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FISCAL FEDERALISM IN NIGERIA: THEORY AND DIMENSIONS

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ABSTRACT

The dynamism and complexity of Nigeria's federalism has attracted academic scrutiny. This is because it has generated so many problems capable of threatening the corporate existence and continuity of the Nigerian state. This paper, therefore, inquired into the causes of dissatisfaction and violent agitation arising from fiscal federalism and the adopted allocation formula. In achieving this, the paper adopted both descriptive and analytical methods by relying on secondary sources for data gathering. It also adopted primary sources by interviewing the key figures involved in the process of allocation of resources. However, the paper, however, concluded that the centralism and the age-long hegemony of federal government as well as the protracted period of interregnum rule of the military are some of the factors that contribute to the constant conflicts associated with fiscal federalism in Nigeria.

Keywords: Agitation, Allocation, Centralism, Conflicts, Continuity, Dynamism, Hegemony, Interregnum, Military.

Introduction

Fiscal decentralisation has become fashionable regardless of levels of development and civilisation of societies. Nations are turning to devolution to improve the performance of their public sectors. In the United States, the central government has turned back significant portions of federal authority to the states for a wide range of major programmes, including welfare, Medicaid, legal services, housing, and job training. The hope is that state and local governments, being closer to the people, will be more responsive to the particular preferences of their constituencies and will be able to find new and better ways to provide these services (Sharma, 2005:169).

Fiscal federalism can be explained as an arrangement that involves intergovernmental fiscal relations mostly in contemporary federations. Nevertheless, it is not a peculiarity of federal states alone; its elements are also noticed in most of the unitary states too. The concept of fiscal federalism is not to be associated with fiscal decentralization in officially declared federations only; it is applicable even to non-federal states (having no formal federal constitutional arrangement) in the sense that they encompass different levels of government which have *de facto* decision making authority (Adamolekun, 1983).

This, however, does not mean that all forms of governments are 'fiscally' federal; it only means that 'fiscal federalism' is a set of principles that can be applied to all countries attempting 'fiscal decentralization'. In fact, fiscal federalism is a general normative framework for assignment of functions to the different levels of government and appropriate fiscal instruments for carrying out these functions (Oates, 1999: 1120)

Nigeria is a plural country that can be aptly classified as a federal state. The establishment of the Nigerian federal structure dated back to the 1946 adoption of Richard's constitution which granted internal autonomy to the then existing regions of Nigeria. Also, the adoption of the Littleton constitution of 1954 laid further credence to the federal structure of Nigeria (Nwosu, 1980).

Even in non-federal states, there has been a growing movement towards greater fiscal decentralisation in recent years. Some analysts have attributed this to globalisation and deepening democratisation the world over on the one hand and increasing incomes on the other (Tanzi, 1996). Other specific reasons for the increasing demand for decentralisation are:

- Central governments increasingly are finding that it is impossible for them to meet all of the competing needs of their various constituencies, and are attempting to build local capacities by delegating responsibilities downward to their regional governments.
- Central governments are looking to local and regional governments to assist them with national economic development strategies.
- Regional and local political leaders are demanding more autonomy and want the taxation powers that go along with their expenditure responsibility (Ozo-Eson, 2005:1)

Over the years, the issue of fiscal federalism has remained dominant and most contentious in Nigeria's polity. This is because of its multi-dimensional perspectives. Over the years the fiscal federalism in Nigeria has crystallised and remained dynamic as a result of its multiplicity in terms of ethnic composition and pluralism *vis-à-vis* socio-cultural dimensions. It is naturally expected, therefore, that interactions in terms of fiscal relations will be characterised by hostile competition, unending struggle and survival of the fittest syndrome. The centralised nature of the military hierarchical structure and the exploitative tendencies of the colonial government placed the federal government at an advantage in post colonial Nigeria.

Invariably, the financial hegemony enjoyed by the Federal Government over the thirty six (36) states and seven hundred and seventy four (774) local governments has created disaffection in the Nigerian federation. It reinforces the structural vulnerability of the component units while simultaneously intensifying the pressures for better federal economic patronage.

Federalism: A Conceptual Clarity

Understanding federalism as a larger concept will help facilitate the understanding of fiscal federalism. This is because federalism is the operational context within which fiscal federalism is situated. Thus, it is an integral aspect of federalism. Federalism 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 labelled variously as states, regions, republics, cantons or unions (Ajayi, 1997:150)).

Federalism is derived from the Latin word "foedus" meaning covenant. It is a political concept in which a group of members are bound together by covenant with a governing representative head. 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 (like states or provinces). Federalism is a system in which the power to govern is shared between national state governments, creating what is often called a federation (Akindele and Olaopa, 2002). It is a political theory that is divergent in concept, varied in ecology and dynamic in practice. It has to do with how power is distributed or shared territorially and functionally among the various units in a federation.

Also, Itse Sagay (2008, A11) conceptualised federalism 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 apparatus for the conduct of affairs and with an authority in some matters exclusive of others.

In analysing this purview, it is apparent that each unit of government within a federation exists, not as an appendage of another government, but as an autonomous entity capable of conducting its own will free from directive by any other government. Asobie's (1985, 26) perspective places emphasis on the intricacies of federalism. He identified two broad areas of cooperation in federalism.

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- The first relates to capacity of citizens, as individuals and groups, to relate to each other federally, that is as partners respectful of each other's integrity while cooperating for the common good in every aspect of life, not just in the political realm.
- The second area views federalism as a social phenomenon which emphasises the existence of essentially permanent religious, ethnic, cultural or social groups, camps or pillars around which a polity is organised.

Fiscal federalism is concerned with "understanding which functions and instruments are best centralized and which are best placed in the sphere of decentralized levels of government" (Oates, 1999:1120). In other words, it is the study of how competencies (expenditure side) and fiscal instruments (revenue side) are allocated across different (vertical) layers of the administration. An important part of its subject matter is the system of transfer payments or grants by which a central government shares its revenues with lower levels of government.

Fiscal Federalism is characterised by the fiscal relations between central and lower levels of government. That is, it is manifest by the financial aspects of the devolvement of authority from the national to the regional and local levels. Fiscal federalism covers two interconnected areas. The first is the division of competence in decision making about public expenditures and public revenue between the different levels of government (national, regional and local). The second is the degree of freedom of decision making enjoyed by regional and local authorities in the assessment of local taxes as well as in the determination of their expenditures (Kesner-Skreb, 2009:235).

In fact, fiscal federalism is a general normative framework for the assignment of functions to the different levels of government and appropriate fiscal instruments for carrying out these functions. Sharma (2005:38) perceives fiscal federalism as a set of guiding principles, 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.

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Fiscal federalism refers to the allocation of tax-raising powers and expenditure responsibilities between levels of governments (Akindele S.T and Olaopa, 2002). Fiscal federalism concerns the division of public sector functions and finances among different tiers of government (Ozo-Eson, 2005:1). In undertaking this division, the emphasis is on the need to focus on the necessity for improving the performance of the public sector and the provision of their services by ensuring a proper alignment of responsibilities and fiscal instruments.

Adejare (1997, 39) affirms that fiscal matters transcend the purview of economics. They have done this in most cases, especially in pluralistic societies with assumed political, religious and social dimensions and their inherent conflicting situations. The issue of fiscal federalism is an intrinsic element in a federation, which is dependent on, but not synonymous with fiscal decentralisation. While bringing out the differences between the two complimentary but different concepts of fiscal federalism and fiscal decentralisation, Sharma (1995) opines that 'fiscal federalism constitutes a set of guiding principles, a guiding concept that helps in designing financial relations between the national and sub-national levels of government; fiscal decentralisation, on the other hand, is a process of applying such principles.

In summary, the trend of the principles of fiscal federalism presupposes the fundamental importance of improved public sector performance geared towards accountability and responsibility with the deliberate intention of improving governance at all strata of government.

Theory of Fiscal Federalism

The basic foundations for the initial theory of Fiscal Federalism were laid by Kenneth Arrow, Richard Musgrave and Paul Sadweh Samuelson's two important papers (1954, 1955) on the theory of public goods. Musgrave's book (1959) on public finance provided the framework for what became accepted as the proper role of the state in the economy. The theory was later to be known as "Decentralisation Theorem" (Ozo-Eson, 2005:1).

Within this framework, three roles were identified for the government sector. These were the roles of government in correcting various forms of market failure, ensuring an equitable distribution of income and seeking to maintain stability in the macro-economy at full employment and stable prices (Musgrave, 1959). Thus the government was expected to step in where the market mechanism failed due to various types of public goods characteristics. Governments and their officials were seen as the custodians of public interest who would seek to maximize social welfare based on their benevolence or the need to ensure electoral success in democracies (Ozo-Eson, 2005:1).

Each tier of government is seen as seeking to maximise the social welfare of the citizens within its jurisdiction. This multi-layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localised. In such circumstances, local outputs targeted at local demands by respective local jurisdictions clearly provide higher social welfare than the central provision. This principle, which Oats (1999) has formalised into the "Decentralisation Theorem" constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralisation (Bird, 2009). The theory focussed on situations where different levels of government provided efficient levels of output of public goods “for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions” (Oates, 1999: 5). Such situations came to be known as “perfect mapping” or “fiscal equivalence” (Olson 1996).

Nevertheless, it was also recognised that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a perfect mapping for all public goods. Thus, it was recognised that there would be local public goods with inter-jurisdictional spill-overs. For example, a road may confer public goods characteristics, the benefits of which are enjoyed beyond the local jurisdiction. The local authority may then under-provide for such a good. To avoid this, the theory then resorts to situation whereby the central government is required to provide matching grants to the lower level government so that it can internalise the full benefits.

Based on the preceding, the role of government in maximising social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilisation were, however, regarded as suitable for the central government.

From the foregoing, we can summarise the role assignment which flows from the basic theory of fiscal federalism. The central government is expected to ensure equitable distribution of income, maintain macroeconomic stability and provide public goods that are national in character. Decentralised levels of government on the other hand are expected to concentrate on the provision of local public goods with the central government providing targeted grants in cases where there are jurisdictional spill-overs associated with local public goods.

Once the assignment of roles had been carried out, the next step in the theoretical framework was to determine the appropriate taxing framework. In addressing this tax assignment problem, attention was paid to the need to avoid distortions resulting from decentralised taxation of mobile tax bases. Gordon (1983) emphasised that the extensive application of non-benefit taxes on mobile factors at decentralised levels of government could result in distortions in the location of economic activity.

Following from the assignment of functions, taxes that matched more effectively the assigned functions were also assigned to the relevant tier or level of government. For example, progressive income tax is suited to the functions of income redistribution and macro-economic stabilisation and is therefore assigned to the central government. On the other hand, property taxes and user fees were deemed more appropriate for the local governments. Benefit taxes are also prescribed for decentralised governments based on the conclusion that such taxes promote economic efficiency when dealing with mobile economic units, be they individuals or firms (Ozo-Eson, 2005:1).

The final element of this basic theory that is worthy of note is the need for fiscal equalisation. This is in the form of lump sum transfers from the central government to decentralised governments. The arguments for equalisation were mainly two. The first which is on efficiency grounds saw equalisation as a way of correcting for distorted migration patterns. The second is to provide assistance to poorer regions or jurisdictions. Equalisation has been important in a number of federations. For example, Canada has an elaborate equalisation scheme built into her inter-governmental fiscal arrangements (Weingast, 1995).

It should be pointed out however, that recent literature emphasises the importance of reliance on local revenues for financing local budgets. A number of authors (Weingast, 1995; McKinnon, 1997) have drawn attention to the dangers of decentralised levels of government which rely too heavily on intergovernmental transfers for financing their budgets.

The Synopsis of Revenue Commissions and Allocation Formula in Nigeria: 1946-88

The issue of fiscal federalism is a unique one in Nigeria. This is because it is characterised by constant struggle, clamour for change and, very recently, violence in the form of agitation for resource control in the Niger-Delta region. It is fiscal centralism instead of fiscal federalism. Calls and exhortations by lower tiers of government for a more decentralised fiscal arrangement have continued to fall on deaf ears. The issue has, over the years, engaged the attention of various commissions and committees. They include:

1. **Phillipson Commission (1946):** This commission recommended the use of derivation and even development as criteria for distribution of revenue. By derivation, the commission means each unit of government would receive from the central purse the same portion it has.
2. **Hicks-Phillipson Commission (1951):** This commission recommended need, derivation, independent revenue or fiscal autonomy and national interests as the criteria for revenue sharing.
3. **Chicks Commission (1953):** The commission recommended derivation.

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4. **Raisman Commission (1957):** It recommended need, balanced development and minimum responsibility. Percentage division of 40% to the north, 31% to the east, 24% to the west and 5% to Southern Cameroon.
5. **The Binns Commission (1964):** This commission rejected the principles of need and derivation. In its place, it proposed regional financial comparability and percentage division of 42% to the north, 30% to the east, 20% to the west and 8% to the mid-west.
6. **Dina Commission (1969):** It recommended national minimum standards, balanced development in the allocation of the states joint account and basic need.
7. **Aboyade Technical Committee (1977):** It recommended a national minimum standard for national integration (22%), equality of access to development opportunities (25%), absorptive capacity (20%), fiscal efficiency (15%) and independent revenue effort (18%). Other criteria are: 57% to Federal Government, 30% to State Governments, 10% to Local Governments and 3% to a special fund
8. **Okigbo Committee (1980):** It recommended percentages on principles: Population (4%), equality (4%), social development (15%) and internal revenue effort (5%). Percentages for governments: Federal (53%), States (30%), Local Governments (10%), Special Fund (7%).
9. **Danjuma Commission (1988)** It recommended percentages: Federal (50%, States (30%), Local Governments (15%), Special Fund (5%).

   Other laws and decrees on revenue allocation:

   - Decree 15 of 1967
   - Decree 13 of 1970
   - Decree 9 of 1971
   - Decree 6 of 1975
   - Decree 7 of 1975 (Oyeneye, et al, 1988).

Revenue Mobilisation Allocation and Fiscal Commission and the Politics of Revenue Allocation

The establishment in 1999 of Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) was a response by the Federal Government to provide for allembracing and permanent revenue body in Nigeria. RMAFC is a body that reflects the Federal Character Principle in its membership composition and has enabling laws which empower the commission to act as follows:

1) Monitor the accruals into and disbursement of revenue from the federation account;
2) Review from time to time, the revenue allocation formula and principles in operation to ensure conformity with changing realities;
3) Advise the federal, state and local governments on fiscal efficiency and methods by which their revenue is to be increased;
4) Determine the remuneration appropriate to political office holders; and,
5) Discharge such other functions as may be conferred on the commission through the constitution or any act of the National Assembly (Shuaibu, 2002)

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. Analysing 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.

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 will 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).

In analysing the approximate net allocation to the thirty states between May 29, 1999 and November 2003 in Nigeria, over two trillion naira have been allocated to the states (see Table 1, appendix A). However, it is pertinent to note that the increment in allocation to states has not provided the needed impetus that will usher in development and growth at the state level. The revenue increment over the years has only further created an avenue for most of the state governors to loot their treasury. While the revenue allocation has not led to any meaningful development, it is also discernible that the Federal Government is taking more than it can chew (see Table 2, appendix B).

Various criteria used for allocating resources were not based on a rational consideration but on the basis of other primordial considerations. It is argued that this formula only crippled the revenue generation capacity of each state, as states rely wholly on the monthly allocation. The effect of this monthly routine is that it has merely become a tradition to receive money, pay salary and appropriate the remaining part of the money for personal aggrandisement.

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 characterisation of politics in Nigeria as a 'do or die' phenomenon.

The federal politics is soaked in the miry clay of violence and accumulation of weaponry to propagate election victory. Election victory is not determined by the electorate but by the amount of thugs and weapon of violence. Since federal government becomes distribution point, it becomes attractive to political jobbers who are bereft of idea of politics of development and development of politics. Politicians become interested in the looting of national treasury thereby playing politics of decline and decline of politics. Little wonder that despite enormous resources in Nigeria, the country is still rated as one of poorest countries in the world; country with little or no opportunities for capacity building and empowerment of youths and women.

The Nature and Crisis of Fiscal Federalism in Nigeria

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.

From the Nigerian perspective, several attempts were made in the direction of achieving a harmonious sharing formula of its national economic resources among the component units of the federation. Despite all these efforts, there are still inherent challenging issues that are posing serious problems to the Nigerian federalism. Among these critical issues are over-dependence on oil revenue, conflicts over revenue sharing formula, centralising tendency of fiscal relations in Nigeria and the agitation for resource control, among others.

Oil was first discovered in commercial quantity in Nigeria at Olobiri, Bayelsa State, by the then Shell-BP in May 1956. Two years later, exploration of oil commenced by the oil multinational companies and this marked the watershed of the political economy of the Nigerian federation. The phenomenon of oil exploration made oil to be the mainstay of Nigerian economy and placed her as the world seventh largest oil exporter. This development made oil the central issue in fiscal federalism. In the last nine years, Nigeria had earned over 250 billion dollars in revenue from oil (Sagay, 2008).

It is paradoxical, however, that the exploration of oil in Nigeria and its high yielding revenue has impacted negatively on the Nigerian economy. Thus, it qualifies the situation to be referred to as 'resource curse'. It led to the undermining of the development of the hitherto buoyant agricultural sector and other viable sectors such as industry, mining and human capital development. Inevitably, it de-energised the competitive spirit that would have stimulated economic growth in these neglected sectors over the years in Nigeria.

In addition, over-dependence on oil revenue also impacted negatively and posed serious challenges to the issues of fiscal federalism in the country. It has with time led to the evolving of a leech syndrome among the component units of the federation. Inevitably, it made the states dependent on the hand-outs from the Federation Account. The leech nature of most of the states makes them an economic appendage of the central government and has eroded the autonomy of the federating units. This, in a way, established a master-servant relationship between the Federal Government and the component units. Revenue allocation is a process that is concerned with the sharing of the national resources and receipts from among the tiers of government in the federation.

The nature of intergovernmental fiscal relations in nations practising federalism as a system of government is essential to the survival of that system. In federal states of the world, the issue of revenue sharing is always contentious in nature. According to Olalokun (1979, 109): 'in most if not all federal countries, one of the most constant sources of intergovernmental wrangles centres on the problem of securing adequate financial resources on the part of the lower levels of government to discharge essential political and constitutional responsibilities'

Revenue sharing among the component units of Nigerian federation has, from the inception, been replete with agitations, controversies and outright rejections due to the nature of the politics that is involved in it. The process of revenue sharing is inundated with conflicting criteria that were, often times, rejected by majority of the states in Nigeria. For instance, prior to 1977 Aboyade Technical Committee on revenue allocation formula, the principle of population had been characterised by illogicality on which revenue sharing was based. Also, it is difficult to measure the principle of even development in any meaningful way. The principle of national interest defies any particular interpretation, which is subjected to series of interpretations by the prevailing circumstances occurring in the federation.

It is imperative to emphasise that as long as states continue to depend on the Federal Government for their economic development and survival, the wrangling and controversy surrounding the issue of revenue allocation will remain persistent and a recurrent problem in Nigerian fiscal federalism. Also posing challenges to Nigeria's fiscal federalism is the centralising and hegemonic tendencies of the Federal Government. The radical change from agrarian economy to oil-driven economy further propelled centralism and hegemony of the central government over the states in Nigeria. Various military regimes through series of military fiats and decrees consolidated the hegemonic power of the central government. Thus, ranging from decrees such as Petroleum Tax Decree 13 of 1970 and the 1975 Amendment Decree to Decree 13 of 1970 further undermined the principle of derivation and arrogated power of control over mining rents, royalties from on-shore and off-shore exploration to the Federal Government (Sagay, 2008).

It is aptly acknowledged that the driving force behind federalism in principle as a concept is the principle of autonomy, absence of hierarchical authorities and absence of centralism that pervades the relations of federal government and various component units in Nigeria. Also disturbing is the agitation for resource control that has taken criminal dimension. There are multifarious cases of kidnapping, vandalism, desperations and high scale violence.

The Federal Government in Nigeria, in most cases, unilaterally spends or decides the modes and methods of spending. A case in point is the excess crude account which some states are challenging as unconstitutional. 'The states are also demanding direct payment of excess crude earnings into the Federation Account and a refund of about 546.37 billion naira'. (Yusuf, 2008, 1).

It is safer to opine that disharmonious federal-state fiscal relations is a reflection of low level of political maturity and the inability of the Nigerian nation-state to allow its federalism to evolve and develop without undue control. As it is now, Nigerian federalism is fraught with so many problems. Out of which include: the external imposition of the arrangement, the seeming lack of political will as well as lack of commitment to the cause of the nation.

Policy Options

- That lasting solutions to problems confronting Nigerian federation lies in the readjustment of the tax revenue sharing power of the federation in an equitable manner among the component units which currently skew in the favour of the federal government.
- Also, it is imperative to embark on radical diversification of Nigerian economy to other viable and productive sectors of the economy, such as agriculture, mining, industry and human development.
- There is the urgent need for constitutional review especially as it relates to federalism. As it is, the Federal Government enjoys unlimited power and too many responsibilities in the exclusive legislative list. The constitution should be amended to divest the federal government of some of its powers that are becoming increasingly alien in modern day federal practices.
- It is also discovered that the current revenue sharing formula encourages laziness and idleness as states rely heavily on the federal allocation- a situation that makes most states, perhaps, excluding Lagos, parasitic in natures feeding voraciously on Federation Account. States have become dearth in initiatives, lacking in vision and are development-shy. To correct this anomaly, it is recommended that the principle of derivation be adopted as it is capable of spurring the states to work harder to contribute maximally to Federation Account. Derivation formula is good because of its principle of ‘to each according to its contribution’. States will develop and design Internally Generated Revenue mechanism capable of creating wealth and reducing the level of frictions arising from unending fiscal relations.

Conclusion

The paper analysed the evolution of fiscal federalism, evolved theoretical elucidation of federalism as well as dwelled extensively on the nature and crisis of fiscal relations in Nigeria and concluded that fiscal relations are highly lopsided as they favour the Federal Government against the various state and local governments. The Federal Government always receives larger amount in the sharing formula and with less impact on the people. The lopsided nature of fiscal arrangement has so far generated suspicion, apathy and constant overt and covert conflict.

Premised on the analysis, it is deducible that the centralist system of fiscal relations, critical issue of over-dependence on oil revenue, conflicts over sharing principle and disharmonious federal-state relations are obstinate challenges that are threatening harmonious fiscal relations in Nigeria and the continued existence of Nigeria as a federal state.

The intractable problems arising from the widely unacceptable and constant conflicting fiscal federalism in Nigeria need urgent correctible measures.

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Table1: (Appendix A) **Summary of Allocation to States between May 29th and November 2003**

S/N	STATE	APPROXIMATE NET ALLOCATION (N:K)	POSITION
1	ABIA	38.40 bn	25th
2	ADAMAWA	42.00 bn	20th
3	AKWA IBOM	106.80 bn	3rd
4	ANAMBRA	34.90 bn	32nd
5	BAYELSA	92.70 bn	4th
6	BAUCHI	45.40 bn	15th
7	BENUE	43.60 bn	17th
8	BORNO	45.20 bn	16th
9	CROSS RIVER	36.80 bn	29th
10	DELTA	167.00 bn	1st
11	EBONYI	36.00 bn	30th
12	EDO	73.90 bn	6th
13	EKITI	31.40 bn	34th
14	ENUGU	37.10 bn	28th
15	GOMBE	33.80 bn	33rd
16	IMO	78.70 bn	5th
17	JIGAWA	42.20 bn	19th
18	KADUNA	54.60 bn	11th
19	KATSINA	69.30 bn	8th
20	KANO	65.30 bn	9th
21	KEBBI	40.20 bn	23rd
22	KOGI	38.30 bn	26th
23	KWARA	35.60 bn	30th
24	LAGOS	71.50 bn	7th
25	NIGER	46.80 bn	14th

26	NASARAWA	31.20 bn	35th
27	OGUN	42.70 bn	18th
28	ONDO	62.50 bn	10th
29	OSUN	38.90 bn	24th
30	OYO	49.60 bn	13th
31	PLATEAU	30.60 bn	36th
32	RIVERS	114.20 bn	2nd
33	SOKOTO	41.30 bn	21st
34	TARABA	52.00 bn	13th
35	YOBE	38.30 bn	26th
36	ZAMFARA	40.40 bn	22nd

Source: Yusuf, 2008.

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TABLE 2 (Apendix B): **Brief Historical Outline of Revenue Allocation Formulas in Nigeria**

ITEM	Date	Federal Govt %	State Govt. %	Local Govt. %	Special Funds %	Total %
Aboyade Commission	1977	57.00	30.00	10.00	3.00	100.00
Okigbo Commission	1980	53.00	30.00	10.00	7.00	100.00
Revenue Allocation Act	1981	55.00	30.50	10.00	4.50	100.00
Pre-Supreme Court – Legal Decrees/Law	Pre-April 2002	48.50	24.00	20.00	7.50	100.00
Pre-Supreme Court - RFMAC Proposal	August 2001	41.23	31.00	16.00	11.70	100.00
Supreme Court Ruling	April 2002				Unconstitutional	
Post-Supreme Court - Executive Order # 1	May 2002	56.00	24.00	20.00	0.00	100.00
Post-Supreme Court - Executive Order # 2	July 2002	54.68	24.72	20.60	0.00	100.00
Post-Supreme Court - RFMAC Proposal	January 2003	46.63	33.00	20.37	0.00	100.00