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The Politics of Resource Allocation and Control In Nigeria

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Abstract

Over the past four decades, revenue allocation and resource control has been a controversial issue in Nigeria body politics. The distribution of power between the central government and the constituent units, and the appropriate modalities for the distribution of natural resources remain highly contentious issues in Nigeria. This paper examines oil as a source of power and wealth within the context of Nigeria's federalism. The prevailing concept of federalism in Nigeria today falls short of expectation in both definition and practice. The paper argues that the centralization of power structure by the military distorted Nigeria's federalism. The increased fiscal centralization has made the centre very attractive. The concentration phenomenon has promoted unhealthy competition with each region attempting to have effective control of the government at the centre. Thus, the agitation for resource control in Nigeria is also part of the politics of resource allocation. The paper concludes that federalism is the most suited system of governance in Nigeria and there is the need to place emphasis on a constitutional reform in the struggle for resource control and revenue allocation in Nigeria.

Key words: Resource allocation, resource control, military, federalism, constitutional reform.

Introduction

The issue of resource allocation and control has been a recurring decimal in Nigeria's fiscal federalism (Atoyebi et al, 2013, Orogun, 2010, Isumonah, 2005, Obi, 2002, Ikporukpo, 1996). Virtually all federal political systems are persistently confronted with the challenge of effective management of the growing mismatch between mandates and resources at all levels of government. In federations, where units have varying economic opportunities and potentials like Nigeria, the economically advantaged units have been known to exhibit reluctance in sharing their "wealth" with other less endowed units. While fiscal imbalance remains a common feature of all federations, the phenomenon usually becomes more pronounced among federations with acute differentials in natural endowments. In order to mitigate crisis over fiscal imbalance therefore, federation often evolve a system of revenue

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allocation that combines a number of principles in the sharing of proceeds from natural endowments among the various units (Oladeji, 2006: 280).

However, there is the problem of how to allocate revenue to the different tiers of government in relation to the constitutionally assigned functions (Mbanefoh and Egwaikhide, 1998). Another problem in Nigeria's fiscal federation is how the resources are been controlled and being shared among the component units. Thus, one of the principles of revenue allocation that has historically become controversial in Nigeria is derivation principle which incidentally remains the only factor in the revenue allocation system that enables money to be returned appropriately to the state of origin of natural resources- This is why many people tend to associate derivation principle with what is now known in Nigeria as resource control.

This paper therefore seeks to examine revenue allocation in Nigeria within the context of fiscal federalism. The paper also examine the politics of resource allocation and control and conclude on how prospects of resources control in Nigeria could take several dimensions and approaches.

Fiscal Federalism and Resource Allocation

The broad patterns of classical federalism are: (1) The need for a supreme written constitution, (2)'a predetermined distribution of authority between federal and state, (3) an amending process, which allows revision of the federal compact but by neither the federal government nor the state acting alone, (4) a supreme court exercising powers of judicial review, (5) Some measures of financial self-sufficiency (Ramphal, 1979).

In view of the above explanation, three things are clear. First, constitutional specification is the starting point of any federal arrangement. Second, an economic, social, political and cultural factor determines and affects the nature of any federal system. Third, federalism is a concept for promoting unity in diversity and has to be worked upon by the country to reflect economic, social, culture and historical reality.

Consequently, fiscal federalism is the bedrock of any diversified political entity. Fiscal federalism simply means the division of resources among the tiers of

government in a federal system (Federal, State and Local Government in Nigeria). In a federal system, there is the constitutional division of powers, function and resources among the central, state and governments. There are principles that guide fiscal federalism. Ndubuisi (1996) has outlined six principles that should guide the operation of federal finance, and these are:

- (1) Independence and Responsibility: The respective tiers of government should not only be autonomous in their resources but such resources should be enough to carryout their autonomous functions.
- (2) Adequacy and Elasticity: The principle of adequacy means that the resources should be adequate so that each government discharges its obligation. Elasticity implies the expansion of resources in response to rapidly growing needs and responsibilities of the government concerned.
- (3) Administrative Economy and Efficiency: The administrative cost should be minimum and there should be no frauds and evasion in matters of finance.
- (4) Accountability: Every layer of government should be accountable to their legislature.
- (5) Uniformity: The financial system should be such that every government in the system should provide adequate level of public service without resort to higher rates of taxation than other states.
- (6) Fiscal Access: every state should have authority to develop their resources of revenue within their own ambit.

The suggested points are suppose to be in Nigeria's constitution content from the beginning, so that, there would be no problem with how to share the resources and even its control mechanisms. Unfortunately, from 1960 to date that Nigeria has taken over her affairs; with various stages of constitutional making, all has not yielded any good, and has not being able to resolve the issue of resources control.

Resources Allocation and Control in Nigeria: An Overview

The issue of how to share national wealth among the component units that make up the Nigerian federation in a manner generally acceptable to all has been problematic. Over four decades after independence and over fifty years of federal practice (since 1954) Nigeria is still searching for an acceptable, enduring revenue allocation formula. Thus, revenue allocation, derivation and resource control has been a contending issue in Nigeria.

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In any federal state, a formula is usually devised to share the revenue of the federation between the federal and the government of the component units on the one hand and among the governments of the component units on the other (Akinyemi, 1979, Olowu, 1991, Duchacek, 1970, Frenkel, 1986). Indeed, there has always been controversy on the appropriate formula that should be used to divide resources in Nigeria. Various commissions have been set up to work out acceptable and equitable revenue allocation formula for the country. The commissions are:

- The Philipson Commission of 1946
- The Chicks Philipson Commission of 1951
- The Chicks Commission of 1953
- The Raisman Commission of 1958
- The Binn's Commission of 1964
- The Dina Interim Revenue Allocation Committee of 1968
- The Aboyade Technical Committee of 1977
- The Okigbo Presidential Commission of 1979
- The T.Y. Danjuna Fiscal Commission of 1988.

An analysis of fiscal federalism in post-colonial Nigeria would reveal two distinct phases: the phase before military rule and the phase after the military take over in 1966. During the First Republic (1960-1966), the revenue of the country was distributed based on derivation principle. Fifty percent of the revenue from mineral resources was given to the region from where the minerals were extracted. Thus, the main income earning exports were Cocoa (Yoruba West), Groundnuts, Cotton and Hides and Skin (Hausa/Fulani North) and Palm Oil (Igbo East). There were no petroleum resources of any significance. In addition, 30% was put in a distributable pool, which is divided among all the regions including the producing region. Only 20% went to the federal government. It was not surprising therefore, that the three regions mentioned recorded a lot of infrastructural developments and monumental structures through what accrued from the then 50% derivation formula.

Politics of Resource Allocation and Control

There had been a flaw in the logic of revenue allocation since the period of the Nigerian Civil War. By 1967 and certainly by 1969, petroleum, particularly the mineral oil, was becoming the major resources in terms of total income and foreign exchange earnings in Nigeria. It was therefore, not difficult for the majority groups in the federal government to reverse the basis of revenue allocation with regard to

petroleum resources from derivations to federal government exclusive ownership. They were in control of the federal government and their control of the mineral resources by virtue of that fact effectively means that the resources of the Niger Delta were being transferred to the majority group in control for the federal government at any point in time. Based on this shift in revenue generation, a desperate struggle to win control of state power ensued since this control meant for all practical purposes being all-powerful and owning everything (Adesina, 1998: 235). Thus the issue of revenue allocation and control of resources turned to be a pure political issue rather than economic one. In the same vein, between 1966 and 1976, the revenue allocation scheme was altered six times (1966/67, 1968/69, 1969/70, 1971/72, 1975/76, 1979/80 (Forest, 1995), affecting the division of revenue between the centre and the states and the distribution among the states.

The major problem of resource control started with the military government in Nigeria. One of the most controversial pieces of legislation in Nigeria today is the Land Use Act Decree of 1978 which sought to harmonize the various land tenure system in the country and thereby ease the acquisition of land for public purpose. The preponderant view in several parts of the country was that the Land Use Act was unduly oppressive and had infact outlived its usefulness. Nigerians argued that it was mischievous of government to have tied the Act with constitution in the belief that it will ease the wrongful appropriation of the land, which naturally belonged to the people. The right of the people to ownership of land was an inalienable right which government could not, by any pretentious trusteeship, take away from the people. The promulgation of the Land Use Act was therefore seen as anti-people and undemocratic action by the Military government.

More importantly, the various government tend to shift to suit particular constituencies and that their analyses are not informed by logic but preconceived self or sectional interests rationalized and justified by theories. It was only the Dina report that was regarded as not only one of the best documentation on the country's fiscal system, but also one which was too far ahead of its times. In fact, the Dina report was considered controversial not because of its political assumptions and related issues which were pivotal to the realization of a realistic revenue allocation principle, but which powerful forces, unfortunately, considered outside the committee's terms of reference (Adesina, 1998).

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In addition, the federal government been the vortex of power became the ultimate price in politics, and all attention shifted to the context for access to power and the capacity to authoritatively allocate resources at the centre. Worse still, the nature of oil wealth spawned a political culture in which emphasis was on how to share the providential wealth, rather than how to engage in the production of renewable and viable alternatives. As such, other sources of revenue were neglected in the rush for oil resources at the centre, thus giving the federal government a lot of leverage, which unfortunately was channeled into unproductive pursuits. As Obi put it:

Under oil, fiscal federalism in Nigeria and the revenue allocation system has gone through several convulsions which culminated in the tightening of the grip of federal power over the entire process, with the concomitant increase in the struggle for access to, and control over, federal power (Obi, 1998; 236).

Similarly, between 1992 and 1996, the proportion of oil revenue to totally federally collected revenue by the Federal Government ranged from 86.2% in 1992, 84.1% in 1993, 79.5% in 1994, 53.2% in 1995 to 51.1% in 1996. With this, oil-producing communities demand special grants from the federation as a right for ownership of the land from which about 90% of the nation's revenue is obtained and some compensation for ecological degradation caused by oil exploration in these areas (Njoku, 1999).

However, the inherent constraints on local government autonomy have had serious adverse implications for the ability of these units of government to mobilize and use their revenue to meet designed aims and developmental responsibilities. The point here is that the lower tiers of government in Nigeria are financially unviable and this has continued to have a devastating effect on the autonomy of these units and their ability to perform their statutory functions.

The main claim of the resource control agitators is that while they produce most of the resources with which other parts of Nigeria have been developed, they have received very little in return. These agitators further argued that they have singularly borne the brunt of mineral exploration and production; with no meaningful social and economic development of their region. Thus, the sharing formula embarked

upon by the federal government over the years is always at the detriment of the mineral producing states.

Specifically, three major issues have continued to dominate the controversy surrounding derivation and resource control in Nigeria. They are;

- (1) Unacceptable formula distribution of the nation's wealth.
- (2) On-Shore/Off-Shore Dichotomy and
- (3) Issues of Equity and Fairness in resources allocation.

On the other hand, it is too obvious that the revenue allocation sharing formula favours some section of the country than the people originally blessed with the resources. Again, one would discover that politics have been overriding consideration of revenue allocation and resource control in Nigeria. Indeed, these oppressive measures are not the results of accidents or errors, they are deliberate acts of policy implementation founded on the belief that the owners of the petroleum resources being minorities can be deprived of their resources without any consequence. Thus, the difficulties and deprivations of the oil-producing communities have invariably brought them into direct confrontation with security agents and oil prospecting companies (Suberu, 1996).

The increased fiscal centralization has made the centre very attractive. The concentration phenomenon has promoted unhealthy competitions, with each region attempting to have effective control of the government at the centre. Perhaps, it should be acknowledged that this has unequivocally created the notion that the states and local governments are subordinates to the federal government.

In year 2000, the demand for resource control was given a fresh impetus at the meeting of the seventeen southern governors. It was their view that three principles: national interest; derivation; and need must be explored in the allocation of revenue to the states. But the northern leaders did not support the demand for resource control because it was considered a source of chaos and political instability. It was thus argued that when the state governments became very financially buoyant and independent, they would be too strong and may want to declare independence for themselves (Egwaikhide, 2004). So, it was thought that resource control is consistent with confederation and the eventual break-up of Nigeria. On these grounds, as in

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the past, northern leaders favoured a strong central government (Egwaikhide, 2004). Isumonah (2005) notes that in their role in the hegemonic construction of revenue allocation formula since crude oil assumed dominance in revenue earnings, southern minorities have at various times advocated a restoration of the derivation principle.

Although, President Oluşegun Obasanjo on assumption of office in 1999 increased the derivation principle to 13% but the agitation from 13% to 50% by the Niger-Delta representatives could not succeed in the National Political Dialogue, which led to their walk out of the conference. The matter has not been revisited since then.

Prospects of Resources Allocation and Control in Nigeria

The prospects of resource allocation and control in Nigeria could take several dimensions and approaches. First and foremost, it has to do with the constitution. The constitution of the Federal Republic of Nigeria needs amendment as regards the plight of mineral producing areas. If the agitator's postulation of total resource control or 50% is not realizable, then, it is imperative to consider more percentage to the areas in place of the current 13% derivative formula.

Successive governments have practice quite a number of cushion measure like setting up of OMPADEC, NDDC, and all the likes to upgrade the area, yet, more significant projects need to be embarked upon to at least relieve the suffering of the inhabitants of the area. On the other hand, the leaders of the mineral resources areas should be questioned on how well they have utilized the little they have got from the federation's account.

In a federal political system, fiscal relations between the centre and the component units have always presented an important problem, requiring both human scheming and a political will to overcome. The scheming has to moderate even if it is intensive and the response also from the federal government has to be decisive and reasonable since federal political systems are associated with National Questions; and resource control is always a substantial part of National Question, that, both federal and component of units must be involved, so as to avert catastrophe.

Beyond the issue of National Question, certain fundamental steps need to be taken to transcend the present crisis-ridden conjuncture. The first step is the full democratization of the centre of political and economic power, to provide equality of access to power to all groups. The concentration of power over oil has to be systematically broken down, with emphasis on the devolution of power and accountability. This would provide the basis for fairness to all groups and federating units (Obi, 1998).

Part of the prospect is human capital development where government both at the centre and the region will provide several opportunities for the development of the people in terms of education, job creation, government supported business opportunities and implementation of people oriented policies and programmes. Above all, the people in the resource area should endeavour to upgrade themselves in order to be relevant in their immediate society and the country at large; rather than relying solely on what they purportedly called their own, which in actual sense belongs to the entire country.

Finally, the disputed resource areas need to bear in mind that as a part of the federal arrangement, they must be ready to make certain sacrifices towards making the federation a great one; and if resource in their areas is needed for federal stability, then, they should only bargain for fair deal, while the central government should be fair enough in giving what is due to each and every component of the federation.

Conclusion

Revenue allocation formulas adopted over the years have continued to generate much controversy. However, the issue of resource control in Nigerian politics should be made decentralized, where the federating units should have control and ownership of the resources in their area. Indeed, there is no doubt that majority of Nigerians agree that federalism is the most suited system of governance in Nigeria. Unfortunately, the history and operation of the constitution in Nigeria shows that it negates the principles and practice of federalism (Ojo, 2010). In any case, it is clear that control/allocation of resources is a constitutional issue. Meanwhile, the struggle for resource control in Nigeria has not given sufficient attention to constitutional reform. Rather, revenue allocation and resources has been politicized.

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The 2014 National Conference by President Goodluck Jonathan (a southern minority) should address the issue of resource control and revenue allocation within the context of a true federalism. There is therefore the need to place emphasis on constitutional reform in the ongoing struggle for resource control and revenue allocation in Nigeria.

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