POLITICS OF FISCAL FEDERALISM: REVENUE SHARING, RESOURCE CONTROL AND SHARING FORMULA IN NIGERIA

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Abstract
It is axiomatic to posit that the mechanism on how resources are distributed among the various tiers of Government over the years is imperative. Various formulas have been adopted over the years to guide the allocations of the common resources of the nation. In recommending a Revenue Allocation Formula, various factors are put into consideration at any point in time. The stated essence is to ensure fairness and equity to all sections of the country and to all tiers of Government. Some of the factors considered since 1946 when the process of Revenue Allocation started in Nigeria are outlined derivation and various Commissions and Committees set up to midwife the process. Other Laws and Decrees on Revenue Allocations are: Decree 15 of 1967, Decree 13 of 1970, Decree 9 of 1971, Decree 6 of 1975 and Decree 7 of 1975. One of the contemporary issues in the political economy of oil in Nigeria is the ownership question or what has come to be termed 'resource control'. In recent times, this issue has assumed crisis proportion as the oil producing communities have fiercely asserted their claims to ownership following decades of uninterrupted process of economic marginalization and political repression. This is why 'Fiscal Federalism' is a very sensitive and emotional issue in Nigeria generally and in the Niger Delta in particular. In order to achieve the objective of the study, the paper generated data mainly from existing literature on fiscal federalism and revenue allocation. Content analysis technique was used to draw insights from the literature on areas that are considered very significant to the research. Drawing on secondary sources, this paper shows that given that fiscal federalism is both political and economic document that drive national politics and competitiveness. However, it was found that the goals of most policies of government are not accomplished in Nigeria due to incessant clashes among actors in the Nigerian sociopolitical and economic environments thereby resulting in the failure of governance in the polity.

Keywords: Politics, Fiscal Federalism, Revenue Sharing, Resource Control and Sharing Formula Principles.

Introduction

A brief look at the history of fiscal federalism in Nigeria revealed that the agitation for revenue sharing is not new. It was a subject of controversy, even before independence. For example, the Richard's Constitution of 1946 introduced the principle of derivation, granting autonomy to the regions based on their natural resources. In 1954, Sir Louis Chicks Commission recommended that the total revenue available to Nigeria be allocated according to the derivation principle, for the purpose of meeting the reasonable needs of the centre and the regions. Sir Arthur Richards adopted the recommendation, only for it to be replaced with another formula produced by another commission headed by Jeremy Raisman in 1958. Raisman Commission ignored the principle of derivation. Instead, it placed greater emphasis on the population, which it regarded as an approximate index of fiscal need. The fiscal review commission headed by Binn also emphasized the application of the principle of fiscal need. The principle tilted in favour of the Northern Region because it was more populous than the rest of the country.

The military incursion into government in 1966 led to a major shift from the tradition equitable distribution of National wealth and principle of derivation. The military government promulgated the Distributive Pool Account Decree 13 which granted States 60 per cent share of export duties instead of 100 per cent, 50 per cent of duty on motor fuel and 50 per cent of the excise duty revenue leaving the rest to the Federal Government. The Federal Government also got additional five per cent from the previous 50 per cent of the share of states on mining rights and royalties. The non-oil producing states benefitted more from this arrangement. But in 1981, the Second Republic President, Shehu Shagari signed the Revenue Allocation Act, which granted the Federal Government 55 per cent; States 30.5 per cent and Local Government Areas 10 per cent while 4.5 per cent goes into special funds with the derivation principle not getting a mention.

In the 1990s, the Niger Delta people stepped up, agitation for resource control. A major breakthrough was achieved in 1992, when the Ibrahim Babangida-led military government established, Oil Mineral Producing and Development Commission (OMPADEC) to address the ecological problems caused by oil exploration in the region. The present derivation regime emanated from the Constitutional conference set up by the late General Sani Abacha in 1995, headed by Justice Nikki Tobi, which recommended a 13 per cent derivation to the oil producing states. Subsequently, it found its way into the 1999 Constitution and became operational in April 2000.

But in the last 16 years of democracy, the nation has not been able to work out a revenue formula that complies with section 162(2) of the 1999 Constitution that empowers the RMAFC to determine the mode of distributing the nation's wealth. The current formula is a slight variation of the one former President Olusegun Obasanjo imposed on the Federation in 2002 through an executive Order. Obasanjo had then arrived at a formula that gave the federal government 54.68 percent, states 24.72 percent and the local government 20.60 percent. Two years later, his Minister of Finance, Dr. Ngozi Okonjo-Iweala, modified the Executive Order by raising state allocation by two percent to 26.72 percent. The two percent was taken from the federal government's share, bringing its own down to 52.68 percent. Between these periods, the RMAFC resubmitted another proposal on revenue formula where it proposed as follows: FG, 46.63 per cent; States 33 per cent and LGCs 20.37 per cent, due to a mysterious reason that there was an allegation of circulation of fake bills in the National Assembly.

This allegation influenced the withdrawal of the formula until September 2004, when another proposal from RMAFC was submitted to the president. The proposal submitted to the National Assembly, which failed to see the light of the day, recommended for FG 53.69 per cent; States, 31.10 per cent and LGCs, 15.21 per cent. As a matter of fact, there was 6.5 per cent built into the allocation of Federal Government's allocation to cater for Special Funds, thereby leaving the Federal Government with 47.19 per cent as its rightful due. The spirit behind lumping the funds into the FG's allocation was to guard against the repeat of constitutional errors which the Supreme Court voided in its ruling of April 2002. The 6.5 per cent would be applied as follows: Ecological Fund, 1.50 per cent; Solid Mineral Fund, 1.75 per cent; National Reserve Fund, 1.50 per cent and Agricultural Development Fund, 1.75 per cent. The objective of this paper is to examine the politics of revenue allocation and implications of the current formula for fiscal federalism in Nigeria.

Fiscal Federalism

Fiscal federalism belongs to one of the three theories of public finance (Ndubuisi, 2009:116). Fiscal federalism is concerned with the existence of a multilayer system of government, which necessitates corresponding division of functions and resources between different layers of tiers, such as federal, states and local governments. Akujuobi and Akujuobi (2006:16-24) assert that fiscal federalism is a function of devolution or decentralization of powers between the segments of governments. Especially in the emerging economies, where lower-tier governments are bestowed with powers under the constitution or particular laws, to raise taxes, earn income and carry out some responsibilities within clearly defined criteria (Akujuobi and Akujuobi, 2006:35).

Polinsky (1970) goes beyond sheer definition of fiscal federalism to neutrality; centralized stabilization; and such other supplementary criteria as: correction of spillovers; minimum provision for essential public services; and equalization of fiscal position. Wallace Oates in Akujuobi and Akujuobi (2006:21) recommends fiscal federalism because, as he argues, not all public goods have similar spatial characteristics and preferences. In their submission, Akujuobi and Akujuobi (2006:23) maintain that true principles of fiscal federalism are not practiced in Nigeria because control of natural resources is in the hand of the central authority than within states and local governments. Eke (2007:4) corroborates the assertion and states that whereas local governments are relegated to pseudo-tier of government in Nigeria, the states and federal exercise measurable autonomous power and authority although both states and local governments are financially dependent on federation allocations.

The deplorable dangers of tokenism are much evident in the central control of resources in Nigeria under Section 43; subsection 3 of the 1999 Constitution which orders the entire property in and control of all minerals, mineral oils and natural gas in, under or upon the territorial waters and the exclusive zone of Nigeria shall rest in the government of the federation and shall be managed in such a manner as may be prescribed by the National Assembly (Constitution, 1999). To further perpetuate the odious deprivation of local access to natural endowments and resources, the Nigerian federal government under Yakubu Gowon scrapped the derivation formula and successive administrations have tampered with it to deny the other tiers of government, equity in revenue allocation thus the continuous agitation for resource control in Nigeria.

Put differently, intergovernmental fiscal relations covers such issues as models, for the assignment of responsibilities and tax powers, discussions of intergovernmental spill oils and intergovernmental grants, fiscal mobility and migration, vertical fiscal imbalance and dependence macroeconomic management and fiscal decentralization. Generally, revenue allocation refers to the redistribution of fiscal capacity between the various levels or disposition of fiscal responsibilities between tiers of government (Anyanwu: 1997). Narrowly conceptualized, revenue allocation is seen as the transfer of financial resources from one level of government to another which arises because of the revue advantage which the former has over the latter; mostly as a result of the powers conferred on it over tax revenue (Mbanafoh and Anyanwu, 1990).

Meanwhile the term revenue allocation was aptly defined by Danjuma (1994:11) thus:

> The mechanism for sharing the country's financial resources among the different tiers of government in the federation, with the overall objective of enhancing economic growth and development, minimizing inter governmental tensions and promoting national unity. In Nigeria this involved the sharing of national revenue and other resources first vertically among the federal, state and local governments and second horizontally among the states and among the local governments (Elekwa & Eme, 2011:47).

Revenue allocation or transferring of revenues from higher to lower tiers of government in a federation is usually based on three main argument; "balancing" "equalization" and incentive ("or promotional"). These are meant to attain two broad objectives, efficiency and equity. However to attain these objectives, appropriate revenue allocation formulae and principles must be devised. The relationship between Nigerian central government and the States and local governments, however is federal is that it involves a decentralization (or division of power) between and among the various levels of government. Some powers are granted specifically to the national government to conduct foreign relations, to regulate inter State commerce and banking some and reserved by the states to conduct elections, to establish local government among others and some are shared held by both levels, such as to tax, to borrow money and to make laws among others. This system of governance is also referred to as "federalism".

Fiscal federalism or intergovernmental fiscal transfer or relations describes the division of fiscal resources and responsibilities among various tiers of government. It deals with problems arising from the situation of divided politico-juridical jurisdictions within an economically integrated polity. It equally covers and finances of the various tiers of government as efficiently and complimentarily as possible to maximize welfare of the political community. Intergovernmental fiscal relations covers such issues as models, for the assignment of responsibilities and tax powers, discussions of intergovernmental spill oils and intergovernmental grants, fiscal mobility and migration, vertical fiscal imbalance and dependence macroeconomic management and fiscal decentralization.

According to Egwaikhade (2004:1) several pertinent issues are discernible from the literature. First, is the problem of how to allocate revenue among the three tiers of government, such that each tier can carry out its constitutional assigned functions. There is vertical revenue imbalance with the federal government appropriating more than its fair share from the federation accounts. The revenue expenditure divergence is reinforced through increased fiscal centralization. Intergovernmental fiscal conflict is the resultant direct effect of the concentration process in Nigeria.

Second there is horizontal imbalance – unequal fiscal capacity among states. Derivation principle, which dominated the horizontal revenue allocation scheme between the late 1940s and mid 1960s, exacerbated the horizontal imbalance (Mbanefoh and Egwaikhide, 1988). It was advocated that this criterion should be de-emphasized or discarded since it promoted uneven development. Since 1970s when oil revenue started to account for a sizeable proportion of Nigeria's total revenue, the use derivation diminished to a negligible level. The third issue has to do with the oil production externalities in the oil-producing states which has climaxed to the demand for resource control by the Southern Governors and leaders.

Put differently, fiscal federalism in Nigeria has its legal basis laid in the Constitution. For example, the 1999 Constitution contains various clauses in the second and fourth schedules on the powers of the federal, state and local governments and also on the system of revenue sharing and management of public funds. Details of these are contained in sections (i) 162-168, items 59 (part i), item A 1a, b and 2 part (ii) D 7-10 in the second schedule, item 32 a-c in the third schedule and item: 1b, section 7 of the Fourth schedule respectively.

For the purpose of this paper, Fiscal federalism deals with how revenues are generated and distributed among the federating units in a Federation. The present situation in which the constitution empowers the Federal Government to keep custody and determine the terms and manner of the allocation of the funds that accrue to the Federation Account is generally regarded as a negation of the principles of fiscal federalism. This imbalance has been criticised as fostering dysfunctional ties which have been adversely affecting the capacities of the federating states to function effectively. Indeed, this situation has in fact pitched the states against the federal government in some instances.

Put differently, fiscal federalism describes the division of fiscal resources and responsibilities among levels of government. It deals with problems arising from the situation of divided political jurisdictions within an economically integrated state-system. It covers efforts to define the appropriate functions and finances of the various tiers of government as efficiently and complimentarily as possible to maximize welfare of the political community. Fiscal relations covers such issues as models for the assignment of responsibilities and tax powers, discussions of intergovernmental spillovers and intergovernmental grants, fiscal mobility and migration, vertical fiscal imbalance and dependence, macroeconomic management and fiscal decentralization.

Theoretical Framework

This paper adopted the fiscal federation theory as the basis for this work. The basic foundations for the initial theory of Fiscal Federation were laid by Kenneth Arrow, Richard Musgrave and Paul Samuelson. Samuelson's two important papers on the theory of public good (1954, 1955), Arrow's discourse on the roles of public and private sectors (1970), and Musgrave's book on public finance (1959) provided the framework for what has come to be accepted as the proper role of the state in the economy. Within this framework, some roles were identified for the government sector. These were the roles of government in correcting various forms of market failure; ensuring an equitable distribution of income and seeking to maintain stability in the macro-economy at full employment and stable prices.

The theoretical framework in question, basically a Keynesian one, canvassed for an active role of the state in economic affairs. Thus the government was expected to step in where the market mechanism failed due to various types of public goods and the need for government to generate revenue to effectively provide them. By this, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government until in recent times when it became proven that she cannot alone do that comfortably. The central government's expected role of ensuring equitable distribution of income, maintenance of macro-economic stability and provision of public good that are national in character are no more sacrosanct. Decentralized levels of government's expected role to concentrate on the provision of local public goods with central government providing assistance in the form of matching grants equally has become overtaken by the economic realities of the time leading to the resorting to internal revenue generation diversification by the other levels of government as a panacea.

The next step in the theoretical framework was to determine the appropriate taxing framework. In addressing this tax assignment problem, attention was paid to the need to avoid distortions resulting from decentralized taxation of mobile tax bases. Adesoji & Chike (2013) emphasized that the extensive application of nonbenefit taxes on mobile factors at decentralized levels of government could result in distortions in the location of economic activity. It should be pointed out however, that recent literature emphasis the importance of reliance on own revenues for financing local budgets as a way out for the inadequacies in the fiscal equalization argument of the need for financial assistance to the poorer regions. A number of authors (Weingast, 1995; McKinon 1997) have drawn attention to the dangers of decentralized levels of government relying too heavily on intergovernmental transfers for financing their budgets and this has formed the basis for the argument for the enhancement of internally generated revenues among local constituents in federal structures in recent time.

The History and Politics of Revenue Allocation in Nigeria

As in the Conferences of 1994-45 and 2005, revenue allocation was the most contentious issue in the conference of 2014. This is because delegates from other zones had accepted an increase of the proportion of derivation revenue to 17% at the conference of 2005. However, after the election of 2011 and the escalation of the Boko Haram insurgency, the North, particularly the "Far" North, turned against derivation. For instance, the then Governor of the Central Bank at the time, Lamido Sanusi Lammido, blamed the insurgency in the North on poverty caused by inequitable distribution of revenue between the oil-producing states and the North (Eme, 2015). He stated that the population of the North was far higher than that of the Niger Delta, yet far more money was being allocated to the latter. Other opinion leaders from the North pointed out that the country had given enough to compensate the Niger Delta—13%, NDDC, the Ministry of the Niger Delta, and the Amnesty Programme. Thus, they held that it did not make sense to increase derivation revenue at all.

To prove their seriousness, Governors from the 19 Northern states equally pushed for a review of the revenue allocation formula to reflect what they described as current realities in the country. The then Chairman of the Northern Governors Forum, Governor Babangida Aliyu of Niger State, described as unfair the current revenue sharing structure that offer, states from the Northern Region lesser allocations than their counterparts from the South. Aliyu argued that the amounts received from the federal allocation monthly are spent on payment of salaries and other overheads. Adding most northern states funds to provide infrastructure and tackle poverty the region. According to him,

> The revenue allocation formula should be looked at. We were hoping that there would be discussions and review of the allocation formula. But there are other issues that would come. For example, there were oil wells that were over 200 kilometres away of the shore of the country. Those ones were supposed to be oil wells for the whole country (Eme, 2015:43).

But now, they are given only to the contiguous states, in addition to the 13 per cent derivation. So, if you look at that, you will say that it will not serve everybody well if certain parts of the country are not doing well while some part are doing exceptionally well. So, the pressure will continue, until we are able to find a solution (Eme, *et. al*, 2012b). The Northern Legislators Caucus in the House of Representatives also published statistics from the 2012 budget. According to the figure, the South-south geo-political zone got the highest allocations in the budget with N116.5 billion, representing 29.65 per cent of the total votes allocated to the six geo-political zones. Followed by the Southwest, which got N65.52 billion (16.67 per cent) and the North Central, including the Federal Capital Territory (FCT), which received N63.92 billion (16.27 per cent). The Northwest got N56.96 billion followed by the Southeast with N49.2 billion and Northeast which had the lowest amount of N40.89 billion or 10.4 per cent of the total N392.96 billion allocated to the six zones (Bernard, 2012:43).

Supporting this thesis, social critic, Hazan Modibo, linked the rising violent crimes in the North, especially the terrorist activities of the Boko Haram, to the uneven distribution of the country's wealth. He said the government's amnesty programme to redress the grievances of the militants in the oil-rich Niger-Delta had inadvertently helped create the conditions for the Islamic insurgency. He said:

> There is a clear direct link between the uneven nature of the distribution of resources and the rising violence. When you look at the figures and the size of the population in the north, you can see that there is a structural imbalance of enormous proportions. Those states do not simply have enough money to meet basic needs while some states have too much money (Amuzie, 2012:14).

Incidentally, the latest country's Poverty Profile Report published by the National Bureau of Statistics (NBS) ranked the northern region, specifically the troubled North-East geo-political zone, as the poorest region, with 69.1 per cent and 76.3 per cent as absolute and relative poverty levels respectively. Revenue allocation is Nigeria has always been politics driven. Revenue allocation has been an enduring feature of the country's political system. Nigeria has a revenue distribution system in which nationally collected revenue is shared between the Federal Government and the sub-national governments. There are two dimensions of the allocation, namely, vertical allocation and horizontal allocation. The former refers to the sharing of revenue among the three tiers of government while the latter describes revenue allocation among units of the same level of government. The centrality and controversies of revenue allocation in the Nigerian political economy derives from the attempts by various tiers of government to push for the adoption of the principles of revenue allocation that favour them.

In an attempt to deal with the problem of revenue allocation in the country many commissions were set up until the establishment of a permanent body, the National Revenue Mobilization, Allocation and Fiscal Allocation Commission was set up, to date, sixteen sharing principles have been recommended by the various commissions. These principles are compartmentalized into two categories, viz, equity principles and efficiency principles as Table 1 indicates:

Table 1: Horizontal/Inter-Regional/State Revenue Sharing Principles

Equity Principles	Efficiency Principles
Derivation	Independent Revenues
Population	Absorptive Capacity
Equality	Tax effort
Need	Fiscal Efficiency
Even development	
Continuity in Government Services	
Minimum Responsibilities	
Equality of Access to Development	
Minimum National Standard	
Financial Comparability	
National Interest	
Land mass	

Source: Eme *et al* (2012)

The principles that guided the implementation of fiscal relations include:

(a) The Principle of Diversity: The federal system must have the ability to accommodate a large variety of diversities. Hence, the fiscal system must provide scope for variety and differences to supply national, regional and local public goods.

(b) The Principle of Equivalence: Based on the geographical incidence of different public goods, allocative efficiency requires the equalization of locational advantages arising from inter-jurisdictional differences with a combination of taxes and public goods and services.

(c) The Principle of Centralized Stabilization: This requires the use of fiscal instruments for achieving macroeconomic objectives of growth, stabilization and full employment by residents of different geopolitical units; this requirement controls for what is often referred to as "central city exploitation thesis".

(d) Minimum Provision of Essential Goods and Services: This ensures that fiscal federalism guarantees all citizens, irrespective of where they reside, the minimum provision of certain basic public goods and services.

(e) Principle of Fiscal Equalization: In order to ensure a minimum level of public goods and services same degree of fiscal equalization is required. This is as a result of differences in resource endowment.

(f) The Efficiency Principle: This principle implies that efficiency must be applied in the allocation of resources. In addition, each level of government should maximize its internal revenue earnings at minimum tax efforts.

(g) The Principle of Derivation: The component units of a system should be able to control some of its own resources as they desire.

(h) The Principle of Locational Neutrality: Interregional fiscal differences tend to influence location choices of individuals and firms. Based on different resource endowments, differences in tax capacity and effort, some decree of locational interference seems to be an inevitable cost of intergovernmental fiscal relations. Therefore, policy should focus on minimizing distortions due to some interference. Hence, differential taxes which create locational distortions should be avoided as much as practicable (Falodum, 2004).

(i) The Principle of Centralized Redistribution: This principle states that the redistribution function of fiscal policy through progressive taxation and expenditure programmes should be centralized at the federal level. This seems consistent with the principle of locational mentality. That is, if the redistributive function is decentralized, it can result in distortions in location decisions. It should be noted that the above principles are not mutually consistent. They are difficult to apply simultaneously. Therefore, tradeoffs are necessary in order to avoid conflicts.

There is no doubt that the general principles of fiscal federalism appeared to have informed Nigeria's attempt at intergovernmental fiscal relations. The different principles have been dictated by a combination of historical experiences, political, cultural and social factors. After over fifty years in search of a workable fiscal federalism, there still exist challenges which policymakers must address. According to Gboyega (2002), it is an act of self-deception for anyone to argue that there is nothing wrong with the revenue formula. We have had basically two systems of revenue allocation in Nigeria. The first system which we practiced during the First Republic allowed the North to keep the proceeds from its groundnut and cotton, the West to keep the proceeds from its cocoa, and the East to keep the proceeds from coal and oil produce. Then we changed the system so that the federal government got its hands on the proceeds from onshore and offshore crude petroleum proceeds, and yet we don't expect the minorities in the oil producing areas to perceive that is an injustice done to them. I have even heard some people turning history on its head by arguing that the country was developed on the proceeds of groundnut, cocoa and oil palm. Perhaps, [one could be correct] if you are arguing that the whole is the sum of its parts. But the oil producing minorities has a point that the rule of the revenue allocation game were changed to disfavour them.

It is against the backdrop of the preceding assertion, delivered by a Nigeria academic and a delegate to the National Political Reform Conference, that the complicated discussion regarding the revenue allocation formula at the National Political Reform Conference might be visualized. The South-South zone (in the imagined or putative division of Nigeria into six geopolitical zones) insists on this confabulation that in order to address past anomalies in the allocation scheme that it should be given 25% instead of 13% (or 17%) as a first step toward boosting the percentage to 50%. In spite of the empirical evidence to support the claims of the

South-South at the confab, the north, as represented by some of its oligarchs argue against a change in the formula that would address the needs of the ethnic minorities whose territory houses the country's bread winner – crude oil. The north argues for a 17% derivation for the oil producing area.

Until the establishment of the RMAFC, periodic ad-hoc commissions were set up by the government. Between 1946 and 1980, eight commissions were inaugurated. They were Philipson Commission (1946), Hicks Phillipson Commission (1951), Chick Commission (1953), Raisman Commission (1958), Binns Commission (1964), Dina Commission (1968), Aboyade Commission (1977) and Okigbo Commission (1980). In addition, the military government altered the revenue allocation system by decrees in 1967, 1970, 1971 and 1975 without a prior commission on revenue allocation. Other relevant statues on the subject were Allocation of Revenue Amendments Decree of 1984 and Decree No. 49 of 1989 which set up RMAFC. It should be noted that the aforementioned decrees further deepened the centralization of revenue in the country.

Each of the above Commissions dealt with both the vertical and horizontal aspect of revenue allocation. The issues in horizontal allocation of revenue revolve essentially around the criteria for sharing revenue (See table 2) below for recommended principles of horizontal allocation of revenue from 1946).

Table 2: Principles of Revenue Allocation in Nigeria, 1946-till date

Commission	Year	Principles
i. Phillipson	1946	1 Derivation 2 Even Progress
ii. Hicks-Phillipson	1951	1 Derivation 2 Needs 3 National Interest
iii. Chick	1953	1 Derivation 2 Fiscal Autonomy
iv. Raisman	1958	1. Derivation 2 Distribution pool account (DRA)
v. Binns Same as Raisman's but enlarged funds in DPA	1964	Tax effort Financial compatibility
vi. Dina	1968	1. States Derivation Account (SDA). 2 States Joint Account (SIA) a) Need or National Budget Gap b) Minimum Standards c) Balanced Development 3. Special Grant Account (SGA)
vii. Federal Military Governments Decrees	1970-1978	1. Equality of all states 2. Population
viii. Aboyade (not	1977	1. Equality Of States

accepted)		2. National Minimum Standard For National Development 3. Absorptive Capacity 4. Independent Revenue And Tax Efforts 5. Fiscal efficiency
ix. Okigbo	1980	1. Equality of state 2. population 3. social development factor 4. internal revenue effort
x. Allocation of revenue (federal account, etc)	1981	1 Financial comparability 2 Population
xi.Revenue Mobilization, Allocation and Fiscal Commission	1989-2012	On-going

Source: Eme et al (2012)

Each state supports principle(s) that favour them both in the horizontal distribution of revenue among states as well as local governments. Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) inaugurated a Special Committee on Revenue Allocation together with the Federal House of Representatives on August 23, 2006 to revisit the 1992 Revenue Allocation Formula the nation has been using to share revenue among the tiers of government. Before then the polity is yet to have a constitutionally backed sharing indices for the Federal (FG), States and Local Government Councils (LGCs). The politics of revenue allocation even in the present democratic dispensation has been so contentious that a week after, the Special Committee headed by the then House Leader, Abdul Ningi had to undertake Public Hearings between August 28 to30, 2006 across the six geopolitical zones. In all the centres there were heated debates and even some threats.

At the inauguration was the then Chairman of RMAFC Engr. Hamman Tukur whose Commission is constitutionally mandated to fashion out the revenue formula and the then Minister of Federal Capital Territory (FCT), Mallam Nasir El Rufai who was there to present the Federal government's perspectives on the proposal. There are already some levels of misconception arising from arguments at the inauguration. For instance while the Chairman of RMAFC restated the need for Special Funds to address the need of the constituent units under the custody of Federal Government for joint administration by stakeholders, there have been misinterpretations on this aspect in some sections of the media.

The Minister of FCT too made a very strong representation on behalf of FG where he said it is needless the argument for the creation of 'parallel bodies on fiscal issue.' This was in reference to calls for the separation of Office of the Accountant General of Federation from that of the Accountant General of the Federal

Government for impartiality in administering funds in the federation account. He pointed out that it is a crazy idea the attempts to make distinction between Federation from Federal Government. The argument may not likely go down well with keen watchers of Nigeria's political economy. There is no doubt that the President of Federal Republic of Nigeria is not only presiding over the affairs of federal government as a tier, but also of the federation which include other tiers. The Constitution however clearly stipulates items in its Concurrent and Exclusive Lists which limit the level of interference of federal government in the affairs of other tiers.

For instance while the Constitution does not assign roles for the Ministers and Commissioners, the appointed public officers have their powers delegated to them by their respective heads of governments. Similarly one may cite the attempt by El-Rufai's FCT to establish its own Revenue Board against the existence of Federal Inland Revenue Service; and his preference for FCT to be treated as if it were a state as against governors' resistance to that in the present proposed revenue formula. While some of the arguments may be logical, there is a need for independent institutions like constitutional bodies to be neutral in the politics of the tiers.

With the interest shown by National Assembly and other Nigerians on the Revenue Allocation Formula lately, it may be necessary to highlight its historical perspectives at least from the one formulated in 1992 which was bequeathed to democratic government in 1999. The 1992 recommendation which was used till the advent of democracy in 1999 has the following features: FG 48.5%, State 24%, LGCs 20% and Special fund 7.5% (which was distributed: FCT 1%, Ecology 2%, Stabilisation 1.5% and Natural Resources 3%). The first proposal in the Regime of President Olusegun Obasanjo which was submitted to National Assembly from RMAFC had this proposal: FG 41.3%, States 31%, LGCs 16% and Special Funds 11.7% (i.e. FCT 1.2%, Ecology 1%, Natural Resources 1%, Agriculture and Solid Mineral Development 1.5% and Basic Education 7%). Before the National Assembly could debate on that proposal, there was a Supreme Court verdict in April 2002 on the Resources Control Suit which nullified provision of Special Funds in any given Revenue Allocation formula.

With that new development, the formula in operation then (from 1992), had to give way as President Olusegun Obasanjo invoked an Executive Order in May 2002 to redistribute the formula to reflect the verdict. That Executive order, which is acceptable by law, gave FG 56%, States 24% and LGCs 20%. But when there was an outcry from other tiers against that distribution, the President reviewed the Executive Order in July 2002 with some adjustments by fraction where the FG had 54.68%, States 24.72% and LGCs 20.60%. In March 2004, the then Minister of Finance, Dr. Okonjo Iweala issued a letter modifying the second Executive Order that increases state allocation to 26.72% and reduces FG to 52.68%. That ministerial circular on the modification has since been the indices for the monthly distributions from the Federation Account.

Between those periods the RMAFC resubmitted another proposal on Revenue Formula where it proposed: FG 46.63%, States 33% and LGCs 20.37%. But for very mysterious reason there was an allegation of circulation of fake bills in the National

Assembly. This singular allegation influenced the withdrawal of the formula until September 2004 that another proposal from RMAFC was submitted to the President. That proposal now with National Assembly recommends for FG 53.69%, States 31.10% and LGCs 15.21%. But in the actual fact there is 6.5% built into the allocation of FG to cater for Special Funds thereby leaving the FG with 47.19% as its rightful due. The spirit behind lumping the funds into FG's, is to guard against the repeat of constitutional errors which the Supreme Court voided in its ruling of April 2002. The 6.5% would be applied as follows: Ecological Fund1.50%, Solid Mineral Fund 1.75%, National Reserve Fund 1.50% and Agricultural Development Fund 1.75%.

From the above historical perspective, one can observe the needless delay, politicking and controversies that trailed this constitutional requirement for statutory allocation from Federation Account to tiers of government. The area that has been greatly misconstrued lately is the alleged adjustment of vertical allocation which does not affect the horizontal formula as it is being insinuated. The horizontal allocation indices are for sharing amongst states and LGCs which include such proxies as Equality, Population, Internal Revenue, Landmass, Rural Road, Inland Water Way, Education, Health and potable water. The vertical allocation to federal, states and local government councils is not changed.

Though new problems may arise from the ongoing debate and consultations amongst the stakeholders seeking for upward review, it is better the formula is passed now than delay for another lengthy time. Unfortunately, the deal might hit a brick wall, as governors in various states of the federation are threatening to back out of the new minimum wage agreement, unless the federal government reviews the existing federal revenue allocation formula. Under the sharing formula, the federal government allocates to itself 52.68 percent of the federal revenue, while a state gets 26.68 percent. The 774 local governments are left with 20.50 percent, while the oil producing states get 13 percent as derivation fund. The governors, hinder the aegis of the Nigerian Governors' Forum, NGF, at their demands that the comment revenue allocation must be reviewed; otherwise they would not be able to pay workers the expected N18,000. To press home their demand, the forum set up a six man committee headed by Babatunde Fashola, the then Lagos State governor, with the mandate to review the 1999 constitution, whereby the federal allocation will be reviewed.

Ironically, the committee chairperson has agreed to pay the minimum wage to workers in Lagos. The payment took effect from January. The payment, seen as over 100 percent increasing a director in the state service on level 17, will be earning about N4.5 million annually, (N375,000 monthly) while a worker on level 12 will be earning between N1.2 million annually (N100,000 monthly). Edo State governor Adams Oshomhole, has also promised to increased the wages of his workers to a sum not less than N18,000 when the federal government passes the law for the minimum wage (Eme and Elekwa, 2011:29).

However, the bulk of the governors have stated emphatically that they might not be able to pay the new minimum wage. Their refusal to embrace a new minimum wage policy has ignited the fury of trade union. At the delegate's conference of the NLC held in Abuja, the union said it would do all in its power to force the state governments to assent to payment of the new minimum wage, since they too were part of the tripartite pact that lasted for years.

Overall, the revenue allocation principles that have continued to take prominent position are those of equality, thereby favouring zones which more states as well as states with more local governments. It should be noted that even the centralization of revenue itself was marked by political considerations, all in the game for the control of national resources. The Political Bureau Inaugurated by General Ibrahim Babangida's administration in 1986, but which submitted its report in 1987, recognized the salience of the issues of the revenue allocation system in Nigeria's political life. Not only that, it acknowledges the inherent controversial nature the revenue allocation system has assumed for the past decades. In addition, it highlights the politically-driven nature of the revenue allocation system. As the Political Bureau puts it:

> Revenue allocation … has been one of the most contentious and Controversial issues in the nation's political life. So contentious has the matter been that none of the formulae evolved at various times by a commission or by decree under different regimes since 1964 has gained general acceptability among the component units of the country. Indeed, the issue, like a recurring decimal, has painfully remained the first problem that nearly every incoming regime has had to grapple with since independence. In the process, as many as thirteen different attempts have been made at devising an acceptable revenue allocation formula, each of which is more remembered for the controversies it generated than issues settled (FGN, 1987:169).

Highlighting the political undercurrents of the revenue allocation system in the country, the Political Bureau notes that observations from its contributors that at the time the country's revenue was derived largely from oil palm trade, which was derived mainly from the Eastern region, the British colonial administration did not accord the principles of derivation serious consideration. When, whoever, agricultural commodities from the North and the West assumed increasing relevance, the principles of derivation was emphasized (FGN, 1987:170).

Extrapolating from this development, and further highlighting the linkage of the revenue allocation system with the hegemony in the political process, the Bureau notes that the aforementioned development underscores the linkage between regional cannot of the political and the dominant criterion for revenue allocation at any given time. It notes further:

> This linkage was further underscored when, following the increasing importance of petroleum derived mainly from the Eastern States as a revenue yielding source, derivation was again de-emphasized. It was also observed from the field that the dichotomy between on shore

> and off-shore oil introduced at the end of the Civil War represented yet another clever political device to deprive the oil producing states of additional revenue (FGN, 1987:170).

The Political Bureau therefore notes that general “conception of revenue allocation essentially as a political rather than an economic or technical problem”. It is in this context of the contestation for the control of nationally collected revenue that a significant part of the crisis in Nigerian’s fiscal federalism can be properly understood. Lower levels of governments and political elites in general always capitalize on any opportunity that can enhance their share of the revenue. From the above theses it is axiomatic to posit that the sharing of revenue among the tiers of government have continued to attract hot debates. These debates center on the issue of who gets the largest share of the revenue among the three tiers of government, hence Ndongko (1985:3) was not happy with that part of the constitution that allocates more power over finance to the government at the centre. To resolve the conflict of revenue allocation in Nigeria, Ndongko (1981:3) advocated for reduction of the power of Federal Government and decentralization in revenue sharing.

Umoh (2002:6) was equally a strong critic of the imbalance in the revenue sharing system in Nigeria. He was so disturbed that he did not mince words to describe the revenue allocation Act, cap. 16 as amended in 1990 by Decree 106, as unconstitutional. Giving reasons why the Act should be discarded, Umoh maintained that the continued reliance on the law for the purpose of sharing revenue among the federating units was a flagrant disregard of the Supreme Court Judgment on resource control and a breach of the 1999 Nigerian Constitution. Umoh said that the Revenue act was repugnant because in the past, it provided a minimum of one percent. He argued that the one percent fixed by the decree was in conflict with section 162 of the constitution. He went further to condemn the provision of Special Fund in the act because it is not provided for in the constitution. That is to say that allocation to Special Fund is unconstitutional. For Nigeria to get out of the deadlock, Umoh suggested an enactment of legislation with a new formula in accordance with section 162 of the Constitution.

In pursuit of appropriate revenue sharing formula in Nigeria, the association of Governors in Nigeria joined in the fight against the imbalances in the allocation formula. In their own argument, the Governors during their sixth summit in March 2001 called for a new revenue formula that would give more money to the States and Local Governments that to the Federal Government (Debo, 2002:22). In reaction to the governors’ agitation, the Federal Government directed Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) to propose a new revenue formula for the country. According to Omale and Eloagu (2002:1), the Commission quietly increased States allocation to 31 percent from 24 percent while the Federal and Local Governments shares were slashed to 41.3 percent and 16 percent respectively. In response, the Governors rejected the proposed formula out-rightly and went ahead to propose one which they termed more realistic, and equitable. According to their proposal, the Federal and State Governments should receive 36 percent each, while 25 percent should go to Local Government.

The National Union of Local Government Employee (NULGE) was not left out in the pursuit for appropriate sharing formula. In their own reaction, the union nationwide condemned the proposed 16 percent allocation to Local Governments by RMAFC. They described the recommended formula as anti grass-root development (Ademola, 2002:4). Consequently, state and local government creation and politics have for a long time become a continuation of the struggle for nationally collected revenue by other means by state governments and the political elites generally. It is in this context therefore that the most serious dimension of the crisis in Nigerian fiscal federalism can be fully understood. As the 2014 Conference approached, some opinion leaders in the North began a campaign to either take derivation off the revenue allocation formula or considerably reduce it. Leading the attack was Junaid Muhammed. Among other things, Muhammed called for the restoration of the onshore-offshore dichotomy and for reduced weight for derivation. He boasted that "resource control is not going to happen as long as we (northerners) are part of Nigeria". Besides, Muhammed infuriated Niger Deltans by personal abuses of President Jonathan (Fani-Kayode, 2014).

Just before the conference started, the governors of the Northern states, the Arewa Consultative Forum and the Sir Ahmadu Bello Memorial Foundation constituted a "think tank" to produce a working document to guide Northern delegates. Entitled "National Confab: Key Issues before Northern Delegates", the authors of the document hoped that that it would "help the Northern Delegates assist the Conference move Nigeria forward not backwards". "Key Issues" started by asserting that Jonathan had a hidden agenda, to wit: "to push through certain agenda that [he] fear[s] cannot possibly pass through the National Assembly" (North's Think Tank, 2014). It then dwelt on several issues. However, its main focus was on oil revenue. The authors gave a twisted account of revenue allocation before 1946, and asserted that revenue derived from the North had been used to subsidize government expenditure in the south. It also claimed that revenue derived from the North had been used to finance oil exploration in the Niger Delta. It also claimed that the North had shed blood to secure the Niger Delta from Biafran domination. Concerning the current revenue allocation formula, the Northern "Think Tank" held that it "negated the principles of justice and equity to the entire federating units, clearly threatening the balanced development of the country for the common good of all". The Think Tank further made the dubious assertion that "[t]he history of revenue sharing between the regions and the centre was 50:50, but limited to revenue derived from activities that involved human effort". Thus, they implied that since labour of Niger Deltans is not used to produce oil, the principle of derivation should not be used in allocating revenue from oil. The document elaborated on the points made above by Junaid Muhammed and recommended, among other things, the reintroduction of the onshore-offshore dichotomy, the abolition of the NDDC and the Ministry of the Niger Delta Affairs, and the reduction of derivation payments to 5%. In respect of vertical and horizontal allocation, the Think Tank stated as follows:

We recommend a vertical revenue sharing formula as follow: Federal Government, 26 per cent; States 39 per cent; Local Government Areas, 35 per cent. Also we recommend a horizontal revenue sharing formula for the states and local government areas as follows: equality 35 per cent; population 30 per cent; population density two per cent; land mass 20 per cent; terrain five per cent; internal revenue generation effort five per cent; and social development factor three per cent. This was clearly so self serving. If adopted, the North would have had an undue advantage over the south, especially through equality and land mass.

Expectedly, the argument of the Northern Governors Forum and their collaborators drew the ire of their counterparts from the South zone which they described as unfortunate and misplaced the attempt by Northern political leaders to blame the rising terrorism and poverty in the region on the derivation funds as well as the criticism of 13 per cent derivation funds due to the oil producing states in the Niger-Delta. They said that the South -south needed an upward review of the derivation principle and the introduction of fiscal federalism.

The North's position was published when the conference started and the views contained in it were canvassed at opening speeches by some delegates from the North. The South-South reacted without delay.

Kimse Okoko issued a personal report that refuted some of the positions of the North. Besides, a South-South think tank also hurriedly met and produced what they called "The South South Position: A stitch in time saves nine" (Whiskey, 2014). It is a more factual account than "National Confab: Key Issues before Northern delegates". Among other things, "A stitch in time" easily refuted the claim by the Northern Think Tank that derivation did not apply to mineral resources in the pre-oil boom era. They further showed that, in 2009-2013, total revenue derived from the Northern states amounted to just about 1% of total national revenue. They called the northern states "parasites" and "ingrates", and told them that "Debtors don't dictate, they plead for understanding and help". In their recommendations, they called, among other things, for increasing the weight of derivation to 50% or "grant rights over mineral resources to the respective regions and states and let them pay taxes to the Federal Government". Several individual Niger Deltans and Niger Delta organizations issued threats of militancy and even secession if their area did not get a fair deal on derivation.

The debate was heated at the committee stage and even more so at plenary sessions. Before the conference adjourned temporarily in July, a shaky agreement by "elders" at the conference raised the proportion of derivation revenue to 18%. But this 5% recommended increase was counterbalanced by a recommended to use 5% of federally collected revenue to rehabilitate the North-East zone (the zone most affected by the activities of the Boko Haram sect). However, the conference took no decision on the matter, partly due to opposition by South-West delegates who felt that there was nothing in it for their zone and delegates from the Middle Belt who felt the proposed 5% allocation for the North-East was going to be a reward for terrorism. It was decided that it would be dealt with when the conference reconvened in August.

The conference again failed to reach firm agreements in August. In other words, the agreements it reached were did not specify clearly how changes are to be made in the revenue allocation formula. As stated in the Conference's report, it was resolved to "Review the percentage of revenue allocation to States producing oil (and other resources)". Although the word "upwards" was not added to this resolution, the context of the report indicates that "review" simply means increasing the proportion of federally collected revenue that would be allocated on the basis of derivation to the oil-producing states. This was meant to satisfy the oil-producing states. But the North insisted on the adoption of two counterbalancing resolutions: "[to] reconstruct and rehabilitate areas affected by problems of insurgency and internal conflicts; and [to] diversify the Nigerian economy by fast tracking the development of the solid minerals sector" (National Conference 2014 Report, August 2014, Section 5.4.6, p.154). The assigning of percentages to derivation, rehabilitation and solid minerals would have determined which of the contending sides would have gained from the conference. The Conference could not agree on this. Rather, it pushed the responsibility to the executive arm of the federal government. This was the excuse and final recommendation of the Conference on this matter:

> The Conference also notes that assigning percentages for the increase in derivation principle, and setting up Special Intervention Funds to address issues of reconstruction and rehabilitation of areas ravaged by insurgency and internal conflicts as well as solid minerals development, require some technical details and considerations; and Conference therefore recommends that Government should set up a Technical Committee to determine the appropriate percentages on the three (3) issues and advise government accordingly (National Conference 2014 Report, August 2014, Section 5.4.6 , P.155).

Thus, on this critical issue, neither the South-South nor the North made any gains at the expense of the other. The governors insisted that, on the contrary, the issue to be addressed is environmental degradation and pollution in the Niger-Delta created by the oil exploitation, which has adversely affected fishing and farming activities. This makes it imperative for an upward review of the derivation principle and introduction of fiscal federalism. They questioned the rationale for exploiting other mineral deposits in other parts of the country while depleting oil and gas reserves of the South-South. They said that the introduction of fiscal federalism and resource control will encourage each state to control its resources and develop, in accordance with its capability.

The South-south leaders also faulted the request of their northern counterparts on the ground that it is against the principle of true federalism. According to the Niger-Delta activist, Annkio Briggs, it is unfair for northern states that are not bringing anything to the table to make such demands. "The people from the Niger Delta region are bringing the oil that God has given them. The oil is in our land and it belongs to us. It is unfair that there are 36 states in Nigeria and only nine states are actually contributing something; and people who are not contributing anything at all are now talking about injustice," she argued.

The National Secretary of the Ijaw National Congress, Mr Robinson Esitei, said that the country would continue to stagnate, unless it reverts back to true fiscal federalism. *"In fact, we are proposing to the Constitutional Amendment Committee that Nigeria should revert back to the regional arrangement where each region would control its resources and pay tax to the centre* (Eme, 2015:42)." The present formula is disadvantageous to the Niger Delta people who are suffering degradation and other hazards that go with oil exploitation. Unlike their northern counterparts, the governors of the Southwest had requested for the devolution of more powers to the states and practice of fiscal federalism. They said, instead of bickering over allocations from the Federation Account, states should be empowered to generate their own resources to relieve the Federal Government of too many responsibilities. Although, the Southwest governors deplored the imbalance in the resource allocation, especially to states that make up the old Western Region, they insist the solution lies in the devolution of powers.

The then Minority Leader in the House of Representatives, Mr Femi Gbajabiamila, supported the position of the Southwest governors, saying Nigeria would tackle its development challenges faster, if the states generate their own resources, rather than depending on the federal allocations. According to these activists, the clamour for a review of the revenue allocation formula is in line with the principle of federalism. We want a situation where the states will be stronger than the government at the centre. Let each state develop at its pace. The time has come and it is long overdue", he added. Renowned economist Mr Henry Boyo blamed the problem on the fraudulent constitution: According to him, under the Republican Constitution, Nigeria was practicing true federalism, whereby each region controlled its resources and paid tax to the Federal Government. Unarguably, the most contentious of the committees during the conference was that on Devolution of Power, which addressed the issue of resource control and devolution of power to the states. And one of such committees whose work will certainly attract interests of is the Committee on Devolution of power, considered to be one of the most critical among the 20 committees. The committee had grabbed headlines in the course of its work as a result of the North-South divide among members during debates which sometimes degenerated to verbal insults.

Members of the committee, which has former governor Obong Victor Attah and Ibrahim Coomasie, former Inspector-General of Police, as chairmen barely avoided exchanging blows as tempers flared during debates on issues of resource control, fiscal federalism and devolution of powers. While the southern delegates advocated a radical restructuring of the constitutional provision that will give more responsibilities to the states in the three areas, their northern counterparts not only wanted to maintain the status quo, but were unabashedly interested in rolling back some of the gains that have been made in the area of resource control by the oil producing areas of the country. Northern delegates who are members of the committee had argued for either a reduction or at best, retention of 13 per cent being paid to oil producing states as derivation while members from the South, particularly those from the South-South geo-political zone, wanted an increment to 50 per cent. Delegates from the North had also argued that the onshore-offshore oil dichotomy be reintroduced in states were minerals are located off the coasts.

Members of the committee finally reached what could at best be termed "a convenient consensus" when they agreed to retain the 13 per cent derivation principle for every mineral producing area, while also affirming that any upward review can only be done after amendment of Section 44(3) of the Constitution. "While the issue of resource control attracted passionate arguments from a section of the delegates and an equally passionate opposition from others, it was finally resolved that with the amendment of Item 39 of the Exclusive Legislative List, certain aspects of resource control have been taken care of," said Attah. The committee had also proposed an amendment stating that: "In the mining of the natural minerals in all the states of the federation, while the rights of licensing remains that of the Federal Government with the National Assembly as the legislative body, such mining would be carried out with the active involvement of the states where the mineral resources are found."

While trying to justify the deal, Attah told journalists that the amendment empowers every part of the country to develop and exploit its resources in accordance with Federal Government licensing and use the resources to develop the people. He added that if approved, the amendment will enable every state of the federation to benefit from the derivation principle, instead of the present widespread belief that derivation benefits are meant for the oil-producing states only. He added with the arrangement, every part of Nigeria will also support upward review of the percentages of funds being paid as derivation because they also stand to benefit. The committee also recommended the establishment of a solid mineral development fund to be sourced from the monthly remittance of 4.5 per cent Federal Government's revenue dedicated for the purpose of development. The committee has also recommended the establishment of a National Wealth Fund; an equivalent of the Sovereign Wealth Fund, creation of an office of the Accountant-General of the Federation which would be different from the existing Accountant-General of the Federal Government, among others. But groups and individuals from the South-South described the deal agreed to by the delegates on the issue of resource control as unacceptable. Indeed, Ankio Briggs, a South-South member of the committee, had tried to submit a minority report that would reflect the views of the region on the discussion without success. The leadership of the conference had, in anticipation of the protests that may characterize the debate on the report slated it among the last to be considered by the delegates.

Recommendations

Based on the analysis above, the underlisted recommendations are made:

a. Tax assignment and horizontal and vertical sharing formula should be reviewed;

b. Account management modalities to engender transparency, accountability and general good practice in operating the Joint Accounts of State and Local Governments should be instituted;
c. Joint account management should reside with the office of the Accountant-General of the State and membership should be drawn from Local Government Councils and relevant ministries;
d. The Constitution should provide appropriate sanctions if the State governments fail to remit stated amount from internal revenue of the state into the joint account;
e. The State's Houses of Assembly should have the responsibility for establishing the sharing formula for allocation from State Joint Accounts;
f. The Fiscal Responsibility Act should be entrenched in the Constitution to cover all the tiers of government;
g. The Revenue Mobilization, Allocation and Fiscal Commission should be responsible for monitoring of compliance with FRA to avoid duplication among agencies;
h. For equity, fairness and promotion of accountability, the Secretariat of FAAC should be housed in the Revenue Mobilization Allocation and Fiscal Commission which is independent and serves the three tiers of Government;
i. For the effective management of the Federation Account, it is crucial to separate the Office of the Accountant-General of the Federation from the Office of the Auditor-General of the Federal Government. The Accountant-General of the Federal Government would be in-charge of the operation and management of the Consolidated Revenue Fund of the Federal Government, while the Auditor-General of the Federation would be in-charge of the Federation Account;
j. All laws allowing Government Agencies to spend or retain part of their revenues should be reviewed so that the revenue generated can be accounted for and remitted into the Federation Account;
k. All Agencies that generate revenue from our national resources (waters, airspace, etc) should remit such revenues into the Federation Account for the benefit of all tiers of Government;
l. An Inter-Agency Committee involving the Federal Ministry of Finance, Ministry of Trade and Investment and the Revenue Mobilization Allocation and Fiscal Commission should be established to advise Mr. President on duty waivers (and tax holidays) in order to promote transparency, increased confidence in the processes and prevent loss of revenues and
m. The oversight and monitoring functions of the Local Governments should be vested on the ministry in charge of Local Governments and the States.

Conclusion

Federal systems by their nature are complex administrative designs because they involve multiple layers of government. The Nigerian federal system is thus beset by a lot of complex challenges. One of such challenges is the seemingly implacable and intractable fiscal federalism crisis arising from lopsidedness in revenue allocation and sharing in the country. From 1946 till date the revenue allocation system can neither be said to be efficient or equitable. However, the nature and conditions of the financial relations in any federal system are crucial to the continued existence of such a system. The study explores politics of Nigeria's fiscal relations and the revenue allocation formula through a descriptive historical analysis. It specifically focuses on the imbalance and lopsidedness associated with the systems which have combined to affect the Nigerian federal system as a whole. The study finds that the lack of political unity in the polity is traceable to imbalances in the revenue allocation formula in Nigeria which gives little to the goose that lays the golden eggs. Data for the study came primarily from secondary sources. The study concludes that for there to be efficient unity and sustainable development and to reduce the tension in the Niger Delta, the Nigerian government should encourage the derivation principle in her revenue allocation formula. This in a way will promote peace and development in an otherwise volatile region of the country.

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