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# Challenges of "Feeding Bottle Federalism" in Nigeria

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**ABSTRACT**

The Nigerian federation has been derisively described as 'feeding bottle federalism' characterised by the monthly revenue sharing among the three tiers of government. In recent times, states have started demanding for a new revenue formula in line with current economic realities. This study examines the issues involved and why a sharing formula acceptable to the federating units may be difficult to attain**.** The data for this study will be generated from Focus Group Discussion and documentary sources. Tables and the technique of content analysis will constitute our data analysis technique. From the analysis, we were able to discover that Fiscal federalism will rid our country of so many evils: manipulation of census figures for purposes of influencing revenue allocation, desperation among the elite for control of the centre; agitation for creation of states and local government, and indolence and fiscal recklessness of governments and public functionaries. The paper therefore concludes that the federating units must continue to come to Abuja until the lopsided federal structure is addressed constitutionally. In fact, we demand for a new revenue allocation formula for the country which must decongest the Centre and empower the centripetal forces for Nigeria to work.

**Keywords**: Revenue Allocation, Federalism, Fiscal Federalism, Constitutional Reforms, Nigeria and Pluralism.

## INTRODUCTION

The precarious socio- economic situation in Nigeria where many state governments are unable to meet their obligations to workers has rekindled the call for the review of the revenue sharing formula among the three tiers of government. Nearly two-thirds of the 36 states are insolvent. They have backlog of salaries to clear, while the provision of social services is no longer feasible. The slump in crude oil price at the global market and militant activities in the Niger Delta region have reduced the nation's earnings from the commodity and this has adversely affected state governments who depend almost exclusively on allocations from the Federation Account.

As a result, the Nigeria Governors Forum has come up with fiscal restructuring plan that will put more money in the coffers of the states, if such a review is undertaken. Analysts, the National Assembly and scholars are of the view that the review of the revenue sharing formula is inevitable, given the situation many states have found themselves. The structure of the federation, they posit, does not give room for creativity at the grassroots. The House of Representatives for instance had advised President Muhammadu Buhari, to as a matter of urgency, submit a proposal on a new Revenue Allocation Formula to the National Assembly in 2015.

The lawmakers said the formula presently in use for allocating funds from the Federation Account to the federal, state and local governments, is outdated. As contained in the present formula, 52.68 is allocated to the Federal Government in the Federation Account, 26.70 is for states and 20.60 for local government areas. The House of Representatives' resolution followed the adoption of a motion by Rotimi Agunsoye (APC, Lagos), who noted that the formula being used by the Revenue Mobilisation Allocation and Fiscal Commission (RMFAC) was enacted in 1982 and amended in 1992 before the 1999 Constitution came into force.

It is worrisome that the effectiveness of the current applicable formula, which is over 30-year-old, would appear doubtful to reflect the realities facing the financial needs of the three tiers of government. It is observed that the provision in the 1992 Act, which prescribes for the deduction of various percentages totaling about 7.5 per cent, which is referred to as 'Special Fund', has been adjudged unconstitutional by the Supreme Court in 2004.Section 162 (2) of the 1999 Constitution requires the President, on recommendation of RMFAC, to submit a proposal for a new Revenue Allocation Formula, in line with contemporary realities, poses frequent financial threats and hardships in the fiscal relationship between the three tiers of government, creating imbalance and loopholes of uncertainty in the federal structure.

At present, the Federal Government gets 54 per cent from the Federation Account; the 36 states share 26 per cent, while the 776 local governments are left with the remaining 20 per cent. As a result of the above, the Nigerian federation has been derisively described as 'feeding bottle federalism' characterized by the monthly revenue sharing among the three tiers of government. In recent times, states have started demanding for a new revenue formula in line with current economic realities. This contribution examines the issues involved and why a sharing formula acceptable to the federating units may be difficult to attain.

## THEORIZING REVENUE ALLOCATION

The term fiscal federalism is rooted in a political arrangement called federalism. It is therefore, imperative to start with an explanation of the concept of federalism. [1],describes federalism as the method of dividing powers so that general and regional governments are each within a sphere, coordinate and independent. [1], conceptualized federalism with the American union as the basis of his thesis. He sees federalism as the formal division of powers between levels of government.

According to him, federal government is an association of states so organized that power are divided between a general government, which in certain matters independent of the governments of the associated states, and on the other hand, state governments, which in certain matters are in their turn, independent of the general government [2] further states that people will adopt the federal system if they desire a single coercive force in some aspects and independent of the units in other aspects. He added that by the federal principle, I mean the method of dividing powers so that general and regional governments are each within a sphere, co-ordinate and independent.

Federalism implies the existence in one country of more than one level of government, each with different expenditure responsibilities and taxing powers. It is a kind of non-centralization of power and authority. It is about equality, and equity, justice and fair play amongst constituent units and between the units and the central government.

However, in Nigeria, due to its peculiar evolution, the federal system tends to emphasize not cooperation but competition between the constituent units and the centre and amongst the constituent units themselves [4]. Intergovernmental fiscal relations covers such issues as models for the assignment of responsibilities and tax powers, discussions of intergovernmental spill- over 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 [4]. 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 [1].

Meanwhile the term revenue allocation was aptly defined by [3] 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 [4].

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".

The procedure for revenue allocation is hinged on a number of factors which may be within or outside the control of the people in each locality. For instance, perhaps by some natural or man-made designs, nations have emerged through the combination of pre-existing sovereign jurisdictions which then join into national units. In any case, member jurisdictions (e.g. States) may retain certain fiscal prerogatives while surrendering others, there by joining in a compact which determines the fiscal aspects of the federation [5].

These fiscal relationships between and among the constituents of the federation can be explained in terms of three contending theories, namely, the theory of fiscal location which concerns the functions expected to be performed by each level of government in the fiscal allocation; the theory of inter-jurisdictional cooperation which refers to areas of shared responsibility by the national, state and local governments; and the theory of multi-jurisdictional community. In this case, each jurisdiction (state, region or zone) will provide services whose benefits will accrue to people within its boundaries and so, should use only such sources of finance as will internalize the costs. The revenue sources of most control governments are limited but cover a range of taxes and levies. These include personal income tax, tariffs, company or corporate income tax, excise duties, custom duties, and royalties or levies on natural resources. The contributions of each of these to the total revenue depend on a number of factors which include efficiency of tax collection method, enforcement of violation penalties, the size of the economy itself with respect to the level of employment, industrialization and income, the level of integration of the informal sector with the formal, and a host of other economic and socio-cultural factors.

State and local governments (or their equivalents) derive their revenues from more limited and more austere services. These include personal income tax, poll tax, sales tax, property tax, licenses, permits etc. These are supplemented by transfers from the central or federal government. In most cases, a revenue sharing formula is adopted for determining how much of the federally collectible revenue goes to each level of government. The proportion of transfers that goes to the lower tiers of government depend largely on the system or structure of governance, availability of revenue base and ability to generate revenue internally.

The chairman of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC), Engr Elias Mbam had assured Nigerians, way back, in early 2013 that the new sharing formula for revenue accrued to the Federation Account among the three tiers of government: federal, state and local government would be ready before December 31, 2013. More than three years after raising the hope of many Nigerians that the new formula would reflect their expirations, Engr. Mbam is yet to make good his promise. What is even more worrisome, and which must engage the attention of all Nigerians, is that the RMAFC under whose watch the entire income structure of the country has been destroyed and debased has zero credibility to produce any acceptable sharing formula for Nigeria.

Until the lopsided federal structure is addressed, the efforts of the commission will amount to wastage and a fruitless exercise. His visit to former heads of state who created the imbalance in the first place through political gerrymandering has further deepened the Commission's sense of false judgment and made nonsense of its credibility. Or else, how would the RMAFC justify a situation in which Lagos, with a population of about 20million be allocated 20 officially recognized local councils while Kano with a population of 9million after Jigawa was created out of it, would have 44 officially recognized local council areas? If, for instance, the RMAFC decides to share N20m to each local government in Nigeria, is it the aspirations of Nigerians that Lagos should be entitled to N400m for 20million people while Kano goes home with N880m for 9million people?

Even when it is desirable for the country to have an acceptable revenue sharing formula, the National Assembly is yet to demonstrate an understanding that Nigeria is not working with the current structure. Nigerians need a constitutional reform that will make the country productive; a federal republican arrangement that will launch the federating units into the productive industrial orbit. Not one that would reduce them to indolent unproductive beggars that will go cap in hand to Abuja for monthly subventions.

This thesis is coming when the federal government, against the backdrop of a recent statement credited to Minister of Agriculture and Rural Development, Chief Audu Ogbe, who advised the 36 state governors to take agriculture seriously, saying the days of coming to Abuja monthly merely to share allocation were over. We cannot agree more with the Hon. Minister that state governors need to think outside the box, and especially, demonstrate more commitment to agricultural production if their respective states must swim above the murky waters of the current economic recession. But talking about the era of coming to Abuja monthly to share allocation being over, we insist that the federating units must continue to come to Abuja until the lopsided federal structure is addressed constitutionally. In fact, we demand for a new revenue allocation formula for the country which must decongest the Centre and empower the centripetal forces for Nigeria to work. How can this work since there are many impediments to this thesis. The section after methods of research will address these challenges.

## MATERIALS AND METHODS

A research design is the logic that links the data to be collected and the conclusions to be drawn to initial questions of a study hence it ensures coherence. It should ensure clarity of what is to be achieved by the case study. This study adopted a case study design which according to [2] is a specific instance that is frequently designed to illustrate principle, the study of an instance in action. In this study, it helped to explain involvement of stakeholders and other government agencies in the allocation and sharing of government revenues in Nigeria. With that view, the researcher used the actions and behaviour of these actors during and after the exercise to gain in-depth information about studied phenomenon.

According to [3], document analysis means focusing on all types of written material that could shed light on the studied phenomenon. The study of documents involves the analysis of any written material that contains information about the phenomenon being researched [4]. The study of documents may help answer questions that interviews may have missed to address. The researcher would study official documents in order to fill in the gaps left open by other data gathering strategies, such as the interviews in this case. In relation to this study, the researcher analysed documents such as the Electoral laws Police Act, the

Constitution and other electoral documents that would aid analysis. A major advantage of document analysis is that documents showed the reality of the situation and a clear picture of what was going on in the INEC and security outfits.

In order to convince a reader, the study findings in a qualitative research must be credible. Credibility refers to that which can be seen and believed. The key criterion or principle of good qualitative research is found in the notion of trustworthiness and neutrality of its findings or decisions [5]. Just as a quantitative study cannot be considered valid unless it is reliable, a qualitative study cannot be called transferable unless it is credible, and it cannot be deemed credible unless it is dependable.

Trustworthiness entails credibility and transferability, which is the extent to which the findings can be transferred to other context [6]. [5], explain that transferability refers to the extent to which the findings can be applied in other contexts or with other respondents. In a qualitative study, the obligation for demonstrating transferability rests on those who wish to apply to it to the receiving context, [5].

In ensuring that the study has credibility and trustworthiness, the researcher used multiple data collection instruments, for an example, online and document analysis. Again the researchers ensured that the sources confirm whether the transcript of the data analysed is a correct reflection of the information provided to the researchers by allowing them to have access to read the data collected or by giving the participants a report back. That was why we reproduced the document by the whistle blower as he wrote.

[3], believes that data analysis is the process of bringing order, structure and meaning to the mass of collected data. Data analysis consists of examining, categorizing, tabulating and recombining [7]. The process of data analysis takes place once data collection and checking have been completed. Data analysis may begin informally during interviews and continue during transcriptions, when recurring patterns, themes and categories become evident. Once written records are available, analysis involves the coding of data and the identification of salient points or structures. Qualitative data which forms the gist of this research was subject through data analysis techniques which find compatibility in each other. The technique to be used in the study is the content analysis. The data collected was analysed according to themes.

## REVENUE SHARING IN NIGERIA

One of the major challenges confronting the current administration remains the steep decline in revenue flows, a situation that has left the government with minimal score in its economic policy. Crude oil, the nation's major revenue source, is facing double edged attacks from prices crash on one hand and low production output occasioned by attacks on oil installations by aggrieved militant groups in Niger Delta.

The Federal Account Allocation Committee (FAAC) had disbursed over N2trillion to the three tiers of government between January & June 2016. This was contained in the Nigeria Extractive Industries Transparency Initiative (NEITI) quarterly review- a research publication of NEITI released recently. A breakdown of the disbursement shows that the federal government received a total sum of N854Billion. While the states received N701Billion and the local governments received N429.4Billion between January & June this year. The NEITI quarterly review also disclosed that there is a general decline of N30.9% in revenue shared by the three tiers of government during the same period in 2015.

From analysis, during the same period last year the federal government received N1.2trillion as its own share from FAAC as against N854Billion received in the last six month. For the states, the total disbursement in 2015 fell by 3.05% from N1.009trillion as against N701Bn reported in 2016.In the same vein, allocation to local government decline by 26% from N580.6 received during the same period in 2015 to N429Bn received in the first half of 2016. Citing statistical data by the Central Bank of Nigeria showing the gap between oil and non-oil revenues and analysis of oil prices and its correlation to FAAC disbursements, the report pointed out that “the dependence of governments at all tiers on the oil sector highlights the vulnerability of public revenue to global oil market developments[8]**.** (SEE TABLE 1) below:

**Table 1 Grand Total of Federation Accounts Allocation to States and LGCS from May 2015 – June 2016**

| S/N | Beneficiaries | No of Local Government Councils | Total Gross Allocation for States/ LGCS |
|---|---|---|---|
| 1 | Lagos | 20 | 178,549,361,363.13 |
| 2 | Akwa Ibom | 31 | 173,902,779,602.26 |
| 3 | Delta | 25 | 144,706,571,893.61 |
| 4 | Rivers | 23 | 130,712,237,312.44 |
| 5 | Kano | 44 | 117,852,408,096.50 |
| 6 | Bayelsa | 8 | 95,408,284,755.19 |
| 7 | Katsina | 34 | 88,880,271,506.43 |
| 8 | Oyo | 33 | 84,044,983,198.03 |
| 9 | Kaduna | 23 | 83,447,953,776.39 |
| 10 | Borno | 27 | 78,717,920659.55 |
| 11 | Niger | 25 | 74,851,989,994.10 |
| 12 | Benue | 23 | 73,823,754,968.40 |
| 13 | Jigawa | 27 | 73,065,332,210.82 |
| 14 | Bauchi | 20 | 72,613,430,598.92 |
| 15 | Imo | 27 | 71,694,047,410.89 |
| 16 | Ondo | 18 | 71,491,617,166.92 |
| 17 | Sokoto | 23 | 69,767,717,468.53 |
| 18 | Kogi | 21 | 67,200,907,459.88 |
| 19 | Edo | 18 | 66,041,595,150.93 |
| 20 | Osun | 30 | 66,005,570,597.93 |
| 21 | Kebbi | 21 | 64,896,141,433.46 |
| 22 | Anambra | 21 | 63,654,309,711.92 |
| 23 | Adamawa | 21 | 62,295,543,772.58 |
| 24 | Plateau | 17 | 61,450,215,048.92 |
| 25 | Ogun | 20 | 60,070,767,635.93 |
| 26 | Enugu | 17 | 59,609,485,755.91 |
| 27 | Cross River | 18 | 59,049,491,133.09 |
| 28 | Abia | 17 | 58,145,094,691.02 |
| 29 | Yobe | 17 | 57,470,687,526.03 |
| 30 | Zamfara | 14 | 56,621,635,820.29 |
| 31 | Taraba | 16 | 56,399,948,000.85 |
| 32 | Kwara | 16 | 52,384,587,394.46 |
| 33 | Nassarawa | 13 | 50,554,539,364.39 |
| 34 | Ekiti | 16 | 50,460,337,004.42 |
| 35 | Ebonyi | 13 | 49,400,218,495.52 |
| 36 | Gombe | 11 | 49,802,580,045.16 |
| 37 | FCT (LGCs) | 6 | 19,187,636,773.79 |
| | **Total(States/LGCs) (A)** | **774** | **2,814,231,954,798.58** |

In the same vein, the updated version of the report reported that the three tiers of government comprising federal, states and local government councils shared a grand total of N4.97 trillion as federation revenue approved by the Federal Accounts Allocation Committee (FAAC) in 2016 fiscal year. The N4.97 trillion represents 12 months of disbursements with effect from December 2015 to November 2016 as against last year's grand total disbursements of N5.5 trillion for similar period. The 2016 allocation dipped by N523.2 billion. The December 2016 allocation will be shared in January 2017. The grand total disbursed in 2016 comprised allocation to Federal Government, states, local government councils and payout to oil producing states, representing 13 per cent share of derivation principle. The sum shared were aggregation of statutory, Value Added Tax (VAT), refund by the Nigerian National Petroleum Corporation (NNPC) to government, among others.

The allocation breakdown revealed that the Federal Government received the largest share of the disbursement to the tune of N1,544.384 trillion followed by states with N862.779 billion, local government councils (774) collectively received N489.511 billion while oil producing states collected in the last one year the sum of N213.3 billion as derivation fund. Analysis of FAAC disbursement chart indicated that the total fund disbursed to the three tier beneficiaries in October and November 2016 remained unchanged at N420 billion for both months.

In January 2016, for instance, the grand total for the month was N387.771 billion. Of the amount, Federal Government's statutory share was N147.57 billion, states got N74.848 billion, LGs N57.705 billion while oil-producing states collected N27.703 billion. In February, the shared amount was N370.388 billion. Federal Government got N137.473 billion, states N69.728 billion, LGs N53.757 billion while allocation to oil producing states was N22.380bn. March allocation stood at N345.095 billion with Federal Government receiving N127.2 billion, states N64.518 billion, LGs N49.740 billion, while 13 per cent derivation for the month was N22.780bn. For April, the total allocation was N299.747 billion. The central government got N109.113 billion, states N55.334 billion, LGs N42.668 billion and the sum of N19.750 billion was paid as 13 per cent derivation.

In May, N281.500 billion shared with Federal Government getting the highest amount of N101.215 billion, states N51.338 billion, LGs N39.579 billion and N15.745bn as 13 per cent. The June allocation was N305.128 billion; Federal Government N112. 830 billion, states N57.229 billion, LGs N44.121 billion and N16.738 billion for oil producing states. In the month of July, total allocation was N559.032 billion. Federal Government got N119.754 billion; states got N101.318 billion, LGs N78.112 billion while N17.124 billion was paid to oil producing states. For August, N691 billion was shared, out of which Federal Government got N225 billion, states, N153 billion, LGs N116 billion and N9.92 billion as derivation.

In the month of September, N510.27 billion was allocated for sharing, out of which Federal Government got N149.310 billion, states N75.732 billion, LGs N58.386bn and N20.293 billion as 13 per cent derivation. The October allocation was N420 billion. Federal Government got N120.351 billion, states N61.044 billion, LGs N47.062 billion while N13.729 billion went to oil producing states. In November, N420 billion was approved by FAAC. Federal Government got N96.674 billion, states N49.035 billion, LGs N37.804 billion, while oil-producing states got N13.548 billion. The last allocation in 2016 was N386.879 billion.

Federal Government's share was N97.897 billion, states N49.655 billion, LGs N38.282 billion and N13.613 billion as 13 per cent for oil producing states. At the last FAAC session held in Abuja on December 15 2016, the amount available for sharing dipped by N33.1 billion, leaving the sum of N386.9 billion. The Minister of Finance, Mrs. Kemi Adeosun, represented by the Accountant-General of the Federation, Mr Idris Ahmed, attributed the low distribution to decrease in crude oil export by 0.34 million barrels per day, notwithstanding an increase in the average price of crude oil from $46.54 to $47.08 per barrel in November.

However, hope for improved revenue yields in 2017 has been predicted on Federal Government's ability to push through dialogue with aggrieved militant operating within the creeks of Niger Delta, sustenance of diversification of revenue from oil especially taxes and customs receipt as captured in the 2017 budget of N7.28 trillion. The budget is based on a benchmark crude oil price of $42.5 per barrel; an oil production estimate of 2.2 million barrels per day; and an average exchange rate of N305 to the dollar. The assumptions include aggregate revenue of N4.94 trillion to fund the federal budget, which is 28 per cent higher than 2016 full year projection. Oil is projected to contribute N1.985 trillion of the amounts.

The NEITI quarterly review, revealed that in the first half of 2016 all tiers of government received less revenue from FAAC than revenues disbursed to the various tiers of government during the same period last year. The review which is NEITI's policy review intervention stated that the general decline of revenue received by the three tiers of government had implications for governance, security and development at the three levels. The NEITI quarterly review identified drastic fall in oil prices, lower oil production and militant activities in the Niger Delta as responsible for the shortfall in the oil revenues generated and received during the period under review. From the report, it explained that all levels of government will have challenges implementing their programmes and activities in this year's budget as a result of poor funding. The goal of NEITI analysis of FAAC disbursement to states is to identify the gaps, benefits and provide information to enable average citizens use this information and data to hold government to account.

## FEEDING BOTTLE FEDERALISM: EXPLORING THE CHALLENGES

It is axiomatic to observe that revenue sharing and allocation between and among the federal and other tiers of government have become the most contentious issue in Nigeria's fiscal federalism. This is because revenue allocation is fundamental to the political stability of any multi-ethnic country like Nigeria. Accordingly, fiscal matters transcend the purview of economics. In plural societies fiscal issues assume political, religious and social dimensions. This is because that the percentage of the revenue accruing to the Federal Government vis-à-vis other federating units is lopsided and is in favour of the former and this has eroded the financial autonomy of states, making the Federal Government to venture into areas exclusive to or shared concurrently with the two tiers of government. As Adesina posited:

The principal effect of overbearing lopsidedness of the revenue sharing system has continued to strengthen the position of the Federal Government and in turn weaken the position of the other two tiers. It can be argued without fear of contradiction that one of the reasons for the high turnover in revenue allocation principles and formula is the relative share of each layer of government in the Federation Account. Each level of government, particularly the states, only agitates for reviews of the formula so that more money can be allocated to them. Scholars on Nigeria's fiscal federalism such as() share the general opinion that the Federal Government controls a disproportionate amount of resources to the detriment of the states and local governments. The Supreme Court judgment on Onshore and Offshore Dichotomy has proved this right. There is flagrant violation of revenue allocation laws by the Federal Government to its advantage. Before now, not all federally-collected revenues are paid to the Federation Accounts for distribution among the tiers of government. For instance, Femi Okunnu described the 54 per cent share of the Federal Government as outrageous. In his opinion, the Federal Government should not take more than 25 per cent.

The former Federal Commissioner of Works and Housing in the 1970s recalled that, before independence, the colonial government with the consent of the regional governments appointed the Fiscal Commission to look into the functions and powers of the legislative list and determine the percentage of revenue the regional government will need to carry out their functions and the percentage that will go to the Federal Government to service its own functions. He said:

That was how government at independence up to the time of Murtala/Obasanjo followed the fixed constitutional formula of 20 per cent to the Federal Government, 50 per cent to the states and the remaining 30 per cent to distributive pool to be shared among the regions or states. But, today, the Federal Government takes 54 per cent to discharge its own functions. The functions as listed in the 1999 Constitution include weights and measures, traffic on federal roads, declaration of waterways, stamp duties, quarantine, designation of professional occupation, passport and visa, insurance, law of evidence, awards of national honours, law on copy right and such other functions which do not require a great deal of expenditure. Rather, some of them like stamp duties and passport generate income for the Federal Government. There are some functions, which the government itself is selling to the private sector which require little expenditure.

All functions listed in the Concurrent Legislative List and Residual Powers that are not listed in the Exclusive Legislative List like primary healthcare, education (primary and secondary), land, housing, water supply and agriculture are mainly the basic functions of the state governments. These are the areas through which the people feel the impact of government every day and they require huge capital outlay to accomplish, compared with the Federal Government's functions. Why should the Federal Government's share of the Federation Account jump from 20 per cent to 54 per cent when the functions of the states are getting bigger?.

## MILITARY BRAND OF FEDERALISM

As a result from the oil wind fall, the Federal Military Government of General Yakubu Gowon promulgated Decree No 3 which increased financial allocation to the Federal Government and reduced export duties that went to the States from 100% to 60%. The Federal Government also took over many functions of the State Governments like primary and tertiary education. From then on, the principle of derivation was gradually jettisoned. There is no gain saying the fact that the demand for resource control now is the extreme case of an indirect clamour for a return to the principle of derivation.

An economist, Adedotun Philips, believes both the state and local governments are short-changed, because they receive only half of their constitutional entitlements from the Federation Account, due to the Federal Government's subterfuge. He blamed the military for arbitrarily increasing what accrues to the Federal Government. He said:

> It expanded substantially from 52 per cent in 1983 to 74 per cent in 1995. On the other hand, there was abysmal decline in state governments' share from 40 per cent to below 20 per cent within the same period [5].

Adedotun said the situation was compounded by the fact all tiers of government, particularly state and local governments, depend on statutory allocations for their survival. He said: "Therefore, whenever there is a drop in allocations, their development efforts are adversely affected. Rather than supplement the internal revenues of the states, the statutory allocations to states on the average account for over 80 per cent of their revenue. In fact, it is the primary source of the states' financial resources. This simply exposes the weakness of Nigeria's federalism in which the states and local tiers of government lack the necessary initiatives to mobilise resources internally, thereby failing in their responsibilities to the people.()

## DISTORTION OF HISTORICAL FACTS

In Nigeria, certain basic principles are used for revenue allocation. They can be subsumed under three broad heading namely: (a) Derivation (b) Need and (c) National Interest/Even Development. Other, but with less emphasis are (i) population (ii) geographical peculiarities (iii) absorptive capacity, (iv) internal revenue efforts (v) equality of States (vi) continuity (vii) fiscal efficiency (viii) national minimum standards for national integration (ix) Land mass and (x) financial comparability [8].Evidently, the general principles of fiscal federalism seemed to have informed the Nigerian experimentation with different principles dictated by the miscellany of historical exigencies and peculiarities of a developing political system. From Phillipson Commission (1946) through Rausman (1958) to Binn's (1964), the derivation and consumption principles were considered the most important factors while population was indirectly introduced as a means of allocating federal block grants to the regions.

[5] while reflecting on this said it is ironic that the country is not ready to face the historical truth about the basis of the revenue allocation, particularly the reason why the colonial era and, until 1979, the Federal Government was assigned only 20 per cent of the revenue allocation, instead of the 54 per cent it now receives for running the central government. Quoting copiously from Section 134 (1) of the 1960 Constitution, [3] said:

> There shall be paid by the Federation to each region a sum equal to 50 per cent of the proceeds of any royalty receive by the federation, in respect of any mineral extracted in that region and any mining rents derived by the federation during that year from within that regions. The Federation shall credit to the Distributable Pool Account, a sum equal to 30 per cent of the proceeds of any royalty received by the federation, in respect of the mineral extraction in any region and any mining rents derived by the federation from any region. The elder statesman said the remaining 20 per cent was kept by the Federal Government as its own share and that under the colonial rule the revenue allocation was fashioned in

> such a way that regions would derive revenue from the Federation Account according to the functions and powers allocated to them under the constitution **[6].**

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## LACK OF FINANCIAL AUTONOMY

In 2016, a groundswell of criticisms trailed the bailout package approved by the Federal Government for itself and the states as the action had been described as the exoneration of governors from the guilt of fiscal indiscipline. Meanwhile, the Ekiti State chapter of the All Progressives Congress (APC) criticised Governor Ayodele Fayose over his recent comment on the bailout fund , saying it is ingratitude taken too far. Fayose had said that the fundout of which Ekiti State benefited in billions of naira, was not a bailout but an amount due to the State from the Federation Account.

Two civil society groups- Centre for Social Justice (CSJ) and Citizens Wealth Platform, faulted the decision, adding that the bailout was also a setback to the promised diversification agenda by the current administration, as huge sum of profit, savings and loans are being put forward at a go, to fund mismanagement of public trust. The Lead Director, Centre for Social Justice (CSJ), Eze Onyekpere, who decried the bailout, said that on the surface, the policy might appear to be a welcomed one, but a proper analysis of its legal and policy implications sends wrong signals for the improvement of fiscal governance particularly at the state level.

President Muhammadu Buhari had approved that the three tiers of government share $2.1 billion proceeds of investments in the Bonny Liquefied Natural Gas Project; $1.6 billion from the Excess Crude Account (ECA). He also ordered the Central Bank of Nigeria (CBN) to provide a loan package of between N250 billion to N300 billion for states to pay arrears of workers' salaries, while the Debt Management Office (DMO) is to facilitate the restructuring of the commercial loans put at N660 billion and extend the life span of the loans to reduce states' debt service obligations. He lamented that in the discussions between the President and the governors, which preceded the bailout package, there was no mention or acknowledgement of the contributions of governors to the inability of states to pay workers and the parlous state of their finances.

Constitutional lawyer Dr. Ejike Ezimora while commenting on lack of financial independence by the sub-national units in Nigeria posited that one major feature that is lacking in the Nigerian federalism is financial autonomy. He said this has never been achieved in Nigeria federalism. The high level intervention of the Federal Government through national financial policies, grants-in-aids among others, increases its power and makes the federating units subordinate to the central government.

Ezimora explained:

> The increased revenue from oil boom has made the Federal Government to be more financially powerful over the state governments than before. As a result of this excess liquidity, the Federal Government embarked on some projects which were meant to be in the Residual List. The Universal Basic Education project and primary healthcare are examples. "Today, the revenue profiles of the states show little growth potential while, conversely, the expenditure shows a high growth potential. This is very unhealthy and suicidal of a federal polity. That is the reason why many states are openly calling on the Federal Government for financial assistance, thereby making the constituent governments subservient to the central government. "If states find that the services allotted them are too expensive to perform and if they call upon federal authority for grants and subsidies to assist them, they are no longer coordinate with the Federal Government, but subordinate to it. Financial subordination makes an end of federalism."It follows, therefore, that both state and federal authorities in a federation must be given the power in the constitution each to have access to and to control its own sufficient financial resources. Each must have a power to tax and to borrow for the financing of its own service by itself **[3].**

## Lack of Reliable Socio- Economic Data

The Nigerian government financial system operates a structure where funds flow to the three systems of government from what is termed the Federation Account. The Federation Account serves as the central pocket through which our Governments – Federal, State, and Local Government – fund developmental projects as well as maintain their respective workforce. The Account is maintained from monies the following: flow of Revenues Oil Revenue (Market Price) Excess Crude Budgeted Oil Revenue, Customs & Excise Duties, VAT, Sales of Assets, Surplus from SOE, Dividend From SOE, Federal Inland Revenue Service collections among others. These revenue sources are later on shared among the different tiers of government.

The Revenue Allocation Formula Vertical Allocation Formula Beneficiary Allocation (% Federation Account) among the tiers is: 1 Federal Government 52.68 2 State Governments 26.72 3 Local Governments (Including Area Councils) 20.60. For Horizontal Allocation Formula Principle/Factor Allocation are shared using the principles: following (i) Equality 40 (ii) Population 30 (iii) Internal Revenue Generation Effort 10 (iv) Landmass and Terrain 10 (v) Education 40 (vi) Health 30 (vii) Water 30 respectively.

And for Local Governments, the Allocation Formula is based on the old indices put in as at November 2013. It is based on the following: Local Government Equality 40% Population

30% Landmass 50% of 10% Terrain 50% of 10% Rev effort 25% of 10% Rev effort 75% of 10% Primary SCH Enrollment 40% of 10% Hospital Beds 30% of 10% Water Supply Spread 15% Of 10% Rainfall Proportion 15% of 10% Local Government Equality 40% Population 30% Landmass 50% of 10% Terrain 50% of 10% Internal Rev effort 25% of 10% Primary School Enrollment 40% of 10% Hospital Beds 30% of 10% Territorial Spread Rainfall 15% of 10% Rainfall Equality 15% of 10% Equality Population 40% 30% IGR 10% Landmass/ Terrain 10% Education Health Water 4% 3% 3% [8].

From the above statistics, scholars have noted that the major problem of inter-governmental revenue sharing in Nigeria has always been the formula for sharing revenue among regions and states that is, the horizontal revenue sharing scheme.

On why Nigeria has failed over the years to come up with an acceptable revenue sharing formula, Eme () blamed it on lack of consensus on the criteria of distribution, the absence of reliable socio-economic data, the rapid rate of constitutional change and the extent to which revenue distribution is tied to perceptions of regional ethnic dominance. In terms of horizontal (inter-state and inter-local) distribution, the Nigerian revenue allocation formula is based on two major principles: first principle of equity which includes even development, national interest, minimum responsibility of government, financial comparability, and primary school enrolment. The second principle is social factor that includes national minimum standard, population landmass, and terrain.

Since independence, each region or state has argued for the revenue sharing principles that support its particular interest. The states in the South-south or Niger Delta Region of the country always agitate for the derivation principle to be the major criterion in revenue allocation formula. This is with the belief that the derivation principle will enable them to benefit tremendously from the large deposits of crude oil in the region. States like Kano, Lagos, Imo, Oyo, Sokoto and Borno want revenue sharing formula to be based on population and landmass, which will work in their favour. From the above analysis, one is meant to believe that it will be very difficult to have an acceptable revenue sharing formula in Nigeria because of its pluralistic nature. Apart from the fact that revenue sharing is seen as a symbol of ethnic domination, there are no reliable and acceptable socio-economic data on which technical impartial allocations can be based.

## RECOMMENDATIONS

Even when it is desirable for Nigeria to have an acceptable revenue sharing formula, the National Assembly is yet to demonstrate an understanding that Nigeria is not working with the current structure. Nigerians need a constitutional reform that will make the country productive; a federal republican arrangement that will launch the federating units into the productive industrial orbit. Not one that would reduce them to indolent unproductive beggars that will go cap in hand to Abuja for monthly subventions. The inauguration by the immediate past administration of the National Assembly's Joint Committee on Constitution Review (JCCR) was a step of faith attesting our general commitment to the Nigeria Project and the awareness that the principles and laws governing the enterprise have to be improved upon for better results. But the body language of the present administration does not suggest that it is interested in constitutional reforms. Irrespective of its lack of political will for reform, this option is better.

The consensus has been very obvious among Nigerians, since the return of participatory democracy in 1999, that what the military bequeathed as a constitution for the country is replete with contradictions and ambiguities that imperil the drive to nationhood. By embarking on the process of reviewing the Constitution of the Federal Republic of Nigeria 1999 (as Amended), the National Assembly had simply given vent to a collective yearning that, hopefully, should see our country lifted out of crippling encumbrances. Among many constitutional oddities that Nigerians have had to contend with, the concentration of power at the centre and the unitary nature of the relationship between the federating units and the centre have been perennial sources of confusion, friction and rancour. The revenue sharing formula is at the heart of the confusion and thus must not be toyed with without the structural restructuring of the country.

What we are saying is that states should be allowed to exploit and control the natural resources at their disposal, create as many local governments as they can afford to cater for and pay tax to the central government to oversee defence, national currency, interior, diplomacy and so on. In policing, tax administration and several other key areas of government, the Federal Government currently wields the type of authority that severely curtails the freedom of other tiers of government to fashion out systems best suited to their socio-political circumstances and developmental challenges. For instance, the Federal Government imposes and collects Value Added Tax (VAT) and determines the formula for allocation to the federating units. Everywhere else in the world where federalism is practiced, federating units determine and collect such taxes.

Except we wish to project our national image as one of counterfeiters, we must address ourselves to the task of eliminating those features of the 1999 Constitution that are irreconcilable with true federalism. Every state of the federation has to be self-sustaining, determining its own developmental priorities and what productive ventures to undertake for the revenue to fulfill the aspirations of its people. That we have overlooked this time-honoured tradition and established such oddities as Federation Account, into which revenues derived from the resources of a few states are paid and later shared out, is a reflection of how unprincipled and dishonest the ruling class of the country has been.

Fiscal federalism will rid our country of so many evils: manipulation of census figures for purposes of influencing revenue allocation, desperation among the elite for control of the centre; agitation for creation of states and local government, and indolence and fiscal recklessness of governments and public functionaries. In truth, the Federal Government has no business with agriculture since it has no constituency as the lands belong to the states.

## CONCLUSION

Nigeria's fiscal federalism is deeply rooted in historical, economic, political, geographical, cultural and social factors. As a result of this, Nigeria's fiscal arrangements remain a controversial issue since 1946 when she became a federation of three units. Fiscal federalism is a particular pattern of constitutional division of revenue powers and responsibilities among levels of government. The federal government however has occupied a very strong position vis-à-vis the State and Local government since the 1970's in Nigeria. This is because most of the power (financial and legislative) relating to economic development has been explicitly centralized at the federal level. It is the position of the paper that a high level of fiscal decentralization is required in Nigeria because of the uneven revenue sharing formula and the need to resolve the controversial issues surrounding the contentious fiscal federalism in Nigeria. In addition, a substantial review of the 1999 Constitution modification is equally imperative.

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