



Nigeria: Does the center keep too much of the cash?

BY *KINGSLEY KUBEYINJE*

Nigeria is yet to have a nationally-accepted revenue sharing formula among the three tiers of government, 57 years after the first attempt and almost 43 years after attaining independence in 1960.

A new bill, seeking to share federally-collected revenues among the federal, state and local governments, is before the upper chamber of the bicameral National Assembly, as the federal parliament is officially known.

If eventually passed, Nigeria would be getting its tenth sharing formula. Yearly, some \$5 billion (US) is shared between the various governments.

The bill proposes to allocate a little less than half of total revenue to the federal government, a third to the 36 state governments and the new federal capital territory (Abuja) and a fifth to the 774 constitutionally-recognized local governments in the country.

The Supreme Court rules

Revenue sharing, euphemistically referred to as the “national cake,” is a contentious and highly-politicized issue in Nigeria. Under the soon-to-be discarded formula, the federal government receives almost 55 per cent, states get about a quarter and the local councils a fifth. Indeed, this sharing formula was hurriedly packaged in July 2002, after the Supreme Court, in a landmark judgment four months earlier, scrapped the then sharing formula, which was put together by the country’s erstwhile military dictators in 1992.

Delivering judgment in the resource control suit between the federal government and the 36 states, the Supreme Court abolished “first line charges” contained in the 1992 formula. The charges totalled 7.5 per cent and made up the Special Fund. This fund, administered by the federal government, was shared out to some projects and institutions, including the Niger Delta Development Commission (NDDC).

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The NDDC, a body set up to fast track the development in the resource-rich but highly impoverished oil communities got 3 per cent, while Abuja, the Federal Capital Territory got 1 per cent. The Ecological Fund was allocated 2 per cent; derivation, 1 per cent; and statutory stabilization, 0.5 per cent.

The resource control suit was itself a result of the persistent and strident cries by some states, especially the oil-producing ones, that there is injustice in the sharing of petroleum

revenue. The states have always demanded that since oil revenue constitutes more than 90 per cent of the nation’s foreign exchange earnings and about 32 per cent of its the GDP, they should get much more than non-oil-producing states. The suit was instituted by the federal government in 2001 to settle once and for all what should be the legitimate entitlements of oil-producing states from petroleum revenue.



Aso Rock, symbol of the Nigerian federal capital, Abuja.

Tension between federal government and states

Besides the Special Fund, the 1992 sharing formula allocated 48.5 per cent of federally collected revenues to the federal government, while the states and local governments got 24 per cent and 20 per cent respectively.

Working out an acceptable sharing formula has always posed a major problem and constituted a constant source of conflict and tension between the federal government and states on the one hand and between the well-endowed states and the less-endowed ones on the other hand. The rows sometimes put a question mark on the unity of the federation.

For instance, following the Supreme Court ruling, which threw the 1992 sharing formula into disarray, President Obasanjo tried to increase the federal government share of federally collected revenues to 56 per cent, up from the previous 48.5 per cent, leaving the states and local governments with 24 per cent and 20 per cent respectively. Obasanjo also attempted to add the 7.5 per cent Special Fund to the federal government’s share.

State finance commissioners rejected the presidential “amendment” and threatened to challenge it in court. The sharp disagreement became a national embarrassment and

caused deep tension in the country. For the period it lasted, the country's more than 1.5 million public servants could not get their salaries.

The 366-member House of Representatives, the lower chamber of the National Assembly, stoutly resisted the unilateral amendment by the federal government, describing the move as unconstitutional.

"State governors should go to court to prove the unconstitutionality of the new revenue formula. The president has no right to unilaterally embark on the revenue formula," the house advised the 36 states in a well-publicized statement.

"We cannot take it, he (the president) cannot do it. We are not going to allow the president to make law on revenue allocation for Nigeria, it is the duty of the National Assembly," said Adebisi Akande, Governor of the southwest state of Osun. He spoke on behalf of his other 35 colleagues.

Tempting the military?

In 2001, Nigeria had an unanticipated windfall of \$1.2 billion from oil, which the federal government kept in a special account. The state governments promptly called for the immediate sharing of the fund and when the federal government attempted to dilly-dally, the states threatened to go to court, on the grounds that the federal government had acted unconstitutionally.

For a nation living under the shadow of its power-hungry military, which only reluctantly handed over power after some 15 straight years, these are indeed worrisome developments. The Nigerian military has always used the flimsiest of excuses to truncate democracy and has ruled the country for 30 of the 43 years of nationhood.

The state and local governments have always felt that the federal government has been too powerful because of the enormous resources at its disposal. They believe that the federal government is getting more than its fair share of federally collected revenues and that they have always been at its mercy. The perceived lopsidedness in the revenue sharing formula, which had always made the constituent states go cap in hand for assistance from the federal government, had caused many political actors and activists to call for "fiscal federalism", as well as the devolution of more powers and resources to the constituent states.

Proponents of "fiscal federalism" are of the view that Nigeria, as it is constituted at present, is a federation only in name and that it is not practicing true federalism.

Indeed, political scientists and historians such as Prof. Kunle Lawal of Lagos State University trace the instability in the Nigerian polity to the enormous wealth at the disposal of the federal government. It is generally believed that if the revenue sharing formula were to be skewed in favour of the state and local governments the country would be more stable for it.

Strong regions at the outset

Indeed, in the First Republic (October 1, 1960 - January 15, 1966), the then-existing four regional governments in the country were quite powerful and they controlled more resources than the federal government. The regions (later

subdivided into states) were fully in charge of the resources derived from their areas and merely paid royalties and taxes to the federal government for common services.

Developments were in full swing in the regions, enabling each of them to develop at its own pace. The Western region government under the late Chief Obafemi Awolowo, became a pacesetter, introduced the first television station in Black Africa, opened up industrial estates, provided free education programs and more. The three other regional governments embarked on development projects of their own.

Political observers, concerned about the weak fiscal situation of the current Nigerian states, still regard the defunct regional setup as the best for Nigeria, describing the period as the country's golden era.

Not a few Nigerians have been calling for a return to the regional setup, which they see as the only way to sustain a tottering federation.

Indeed, the call for resource control in Nigeria – which will make each state take full charge of the natural resources within its precincts – is a protest in itself against what some richly-endowed but politically underrated states regard as the injustice in the revenue sharing formula.

The three biggest ethnic groups, the Hausa/Fulani, Igbo and Yoruba, have always been favoured in the revenue sharing, as well as other largesse in the country, irrespective of their contributions to the national coffers. Indeed, while the "Big Three" constitute the focal point of major decisions in the country, the bulk of the wealth is derived from oil-producing states, inhabited by those officially and constitutionally regarded as the "minorities". Five of the seven oil producing states – Delta, Rivers, Bayelsa, Cross River and Akwa Ibom – are populated by the minorities.

Nigeria's minority ethnic groups constantly complain of being shortchanged. They insist that long before oil was discovered in commercial quantities in their backyards and when the "Big Three" had exportable natural resources (cocoa, cotton, peanut, palm oil and coal), the criteria for revenue sharing formulas were skewed in favour of the "big three", as the principle of derivation was a major determinant.

The minority ethnic groups want a return to that era, which would allow them to take full control of the resources in their area and merely pay royalties and taxes to the federal government.

Rebalance the federation?

The current call for the convocation of a sovereign national conference by a section of the Nigerian federation is partly attributable to what some see as the unfairness in the sharing of federally collected revenues. Proponents of the conference are of the view that it will help to redress the numerous imbalances in the operation of the federation, redesign it, redefine the relationships between the various ethnic nationalities and put the country on a sound footing.

Opponents – including the federal government and the states less endowed with natural resources – see the call for convocation of a national conference as a ploy to dismember the federation. (6)