Political Restructuring and the Politics of Revenue Allocation in Nigeria, 1960 – 2012

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Abstract

The paper examines the structure of Nigerian federalism and its implications on revenue allocation between 1960 and 2012. The dynamic character of internal configuration of Nigerian federalism and the politics of revenue allocation pose serious challenge for sustainable national integration. Existing scholarly works abound on the nature, structure and economics of federalism with little emphasis on a systematic analysis of the existing divergences on revenue allocation and unbalanced federal structure. The objective of the paper is to determine how the structure of federalism impact on revenue allocation among the component units. The paper adopts the qualitative method of data collection and relied on the basic propositions emanating from the Marxian political economy approach in its investigation. The paper concludes that the unbalanced structure of federalism as presently constituted impacted negatively on revenue allocation among the component units in Nigeria.

Keywords: Structure, Federalism, Revenue, Allocation.

Introduction

A very remarkable feature of every federal state is the existence of diversities. This diversity which manifest in terms of religion, ethnicity and various forms of identity oftentimes determine the internal configuration and the share of revenue allocated to each units. Federalism is usually adopted as a device for managing plural societies in order to engender equity within the political system and eliminate unnecessary bickering among the component units. There is a plethora of literature on the nature, structure and dynamics of federalism. Particularly of note in this regard are the works of Dietze (1960), Wheare (1964), Awa (1976), Amuwo et al (1998), Agbese (2003), Onah (2006), and Elaigwu (2007) among others. Notwithstanding this avalanche of scholarly works, the concept appears to be shrouded in controversy, particularly as it relates to a systematic study of political restructuring of the Nigerian federalism and the politics of revenue allocation.

One of the principles of federalism is that no one component unit should be too large, either in population or in size to determine the faith of the others. However, this does not in any way suggest that all the component units must be equal in size and population before a federation is constituted, but, rather; there should be relative equality of the constitutive elements of the federal state. In fact, a very striking principle of every federal state, which enhances national integration, is the adoption and observance of the principle of equity. The principle of equity does not necessarily mean equality, but given every component unit its due portion in the allocation and distribution of resources. This due portion should reflect the various elements of the component units like the geographical size and population, but particularly, the contributions of the various units to the growth and development of the federal union.

The struggle to unit the variegated entities in a federal state is usually undermined by several factors including ethnicity, religion, political interest and alignments among others. All these factors may either in isolation or in combination undermine national integration, but, a very silent undermining variable to national integration is the structural imbalance of federalism. Therefore, the paper interrogates systematically the nexus between the structure of federalism and revenue allocation in Nigeria.

Theoretical Exposition

The major thrust of this paper is to interrogate the impact of federal structure on revenue allocation in Nigeria. Specifically however, the paper examines the various restructuring of the Nigeria federalism and the politics of revenue allocation. However, it is imperative to establish that the paper adopts the basic propositions emanating from the Marxian political economy approach as its theoretical base. These are:

1. The materialist approach to history or what Ake (1981: 1) called the primacy of material condition.
2. The dialectical approach to knowledge and society that defines the nature of reality as dynamic and conflictual; or again, what Ake (1981: 3) refers to as the dynamic character of reality.

First, political economy is a method which gives primacy to material conditions, particularly economic factors in the explanation and understanding of socio-economic and political realities. For example, economic condition is the most determining factor why the European colonialists came to Africa and established the type of political system that suits their purpose. It is equally important in understanding why the nationalist struggle emerged and the politics of federalism in Nigeria. In fact, in every society, those who are economically privileged tend to reproduce themselves as the politically dominant groups, and are always interested in maintaining the existing social order. To be sure, an understanding of the economic condition is a pre-condition for understanding how a particular state emerges, transforms and behaves.

In this context, we can align ourselves with Engels as quoted in Lenin (1976) that the:

> state is a product of society at a certain stage of development; it is the admission that society has become entangled in an insoluble contradiction with itself that it has split into irreconcilable opposites which it is powerless to conjure away. But in order that these opposites, classes with conflicting economic interests, might not consume themselves and society in fruitless struggle, it became necessary to have a power seemingly standing above society that would moderate the conflict and keep it within the bounds of 'order'; and this power,

> arisen out of society but placing itself above it, and alienating itself more and more from it, is the state.

The state that alienates itself from the contending social classes in any society does so on the basis of high level of penetration of commodity relations, that is, the pervasive commoditization of production relations. Accordingly, Ake (1985: 1) argues that such a state represents a specific modality of class domination, one in which class domination is mediated by commodity exchange so that the system of institutional mechanism of domination is differentiated and dissociated from the ruling class and even the society and appears as an objective force standing alongside society. Consequently, the state appears to be an objective force, a neutral umpire and an unbiased mediator in the society. However, behind this seemingly neutrality of the state in mediating and moderating societal conflicts is a strong congruence between the interest of the state and that of capital (economy). This position was aptly collaborated by Miliband (1977), when he opines "that a state, however independent it may have been politically from any given class, remains, and cannot in a class society but remain, the protector of an economically and socially dominant class". In the application of the theory, we are guided by the role economic factor played in political restructuring of Nigeria and the politics of revenue allocation.

Meanwhile, by structure we refer to the different parts or components of a unit or a whole. For clarity purposes, we shall dissect Nigeria into regions, states and geo-political zones with a view to ascertaining the impact of its restructuring on revenue allocation to the component units, which of course is determined by ethnic configurations. As aptly observed by Suberu (1998: 276), the nature of Nigerian politics in general, and the character of the federal system in particular, have been shaped by two critical features of the country's political economy, namely, economic statism and ethnic pluralism. At independence in 1960, Nigeria was a federation of 3 regions, which had been differentiated from 3 to 4 regions in 1963, then to 12 states in 1967, 19 in 1976, 21 in 1987, 30 in 1991 and 36 in 1996 till present. The 36 state structures have also been grouped into six zones, three in the North (North-West, North-Central and North-East) and three in the South (South-West, South-South and South-East); and this grouping appears to be widely accepted by Nigerians. There is also the division of federal structure into three relatively autonomous levels or tiers of government, viz Federal, State and Local Governments. The restructuring of the Nigerian federalism over the years has pursued the aim of removal of structural imbalance and inequity in the distribution of states among the various ethnic and linguistic groups.

However, since federalism implies the acceptance of diversities among the federating units, the nature of the division of powers becomes very imperative in enhancing the practice of federalism. The division of powers in a federal state should be done in such a manner as to accommodate the various cultural (local) interests and the economic potentials of the component units. Particularly of note is that the economic interest of the component units defined within the context of their contributions to the central government and the revenue allocated to them should be of primary importance. The structure of federalism can impact equitably on revenue allocation depending on the manner in which power is distributed among the various tiers of government. For instance, at independence, the original federating units of Nigeria federalism were three regions and they had relatively a good means of generating revenues internally via the derivation principle. In this connection, the division of powers between the federal and regional governments allowed each tier adequate use of its revenues, and this ensures equitability in the federal system notwithstanding that structural imbalance existed among the federating units. However, where there is over-centralization of powers in the federal government, the tendency is that the component units gradually looses its autonomy as it relies essentially on the federal government for its survival. According to Nwabueze (2007: 415), the 1979 and 1999 Constitutions have altered the power structure in the federation in favour of the federal government. Accordingly, he stated that 16 matters, which hitherto are concurrent to both the Federal and Regional Governments under the 1960/63 Constitutions are now made exclusive to the federal government; viz arms, ammunition and explosives, drugs and poisons, census, public holidays among others. This accretion of the powers previously at the disposal of the regional governments to the federal government expresses that Nigeria operates a very strong federal system, and this increases the intensity of the competition for its control, which implies the control of revenue allocation and other resources. By strong federalism we mean a federal system that makes provision for strong central government and weak constituent units. This means that the central government has enormous powers assigned to it by the constitution, which is delineated in the exclusive list of functions together with the allotted functions in the concurrent list.

Consequently, the accretion of regional/state powers to the federal government reduces the capacity of the component units to perform. For instance, federal powers have been extended to certain matters previously exclusive to regional/state competence and jurisdiction. Particularly of note is that the minimum standard at the primary and secondary levels of education is now exclusive to the federal government. More so, Land title is now largely exclusive to the federal government in the sense that the Land Use Act of 1978 has been entrenched in the constitution (See section 315 (5) (d)). As contended by Nwabueze (2007: 417), the involvement of the federal government in the control of land rights and local governments seem to have upsetted the balance rather too much. This accretion of powers to the federal government has indeed heightened an unbalanced power structure in Nigeria federal arrangement. To be sure, one of the rationales for federalism requires that matters of purely local interest should be controlled and regulated by the state; yet, the federal government has continued to usurp and exert its powers on such functions.

It is to be stated that the federal government is not interested in controlling any land or local government for that matter, except if it will enhance its position. For instance, the Land Use Decree of 1978 was essentially to bring the control of access, exploitation and management of all land, including the oil-bearing lands to the federal government. Deriving from the above, since the Nigerian economy is depended on oil, which is based on land ownership, its control and exploitation becomes an instrument for the control of the state. It is therefore on the basis of the utility derivable from land that the federal government got involved in such local but vital matter. It is therefore in this connection that the politics of revenue allocation can be understood within the context of the politics of derivation principle in Nigeria.

As a matter of fact, the issue of revenue allocation has been a recurring theme in Nigeria's fiscal federalism essentially because of the federal structure of the Nigerian society. There are numerous problems to contend with as it regards revenue allocation, which include the problem of how to allocate revenue to different tiers of government; the problem of component states' capacity to generate revenue, and the problem of which principle(s) to adopt in revenue allocation among others. Between the period of political independence in Nigeria in 1960 and 2012, several revenue allocation criteria or principles have been adopted by various Nigerian governments. Among the principles of revenue that have been adopted starting from the late 1940s to date include derivation, fiscal autonomy, national interest, equality of states, population, balanced development, social development and absorptive capacity (Mbanefoh and Egwaikhide, 1998: 213). Among these principles, the derivation principle appears to have attracted the most significant protestations in Nigeria's fiscal federalism, and as such, has led to the politicization of revenue allocation in Nigeria. The politics of Nigeria's fiscal federalism emanates from the premise that the formula for the distribution of the nation's wealth is unacceptable to different component units at various times. In fact, starting from the period of political independence in 1960 to the period of the first military coup in 1966, when the present oil-bearing states formed part of the then Eastern and Western regions, up to the present, the principles adopted have benefitted other component units of the Nigerian federation other than the areas from where the nation generates its major revenue. It is in fact this situation that has led to heightened politicization of revenue allocation within the context of struggle for resource control. The politics of revenue allocation in Nigeria is essentially the politics of derivation principle because the Niger-Delta region that generates the major revenue for the nation feels they are deprived of their entitlements by the federal government of Nigeria. The oil-bearing states of the Nigerian federation are denied access to natural resources that is located in their region; they are also not included in policy formulation and exploitation of these resources, and most importantly, they are not incorporated in the management of the oil resource or its proceeds.

Discussion and Analysis

In order to understand the complexities of the politics of revenue allocation principles in Nigeria, it is imperative to situate it essentially within the context of the derivation principle and other principles like population, landmass and terrain. In this context, there is the need to systematically review diachronically Nigeria's experience with fiscal federalism, which of course, started in the pre-independence period.

To begin with, the Richard's Constitution of 1946 granted internal autonomy to the regional governments, which share responsibilities with the federal government. It was during this period that formal revenue allocation actually started in Nigeria. Accordingly, various fiscal commissions were set up to recommend accepted formula for revenue allocation in conformity with changing realities of the time. As a result, every fiscal commission recommended principles that corresponded with the interest of the government that instituted it. Before 1960, derivation principle presupposes that each region should receive revenue from the central government in proportion to its contribution to the centrally collected revenue and this was reflected in the fiscal commissions that were set up.

The Phillpson's Commission considered only three principles, which are derivation, even progress and population. The consideration of the derivation as a principle of revenue allocation by the Phillipson's Commission was based on the following assumptions:

1. The need to promote fiscal discipline in the regions. That is, on the basis of derivation, each region should relate its expenditure with the available revenue.
2. It was also recommended in anticipation that the regions will have relative fiscal autonomy.

However, the derivation and even progress principles were rejected by the colonial government on the ground that their statistical bases do not exist. How could the statistical bases for derivation and even progress not exist when regional revenues were divided into two classes, namely, declared revenue and non-declared revenue? The declared revenues were collected by the regions and the undeclared revenues collected by the central government, which were recommended for sharing among the regions. The paper contends that there was statistical basis for the use of derivation and even progress principles, but the colonial government was more disposed to non-implementation of these two principles, hence, the Phillipson's Commission's recommendation was adopted in part to suit the interest of the colonial government and the Northern conservative elements that were very supportive of the colonial government.

Meanwhile, in an attempt to achieve a better revenue allocation formula, the Hicks-Phillipson's Commission introduced some general principles. These include independent revenue, derivation, need and national interest. On independent revenue, the regions were empowered to impose and collect direct tax; and indeed, they were to have total control over such taxes. Then, the derivation principle was applied to the regions as follows:

(a) 50% of the import and excise duties on tobacco
(b) 100% of the import duty on motor spirit

The implication of this formula was that derivation was based on the consumption of any item by the regions.

Again, the Chicks Commission of 1953 recommended only the derivation principle. The Commission recommended 50% of revenue from certain item to the central government, and the remaining 50% was allocated to the regions as indicated below:

(a)	Import and export tax		On the basis of consumption
(b)	Import duty on motor spirit		On the basis of consumption
(c)	Import duties on other goods (except tobacco and motor spirit)		
	(i)	North	30%
	(ii)	East	30%
	(iii)	West	40%
	(iv)	Export tax on hides and skin	All to North
	(v)	Mineral Royalties	100% to the region of extraction

It is to be stated that by the time Nigeria became a federation in 1954, the Chick's Commission's recommendation was adopted, and it lasted till 1959. In fact, part of the considerations by the founding fathers of Nigeria federalism was that each region should be relatively autonomous from the federal government. The intention was to control the regional resources through the application of the derivation principle. The application of the derivation principle gave a certain level of control of the resources to the regions as certain percentages of the revenue derived are paid to the regions on the basis of consumption of certain goods. More so, export tax on Hides and Skin was paid to the North in full, and Mineral Royalties were paid 100% to the region of extraction. During this period, resource control was defined as the control of the revenue emanating from any natural resource(s) of any region. The federal government collected these revenues and paid the regions on the basis of the allocation formula at the time. Then, the politicization of resource control as the total control and management of resources by the authorities in whose domain such resources are located has not emerged. In fact, the regional leaders were satisfied with the payment of the derivation fund by the federal government.

Accordingly, since the Chick's Commission came into force by the time Nigeria became a federation, and recommended only the derivation principle, it was therefore seen as part of the conditions agreed by the founding fathers for federating. Thus, any alteration to the derivation principle was viewed as a negation of a very vital principle of federalism. However, as independence was gradually approaching, the political realities of the time necessitated the setting up of the Raisman Commission to review the allocation formula and recommend a new formula that will satisfy the aspirations and yawning of the various regions and other interests in the Nigerian polity.

Accordingly, the major highlight of the Raisman's Commission was the creation of a Distributable Pool Account (DPA) into which should be paid 30% revenue from:

(a) Mining Rents and Royalties
(b) Revenue from imports other than duties on tobacco, motor spirit (including diesel oil), beer, wine and portable spirit.

On Mining Rents and Royalties, the allocation was as follows:

(a)	Central Government	20%
(b)	Regions	50%
(c)	Distribution Pool Account	30%

On import duties other than those specified above, the allocation was as follows:

(a)	Central Government	70%
(b)	Distributable Pool Account	30%

The Distributable Pool Account was to be shared among the regions only, using the general principle of continuity of government service, minimum responsibilities, population and balanced development as follows:

(a)	Northern Region	40%
(b)	Western Region	24%
(c)	Eastern Region	31%
(d)	Southern Cameroon	5%

A cursory study of Raisman's Commission's recommendation reveals that whereas derivation was given full weight by the Chicks Commission of 1953, the Raisman's Commission that ushered in the Nigerian independence altered the revenue allocation formula in favour of the central government. For instance, whereas export tax on Hides and Skin was paid in full to the North, and the Mineral Royalties paid 100% to the region of extraction by the Chicks Commission; the Raisman's Commission introduced the

Distributable Pool Account where a total of 50% was taken away from the Mining Rents and Royalties, and paid to the central government and the Distributable Pool Account in the percentage of 20% and 30% respectively. This also was reflected on import duties other than those specified above in the following ways:

(a)	Central Government	70%
(b)	Distributable Pool Account	30%

Deriving from the above, the powers of the federal government over revenue centralization and allocation started manifesting with the application of the Raisman's Commission's recommendation. Consequently, the centralization of revenue through the Distributable Pool Account gave the federal government power over revenue allocation. With this recommendation of the Raisman Commission, no region was to ever dream of 100% derivation. This trend continued till date with various revenue allocation commission recommending principles that favour the federal government. This accretion of the power originally at the disposal of the regional government to the federal government impacted adversely on the regions or segments of the region from where the nation generates its revenue with implication for the struggle by the area over resource control. The Raisman Commission's recommendations lasted throughout the first republic (1960-65).

The recommendations of the Raisman's Commission set the pace for the eventual abrogation of the derivation principle, and so, it was not surprising therefore that the Binns Commission recommended an increase from 30% to 35% of duties on general import and revenue from Mining Rents and Royalties, payable to the Distributable Pool Account. This increase of the Distributable Pool Account from derivation fund amounted to further centralization of the country's revenue and also an increase in the powers of the federal government over revenue allocation. The Commission also recommended a decrease of the percentage share of the central government. Revenue in the Distributable Pool Account was allocated among the regions on the principle of "financial comparability" using the following formula:

(a)	Northern Region	42%
(b)	Eastern Region	30%
(c)	Western Region	20%
(d)	Mid-Western Region	8%

In 1968, the Dina Interim Allocation Review Committee was set up by the military government to review the revenue allocation principles for the country. Among other things, the Dina Interim Allocation Review Committee recommended the following:

(a) That the Distributable Pool Account should be renamed "State Joint Account"

(b) That a Special Grant Account should be established; and

© That a permanent planning and fiscal commission should be established to administer the Special Grant Account, and also to study and review the revenue allocation formula.

The report also recommended that horizontally the allocation principle should be:

(a)	Basic needs
(b)	Minimum National Standard

(c)	Balanced Development
(d)	Derivation

In addition, the report recommended that vertical sharing formula for Royalties from on-shore mining should be as follows:

(a)	State of Origin	10%
(b)	Federal Government	10%
(c)	State Joint Account	70%
(d)	Special Grant Account	5%

More so, it recommended that rents from on-shore operations should be paid to the states on the basis of derivation in full (i.e. 100%). It is important to observe that by the time Dina Interim Allocation Committee was set up, Nigeria had twelve states, which were created in 1967, and was already in a civil war with the secessionist Biafran state. At that time, the vertical sharing formula for Royalties further gave the federal government power over revenue allocation because the State Joint Account, which had 70% share of the revenue from Royalties, was under the control of the federal government. More so, the federal government had its own share of 10% and 5% for Special Grant Account. In fact, revenue for Royalties from on-shore mining was virtually under the control of the federal government. Correspondingly, the states of origin from where the oil mining was explored had only 10% share for Royalties.

However, the recommendation that Rents from on-shore operations should be paid to the states on the basis of derivation in the percentage of 100% did not go well with the military government of General Yakubu Gowon. The federal military government rejected the report on the ground that its range went beyond the mood of the military government of that time. The objective reason, however, was that the federal military government rejected the report as a strategy of war it was prosecuting against the secessionist Biafra. By applying the 100% Rents to the states of origin, the federal military government would be empowering the Biafrans, which constituted part of the oil producing states at that time. Thus, this recommendation was rejected given that the regional governments were becoming too powerful because of their financial capabilities, which was occasioned by the derivation principle.

Deriving from the rejection of the Dina Committee's Report, the federal military government continued with the existing allocation formula of Binns Commission and, subsequently, promulgated the following allocation decrees:

(a)	Decree No 15 of 1967
(b)	Decree No 13 of 1970
(c)	Decree No 9 of 1971
(d)	Decree No 6 of 1975
(e)	Decree No 7 of 1975

As contended by Anyanwu (1997: 183-184), the federal military government in 1970 promulgated (Distributable Pool Account) Decree No. 13, (introspective from April 1, 1969). The decree emphasized the sharing of the DPA on the basis of population (50%) and equality of states (50%). The share of states from export duties fell from 100% to

60%, while their share of revenue from duties on motor fuel and excise duties fell to 50%. In addition, federal share of mining Rents and Royalties rose from 15% to 20%.

Similarly, Decree No. 9 of 1970 gave 99% of off-shore Rents and Royalties to the federal government while Decree No. 51 of 1972 gave the tax paid by the armed forces personnel, external affairs officers and pensioners overseas to the federal government. Also, Decree No. 6 of 1975 stipulated that 80% of Mining Rent and Royalties, 100% of duties on motor spirits, tobacco, hides and skin, 35% of import duties and 50% of excise duties, be channeled into the Special Joint Account (SJA), while 20% of on-shore Mining Rents and Royalties went to the states of origin on the basis of derivation (Anyanwu, 1997: 184).

Following the Aboyade Technical Committee on revenue allocation in 1977 and the submission of the minority report of the Okigbo Revenue Allocation Commission in 1981, the use of the derivation principle paled into insignificance (Mbanefoh and Egwaikhide, 1998: 213-231). The Aboyade Committee recommended that the derivation principle should not feature again in the revenue allocation scheme. Hence, the principles to be considered in revenue allocation according to the committee include the following:

(a) Equality of access to development opportunities
(b) National minimum standards for national integration
(c) Absorptive capacity
(d) Independent revenue and minimum tax effort, and
(e) Fiscal efficiency

It is important to note that even though this committee's recommendations were rejected on the ground of being too technical, the recommendation for the scrapping of the derivation principle was implemented by the military government. Moreover, the military government had institutionalized centralization of power at the federal level, perhaps, because of its hierarchical command structure. Accordingly, the nineteen state structure of this period became mere administrative units of the federal government. Consequently, the federal government stabilized its power over revenue allocation and therefore, controlled the component units adequately. It is necessary to state that before the civilian government came into power in 1979, the existing revenue allocation formula allocated 75% of total revenue to the federal government, 22% to the states, and 3% to the local governments (Anyanwu, 1997: 185). However, with the rejection of the Aboyade's Report, the federal government had to rely on section 272 of the 1979 constitution, which provided that the existing revenue allocation formula should continue to be applied until a new one was enacted into law.

Consequently, a new revenue allocation commission was constituted and headed by Pius Okigbo. The Pius Okigbo did not appreciate the importance of derivation as a principle of revenue allocation. The Commission's recommendation for vertical allocation is as follows:

(a)	Federal Government	55%
(b)	State Governments	30%
(c)	Local Governments	10%
(d)	Special Fund	4.5%

The politicization of revenue allocation manifested again here because the federal government controlled a total of 59.5%, made up of 55% share for the federal government and 4.5% share for the Special Fund. These revenues (59.5%) were centralized at the federal level, and the powers to allocate them lie with the federal government. With respect to the horizontal allocation, the Commission recommended the following:

(a)	Minimum responsibility of government	40%
(b)	Population	40%
(c)	Social development factor	15%
(d)	Internal revenue effort	5%

It is important to observe that the derivation principle had been discarded, notwithstanding that out of the 4.5% Special Fund, 2% was allocated to special problems of mineral producing areas. Moreover, a very important recommendation of the Okigbo Commission was that a permanent Fiscal Commission with well-defined functions should be established. Yet, the Okigbo Commission's recommendations were declared null and void by the supreme court of Nigeria. However, the parliament passed a revenue Act in 1981, which was essentially based on the recommendations of the Okigbo Commission. With the intervention of the military on 31st December, 1983, further modifications were made in 1984 by Decree No. 36 and in 1992 by the recommendations of the National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC). Between 1992 and May 29th 1999, the vertical allocation formula was as follows:

(a)	Federal Government	48.5%
(b)	State Government	24%
(c)	Local Government	20%
(d)	Special Fund	7.5%

Out of 7.5% Special Fund, 3% was set aside for the development of oil-bearing areas, while 1.0% was shared among the mineral producing states on the basis of derivation. It is imperative to observe that derivation principle has been revived to just 1%. The 3% that was set aside for the development of oil-producing areas was indeed not part of derivation. In fact, the principles which have dominated the distributional pattern of revenues horizontally since the 1980s are:

(a)	Population	40%
(b)	Equality of States	40%
(c)	Social Development	15%
(d)	Internal Revenue Effort	5%

However, as Adesina (2003: 240) posited, with the inauguration in 1988 of the National Revenue Mobilization, Allocation and Fiscal Commission, emerged a cumbersome, static and arbitrary yardstick to wit. The weights which were given to each of these principles have been adjusted as follows:

(a)	Population	30%
(b)	Equality of States	40%
(c)	Social Development	10%
(d)	Internal Revenue Effort	10%
(e)	Land mass and Terrain	10%

A study of the above principles reveals that derivation principle had completely disappeared from the revenue allocation formula of the 1980s. In its place, a static principle of land mass and terrain was introduced. The adoption and implementation of the principles of landmass and terrain, and equality of states serve a useful purpose of diverting financial resources to the northern parts of Nigeria, owing to the control of political power by the hegemonic dominant class of the northern extraction. This is in fact a very serious impact of the skewed structure of Nigeria federalism on revenue allocation. It is imperative to state that the introduction of landmass and terrain was not thrown to the public for debate nor has it acceptance been tested officially, yet, it has remained a necessary consideration in the horizontal revenue allocation of Nigeria fiscal federalism. However, 1.5% was set aside as federal fund that was directly administered to oil-producing states. Then, on the basis of derivation, the revenue realized by some states as a proportion of statutory allocation was 1%. These were all parts of the Special Fund. The states that received revenue in the 1980s from derivation were: Akwa-Ibom, Bauchi, Bendel, Cross-River, Imo, Kaduna, Kano, Katsina, Ondo, Plateau, and Rivers (Mbanefoh and Egwaikhide, 1998: 213-231).

To further demonstrate that the structure of federalism impact negatively on revenue allocation among some component units, it is imperative to refer to section 162 (1) and (2) of the 1999 Constitution. The relevant provisions of the 1999 Constitution states as follows:

Section 162 (1) The Federation shall maintain a special account to be called “the Federation Account” into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from personal income tax of the personnel of the armed forces of the federation, the Nigeria police, the ministry or department of government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja.

----------(2) The President, upon the receipt of advice from the Revenue Mobilization, Allocation and Fiscal Commission, shall table before the National Assembly proposals for revenue allocation from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density: Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen per cent of the revenue accruing to the Federation Account directly from any natural resources.

Now, with respect to subsection 2 above, the allocation principles to be considered are those of population, equality of states, internal revenue generation, land mass, terrain as well as population density; provided that the principle of derivation shall be constantly reflected as being not less than 13% of revenue accruing to the federation account directly from any natural resources. These principles are meant to guide the Revenue Mobilization Allocation and Fiscal Commission on horizontal allocations among the states. However, the vertical allocation formula/weight for sharing of money in the federation account is as follows:

(a)	Federal Government	48.5%
(b)	State Government	24.0%
(c)	Local Government	20.0%
(d)	Special Funds	7.5%

The beneficiaries of the special funds include the Federal Capital Territory (FCT), Development of the mineral producing areas, General ecological problems, derivation and stabilization account. As stated by Nwabueze (2007: 422), the allocation of 7.5% under the heading "Special Funds" was declared void by the Supreme Court of Nigeria as being inconsistent with the constitution on the ground that the only beneficiaries to the amount in the Federation Account are the Federal Government, the State Government and the Local Governments (Section 162 (3).

With regard to the horizontal allocation among the component units of the federation, the grouping of the federation into six geo-zones served a useful guide in determining the degree of impact the structure of the Nigerian federalism has on revenue allocation among the component units. The table below illustrates the picture better:

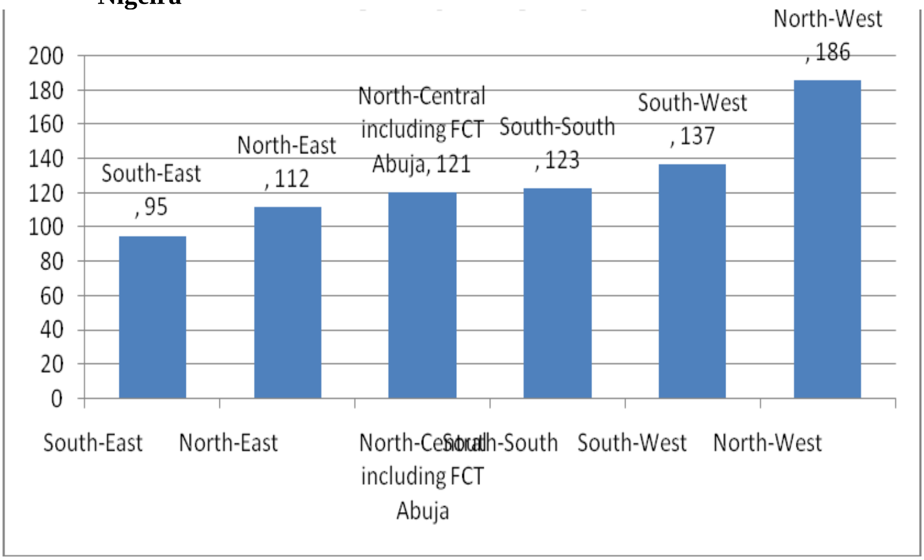
Table 1
SUMMARY OF STATES AND L. G. As. IN GEO-POLITICAL ZONES OF NIGERIA

S/NO	ZONES	NO. OF STATES	NO. OF L.G.A.
1.	South-East	5	95
2.	North-East	6	112
3.	North-Central including FCT Abuja	6	121 (less 6 FCT)
4.	South-South	6	123
5.	South-West	6	137
6.	North-West	7	186
TOTAL		**36**	**774**

Source: Coiled from NRMAFC

Now, on the basis of equality of states, the revenue accruable to the North-West amount to seven portions while North-Central, North-East, South-West and South-South amount to six portions; but, that of the South-East is a meager five portions. In fact, the structure of Nigerian federalism is skewed against the South-East, and to this extent, the revenue allocated to these geo-political zones on the basis of equality of states and local governments is correspondingly related to the structure. It is even more revealing to understand that the number of local governments in North-West (186) is almost double that of South-East (95), and the share of total revenue allocated to the North-West exceeds that of South-East twice. On this basis, the principles adopted by the Nigerian Constitution heighten the impact of structural inequity on revenue allocation. For instance, the principle of Landmass and Terrain that contributes nothing to the national treasury enhances the allocation of more revenue to the Northern states at the expense of the South. But more importantly, the 13% derivation to the South-South (oil producing states) appears to be of no significance when compared to 10% assigned to Landmass and Terrain; another 10% to equality of states, and yet another to population. In fact, in addition to structural inequity, the division of power in the constitution formalized these inequities in Nigerian type federalism where the centre is too powerful to determine the fate of the component units. Out of 774 Local Government Areas in Nigeria, the North has 419 while the South has 355. The amount of revenue allocated to each structure, that is, the North-South divide is depended on the number of Local Government Areas within each zone. A graphic display of the bar charts below illustrates the structural inequity of the Nigerian federalism.

Figure 1: Number of Local Government Areas in Geo-Political Zones in Nigeira



Source: Coiled from NRMAFC

This bar chart illustrates graphically the degree of inequity in the structure of the geo-political zones, particularly, the discrepancy between the South-East and the North-West. To buttress, the North-West with a total number of 186 Local Government Areas has 91 Local Governments more than the South-East. This inequity in the structural arrangement reflects a corresponding inequity in revenue allocation to the geo-political zones.

A cursory look at the revenue allocation of any month when randomly selected reveals the degree of structural inequity and its implications on revenue allocations. For example, the revenue allocation for the month of May, 2008 shared in June 2008 indicated that North-West's share (N20, 187,663, 349 .96) of the federation allocation for the period under study was disproportionately skewed against other zones, particularly because of structural inequity of the local governments in the country. But very revealing was that the allocations from the North-West doubled that of the South-East (N9, 709, 503, 913 .44). Even the South-South from where the nation derives its revenue for the sustenance of the economy is merely 2/3 of the North-West. However, the detailed analysis and discussion as coiled from the federation allocation to all the Local Government Councils grouped in Geo-political zones was used to further demonstrate the degree of inequity that is associated with unbalanced federal structure in Nigeria.

Table 2 Summary of Revenue Allocation to Geo-Political Zones and the Federal Capital Territory for the month of May, 2008 shared in June 2008.

S/NO	GEO-POLITICAL ZONE	TOTAL PER ZONE	PERCENTAGE
1	South-East	N9,709,503,913.44	11.42
2	South-West	N15,840,850,235.44	18.64
3	South-South	N12,717,977,851.43	14.96
4	North-East	N12,707,436,778.45	14.95
5	North-Central	N12,755,612,371.93	15.01
6	North-West	N20,187,663,349.96	23.75
7	FCT	N1,047,021,616.61	1.23
TOTAL		**N84,966,066,177.27**	**99.96**

Source: Coiled from RMAFC

The tables above indicated the impact of unbalanced federal structure in Nigeria on revenue allocated to various local governments in the six geo-political zones of the federation. The South-East with a total number of 95 local government areas had less than 50% (N9, 709,503,913.44) of revenue allocated to the North-West (N20, 187,663,349.96). Again, the South-South received only 14.96% of the total distributions for the month while the South-West received 18.64% of the federal allocation. Now, this disparity is also reflected at the distribution of the allocations from the Domestic Excess Crude. The North-West does not produce oil, bear oil resources nor suffer environmental degradation emanating from the exploration of oil, yet, they received more allocations than the South-South from the domestic excess crude proceeds. For example, the total amount that accrued to the South-South as distributions from domestic excess crude proceeds for the month of May shared in June, 2008 was N2, 379, 474, 349. 12 only, while the North-West received N3, 815, 893, 858. 16. This figure is at least more than N1, 436, 419, 509. 04 (One Billion, four hundred and thirty-six million, four hundred and nineteen thousand, five hundred and nine naira, four kobo) higher than the allocations to the South-South. This discrepancy can only be understood and explained within the context of the unbalanced federal structure in Nigeria. If the structure of a federal state is skewed in favour of any component unit, it will have a corresponding impact on revenue allocated to these units.

Conclusion and Recommendation

The paper is of the view that federalism is a veritable device for managing plural societies like Nigeria, but observes that the principle of equity must be considered in the allocation of socio-economic and political resources, particularly revenue allocation. In determining the formula for allocation, various principles are considered such as those of population, equality of states, internal revenue generation, land mass, terrain as well as population density, but particularly, the principle of derivation shall be constantly reflected. However, the actual allocation goes to different groups that are politically structured in terms of states, regions, geo-political zones, etc. The more equitable component states are distributed among various groups, the more harmonious relationships that exist, which enhances national integration. Therefore, the need for equitable political restructuring is imperative in Nigeria.

Deriving from the above discussion and analysis, we arrived at the following finding:

1. That the unbalanced structure of Nigerian federalism impacted negatively on revenue allocation among the component units, particularly the South-East geo-political zone.

Consequent upon this finding, we proffer the following recommendation:

1. That the Nigerian government should as a matter of necessity create at least one more State in the South-East geo-political zone with at least seventeen local government areas in order to make for equity and enhance national integration.

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