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The Nigerian fiscal formulas and the agitations for resource control in the Niger delta region of Nigeria

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Abstract
The history of fiscal formulas in Nigerian federalism has shown steady and systematic tilt towards the practice of Fiscal Centralism which is completely antithetical to the tenets of fiscal federalism that Nigeria claims to practice as a federation state. The strain of Nigerian federalism has largely fuelled the conduct of heated and unending debates over the unethical nature of Nigerian federalism. It has largely been observed that the fiscal formulas of the Nigerian state from 1966 when the late military head of state Major General Aguiyi Ironsi introduced a unitary fiscal system through the unification decree, Nigeria has maintained Fiscal Centralism inspite of General Gowon's later federal decrees 13. It is the interest of this paper to ex-ray the claim that the vacillation and conceptual policy aberration of the various Nigerian governments is a deliberate scheme employed by the central government to appropriate greater percentage of the country's wealth, while marginalizing the region where the nation's oil wealth is located. The work depended largely on secondary sources, especially publications and authorities on federalism, and fiscal policies, as well as, reports, and experiential inputs of the author. The papert establishes that indeed the Nigerian fiscal formulas deviated from fiscal federalism based on derivation, to the subsisting fiscal centralism which undermines the interest and development of the Niger Delta region, leading to the heightened clamour for resource control. It also stressed that evolution of fiscal centralism in the Nigerian federation has direct nexus with agitations and restiveness prevalent in the Niger Delta, and recommends a revert to fiscal federalism with suitable fiscal formulas that will bring about peace, stability and sustainable development in the Niger Delta and Nigeria at large.

Keywords: Nigerian, delta, development, heightened, aberration

1. Introduction

The emergence of fiscal centralism which has given rise to a strong centre federation as currently practiced in Nigeria, has been alleged to be based on the underlying fiscal formulas that evolved over the years. This situation is said to be the result of incessant and distorted fiscal policies in Nigeria, which has made the country deviate from fiscal federalism, to fiscal centralism, while wearing the garb of a federal state. This development is said to have deprived the Niger Delta people of fair share of the oil wealth, leaving them impoverished, undeveloped, and with a degraded environment.

This situation has given rise to protests, agitations, and varied struggles that have engulfed the Niger Delta Region, starting with Isaac Boro's 12 day Revolution to current heightened quest for Resource Control.

The paper shall undertake an overview of the fiscal history in Nigeria as to identify the point of drift from the derivation principle that guided the initial fiscal policies to the divergent formulas that brought the country to the subsisting practice of fiscal centralism.

The paper shall also examine the regions reactions, especially the nature of the agitations and protest over their plight, and the government responses, and thereafter conclude with its panacea for the enduring quest for resource control.

Nigerian fiscal foilmulas: an overview

Nigeria has a chequered history of Fiscal Formulas from the colonial period particularly from 1946 Philipson fiscal instrument to 1999 when the current fiscal policy was enshrined in the constitution emanating from the 1944 – 1995 constitutional conference powered by General Sani Abacha.

From the Philipson fiscal instrument of 1946 to the 1999 fiscal formula Reviews, there have been a total of fifteen fiscal formula reviews in Nigeria. These frequent and incessant reviews are perceived as deeds aimed mostly at advancing sectional interests, rather than reviews based on the country's constitutionally adopted federal system of government.

The initial constitutional reviews from 1946 to 1954 were inclined to derivation and regional authority in line with fiscal federalism; especially the Littleton constitution of 1954, which Price (1977:67) considers "the first genuine federal constitution of Nigeria". The rest reviews from 1959 deviated from derivation with premium placed on regional autonomy to other tendentious considerations alleged to be geared towards entrenching the hegemony of the central government buoyed by fiscal centralism.

The result is the situation at present where Nigerian federalism has adopted and is practicing unitary fiscal policy, in which the federal government has paramount financial authority over the states.

Details of the Nigerian Fiscal formulas in a tabular overview are presented below:

Table 1: A history of revenue allocation reviews 1946-2001

Year	Reviewer/Review Instrument	Principles/Criteria	Allocation formula/system
1946	Phillipson	1. Derivation 2. even progress	Revenue allocation Board to make regional expenditure proportionate to regions contribution revenues.
1961	Hicks– Phillipson	1. Derivation 2. Needs 3. National Interest	1. 50% import duties on tobacco according to consumption and 100% of duty on motor fuel. 2. Capitation grant of 13 shillings per head. 3. 100% education and police. 4. Special equalization grants. 5. Uniform system of income taxation all over Nigeria.
1953	Louis Chick	1. Derivation 2. Fiscal autonomy	1. 50% of import duties on tobacco and 100% of import duties on motor fuel according to consumption. 2. 50% of import duties to be shared ot the East 30%, North 39%, West 40%. 3. 100% of income tax (excluding companies tax) according to residence. 4. 100% of mining rents and routes and royalties according to extraction. 5. 50% of export duties according to origin.
1958	Ralsman Tress	1. Derivation 2. Fiscal Autonomy 3. United National Policy	1. 100% of import duties and excise taxes on tobacco and 10% import duties on motors fuel to be shared according to consumption. 2. 100% of export duties according to origin. 3. 50% of mining rents and royalties according to origin. 4. 35% of other import duties and 30% of mining rents and royalties to be paid into the share in the distributable pool account and shared in the ratios East 31/95, North 40/95, West 24/95 and Southern Cameroon's 5/95.
1964	Binns	1. Comparable financial position for each region. 2. Needs 3. Paramount Financial Authority for Federal Government	The revenue allocation it proposed involved: A(i) Regional allocation: East 31%, North 40%, West 21%, and mid West 8%. 4. Excise duty on locally produced motor spirit and diesel oil to be shared on the proportion consumed to each region 5. 30% of import duties on certain commodities and mining royalties constitutional provision OR B(ii) Regional allocation: East 30%, North 42%, West 20% and mid West 89%. (ii) Same as A(ii) (iii) 35% of import duties on certain commodities and rent to be credited to the distributable pool account.
1968	Dina	1. Derivation 2. Basic needs 3. Minimum National Standards 4. balanced Development	1. Reduced the weight given to derivation principle. 2. Royalties from on-shore mining to be shared with Federal Government 15%, state of origin 10%, states joint account 70%, special grants account 5%. 3. Distributable pool account to be renamed State Joint Account. 4. Uniform tax legislation for the country. 5. Federal Government to finance all higher Education.
970	Decree No. 13	1. Derivation 45% 2. Population 3. Equality of States	1. It reduces the state share in national revenue. 2. States were to get 60% instead of 100% of excise duty and 50% instead of 100% of the import duty on motor fuel. 3. It reduces the state shares of mining revenue by derivation to 45% (from 50%) and made federal share of mining rents and royalties 50.
1971	Decree No. 9	1. Not mentioned	It gave the federal government the sole right off shore oil rents and royalties. The reason for this is uncertain, however the dispute over on-shore oil operation forced oil companies to move offshore.
1975	Decree No. 6	Derivation 20%	1. All revenues to be shared by the state to pass through the distributable pool account except the 20% of on-share mining rents and royalties due to states of origin by derivation. 2. Distributable pool account to also include 80% of mining rents and royalties, 35% of import duties, 100% of export duties and 100% of export duties on produce, hides and skins.
1977	Aboyade	Horizontal allocation criteria among states and L.G.A's 1. Equality of access to development opportunities, (0.25) 2. National minimum standard for national integration (0.221) 3. Absorptive capacity (0.20). 4. Independent revenue and minimum tax effort (0.18) 5. Fiscal efficiency (0.15)	Vertical and horizontal allocation made explicit 1. All Federal collected revenue to be paid into one account and shared as follows federal government 57%, states joint account 30%, Local Government fund 10% and special grant 3%. 2. Each state to give 10% of its revenue to its Local Governments. 3. Special grants account to be used for cleaning oil pollution, emergencies, and general ecological purposes.

1980	Okigbo	Same principle of horizontal allocation among states and L.G.A's from federal account in the following ratios: 1. Minimum responsibilities of government (40%) 2. Population esponsibilities of government (40%). 3. Social development factor primary school enrolment which; Direct enrolment = 11.75 (15%). 4. Internal revenue effort (5%) Total = 100%	1. Federation Account To Be Shared With Federal Government 53%, States, 30%, Local Governments, 10% And Special Fund 7%. 2. The special fund to be shared for federal capital territory (2.5%), mineral producing areas (2.0%) other ecology problem (1.0%), and revenue equalization funds (1.5%). 3. Creation of special agency for rehabilitation and development of mineral producing areas. (The 1982 Act based on the Okigbo Report altered the above percentages slightly).
1984	Amendment Decree	Derivation and other principles as in the 1981 Act based on Okigbo Report	1. It abolished the Federal Allocation committee created under the 1981 Act based on Okigbo Act. 2. States share of national revenue increase form 30.5% to 32.5%. 3. 2% of the 32.5% to be shared among oil producing states on the basis of derivation. 4. States to share the remaining 30.5% on the basis of the horizontal principles in 1961 Act (in Okigbo's Report). 5. 1.5% of Federal Account for ecological problems of mineral producing areas.
1988	Danjuma	1. Equality of States 40% 2. population 30% 3. social development 10% 4. internal revenue effort 20%	1. Vertical allocation to be: Federal Government 47%, states 30%, L.G.As 15% special fund 8%. 2. Special fund to be shared to: Federal capital territory (1.0%), stabilization (0.5%) savings (2.5%), derivation (2.5%), general ecology (0.5%). 3. Primary education fund of 5% of Federation Account and contributed by all three tiers of government. (In January 1990, the Federal Government approved these allocations with minor changes in % e.g derivation share reduced to (1%).
1992	Decree 23 of 1992 and the budget document	Based on the budget statement on the revision of Revenue allocation and the legal provisions of Decree 23 of 1992	1. Increased Local Government (L.G) share in Federal Account from 15% to 20%. 2. Reduced states, share form 30% to 25%. 3. The 5% increase in L.G's. share to cater for primary education (Decree No. 3 of 1991 transferred responsibility fundings and management of education to L.G.S). 4. By June 1992 states allocation reduced from 25% to 24% and mineral producing area Fund raised from 1.5% to 3%. Full benefits of this increment was not realized by oil communities under the dispensation because the regime of Gen. Abacha for instance paid the derivation proceeds in naira instead of U.S Dollar and at the unrealistic official rate of N22 to $1 US Dollars whereas the rate was N87 to $1 US.
1999	Constitution of the Federal Republic of Nigeria 1999.	This review is a direct consequence of the resolutions of the1994-1995 constitutional conference under Gen. Sani Abacha Regime.	1. Increase the list of items on exclusive legislative list from 66 in 1979 to 68 in 1999. 2. On-shore/offshore oil dichotomy became the basis for revenue allocation under derivation formula. 3. Not less than 13% of proceed from natural Resources to be paid to oil producing areas. Although it took effect in May 1999, payment that excluded off-shore production proceeds only commenced in March 2000. 4. The dynamics of Federal/State/Local Government share of the distributable revenue from the federation account rests with the Federal Revenue and Fiscal Commission subject to legislation.

Source: Bade Onimode (2000)-Fiscal federalism in Nigeria: OPTIONS FOR The 21ST CENTURY. Research Report Volume 1. pp. 62-68.

The fiscal formula history of Nigeria therefore as shown in the table reflects a clear vacillation from fiscal federalism to fiscal centralism. From the Chick Commission to the Binn's Commission featured, high derivation consideration while all the commissions and decrees in fiscal adjustment from 1966 when the military intervened in Nigerian government, showed that fiscal formulas tended towards fiscal centralism and drastic reduction in derivation allocation.

The Drift

The sharp turn from the hitherto existing seeming equitable revenue distribution formula started with the military government promulgation of Decree No. 13 in 1970, which made serious alterations in revenue percentage allocation in favour of central government.

The Decree highlighted changes which reduced the states share in national revenue as follows: 60% state's share of export duties instead of 100%, 50% against 100% duty on motor fuel, and 5% of the excise duty revenue, leaving the rest with the federal government.

The federal government also got additional 5% from previous 50% of the share of states on mining rights and royalties, reducing it to 45%

Furthermore, when emphasis shifted from on-shore to off-shore oil production as a result of the out-break of the civil war in 1967, the federal government promulgated the off-shore oil revenue resources Decree 1970. The Decree gave the federal government the sole right of appropriation and became the major beneficiary of the rents and royalties of off-shore petroleum mines (Orji and Jaja 2007) [6] from this point, by the instrumentality of these fiscal formulas, Federal government took over the hegemony and control of the nation's revenue. This, it achieved by undermining the derivation considerations and the region from where oil which became the mainstay of the country's economy is derived.

Crude Oil accounts for up to 95% of export revenue and about 80% of government revenue, with acquisition of over 700 oil fields, 640 oil wells, 1200 kilometers of pipelines, 10 export terminals, 22 petroleum storage depots, 280 flow stations,10 gas plants, 4 refineries inter alia. (Umeh 2012, cited in shebbs & Njoku 2016) [11, 10]. The Federal Government of Nigeria has maintained the management and control of the Petroleum Resources of the Niger Delta Region, since the 1966 Military coup and the outbreak and the Nigerian Civil War through the various unitary fiscal formulas.

The military intervention in Nigeria politics from 1966 therefore, marked the point of drift towards the expansion of the financial hegemony of the central Government in Nigeria. It had been noted that the centralizing imperatives of military rule, the fragmentation and proliferation of states; the exigencies created by the 1967-70civil war, the federal government control of the huge revenue from the oil industry, all combined to entrench and ensure financial supremacy of the central government (Adedeji 2002) [1]. Thus, Nigeria has drifted into an enduring practice of fiscal centralism in a so called Nigerian federation, which is an aberration and against the tenets of federalism.

The resource control quest

Fiscal and financial considerations have engendered wranglings, scheming, intrigues and bitterness among the different sections of the country along the lines of north versus South, minority versus majority, and federal versus state governments over the issue of revenue distribution as the country steadily degenerated into a mono product economy. The fiscal formulas of the Nigeria state over the years tended to be designed on how to expropriate the oil proceeds to fund the various levels of Nigerian governments.

It has been argued that fiscal formulas of the Nigerian federalism, shows a clear shift from derivation principles and rather fostered the expropriation, marginalization and exploitation of the oil resource region where underdevelopment is prevalent.

The fiscal practices of the military regime entrenched fiscal centralism, and has been adopted equally by the democratic civilian administration of the 2nd and 3rd republics to the present. Onimode (2000) [4] holds that the Nigerian fiscal formulas have deprived the Niger Delta people of equitable share of the proceeds of the oil resources of the region.

The practices of fiscal centralism, strengthened by the fiscal formulas and dispossessional laws have elicited the clamour for resource control, arising from the alleged marginalization, exploitation and underdevelopment of the Niger Delta region. This has led to the heightened restiveness which degenerated into armed struggle that threatened the corporate existence of the Nigerian state, before the amnesty programme of late President, Alhaji Musa YarAdua.

The statement of Gbomo Jomo, the leader and spokesman of Movement for the Emancipation of the Niger Delta (MEND), in the height of the Niger Delta Militancy, buttresses the argument of this paper. As reported by Champion newspaper of Saturday 12, 2008, Jomo declared that: "The injustice MEND is fighting is the rape of the Niger Delta for decades using constitutional means to develop other regions of the country, and that the criminals are the Nigerian Government, oil majors, corrupt politicians and the officers and men of the armed forces who are involved in oil bunkering".

The Niger Delta people are now clamouring for resource control because they have realized that their underdevelopment stems from the fact that they have no control over their petroleum resources which are rather controlled and managed by the federal government through the various dispossessional laws and fiscal formulas. This situation among others identified in this paper, have brought impoverishment and underdevelopment to the Niger Delta region. Shebbs & Njoku (2016) [10] argues that conflict and crises arising from resource control quest in the Niger Delta have resulted in kidnapping of oil workers, the vandalization of pipelines with explosives, massive killing of alien residents and security officials by the militants. These agitations were initiated by groups and individuals who claim that they were short-changed by the government in the sharing formula of the benefits from oil resources.

Resort to protests and responses.

In reaction to these perceived prevalent injustices, many oil bearing communities across the Niger Delta region, embarked on various forms of protest activities such as:

- In Ogoni Movement for the Survival of Ogoni People (MOSOP) in the 1980s, initiated widespread protest against Shell SPDC that crippled oil exploitation in Ogoni Land, till date.
- Ijaw Youths after the Kaiama Declaration of December 11, 1998 initiated massive protests against all oil companies in Ijaw Land that culminated in violence, kidnapping militancy and outright arms struggle.
- Eket Youths in 1998 under the auspices of Supreme Council of Eket Youths, in Akwa-Ibom carried out several protest against Mobil that stalled oil operation in their land.
- Choba Youth in Port Harcourt in the heat of the prevailing crises blockaded and disrupted Wilbros operations for several months.
- Egbema Youths in Ogbal/ Egbema/ Ndoni Local Government in Rivers State in 1981 shut down Agip Oil company's operations for two weeks.
- In mid July 1999, Youths from Isoko Land in Protests reportedly seized Shell SPDC Drilling Rig-IA, blocked access roads, shut down all electricity generating sets and impounded outboard engines belonging to Daewoo Nigeria Limited, a Shell Contractor Company.

These were among the initial numerous protests that engulfed the entire Niger Delta Region.

The protests later degenerated into violent activities in form of widespread kidnapping of expatriate oil workers, destruction of oil installations and outright armed struggle against the Nigerian state, oil multinational company and security Agents. The armed struggle involved militia groups, such as, Movement for the Emancipation of the Niger Delta (MEND) led by Jomo Gbomo, Niger Delta Peoples' Volunteer Fierce (NDPVF), led by Asari Dokubo, Niger Delta Vigilantee group led by Ateke Tom, among numerous others. These crises almost crippled the Nigerian economy, and threatened the corporate existence of Nigeria, before the Amnesty Programme of AlhaJi Musa Yara-Adua, which brought about cessation of the hostilities and the relative peace in the Niger Delta.

The palliative and interventionist efforts made by the federal government in response to the Niger Delta continual cries and agitations over the years include:

1. Establishment of the Niger Delta Development Board in 1961
2. Creation of the Niger River Basin Authority in 1979.
3. 1.5% federal action fund for oil mineral producing areas of 1984
4. 3% federal fund for mineral producing Areas of 1992, resulting in the establishment of Oil Mineral Producing Area Development Commission (OMPADEC), and
5. The 13% derivation clause enshrined in the 1995 Constitution that came through the 1994 Constitution Conference headed by Justice Adolphus Karibi-Whyte J-SC, resulting in the establishment of The Niger Delta Development Commission (NDDC), in 2000.

Okpe (2004) [5] cited in Orji and Jaja (2007: 5) [6], observed that these measures have not been able to address the core issue of demand of the people largely because of the insincerity of the Nigerian State and its ruling elites, hence the hostilities and violent reactions from the oil bearing Communities for resource control. Besides, the Federal Government has not been able to adjust or fashion out a new fiscal formula that will douse the heightened quest for resource control.

On the flip side, the Elites, traditional Rulers and state governments of the Niger Delta region have been accused of misusing and mismanaging the funds and opportunities provided through federal government intervention Agencies and the special Funds allocation to them, like the 13% deviation funds state Governors receive monthly.

The study reveals that some Niger Delta state governors still owe their workers gratuity and several years of pensions. The governors have equally not done justifiable infrastructural projects to enhance meaningful and sustainable development of the region.

However, the consequences of the disregard of resource control are well illustrated by the fate of Oloibiri, where petroleum was first discovered in commercial quantities in the Niger Delta. Oloibiri has become desolate and abandoned after the exhaustion of the petroleum resources of that community. Today, Oloibiri when visited is a ghost town without any government presence. There are no good roads to, within and around the community. The oil museum project embarked upon by the federal government has been abandoned. This is a pointer to what might be the lot of the rest of Niger Delta Communities in future, if the agitations for control of their resources are not realized.

The concept of resource control is a tenet of fiscal federalism and the bedrock of a federal system of Government that Nigeria claims to operate. Resource control is a practice that enables the communities, states or ethnic nationalities exercise control of the resources inhumed by nature in their environment for the benefit of their individual entities and the country at large. The federating units in the context of resource control will have prerogative over the proceeds of their resources and pay stipulated tax to the central government. The people of the Niger Delta Region have now realized that mere increase in revenue without control and management, and prerogative over their non- renewable resources is short-sighted and deadly, and could condemn people to a present without a future. (Saro-Wiwa, 1990) [9].

Conclusion

Given the history of fiscal formulas in Nigeria, as presented in this paper, one sees a clear financial somersault of a nation where extraneous considerations have dictated the formulation of fiscal formulas other than strict adherence to universal constitutional provisions of a country's chosen brand of government.

In the bid to advance sectional and parochial interests, the fourth phase of Nigerian's fiscal adjustment 1959-1966 guided by Jeremy Raisan, marked the deviation from the earlier premium placed on fiscal regional autonomy with emphasis on derivation to other considerations.

The emphasis that shifted to issues and principles such as, 'need' 'population', 'even development' and 'distributable pool accounts', were geared towards financial hegemony of the central government to the detriment of resource regions.

The fiscal formulas from the military dispensation have ensured growing dependence of regional governments on the federal government. The emphasis of fiscal 'needs' and 'even development' favoured stronger centre in terms of financial control which tended strongly to fiscal centralism, especially from the point where oil became the major source of revenue of the entire country.

The spectrum of the nation's fiscal formulas firmly undermined the interest of the oil producing regions who suffer environmental degradation, food stages, political marginalization and general underdevelopment.

The resultant agitations of the Niger Delta Region expressed in restiveness, militancy and armed struggle culminated in the current sustained quest for resource control.

It is the view of this paper that solution to Agitations and sustained quest for resource control is a return to the practice of fiscal federalism by which the Nigeria state was founded and by which it stated its search for nationhood. This will entail adoption of the right fiscal formulas in consonance with fiscal federalism.

The Niger Delta people will be inclined to stop the agitations if and when they recover the right to control and manage their oil resources, more so, as the lesion of Oloibiri still steers at them on their faces.

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