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Nigerian Fiscal Federalism and Revenue Allocation Formula for Sustainable Development in Niger Delta

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Absract: Federal systems by their nature are complex administrative designs because they involve multiple levels of government. The Nigerian federal system is thus beset by a lot of complex challenges. One of such challenges is the seemingly implacable and intractable Niger Delta crisis arising from lopsidedness in revenue allocation and sharing in the country. From 1960 till date the revenue allocation system can neither be said to be efficient or equitable. However, the nature and conditions of the financial relations in any federal system are crucial to the continued existence of such a system. The study explores Nigeria's fiscal relations and the revenue allocation formula through a descriptive historical analysis. It specifically focuses on the imbalance and lopsidedness associated with the systems which have combined to affect the Nigerian federal system as a whole. The study finds that the lack of sustainable development in the Niger Delta region is traceable to imbalances in the revenue allocation formula in Nigeria which gives little to the goose that lays the golden eggs. Data for the study came primarily from secondary sources. The study concludes that for there to be efficient sustainable development and to reduce the tension in the Niger Delta, the Nigerian government should encourage the derivation principle in her revenue allocation formula. This in a way will promote peace and development in an otherwise volatile region of the country.

Key words: Niger delta, Nigerian fiscal federalism, revenue allocation, sustainable development, historical analysis

INTRODUCTION

The Niger Delta is strategic to Nigeria's socio-economic development because of the abundance of crude oil in the region. Crude oil in essence is the major exportable product and the main source of revenue for the country. It is assumed that the region where the country's major earning is coming from should be well provided for in terms of development projects. The situation is however, not so in that the region is almost totally neglected and the people are poor. Oil production in the region has translated into health problems and impoverishment for local inhabitants who have traditionally lived on fishing and agriculture. Oil spillages and poor industry practices have exacted a heavy toll in the Niger Delta area.

The nature of Nigerian fiscal federalism and revenue allocation formula is such that has failed to emphasise the derivation principle to allocate adequate resources for the development of the Niger Delta. This in a way has brought untold hardship for the people and induced abject poverty within the region.

The study objective is to examine fiscal federalism in Nigeria vis-à-vis the development of the Niger Delta with a view to proffering relevant suggestions that would promote and encourage a humane and just revenue allocation system to engender sustainable development in the area. Sustainable development in this wise in not only about protecting the environment; it is equally concerned with the best productive use of natural resources for the elimination of poverty and the improvement of human welfare and quality of life. The argument in the study is that sustainable development and human security hold the key to the problems of the Niger Delta. The human security in this sense refers to the security of the environment, food, shelter, jobs and health.

This study reveals an assessment of fiscal federalism and revenue allocation formula in Nigeria; revenue sharing and allocation in Nigeria; the Niger Delta and oil exploration towards sustainable development in Niger Delta and conclusion. It is necessary at this juncture to examine fiscal federalism and the revenue allocation system in Nigeria.

An assessment of fiscal federalism and revenue allocation formula in Nigeria: One of the most discussed issues in Nigeria is fiscal federalism because of its effects on the stability of the country. In view of this what accrues to each level or unit of government is of major concern to every individual stakeholders. So many scholars have discussed these issues extensively. Researchers such as Olowoloni (1998), Adesina (1998), Mbanefoh and Egwaikhide (1998), Suberu (2001) and Baker (1984) have discussed these issues in details.

In any federal system, there must be an arrangement on how the revenue of the state will be shared among the component parts. In supporting this view, Ronald Watts (1970) argues that:

> Federal finance is an extremely important and controversial subject because: first, it affects the allocation of administrative responsibility because the financial resources available will place limits on the scope of administration which, either level of government is able to sustain. Second, it affects the political balance because whichever level of government has the major financial resources, finds in its hands the means of political control; third, it is significant also because the assignment of fiscal and expenditure powers will determine which governments are able to use these instruments to control the economy (Watts, 1970).

The observation of Ronald Watts on fiscal federalism and revenue allocation is instructive particularly for Nigeria. As recognized by him, federal finance is a controversial subject. It also affects the allocation of administrative responsibilities. The percentage of revenue allocated to a tier of government will definitely affect or influence its performance. The assumption of Ronald Watts that the fiscal power and revenue allocation will determine the tier of government that controls the political economy is relevant to the situation here.

The nature of the fiscal federalism and revenue allocation places the federal government at a vantage position and to control the economy. The economic role of the public sector in a federal polity is the joint responsibility of all tiers of government. But in the case of Nigeria, the joint responsibility of these tiers of government in carrying out the functions of socio-political, administrative and economic management introduces complications in the nation's fiscal system (CBN, 2000).

Fiscal laws in Nigeria tend to give more powers to the federal government than the other sub-federal units combined. In fact, there is an increased dependence of the sub-federal units on the federal government particularly for their finances. State and local governments are neither given any strong fiscal incentive nor encouraged to generate revenue internally. In view of this, they are weak financially, whereas the weak financial base of states cannot strengthen or guarantee true federalism. As a result, there are discontentment, conflicts and agitation by the two other tiers against the federal government for self-reliance. It is argued that, for any federation to be sustained there must be fiscal decentralization and financial autonomy. However, in the case of Nigeria, there is fiscal centralization.

A number of factors account for this, including the growing importance of crude oil, the civil war, military incursion into politics, the centralizing tendencies of the military and state creation exercises. But the factor that is of immediate concern here is the importance of crude oil and proliferation of states which, since 1967 has reduced the size and capacity of the states and made them inherently weak and excessively dependent on statutory allocation.

Williams Ehwarieme, commenting on the effects of incessant state creation on fiscal federalism, notes that because of the large number of sharing units and the lack of independent sources of revenue, the dependence of these units on the federal government has not only virtually impinged on their autonomy but it has hindered their capacity to carry out independent development. Moreover, reduction in land space is by implication, a drastic reduction in the economic power and activities of the states. Similarly addressing the effect of incessant state creation on the autonomy of the state and true fiscal federalism in Nigeria, former Vice President Alex Ekwueme observes that:

> The increase in the number of states has tended to reduce the states to a level where they have virtually ceased to function as component but autonomous and cognate units in a true federal polity

In a nutshell, the incessant creation of states, the importance of the crude oil and prolonged military rule with its command structure affect Nigerian fiscal federalism. A consideration of revenue sharing will reveal this dilemma.

Revenue sharing and allocation in Nigeria: Revenue sharing and allocation between the federal and other tiers of government have become the most contentious issues in Nigeria's fiscal federalism. To this end, Pauline Baker notes that the revenue allocation issue is not a secondary matter but a primary issue that is fundamental to the political stability of the country as a whole (Baker, 1984). Fiscal matters according to Olutayo Adesina, transcend the purview of economics. In pluralistic societies, they assume political, religious and social dimensions (Adesina, 1998). Revenue allocation has been a major issue in the Nigerian political system even from the pre-independence era. Between 1946 and 1960, four fiscal review commissions were appointed to recommend a satisfactory revenue allocation formula for the country.

In 1946, the colonial government in the country set up the Phillipson Commission. The Commission according to Gini Mbanefoh and Festus Egwaikhide was charged with the task of formulating the administrative and financial system to be adopted under the Richards Constitution (Mbanefoh and Egwaikhide, 1998). The introduction of the Macpherson Constitution in 1951 brought about Hicks-Phillipson Commission on revenue allocation. Chick Commission was put in place in 1953 in anticipation of the Oliver Lyttleton Constitution of 1954. In 1958, the Raisman Commission was appointed in readiness for the nation's independence.

It should be emphasized that the use of a revenue allocation formula for the sharing of Federation Account revenue among the tiers of government originated from the recommendations of the Raisman Revenue Allocation Commission of 1957 (CBN, 2000). Also, the Raisman Commission recommended the establishment of a Distributable Pool Account (DPA) into which certain percentage of federally collected revenue would be paid for sharing among the regional or state governments (ibid).

In post independence Nigeria, so many fiscal review commissions were set up by different governments at the centre to work out an acceptable revenue allocation formula for all tiers of government. The civilian coalition administration of Alhaji Tafawa Balewa and Dr. Nnamdi Azikiwe set up the Binns Commission in 1964 and charged it with the responsibility of resolving the problems associated with revenue allocation in the country.

The military government of General Yakubu Gowon in 1968, established an Interim Revenue Allocation Review Committee headed by Chief I.O. Dina who was a permanent secretary in the former Western Region. The main term of reference of the committee was to find out sources of new revenue and suggest any change in the existing revenue allocation system.

Furthermore in 1977, the Ojetunji Aboyade Technical Committee on revenue allocation was inaugurated by the military regime of General Olusegun Obasanjo. The report of this committee was rejected by the Shagari administration that took over from Obasanjo on the ground that it was too technical and unworkable. In order to have a revenue formula to work with the Shagari administration in 1979, put in place a Presidential the Commission on Revenue Allocation headed by a renowned economist, Dr. Pius Okigbo. The commission was asked to look at the existing revenue allocation formula among the tiers of government with the aim of ensuring that all tiers of government have enough revenue to enable them discharge their functions as spelt out in the constitution (Mbanefoh and Egwaikhide, 1998).

The military regimes of Generals Ibrahim Babangida and Sani Abacha at one time or the other adjusted the existing revenue allocation formula as a matter of routine without any consultation except in 1988/1989 when Babangida set up the Theophilus Danjuma Commission on revenue allocation. The civilian administration of Chief Olusegun Obasanjo attempted to put in place a revenue allocation formula for the country. However, section 162 sub-section (3) of the 1999 Constitution of the Federal Republic of Nigeria states that:

> Any amount standing to the credit of the Federation Account shall be distributed among the federal and state governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly (FRN, 1999)

A noticeable feature in all the revenue allocation systems adopted and percentages allocated to each tier of government as indicated above shows that the federal government has been mostly favoured. In other words, the proportion of federally collected revenue assigned to the federal government is enormous. In view of this, a former civilian Vice President, Dr. Alex Ekwueme observes that:

> The massive increase in revenue accruing to the Federal Government and the unilateral decreeing as to how it would be shared between it and the states eroded the financial autonomy of states and enabled the Federal Government to venture into areas exclusive to or shared concurrently with the states.

The principal effect of overbearing lop-sidedness of the revenue sharing system in Nigeria is the continued strengthening of the position of the federal government against the continued weakening of the positions of the sub-federal levels.

It can be argued without fear of contradiction that one of the reasons for the high turnover in revenue allocation principles and formula is the relative share of each layer of government in the Federation Account. Each level of government, particularly the sub-federal governments, only agitates for reviews of the formula so that more money can be allocated to it.

Commenting on the relative share of the federal government in federally collected revenue in the Federation Account, the Okigbo Commission on Revenue Allocation observed that:

> All the memoranda as well as oral evidence received from the state pointed to the same direction, namely that under the revenue allocation scheme in force too much money was concentrated in the hands of the Federal Military Government. This put the states in financial difficulties from which they now seek an escape of the nineteen states with which we held discussions, only three conceded up to 50% of the Federation Account to the Federation; a few of the other sixteen put the share of the federation as low as 28% but most of them recommended a proportion of between 40 and 45% (FRN, 1980).

The percentage recommended for the federal government by a majority of the state governments in the 1980s as shown above was far higher than what the states are recommending now. The other sub-federal tiers are currently championing the cause of a drastic reduction in the percentage of revenue accruing to the federal government.

For example, all the thirty-six governors in Nigeria severally and jointly condemned the percentage allocated to the federal government and proposed 30% of the statutory allocation to that tier of government.

The general opinion in the country is that the federal government controls a disproportionate amount of resources to the detriment of the sub-federal governments. The Supreme Court judgment on Onshore and Offshore Dichotomy has proved this right. There is flagrant violation of revenue allocation laws by the federal government to its advantage. Not all federally collected revenues are paid to the Federation Accounts for redistribution among the tiers of government.

Large amounts of federally collected revenues are diverted into extra-constitutional items like Dedication or Reserve accounts, Priority projects and federal external debt service obligations. The former Federal Minister of Finance under the administration of the late Sani Abacha, Chief Anthony Ani, revealed that out of federally collected revenue of 452 billion naira in 1997, only 208 billion naira was paid into the Federation Account. In 1998 according to him, 424 billion naira was collected, while only 189 billion naira was made available for sharing among the three tiers of government. The diversion of federally collected revenues is encouraging massive corruption and looting at the federal level. For example, the regime of General Sani Abacha was reported to have defrauded the country to the tune of $1.5 billion.

In the real sense of it, both the state and local governments are still short-changed as they receive only about half of their constitutional entitlements from the Federation Account because of federal government's subterfuge. Adedotun Phillips, a respected economist, observes that:

> This situation led to increase in Federal Government's share of public expenditures. It expanded substantially from 52% in 1983 to 74% in 1995. On the other hand, there was abysmal decline in state governments' share from over 40% to under 20% within the same period (Phillips, 1997)

To make the matter worse, all tiers of government, particularly the state and local governments depend on statutory allocations for their survival.

Therefore, when there is a major drop in whatever accrues to them from the Federation Account, their development efforts are definitely adversely affected. Rather than supplement the internal revenues of the states, central statutory allocations to the states on the average account for over 80% of their entire revenue. In fact, it is the primary source of the states' financial resources.

This simply exposes the weakness of Nigeria's federalism in which the states and local tiers of government lack the necessary initiatives to mobilize resources internally, thereby failing in their responsibilities to the people. Olowoloni corroborates this by noting that:

> There is ... no doubt that revenue allocated statutorily to the state governments have not fostered any sense of financial responsibility on the part of state and local governments as they have increasingly become inefficient in the use of the meager fund they get besides, the revenue allocation formula has not sufficiently given incentives to these governments to exploit fully their own sources of revenue. In fact, they have found it more rewarding to concentrate their energies on attempting to obtain larger transfers from the federally collected revenue rather than attempting to generate more revenue internally (Olowoloni, 1998).

Indeed, the revenues of the states show little growth potential while conversely, the expenditure shows a high growth potential. This is very unhealthy and suicidal for the survival of a federal polity.

So many states are openly calling on the federal government for financial assistance, thereby making the constituent governments subservient to the central government. Kenneth Wheare pointed out, a long time ago, the effect of this on the states:

> If states authorities ... find that the services allotted them are too expensive to them to perform and if they call upon the federal authority for grants and subsidies to assist them, they are no longer coordinate with the Federal Government but subordinate to it. Financial subordination makes an end of federalism. In fact, no matter how carefully the legal forms may be preserved. It follows therefore that both state and federal authorities in a federation must be given the power in the constitution each to have access to and to control its own sufficient financial resources. Each must have a power to tax and to borrow for the financing of its own service by itself (Wheare, 1963).

One of the issues revolving around revenue allocation is the horizontal revenue method. Thissimply involves the appropriate methods and principles to be used in sharing central revenue in favour of the sub-federal governments. This has rendered the issue very contentious among the tiers of government.

In terms of horizontal (inter-state and inter-local) distribution, the Nigerian revenue allocation formula is based on two major principles: first, equity principles including even development, national interest, continuity in government services, minimum responsibility of government, financial comparability, primary school enrolment and second, the social factor including national minimum standard, landmass and terrain. The revenue sharing practices in this country emphasise equity over efficiency. This may not be unusual as it is the major practice in many developing countries around the world. All the revenue allocation commissions so far dziscussed in this study have adopted both the efficiency and equity principles but they have all been criticized for one reason or the other as summarized by the Aboyade Technical Committee which observed that:

> Population has been characterized by illogically inconsistency and inequity; derivation had done much to poison intergovernmental relations and hamper a sense of national unity need had little if any operational relevance even development was analytically ambiguous ... (and was) not technically feasible to measure in any meaningful way equality of status of states was a consolation prize to state not favoured by the population and derivation principles; geographical peculiarities defied any concise definition ... (had had) little or no merit, national interest was capable of many interpretations and circumstances (FRN, 1979).

No revenue formula in Nigeria has been acceptable to all levels of government at any point in time. The contentious revenue sharing problem in Nigeria according to Pauline Baker is compounded by:

> Lack of consensus on the criteria of distribution, the absence of reliable socio-economic data, the rapid rate of constitutional change and the extent to which revenue distribution is tied to perceptions of regional ethnic dominance (Baker, 1984).

Indeed, according to Adedotun Phillips:

> The major problem of intergovernmental revenue sharing in Nigeria has always been the formula for sharing revenue among regions and states that is the horizontal revenue sharing scheme (Phillips, 1991)

Since independence, each region or state in the country has argued for those revenue sharing principles that support its particular interest. The states in the South-South region or Niger Delta region of the country are currently agitating for the derivation principle to be major criterion in revenue allocation formula.

This is with the belief that the derivation principle will enable them to benefit tremendously from the large deposits of crude oil in the region. The Okigbo Commission put this in perspective by noting that:

> In the memoranda presented to us by the states, each state made its case for allocation mostly in terms of those factors that suit its particular characteristics. Population; in states like Oyo, Borno, Kano, Sokoto; geographical areas in states like Gongola; Kwara; population density in state like Lagos, Imo, Ondo and Rivers ... each state is looking at its own interest singularly by proposing to the Commission as the dominant principles of allocation those which give it the most advantage over other states.

It will be very difficult in Nigeria for years to come to have an acceptable revenue formula because of its pluralistic nature. Apart from the fact that revenue sharing is seen as a symbol of ethnic domination, there are no reliable and acceptable socio-economic data on which technical impartial allocations can be based.

Niger delta and the problems of oil exploration: The Niger Delta covers an area of about 70,000 km^2 and makes up 7.5% of Nigeria's landmass. It consists of Abia, Akwa Ibom, Cross River, Edo, Imo and lately Ondo States. The major sources of livelihood for the people are fishing and farming (Wikipedia, the Free Encyclopedia). The states are made up of about 500 densely populated rural communities. The region is of huge ecological value and it is believed to be the world's third largest mangrove and fresh water swamp, a third of which is wetland (Okoh and Egbon, 1999).

Oil was first discovered in Oloibiri in the Niger Delta in 1956 and since then, several oil fields have dotted the entire Niger Delta region in Nigeria. A number of multinational corporations such as Shell, Mobil, Chevron, Elf, Agip and Texaco are operating the oil fields in joint ventures with the Nigerian National Petroleum Company (NNPC). Because of oil exploration in the region, the Niger Delta area is vulnerable to all sorts of environmental degradation. Amplifying this, Akpan Ekpo noted that the area has suffered near total neglect by the federal government and various oil multinational companies operating there. He noted further that the region presents a picture of wanton environmental degradation of land, water and air (Ibid). Other scholar such as Odogbor (2005) has equally emphasized the impact of oil exploration on the people of Niger Delta. Such impact consists in acute poverty and low quality of lives a condition aggravated by incessant spillage and pollution that are attendant on oil exploration. Naturally endangered and disrupted are the traditional occupations (i.e., fishing and farming) of the people.

Oil to a large extent has become a curse rather than a blessing for the country in general and the Niger Delta region in particular. This curse appears to be tearing the Nigerian nation apart and creating a deep gulf between the oil producing minorities and the majority ethnic groups on one hand and between the Southern part of the country and the Northern part, on the other hand. Oil has become an object of intense politics in Nigeria since its discovery. This is so in that more than any other resources, it has brought a lot of revenue to the country and those that equally have access to it. Therefore, there is political contestation as to who controls the wealth emanating from oil. This has made the politics intense, intractable and unresolvable (Omotoso, 2007). Before the discovery of oil, the principle of derivation was adopted in revenue sharing which allowed individual region/state to have adequate control over the resources located within their respective territories.

At the period, the big three ethnic majorities; viz: the Hausa/Fulani; Igbo and Yoruba had groundnut, palm oil and cocoa, respectively. These products were the major resources and the mainstay of the nation's economy. While the big three were allowed to control their resources, the system changed however, after the discovery of oil.

The reason adduced to this by Mbanefoh and Egwaikhide (1998) is because of the minority and politically powerless status of the people in the Niger Delta. As such, some powerful groups since 1970 have consistently prevented derivation principle as a major criterion in revenue allocation formula. Naturally, the Niger Delta people felt cheated and betrayed because of sudden change in revenue allocation system which to them amounted to oppression and exploitation. Peter Ozo Eson, commenting on this noted that:

> The whittling down over the years of the derivation principle in the allocation of revenue has been seen by the minority nationalities-particularly those in whose land oil is found as one way of denying them a reasonable measure of control and benefits from their resources.

It needs to be emphasized that despite the oil wealth the Niger Delta people are neglected as they lack basic amenities such as roads, pipe borne water, electricity, etc. according to Eson:

> …the oil producing areas remain the most underdeveloped areas of the country. Modern infrastructure such as roads, medical facilities, electricity, etc. are virtually absent in these communities… the extraction of oil over the years has taken a rather high toll on the ecology and environment of the areas fishing and farming have been ravaged by pollution and environmental degradation associated with oil extraction. These areas have the highest rates of unemployment in the country today. This situation has resulted in a great deal of unrest in the core oil producing areas of the country.

The problems of the Niger Delta areas have led to the Niger Delta youths at one time or the other to challenge the perceived injustice meted out to the region. The latest is the formation of the Niger Delta Peoples Volunteer Force (NDPVF) under the leadership of Asari Dokubo. The group is an agglomeration of various youth groups who are committed to self-actualisation and economic empowerment of the region. The palpable neglect and the seemingly intractable and complex problems occasioned by oil exploration in the Niger Delta have provoked the people into agitating for resource control. The people are of the opinion that they should be in control of their God-given resources. And agitation is in reaction to poor infrastructural development and near total, criminal neglect of the area.

The problems of Niger Delta are complex and multidimensional and as such, the region deserves special attention with a view to arresting the ugly and embarrassing situation in the area characterized by youth militancy, youth restiveness, kidnapping, bunkering, gun running among others.

Towards sustainable development in the Niger Delta: It has been noted earlier that despite the contribution of oil to the national economy, the Niger Delta area, where oil exploration is taking place is neglected in terms of provision of social amenities. Apart from this, the people of the area are poor as a result of the destruction of the ecosystem and their means of livelihood. There is, therefore the need for sustainable development in Niger Delta so as to mitigate the people's frustration, oppression and marginalization. The concept of sustainable development, according to Aluko (2004), emanated from the 1987 report titled The Common Future, prepared by the World Commission on Environment and Development (WCED).

The report also known as Bruntland Report noted that most countries, especially developing nations are making large numbers of people poor and vulnerable, while simultaneously degrading the environment. The report, therefore, emphasized the need for a new path of development to sustain human progress globally for several years. As a result of this report, there has been more emphasis towards issues like population, energy, industry, human settlement and quality of life.

For there to be sustainable development in the Niger Delta, the issue of revenue allocation must be re-examined. The formula for allocating revenue in the country must be such that will recognize the importance of the Niger Delta to the development of the nation. In other words, the principle of derivation should be encouraged. This will give more money for the development of the area. The special 13% allocated to oil producing areas is grossly inadequate, considering the impact of oil exploration on the people.

Apart from this, there must be a conscious effort to provide the Niger Delta with adequate social infrastructure such as water, school, good networks of road, electricity, etc. This is to enhance the quality of the life of the people. The situation in the area at present is such that all these facilities are either lacking in so many communities or grossly inadequate in many others. This no doubt is aggravating the problems and frustration of the people and it is also contributing substantially to youth restiveness prevalent in the area.

Oil exploration must be environmentally friendly. The present attitude of the multinational oil companies which places more emphasis on returns on investment than human lives is not acceptable. Oil companies should work towards improving the quality of the life of the people. As a matter of fact, they should consciously put policies in place towards the development of the area.

In order to lift up Niger Delta from the morass it has fallen into and achieve sustainable development, there is the need for cooperation among aid agencies, communities, the agencies of government and the state. In other words, the sustainable development of the area should be a joint responsibility of the government, the oil companies and the people themselves. As such, they must work together towards achieving the goal of development.

In support of the above, various government organs that are directly in charge of monitoring the activities of the oil communities should as a matter of fact, enforce all international environmental standards and laws with a view to enhancing sustainable development in the area. One of the major problems of the Niger Delta area is corruption. Most of the political leadership in the region are corrupt and this has serious implications for development. The impact of the 13% special allocation to the Niger Delta area is not so felt by the people because of problems of corruption.

Some of the governors of the Niger Delta region have been accused of corruption at one time or the other, some have been indicted and one has been jailed for corrupt practices. For example, DSP Alameisegha, the former governor of Bayelsa State was prosecuted by the Economic and Financial Crimes Commission (EFCC) and was eventually jailed. Both James Ibori and Lucky Igbinedion, former governors of Delta and Edo States, respectively are being prosecuted by the EFCC for corrupt practices. In fact, Lucky Igbinedon has been found guilty of corruption and he is to return some amount to Edo State government. The leaders must be patriotic, accountable and transparent in all their dealings. This is the only way the much desired sustainable development can be realized in the region.

CONCLUSION

This study has examined the nature and character of fiscal federalism and the revenue allocation system in Nigeria and the impact on the development of the Niger

Delta. It is noted that the federal government is highly favoured in all the revenue allocation systems so far and fiscal federalism is tilted more in favour the federal government. This, in a way, is affecting the economic survival of the sub-national governments.

Oil is recognized as the major foreign exchange earner for the nation and it is abundant in large quantity in the Niger Delta region. Despite the oil exploration and exploitation within this zone, however, the people are poor and susceptible to all forms of hazards and land degradation. To effectively impact on the Niger Delta area, there is the need to re-introduce the derivation principle in the horizontal revenue sharing formula in the country. This principle meets equally consideration. It will equally enhance the benefits derivable from oil production by oil producing areas. The re-introduction of the derivation principle will fast-track the sustainable development of the Niger Delta region.

The availability of revenue is one thing, but effective utilization of the resources is important. The people are interested in the development achievable with revenue. As such, the political leadership of the region should be committed and patriotic and stop diverting the resources of the region to private pockets. This is the only way the region can witness rapid development.

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