23	79591.6	22443.3	8	350802.7
1996	288289.3	73	21	84177.1	24261.7	6	396528.1
1997	3562.3	74	19	92647.6	30833.0	6	479742.9

Sources: *Central Bank of Nigeria, Annual report and Statement of Accounts, 1997*

Table 3. Distribution of Total Public Sector Expenditure among the Federal, State & Local Governments, 1993 - 1997

The Political Economy of Fiscal Federalism in Nigeria

Political economy is the basis of the financial relations in any federal system as it is crucial to the continued existence of such system. Fiscal issues transcend mere rhetoric of division of powers and expenditure responsibilities, especially in plural societies like Nigeria where it has assumed religious, political and social dimensions. The political economy of fiscal federalism deals with the power relations that underline the authoritative allocation of resources among the various tiers of the Nigerian federation. In this case, it deals with the consequences of the allocative process and the condition under which it breeds crisis.

Dunmoye (2002) admonished that four intertwined factors could generate crisis in a viable federation. These includes the issue of political power sharing or representativeness especially at the centre; the problem of equitable employment to members of all sectors or all constituent units in the federation; location of industries or infrastructure and projects especially those funded by the federal government and the sharing of resources or what is known in Nigeria as revenue allocation. These essentially formed the four cardinal points of which the political economy of federalism rested on. Any gambling with one or more of these elements could mar any federal system especially a fragile federation like Nigeria.

The debate on Nigeria' s fiscal federalism and intergovernmental relations are hinged on the fundamental question of who gets what from the commonwealth, when and how? This is fundamental because Nigeria is dependent on a monolithic economy as over 80% of its revenue comes from the sale of crude oil, by virtue of the federal system, this revenue must be disbursed to the various tiers of government. This also explains how contentious the revenue allocation debate has continued to ravage Nigeria' s body politic since crude oil became the main stay of the economy and why public office holders are hardly held accountable for the mismatch of revenues derived from the commonwealth. In all federations, there is always a near constitutional wrangling on how resources should be allocated among the tiers of government. This is because there are always poor and relatively rich constituents for instance, in Nigeria the states often prefer a re-distributive system of federal resources while the more endowed states are in favour of more financial autonomy and revenue allocation based on the relative contribution of each constituent unit to the federal purse (Distributable Pool Account). This is more aptly articulated by Olaloku (1979, p.109), who argued that ◎a major source of intergovernmental disputes under a federal system centres on the problems of securing adequate financial resources on the part of the lower levels of government to discharge essential political and constitutional responsibilities◎.

Arguably, the political economy of fiscal federalism strikes at the very basis of the corporate existence of the Nigerian federation. In fact, the incessant agitations for resource control and the clarion calls for restructuring of the polity attest to the veracity of the argument that Nigeria' s fiscal federalism is infected with series of diseases which needs urgent medical attention to avoid a disintegration of the federation. The various reforms made in the hey-days of military regimes in the national sharing of resources were effectively politicized in favour of the dominant ethnic majors at the detriment of the oil producing states. Therefore, it is the oil revenue that has brought about the struggles over the control, access and distribution by various forces of the political class. The concern is that, the principle of derivation, if allowed to be the basis for determining revenue allocation, will certainly favour the oil producing states or ethnic minorities of the federation at the expense of the ethnic majors

It is very apparent from the above reason why the federal government has become the quintessence of power thus becoming the ultimate prize in the political calculus and hence, all attention gravitate towards the contest for access to power and the capacity to authoritatively allocate resource at the centre. This centralization of power and resources is a negation of the practice of fiscal federalism. The concentration of oil revenue also militates against the improvement of other sectors of the economy. Therefore Obi (1998) writes that ◎in Nigeria revenue allocation largely implies the allocation of oil revenue, therefore, oil is central to the politics of intergovernmental fiscal relations thus the contending forces over power and access to oil, extraction and accumulation of resources constitute the major conceptual issues that must be objectively confronted in seeking to understand the political economy of fiscal federalism in Nigeria◎.

Fiscal Federalism in Nigeria: Issues and Challenges for Development

The major challenge of fiscal federalism is to ensure equitable distribution of resources to all tiers of government that constitute the federation and at the same time, guarantee that the geese that lays the golden eggs are adequately rewarded. Consequent on the above, there are a number of constraints and challenges affecting intergovernmental fiscal relations in Nigeria which include non-correspondence problem; fiscal autonomy and independence; federation account and the derivation fund; oil producing areas and the derivation principle and intergovernmental fiscal relations and the economy (Ekpo, 2009). This is the focus of this paper as it is intended to identify the major challenges of fiscal federalism in Nigeria and proffer solutions to them.

In the light of the above, Ajibola (2008) identified the under listed as some of the challenges of fiscal federalism in Nigeria:-

- The major problem could be summed up in mismatch between revenue resources and functions of the various spheres of government. The revenue allocated to the lower tiers of government is inadequate to address the many duties expected of them. This has actually caused challenges to meaningful infrastructural development in the country.
- Frequent change in government and incessant military coups reduce or dwarf the operations and effectiveness of fiscal federalism. The fact remains that during the military regimes, constitution is usually suspended in favour of decrees and edits. In this canopy, the principle of fiscal federalism were affected and this in turn affected development in the country.
- Dwindling revenue due to reduction in the country' s export and fluctuations in the prices of the nation' s commodities (in this case crude oil and gas) in the international market are among the challenges of fiscal federalism in Nigeria.
- Economic and financial mismanagement which is reflected in corruption and financial impropriety of government functionaries have tremendously affected development in the country.
- The sharing of federally collected revenue reflects political applications rather than economic consideration.
- The rapid increase in fiscal units thereby reducing the funds allocated to each state and local government in the country.

It is evidently clear to historicize from the above views that, the challenges to effective fiscal federalism also include the problem of external debt overcharge; macro-economic instability; distress in domestic financial market; political instability and leadership ineffectiveness among others.

In consideration of these factors above from the hindsight of history, we find out clearly that there had not been over time a clear and manifest devolution of power to the federating units. The constituent states that is the foundation of the Nigerian Federation have been relegated to a mere centre-periphery kind of relationship; through their loyalty to the federal government for favours. The core values of the Nigerian federation like national unity and even development amongst the diverse constituent regions or states have also been sacrifice on the altar of politics as almost all the segments of the Nigerian state complains of one kind of marginalization or the other.

In Nigeria, for instance, the control of resources natural to a state on the basis of derivation principles indicates clearly that apart from the 1963 constitutional provisions that gave the regions 50% control of their resources, all the others have been palliatives, ever since the discovery of oil and its boom in the 1970s. Nigeria's economic history shows that the 1970s was one of boost in revenues as a result of an increase in the price of petroleum products, which constitutes over 80% of Nigeria's revenues and 90% of export earnings. But also to the fact that the national budgetary provisions are tied to the expected annual production and price of crude oil. This crude oil was and still is the primary engine for national economic growth and development. It was this madness of monolithic foreign exchange that marred the growth of agriculture that was the main stay of the country before the discovery of oil in Nigeria to the woods. The implication of this is the non-diversification of the economy and thus the greater goal of national economic growth and development has been significantly undermined.

Going forward, it is clear that Nigeria was in tune with the principle of derivation even before independence and the early years preceding 1966, derivation was the major principle of sharing revenue. The essence of derivation Larab (2013, p. 120) writes, is to help motivate, encourage, scrutinise the community toward an inward look. He further asserted it is also to make for compensation and protection of the community from ecological and land degradation, environmental pollution and general displacement of the people from their source of livelihood. The principle of derivation had not been customized since the discovery of oil in the same percentage to which it was with agricultural produce before 1966. This is a clear case of injustice and unfair treatment, despite the fact that the various commissions/committees recommended derivation as a principle for the allocation of resources.

Instructively, the coming on stream of intervention agencies such as the Niger Delta Development Commission by the Federal Government seem to be a welcome development. The fact remains however, that the missing link seem to be the proper utilization of the derivation principle fully to enable lower tiers of government (especially the oil producing areas) to handle their developmental problems according to their own needs and priorities. The minimization of the derivation over the years from earlier 50% to 1% and 13% only as it affected oil is unjust and unfair. While there is a clear disconnect arising from expenditure and revenue responsibilities, this had not been as visible and controversial as the system of sharing of the national revenue. The sharing formula is rested on obscure principles such as equality of states, population and landmass amongst others. Why should the states be equal in consumption and unequal in production? and should a huge landmass or population of infertile and unproductive soil or unproductive population be rewarded more than a small landmass or population of fertile and productive soil or population? The rationale for this is that the federating units will have a sense of belonging even where they are disadvantaged on the other parameters. It also establishes federalism from its core component, where all the components are equal in a federation. Thus, it equally establishes justice, equity and fairness as cardinal aspects for the balance in revenue allocation.

In due course therefore, the principle of need as recommended by various commissions/committees for the sharing of revenue is also essential, as it tended to establish the fact that the various units have their peculiar needs and resource gaps which differ from others. These principles as Larab (2013, p. 121), argued forcefully formed the core of what federalism in its fiscal component ought to be. The idea is that derivation was not factored by successive governments with the exception of the 1963 republican constitution. Hence, these components were adopted not in sharing the consolidated revenue but to help share the percentage accruable to states. This paper therefore opined that, the federal government responsibilities in relation to her very huge percentage is not commensurate.

Concluding Remarks/Suggestions

Nigeria's fiscal federalism over the years has come under serious attacks and this is as a result of the mismatched expenditure priorities, inequitable appropriation or allocation of the country's revenue and excessive fiscal centralization. There is no gain saying that fiscal federalism has become a thorn in the flesh, may be, because of different levels of resource endowments among the various components and partly because of class struggles among elites to access fair share of the oil commonwealth. The incessant clamour for resource control by the oil rich states and ethnic minorities of the South-South geopolitical zone could be ignored at great expense to Nigeria's unity.

Stemming from the above, the inter-tier distribution of revenue had been lopsided and the revenue allocation does not represent national interest. The two lower tiers of government had been subjected to the status of appendages with highly limited tax powers, fiscal spending expenditure and heavy dependence on the federation account, actually affected the viability of the other tiers and thus constituted a crack on national stability. To redress the current intergovernmental fiscal relation, there should be redistribution of federal and state powers as it relates to the provisions of the constitution to the exclusive, concurrent and residual legislative lists. Put differently, redefinition of the statutory role performed by each tier of government and a modification of the current fiscal jurisdiction are required for a healthy and just fiscal federalism. This is a clear call for the redistribution of powers amongst the various levels of government. This is to reduce the attraction to the centre and allow for competition at the lower levels of government, thereby engendering quality leadership at those levels. These changes must be enshrined in the Nigerian constitution as amendment if the Nigerian federation is to achieve fiscal stability, even development and equitable distribution of the federation's oil revenue in future. It should be therefore emphasized that fiscal federalism could thrive if only the principle of intergovernmental fiscal relation is reviewed and fine-tuned the process in the national interest with a note on devolution or restructure.

References

Aba (2000). (As cited in Williams & Orokpo 2014). Fiscal federalism: An analysis of issues and challenges. *International Journal of Peace and Conflict Studies,* (ISSN IJPIS) 2 (1). Retrieved from (http://www.ramss.com)

Ajibola, R. (2008). *Public finance: Principles and practice*. Lagos: AVL Publishers Ltd.

Dambo, N. (2018). 56 *years, economist and former Member revenue mobilization allocation and fiscal commission, personal communication* at Abuja 20/10/2018.

Dunmoye, A. (2002). Resource control: Which way forward? *Newsletter of the Social Science Academy of Nigeria5*(1).

Ekanade, O.V. (2013). Federalism, intergovernmental relations and the headmaster complex in nigeria. In O. Okpeh, & C.B.N. Ogbogbo, (eds), *Federalism in historical perspective*. Makurdi: Aboki Publishers Ltd.

Ekpo, A. (2004). *Intergovernmental fiscal relations: The Nigerian experience.* Paper Presented at the 10th Year Anniversary of the Financial and Fiscal Commission of South Africa, Cape Town, 10-12, August.

Ekpo, A. & J., Ndebbio (1996). Fiscal operation in a depressed economy: 1960-1990. *Research Paper* No. 44, AERC, Nairobi, Kenya.

Fajana, O. (2001). Three-and-a half decades of fiscal federalism in Nigeria◎. In Elaigwu, J.I., and Akindele, R.A. (eds), *foundations of Nigerian Federalism 1960-1995 Series*, Vol.3.

Fayam, F.N. (2013). The Nigerian fiscal federalism◎. In O. Okpeh, and C.B.N. Ogbogbo, (eds), *federalism in historical perspective*. Makurdi: Aboki Publishers Ltd.

Fredrich, C. J. (1964). *Federalism: national and international.* London: Oxford University Press.

Gambari, S.A.B. (1998). *The theories of federalism and inter-governmental relations: An analysis of the Nigeria experience*. Maiduguri: University of Maiduguri Press.

Ikime, O. (1980). *Groundwork of Nigerian history.* Ibadan: Heinemann Educational Books Ltd.

Larab, T.A (2013). Problems and prospects of fiscal federalism in Nigeria: A historical review◎. In O. Okpeh, and C.B.N. Ogbogbo, (eds), *Federalism in historical perspective*. Makurdi: Aboki Publishers Ltd.

Livingston, W.A. (1952). A note on the nature of federalism. In Meckinson (ed), Canadian *Federalism myth or reality*. New York: Methuen Publishers Ltd.

McGarry, J. (2004). Can federalism help to manage ethnic and national diversity in Federalism, 4(1).

Obi, C. I. (1998). Globalization and local resistance: The case of Ogoni Versus Shell. *New Political Economy*, 2(1).

Obiajulu et al, (2016). *Government and politics of Nigeria: The struggle for power in an African state.* Onitsha: Book Point Educational Ltd.

Okeke, E. (2004). The Controversy Over Resource Control in Nigeria. Abia Journal of the Humanities and the Social Sciences, Vol. 1

Olaloku, F.A. (1979). *Structure of the Nigeria economy*. Lagos: Macmillan Press.

Orugbani A, 68 years, Professor of History, *personal communication* at Abonnema, Rivers State 11/11/2018.

Ozor, E (2004). *Grassroots labour relations in Nigeria.* Ibadan: University Press.

Rodney, W. (1972). *How Europe underdeveloped Africa*. London: Bogle Louverture Publication.

Todaro, M.P. (1992). *Economics for a developing world: an introduction to principles, problems and policies for development*. London: Longman Group Ltd.

Ukuta, S. (2009). *The Nigerian nation, the niger delta and the way forward*. Benin City: Mindex Publishers Ltd.

Wheare, K.C. (1963) Federal Government, London: Oxford University Press.

Williams, E.A. & Orokpo, O.F.E. (2014), Fiscal federalism in Nigeria: An analysis of issues and challenges. *IJPCS-International Journal of Peace and Conflict Studies*, (ISSN-IJPCS). 2(1). www.rcmss.com Accessed 12/10/2018.