New Revenue Sharing Formula Clamour by the Nigerian State Governors: Propelling Factors and Matters Arising

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Abstract
The Niger State Governor Mu'azu Babangida Aliyu recently blamed the existing revenue sharing formula among the tiers of government for the growing imbalance in development strides in the Northern states compared with the rest of the states. In his words, the relative poverty of the (Northern) region was attributable to the country's system of revenue allocation, which, he said, unduly favoured the littoral states that get additional 13 per cent from the Federation Account on the basis of the derivation principle. Embitteredly, he complained that the Niger Delta states also get the 13 per cent derivation from offshore exploration which ought to belong equally to all the constituent units of the federation. He however lambasted the current revenue sharing formula which gives the federal government 52.8 per cent and described it as abnormal, because both the states and the local governments share only 47.2 percent. Expectedly, this has generated a heated debate as one of the touchy issues in the country's acrimonious geopolitics with its characteristic finger-pointing, grandstanding, stereotyping and ethnic/regional posturing to the extent that the Governors forum, led by the Lagos State Governor, Babatunde Fashola have thus proposed a new revenue allocation formula that will checkmate the excessiveness of the federal government in terms of their allocation, fiscally and otherwise and then empower the states to function viably and pacify the northerners who also have problem with the current revenue sharing formula. The possibility of this clamour succeeding is the thrust of this paper.

Keywords: federalism, fiscal federalism, resource control, revenue allocation, sharing formula

1. Introduction
In spite of the obvious lopsidedness in the revenue sharing formula currently in use in Nigeria, the federal government, through the president on February 2012 increased the minimum wage from #7500.00 to #18,000.00. Many governors however opposed the policy on the ground that they do not have enough money to pay. Consequently, industrial strikes ensued which made the president to formally mandate every governor to pay. On the basis of the above, the 36 governors are pushing for a new revenue formula that will cede more funds to states and the local governments. The Lagos State Governor Babatunde Fashola revealed the new proposal as workers told states to pay the #18,000 minimum wage or face a showdown. Governors have said they are unable to pay the new wage because the states are short of cash. Should they be forced to pay, there will be little or no funds for projects. They therefore accused the Federal Government of unilaterally entering into an agreement on the new wage with the workers.

On restructuring the revenue sharing formula, the Nigeria Governors’ Forum (NGF) raised a committee of six, headed by Fashola, to review the revenue formula and submit its recommendation hence the current revenue formula gives the Federal Government 52 per cent, states 26.72 per cent and the local governments 20.60 per cent.

Other governors on the committee are: Murtala Nyako (Adamawa), Sullivan Chime (Enugu), Babangida Aliyu (Niger), Rotimi Amaechi (Rivers) and Aliyu Wamako ( Sokoto). Fashola, like Governors Gabriel Suswam (Benue), Adams Oshiomhole (Edo) and Kayode Fayemi (Ekiti), said at the Workers’ Day celebrations on May 29th that unless the revenue formula is reviewed, it would be impossible for states to pay the new wage.

Addressing members of the Nigeria Labour Congress (NLC), Suswam said only an improved revenue sharing formula would make the implementation of the minimum wage possible. Fayemi called on organized labour to join forces with governors in agitating for the restructuring of the revenue allocation formula. Consequently the committee recommended a new formula: Federal Government (35 per cent), the 36 state governments (42 per cent) and the 774 local governments (23 per cent) (www.nigeriannewsservice.com).

But according to Arowolo (2002: 12) the revenue allocation formula in Nigeria inevitably encourages parasitic governance where states become relaxed and endlessly expectant of the monthly ritual of allocation from
the federal government. The implication of this is that while it limits the capacity of states to provide public goods needed to promote and sustain governance, it simultaneously and inextricably the Internally Generated Revenue (IGR) of each state, thus making the states perpetually dependent on the federal government.

This arrangement of allocation sharing in Nigeria threatens initiatives, innovation and modern ideas of generating resources, especially money, for sustainable development. The federal government, on the other hand, cannot also be divested of this revenue allocation ‘pathology’ since it appropriates and concentrates too much money at the centre leading to waste and corruption. The federal government lacks a basic plan for the transformation of resources into concrete developments. This also explains the reasons for the characterization of politics in Nigeria as a ‘do or die’ phenomenon.

Be that as it may, the clamour for new revenue sharing formula may be hinged on the observation by Arowolo (2002:13) that the dynamics of federalism makes it imperative for nations operating federal system of government to review periodically and come out with equitable and workable tax system and revenue allocation principles in such federations, but the question that comes to mind is the role of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) in that periodical review of workable and equitable revenue allocation.

2. Conceptual Discourse

2.1 Federalism

Federalism, according to (Ajayi, 1997:150) refers to a political system where there are at least two levels of government. In such cases, there is the juxtaposition of two levels of power of a central government otherwise called the federal government and other states labeled variously as states, regions, republics, cantons or unions.

Etymologically, according to Akindele and Olaopa, (2002) federalism is derived from the Latin word “foedus” meaning covenant; and that it is a political concept in which a group of members are bound together by covenant with a governing representative head. Further, the term is also used to describe a system of the government in which sovereignty is constitutionally divided between a central governing authority and constitutional political units such as states and local government.

Federalism, therefore, implies the existence in one country of more than one level of government each with different expenditure responsibilities and taxing powers. It is essentially about government structure in the multilevel sense, rather than within a particular level of government, in the performance of government functions. There is a general believe that the concept of intergovernmental relations is often associated with federalism because the study of federalism, at its empirical level heavily stress the study of intergovernmental relations (Bamidele, 1980:207).

But Itse Sagay sees it as an arrangement whereby powers within a multi-national country are shared between a federal government and component units in such a way that each unit, including the central authority exists as a government separately and independently from others, operating directly on persons and properties with its territorial area and with a will of its own as apparatus for the conduct of affairs and with an authority in some matters exclusive of others (Sagay 2008). Suffice it to say that no federalism can survive without money hence in the arrangement, the issue of money is fairly discussed without which, the federal arrangement is in chaos as many have inferred in the case of Nigeria such as seen as propelling factor in the current clamour for a new revenue sharing formulae that will bequeath more to the federating states; thus, making the issue of fiscal federalism as significant imperative as the arrangement itself.

2.2 Fiscal federalism

In all federal systems, there is usually “resource sharing” among the three levels of government- the federal, states and local government called intergovernmental fiscal relations. Intergovernmental fiscal relations imply fiscal federalism. Fiscal federalism is essentially about the allocation of government spending and resources to the various tiers of government. The evolution of Nigerian fiscal federalism derives from economic, political/constitutional, social and cultural developments which have influenced the nature and character of intergovernmental relations (Sam-Ugwu, et al, 2012:79).

According to Sharma (2005:38), fiscal federalism is a set of guiding principles or a guiding concept that helps in designing financial relations between the national and sub-national levels of the government, fiscal decentralization on the other hand as a process of applying such principles. This is perhaps why Ekpo (2005) averred that in practice however, there exist some degree of decentralization in what is discernable in a federal states hence among the
different levels of government, fiscal arrangement must be worked out to ensure fiscal balance in the context of macro-economic stability, and this fiscal arrangement is referred to, in a federal structure as fiscal federalism or intergovernmental fiscal relations. Sometimes both are interchangeably used. The institutional arrangement adopted by a federal state for the purpose of intergovernmental relations finds corroboration in the work of Nwankwo (2007) who asserts that the concept of administrative intergovernmental relations which focuses on the relationship between officials and structures that exist for administrative purposes, suggest that applicability of the concept of intergovernmental fiscal relations relatively in all cases hence he had conceptualized intergovernmental fiscal relations as the system by which revenue is collected and shared among the units and that a federal constitution, as a matter of necessity, gives rise to fiscal federalism (Wheare, 1960 cited in Okafor 2007), a concept that is often used to describe the fiscal relationship between the tiers of government in federal state. Fiscal federalism, according to Uche and Uche (2004) is essentially about the allocation of government responsibilities, as well as the sharing of revenue resources among tiers of government.

3. Revenue allocation and revenue allocation formulae

The issues of revenue allocation are partly economic but largely a matter of political compromise and an issue central to this compromise is the impact of a given ‘revenue allocation structure’ on the nature of federalism. Revenue allocation refers to the mechanism for sharing the country 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 (Danjuma 1994). The issue of revenue allocation is both important and delicate since it is federalism that creates the need for revenue allocation. In ensuring a fair and true federalism, issues bordering on the following are taken seriously, especially as adumbrated by Danjuma, (1994).

How much independent source of revenue should be given to a tier of government to execute its functional responsibilities? And how should the federation’s resources be shared? The whole essence of these two questions raised is because the survival and the ultimate success of any federal system depends on an acceptable distribution of resources and functions among the tiers of government so that efficiency in the use of scarce resources is encouraged while reducing inequality in the treatment of individuals and among different states (Nnamdi 2009). Mbanefo and Egwaikhide noted that the discordance between fiscal capacity of the various levels of government and their expenditure responsibilities, the non-correspondence problem, the problem of how revenues should be shared among the states and local councils are striking features of the Nigeria federal fiscal system (Cited in Nnamdi 2009:179).

The exegesis of the section 162(2) of the 1999 Constitution is a confirmation that the centrist philosophy has found its way into the 1999 constitution of the Federal Republic of Nigeria handed down by the military, such that even under democracy, fiscal centralization has been too attractive for democratically elected governments at the centre to resist. Thus, calls by lower tiers of government for more decentralization of fiscal arrangement have continued to fall on deaf ears. To the utter amazement of every ardent observer, fiscal Mobilization Commissions appointed by the central government and the National Assemblies have continued to formulate revenue allocation formulas which maintained fiscal centralism (Ugwu et al, 2012:84), without recourse to the yearnings for true federalism embedded in new revenue allocation formula that decrease the allocation of the federal government and increases that of the centre.

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Fundamentally, the Nigerian Fiscal Federalism has been bedeviled to the extent that it is 100% scholarly correct to assert that one of the most protracted and controversial debate in Nigerian economy is the way government revenue is shared among the component tiers of government in the country (Uche and Uche, 2004). This debate has its foundation in the chequered history and evolution of Nigerian federalism. The amalgamation story of what constitute the present-day Nigeria started in 1861 when the territory of Lagos was compromised and formally ceded to the British Government and it became the Lagos colony. In 1885, the British government proclaimed the oil Rivers Protectorate over some parts of present day Southern Nigeria (Nwokedi, 2006:7).
In Nigeria, decision as to who gets what share of the federally generated revenue has been very problematic, especially since the discovery of oil and its exploitation and exploration. However, the attempts to tackle this situation have engaged several commissions, committees, degrees, Supreme Court rulings and constitutional amendment. These processes tried to devise a proper means of sharing the centrally generated revenue. These efforts have come in contact with many principles like the principle of Derivation, Need, Population, Even Development, Equality of State, National Interest, Independent Revenues, continuity of Government Services, Financial comparability, Fiscal Efficiency, Tax Efforts, Minimum National Standards, Equality of Access to development Opportunity (Ekpo 2004 & Ofuebe, 2005: 180), out of which the principle of Derivation has been variously advocated for and generally applied in the history of Nigerian fiscal federalism. Unfortunately, this principle has evoked more rivalry and bitterness than the problem it sought to resolve. The principle of Derivation requires that a certain percentage of all revenues accruing to a particular state, irrespective of the fiscal jurisdiction involved or machinery for the collection should be calculated and returned to these states. The 1999 constitution of Nigeria provided for not less than 13 per cent. Unfortunately, the principle of derivation became de-emphasized and negated in the revenue sharing formulae, at a time when the oil producing states which have suffered deprivation in the past, were to have the opportunity to enjoy special advantages accruing from oil from their land and, this led to the unquelling thirst and demand for “resource control” by the oil producing states.

4. Factors responsible for the clamour for new revenue sharing formulae in Nigeria that will guarantee more of the federated revenue to the state and dwindle that of the federalism:

4.1 The Nations state of Uneven Development vis-à-vis Abuja

According to Gambari (2008), an important aspect of nation-building is the building of a common citizenship. But how can we have a common citizenship when the person in Ilorin has a radically different quality of life from the person in Yenagoa? Or when the woman in Gusau is more likely to die in childbirth than the woman in Ibadan? Through the development of the economy and equal opportunities for all, or through the development of social welfare safety nets, mature nations try to establish a base-line of social and economic rights which all members of the national community must enjoy. Not to enjoy these socio-economic rights means that the people involved are marginalized from national life.

In Nigeria, however, not only are many of our citizens denied basic rights such as the right to education and health, there is also serious variation in the enjoyment of these rights across the country. If we take admissions into Nigerian universities in the academic year 2000/1 for instance, we see that the North-West had only 5% of the admissions, while the South-East had 39% (www.jambng.com). As for poverty, the Governor of the Central Bank, Charles Soludo, recently pointed out that while 95% of the population of Jigawa State is classified as poor, only 20% of Bayelsa State is so classified. While 85% of Kwara State is classified as poor, only 32% of Osun is in the same boat (Soludo, 2007).

Perhaps, the above fact, necessitated the assertion by the Chairman of the Northern Governors Forum (NGF) and Governor of Niger State, Dr Mu’azu Babangida Aliyu, that there is too much money at the centre; they should give it to states and local governments where it is needed (Eme and Ugwu 2011:22). Adding that “a situation where the Federal Government takes 52.8 per cent and states and local governments, 42.8 per cent, does not augur well for the rapid development of the country” (Eme and Ugwu 2011:23). He told the organised labour that they had a role to play in ensuring that there is equity in the sharing of revenue from the Federation Account.

Supporting the call on even development ground, the President, National Agency for Small and Medium Enterprises (NASME), Dr. Ike Abugu, said it was logical and generally accepted that more revenue should be allocated to the 36 states and 774 local governments, while the Federal Government should let go of a part of what it was currently getting in order to promote industrial development. Dr Abugu stated that the question begging for an answer was “what has the Federal Government done with all the money it is getting from the Federation Account?” (Eme and Ugwu 2011:24).

Adding his voice on the same count is the President, Lagos Chamber of Commerce and Industry, Chief Femi Deru, said that the chamber would like to align itself with the position of the Governors Forum with regard to a new revenue allocation formula because it had now become increasingly necessary. He posited that:

Given the enormity of the developmental challenges in the country, we believe that more resources should be devolved to the states and local governments to address the critical issues of development and welfare of the citizens. The current formula that gave 52.8 per
cent of resources to the Federal Government and 48.2 per cent to the states and local governments was not equitable and did not reflect the demands for development (Eme, 2009:142).

He said that the states and local governments had a lot more to do in the areas of provision of schools, health services and roads, among others, than the Federal Government. He urges the National Assembly to move quickly to review the revenue allocation formula. The chamber’s boss said the review of resource allocation was a political decision that should be done by the National Assembly, insisting, however, that “we must talk out if it is not done well, so that they can listen.” (Eme, 2009:142). He concluded that the ideal situation would be for revenue to be allocated according to the needs of the states and local governments.

4.2 The Minimum Wage Issue:

Agitations for a new revenue allocation formula have, in the recent times, resurfaced, no thanks to the N18, 000 new minimum wage approved for Nigerian workers. Without minding the principle of federalism, President Goodluck Jonathan, while approving the new minimum wage, disclosed that no state chief executive should be left out of the new minimum wage train. According to him, “All state governors must pay the new minimum wage” (Eme and Ugwu 2011:14).

For daring to put them in what the governors described as unsolicited trouble, the state chief executives demanded an upward review of their statutory allocations if they must join the new minimum wage train. Governor Fashola, in his address during the just-concluded Workers Day, said restructuring the federal was preconditions that will help the state governors stem any labour crisis. He adds that, not all states will be able to pay the new wage structure, unless there is an urgent amendment of allocation formula was the only way to stem labour unrest in Nigeria. According to him:

In order that the newly approved minimum wage be effective and sustained and for the states and local governments to be able to function and provide basic social services, the adoption and implementation of the recommendation to amend the revenue allocation formula the country’s revenue allocation formula that gives more money to the states and local governments (Eme and Ugwu 2012:16).

The governor said the revenue allocation formula, like many other laws in the country, was out-dated in the recent political awakening that has pushed people to demand more services from their government. Governor Fashola argued that the state governors were at the receiving end of this political agitation as the Federal Government is far and too removed from them. He posited that “a situation in which the Federal Government currently takes as much as 52.68 per cent of the centrally-collected revenues in the Federation Account, leaving the states and local governments with 26.72 and 20.60 per cent respectively, is not acceptable” (Eme and Ugwu 2011:19).

The question that comes to mind is, is minimum wage; the solution to Nigeria’s problem. From many quarters, we hear that increase in salary is not the ultimate solution to our problem but is a part of the solution to the problem. Hence the civil servants can no longer meet up with the basic responsibility of providing for themselves and their families. What is the minimum wage in Nigeria and what is the maximum wage? Compare #7,500 with about #3,000,000 per month. Bear in mind that both are rendering services to the nation in their own capacity. Remember also that those with the minimum wage have no special allowances to boost their financial power while those that earn the maximum have allowances and other benefits which are 10 times more than the minimum wage. Meanwhile, both have families to care for.

Legally, it is right for labour to negotiate for upward review of salaries and wages with their employers from time to time. Therefore, it is in order for labour to request for upward review of their salaries and wages. Whatever the answer may be, the issue of minimum wage is the primus factor for the recent clamour for new revenue sharing formula that is earmarked to give more money to the states other than the federal government. In the words of Fashola, the Lagos Governor, there is a need for a revenue sharing formula that will guarantee the viability of the states as against the onus of the federal government. However, this sends to the background the opinion of Dare Arowolo on the stand of the states in revenue allocation scheme in Nigeria.
However, Arowolo (2011) averred that in principle, it is assumed that the tax sharing powers between the various tiers of government are designed to guarantee the equitable distribution of the nation’s wealth in the spirit of true fiscal federalism. Analyzing the roles of RMAFC vis-à-vis the politics of revenue allocation in Nigeria, RMAFC has sustained the notion of fiscal imbalance in the country.

For instance, in 2001, the fiscal body made a draft proposal with this sharing formula, the Federal Government got 41.3%, state governments 31%, local governments 16% and special fund 11.7%. However, this particular proposal was nipped in the bud following the Supreme Court pronouncement on resource control in April 2002. By the year 2008, the fiscal body had a new proposal for revenue sharing table before the National Assembly. It had proposed 53.69% for the federal government. Ultimately, it is obviously based on the new proposal that Nigerian fiscal federalism has continue to skew in favour of the Federal Government. Inevitably, the new revenue formula proposal is testy and controversial in nature. Thus, ‘the formula is weighted to favour the Federal Government. The Federal Government has no business having more than 35% of the revenue because it has no work; that is why it spends money anyhow’ (Sagay, 2008:42). Hence the state governors struck because of the added load of #18,000.00 new minimum wage and perceived uneven development of the states of the country in spite of the overriding factors in the sharing process- equality of states.

4.3 The Application of the Derivation Principle

The principle of derivation, according to Nwokedi (2007:8-16) is the most common concept advocated and generally applied in the history of Revenue Allocation in the Nigerian federation but equally, perhaps no principle has evoked more rivalry and bitterness than this principle, especially during the period, from the creation of regions up to 1951 and between 1954 and 1959. Ofuebe (2005) is of the opinion that this principle implies that the state from which the bulk of the revenue is derived is entitled to get an extra share beyond what every other state receives. Nwokedi (2007) opined that the principle of derivation requires that all revenues which accrue from or are attributable to a particular state should be allocated in part or in full to such a state, irrespective of the fiscal jurisdiction involved or the machinery for the collection. The principle is closely related to the benefit principle of taxation. Its main attraction is that is ensures that a state of origin of any particular revenue would receive more than any other state from the revenue accruing from within it geographical boundary or area of jurisdiction. This is what Obi (Obi, in Onuoha & Nwanegbo 2007:135) called taking care of the goose that lays the golden egg and Metz (1992) refers to it as aberration of the practice of the national cake sharing towards the thought of National cake baking.

Ofuebe (200:180-1) maintained that the importance placed on the principle of derivation virtually excludes the majority of the states from benefiting from such productive sources of federal revenues as mining rents, royalties and petroleum profit tax, which the political Bureau (MAMSER, 1987:171-2) supportively averred that these states deserve the preferential treatment hence it should be seen like a compensation from the government to them because; In view of the ecological disasters that have often befallen these areas whose sources of livelihood, especially agriculture and fishing, have been wiped out by pollution resulting from oil exploitation. Attention has been drawn to the very deplorable conditions of all the oil producing communities throughout the country.

Unfortunately, the principle of derivation began to be de-emphasized in the revenue sharing formulae, at a time when the oil-producing states which suffer deprivations in the past, were to have the opportunity to enjoy special advantages accruing from oil from their areas which has now become the fastest growing sources of revenue. The right of the states government, according to Edevbie (2000) to receive statutory allocation arising from the application of the principle of derivation is derived from several legislations dating as far back as 1960. An example is section 2, sub-section 2 and 3 of the Allocation of the Revenue (Federation Account etc) Act, 1982 as subsequently amended and the combined effects of section 162(2) and section 313 of the 1999 constitution of the Federal Republic of Nigeria. Section 2(2) of the Allocation of Revenue (Federation Account, etc)Act 1982 is very clear and unambiguous in the provision that the 3.5% specified in the subsection 1 above shall be sub-divided and allocated as follows: 2% shall be paid directly to the states concerned in direct proportion to the value of mineral extracted from the territory of the states and the balance of 1.5% shall be paid by the government of the federation into a fund to be administered by the federal government for the development of the mineral producing areas in Nigeria, which fund should be managed in accordance with such directions as may be issued in that behalf from time to time by the president having due regard to the value of minerals extracted from and around the particular areas.
These rights, according to Dina Committee Report (1969), culminates to the fact that the preference of the Phillipson for the derivation principle was based on his belief that there was need to inculcate in each region, a sense of “financial responsibility” so that they will all learn to “cut their coat according to their cloth”. Also, Littleton and Philips (1980) asserted; the principle of derivation has dominated revenue sharing in this country since the 1940s…when we began moving from a unitary to a federal system of government. Thus, the Phillipson commission of 1946 applied effectively on the principle of derivation. Hicks-Philipson commission of 1951 proposed derivation principle as one of the three principles while Chick commission of 1953 adopted derivation only, but for the first time extended it to cover 100% of mining rents and royalties to the regions of origin. Mining rents and royalties since, have remained with us in varying degrees, as a derivation principle of Revenue allocation…this principle, be it in the glorious days of cocoa in the West and Groundnut pyramids in the north or the Oil boom seventies in the Rivers and Bendel states, have always aroused envy not because it is illogical or unjust to give more to him that contribute more, but simply and solely because it gives more money to these states. The situation has been aggravated by the sudden dominance of the economy by the oil sector, resulting in much larger sums of money accruing from rents and royalties, being shared essentially between two minority states. After the reducing the factor from 100% to a mere 20% (Decree No 6 of 1975) and the residue was still sizeable, we had to look for reasons why it should not exist at all.

But the unfaithful application of the principle of derivation and the meagerness of the 13 percent, recommended by the 1999 constitution coupled with its concomitant onshore-offshore dichotomy, alongside their claim on the former Republican constitutional 50% derivation recommendation and the apparent subjugation and sideling of the derivation principle, led the oil producing states to the clamour and demand for “Resource Control” (Sam-Ugwu, et al, 2012:84-85). Today, others states, having come to terms with the realities of resource control, have instead preferred to ask for a higher share of the national wealth in the scheme of thing.

4.4 Fuel Subsidy Removal Fund Management Issue

Faced with a groundswell of opposition to his administration’s removal of fuel subsidy, President Goodluck Jonathan on Monday raised a committee of prominent and credible Nigerians to manage and invest savings from the controversial policy in critical areas of the economy. One dare say that with the move, Nigeria is headed towards a familiar path she treaded in the past with contentious gains, first under General Ibrahim Badamasi Babangida (rdtd) via the Directorate of Food, Roads and Rural Infrastructure (DIFRRI) on the backdrop of the Structural Adjustment Programme (SAP) of the 80s; and secondly with a more direct analogy through the Petroleum Trust Fund (PTF) of the late Genral Sani Abacha era in the 90s (Ndujije, et al 2012).

However, concerned eminent Nigerians have criticized the fuel subsidy fund management on the basis that it might achieve little or nothing. Hence, Chris Ngige, a senator of the federal republic and former governor of Anambra state said “Nothing good can come out of it” According to him (Ngige) “the committee is not the answer to the issue. This is not even the kind of committee we expected in the face of what is happening. The kind of committee we expected is the one that will revitalise the refineries and bring them back to life so that we can have fuel and that would have been done earlier before now. If that was done, then they can go ahead with their subsidy. Better still, if they would subsidize, the price of fuel would have been pegged at N80, because if they could put the price at N141, nothing stops them from reducing it. From what I am seeing, nothing would come of out the committee, we are used to having committees in the past. As far as I am concerned, the committee will be diversionary; the best thing is to revert the price to a bearable level.

In the words of Festus Okoye, the committee will create a new cabal. He (Okoye) maintained “the nebulous, illegal and unconstitutional structure put in place by the government for the management of the fund to accrue from subsidy removal would only create new cabals and new avenues for corruption. It will also serve to give new visibility to those whose actions and inactions in government led Nigeria to the present sorrow state. In a democratic system of government based on the will of the people, government is expected and in fact required to consult citizens through a referendum on major decisions that will alter their ways of life.”

On his part, Opadokun said: “Without any disrespect to the chairmen of those committees, the thinking behind such moves is deceitful; it is chasing shadows rather than the real object. It is also a disrespectful move towards the citizens of this country. Government is only using such shadow tactics to buy off time for them. Majority of the Nigerian people have objected to this removal of subsidy, rather than listen to that and revert back, the
government is asking some people to sit down with Labour to negotiate, it is totally deceptive and government is taking the Nigerian people for a ride.

“This government is deceiving Nigerians that they will utilize the money recovered from subsidy to take care of infrastructures and other social services, they know they are not truthful. Every year, they make provisions for all these in the budget, where is the evidence of the provision they have made all over the years?

As a result of the neglect of the call of Chris Ngige amongst other to revert to the pump price or peg the price at N80 while we revitalize our refineries and put new ones in place, the state governors now want higher share of what accrues to the federal government vis-à-vis, the funds generated from the fuel subsidy removal hence the call for new revenue sharing formulae.

4.5 Deduction from source before sharing

When the federal government services any agency from the general purse before sharing the collective revenue between the federating units, the federal government is not being sincere. In fact, the federal government is robbing the other federating units and that is a rape of the rule of the principles of federalism.

Governor Fashola maintained that:

This act is a clear violation of Section 162, Subsection 1 of the Constitution. The correct and lawful practice is that the operations of these agencies of the Federal Government must be funded by the government from its own budgeted share of the Federation Account and not by any deduction at source as appears to have been the case (Eme and Ugwu 2011:20).

More so, he furthered that since public agencies like the Nigerian Ports Authority (NPA), Nigerian Airways Ltd (NA), Nigeria National Shipping Line (NNSL), Ajaokuta Steel Company (ASC), National Insurance Corporation of Nigeria (NICN), National Fertilizer Company of Nigeria (NFCN), Nigerian Aviation Handling Company (NAHCO) and Nigerian Sugar Company (NSC), among others, had all been privatised, there was no meritorious reason whatsoever, for the Federal Government to still retain more than 50 per cent of the country’s revenue.

This is why (he) the Lagos State governor called for a strict adherence to constitutional provisions by restraining government agencies like the Nigeria National Petroleum Corporation (NNPC), the Nigeria Customs Services (NCS) and Federal Inland Revenue Services (FIRS), among others, which, he said, operated “a policy not backed by the law, that allows them defray their operational expenses for revenues collected on behalf of the federation rather than being paid from the Federation Account” (Eme and Ugwu 2011:20).

5. Matters Arising From The New Allocation Sharing Formulae Clamour

a. Is the issue tax responsibility, duties to the citizenries of the states (provision of basic amenities and infrastructures) or the sharing of the national cake without recourse to the banking of the national cake

b. Are the Northern state’s marginalized based on the 13 percent derivation principle application to the littoral states

c. Is the call for increase in the states’ share in the federal account in the best interest of the country or to the benefits of some states in particular

d. Is Revenue Mobilization Allocation and Fiscal Commission upright in the discharge of their statutory functions as enshrined in the constitutions of the Nation

e. Will the federal government cede their power of “almighty” to the state Governors via higher share of the revenue that Nigeria generates

f. Will the Minimum wage be faithfully adhered to should their clamour is met

g. Should the federal cede higher share of the federal allocation to the states, will the Nigeria experience even development comparable to that of Abuja

h. Will it also engender good governance via good leadership which is the fulcrum of true federalism via fiscal federalism
6. Conclusion

In lieu of a retreat held by the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) and urge by the Finance Minister Dr Olusegun Aganga, finance to all stakeholders in the sharing of federation account to cooperate with the commission towards providing equitable revenue formula, adding that federal government was aware of the enormous responsibilities of the commission and would not renege in its pledge to provide the necessary environment for it to deliver on its mandate. Expressing also the desire of the federal government to reduce the high cost of governance, adding that government has already taken steps in the 2011 budget to address the issue and challenged the RMAFC to come up with a solution to the problem, its Chairman Engr. Elias Mbam said that the agency would soon start the process of reviewing indices for revenue allocation and derivation principle. Adding also that the commission would carry out a critique of existing processes for reviewing indices of sharing of the 13 per cent derivation fund to avoid the recurrent problem of over payment and under payment for some states and also address the issues of compensation for states currently suffering from the adverse effects of oil production activities and security beyond 200 meters isobaths.

He also expressed concern over the poor level of revenue accruals in the Federation Account, assuring that steps were being taken to ensure that all revenues generated from either oil, gas, Federal Inland Revenue Services (FIRS), or Nigeria Customs Service (NCS) and Department of Petroleum Resources (DPR) were properly accounted for. According to him, apart from plugging all possible leakages in the revenue system, the commission under his leadership would ensure that all the revenues are not only collected, but adequately accounted for from the point of collection to the distribution to the three tiers of government.

Governor Godswill Akpabio of Akwa Ibom state stated that continuous calls for more funds allocation from the states would persist given the need to promote development from the grassroots to the centre, instead of the present situation of the federal government taking on too much funds for very little work being done. Adding that instead of the federal government deploying a larger proportion of funds received from the federation account to consultancy services and other sundry expenses that do not impact positively on the people, it should have the courage to let the states have more for developmental purposes.

He further stated that the federal government must have the courage to agree that development can only move from the states to the centre and not the other way round. The governor therefore urged the commission to urgently address the contentious issue of revenue allocation formula and come up with a new formula that would ensure equity, justice and fairness to all stakeholders. He also said the commission should carry out a critique of existing processes for reviewing indices of sharing of the 13 per cent derivation fund to avoid the recurrent problem of over payment and under payment for some states.

One could correctly say that the aberration ad neglect of the above call led to the clamour for new revenue sharing formulae by the state governors that are in the front burner of the national discourse today.

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