

Agitation for Equitable Fiscal Federalism and Political Unrest in Rivers State

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Abstract

This study examines the relationship between the call for equitable fiscal federalism in Rivers State and how the agitation has led to political unrest in the State. The theoretical framework that underpins this study is public choice, a sub of political economy theory that deals with the analysis of collective decision-making and economic models of political process. The findings of the study shows that non-implementation of fiscal federalism was as a result of the self-interest of ethnic based political domination which was and still used in all typologies of government in Nigeria by the dominant groups in connivance with some Rivers States elites to expropriate the oil resources of the State for the benefit of the dominant groups, the oil multinationals and some of the elites of Rivers State. The study recommend the enactment and implementation of laws that will protect the environment of the oil producing communities of Rivers State as it is the practice in developed nations; more all so, as their environment is the traditional source of their livelihood. In addition among others, the study recommended committed policy on the part of Government to develop the oil producing communities of Rivers State as oil is a non-metallic and non-renewable mineral that can't sustain her economy on a long time.

Keywords: *Equitable Fiscal Federalism; Political Unrest; Public Choice; Oil.*

1. Introduction

Federation implies the existence in one country of more than one level of government, each with different expenditure responsibilities and taxing powers. In the Nigeria context, this consists of a Federal Government, 36 States, Federal Capital Territory and 774 Local Governments. Among the different levels of government, fiscal arrangements must be worked out properly to ensure fiscal balance in the context of macroeconomic stability. The fiscal arrangement among the different tiers of government in a federal structure is often referred to as fiscal federalism; in other types of political structure it is known as intergovernmental fiscal relations. Sometimes, both terms are used interchangeably.

Conceptually, fiscal operations of any economy can be viewed from two extreme forms of the public sector. On one hand, there exists a highly decentralized fiscal system in which the government at the center has no economic responsibilities. The other tiers of government

perform virtually all economic functions. The other extreme is a case of total centralization where the central government takes total responsibility for all economic activities of the public sector and therefore no other tiers of government participate in the economic life of the nation. In practice, there exists some degree of decentralization in all economies.

Decentralization refers to the portion of total revenue collected and expenditures allocated to both State and Local governments. The degree of decentralization is the extent of independent decision-making by the various arms of the government in the provision of social and economic services. It connotes the degree of autonomy of State and Local governments in carrying out various economic tasks.

Nigeria's fiscal federalism has emanated from historical, economic, political, geographical, cultural and social factors. In all of these, fiscal arrangements remain a controversial issue since Phillipson Commission (PC) of 1946. Therefore, there exist unresolved issues on this matter.

When the country was under military rule, it was thought, that type of governance exacerbated the fiscal arrangements among the three levels of government. During military rule, the federal structure was only on paper while the government was unitary.

The introduction of a democratic experiment in 1999 re-echoed the problems of intergovernmental fiscal arrangement among the different levels of government. The issues of revenue allocation and the sharing formula have generated such intense debate that led to the demand of a national conference. It was during this period that the 'resource control' phenomena rose to an unprecedented dimension such that the struggle for political power become the fight for resource control. Hence, the democratic experiment has created 'new' problems; the interference by the executive arm of government on the functions of the National Revenue Mobilization and Fiscal Commission (NRMFC) on the appropriate revenue - sharing formula among the different levels of government, the debate regarding the correct interpretation of the section of the 1999 Constitution affecting the derivation principle, among others have posed challenges for Nigeria's fiscal federalism.

Virtually all the states where federalism is in practice, three (3) major problems have been identified as prominent and salient to the continuity of the federal system. The first, which is our concern here is the way and manner demands are articulated by aggrieved elements within the system. Many options are opened to the articulators of these demands, they can adopt a peaceful, systemic and judicial means or where these are denied them or perceived as ineffective, can adopt violent, non-systemic, un-conventional and extra-judicial means. The choice of the means adopted is in part a function of the seriousness of the demands, the intended impact or urgency of the demands and the perceived efficacy of the means in drawing government's attention to the demands so that government or its agency can act on time.

Revenue rich units and states of the Niger Delta are in the forefront of this argument arguing for derivation principle as against equalization principle. In Nigeria, this has been a major source of disagreement between the central government desirous of developing the poorer states by adopting the equalization principle and the oil rich Niger Delta states that have opted for the derivation principle. The trend of the disagreement has manifested from clamours for federal accommodation to calls for self-determination nationalism with ethnic militias and youths as vanguards for this struggle and violence to drive home the point. However, violence and the colossal suffering associated with it, has been viewed as degradation into irrationality, barbarity and horror, an anathema to the very ideals of the enlightenment - justice, humanity and freedom. This paper assesses the link between the agitation and call for an equitable fiscal

federalism in Rivers State. The paper is divided into six sections, after the introduction. Section two examines the methodology, section three is the theoretical framework, section four discusses fiscal federalism and political unrest in Rivers State, section five articulates the major findings while section six is the recommendations.

2. Theoretical Framework

Fiscal federalism and political violence in Nigeria could be better understood within the ambit of Public Choice. It is based on this that public choice theory is employed as the main theoretical perspective tool of analysis in this study of “*Agitation for Equitable Fiscal Federalism and Political Unrest in Rivers State*”. Its suitability is based on the belief that it would allow the uncovering of the dynamics interest of the forces that impinge on agitation for equitable fiscal federalism and political unrest in Rivers State.

Somehow, the theoretical origin of the concept of public choice, which is a sub of political economy theory that deals with analysis of collective decision-making and economic models of political process tends to be difficult to trace precisely. One reason for this difficulty is because the early phases of this phenomenon triggered something like a spontaneous reaction from many a writers and rights crusader across the world. The term refers to a notion of self-interest rather than public-interest in structural, political and economic inequalities between groups within a nation-state. It is used to describe the uneven effects of public-interest in economic/political development on a group basis, otherwise known as uneven-interest that leads to development of the major groups and the exploitation of the minorities within a wider society by the dominant and minorities elites self-interest. It is often used to explain how political decision-making results in outcomes that conflict with the preferences of the general public or a minority in a nation state. It has roots in positive analysis “*what is*” but is often used for normative purposes “*what ought to be*”, to identify a problem or suggest how a system could be improved by changes in constitutional rules. Public choice or public choice theory has been described as the use of economic tools to deal with traditional problems of political science. It is a mathematical approach to aggregation of individual/group interests and welfares. Its content includes the study of political behaviour (Shughart and William, 2008).

The relationship between the dominant group-interest and that of the minority in public choice theory is similar to that which exists between the metropole and colony in direct colonialism. The first known use of the term was by Knut Wicksel in (1896) which treated government as political exchange, a *quid pro quo*, in formulating a benefit principle linking taxes and expenditure.

Modern public-choice theory has been dated from the work of Duncan Black, sometimes called the founding father of public choice (Rowley, 2008). However, other public choice theorist among others are the Noble Prize-winning Economist Amartya Sen, Niskanen, Geoffrey Brennan and Loren Lomasky, Caplan, David Wittman, Sam Peltzman, Stigler, Mancur Olson, Green and Shapiro and critics like Linda McQuaig. But the most outstanding work considered as one of the landmarks in Public Choice theory is that coauthored by James Buchanan and Gordon Tullock titled “*The Calculus of Consent: Logical Foundations of Constitutional Democracy*” (1962). In particular, the preface describes the book as “*about the political organization*” of a free society. But its methodology, conceptual apparatus, and analytics “*are derived, essentially, from the discipline that has its subject the economic organization of such a society*” (1962). The book focuses on positive-economic analysis as to the development of constitutional democracy but in an ethical context of consent. The consent takes the form of a compensation principle like

Pareto efficiency for making a policy change and unanimity or at least no opposition as a point of departure for social choice.

Interestingly, although most of the scholars' thesis deviates slightly from factual evidence, however, it is apt to note that public choice theory has a compelling validity in many contexts around the world including Nigeria. This, to this study, followed the view that public choice theory is more than adequate in the analysis of the underdevelopment and the agitation for equitable sharing of revenue and the political unrest that erupted in Rivers State.

3. Fiscal Federalism and Political Unrest In Rivers State

Rivers State is one of the 36 states of Nigeria. The state was created in 1967 with the split of the Eastern Region of Nigeria. It has a population of about (5, 185,400) Five Million, One Hundred and Eighty Five Thousand, Four Hundred people and occupies an area of 21,850 sq. km. Its capital is Port Harcourt and it is bounded on the South by the Atlantic Ocean, to the North by Imo and Abia States, to the East by Akwa Ibom State and to the West by the Bayelsa and Delta States. The inland part of Rivers state consists of tropical rainforest and many mangrove swamps (Rivers State of Nigeria Website, 2006).

It currently has 23 local government areas mixed with different ethnic nationalities and these ethnic nationalities includes: Abua - Odua, Andoni, Bonny or Ibani, Egbema, Ekpeye, Engenni, Etche, Ikwerre, Kalabari, Ndoni, Nkoro., Ogba, Ogoni., Okrika, Opobo and Oyiibo.

The capital, Port Harcourt, is the nerve centre of the famous Nigerian Oil industry with over ninety industrial concerns before the political unrest. Among them are: Shell Petroleum Development Company of Nigeria Limited, AGIP, Texaco, Elf, NPRC, Michelin, West African Glass Industry, Alcan Aluminium, Metaloplastica, Risonpalm, NAFCON, Pabod Breweries, among others. (Rivers State Website, 2006).

Agriculture is the main occupation of the people of Rivers State and the agricultural policy of the state government is anchored on food production. This provides employment for young school leavers and university graduates. These agricultural activities are grouped under Community Block Farming Scheme, Community Fishing Scheme, Livestock Scheme and Rabbitry (Rivers State Website, 2006).

However, it is the production of oil and gas that Rivers State is most famous. With enormous reserves of crude oil and natural gas, Rivers State account for more than 40% of Nigeria crude oil production. Apart from this, there are many petrochemical related industries in the state which also include the first petroleum refinery in Nigeria, Nigeria's Liquefied Natural Gas (LNG) project among others.

The history of the state has shown that the state has been faced with political unrest dilemma at one time or the other as a result of her rich resources and the quest of her political actors to control or partake in the allocation process. Right from King Jaja of Opobo, King Koko of Nembe, Major Isaac Adaka Boro, Ken Sro-Wiwa to the present fissiparous heads of militants/militias groups, Rivers State has witnessed several political unrest situations that is associated with her geographic, political and economic strategic resources. In recent time, it has been demand for derivation formula in Nigeria fiscal federalism, agitation for resource control of her huge oil revenue and political autonomy. The political unrest in the oil rich state between the government forces and militants has been attributed mainly to the present revenue allocation, non-adherence to the tenents of fiscal federalism and the growing of Rivers State natural resources to the general economic development of Nigeria while at the same time, they were denied many of the benefits of development. These, among others are the fundamental issues

causing the present political unrest in Rivers State.

According to Renner (2008):

For about eight years now, militants have fought with government forces, sabotaged oil installations, taken foreign oil workers and high profile citizens of Nigeria hostage and carried out lethal car bombings. At the root of the problem is a crisis of underdevelopment as a result of non-implementation of equitable derivation formula in Nigeria fiscal policy as it concerns her huge oil revenue. Besides the frequent spates of kidnapping, demand for ransom and show of power by militants in the region, the state has lately witnessed war-like confrontations between the militants and the Joint Task Force (JTF) and the Police on the other hand. The Police have in fact seemingly become the whipping boy of the militants who raid police stations at will and kill policemen randomly. The crisis has been exacerbated by emergent issues of gross distortion of Nigerian federalism in respect to fiscal federalism or resource control, citizenship rights and environmental degradation. Unfortunately, the external manifestation has been mainly that of political violence and criminal activities of some elements taking advantage of the situation.

Basil Omiyi, the former Managing Director of Shell Petroleum Development Company (SPDC) in Nigeria, now Chairman, summarize the political unrest in the state by identifying three factors. He described these as: (1) Inter and intra-ethnic rivalries (2) Perceived neglect by government over the years and (3) Economic depression laced with lack of empowerment of the people. (Guardian, 2008).

His analyses are impeccable as the combinations of these factors are directly responsible for the political unrest in Rivers State. Also commenting on the political unrest is Yusuf Olaniyonu, the Editor of ThisDay newspaper. To him,

From the days of Isaac Adaka Boro to Ken Saro Wiwa, civilized and genuine efforts have been made to force the government of the day to pay more attention to the Niger Delta problems. In a criminal and insensitive manner, past governments have treated the matter with levity. And this sustained injustice actually led to the crisis we now have. The agitations since the beginning of the democratic process have taken more violent, vigorous turns. First, there were attacks on oil installations which crippled oil supply locally and in the international markets. Then, the attacks were directed at persons as expatriates were kidnapped and ransom demanded. Olaniyan (2008)

The present and past political unrest in Rivers State has been colossally linked to poverty brought about by economic denial of the people of the state from the proceeds of huge oil revenue that has devastated their environment and their source of livelihood. Worst off, is the use of the federal armed forces and police force to intimidate and oppressed the agitators of this perceived injustice. This study has shown that no amount of

intimidation and oppression will end the unrest unless fairness and justice in Nigeria fiscal policy. This assertion was captured by Anam-Ndu. To him;

To see violence in the region as the work of irresponsible militants who do not want other Nigerians to have a share of the oil revenue is to say that the war of liberation must not be fought by the oppressed. That would be stupid argument unsupported by history. We must see the political violence in the Niger Delta for what it is namely: internal colonialism and the people's resolve to fight it. No amount of irresponsible manipulation and grand standing will coerce restive youths and the aged into silence. It is only truth and justice, honesty and fairness in the way the affairs of the resources in the region, indeed, Nigerian affairs are resolved that will. Anam-Ndu (2007).

The underpinning of the Rivers State political unrest on present revenue allocation, non-adherence to the tenets of fiscal federalism and the growing of their natural resources to the general economic development of Nigeria while at the same time, they were denied many of the benefits of development seems to confirm the research conducted by Shackleman (2008:8) for the World Bank on the economics of civil war, crime and conflict in oil producing countries. According to the findings:

- i. The key root cause of conflict is the failure of economic development such that many of the world's poorest countries are locked in a tragic vicious circle where poverty causes conflict and conflict causes poverty.
- ii. Countries that have low, stagnant and unequally distributed per capita incomes and have remained dependent on primary commodities for their exports, face dangerously high risks of prolonged conflicts and
- iii. Once a country has had conflict, it is in far greater danger of further conflict.

The findings of the World Bank research above perfectly suit the political unrest in Rivers State presently and the cause of the Nigeria Biafra civil war. On Nigeria civil war and the oil resources of Rivers State, ex-President Obasanjo, averred that:

The Nigeria Biafra civil war that Rivers State was the theater, was fought as a result of her huge oil resources" (Obasanjo, Sunday Tribune, 2001:5).

It must be emphasized that the situation in Nigeria is a clear departure from what is obtainable in other oil producing nations where oil resources and their benefits have been used to galvanize sustainable economic development (Agara, 2013). To this study, the implementation of oil derivation formula in Nigeria Fiscal Federalism will reduce the political unrest in Rivers State as this has been their major demand right from the days of Major Isaac Adaka Boro, Ken Saro-Wiwa till this date of fissiparous heads of militants/militias groups.

4. Major Findings

The summary of findings of theoretically analyzed propositions confirmed the following perspectives:

- i) It is apt to note that the primary cause of the political violence in Rivers State was the utilization of their natural resources by the dominant groups-interest to the general economic development of other parts of Nigeria, while at the same time, they were

denied many of the benefits of their development-interest. Historically, the findings showed that the agitations and demands of the people of Rivers State to benefit from the utilization of their natural resources that has been used to the general economic development-interest of Nigeria does not start today. It started right from the days of “*Oil Rivers Protectorate*” by King Jaja of Opobo, King Koko of Nembe, among others. In this “*Crude Oil Era*”, it was Major Isaac Adaka Boro that pioneered the unrest agitations and demands, then followed by the pacifist agitations and demands of Ken Saro-Wiwa to the present fissiparous heads of militants/militias groups that their agitations and demands has led to the present political unrest. In all of these, the finding shows that the general economic development of the state is the theme of the unrest and this was succinctly captured by Ken Saro-Wiwa during his trial by a military tribunal in PortHarcourt that led to his death by hanging:

My lord, we all stand before history. I am a man of peace and ideas, appalled by the denigrating poverty of my people who live on a richly endowed land, distressed by their political marginalization and economic strangulation, angered by the devastation of our environment; and not a murderer (Human Right Watch, 1999).

If the Nigeria Federal Government controlled and ruled by the dominant groups-interest had heed to the tenets of derivation formula and developmental-interest of Rivers State, intellectuals like Ken Saro-Wiwa should not have been wasted through death by hanging and his death shouldn't have propelled the present unrest in Rivers State.

ii) The second major finding is that the non-implementation of fiscal federalism was as a result of the major ethnic based political dominant-interest through collective decision-making which was and still used by the dominant groups-interest in National Assembly, the Executives and Judiciary arms of the government to expropriate the resources of the minorities of the oil producing communities of Rivers State-interest for the benefit of the dominant groups-interest, the MNCs-interest and some of the Rivers State elites-interest. This approach, generally to the ordinary citizens of the state is seen as an internal colonialism and the oil producing minority people of Rivers State have vowed to use violent, non-systemic, un-conventional and extra judicial means to resist it, as earlier pacifist approaches had failed.

iii) Non-implementation of First Republic derivation revenue formula after the discovery of oil in Rivers State (Presidential Commission Report on Revenue Allocation by Leton. G and Philip. A,1980). The study showed that the people of Rivers State were of the opinion that the Nigeria Federal Government headed by the dominant groups on or before circumstances brought President Jonathan to power has been consciously, systematically and unjustly manipulating the fiscal policy ever since oil of the minority group of Rivers State is the corner stone of the Nigerian state economy. This, they justified by chronicling the history of revenue derivation formula in Nigeria. In 1953, the derivation formula was 100%, in the 1st Republic of 1960-1966, it was 50%, in the late 1960s to late 1970s of military adventurism, it was 30%, in the 2nd Republic of 1979 to 1983, it was 0%, in another military despotism era of late 1983 to 1991, it was 1.5%, in 1992 to 1999 era, it was 3% and in this 4th Republic of 1999 till date, it is 13%. The historical record

obviously showed that this browbeat fiscal policy of the federal government is an embodiment of dominant groups-interest, that of the MNCs along with some of the oil producing minority elites-interest, thus, injustice to the overall oil producing minority state of Rivers. This behavioral attitudinal-interest employed by the dominant groups and their collaborators broadly aggravated the unrest demands and agitations for equitable derivation formula in Nigeria's fiscal federalism after failed pacifist demands. Further, is the contemporary revenue inequality formula in use. The people of Rivers State can't understand the rational why Igbeti marble attracts 55%, VAT attracts 20% and Rivers State oil attracts 13%, more also, putting into cognizance that Nigeria Federal Government earned 90% of her foreign revenue from oil of the minority state of Rivers. This, to the research findings showed that this is one of the vexatious issues that contributed colossally to the unrest agitation for equitable revenue sharing in the state.

5. Recommendations

The following recommendations were made to address Fiscal Federalism and Political Unrest in Rivers State:

- (i) The Federal Government of Nigeria should be purposeful in managing oil revenue through creation of other sources of revenue earnings in Rivers State as oil is a non-metallic mineral and a non-renewable resources or better still, due to the inability of the Federal and State Governments to address and solve the developmental problems of the host communities through the formation of agencies like the defunct OMPADEC and NDDC, the oil multinationals should be allowed to transact directly with their host communities through a comprador that shall be acceptable and accountable to both the host communities and the oil companies directly on developmental matters, so that the political unrest in Rivers State that has been compounded by the growing of their natural resources to the general economic development of Nigeria while at the same time, the majority of her people were denied many of the benefits of developmental-interest shall be a thing of the past.
- (ii) The equalization formula in use presently in oil revenue sharing should be changed to derivation formula of at least 50% aside the popular demand for 100% in the State. More also, the inequality or uneven present derivation formula where Igbeti marble attracts 55%, VAT attracts 20% and the minority communities of Rivers State oil that represents 90% of Nigeria Government revenue attracts 13% shows the dominant groups-interest, thus, fiscal injustice to the oil producing State of Rivers and this should be addressed as soon as possible by Nigeria Government to end the unrest.
- (iii) The oil producing states indigenes of Rivers State should be elected and appointed into positions of relevance in Nigeria Government and other levels of decision making as regards oil politics in order to bridge the gap created by ethnic based political domination of the past years that were and still used through the National Assembly, Executive and Judiciary arms of government to expropriate the resources of the oil minority communities of Rivers State. Furthermore, the implementation of electing and appointing the indigenes of the oil producing communities in their developmental-interest programs is apt because they are abreast with the real needs of their people and their input will sure go a long way to address their needs thus, the unrest.

(iv) The National Assembly should pass laws that will involve the indigenous people of the oil producing communities to partake in oil economy. They should make laws that will prohibit environmental degradation and all forms of secrecy in oil industry business. Also, laws that will severely punish oil bunkerers, pipeline vandalizers and self-acclaimed Niger Delta environmental and human rights activists that encouraged pipeline vandalizations in order to defraud the oil companies and manipulate the indigenous host minority communities from the largesse in the name of activism should be passed.

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