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## Fiscal Federalism and the Question of Development in Nigeria

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### **ABSTRACT**

*Fiscal federalism deals with the division of governmental functions and financial relationship among levels of government. It is an essential and central aspect of federalism as a political doctrine. The threshold of federalism in Nigeria was first laid in 1946 by Sir Arthur Richard and was subsequently built in 1952 and 1956 by Sir John Macpherson and Oliver Littleton constitution respectively. The non diversification of the economy and over reliance on the oil sectors are some of the basic issues that compounded the intricacies of fiscal federalism in Nigeria. The central objective of the study is to examine fiscal federalism and how it affects development in Nigeria. The data of the study were generated from qualitative tools and documents. This comprises array of published and unpublished materials such as text books, newspaper, magazine, journals, seminar and conference papers, internet materials and a lot of others. The study used qualitative and historical materials that were critical and analytical in providing details. It was established that the nature of fiscal relation in Nigeria strongly contributed to the challenges of development in the country. It was also unveil that the non-diversification and the over reliance on the oil sector further exacerbated the situation. Recommendations such as need for good governance, diversification of the economy, modernizing agricultural sector, creation of self sustaining states and a lot of others were proffered.*

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**Keywords:** *Fiscal Federalism, Development, Mono-economy and Oil Sector*

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### **1. INTRODUCTION**

The problematic issue of revenue allocation in Nigeria is as old as the problem of federalism in the country. Nigeria is a heterogeneous society with the population of over 154,000,000 people as declared by the 2006 census (NPC, 2006). Most of the states were created along the lines of ethnic and religious definition. Some states in the federation are naturally endowed with mineral resources such as petroleum resources while some are rich in agricultural production (Ablure, 2001).

Majority of the country's population are into agricultural production. This is chiefly because agriculture is the mainstay of the economy and 90% of the country's populations are actively involved into its practices (Bello, 2009). Agriculture as the backbone of the economy is an illusionary statement and more of a fallacy that reality. It is something that can easily be imagined than can easily be seen (Aladeyelu, 2016). Despite all this statements, the country still depend on imported agricultural products such as rice, maize, coffee, ginger, and a lot of others. In 2007, Gari – a bye product of cassava was imported from neighbouring countries and with the closure of the country's border in the current Buhari administration, the price of food such as rice, maize and a lot of agricultural produce upswing. These clearly showcase the weakness of the country in the agricultural sector.

Bello (2007) stressed that the reason behind poor or low production in the agricultural sector is the usage of local implements, poor seedling and breeds, subsistence production,

climatic problems and diminishing soil fertility, inadequate use of modern technology, persistent pest attacks, illiteracy and the conservative attitudes of the farmers, poor transportation facilities, small sizes of farms, inadequate storage facilities, poor marketing facilities and a lot of others. These woes contribute to the decline in the agricultural sector in Nigeria.

The mentioned problems do not only stop at that, it has pushed the economy to relent heavily on one sector instead of diversifying it in such a way that it will boost development in the country. The pressure is shifted on oil and petroleum sector which is now the lifeblood and source of revenue generation in Nigeria. This battle and struggle on only one sector gave rise to the problematic issues of revenue control and allocation (fiscal federalism) in Nigeria. Who should receive higher proportion and how will compensation be given to the environment of production has continued to be a serious migraine that affects national development in Nigeria (Ariyo, 1999).

This issue has continued to exist despite different proactive measures to ameliorate the issues by different governments in time past and at present. The issue of resource control and allocation constitute one of the basic challenges of fiscal federalism in Nigeria. It has weakened the pace of growth of the country and retarded national development. States that are producing oil mostly fought for compensation and this malingering crisis further exacerbated the issue (Bello, 2005).

The fall in the price of petroleum resources in the world markets easily affects the state of development in the country. This is because the country chiefly relied on the sector to generate it revenue. The creation of states in Nigeria are not being done with worth and consideration. States are created as tool to appease ethnic groups and religious institutions instead of weighting their strength and assessing how each can support itself with or without subvention from the national government. The centre-pedals federalism which the country is operating has contributed to the challenges of fiscal federalism and consequently national development in the country (Eyo, 2006).

## **2. STATEMENT OF THE PROBLEM**

One of the basic problems which necessitated this study is the problematic nature of revenue allocation or resources control that revolved around and among states in the federation. The question of which formula to adopt to please all and sundry, and how it will translate to national development in the country has continued to linger. The suitability of the method and how it will help to reduces challenges such as vandalism, protest for a new republic, militarism, kidnapping and a lot of others are thorns in the flesh in the Nigerian federalism.

Another problematic issue with fiscal federalism in Nigeria is the continues growth of weak, frail and scrawling states which do not in any way contribute to the generation of revenue in the country. They are passive and non-productive in terms of economic growth and development. These states were created to please certain elites and some ethnic growths. Their inactivity has continued to be a serious threat to national development. This problem boiled and rooted down in the centre pedal federalism which the country called true federalism.

It is against this backdrop that the following research questions were posited to guide the study:

- a. In what ways does the problem of fiscal federalism affects national development in Nigeria?
- b. How can the revenue base of Nigeria be broadening in order to boost national development than depending on the oil sector?

- c. What tools should be used to propel states (most especially the dormant states of the federation) to be pro-active and productive so as to contribute to national development?

### **3. OBJECTIVES OF THE STUDY**

The main objective of the study is to examine the challenges of fiscal federalism and how it affects national development in Nigeria.

The specific objectives are to:

- a. Find out how the ills of fiscal federalism constitute a problem to national development in Nigeria.
- b. To examine how mono-economy (dependent on oil) contributed to the crisis of national development in Nigeria.
- c. To assess the linkage between the non-performance of some states and problem of national development in Nigeria.

### **4. ASSUMPTION OF THE STUDY**

- a. The ills of fiscal federalism are serious threats to national development in Nigeria.
- b. There is a significant relation between dependent on oil sector and challenges of national development in Nigeria.

### **5. METHODOLOGY**

The study used combination of methods. First, ex-post facto research design was employed to examine the problems of fiscal federalism in Nigeria and how it affects the rate and pace of development in the country.

We also used qualitative and historical method that was critical and analytical in providing descriptive and historical details. The qualitative and historical method provides us with clear perspective into our research problem by giving us the opportunity to understand the historical details and accurate account of the past and use it to discuss present.

The data of the study were generated from qualitative tools. This comprises of both published and unpublished materials such as textbooks, journals, newspapers, magazine, conference and Seminar papers and internet materials.

### **6. CONCEPTUAL ANALYSIS AND CLARIFICATION**

#### **(a) Fiscal federalism**

Fiscal federalism otherwise known as resources control or what Omonuyi (2010) prefer to call local control over local resources is variously conceptualized. The concept is a part of a broader public finance discipline and was first introduced by the German – born American economist, Richard Musgrave in 1959. Resource control has economic, political and social definitions. From the economic point of view it is defined as “existence, in one country, of more than one level of government which each having different taxing powers and expenditure responsibilities (Temitayo et al, 1999:72). Vincent (2010) sees it as “allocation of tax powers and disbursing responsibilities among the levels of government in a federation.

Politically, former Governor Bisi Akande of Osun State in 1995 defined it as derivation. Felae (1999) on the other hand sees it as deregulation. But the most meaningful attempt at given it academic definition was at Obafemi Awolowo Memorial Lecture of the year 2001 where Adedeji conceptualized fiscal federalism resources control as “the practice of true federalism and natural law in which the federating units express their rights to privately control the natural resources within their borders, and make agreed contributions

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towards the maintenance of common services of the sovereign nation state to which they belong” (The punch, 2001:21)

This perhaps informed the creation of six geo-political zones in the country during the 1995 constitutional conference at Abuja. At the conference, societies or nationalities that were socially, culturally and geographically contiguous were grouped together to form a zone (as is the case of Niger Delta region) on the basis of which national appointments, employment, federal character, rotational presidency but not yet economy federalism are based. The various definition above underscore the economic benefits of fiscal federalism which Bello –Imam indentify three of them. First, there are variations in human wants and desires not only from one community to the other but also from one nationality to the other. Thus, only federal arrangement could take care of communal, societal and nationalities disparities at various levels of government (Bello- Imam, 1999:251-252). Secondly not only does federalism encourage effective majority participation in governance directly, it encourages check and balances that ensures accountability and responsiveness. The units of governments under this arrangement avail the people the opportunity of involvement in decision – making, execution and monitoring. Finally fiscal federalism affords the levels of governments the opportunity to embark on different developmental projects dear to its community, society or nationality using different approaches without undue uniformity imposed from the center.

These economic benefits are attainable in a political system where True federalism we are dreaming of now but which we have practiced before, exists. This True federalism debate has thrown up two diametrical opposed positions: centripetal and centrifugal forces.

#### **(b) Resource Allocation**

This is the state intervention in the price system aimed at the reallocation of the current flow of resources in order to produce a different pattern of output, income distribution, and expenditure. This need not necessarily involve a wider extension of public sector activity, it is confined to such things as price control and taxation, or various stabilization measures meant to restore and maintain full employment of the existing resources (Ndupuechi, 2010).

Historically, however, it has been associated with socialist policies of wider public ownership, since it was usually held that the state itself would need to own and manage the means of production, distribution, and exchange in order to ensure the successful implementation of plans for increased efficiency, more equitable distribution of income and full employment. Thus both in the planned economies of Eastern Europe and socialization programme of the west; social planning and public ownership were intimately connected with resources accumulation and management (Eyo, 2006).

We distinguished in principle between planning related to the accumulation of resources, or growth and development of the economy. In practice, these static and dynamic aims overlap, and socialist planning in soviet Russia after 1917, for example was just as much or even more geared towards the structural transformation of the economy, through land reforms and the industrialization programme, as it was towards immediate gains in economic efficiency and income distribution (Ndupuechi, 2010).

In economic planning in less developed countries since independence, particularly, the emphasis has been on resource accumulation and development planning, focusing on raising the rate of growth and achieving the long term development of the economy in relatively poor countries planning machinery/system/components.

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**(c) Concept of Development**

All available evidence as shown in the literature on development portends the concept as nebulous, hence it has different meanings in different contexts and sometimes even in the same context. Consequently, several schools of thought, models, paradigms and theories have emerged to explain the concept (Nnadozie, 1986).

The western liberal scholars see development as a total transformation of a traditional or a primordial society into the type of technologies and associated social organization that characterize advanced economically prosperous and political stable nations of the Western world (Todaro and Smith, 2005). The above definition implies there is one average or normal path to development which countries have followed in the past and which they are obliged to in the future [Stevenson, 2012]

The scholars of Marxist philosophical persuasion, found the above conception of development grossly deficient, because it has not led to real development, instead, it enhanced the progressive underdevelopment of most third world state (Bello, 2013). Thus, they see development as socio- economic transformation which man engenders as he, jointly with his fellows, interacts with the natural environment through labour power. In a similar vein, Okoli and Onah [2002] define the concept as a human issue which should involve the total full mobilization of a society. Espousing a similar view, Nnoli (2003) conceived development as a dialectical phenomenon in which the individual and society interact with their physical, biological and inter human environment, transforming them for their own betterment and that of humanity at large and being transformed in the process. It can be construed from the above mentioned definitions, that development implies the capacity to secure and sustain a better life to humankind in the society. The striving to elevate human life and comfort from a given level considered unsatisfactory to a better and perhaps more comfortable level.

Apparently piqued by this lack of an all-embracing definition of development, Seers (1972:47) poses three (3) basic questions, about the meaning of development when he asserts:

The question to ask about a country's development is therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result development even if per capita income has soared.

But the phenomenon of development or the existence of a chronic state of underdevelopment according to Todaro and Smith (2003) is not only a question of economics or even quantitative measurement of incomes, employment, and inequality. It is a real fact of life for over three (3) billion people in the world. To them development must therefore be conceptualized as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty. Most importantly, development must represent the whole gamut of change by which an entire social system turned to the diverse basic needs and desires or individuals and social groups within that system, move away from a condition of life widely perceived as unsatisfactory and towards a condition or situation of life regarded as materially and spiritually better.

Guolet (1990) defined development as the enjoyment of good things of life. He mentioned three basic values that should necessarily serve as a conceptual basis and practical guideline for understanding the inner meaning of development. These according to him are life sustenance (food, shelter, health, and protection), self-esteem (sense of worth and self-respect of not being used as a tool by others for their own understanding, dignity, respect and recognition) and freedom from alienation of material condition of life and from social solitude to nature, ignorance, other people, misery, institutions and dogmatic beliefs.

Rodney (1972) sees development as a many sided process. He stressed further that at the level of the individual, it implies increased skills and capacity, greater freedom, creativity, self-discipline, responsibility and material well-being, and at the level of the social group, it implies an increasing capacity to regulate both internal and external relationships. Development therefore to Rodney is when members of a society jointly increase their capacity for dealing with their environment.

What is discernable from the above definitions is that development is man-centered and can be seen as a multi-dimensional process involving the fundamental transformation of society in its totality (economy, polity, culture, etc.). In other words, development implies growing self-reliance, both individually and collectively. The basis for a nation's development must be its own resources, both human and material fully used to meet its own needs.

## 7. Oil Prospecting and Production

The presence of oil outflow in *Araromi*, Ondo State, encourages the Nigerian Bitumen Corporation, a German company, to start oil exploration in the area in 1908. This initial effort died with the outbreak of the First World War in 1914. However, exploration efforts were revived by an Anglo-Dutch Consortium, Shell D'Arcy, which was the forerunner of Shell Petroleum Development Corporation of Nigeria. Its exploration activities started in 1937 after it was awarded sole concession rights covering the whole of Nigeria. Its efforts were interrupted by World War II and it did not resume its search for oil until 1947. It was not until 1956 that it discovered oil in commercial quantities at *Oloibiri* in Bayelsa State. Production on a commercial scale started at *Olibiri* in 1958 with an initial output of 5,100 barrels per day (Anyanwoucha, 2012).

In 1959, the sole concessions right given to Shell B.P was reviewed. Prospecting rights were granted to other companies in order to increase the pace of oil exploration, enhance competition and reduce reliance on only one multinational corporation. By 1961, other companies such as Mobil, Gulf, Agip, Safrap (Now Elf) and Texaco had joined in the search for oil in both on-shore and off-shore areas of Nigeria. The first off-shore oil discovery was recorded by Gulf Company in 1964 on the Okan Structure of Delta (Aledeyelu, 2000).

Presently, there is both off-shore and on-shore production of crude oil in Rivers, Edo, and Cross River States, from 1958, when oil was produced in commercial quantities, total production increased with subsequent years. However, during the civil war, production was disrupted and it stood at 600,000 barrels per day. Production reached a peak of 2.44 million barrels per day in 1979. Production declined to 1.3 million barrels per day in 1986. Shell and British Petroleum in Corporation continued in combined oil exploration and development until 1979. Before 1979, shell – B.P. was the largest oil producing company, accounting for more than 50% of total production and exports and controlling the assets of British petroleum in shell- B.P. were nationalized. This was a political move against British support for apartheid South Africa in which she decided to supply oil to South Africa despite the cry for sanctions against the racist enclave. Nigeria however promised to pay compensation on the book value of the Nigerian assets of B.P. which are estimated to be about \$ 90 million (Anyanwoucha, 2012).

Initially, all the crude oil produced in Nigeria was exported without being processed, while the need for petroleum products was met by importation. In 1965, the first refinery with an initial refining capacity of 35,000 barrels per day was commissioned in Port Harcourt. After the civil war, its installed capacity was increased to 60,000 barrels per day to meet the increasing local demand. In 1978 another oil refinery with an installed capacity of 100,000 barrels per day was commissioned at Warri. In 1980, a birth refinery with a projected refining capacity of 100,000 barrels per day was commissioned in Kaduna. The three refineries have a combined installed capacity to 260,000 barrels per day (Ariyo, 1999).

Local demand is presently estimated at 250,000 barrels per day. The ultimate aim is to increase Nigeria's refining capacity to 450,000 barrels per day. A fourth refinery was later commissioned at Port-Harcourt. The Kaduna refinery process two types of crude oil: local and imported Venezuelan crude. The Kaduna refinery is designed to process imported heavy and paraffin crude oil to produce fuel and lubes such as liquefied petroleum gas, petrol, gas oil and fuel oil. It also produces asphalt, wax and sulphur. The Warri refinery processes Nigerian sweet and light naphthenic' crude oil to produce liquefied natural gas (butane and propane) for the domestic market. It has the capacity of producing 600 tons per day. In addition, it produces petrol, gas oil, kerosene etc. the Port Harcourt refinery also processes Nigerian sweet and light naphthenic' crude to produce fuel (Eyo, 2006).

The positive contributions of petroleum became more pronounced with the oil boom of the 1970s. Within the period, oil changed Nigeria's fortune from an aid-seeking country to a country that gave aid to its less fortunate neighbours. It raised the status of Nigeria in the world community. Since the early 1980s, the importance of petroleum is on a relative decline due to world oil glut. The oil glut is a creation of world major oil consumers, especially the developed countries, in an effort to free them from OPEC's manipulations which consistently increased oil prices. They have engaged in alternative sources of power such as coal, gas, solar, and nuclear energy. This resulted in a sharp decrease in the world demand for oil which in turn caused an excess supply. There was, therefore, a down-turn in the price of oil from a peak price of \$40.00 per barrel in January 1981 to a rock-bottom price of \$10.00 per barrel in 1986 (Olusupo, 2001).

Since the oil glut started, the Nigerian economy has itself suffered a down-turn. The various governments have adopted various 'belt-tightening' measures in an attempt to revamp the economy. Nigerian have learnt the bitter truth that an economy cannot rely solely on one sector to survive and be on a sound footing for economic development, we cannot rely wholly on imported goods. We must look inward (Oyediran, 1999).

## **8. Principle and Recipe of Revenue Allocation in Nigeria**

Nigeria operates a unitary form of government between 1914 and 1946. There was therefore no need for any system of revenue sharing. Between 1946 and 1980 eight ad-hoc commissions on revenue allocation followed the rhythm of political and constitutional changes:

Throughout Nigeria's experience with revenue sharing the source of the federally collected revenues that formed the subject of the work of each commission that are not charged:

Since they are not amenable to state jurisdiction for raising the tax or for collecting the proceeds-the problem has centered on not who should raise the taxes but how to share the proceeds. There were other sources of revenue: licenses, fees, earning from sales, interest payments, etc, but they appeared sufficiently domestic to the government of the federation to be left out of account (Anyanwoucha, 2012). The only other major source of revenue (-direct taxes) that had been, since 1946, are:

- (a) Personal income taxes for the region (now state)
- (a) Companies income taxes for the federal government

The major problems of revenue allocation in Nigeria have revolved around inter-state sharing of federal revenues. As stated above, the source of revenue affected have remained virtually uncharged but the proportions of these revenue to be shared by, and the relative principles of inter-state sharing which have been tried over the years can be summarized as follows:

- (a) **Deprivation:** The principles of derivation assert on equity grounds, that the state from which the bulk of the revenue is obtained should received an extra share beyond what every other state receives. In the 1950s and 1960s when the principle of derivation was applied mainly to the proceeds of exports taxes on agricultural produce, the principle encouraged the regional governments to promote the cultivation of export crops: cocoa, cocoa, cotton, groundnut, oil palm etc. the government set up farms of their own and extended assistance to the farmers.
- (b) **Even Development:** The principle of even development requires that growth and development be spread so that serious inequalities or imbalances are reduced in the federation. The principle of even development, given full expression by the Dina committee (1968) has been called by various names before and after: even progress, balance development; equal access to development opportunities etc.
- (c) **Need:** The principle of need is interpreted in terms of functions of one level of government against the function of another level, and the corresponding requirement for financial expenditure and obligations. For inter-state allocation in Nigeria, the principle of need has been used more to raise the level of the deficient state than to push forward the level of the relative advanced states. It is, thus, an equalizing principle based on equity rather than on efficiency consideration.
- (d) **National Interest:** The principle of national interest is used residually by the highest level of government to intervene and transfer funds to lower levels or to unit in the lower levels to serve various consideration: economic, political or strategic.
- (e) **Independent revenue:** Since Philipson (1946), the principle of independent revenues has been applied in Nigeria as “declared” revenues and later (in Hicks-Philipson, 1951), in the present title, which was revived by Aboyade (1977). It is an efficiency-inspired principle, which asserts that each level of government should be able to rise and kept some revenue for its use. The bulk of the revenues of the states come from what is raised and collected by the government of the federation. The main revenue source to the state government are taxes on personal income, capital gains and transaction by way of stamp duties and quiet recently share of value added tax [VAT].
- (f) **Continuity of Government Service and Minimum Responsibility:** This principle is similar in content to the principle of minimum responsibility of government. Both principles suggest that each level of government has a certain minimum responsibility and that the level of service being provided by government for its citizens must not allow falling below a certain norm. On efficiency ground, these principles apply more appropriately in vertical allocation between ties/levels of government and on consideration, in horizontal allocation among state. Minimum responsibilities of each level of government (federal, state and local government) refer to the prescribed functions in the constitution and, therefore, reflect the principles of need.
- (g) **Financial Comparability:** Introduced by Binna (1964), the principle of financial comparability is a procedure to be undertaken in the process of revenue allocation. The principle stresses that any review of a revenue allocation system should compare the financial position of the units participating in an allocation: the level of independent revenue or tax effort of the units. It mixes efficiency and equity consideration.



- (h) Population:** The principle of population hinges on the argument that government is about people, that development is about people, and that the end of government is the welfare of its people. On the question of the equity merit of the principle, it has been pointed out that the use of unweight population data cannot fully capture equity because as a proxy for need, it fails to capture the many dimensions of population be they age, sex, literacy, etc.
- (i) Equality of state:** The principle of equal share to state is justified in the context of the principle of minimum responsibilities for each unit in any level of government. In other words, a minimum set of responsibilities is common to each state irrespective of size or capacity or to each local government council within a state.
- (j) Minimum National Standards:** First introduced by Dina in 1968, this principle asserts the maintenance of minimum national standards in allocation among state. Government may set minimum standard in Education, Agriculture, Health, etc with the aim of lifting each unit in the federation at least up to that minimum and if possible, beyond it. The standard will be revised upwards, as the federation develops and by so doing; the use of the principle can lead to efficiency. However, for the purpose of sharing what now exist, or within a given period, it is a principle that, together with need, minimum responsibility and even development, is satisfied principally on equity grounds.
- (k) Equality of Access To Development Opportunities:** This principle was introduced by the Aboyade committee (1977) with a view to correcting unequal endowment state. The principle of need, even development and equality of access are variants of the same principle and can be appropriately satisfied by the same measure. The Aboyade committee used, as an index, the ratio of the state's planned expenditure on the economic development sector to those of the state combine. But as this index rest on a purely putative set of data, it can easily be manipulated and not readily verifiable and as such it is unreliable as a measure of access to development.
- (l) Absorptive capacity:** The principle of absorptive capacity is formulated to represent the capacity of a state to make proper use of funds. It advocates that funds should, on grounds of efficiency better go to those states best able to use widening of the gaps in the levels for development. One of the purposes of fiscal transfer is to create and expand capacity. If therefore those that are considered incapable of using additional fund are starved of funds on that account, the ruthless application of the principle will lead to very lopsided development. However, it is the application of funds in the capital expenditure programme, that the principle may be seen to apply. Since development funds are obtained at some cost to the user, the principle can be interpreted to mean that state must show their capacity to service the cost of the funds they obtain for their capital programme, that is, that they can carry the debt burden.
- (m) Tax efforts:** The principle of tax effort is designed to encourage state to make maximum use of their tax capabilities. It is in essence, part of the principle of independent revenue. If the system of taxation is sufficiently progressive, this principle will aid efficiency while being equity neutral.
- (n) Fiscal efficiency:** This principle asserts that we should minimize the cost of our fiscal administration or obtain the maximum revenues from given cost. It satisfies the efficiency objective and is like to the principle of tax effort and independent revenue under one umbrella. Fiscal efficiency reflects not only the ability to raise taxes and collect them; it reflects not only the tax base itself as well as the overall administrative machinery of million taxpayers than to collect small amount from one million taxpayer than to collect the same total from one thousand payers. Accordingly,

differences in the structure of the base itself will show up in the cost of fiscal administration.

**Table 1: Commissions of Revenue Allocation in Nigeria**

Commissions	Years
Philipson Commission	1946
Hicks-commission	1951
The chick commission	1953
The Raisman commission	1958
The Binns Commission	1964
The Dana interim revenue allocation revenue committee	1968
Aboyade technical committee on revenue allocation	1977
The Okigbo presidential commission on revenue allocation	1979
NDDB	1960
PTF	1993
OMPADEC	1992
DESOPADEC	2007

**Source: Culled from Ndupuechu (2010) and compile by the authors**

## 9. CENTRIPETAL SYSTEM OF THE NIGERIAN FEDERALISM

Centripetal federalism entails that the federal government should be in control of all minerals resources of a country. The system has being in existence since the emanation of the Richard constitution in 1946. The country has modeled the centripetal form of federalism and this was based on the notion that the states of the federation were the creation of the federal government. At the granting of independent to Nigeria, the colonialist handed over the control of mineral resources to the federal government (Eyo, 2006).

The federal government was a super ordinate body with the exclusive power over natural resources. This becomes a problematic issue because the British government had earlier granted self government to the west, east and northern region in 1957, 1958 and 1959 respectively. The battle over who should control what ensued because the existing land used decree which shared the same feature with the 1914 mineral ordinance vested all lands in Nigeria to the federal government (Ismail, 2009).

**Table1: Breakdown of Allocation to some selected Oil and non-Oil State (June 1999-2005)**

S/N	States	Amount (Billion)
1	Delta	N321.002
2	Rivers	N286.395
3	Bayelsa	N259.882
4	Ekiti	N61.471
5	Nasarawa	N60.967
6	Plateau	N52.530

**Source: Federal Ministry of Finance**

Another factor that continues to support the existence of weak and poorer state that mostly depends on the national cake is the issue of national cohesion and national integration. This is on the perception that federalism would strengthen and upheld the indivisibility of the country inviolable. There is more to this that the federal government has failed to understand. The problem of the country centered on the centripetal federalism. The so called idea that the sub components were the creation of the federal government is setting the country at the abysmal path of destruction. It has created more harm than good; the idea that some of the societies be controlled by the federal government in the quest of national integration has ingrained serious ills in the federal structure of the country (Vincent, 2010).

**Table 2: Zonal Breakdown of Revenue Allocation (1999-2005)**

S/N	Zones	Amount (Billion)
1	South –South	N1,259,349,337,581
2	North West	N627,887924,953
3	South West	N550,525,715,451
4	North East	N458,194,734,800
5	North Central	N425,398,456,878
6	South East	N374,502,676,653

**Source:** Federal Ministry of Finance, 2005.

States that were created for political reasons and ethnic considerations are mere liabilities and burden to the country. This is because their pace of growth and development still depend on the national government. Centrifugal would have being the best form of federalism in Nigeria. The idea of relying on the federal government for subvention will reduce and states in the federation would become buoyant and self-sustaining. The application of the centripetal federalism coupled with mono economy has contributed to some of the problems we are facing in the Nigerian federalism. Areas that are not supposed to be carved out as states were created to please some certain set of elites and some, chiefly for political gains. This menace continues to fuel the agitation and the clamoring for resource control among states that are bestowed with natural resources. Bello (2010) also affirmed that

Addressing this problem of identifying a suitable revenue allocation in a complex society like Nigeria is just like staying a complete week asleep. States with resources are agitating for the application of derivation. States with larger population are suggestion the principle of population and state that are without resources and solely depend on the federal government were clamoring for equality. This is a problem that continued to defy resolution over time

This problem had continued to exist because most of the state in the federation relied solidly on the subvention called the national cake. Issues such as internally generated revenue and self sustenance of states are totally absent. In another angle, communities and militants reacted and called for self governance of their region. This is because of environmental effects and pattern at which the resources are allocated to the subordinate unit of government.

The establishment of development commission to address environmental challenges associated with oil exploration has fairly long history behind it and coincidentally; it started with the Niger Delta Region. Federal government intervention in this region began in 1958 when a commission headed by Sir Henry Willink recommended that the Niger Delta region should be treated specially in the provision of infrastructure. The direct results of the recommendations were the setting up of the Niger Delta Development Board (NDDDB) in 1960. Following this was Shagari's administration effort in setting up Presidential Task Force

(PTF) to find solution to the problems of the region. But the PTF was not adequately funded, getting 1.5 percent of the money available in the federation account.

The contribution of Babangida's military administration to the development commission with regards to the Niger Delta was the establishment of the Oil Mineral Producing Areas Development Commission (OMPADEC) in 1992. In 2000, retired general Olusegun obasanjo civilian administration changed the OMPADEC to Niger Delta Commission and was better funded; it was more associated with routines, ravenous corruption than with positive deeds. In short, establishment of development commission should not be trivialized and politicized, but should also give consideration to areas battling with environmental degradation

## 10. DISCUSSION AND FINDINGS

a. Federalism thrives in a context in which the component units and the central Government know their limit and respect same; one in which the sub-nationalities try to make the difference a source of strength for the union (Wheare, 1963). In this study, it was uncovered that the centripetal federalism was the creation of the British government. The colonialist first granted self independent to the 3 regions in 1957, 1958 and 1959 to the west, east and north respectively. The federal government was given the central power to control all the subordinate units and the units were more of ethnic representation rather than the subordinate government.

The creations of state along ethnic and political lines continued to exacerbate the issue. States were created without given consideration to their buoyancy, wherewithal and their strength for self sustenance. This compounded some of the intricacy in the Nigeria federalism. The Federal government dominates the state and thus has power over their resources. Ugly incidence resurfaced in 2005 when some states in the Northern part of the country created their self governing law known as the sharia law. This generates a serious controversy in the country and its already existing problem of federalism. Some states and key leaders agitated that if a state can control it laws in terms of governance and failed to flow with the centripetal federalism, same should also be applied to the resource of the federation. A situation in which the federal or national government would tap the resource of a place and give it to others to control their state is seen as a mirage.

b. In the course of the study, it was found out that since the discovery of crude oil in Nigeria and the subsequent exploration of the commodity, virtually all other sectors of the economy have been neglected. Oil today seems to be the only foreign exchange earned. The economic life of the country rotates around oil. This neglect of other sectors and dependence on oil has led to the present economic crisis we are now facing. The oil glut of the early 80(s) almost brought a total collapse to the Nigerian economy. To date we are yet to come out of the problem. This has led to the introduction of various measures to redeem the economy. Most of these measures appear not to be working party because of the general recession in the world economy. During the era of oil boom, government did not take serious measure to lay a solid foundation for the development of the economy.

c. It was also revealed in the course of the study that the neglect of the agriculture sector has a negative effect on the development of the economy. Nigeria which was a major exporter of agricultural products has become a major importers of food items specially consumer goods. Despite the fact that agriculture employs at least 90% of the population in Nigeria, no real efforts have been made to make this sector work. Production is generally low, there is poor pricing for commodities, farm ownership and control it left to peasants whose income cannot support the demand for modern agriculture. Farm implements are still crude, chemical fertilizer and even high yielding seedling are not available, traditional methods are still highly in operation. Natural disasters due to poor planning

and weather forecasting have hampered meaningful agricultural growth, rural-urban migration also threaten the survival of agriculture as the neglect of the rural area has encourage the youth to run to cities in search of white collar jobs thereby depriving agriculture of the needed manpower. This continues to be a threat to the country's pace of development.

- d. It was also discovered that the continuous existence of weaker states in the federation without re-orientating them on the need to be productive, enterprising and erective have contributed to the problem of federalism in Nigeria. The states tend depend solidly on their monthly subvention for its survival. Any distortion on the monthly allocation means serious problems to such states. IGR and initiative to be self-sufficient is lacking. They over relied and depended on the national government for everything. This constitutes a serious thread to the existence of federalism in Nigeria.

## 11. RECOMMENDATIONS

The following sets of recommendations were proffered.

- a. The federal government should increase powers and resources devolution to the states and local communities. It should decrease her direct involvement in service delivery and make significant use of the state and local government to realize her policies through grants and control.
- b. Discovered natural resources in other parts of the country should be developed and other avenues of increased income pursued. This will reduce over dependence on revenue from the oil sector and dissipate the belief by any group that the country is living fat on their God given natural resources.
- c. The fangs and teeth of corruption fighting agencies must be sharpened since corruption has continued to deplete the resources for development projects. The government at all levels must increase the level of access and publicity given to their financial dealings. This is to ensure transparent leadership, which Tamuno (1998) consider as basic to any system of government.
- d. Clear demarcation should be set to differentiate the existence of centripetal and centrifugal function in the federation. This will go along way to promote the secular nature of the federation as stipulated in the constitution and also transcend in controlling the encroachment of religious forces into the process of governance in the country.
- e. The federal government of Nigeria in collaboration with the state and local government should create paths and models that should further strengthen the diversification of the economy instead of depending on only one sector of the economy.
- f. Agriculture which is seen as the mainstay of the economy should be given serious attention. This should involve the modernizing of the sector, encouraging the use of new and improved seedlings and breeds, modernizing storage facilities and a lot of others. This will go a long way to broaden the one-sided economy

## 12. CONCLUSION

The poor structural layout of the Nigerian federalism is rooted from our colonial history; our colonial history affects the structure of the federal system we are operating. The colonialist were not interested in the developing the country. Their main reason for coming was trading. The introduced a centripetal system which laid emphasis on individualism rather than corporate existence. This pattern still haunts us today because even after independence we accepted the new-colonial option to development. Our economy is oriented to please the western powers and still create problem to development and strongholds of federalism.

The persistent growth of the centripetal federalism to some extent has give room for the existence of non-productive states that only depended on what the federal government generates and allocated to them. Their continuous existence and non-enterprising nature is a serious thread to the country's federalism and pace of development.

The over reliance on the oil sector as the major sources of revenue in Nigeria is a serious problem to the country. Since the oil glut started, the Nigerian economy has itself suffered a down-turn. The various governments have adopted various belt-tightening measures in an attempt to revamp the economy. Nigerians have learnt the bitter truth that an economy cannot rely solely on one sector for survival and be on a round footing for economic development; we cannot rely wholly on imported goods. We must look inward to revamp the economy and lingering problems of federalism in the country.

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