



Resource Control and the Dilemma of Restructuring Nigerian Federalism: Issues and Challenges

by

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Abstract

This paper examined the continuous debates on resource control and the contention surrounding the restructuring of the Nigerian federalism. The study adopted the Interest Group Theory of politics which emphasized the persistent and unending competition of different groups for the control of power and resources in a pluralistic society. The quantitative research method was adopted where data were analyzed using content analysis. Findings revealed that, several Commissions were set up to address the problem of revenue allocation with particular attention given to derivation, needs, national interest, population and even development. However, the main bone of contention lies in the actual percentage to be accorded to each state or region. Actions which include mobilization campaigns, social protests and heated debates between the North and South presented a challenge to the effective functioning of federal system in Nigeria. In other words, the failure of the state to find a political solution to the problem has led to a plausible demand for structural reform and self-determination within the federation. This paper recommended a democratic resource control model which advocated for the reversal of the principle of revenue allocation and sharing based on equity and distributive justice thereby addressing basic needs of the entire population.

Keywords: Resource Control, Revenue Allocation, Interest Groups, Federalism and Restructuring.

1. Introduction

Among the major challenges confronting Nigeria is how to devise an equitable and generally acceptable revenue sharing formula for all the stakeholders in the federation, especially the thirty-six states which make up the component units of the federation. The apparent failure to devise a comprehensive strategy has led to the increased frictions in intergovernmental relations and the rising pitch of the demand for resource control by some

communities and states in the federation, which have gone a long way to weakened the already tattered fabrics of the Nigerian federation, threatened the basis for national cohesion and unity and significantly constrained the foundations of stable growth and socio-economic development.

The issue of the relationship between revenue generation and sharing in a federal system of government, otherwise known as fiscal federalism, has always been debatable and contentious. It revolves around the issues of equity and efficiency as rationale and justification for intergovernmental transfers (Musa, 2014:2). In Nigeria, the debate and contentions have reached unimaginable heights. The controversy increased with time and came to a head, especially following prolonged military rule, during which the imbedded arbitrariness has caused the Nigerian federal system of government to be characterized by a tendency toward centralization and concentration of power and resources at the federal level, as well as a politicized process of horizontal transfers amongst the federating units (Jega, 2007a).

As power and resources became centralized at the centre, the struggles for the control of the centre became intense and the frustrations of those who lost out also intensified. With these came the dissatisfaction with the management of the national resources and increased feelings of discriminations, inequalities and marginalization by those who feel excluded in the control of power at the centre. In the oil-producing communities, the feelings and perceptions of marginalization has resulted in the emergence and proliferation of radical youth organizations, which began to agitate against the activities of oil companies in their areas as well as demand for a better share of the oil revenues for the development of their communities (Mohammed, 2014:11). It is in this context that the demand for resource control emanated.

While other civil society groups joined the demand for resource control in Nigeria, elected officials in the Niger Delta area (notably the Governors), only became involved with the demand for resource control around December 1999. Their own definitions and notions differ remarkably from those canvassed by the youth groups. This paper however examines the agitations for resource control and the dilemma of restructuring Nigerian federalism. Also, it identifies factors responsible for the increased perceptions of inequity in the generation and sharing of revenue resources among the competing units of the federation.

This paper adopts the Interest Group Theory of politics which get influence in the realm of politics particularly from the late 19th Century (1920s, 1950s, 1970s/1980s to date). Leading advocates are James Madison, Alexis de Tocqueville, Arthur Bentley, David Truman and Robert Dahl etc.

The theory (which sees groups as political actors) get its roots from the late 19th Century within the context of the larger movement of behavioralism in sociology and psychology which brought to the social sciences the idea of empirical evidence being used to describe reality and/or develop predictive theories about non-scientific disciplines.

The major premise of the theory is that, the state is composed of actors both institutional and non-institutional, and these actors are a product of their historical, socio-economic, political, and other contexts (Ball and Millard, 1986:25). The theory holds that

groups have competing sets of interests and the state acts as a control mechanism. It placed emphasis on the interest of underlying groups in the society which includes civil society, political groups, governmental (policy) networks, and mutual relations among interest groups (Schlozman and Tierney, 1986; Thomas, 1993). Questions such as how decisions are made, who decides, who benefits and what difference does it make all; revolves around group politics.

Interest group theory argues that, every interest group in the society attempt to realize its interests by exercising influence in the broad sense over politics and society. An interest group is an organization of people with similar policy goals who enter the political process to try to achieve those aims (Baumgartner and Leech, 1998:333). Their activities involve lobbying based on interests to influence actors involved in public policy making. The purpose is to protect and enhance values and desires on which the interests are based.

The theory acknowledged the contesting claims of divergent groups and those of corporate interests in a given society; which led to the rise of “pressure politics” where groups use possible means to exert pressure on policy-makers (Bentley, 1967:34). The major tenets of the theory as advanced by Key (1964:23) include:

- i. Resources and hence potential power are widely scattered throughout society,
- ii. At least some resources are available to nearly everyone,
- iii. At any time, the amount of potential power exceeds the amount of actual power.
- iv. The task of the political system is to manage group conflict by establishing the rules of the game,
- v. arranging compromises,
- vi. enacting deals into law,
- vii. enforcing and adjudicating the laws,
- viii. government is like a referee calling the balls and strikes,
- ix. public policy is only a temporary equilibrium,
- x. adherent believe that government is held together by latent group which supports the system, overlapping membership in different groups, checks and balances of group completion and agenda building.

Interest Group Theory believes that different interest groups compete to control government policy and that their conflicting interests can balance out each other to provide good government. The theory, however, holds that, situation will remain fluid permanently; no one will have a permanent victory.

The theory also asserted that, while politics and decision making are located primarily within the framework of government, there are many nongovernmental groups who can use their resources to exert influence on those with the power to make policy. Inherent to this framework are the ideas that no one group has a claim on the general will, group interests are multiple and shifting, and any inequalities of power or access created by disparate resources are resolved by the democratic process (Olson, 1965).

Although the Interest Group Theory sees multiple interest groups competing over political influence, it no longer sees the state as an umpire mediating and adjudicating between the demands of different interest groups, but as a relatively autonomous actor (with different departments) that forges and looks after its own (sectional) interests (Barzilai,

2003:22). The theory often concerns a significant relation between interest groups and the state, with a coordinating role for the latter. The state constructs a framework in which it can address the political and economic issues with the organized groups.

Despite the fact that the Interest Group Theory fails to find a lasting solution to the problem of resource control by aggrieved groups in a given society, the theory stands to be appropriate in analyzing the inherent contradictions and challenges in the national policies of revenue generation and sharing in Nigeria.

2. Objectives of the Study

- i. To assess the Structure of Nigerian Revenue Allocation System;
- ii. To attempt a historical Overview of Revenue Generation and Sharing in Nigeria;
- iii. To examine the nature and dynamics of the Politics of Resource Control in Nigeria;
- iv. To assess Government Responses to Pressures and Grievances of the Niger-Delta Communities;
- v. To highlight the Dilemma of Restructuring the Nigerian Federalism and the Challenges for the Near Future: The North-South Divide.

3. Materials and Methods

This study employs the Quantitative Research Method whereby data for the study were obtained mainly from secondary sources such as official publications, articles from reputable journals, internet materials and textbooks. The data examines the agitations for resource control in the historical contexts of the evolution of revenue generation and sharing in Nigeria's experimentation with a federal system of government. It conceptualizes the revenue generation and sharing in federal arrangement, traces how these evolved in Nigeria, and identifies factors responsible for increased perceptions of inequity in the generation and sharing of petroleum resources revenues.

Also, data generated from the above sources highlights the inherent contradictions and challenges in the national policies of revenue generation and sharing. It analyzes the geneses as well as dynamics of the politics of the demands for resource control.

4. Revenue Generation and Sharing in a Unitary and Federal System of Government: Criteria and Principles

The politics of revenue generation and sharing, although contentious in all contexts, differs remarkably between unitary and federal systems. In a unitary system of government, revenue generation and expenditure powers are concentrated in the central government, which has statutory responsibilities for determining revenue sources, raising funds and using them for social and economic development programs and projects (Ayoade, 1998:13).

In contrast, in a federal system of government, statutory responsibilities are constitutionally assigned to at least two levels of government namely federal and state governments. However, the responsibilities constitutionally assigned to each of the federating units are, often not matched by the allocation of revenues sources, with the result that, invariably, a gap exists between expenditure obligations and availability of resources to carry them out (Akinyele, 1993:21). This is what Oladeji, (2005:21) referred to as the

discordance between fiscal capacity of the various levels of government and their expenditure responsibilities.

It is in this context that, the principle of fiscal decentralization has developed. Thus, revenue sharing has evolved as a mechanism to establish a balance between what levels of government are expected to do, and their ability to do it. This is done sometimes, by transferring resources from lower to higher levels, but more often than not, it is done by transferring revenues from higher to lower levels.

There are three theoretical justifications for transferring revenues from higher to lower tiers of government in a federation, with theorists divided over which of the three should carry more weight. These are: (1) for balancing purposes, (2) to achieve equalization, and (3) to provide an incentive (Ihonybere, 2003:21).

Balancing is related to the nature of the functions and revenue resources of the three levels of government, that is, federal, state and local. Because of the functions and revenues of these three levels of government are determined either traditionally or constitutionally, or from the administrative point of view, an imbalance may develop between revenues and responsibilities. It then becomes the duty of the higher level of government to make good such an imbalance by making transfers of financial resources which are referred as deficiency or balancing (Elaigwu, 2007:11).

Equalization transfers are based on the need to ensure minimum standards of socioeconomic development in a federation, notwithstanding “variations in the revenue-raising capacities of the lower levels of government”. It is a principle of revenue sharing based not only on recognition of the need to ensure minimum standards of socioeconomic development in a federal context, but also to minimize the sociopolitical implications of uneven development in a polity. It is in this context that revenue allocation is used as a device to redress regional imbalances in development in a federation (Jinadu, 1982:2).

As for incentive transfers, they are designed to encourage specific types of local activities under specified conditions, for instance, to address educational disadvantages and to solve ecological problems (Jega, 2009b). Invariably, these kinds of transfers are done with the overall objective of facilitating the generation of positive externalities, which would be beneficial to the overall socioeconomic development of the polity.

Also, there are three key principles on which revenue sharing is based in a federal system namely: (1) derivation, (2) need and (3) equity (Jega, 2009b:224). Derivation is a principle that seeks to ensure that a constituent unit of a federation receives a share of federally collected revenue in proportion to its contribution to it. Derivation is usually applied to revenues collected from sources, which are not easily defined as exclusive to a federating unit, and which are easier to collect centrally, for example, excise, import and export duties, etc. (Iyoha, 2007:11).

The principle of need seeks to ensure that a unit of a federation receives revenues in proportion to its reasonably determined fiscal needs, in terms of its social welfare and services provisioning responsibilities. Population is usually used as an index determining fiscal need. The principle of equity is linked to that of constitutional recognition of federating units as equal, with coordinate responsibilities, and none of which is to be subordinated to the others. As Kumar (1998:4) notes, it also “takes into account acceptable

standards of natural rights, law and justice...” Thus, it seeks to smoothened structural and socioeconomic disequilibria that could undermine the security and stability of the federation, using the element of distributive justice.

The application of these criteria and principles in revenue sharing in all federal systems is circumscribed by politics, and is often characterized by heated contestation, especially in the so-called new or colonially created federations, revolving around the question of how equitable the sharing of resources are. However, the likely negative consequences of these political contestations are, in most cases, contained by the use of a non-partisan, often technically sophisticated machinery and mechanisms for demarcating fiscal responsibilities, defining revenue resources, and scientifically and equitably sharing the revenues that accrue to the federation from numerous sources. India, for instance, has gone a long way in this direction.

5. The Structure of Nigerian Revenue Allocation System: The Basic Principles Guiding the Allocation of Expenditure Responsibilities

In principle, expenditure responsibilities are allocated to various units of government based on their perceived ability to perform three economic functions namely: economic stabilization, revenue distribution and allocation of public goods and services (Obi, 2014:35). In Nigeria, the practice has been to spell out the allocation of governmental functions to the federal units in the Constitution.

There are two main categories of revenue bases where the three tiers of government jointly pool their revenue for the future intergovernmental redistribution. They include the Federation Account Revenues and Value Added Tax Revenues (Jega, 2009b). Each of these pool accounts is shared with a distinct sharing arrangement. The revenue sharing arrangements for funds in the Federation Account operate in two major ways namely: vertical and horizontal transfers.

Vertical revenue transfer is made to address the fiscal imbalance between the federal and sub-federal governments. As such, it assigns a specific share of the Federation Account to each level of government. Vertical revenue transfer in Nigeria comes in a variety of ways such as tax sharing, unconditional grants, block grants, conditional grants and matching grants (Jega, 2009b:223). The horizontal revenue transfer on the other hand is directed toward blocking the fiscal imbalances among the states and local governments. Thus, horizontal intergovernmental revenue allocation formula distributes the states’ share from the Federation Account among the states and the local governments’ share among the local governments (Orji, 2008 122-123).

The power to decide the formula for allocating revenue to the different tiers of government is constitutionally vested on the National Assembly. The constitution also specifies the principles of horizontal revenue allocation (including issues such as equality, population, internal revenue effort, land mass and derivation), but authorizes the National Assembly to determine the specific formula for allocating revenue among the state governments on one hand and the local governments on the other hand (Constitution of the Federal Republic of Nigeria, 1999). The current horizontal revenue allocation formula and the weight of each principle are shown in Table 1.1 below. As can be seen in the Table,

equality of states and population carry the highest weight among all the principles of horizontal revenue allocation in Nigeria.

Table 1.1 Horizontal Revenue Sharing Formula

	Principle	Allocation
1	Equality	45.23
2	Population	25.60
3	Population Density	1.45
4	Internal Revenue Generation Effort	8.31
5	Land Mass	5.35
6	Terrain	5.35
7	Rural Roads / Inland Waterways	1.21
8	Portable Water	1.50
9	Education	3.0
10	Health	3.0
	Total	100

Source: Orji, (2008). Power Sharing: The Element of Continuity in Nigerian Politics.

The modality for the sharing of the Federation Account revenues has long been dogged by the credibility problems. Until April 2002, the Federation Account revenues (apart from VAT) were shared as follows: 48.5% percent to the Federal Government; 24% to the state governments; 20% to the Local Governments; and 7.5% to the Special Fund. Some state governments consider the Special Fund of 7.5% as unconstitutional way of increasing the allocation to the Federal Government. They stressed that, the allocation of Special Fund, which the government spent according to its discretion is improper (Iyoha, 2007:21).

6. Historical Overview of Revenue Generation and Sharing in Nigeria

From 1914 (when the amalgamation of the southern and northern regions of Nigeria took place) until 1946, the new colonially created country was administered as a decentralized-unitary country. The colonial state derived its revenues from the following major sources: personal income taxes, mining rents and royalties, licenses fees, import and export taxes, and other consumer oriented taxes (e.g. on liquor and cigarettes) (Joseph, 1991:32). It shared revenues accruing from these sources especially according to approved expenditures of the three regions, and regardless of the magnitude of local / regional sources of revenues.

But these began to be transformed into federal revenue sources when in 1946 Nigeria began experimenting a regional / quasi-federal system of government and a fiscal mechanism had to be devised to facilitate the sharing of the revenues in accordance with the spirit and principles of federalism. It was in this context that the Phillipson Commission was set up. As the subsequent constitutional moves were made to consolidate the Nigerian federal system, in 1951, 1954, 1957, 1960 and 1963, so were a succession of revenue

sharing/fiscal commissions established with a view to smoothening the increasingly contentious nature of the task of generating and sharing revenues in a complex, devise and conflict-prone federal arrangement, such as Nigeria (Jega, 2009b:234). These include: the Hicks-Phillipson Commission (1951); Chick's Commission (1953); Raisman Commission (1958); and Binn's Commission (1964).

Even though the practice of fiscal federalism in Nigeria started in the 1950s, older if not mature federations such as USA, Canada, Germany and even India, had given a great deal of attention to principles of equity and efficiency as "bases for the transfer of resources from higher to lower levels of government" (Fleiner, 1996:21). The Post World War economic boom in Western Europe and the USA, had given rise to the welfare state, crafted on developmental principles, which accorded the state an important role in correcting the imperfections of Laissez faire capitalism and spreading the benefits of economic growth to the majority of the lower classes, as well as to poorer regions (Glickman, 1995:32).

Yet, the British placed a great deal of emphasis on the principle of derivation, in the early phases of the development of the Nigerian federal system, which resulted in a distorted and uneven development of the country. It was not until the mid-1970's, under the Third National Development Plan (1975-80), which had such lofty objectives as a more even development of the country, equality of opportunity, and harnessing the vast potential resources of the country for national development (Jega, 2009b:245); that focus shifted from derivation to principles of equity and efficiency. However, as the shift occurred, the arbitrary excess, as well as the centralizing tendencies of military rule combined to distort their effect and to create deep-seated perceptions of injustice and inequalities in the ways national revenues are shared, both vertically, that is, between the federal and the state governments, and horizontally, that is within the state governments.

In the attempts to meet the challenge of fiscal federalism in Nigeria, there were at least eight ad hoc commissions, five military decrees and one legislative act. The first, as noted earlier, was the Phillipson Commission which was established in 1964, in the context of the Richards Constitution, which somewhat decentralized power and responsibilities to the regions namely the Eastern, Northern and Western Regions. Essential aspects of the Phillipson Commission's recommendations included the introduction of derivation as an important principle in the horizontal allocation of revenues (Ihonvbere, 2003:12).

Second, with the introduction of the MacPherson's Constitution in 1951, the Hicks-Phillipson Commission was constituted to further refine the fiscal and revenue sharing arrangement in the nascent federation. It can be said that, between 1946 and 1951, the federal government was still very strong in fiscal matters, although fiscal freedom previously exercised became limited by provisions of the new MacPherson's Constitution (Jega, 2009b:245).

Third, the Chick's Commission was established in 1953 and mandated to reassess the criteria for revenue sharing as a follow up to the London Constitutional Conference and preparatory to the Lyttleton's Constitution (Ismagilova, 1996). The period between 1952 and 1954 marked a rapid transition for regions in fiscal matters. Chick's recommendations were embodied in the Lyttleton's Constitution with the main emphasis on the principle of derivation in the allocation of national revenues to the regions.

Thus, the period 1954-58 saw the accelerated process of fiscal decentralization, which occurred in the context of the Lyttleton’s Constitution, the first real, federal constitution in the country. The principle of derivation was given primacy during this period. As Jega, 2007 noted:

The use of the principle now covered all the federal revenues allocated to the regions. For example, 100 percent of the revenues from import duty on motor spirits, the proceeds of federal income tax, royalties and rents from mining, 50 percent of the proceeds from duties on all other imports as well as 50 percent of all export duties were all distributed according to the principle of derivation. The basic formula for distribution was to estimate for each region the consumption of dutiable imports and goods on which excise taxes were paid and then use this estimate to weight its share of revenues allocated by the Federal Government (Jega, 2007a:116).

As it was very difficult to calculate consumption of particular goods, the 1950-51 estimate of regional distribution of consumption expenditures was as follows:

Eastern Region and Southern Cameroons:	27.4%
Northern Region:	27.0%
Western Region plus Capital Territory of Lagos:	45.4%

Source: *Jega, (2009b). Democracy, Development and Good Governance in Nigeria*

The Raisman Commission established in 1958 was the fourth attempt to improve the revenue generation and sharing arrangement in pre-independence Nigeria. This came in the wake of the granting of regional self-government and set the framework for subsequent attainment of independence. In particular, as Elaigwu, I. (2007) noted, the Commission tried to address three problems:

- i. limited range of independent revenues at the disposal of the regions;
- ii. weaknesses in the application of the principle of derivation; and
- iii. absence of a mechanism for addressing needs, rather than sources of revenue.

When the Raisman Commission submitted its report, it de-emphasized the principle of derivation. Instead, it emphasized the principle of need, and used population as the approximate index of determining fiscal need. It also focused on responsibilities of regional governments and the need for even development. It is clear that, the 1960 and 1963 constitutions gave the federal government more expansive sources of revenue than assigned to the regions. Thus, the Binn’s Commission was set up in 1964 to explore ways of giving greater fiscal autonomy to the regions, as well as further resolve the frictions, which have persisted especially with the operation of the principle of derivation. It made a number of recommendations such as increasing the share of the regions in the vertical allocation of revenues and in the horizontal allocation (Oladeji, 2005:14). The criteria of need introduced favored the Northern Region and somewhat assuage the region’s reservation with the earlier emphases on derivation.

A major departure occurred with the recommendations of the Dina Interim Revenue Allocation Review Committee known as the Dina Committee, which was established in

July 1968, in the context of military rule and the civil war. It recommended the conversion of:

all the resources of revenue of this country as the common funds of the country to be used for executing the kinds of programs that can maintain (Olowononi, 1998:12).

It proposed that only 10 percent of all oil rents and royalties as against the previous 50 percent should go to the states, while the balance of 90 percent should go into the Distributable Pool Account which should be renamed “State Joint Account” for distribution to various states (Osaghae, 1992:119).

Although, the Dina committee’s recommendations were neither officially accepted by the government nor published, it created the context within which first, the Gowon regime, and the subsequent military regimes, began to centralize resources of revenue as well as commandeer and concentrate in the federal government higher proportions of the national wealth, which enabled the undertaking of wasteful projects, facilitated corruption and conversion of public office as a major source of private capital accumulation (Jega, 2009b:246). However, a number of military decrees were enacted which helped to centralize power and resources in the federal government and weaken the autonomy and financial capacity of the states. These include the 1967, 1970, 1971 and 1975 decrees (Oyediran, 1998). In particular, the Revenue Allocation Decree which was promulgated in 1975 went far beyond what the Dina Committee recommended. It drastically de-emphasized derivation and boosted the finances of the non-oil-producing states, at the same time that it enhanced the revenue base of the federal government.

Since the late 1970’s, successive regimes have made elaborate and relatively comprehensive efforts at fiscal and revenue allocations reforms, with controversial and contentious results. In 1977 for instance, the Aboyade Technical Committee was set up to review intergovernmental tax jurisdictions and revenue allocation mechanisms to make them much more effective and efficient. It recommended a formula for the vertical sharing of revenues as follows: Federal Government 57%; states 30%; Local Governments 10%; and Special Funds 3%. Then it recommended horizontal allocation amongst states based on the criteria of equality of access to development opportunities; national minimum standards for national integration; absorption capacity; independent revenue and minimum tax effort; and fiscal efficiency (Gana & Egwu, 2003:32).

Following criticisms leveled against the Aboyade Committee’s recommendations (they were too technical and difficult to implement), the Shagari government set up the Okigbo Commission in 1980. As pointed out by Oladeji, (2005), it made the following recommendations with regards to vertical sharing of federal revenues: Federal Government 53%; States 30%; Local Governments 10%; and Special Funds 7% further subdivided as follows:

Federal Capital Territory:	2.5
Mineral Producing Areas:	2.0
Ecological Problems and Disaster:	1.0
Equalization:	1.5

The Second Republic's National Assembly as advanced further by Oladeji 2005, followed the government's White Paper on Okigbo Commission's report with a legislation, the 1981 Allocation of Revenue (Federation Account) Act, which slightly modified the vertical allocation formula recommended as follows:

Federal Government:	55%
States:	30%
Local Government:	10%
Mineral Producing States/Derivation:	2%
Mineral Producing Areas:	1.5%
Ecological Problems:	1.0%

What is significant about this is that for the first time, derivation became to be recognized although in a very insignificant and tentative manner. Table 1.2 and 1.3 provide a comparative illustration of the trends in vertical revenue allocation and fiscal reviews from the early 1980's to 2001.

Table 1.2: Vertical Revenue Allocation in the 1980's

	Recipient	Okigbo Report	Govt. Paper	White 1981 Act	1984 Decree
I	Federal Government	53.0	55.0	55.0	55.0
Ii	State Government	30.0	30.0	30.5	32.5a
Iii	Local Government	10.0	8.0	10.0	10.0
Iv	FCT	2.5	2.5		
V	Mineral Producing States		2.0	2.0	2.0b
Vi	Dev of Mineral Prod. Areas	2.0	1.5	1.5	1.5c
Vii	General Ecological Problems	1.0	1.0	1.0	1.0
Viii	Revenue Equalization	1.5			

Source: *Adopted from Jega, (2009b:218). Democracy, Development and Good Governance in Nigeria*

- What is shared among states is 32.5% of the Federation Accounts, less 2% of the mineral revenue component of the 32.55 of the Federation Account.
- This 2% is not of the Federation Account but of the mineral revenue component of the 32.5% of the Federation Account.
- This is 1.5% of the revenue accruing to the Federation Account derived from the mineral producing areas.

Table 1.3: Vertical Allocations 1980's to 2001

Recipient	1981	1989	1990	1992 Jan.	1992 June	2000	2001
Federal	55.0	55.0	55.0	50	48.5	40	48.5
States	30.5	32.5	30.0	25	24	30	24.0
LGs	10.0	10.0	15.0	20	20	21	20.0
Special		2.5	5.0	5	7.5	9	7.5
FCT			1.0	1.0	1.0		1.0
Stab			0.5	0.5	0.5		0.5
Savings							
Derivation	2.0	2.0	1.0	1.0	1.0		1.0
Ompadec	1.5	1.5	1.5	1.5	3.0		3.0
Ecology	1.0	1.0			2.0		2.0
Total	100.0	100					

Source: Jega, (2009b:219). Democracy, Development and Good Governance in Nigeria

7. The Politics of Resource Control in Nigeria: Nature and Dynamics

The politics of resource control has its genesis in the manner by which revenues from petroleum related economic activities have become the mainstay of the Nigerian political economy. Presently, these revenues contribute more than 90% of Nigeria's foreign exchange earnings. More than 50% of these are allocated to the federal government as its share of the federation account, while what remains is shared out to the states and local governments using a sharing formula, which especially the six oil-producing states of Akwa Ibom, Bayelsa, Cross River, Delta, Edo and Rivers, consider unjust and inequitable.

Prolonged military rule in the country presided over by a faction of officers of predominantly northern region, has exacerbated the perceptions of marginalization and inequity in the generation and sharing of these revenues, and have contributed significantly to the current politics of resource control. For, military decrees ignored the derivation principle which had priority been given prominence in the distribution of national revenues, and introduced other principles such as need and population (Jega, 2009b), which although globally accepted as critical variables in fiscal federalism, are now considered as inequitable by the proponents of resource control.

The areas and communities in which oil extraction takes place are underdeveloped pauperized and their survival is threatened by defoliation, environmental devastation and ecological degradation. The extent and magnitude of oil spillage and its environmental impacts in the Niger Delta have been well documented by Nongovernmental Organizations (NGOs) and international development agencies (Amuwo, 1998).

Increased anger in the oil-producing communities with the crude and exploitative activities of the oil companies such as Shell and the growing perceptions of federal government's tacit endorsement of these have resulted in restiveness and the formation of activist youth organizations and militia groups in the Niger Delta. From 1990 onwards, at least 24 of such groups were formed which have intensified struggles, often with violent

outcomes against the companies and federal state agents and agencies such as the police and the armed forces. Many of these groups have within one decade, made declarations which emphasize self-assertion and autonomy in the control of resources and management of the affairs of the communities in the Nigeria Delta. These for example include: the Ogoni Bill of Rights; the Kaiama Declaration; the Aklaka Declaration of the Egbi people; the Oron Bill of Rights; the Warri Accords; and the Resolutions of the First Urhobo Summit (Jega, 2009b:217).

The neglect of the environmental and ecological problems of the oil-producing communities by the federal government, its tacit support of the reckless disposition of the oil companies, and its suppression of groups that have arisen to oppose these, have nurtured and strengthened resentment of the federal government as well as given rise to deep-seated feelings of northern domination of the polity and the attendant marginalization of the minority groups from whose areas the oil revenues are derived.

The first articulation of resource control was made by the Ijaw youth in December 1998 titled “the Kaiama Declaration”. Article 1 of the 10-point declaration pointed out that, ownership of all land and natural resources within the Ijaw territory as belonging to Ijaw communities, because they are the basis of our survival (Osagie, 2007:32). However, elected officials from the region have popularized a conception of resource control which is substantively different from the earlier one by the radical youth organizations. These officials became involved soon after the assumption to office of President Obasanjo in May, 1999. Their primary objective seems to be to mount pressure on the federal government to share national revenues more equitably (Osagie, 2007:32).

Thus, the demand for resource control found a political and organizational platform in the context of national politics, with the formation of a Forum by the Governors of the Seventeen Southern States of Nigeria in 2000. The series of conferences they have held since October 2000, to agitate for resource control seemed to have provoked the federal government to preempt events with the filing of the case in the Supreme Court. On January 10, 2001, the second Southern Governors Conference which was held in Enugu issued a Communiqué which forcefully articulated the case for resource control. It stated among other things that “resource control and derivation should henceforth be accepted as the basis for revenue generation and allocation” (Usman, 2007).

However, the case filed by the Federal Government of Nigeria (FGN) against eight oil-producing states in the Supreme Court was to finding a legal solution to their persistent demand for resource controls. The FGN sought for a declaration from the Supreme Court to the effect that:

It is only the federal government of Nigeria, and not the government of any states, that has power to exercise legislative, executive and judicial powers over the entire area designated as territorial waters of Nigeria (Usman, 2007).

On April 5, 2002, the Supreme Court of Nigeria delivered a landmark judgment on the suit against the state’s persistent calls for resource control. Substantively, the judgment favours the Federal Government’s assumption that the littoral states have no legal claims to revenues from offshore oil, although it declared unconstitutional the federal

government's practice of using first charge, special accounts and joint venture cash-calls, to draw funds from the Federation Account (Orji, 2008:113).

Basically, the demands were angry reactions to what the governors have perceived as the unfair and inequitable manner with which federal revenues have been collected and shared amongst the component units of the federation, especially under civilian dispensation. For instance, since the transition to civil rule in 1999, the oil-producing states' expectations of substantial revenues from the constitutional provision which entitles them to 13% revenues on the principle of derivation, have been shattered by the federal government's insistence that their entitlement is to revenues derived from onshore, not offshore, petroleum production and related activities. As a result, former Governor Duke argued that:

the oil-producing states have only been getting about 40 percent of 13 percent. They (the Federal Government) claim that, 60 percent of the oil we are drilling in Nigeria is offshore and 40 percent onshore (Jega, 2007a:225).

As summarized by Orji (2008), the highlights of the April 2002 Supreme Court ruling is presented below:

- i. That oil mined in the deep seas belong to the Federation as a whole and not to the nearest state and as such is as not subject to 13% derivation
- ii. That only onshore mineral resources was subject to the 13% derivation payment to states
- iii. That natural gas is a mineral resource and, where produce onshore, is subject to 13% derivation (the practice of the federation had been to exclude natural gas from its definition of mineral resources)
- iv. That all revenues accruing jointly to the Federation, including unexpected extra earnings from oil, are subject to distribution in the usual manner, the FG having no power to "save" any part of it without the consent of the constituent governments
- v. That payment of the 13% derivation should be with effect from May 29 1999 when the constitution came into effect and not from January 2000 as effected by the Federal Government
- vi. That the practice of making certain first line charges on the Federation Account for priority projects and debt service is unconstitutional and should be ended
- vii. That the Federal Capital Territory is not a state, and its area councils are not properly local governments and so could not benefit from direct allocation of resources from the Federation Account as has been the case before the ruling.

However, much as the judgment may have resolved a number of outstanding legal matters pertaining to the demands of the Southern governors for resource control, though not to the total satisfaction of all the parties involved in the suit, it has even more fundamentally, made clear the necessity of devising creative political solutions, as a complement to the imperatives of legality, in the resolution of some of the most persistent problems associated with Nigeria brand of federal system of government.

8. Government Responses to Pressures and Grievances of the Niger-Delta Communities

A. Establishment of Special Development Agencies

Following the radicalization of the struggles by the Niger Delta communities to modify the revenue allocation formula, special development agencies were established to alleviate the grievances. These include: Oil Mineral Producing Areas Development Commission (OMPADEC) established in 1992 to manage a special fund devoted to the development of oil producing areas. OMPADEC brings to memory, the defunct Niger Delta Development Board (NDDB), which was set up in 1960 following the recommendations of the Willink Commission of 1957. The NDDB went into coma after the military intervention of 1966. Thus, after the demise of the OMPADEC, the Niger Delta Development Commission (NDDC) established in 2000.

Even though, the federal government responded to pressures and set up machinery for addressing some of the grievances of the oil producing states, for many years, disbursed funds were by far short of what was budgeted as Table 1.5 indicates.

Table 1.5: Financial Releases to OMPADEC, 1992-1995

Year	Budgeted =N= Million	Actual Release =N= Million	Difference =N= Million
1992	6,041.54	1,614.09	4,427.45 (%)
1993	6,413.36	2,618.85	3,794.39 (%)
1994	2,628.84	3,992.47	+ 1,363.63 (%)
1995	7,826.48	3,077.14	3,509.34 (%)

Source: Osagie, (2007). Revenue Sharing (Vertical and Horizontal).

Such evidence of lack of commitment has made it possible for those members of the elites in the Niger Delta who have managed such federal agencies to cover insufficiency by always blaming the federal government; even when ordinary they could not be exonerated from culpability.

B. Increase Emphasis on Derivation Principle

Beside the establishment of OMPADEC and NDDC, the weight of the derivation principle as a revenue allocation criterion has also been increased. Funds allocated to the oil producing states based on the principle of derivation were increased from one and half (1.5%) of Federation Account to three (3%) in 1992. During the 1999 Constitutional Conference, the weight of the principle was also raised from 3% to 13% as shown in Table 1.6.

Table 1.6: Shares of Proceeds from Oil Revenue

Years	Oil Producing States (Percent)	Distributed Pool Account (Percent)
1960-67	50	50
1967-69	50	50
1969-71	45	55
1971-75	45 minus offshore proceeds	55 plus offshore proceeds
1975-79	20 minus offshore proceeds	80 plus offshore proceeds
1979-81	-	100
1982-92	1.5	98.5
1992-99	3	97
Since 1999	13	87

Source: Jega, (2009b). Democracy, Development and Good Governance in Nigeria

Since 1999, the Governors of the oil producing states have canvassed for a revenue allocation formula that is based on 50 to 100% derivation. Thus, the Governors of the six Niger Delta states called for 100% control of the resources in their states out of which, they proposed to pay a contribution to the Federation Account.

9. The Dilemma of Restructuring the Nigerian Federalism and the Challenges for the Near Future: The North-South Divide

The issue of restructuring the Nigerian federalism is looked first and foremost, from highly partisan, ethnic, and religious perspectives. These however, are the major challenges hindering the successful application of federalism in Nigeria. The debate is largely between the southern protagonists who largely bay for restructuring and the northern antagonists who are apparently on the opposite direction. Some see restructuring as divesting the central government of certain powers and limiting its area of influence to such issues as fiscal policies, military defence, foreign policy, immigration and national elections (Abah and Paul, 2017). To others, restructuring does not mean the merging of states as some people would prefer; rather a thoroughgoing process that allows each region to control its resources and pay royalties to the central government (Obidimma and Obidimma, 2015). Others still see it as compromising the historical and natural advantage embedded in each region which is an attempt to divide the country (Mohammed, 2014).

While, advocates of restructuring argued that, it will resolve the questions of citizenship, religion, resource control, and fiscal federalism; those who opposed it argued that, the agitation for restructuring is unpatriotic. This heated debate for restructuring of Nigerian federalism has pitched the southern Nigeria against the northern Nigeria. In other words, the people from Southern Nigeria are the protagonists, who sincerely want the status quo in Nigerian federalism to change while the people of North are the antagonists as they consistently entertain some fears on the intentions of the proponents of restructuring. The southern Governors (particularly Niger Delta) are constantly of the view that, the structure should be changed because there is too much power at the centre. They maintained that the federal government has too much power and too much responsibility hence, the structure is anti-development. They call for a restructuring and renewal of the federation to

make it less centralized, less suffocating and less dictatorial in matters relating to constituent units and logistics (Obi and Nwankwo, 2014:57).

Also, Professor Nwosu from the Southern part of the country (a one-time Political Adviser to President Obasanjo), supports the restructuring of the country's federalism arguing that there is too much power at the centre and over 60 to 70 percent of government revenue is spent on recurrent expenditure (Obi, 2014:12). Right from the onset, former Governors of the Niger Delta region (Egwu, Lam, Adesina, Ibori, Igbinedion, Duke, and Attah) as well as current Governors of the oil producing states are demanding for total control of the oil resources. For instance, former Governor Duke was quoted to have said "we are not talking of 13% derivation. We are saying 100% is ours then" (Jega, 2009b:243).

Indeed, the governors of many of these majority states from the northern parts of the country have expressed strong opposition to resource control, and have tended to ignore whatever potential benefits it may provide their states. Former Governors of Gombe, Kebbi, Niger (Hashidu, Aleiro and Kure respectively) as well as subsequent Governors of mostly the entire far-North articulated and are still articulating strong opposition to resource control. These Governors along with the region's traditional rulers have been championing the call for a compensatory institutional mechanism similar to OMPADEC to address the problems of hydro-electricity generation areas (Musa, 2014:21).

Also, most academics and elder statesmen from the North argued that, most of those who are calling for restructuring in Nigeria are doing it to restrict or deny the Northern states in getting their appropriate shares from the Federation Account. On his own part, Anthony Sani (a one-time Public Relations Officer of the Arewa Consultative Forum) argues that: the North is currently opposed to the restructuring of Nigeria precisely because there is nothing to restructure. The North does not believe the problems of Nigeria can rightly be attributed to the form of government the country chooses. What we believe is that the problems of Nigeria are due to the failure of leadership (Ekpo, 2007).

A careful examination of the nature of the demands for restructuring and resource control shows that while certain basic tenets are clear, there is also evident confusion illustrated by contradictory definitions of the concept amongst the leading advocates. Some see it as one and the same thing as derivation, for example in the wording of the Communiqué after the second meeting of the governors in Enugu in January 2001. Thus, resource control and derivation should henceforth be accepted as the basis for revenue generation and allocation. Others such as former Governor Ibori and his associates see it as a logical follow-up to the refusal by the federal government to accede to their demands for derivation (Jega, 2007a:227).

10. Conclusion and Recommendations

The demands for resource control pose a set of paradoxes with significant implications for the future of Nigerian federalism. By and large, this constitutes the acid test of forging a sustainable national unity of the country. On the one hand, the substantive basis of the demand cannot and ought not, be dismissed even if the rhetoric and the flamboyant brinkmanship that have accompanied the demands may seem distasteful to many. On the other hand, resource control threatens the financial resources of other states

and therefore is bound to evoke resistance and opposition from those who feel threatened and who are in the majority of the constitutionally defined organs that can help to actualize the demands.

Clearly, agitations for resource control are essentially reactions even if belated and exaggerated ones, to the profound phenomenon of bad, reckless and insensitive modes of governance in Nigeria's history and the accompanying failure of the state to satisfy the needs and aspirations of the majority of the people, especially in areas of minority nationalities from where a preponderance of national revenues are derived. This failure is manifest in the poor and inadequate delivery of essential services which are to be provided by the state such as the provision of education, health, social welfare and security. It is also starkly evident in the phenomenon of acute poverty, accompanied by joblessness, aimlessness and hopelessness especially amongst youths, who have faced or are facing a crisis of rising expectations and have been enveloped by despondency and fears of what tomorrow may bring.

The agitations are also, specifically reactions to the failure of the strategies for revenue sharing employed by the Nigerian state under prolonged military rule to satisfy the developmental needs of the peoples / communities who feel that they are making enormous sacrifices in spite of their substantial contributions to the national development. How these failures of the state are competently and dispassionately addressed is at the root of an amicable resolution of the incessant crises and strengthening the fabrics of national cohesion and unity.

From the preceding exposition, there are two major sources of friction / tension in Nigeria's fiscal federalism and intergovernmental relations which serve as the justification for the demand for resource control and which need to be properly addressed in order to come to terms with it. The first concerns the manner of the sharing of national revenues between federal and state governments which is characterized by the federal government's appropriation of what the states have considered to be a disproportionately high percentage. The second concerns the spillages and environmental degradation of the Niger Delta communities. However, to promote the unity of the country and ensure that states are more financially empowered to deliver services to their residents, as well as ensure no one feels disadvantaged, this paper recommends that the federal government should expeditiously review the current derivation formula to reflect areas of national consensus. Thus, three fundamental issues need to be addressed: Government needs to be explicit regarding the true meaning of derivation principle and fiscal federalism and revenue allocation for better public understanding; urgently direct the Revenue Mobilization Allocation and Fiscal Commission to fashion out a new revenue allocation formula in consonance with the provisions of the 1999 Constitution as amended; as well as an upward review of the current revenue sharing formula (56% to Federal Government, 24% to State Governments and 20% to Local Governments) in favor of the states. In this, the Allocation of Revenue (Federation Account etc.) Act, 2002 will have to be amended in favor of the states.

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