RESOURCE CONTROL AND ALLOCATION IN NIGERIAN FEDERALISM: THE OIL DILEMMA

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ABSTRACT

Resource control and allocation are an integral part of every federal system. But for Nigeria, stiff disagreements, regional, economic and political power game and controversies over the control and allocation have characterised and negatively affected the success of its federalism. In Nigeria’s practice of federalism for sixty-three years, various issues of resource control agitation, controversies, conflicts, disagreement over vertical and horizontal allocation of revenue, corruption and excessive politicking have shaped and dominated the entire federal system. This study examined oil dimension and the process, politics, controversies and conflict of resource control and revenue allocation in Nigeria. Oil has become a problem rather than a solution to Nigeria; the process of oil revenue generation, allocation and resource control have in addition to the quest for development, remained tools for political accommodation, corruption, ethno-religiosity, achieving prebendal ends, seeking relevance and resource misappropriation scheme; over dependence on oil is responsible for the incessant conflicts in the Niger-Delta and factoring more threats to Nigeria’s unity. The politics and controversy have similarly created an inferiority/superiority complex among the oil and non-oil producing states and regions, in addition to horizontal and vertical disagreements. This is further aggravated by abandoning the non-oil sectors of the Nigerian economy. The key solutions to minimise intense politics and controversy over resource control and revenue allocation in Nigeria is diversification of revenue sources and development of the non-oil sector amidst abundance of other natural resources endowed all over the federation. The study recommends proper accountability in all spheres and levels of governance, diversification of revenue bases and sources, especially from the non-oil sector, and squarely addressing other problems of Nigerian federalism among others.

Keywords: Allocation, Federalism, Oil, Politics, Revenue and Resources.

1. INTRODUCTION

Efficient and popular resource control and allocation are essential to unity and stability between and among component part of every federation. It has also been critical and contentious socio-economic and political issue, especially among developing federal states. While in the developed world the main attention is on how to ensure proper exploitation and harnessing of resources, in states like Nigeria, control and sharing of these limited and unevenly endowed resources among the component parts is the bone of contention. The discovery of oil in Nigeria opened a new chapter for a marked shift from agriculture and solid
minerals sectors to the fast monoculturisation of Nigerian revenue base and economy with consistent and dislocated dependence on oil revenue (Watts, 2013:1). At the same time, the more Nigeria depended on oil, the more the conflict, controversy and politics over oil and resource control and allocation.

In Nigeria’s history of federalism about nine fiscal commissions had been established to study or review system of revenue allocation and among the units of the federation from pre-independence to date. Many of the Commissions’ establishments were largely influenced by issues related to oil minority communities and oil resource control. Nigeria has therefore been on a long term search for popular and viable resource control and allocation formula for its federal structure. These searches have been highly politicized and controversial between federal (central) government and basically oil producing states and communities on one aspect, and the federal, states and local governments on the other. It is, however noteworthy that Nigeria is a heterogeneous state, but with a monoculturised economy substantially dependent on oil, which accounts for more than two-third of its total generated revenue and foreign exchange earnings. While at the same time substantial revenue and expenditure of the tiers of the federation are dependent on the statutory allocation which is also based on sale and the price of crude oil with over 50% of the revenue being allocated to the central (federal) government.

2. STATEMENT OF THE PROBLEM

Resource control and allocation of revenue among units of a federation are very significant for both political and economic reasons (Watts in Loughlin, et al., 2013: 29). In Nigeria, the discovery, exploration, and subsequent realisation of huge revenue from the sale of oil, especially in the 1970’s has led to high tension, controversy, negative politics, unhealthy rivalry among the components of Nigerian federalism and peoples. These have also been followed by dislocation and deterioration of economic and political development, unity and cohesion of Nigerian state; and instead of optimum utilisation of the proceeds from oil to invest in and diversify other non-oil sectors, there lingered the problem of both inefficient use and inequity of oil wealth. With that, Nigeria became confronted by many forces among which are the units of the government (federal, states and local) which all rely near absolute on oil revenue, and non-government dissident elements and groups who also enjoy the oil money squander mania and increased animosity among its populace.

The process of revenue generation and allocation has all along been defined by political contentions at numerous levels, such as in the constitutions making and development, fiscal and monetary policies and programmes, political scheming, militant activities and threats of secession (Oyediran, 1979). The oil resources initially found in the minority areas has in Nigeria’s history been held and controlled by the conglomerates of the major tribes who control the state political machinery. Increase in oil revenue has similarly, led to political leaders misusage and more corrupt practices rather than investment and diversifications.

To most oil rich economies like Nigeria, Venezuela, Angola, oil has caused a deformation to institutional and rational channels of socio-economic development which resulted to superfluous an unsustainable lifestyle and consumptions. Nigeria’s economic and socio-developmental track has since the exploration and boom of oil been determined and
dependent on oil revenue led to the dearth of the most vital sector of agriculture being the largest labour employer, GDP contributor and the solid minerals (Watts, 2013:iii). Indeed, the existing inadequacies and problems of Nigeria’s federalism, especially on resource control and allocation have generated calls for fiscal federalism which most Nigerians commonly refer to as ‘true federalism’ (Suberu in Loughlin et al., 2013:426).

3. BACKGROUND OF THE STUDY

Politics and controversy on revenue allocation and resource control are not new in the political and economic history of Nigeria and such are more or less significant in every federal system. But the degree at which these issues steam differs from one federal state to another and are also dependent on the type and characters of the federalism in practice. From Nigeria’s independence in 1960 up till 1981, the country’s resource control and allocation system have neither been efficient nor popular with manifold vulnerabilities, which resulted in the establishment of several commissions, changes, increases and decreases and reviews of control and allocation principles and formulas as observed by Amuwo, Agbaru, Suberu and Herault (1998: 232, 33 & 39). At a time, Nigeria operated unitary arrangement with a central government that was constitutionally powerful in fiscal matters. However, with the constitutional creation of three regions in 1946, the fiscal responsibilities of the federal government were taken over by the regions. By 1947 as noted by Adedeji (1969:50), there were constitutionally two main sources of revenue for the regional governments as Declared and Non Declared Revenue generated from within the regions and grants from the central revenue.

4. REVIEW OF RELATED LITERATURE

States vary in their practice of federalism relative to peculiar socio-economic, political, historical geographical factors. Similarly, there are no globally unified federal fiscal relations and policies among federal states, but economic circumstances, political arrangements, structures and compromises of each federal establishment, determine the fiscal and monetary relations among its units of (Suberu, 2004:30-31). It is observed by Oladeji in Ojo (2006:281) that in almost all federal systems, there are challenges of achieving efficient and acceptable pace of growth, resources, control and allocation, especially where there are varied levels of economic development and resource endowment among the components. Added to this is the reluctance to share wealth of those more endowed with those others less endowed. There are also different versions of understanding of how resource is to be generated and allocated in a federation as noted by Ikelegbe (2001) with some favouring central ownership and allocation while others favour vesting it in domicile government. Federalism, a system which Nigeria operates constitutionally for over sixty-three (63) years refers to the arrangement of government with more than one level of government, each with different taxing powers, expenditures and responsibilities which in Nigeria, consists of three levels (Federal/Central, 36 States and 768 Local Government) of the federation. The history and politics of revenue generation and allocation in Nigerian federalism is categorized into four phases as: the period of 1946-51 with strong federal control of fiscal matters; the period of 1952-66 with fiscal decentralization as the centrally collected revenues was shared between the federal/central and regional governments; the period of military rule 1965-1979 with a remarkable shift of
federal revenue collected by federal government to its use i.e. fiscal concentration at the centre and retention of the federal collected revenue by the federal government; and period beginning from the 1980’s to date with vertical revenue sharing which is characterised by relentless tension among the levels of the federation on the sharing formula, resource control. Watts (2013:Ixvi & Ivii), has admitted that Nigeria’s main problems are oil and politics as the oil resource has made politics and politicians loose in terms of economic discipline, institutional responsibilities and reducing the politics to patron-client relations in the oil rich federation and economy. He further maintained that there arises the critical question on whether oil is a blessing or a curse to Nigeria in view of the economic, political and regional tension generated by the exploration, sale and distribution of the oil, which more about 85% of its total revenue accrues to only about 1% of Nigeria’s over 167m people.

‘Petro-politics’ as lamented by (Marc and Montclos, 2014), has since the 1970s and up to date remained the strength of character and focus of the Nigerian state, economy and elites thus generating more and more controversy and heat on the state, economy and society. It thus manifests in corruption, crisis of development, military interventions among others. From 1979 to date, the Nigerian federal/central government is constitutionally assigned to not only exercise most and strategic constitutional power, but to also generate and control the juiciest sources of the federation’s revenues (solid and liquid minerals, customs and excise). Centralisation of levying and collection of tax coupled with 52.68% statutory allocation of the Federal Government has led to near total dependence on the central government by both the states and local governments all over the federation. On the other hand, the independent revenue sources of States and Local Governments are mostly poor and insignificant in relation to their enormous and increasing functions. However, the allocation of higher revenue to the federal government is adduced to the strategic items under exclusive powers such as defense, communications, military, foreign relations among others which are indeed greater constitutionally allocated responsibilities. It has however been argued that granting too much fiscal power to a particular government in a federation may not help the system for the fact that too much fiscal power may render the other levels of the federation incapable and financially handicapped.

One of the main disabilities associated with Nigerian federalism is how to arrive at popular and equitable revenue sharing and resource control among its parts as there has not been any popular agreement in Nigeria’s history of revenue allocation formula and so it has been a recurring theme in the country’s federalism and politics and the battle has reached an intensive severity (Oluyede, 1992:43; Amuwo, et al., 1998:213). Two major factors that influence the allocation of functions to the different levels of government in federalism according to Buchanan (1970) are geographic variations of the spillover effects and economies of scale. He maintained that efficient and or economically rational distribution of constitutional powers among the governmental levels should be determined by geographic variety of the spillover effects or external benefits from the actions of such government. Therefore, the central/federal government principally provides public services to the whole country in areas of foreign relations, defense, currency, customs and citizenship while the other levels (states and local governments) concentrate on and provide services that are more
appropriate for states and local governments to handle with lowest possible costs respectively. There are two major factors that determine powers relating to tax in federalism which are: administrative efficiency, i.e. the tax powers be given to a level of the federation best to administer it and at the lowest possible costs; and fiscal independence, i.e. each and every level of the federation should as much as possible exploit and raise adequate resources from the revenue/tax sources assigned to it and also meet up with responsibilities and needs of its subjects. For every federal set up, two methods of revenue allocation are inescapable as: vertical allocation which is between the centre and other subunits with subjects of mining and mineral rents, import/export duties and other royalties; and horizontal allocation which stems from the variation of revenue generation ability of the units making up the federation while the central government intervenes by injecting funds where the need arises to ensure stability (Ojo, 2010).

5. RESOURCE CONTROL AND REVENUE ALLOCATION POLITICS

Resource/revenue control and allocation are (especially oil) very critical to Nigeria’s federal set up. They have become tools of political and economic power game and everyone/level of government instigate it from a convenient angle as maintained by Akpata (2000:26), who added that most of such controversies, agitations and clamour are mainly selfish as some user control of oil resources and others use the platform of indigene/settler. One of such contentious issues in current Nigeria is the cry against marginalisation by the oil producing minority groups which they seek to redress through resource control. Furthermore, what complicates the politics and controversy more is that the oil which sustains the Nigerian economy is so far only explored from the minority tribe area and in only one region of the country, the Niger Delta region (Onuoha and Nwanegbo, 2007:140). One obvious fact in Nigeria’s politics of resource control and allocation, particularly the derivation principle is that it encompasses radical shift in revenue allocation from the majority region/groups that were hitherto powerful and influential to the minority, powerless groups and states thereby enabling a shift of revenue allocation in favour of the minorities’ but oil rich states. Nigeria’s dependence on oil is manifested on low rate employed persons; operation of few industries in the economy; and rent-seeking elites and politicians.

6. Allocation of Revenue among Central and other Component Governments

There has not in Nigeria been any time when a general consensus on a revenue allocation formula has been reached and with the discovery and exploration of oil as observed by Amuwo et al. (1998: 213 & 223), the clamour for and opposition against the derivation principle increased with rapidity. There have also been intergovernmental frictions among all the levels of the federation. According to Azinge and Udombana (2012:163), the restless fleeing pull of political agitation and worrisome wave of violence in all tiers of Nigerian federation, have weakened the centripetal center-seeking agenda and necessitated the clamour for fiscal federalism, sovereign national conference, and new revenue allocation formula thereby occupying Nigeria’s public discourse. The process of revenue allocation in Nigeria has been characterized by the establishment of several fiscal commissions on an ad-hoc, permanent, presidential and constitutional basis with varied and circumstantial recommendations and policies in order to arrive at acceptable formula and principles for

It was, according to Onuoha and Nwanegbo (2007: 141) the introduction of the Richards constitution (1949) that first necessitated the establishment of a revenue allocation commission as it introduced regionalism in Nigeria with the aim of promoting unity, greater participation in public affairs and adequate provision of services to the public. The 1951 Hicks Phillipson Commission worked based on three principles of Derivation, Population and Special Grant which was relatively balanced for the three regions, although all the regions worked towards the favour on the principles of which each had an acceptable ground in a region: West – Derivation principle; North – Population principle; and East – Special Grant principle. Vertical revenue sharing, which is allocation of the federation’s account money among the federal, states and local governments and horizontal sharing of the revenue among states and the local governments have respective contentious issues and attendant politics, especially over the allocation formula and the main principles that are considered as the allocations vary from and among the states and local governments respectively.

In all federations as stated by Onuoha and Nwanegbo (2007: 136), there is resource sharing among the levels of government and variations in the capacity of the various levels of government, which relate to the nature of functions and revenue resources of the respective levels of the federation. When an imbalance occurs between revenues and responsibilities, it becomes the duty of the higher level of government at the centre to make up such an imbalance through transfer of financial resources known as deficit transfer/balancing; this is followed by stimulation, incentive or promotional transfers made by the centre to the lower levels for certain and specific purposes. Under programmatic redistribution, the government in power takes into consideration the political realities, economic principles and factors in the process of distributing national resources among the components of the federation. The government does not, therefore, directly decide what resources to allocate but uses a parameter in the allocation process (Sôle-Ölle, 2008).

In the Tactical redistribution/allocation of federal resources, government distribution of the resources is influenced by its desire to maintain power and so resources are distributed with the objective of getting hold of and consolidation of political and voting powers (popularity). Here resources are often allocated to less endowed areas where at the same time, the government has less support all in order to win support and secure political future. The Regional governments of the First Republic were almost fiscally self dependent from 1954-66. They were thus fiscally powerful viz a viz the federal government and in reality, as the central/federal government played limited roles compared to the regional governments (Amuwo, et al., 1998:251). The allocation formula of revenue among governments in Nigeria included 60%: 30%: 10% (1977); 53%: 35%: 10% (1985); 48.5%: 24%: 7.5% (1997) which reflected federal hegemony over the other levels of the federation (Amuwo, et al., 1998:268).

Similarly, in 1989, the federal government agreed to a formula for the central government - 50%, states - 30%, local governments - 15% and special funds - 5%. This was together with
allocation principles among the states as: equality - 40%, population - 30%, land mass - 10%, social development - 10% and internal revenue effort - 10% (Onuoha and Nwanegbo, 2007:146). It is noteworthy that at those respective times, the federal government had taken 55% (1981), 50% (1990) and 48.5% (1992).

A new sharing formula through Modification Order Act In July, 2002 provided for revenue sharing as Federal Government – 54.68% (FG 48.5%, FCT 1%, Derivation and Ecology 1.46%, Stabilisation Fund 0.72% and Minerals Development 3%); States 24.72; and Local Governments 20.60%. The Act was further modified under the Obasanjo regime in 2004 which brought the current sharing formula of Federal Government 52.68% (FG 48.5%, FCT 1%, Derivation and Ecology 1%, Stabilisation 0.50% and Natural Resources Development 1.68%); States Governments 26.72 (Equality 40%, Population 30%, land Mass and Terrain 10%, Social Development 10% and Internal Revenue Generation 10%) and Local Governments 20.60% (see also Suberu in Loughlin, etal., 2013:420).

This makes the central (federal) government to have more control of the resources allocated as many have lamented that the Nigerian state represented by the federal (central) government has over the years managed the national wealth and resources with a firm hold of both the revenue and resources (Watts in Loughlin et al. 2013:31; Lubeck and Michael, 2007). The oil producing states (Abia, Akwa Ibom, Bayelsa, Cross-Rivers, Delta, Imo, Ondo and Rivers) also enjoy 13% as derivation in addition to their respective shares from the 26.72%.

7. NIGERIAN CONSTITUTION, RESOURCE CONTROL, ALLOCATION AND FORMULA

The Revenue Mobilisation, Allocation and Fiscal Commission is established by the 1999 Constitution of Nigeria (Section 153 sub-section [1n]) which also empowers it to determine the remuneration of political office holders across the federation, monitor revenue generation and distribution from the federation account; review the principles allocation principles and formula to meet changing circumstances; give advice to federal and states governments on revenue generation and allocation, monetary and fiscal policies; and undertake any other assignment as may be directed by the Nigerian National Assembly.

The constitutional role of the National Assembly regarding revenue allocation is hinged on provisions of Section 80, 81 and Third Schedule, Part I (32 [b] of the 1999 Constitution of Nigeria. But these functions may be too complex for the National Assembly to carry out as observed by Ekeh et al (1989:65). This is in view of the intricacies associated with and involved in revenue allocation matters. Similarly, the earlier 1963 Constitution of the Federal Republic of Nigeria (Section 136) established the ‘Distributable Pool Account’ while the 1979, 1989 and 1999 Constitutions all established Consolidated Revenue Fund and Federation Account under Sections (74, 78, 120, 160) respectively. The 1963 Republican Constitution made elaborate provisions for payment of a certain percentage of revenue to each region in respect of different items as excise, import and export duties, rents and royalties (Section 136 of the 1963 Constitution of the Federal Republic of Nigeria. While the 1979, 1989 and 1999 Constitution (Second Schedule, Part I [34, 39]) provided that all mines and minerals, including oil fields, oil mining, geological surveys and natural gas fall under Exclusive Powers.
The 1979 and 1989 Constitutions also provided in Sections 78, 80 (1 & 2) and 120 of the 1999 Constitutions which established the Consolidated Revenue Fund for the federation and states and that all revenues or any other money whether received or raised must be paid into this fund. The 1989 Constitution instead of the ‘Joint/States Local governments Joint Account’ created ‘Local Governments Account’ for the funds allocated for joint purposes (Section 160 [5] of the 1989 Constitution of Nigeria). According to Section 162 (1) of the 1999 Constitution of Nigeria, the federation (Nigeria) shall maintain an account (the federation account) and all revenues to be collected by the federal government of Nigeria are to be paid into the same account except personal income taxes of the Armed Forces, Ministry of Foreign Affairs, and residents of Abuja, the Federal Capital Territory. There is also the provision for the establishment of a Joint Account (sub-section 6 of Section 162) for each of the 36 states and their local governments referred to as the ‘States Local Governments Joint Account’.

The nature and conditions of financial relations in any federal system are crucial to the stability and prosperity of such a system. There have been various principles over the period of time in Nigeria’s political and economic history on horizontal allocation of revenue among the three and later four regions; 12, 19, 21, 30 and 36 states as well as the local governments now 768 across the federation. Virtually all the principles of this horizontal allocation are in themselves deficient and controversial among the benefactors (states and local governments) as observed by the Aboyade Commission (1979:23-8) cited in (Amuwo, et al., 1998:234).

The principle of derivation has been reduced several times ever since the discovery and exploitation of oil, neglect of agriculture and solid minerals. The principle of derivation in Nigeria had kept dropping from 100% to 50% in the early 1960’s, 45% in the 1970, 25% in 1977, 5% in 1981 and 3.5% in 1984. It, however, began to rise under the General Babangida military regime in 1992 up to the current 13%. The derivation principle/formula under the 1963 constitution of Nigeria with fiscal federalism in which the then federating regions owned, controlled and developed the natural resources endowed in their respective regions and thereby remitting an agreed percentage of their respective revenues to the federal/central government as tax for the maintenance of common and essential services for defense, foreign affairs, customs, foreign relations among others. The allocation principles currently used include: Population, Land Terrain, Internal Revenue Generation, Land Mass, Population Density and Derivation of not less than 13% of the total revenue accruing from any natural resource (Section 162 [2] of the 1999 Constitution of Nigeria). Nigerian revenue allocation processes have been very disputing with sometimes courts cases as for example, in 2002, the Supreme Court ruled that ‘Special Funds’ reserved from the Federation Account for special purposes was unconstitutional and similarly ordered the addition of that special funds 7.5% to the federal government’s share thereby increasing it to 56% from 48.5%, after ruling in a case of Attorney General of the Federation vs Attorney General of Abia State and others (Nwabueze, 2007:219).

8. REVENUE ALLOCATION, RESOURCE CONTROL AND NIGERIAN UNITY

The success of a federal system is largely determined by ability to establish and maintain viable and popular resource control and allocation system among component units. At the
same time, efficiency in the use of scarce resources is encouraged while inequality in the treatment of individuals among different levels of government is reduced. There are practically several problems facing the processes of resource control, generation and allocation, monetary and fiscal policies in Nigeria which also hamper on Nigerian unity. It is observed that three critical subjects surround resource control in oil dependent Nigeria as: unacceptable formula for distribution, equity and fairness in the resource allocation and on/off shore dichotomy (Oladeji in Ojo, 2006:291).

Revenue allocation has a very great potential for conflicts, especially between rich and poor regions or states in Nigeria and is a matter that generates controversy in the federal and states’ method of revenue allocation (Amuwo et al, 1998:247 & Oluyede, 1992:43). These problems have also cumulatively tied down the progress and prosperity of the Nigerian federal system which also prompted calls and agitations for other alternatives such as fiscal federalism as operated from the mid 1950’s to mid 1960’s. They have also trickled down to and manifested in a more compounding manner.

The problem of revenue allocation in Nigeria empirically involves unequal distribution of resources between the levels of government, determining what percentages go to the various principles for the allocation and which takes what share among the levels (federal, states and local governments). There is also disagreement over the principles of horizontal and vertical sharing; lack of definite and standard monetary/fiscal policies in the country has for long hindered the effective exploitation and harnessing of the nation’s human and material potentialities. There are, therefore, excessive politics over sharing/distribution on the vertical and horizontal allocation of the revenue between and among federal, states and local governments. On the other hand, there are corruption and diversions of the substantial revenue accruing to all the three levels of government, which has marred the potentiality of generation and proper utilisation of the resources. Corruption in, for example, the oil industry with conglomerate oil bunkering, calculated vandalisation of pipelines, non remittance of oil sales and other generated revenues are on the high. There is also excessive politics in the operations of the oil industry and other hefty tax generating agencies. For long, other sectors of the Nigerian economy have been neglected and over dependence on oil export which also led to the inadequacy of the generated and allocated revenue. With over 75% of the revenue accruing from exportation and sale of crude oil, there occurs frequent disagreement among the components of the federation over revenue sharing. At the same time, almost all the units of the Nigerian federation rely on the federation account for about 90% of their total income with very low internal revenue generating capacities (Onuoha and Nwanegbo, 2007: 140). This is sometimes also linked to non-availability/shortage of statistical figures and accurate data on the most comprehensive sources of and revenue accruing to the levels of government. These problems compound the politics of revenue generation; allocation and resource control while and at the same time negatively affect the prosperity of the federal system and indirectly Nigeria’s unity, peace, progress and development.

One of the major issues associated with the politics of revenue allocation and hit by corruption in Nigeria is that of Ecological Fund management. While many Nigerians are not aware of the constitutional provision and availability of such a funding from the federation
account, it has become a conduit pipe for politicians and specifically states governors to yearn for the funds from the federation and then squander at their pleasure. Ironically, the squander is much more intense and damaging in states worst hit by such ecological problems. The Ecological Fund was established in 1981 as one of the major recommendations made by the Okigbo Commission on revenue allocation in Nigeria. The essence of its establishment was specially an intervention to address the multitude and varying ecological problems and challenges faced by the states across the federation. The Act, which established the Ecological Fund was, however, modified in three times through: the Decrees No. 36 (1984), No. 106 (1992, and the Revenue/Federation Account Modification Order (2002).

On a precise note, Nigeria and particularly, the solid minerals and agriculturally endowed states are blinded by the discovery and availability of oil, thus becoming a resource curse to Nigerian state and the economy, as noted by Ross (2012) and Guyer (1992). Oil is making Nigerians to relegate every other sector, including agriculture and solid minerals which are more promising and stable than oil (Akinwumi, 2004:116-135). This dependence on oil largely fuels the north-south acrimony, revenue generation and allocation politics and controversy as well as a threat to Nigeria’s corporate existence. For resources control controversy to be fully addressed, there must be diversification from only one to others more promising sectors such as agriculture and solid minerals. Not only are resource control and revenue allocation tied to oil, politics and controversy, but even the search and exploration of oil apart from that of the Niger-Delta region and especially in the north involves politics and economy and is highly manipulated for political and other ends. The three levels of the Nigerian federation (federal/central, states and local), elites and politicians are more concerned with competition over lion’s and or chunky shares from the national oil money. Overall, unlike Nigeria, other states consider oil as an unsecured and misleading economic resource without a definite future, thus its reference to as ‘resource curse, devil’s excrement’ and or ‘resource of the Dutch Disease’ (see also Watts, 2013:Ixiv).

9. FISCAL/TRUE FEDERALISM, RESOURCE CONTROL AND ALLOCATION

Fiscal federalism put simply, is the distribution of governmental functions/powers as well as finances among the different levels of government. It involves transferring and allocation of funds most often from central government to the component levels of the federation. Onuoha and Nwanegbo (2007:175-6) have identified three main components of a fiscal federalism as: assigning functions or expenditure; resource allocation/revenue assignment; and resource transfer among the levels in order to close any gaps. The major rationales for fiscal federalism are overcoming difficulty in meeting the various and competing needs of the people, the need to shift down the burden to levels closer to the public, better delivery of efficient services and the need to build local capacities, correct vertical fiscal imbalance and ensure judicious resource allocation. Ewetan (2015:3), also described fiscal federalism as distribution of schedules of duties and financial powers among units of the federation. He also admitted that achieving fiscal federalism in Nigeria is a no small exercise because of the countries heterogeneous composition, economic imbalances, oil and resource control, allocation politics and contentions. Return to fiscal federalism as currently being advocated by some Nigerians is seen as a viable and lasting solution to the incessant problems of
revenue allocation and resource control. For example, the Presidential Committee on the Review of 1999 Constitution (2001:8), has noted that neglecting the principles of true federalism was the major factor responsible for the ferocious political struggle that drew military in Nigerian politics. For Nigeria to achieve fiscal federalism and or enjoy solidity in resource control and allocation there has to be decentralisation in federation’s finances, political and administrative apparatus (Yusoff, et al., 2016:58-61). However, fiscal federalism has remained litigious in Nigeria because it is enveloped by fear, apprehension, controversy, political maneuver among the regions, yearn for greater independence within Nigerian state, issues of tax collection and retention and greater financial autonomy as asserted by (Chijioke, et al., 2012).

10. RESOURCE CONTROL AND ALLOCATION AMONG LEVELS OF NIGERIAN GOVERNMENT AND UNITY

Local Governments in Nigeria have also been at the receiving end in the politics and controversies of resource control and allocation. This is despite the fact that the Constitution of the Federal Republic of Nigeria, 1999 has established and guaranteed the 786 Local Governments Councils as the third tier of the Nigerian federation as provided and emphasized in (Section 7 [1] of 1999 Constitution; Malemi, 2010:135). The constitutionally definite allocations as well as the financial autonomy both suffer the devastating waft in the hands of the respective states governors’ and influential politicians who not only divert but also squander the resources in the name of the respective local governments. Going by the provisions of Section (162 [6, 7, & 8] of 1999 Constitution), the Nigerian Local Governments have constitutionally guaranteed financial autonomy in terms of judiciously spending their respective allocations of 20.60% and so the 36 states have no legal/constitutional jurisdiction whatever to tamper with the revenue allocated and paid to the local governments from the federation account through the States Local Governments Joint Account. Although the states can prescribe the manner of distributing the revenue to the local governments through respective states’ Houses of Assembly legislations, they have no power whatever, to diver or squander such local allocations.

The local government areas are practically tied down by their respective states governments in the name of ‘Joint Funding’ which also made states as the financial custodians. Unlike in the 1989 Constitution of Nigeria (Section 160 [4]) which provided for direct funding of the local governments, the current situation all over Nigeria, has manifested excessive interference, politics and illegal diversions and spending of the local governments funds by their respective states without due recourse to the constitutional provisions of (Section 162 Sub-section [6, 7 & 8] of the 1999 Constitution) intended to ensure financial autonomy, separation, protection and sustainability of the local governments in their establishment and operations. This has resulted in deliberate displacement of democratic establishment against constitutional provisions of Section (7 [1, 3 & 5]) of the 1999 Constitution of Nigeria. In most of the states of the federation, local governments are continuously administered by one caretaker committee or the other. This is a deliberate trick by the states governors to whiz the local governments of their resource allocations from the centre.
11. SUMMARY AND CONCLUSION

The system of revenue allocation and resource control, politics and battle have shaped and influenced the Nigerian federal system, its unity and politics. The politics and battle are many sided involving federal and states on one hand, between states (oil and non-oil producing), and states and local governments on the other. Every level seeks to maximize its benefits in the politics and battle. The central government is allocated much power and the lion’s share of the allocation throughout the political and economic history of Nigeria except for the 1954-66 fiscal federalism eras. The neglect of other vibrant and promising sectors of the economy, such as solid minerals and pervasive corruption has intensified the politics and battle especially for resources control and further threatened Nigeria’s unity. The dwindling revenue condition throughout the Nigerian federation is attributed to monoculturisation and over dependence on crude oil, which is also hampering on its unity. Failure to diversify the Nigeria’s economy and export base would continue to pose danger to the Nigerian economy and political unity and stability. The establishment and inauguration of the various revenue and fiscal commissions have not adequately addressed the fundamental basis, revenue allocation and resources control as there have not been widest consultations and popularly based allocations and resource control. Problems encountered in the process and pursuit of federalism and revenue allocation should provide us with new ideas that would help us shape the federalism and revenue allocation standard better. However, federalism only results from dialogue, deliberate concession and sacrifice of some socio-economic, political and cultural rights for the attainment of collective and overall interests of the federation (Azaiki, 2007:151). In all, Federal set up depicts a continuous process of political, fiscal, administrative and political progress and distributions which may involve hitches at one point or the other but are continually redressed (Filippov, 2005).

12. RECOMMENDATIONS

In view of the impending issues tied to revenue generation, allocation and resource control, this study has made the following recommendations:

- Shifting some functions from one to the other levels of government, especially those with less assigned functions or with more surplus revenue.
- Change in the revenue allocation pattern and adjustment of powers to generate revenue in favour of dis-advantaged governments.
- Devolution of powers from the federal/centre to the component states and local governments.
- Local Governments should be given their constitutionally granted financial autonomy by their respective states in receipt and spending their allocations as constitutionally enshrined.
- The activities of financial, regulatory and anti graft bodies like the EFCC and ICPC should be strengthened and full autonomy granted so that they can discharge their functions without fear, politics or favour.
The oil proceeds should henceforth be rationally invested in other non-oil, but profitable sectors to diversify the economy and reduce the pressure, politics and conflict on oil resource.

There should be consistent monitoring and evaluation of all federal allocations and projects in all the states and local governments across the federation to transparency and accountability.

All human and material resources should be fully exploited and developed across the federation.

REFERENCES


[38] Tornell A, Lane P. The Voracity effect. Amer. Econ. Rev. 1999; 89.
