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The politics of fiscal federalism and the challenges of development in Nigeria

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Abstract

In Nigeria, the issue of fiscal arrangement that is generally acceptable to the varied and complex groups within the polity has remained a volatile and often combustible problem. Before and immediately after independence, derivation principles dominated fiscal arrangement leading to emergence of three (later four) regions that are largely centres of socio-economic activities and poles of development within the country. Fiscal centralisation accompanying military rule and prominence of oil receipt however resulted in dwindling fortunes for the country. This paper argues that fiscal centralisation rather than producing equity and even development of the country as justification for its adoption over the years has contributed largely to under performance, infrastructural decay, and general disillusionment threatening the continuous existence of the polity. The paper concludes that a reorientation of the fiscal practice along genuine decentralist path remains the solution to arrest the country's drift to underdevelopment and disintegration.

Keywords: Politics, Fiscal Federalism, Challenges, Development, Nigeria

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1. Introduction

Nigeria, no doubt is currently at cross roads regarding the development in its fiscal and socio-economic processes with corresponding implications on the continuous existence of the country as a sovereign polity. This paper addresses the issue of fiscal federalism in Nigeria by transcending the concern with ordinary economic equation and other issues such as efficient allocation of resources. This is done in view of the agreement among scholars of fiscal federalism that the allocation or distribution of resources among levels of government is not only economic but also political (Olaloku, 1979). In fact, revenue allocation or fiscal federalism is seen as a reflection of social and economic conflicts between class and groups in a particular country (Olowononi, 1978).

At independence, Nigeria developed along the British imposed three (later four) regional structure. These regions were centre of socio-economic development drawing resources from naturally endowed agricultural products of cocoa, coffee, cotton, palm oil and crude oil. However, this pattern of development was soon abandoned as crude oil gain increased prominence in the balance of trade of the country. In fact, by the mid 70s, oil revenue had become the new fiscal base of the political economy. The control of the new source of wealth, the crude oil, was taken over by the federal government thereby increasing the stake of politics at the centre. The nature of the hegemony politics assured the majority groups of the control of the centre to the exclusion of the minorities Niger Delta whose "vein" produced the crude oil. While the issue of hegemony has pitched the North against the South since independence especially in the contest for political space, the other minorities in the three regions of the country had in turn complained of hegemony of the ruling elite in the North, Western and Eastern regions of the country at independence.

Over the years state and local governments' creation have been designed as a solution to this hegemony. However, the successive efforts by the military rather than addressing the imbalance have further worsened regional disparities in both political and economic opportunities available in the country. And this is mostly felt in the area of resource allocation or fiscal federalism which contrary to expectations, the division of the old regions into many smaller states has not translated into more revenue for the minorities or greater influence in the political arena. Thus, the exploitation of crude oil continue unabated without due cognisance to the views and aspirations of the oil bearing communities by both the oil multinationals and the Nigerian government who by virtue of Petroleum Decree of 1969, Offshore Decree, 1971 and Land Use Decree 1978 received the largest percentage of the oil receipt.

Therefore, the gradual environmental degradation spawned by lack of regard for the environment and people of the Niger Delta apart from producing discontents among the oil bearing communities has fed into an equally debilitating feature of Nigerian state which is lack of concern for the wellbeing and the social economic challenges facing Nigerians as a whole; thereby leading to proliferation of other demands groups such as OPC, BAKASSI BOYS, EGBESU BOYS, MASSOB and the latest BOKO HARAM in the country.

2. On politics and economics of fiscal federalism in Nigeria

Most writings on federalism assert its pluralist nature. K.C Wheare`s original thesis clearly recognized this as he argued that "... by federal principle I mean the method of dividing powers so that general and regional governments are each, within a sphere are coordinate and independent" (Wheare, 1964). In the words of another scholar, K.C Wheare's original thesis centres on the formal division of powers between levels of government as a way of expressing the inherent plurality in a federal system of government (Jinadu, 1979). Thus, federalism is a device aimed at formally recognizing diversities inherent in a plural society.

Such thinking as the above also informs Smiley's comment that

> *... a federal system must attempt to deal with diversities which are territorially based either by conferring the power over some of these pervasive diversity on the states or by giving the constituent (local government) units a permanent voice (or function through decentralization or devolution) in the central government to make the citizens feel the impact or presence of government* (Smiley, 1977).

Thus, Friedrich attempts to grapple with those forces that define or delineate pluralism in federalism. In his perspective, federalism results from the unwillingness of groups of people to subject themselves to one government in all matters. This unwillingness, he argued, is a manifestation of societal cleavage in respect of race, language, religion and culture and geography. Friedrich further observes that the mere drafting of a constitution does not put an end to these forces termed interests, values and beliefs. Conflict over the distribution of power persists but the arena is changed to the legislatures, the executive councils and above all, the court of justice and all common institutions. If on one hand, prevailing values and interests favour decentralization; governmental structures would reflect this and tend towards disintegration. If on the other hand, centralization is believed to be beneficial, segments of the regional government would remain subservient to gradual centralization. Since ideas, values and belief change over time, the structure of federalism could also change (Friedrich, 1963).

This concern with understanding the forces underlining and at the same time shaping the plural nature of federalism is further taken up by Livingston. For Livingston cited in Dare,

> *… essence of federalism lies not in the institutional or constitutional structure but in the society itself. Federal government is a device by which the federal qualities of societies are articulated and protected* (Dare, 1979).

From Livingston's perspective a federal society is one with a plurality of ethnic groups with different historical, cultural and linguistic backgrounds, but in which each ethnic group occupies a marked and distinctive geographical location from the others. Federalism therefore becomes a device for achieving unity in diversity (Livingston, 1956). He however emphasized the need for common political traditions if federalism is to survive. In his words

> *... of all the factors that go into the matrix out of which federations are produced similarity of social and political tradition is probably the most important* (Livingston, 1956).

Livingstone also acknowledges the fact that social diversities which initially necessitated a federal arrangement are constantly in a state of flux and they do affect the outward forms of the constitution. Thus, "changes in the constitutional arrangement (not amendments) reflect the interplay of societal forces... In short the constitution affects and is itself affected by societal diversities'' (Livingston, 1956).

It should be noted that federal institutions might be designed to meet the particular needs of the communities establishing them (Ramphal, 1979). Therefore, various institutional arrangements are put in place by different countries to achieve their objectives for adopting federalism. These institutional features of federalism are designed to reflect the socio-economic and cultural forces that propel the establishment of federalism (Jinadu, 1979).

Institutional features of federalism are designed to organise a country dynamic social, economic and political forces to stimulate growth and development. This argument is derived from the works of notable scholars of federalism and that stress the capacity of federalism to create more political and economic spaces which can be converted to avenues for rapid socio-economic and political development of the country.

In other words, the federation can stimulate economic growth and development. In supporting this view, most literature on federalism have argued that state and local governments can serve as semi-independent and entrepreneurial poles of development, both for resource mobilization and for the provision of public goods and services in a manner that is more responsive to citizens' needs and demands than provision by a single central government. This argument also recognizes the need for effective coordination and management of national economic by the federal government to reduce regional inequalities (Adamolekun and Kincard, 1991).

Thus, there is a growing scholarship on the nexus between federalism and increase economic performance. Such increased performances or economic prosperity are linked with the decentralizing properties of federalism. Kincaid maintains that:

> *a market economy is essentially a non-centralized self-organizing system that produces order out of repeated human interactions within a framework of law while federalism is a non-centralized self- organizing system that produces order out of repeated inter-governmental and inter-jurisdictional interaction within the framework of institution or constitutional treaties. In this respect, there are important compatibilities between a well functioning federal system and a well functioning market economy* (Adamolekun and Kincard, 1991).

On the political development argument, federalist pursuit of political development slightly varies from the political integration arguments especially those that see political development as integration and consolidation of power and authority rather the idea of unity in a federal system developed from multiplicity, only as one aspect of the social process in a federation or to state it in the often used words, federalism recognizes unity in diversity. This is aptly captured in Elaigwu's definition of federalism that

> *a federal system of government arises from desire of a people to form a unity without losing their identity. It is a compromise in a multi-national state between two types of self-determination- the determination to maintain supra-national framework of government which guarantees security for all in the state, nation or the nation- state on the one hand and the self determination of component groups to retain their individual identification on the other hand* (Elaigwu, 1993).

The underlying principle of federalism especially as it affects both political and economic orientation informs allocation of revenue in most federal system to ensure equity, fairness and efficiency in the distribution of resources in the country. Thus, fiscal federalism deals with the allocation of government spending and resources to the various tiers of government so that each one can perform its responsibilities (Taiwo, 2004). In other words fiscal federalism "exists when sub-national governments have the power given to them by the constitution or by particular laws, to raise (some) taxes and carry out spending activities within clearly established legal criteria" (Tanzi, 1995).

The concept of fiscal federalism therefore suggests that the allocation of responsibilities of the various tiers of government should be such that the central government would be responsible for the provision of national public goods and pursuit of equity and stabilization goals of government. Sub-national government should then be responsible for the provision of local public goods. The sharing of government revenue among the various tiers of government should also complement the sharing of government functions, and taxes that are geared towards the pursuit of central government functions should be centrally collected. This system of collection also tends to be appropriate where there are substantial economies of scale in tax collection, where the desire for tax uniformity is high and where the distribution of the tax base is highly uneven or highly mobile across jurisdiction (Taiwo, 2004).

Also, as the principle of expenditure assignment are largely independent of the principles of tax assignment, there is need for another exercise, namely, revenue sharing to supplement the independent or internally – generated revenue of the sub-national governments. Revenue allocation is generally a complex exercise as it involves both equity and efficiency issues and the value judgment of the government (Olaloku, 1979; Olowononi, 1998). Thus, political considerations have always influenced the economics of revenue allocations in most federations of the world inclusive of Nigeria. This is due to the fact that there is non-correspondence between assigned functions to different levels of government and taxes or revenue needed to execute such functions in most federations. As a result, the higher-level government like the centre makes transfer of resources to the federating states and localities. These revolve around principle such as fiscal equity and efficiency especially in most developed federations of the world. However, in developing federations like Nigeria, other principles have emerged quite different from the former as a result of their being confronted with economic changes which required rapid response and adjustment than what the older federations experienced (Olaloku, 1979). Such principles include derivation, needs and national development.

In Nigeria, the combination and application of some of these principles at various stages of development of the country has produced turbulent and highly politicized system. Currently, the forces agitating for greater weight to be attached to derivation principles are increasingly becoming ferocious than those agitating for other principles and the inability of the Nigerian state and government to respond positively and make necessary adjustment in the fiscal transfers constitute the kernel of prevailing crisis in the Nigeria political economy and underline the continuous marginalization of various groups within the country especially in the Niger Delta region of the country.

This paper adopts political economy approach, it concentrates on describing how political and economic systems overlap and affect each other, and how they affect policy making, the allocation of resources and the quality of life in societies (Frey, 1978). However, a qualification has to be made on how this framework is employed in this study. This deviates from a unidirectional understanding of the effects of socio-economic forces on political institutions. Rather, it borrows from those perspectives on the parallel existence and mutual interaction of "state" and "market" in the modern world that have resulted in the use of the concept of "political economy" in academic discourses and policy analysis. Political economy is thus seen as the product of the reciprocal and dynamic interaction of administrative and market forces (Danjuma, 1994).

The neo-Marxists or writers employing largely the Marxist political economy genre, especially in their analysis of neo-colonial countries like Nigeria, have extended the frontiers of the nexus between politics and economics. They promoted an inversion of Marxist concepts of base and super structure. Their argument stems from the fact that, rather than the political power deriving from economic structures and relationship, "political power, administrative and military which creates the possibilities of enrichment and provides the basis for the formation of an economically powerful class which may in due course become an economically dominant one" (Graf, 1983). Thus, the political economy of Nigerian federalism reveals how the Nigerian ruling elites seek to expand the frontier of their capital accumulation and surplus appropriation, not minding what happens to the "wretched of the earth "the bois polloi" and the environment where they accumulate their capital'' (Momoh and Ajetumobi, 1999). This paper is analysed within the context of the above argument to bring out the relationship between fiscal federalism and underdevelopment of the country.

3. Historiography of fiscal federalism in Nigeria

The history of fiscal federalism in Nigeria from 1946 to 1968 was marked out by the emphasis on the principles of derivation. However, other principles such as needs, even development and minimum responsibility took less prominent weights in the fiscal federalism during this period. In other words derivation principle was dominant in the Phillipson commission in 1946; Hicks – Phillipson Commission (1951), Chick Commission (1953), Raisman Commission (1958), Binns Commission (1964), and Dina Committee (1968).

The Dina committee is important in the fact that having recognised that the most urgent problem facing the nation is the great imbalance in economic development among various states of the federation. However, the recommendation of the Dina Committee was never implemented. Its report has been regarded as not only an outstanding documentation on the country's fiscal system, but also too far ahead of its times (Adesina, 1998).

4. Needs, population and even development as principles of fiscal federalism

The period 1970 to 1975 saw the promulgation of decrees on revenue allocation even if no committee or commission was established for the purpose. These decrees introduced interim revenue allocation arrangements, which initially relied heavily on the principle of derivation and, to a lesser extent, need. As a result of this development, 90 per cent of duties from motor fuel went to the state of consumption and the rest was paid into DPA while 45 percent of mining, rents and royalties from on-shore oil production went to the state of production with 50 per cent going to the DPA and 5 per cent for the need of the Federal Government. On the other hand, 100 per cent of mining rents and royalties from offshore oil production as well as 50 per cent of excise duties went to the Federal Government with the remaining 50 per cent of the latter being paid into the DPA. This revenue sharing formula was however reversed by Decree No. 6 of 1975, which increased the amount of revenues going to the Federal Government, while reducing those of the federating states. The period witnessed a progressive reduction of the principle of derivation and the strengthening of the principles of needs and population (Obi, 1998).

The Aboyade Technical Committee on Revenue Allocation recommended the establishment of a "Federation Account," a common pool into which all federally-collected revenues (except the personal income tax of members of the armed forces, and the Nigeria Police, external affairs staff, and residents and non-residents of the Federal Capital Territory) would be paid and shared among the three tiers of government. The disbursement of the Federation Account is to be done using the following percentages (Offiong, 1997).

Federal Government	57%
State Government	30%
Local Government	10%
Special Grants Accounts	3%

In addition to the 10per cent allocated to the local governments, each state, the committee recommended, was also to contribute 10 per cent of its total revenue to the share of its constituent local governments. Five principles were introduced for the sharing of revenue from the states–local government Joint Account (Danjuma, 1994). These are the following: Equality and Access to Development Opportunities 25%, National Minimum Standard for National Integration 22%, Absorptive Capacity 20%, Independent Revenue and Minimum Tax Efforts 18%, and Fiscal Efficiency 15%.

The committee recommended the establishment of a joint Fiscal and Planning Commission for a periodic review of the federal fiscal system. Regrettably, the Federal Government rejected the entire report of the Aboyade Committee which it regarded to be too technical for practical implementation (Danjuma, 1994). The Okigbo Presidential Commission recommended that the Federation Account should be shared as follows:

Federal Government	53%
State Government	30%
Local Government	10%
Special Funds	7%

Special funds were to be allocated as follows;

Initial Development of the Federal Capital Territory	2.5%
Mineral Producing Areas	2.0%
Ecological and Other Disasters	1.0%

Revenue Equalization Fund	1.5%

On the principles to be used in horizontal allocation (i.e. sharing of revenues among the states) the commission recommended the following criteria: Population 40%, National Minimum Standard for Integration 40%, Social Development 15%, and Internal Revenue Effort 5%.

However, the government white paper on the commission's report increased the share of the Federal Government in the "Federation Account" by 20% and lowered the local government share to 8%. To be sure, the report of the Okigbo Commission formed the basis of the 1981 Revenue Allocation Act. The act made slight changes on the commission's recommendation and the structure of the revenue allocation system that emerged was thus;

Federal Government	55%
State Government	30.5%
Local Government	10.%
Special Grants	4.5%

With the assumption of power by the military on December 31, 1983, the Revenue Amendment Decree, Decree No 36 of 1984 not only retained the use of the horizontal principles introduced by the Okigbo Commission, it also amended the Revenue Allocation Act of 1981 and introduced a new revenue allocation formula as follows:

Federal Government	55%
State Government	32.5%
Local Government	10%
Special Grants	2.5%

The Babangida Administration through Decree No. 49 of 1989 appointed the Revenue Mobilization, Allocation and Fiscal Commission to oversee revenue sharing and mobilization. The establishment of this commission represented a radical departure from the use of ad-hoc commissions to examine and make recommendations on revenue allocations in Nigeria. The formula for sharing funds in the Federation Account stood as follows:

Federal Government	47%
State Government	30%
Local Government	15%
Special Funds	8%

In December 1989, the Federal Government accepted the recommendations of the commission on the modification of the sharing formula

Federal Government	50%
State Government	30%
Local Government	15%

Special Funds	5%

The formula for sharing among the federating states stood thus: Equality of States 40%, Population 30%, Landmass 10%, Social Development 10% and Internal Revenue Effort 10%

What is significant about the recommendation of the commission was, first, the revisiting of the principle of derivation as the commission allocated 2 per cent of the revenue from mineral exploitation in direct proportion to the value of mineral extracted from each state, and second, 1.5 per cent was to be administered by the federal Government for the development of the mineral producing areas of the country (Adesina, 1998). As a consequence of the transfer of primary education to local government, Decree No 3 of 1991 made a slight amendment to the sharing formula:

Federal Government	50%
State Government	25%
Local Government	20%
Special Funds	5%

And, by June 1992, there was another revision of the revenue allocation formula

Federal Government	48.5%
State Government	24%
Local Government	20%
Special Funds	7.5%

The Special Account is exclusively controlled and disbursed by the Federal Government according to its "whims and caprices" (Mbanefoh, and Eghwakhide, 1998). This led to reduction in the amount accruing to state governments and local governments from the federation account. The disbursement of Special Account by the federal government is used to favour some states/local governments at the expense of others thereby causing friction and disharmony within the country.

5. Derivation principles revisited

The National Constitutional Conference set up by the Abacha administration established a committee on revenue allocation among other committees. The committee after receiving various memoranda from different groups and parts of the country recommended a new sharing formula:

Federal Government	33%
State Governments	22.5%
Local Government	20%
Federal Capital Territory	1%
Stabilization Account	5%

Economic Development	2%
Derivation	11%
OMPADEC	6%

On the horizontal sharing of revenue the following principles were recommended; Equality of States30%, Population 40%, Social Development 10%, Internal Revenue Effort 10% and Landmass and Terrain 10%. Although the conference recommended 13% for derivation, the 13% derivation was lumped with any amount set aside for funding any authority or agency or the development of the state or states of derivation. While the recommendations of the constitutional conference were far reaching inasmuch as they tended to reduce considerably the proportion of revenue accruing to the Federal Government and thus enhance fiscal decentralization, they were never implemented.

The fourth republic, similar to the second republic has witnessed a continuation of the regime of fiscal centralisation inherited as part of the military legacy in Nigerian federal practice. This is easily reflected in the revenue allocation principles that still give the largest proportion of the federation funds to the federal government at the expense of the federating states and local governments to the extent that the tax jurisdictions of these government are far less to their assigned constitutional responsibilities (Taiwo and Fajingbesi, 2004). Apart from enormous tax power made available to the federal government, the federal government also has the overriding power given to it by the 1999 constitution over the direction and management of Nigerian economy and the central responsibility for the promotion and enforcement of the observation of the fundamental objectives and directive principles of the Nigerian federation which can be used to override any pretension to state fiscal powers. Thus, section 162(1) of the 1999 Constitution provides for a common pool of financial resources (called the Federation Account) into which is paid all monies to be distributed among the federal, states and local government councils in each state.

At the inauguration of the fourth republic in 1999, the statutory revenue allocation from the federation account is as follows;

Federal Government	48.5%
State Government	24%
Local Government	20%
Special Funds	7.5%

However, in pursuant to the provisions of the 1999 Constitution, the Revenue Mobilization, Allocation and Fiscal Commission established to “review from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities” embarked on a review of the existing revenue allocation and recommended a new sharing formula:

Federal Government	41.3%
State Government	31.0%
Local Government	16.0%

Special Funds	13%

The Commission recommended that 60 percent of the Derivation Fund be allocated to the federating states and 40 per cent to the local government councils in the oil producing areas. However, most States especially the southern states are dissatisfied with the revenue allocation formula. This dissatisfaction has to do with what they observed as over-concentration of federal revenues to the Federal Government. These states also felt that if they have substantial control over resources found in their areas of jurisdiction, as it was the practice in the First Republic, more revenues would be available to them for developmental purpose. This necessitated the recourse to the Supreme Court for judicial interpretation of the provisions of relevant section of the Constitution. However, the ruling of the Supreme Court made inevitable further adjustments to the above recommendations, necessitating a radical change in the revenue allocation formula:

Federal Government	46.43%
State Government	33.20%
Local Government	20.73%

However, the Federal Government set aside the recommendation of the RMAFC while the President issued an executive order which still retained the greatest share for the federal government at 54.68%, but with some adjustment as a result of the Supreme Court judgement, the federal government currently takes 52.4%. What this development portends is that the basis for the determination of shares of each tier of government otherwise referred to as vertical allocation formula that has changed with military incursion over the years in favour of the centre is sustained even in the current democratic dispensation. Thus, fiscal centralization has been promoted in spite of rightly held view by most scholars of Nigerian federalism that since Nigeria is characterized by extreme plurality, a decentralized system will be most appropriate for it (Taiwo and Fajingbesi, 2004).

However, no doubt, the judgment of the Supreme Court gave some concession to pressure groups from the Niger-Delta in terms of abrogation of on-shore/off-shore dichotomy, notwithstanding, the pervasive federal dominance of fiscal and social economic process is not in any way in sight. In spite of all these developments, fiscal federalism has continued to be a recurring issue in Nigerian federation, so much that the state governors are proposing a new revenue allocation formula which they believed will address the lopsidedness in the arrangement and free from the centre the much needed resources for developmental purposes at the states and local governments' levels. The proposed revenue allocation is as follows:

Federal Government	35%
States Governments	42%
Local Governments	23%

6. Politics of fiscal federalism as politics of underdevelopment of Nigeria

The politics of fiscal federalism in the country can be traced to the colonial era. As a colonial and dependent economy, there have been a contestation and struggle among the ruling elite for the political control of the state with the ultimate aim of accessing its economic resources. This struggle is set within the context of colonial state system thus its explanation will throw more light on its nature. The Nigerian colonial state served the interests of global accumulation (one drawn into the global economic system), at the periphery through the local extraction and transfer of resources to the metropolis. However, the exploitation of the country did not stop at independence, rather it developed another characters as the emerging ruling elite further intensified such exploitation to satisfy their selfish interest and the objective of the colonial lords. The result of this development for the country is a gradual under-development of its economy (Goulbourne, 1979). Owing to the under-development of the economies of the country, the emerging/ruling elite lack the economic base to control the state. Thus, lacking economic base, the Nigeria ruling elite has recourse to politics, which affords them the opportunity of controlling the use of scare economic resources of the state (Ake, 1996). This is achieved by amassing wealth using the instrumentalities of state power. The inherent diversity in Nigeria federation further introduces a dangerous dimension to this contest for power. The various groups and communities within the country will stop at nothing to gain access to state power knowing full well that this in turn assures them of the control of scare economic resources of the state. The tendency therefore is to exclude others in the process by appealing to ethnic sentiments and adopting if possible, violent means in the process of political competition, which has, as its ultimate and, (state) resource control (Ake, 1996).

However, before and immediately after independence there was agreement among the ruling elite to locate the centre of exploitation and appropriation of the state resources in the regions. Due to the fact that agricultural products which formed the bulk of state resources at this time were evenly distributed in the various regions and more especially because the resources were located in the area of the hegemonic groups controlling the regions; cotton and groundnut in the Hausa / Fulani North, Cocoa in the Yoruba West and Palm Oil in the Ibo East. Thus, the leaders of the major political parties were contended with regional control.

However, while the major ethnic groups benefited immensely from the arrangement the minorities in each of the ethnic enclaves called regions agitated to no avail to control their own political and economic destinies. Even the Willink commission established at the eve of British departure in 1958 could not address the minorities' fears in the country.

Another argument that can be advanced for the exploitation of state resources at the regional level was the "balance of terror" among the three dominant groups. This allowed each group to ward off contestation over the control of its resources from other groups. This manifested in the way the Western region that produced the lucrative cocoa in the world market was able to resist every move by other regions to access its resources through demand for removal of derivation principle from revenue allocation system. However, the state resources that have become regionalized at this period were accumulated by the political elites and their business partners while still committed to social, economic and general well being of the masses. This is ably described by Williams who observes that "the emergent successors to British colonial rule used the marketing boards to finance political activities, accumulate money capital, in their pocket, finance industrial and social development and build an indigenous capital class" (Williams, 1980).

The collapse of the prices of commodity products of cocoa, groundnut and palm oil in the world market which formed the pivot of regional economy in the first republic coupled with increasing prominence of oil receipt in the Nigerian revenue profile led to a shift in the arena of competition for state resources by the political elite from the regions to the centre. This shift was affected through promulgation of Decrees 15 of 1967, 13 of 1970, 9 of 1971 and 6 of 1975. Thus, with the promulgation of the above Decrees, the balance of control and access to revenue effectively shifted to federal government leading to fiscal centralization (Turner, 1978). Fiscal centralization becomes inevitable because apart from the nature of production and system of collection of oil revenue which is both an enclave economy with foreigners controlling its production while oil rents, royalties are paid directly to the federation account, even the multi-national companies involve in oil production prefer to deal directly with the federal government than other levels of government to ensure predictability and guarantee security, which may not be easy to realize when dealing with many centres of power (Obi, 1998).

Another reason is the need to protect adequately the selfish interest of the ruling elite irrespective of geographical and political differences. Here, the argument is that contrary to claim by the federal government that oil revenue are used to pursue national integration, maintenance of political stability and even development as reasons for reducing weight attached to principle of derivation to the oil producing areas instead oil wealth have been used largely to sustain a national (parasitic) political elite (Ihonvbere, 2003).

The third reason for fiscal centralisation as part of hegemony politics is the exploitation of the minority ethnic groups on the altar of unity and national development. This can be seen in the fact that when the agricultural products from the major ethnic groups constituted the major sources of revenue for the country, derivation principles with the regions retaining largest proportion constituted the core of the revenue formula. However, when source of revenue shifted to crude oil from the minority ethnic groups, revenue is taken over by the federal government distributed on the basis of needs, population and national interest. From the above, it is obvious that fiscal centralisation would not benefit the oil minorities who remained marginalized from the scheme of things and were dominated in the most strategic sphere of national life (Obi, 1998) and this is especially manifested in the political process and economic management of the country. The need to redress the lopsidedness has constantly defined the struggle of the Niger Delta minority against Nigeria state, its ruling elite, the oil multinational and lately the ruling elite of the oil bearing states.

Apart from the oil-bearing communities, the effect of this fiscal centralization for the whole country is that a centralized course of development was embarked upon which while sustaining a ruling elite that takes advantage of state resources to satisfy personal ends, resulted in lack of overall socio-economic development of the country. Hence, the socio-economic situation and welfare needs of the general populace which include provision of basic public amenities such as good health system, education, water, light and good roads among others is yet to improve after more than twelve years of democratic dispensation that has been fortunate to coincide with period of high increase in revenue accruing to the country as a result of global oil price increase. One of the reasons partly responsible for this is a continuation of pattern of excessive centralization inherited from the military where the federal government alone appropriated over 50 % of the revenue accruing to the federation while leaving the states and local governments to share the rest. The extent of general poverty level is reflected in the fact that about 70% of Nigerians are currently living below $1 per day. This is a reflection of federal government management of the country’s socio-economic process as it concentrates more powers and functions. For instance, the proliferation of agencies at the centre to perform functions that could best be handled by states, local governments and even nongovernmental organisations has led to less than optimal performance with accompanying monumental loss of resources to duplication, waste, corruption and the like. This fact has been attested to by the Oronsaye committee that have recommended the reduction of federal government agencies from 263 to 161 with the ultimate aim of saving revenue that goes to over head and other recurrent expenditure and thus free resources for development (The Punch, 2012).

This development explains the current situation whereby the economy growth as declared by government over the years has not been reflected in the socio-economic development indicators such as level of poverty and unemployment in the country. Thus, the country is witnessing diverse social crisis partly resulting from failure of over concentration necessitated by fiscal centralisation. For instance in the Niger Delta, before the amnesty programme that led to the surrendering of arms by militants in exchange for reorientation, rehabilitation and reintegration into the society, activities of various militants groups have been more brutal as rarely does a day pass without them fighting, kidnapping or killing either government security agents, staff of petroleum companies or rival groups. In fact, in 2001 the situation got to a point in Odi, Bayelsa State that after some police officers were killed, government had to send troops that raped, killed and eventually destroyed the town. However, before things got awry as result of government repression of the various groups demanding for federal government attention in the oil bearing communities of Niger Delta, groups as such as Movement for the Survival of Ogoni People and Ijaw National Congress among others had peacefully demanded for fiscal federalism and equity in allocation of natural resource or resource control and environmental protection among others to mitigate several years of neglect resulting in squalor, deprivation and environmental degradation and crisis.

Also, it needs to be stated that in spite of implementation of the Amnesty programme initiated under Yar Adua presidency for the past two years, there still remain pockets of protestation in the South-South region of the country. This is evidenced by the protest of MOSOP over what it considered as exclusion and unfair treatment in the amnesty programme and the implementation of United Nations Environmental Protection report and other matters in Ogoniland. Even, violence is yet to completely abate as recently shown in the blowing up of a trunk line belonging to AGIP in Bayelsa state.

In the south-western and south-eastern part of the country with groups such as OPC and MASSOB, these groups have been regular vendors of violence. There have been reported cases of violence perpetuated against other groups or even among factions of the same groups. For instance, in 1999, members of the Oodua People's Congress fought the Northerners and Ijaw youths in Lagos while Yoruba People in the north and the south were attacked in retaliation. Also, in Lagos, factions of Oodua People’s Congress (OPC) fought one another and engaged the police in armed confrontation; they ambushed and nearly killed the state governor which led the president, Chief Obasanjo to threaten to impose a state of emergency on Lagos (Agozino and Ndem, 2001).

In the northern part of the country, apart from the prominent and highly political pressure group, the Arewa People's Congress and its militant arm, the Arewa Youth Consultative Forum, seen by many as the mouth-piece of the North against perceived injustice, deprivation and marginalisation in the Nigerian state; Sharia legal system adopted by some Muslim states in the North also constitute decentralising pressures on the state as well as avenue (at least religious) for coping with socio-economic challenges of the federation. It has been observed that the reasons for emergence of Sharia include socio-economic factors, identity politics, construction of alternative political platform and pressures from international environment (Agozino and Ndem, 2001).

From socio-economic explanation, Sharia issue attained prominence in the country again as a way of demonstrating lack of faith in the current democratic project by groups who felt most the effects of state failure in various areas of urban decay, moral destitution, generalized insecurity of life and property and collapse of social services and public infrastructure. Also, as a response to perceived state failure, the Muslim north, like other groups in the country such as Oodua People's Congress or Anambra State Vigilante Service otherwise known as Bakassi Boys, was compelled to seek alternative framework for identity. The Sharia identity of the political north "as claimed by Fayemi is further used as a counter weight against the Obasanjo Presidency'' (Fayemi cited in Agozino and Ndem, 2001) and as a means of construction of alternative political platform, which, becomes an issue with the obvious collapse of a monolithic north as a useful political platform. The need therefore arises for mobilization of people around Sharia as a means of presenting a project of one north again. Thus, it is argued that

> *"Sharia is the outcome of a convergence between politicians and religious fundamentalists, each with a different agenda – one secular and the other profane at a certain historical juncture in Nigeria's history"* (Mohammed, 2005).

However, as observed with groups in other parts of the country, the Sharia project becomes more political than religious and since its enforcement requires recruitment of security forces outside the regular Nigerian police force, it was not long before such security operatives become arms brigandage maintain to support and oil the political machine of their benefactor. In other words the emergent of the most current threat to the existence of the country, the activities of the group known as Boko Haram which translates to western education is sin, can be traced to the activities of those groups responsible for the enforcement of Sharia legal system in some parts of the North. Thus, political Sharia created the objective condition for growth of Boko Haram and its entrenchment in the socio-fabric of the Northern society.

Boko Haram, a by-product of implementation of Sharia legal system in the North, currently adopts terrorist strategies which include kidnapping, killing and the latest in Nigeria, suicide bombing in making its demands for a strict implementation of Sharia law and establishment of a theocratic state in the North. This stand has led to argument that the group is more religious than socio-economic demands group. However, when one considers its support base which include the teeming population of uneducated, jobless, and poor people who had obviously been neglected by the state for so long due to implementation of anti-development policies and programmes coupled with lack of basic infrastructures and amenities in most part of the North especially comparable to the South, one cannot but agree with the governor of Niger state whose state is affected and more so given his position as the chairman of Northern governor's forum that Boko Haram crisis can be blamed on economic problems, inequities and need to fashion programmes to address equitable allocation of resources. He went further to state that the current challenges is only masquerading as ethnic, religious and security threat in the North (Babangida, 2012).

7. Conclusion: The search for solution

The way out of the present predicament of the country will involve a reorientation in its fiscal practice. This will involve a structural change to genuine decentralisation with accompany fiscal federalism to free the resources tied down at the centre to states and local governments for development purposes. However, to avoid decentralising corruption, grafts and wastage that have become the signature of federal government in the country, there is a need to put in place instruments to ensure that fiscal transfers are tied to responsible fiscal behaviour for the states and local government. To this end, Suberu (2004) has suggested that fiscal transfers should be tied to financial accountability and independent revenue mobilisation effort.

Also, over head cost such as salaries of politicians and civil servants and other recurrent expenses can be tied to internally generated revenues of the states and local governments and not made uniform across board. Such arrangement will take into cognisance the level of development of different parts of the country. This will ensure that cost of governance is drastically reduced with monies free for social and welfare spending to mitigate restiveness and insurgents in the country.

Lastly, state governments will need to intensify on their lobbies and pressures on the federal government through every available constitutional means and moral suasion to extract more concessions in fiscal federalism as it happens in the centre's fiscal concessions to the Niger-Delta States.

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