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FISCAL FEDERALISM AND RESOURCE CONTROL OPTION FOR NIGERIA

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Introduction

Nigeria as a nation-state dates back to the 1914 amalgamation. Nwokedi (2003:19) and Tamuno (1998:15) argued that the amalgamation was informed by the desire of the colonialist (British) to achieve a balance between the budget deficit of the Northern protectorate and the surplus of the colony and protectorate of the south. This action also had the advantage of securing a reduction in the cost of administering the two protectorates. This may have marked the beginning of lopsidedness in the nation and seem to set the tone for disagreements over fiscal matters.

Constitutional awareness, activities and developments thereafter introduced issues on fiscal federalism, complaints on domination and marginalization by the ethnic minorities leading to the Willinks reports of 1958, and sundry matters which were to assume varying dimensions at independence in 1960 and in the years following.

With the formal adoption of fiscal federalism in 1946, the search for a generally acceptable formula in allocating revenues became a national issue generating debates, controversies and disagreements. This quest for fiscal equity informed governments action at various times in setting up the underlisted committees/commissions on revenue allocation to find lasting solutions to this endemic problem.

The various committees/commissions are: Phillipson (1946), Hicks-Phillipson (1951); Chick (1953); Raisman and Trees (1958), Binns (1964), Decree 15 (1967); Dina (1968); Decrees 13, 9,6 of 1970;1971;1975, respectively. Aboyade (1977); Okigbo (1980); Revenue Act (1981); Decree 36, (1984); Danjuma (1989)/AFRC Approval (January 1990) AFRC Approval (January 1992 and June 1992).

It is observable from the reports of the above committees that the principle of derivation as criterion for allocating centrally collected revenues featured until 1968 (Agu, 2004:265-266). However, due to the centralizing tendencies of the military that ruled thereafter, a radical shift in practice tilting more towards unitarism or fiscal centralism was noticed and derivation became gradually de-emphasized. Centralism is more suited to the military command structure, which Elaigwu (2002) euphemistically referred to as "military federalism".

The de-emphasis in the use of derivation as an allocation criterion occurred incidentally and unfortunately at a time when crude oil was gaining prominence as revenue earner to the nation. The bulk of Nigerian crude oil is located in the Niger Delta States of Edo, Delta, Bayelsa, Rivers, Akwa-Ibom, Cross River. Other oil-bearing states include Abia, Imo and Ondo.

Arguments on the arithmetic of the majority versus the minority in the Nigerian ethnic configuration were by this development reinforced. The majority ethnic groups had benefited tremendously from the application of derivation in revenue allocation when agricultural products featured as revenue earner. However, with the prominence of oil located in the "minority" Niger Delta region, the principle was relegated (Mbanefoh and Egwaikhide, 1998:213).

The preamble for this relegation was set in the 1953 Chick report, progressed with the centralizing features of the 1968 Dina report and got to a crescendo in 1977 with the Aboyade technical committee recommending an outright disuse of the principle, while untested criteria like land mass/terrain, population, need, national standards and absorptive capacity became revenue allocation criteria.

Resulting from military encroachment into governance, a whittling down of state autonomy characterized by increase in items on the exclusive list from forty-four in the 1960 constitution to a whooping sixty-eight items in the 1999 constitution and a concomitant decrease in the concurrent functions left the state prostrate (see Nwokedi, 2003:26, for details). A corollary of this was the limitation in the tax powers of the sub-national governments in contravention of "true" federal practice. In these circumstances, other tiers of government became an appendage of the central government and relied heavily on federal financial transfers that could barely accommodate personnel costs, leaving little or nothing for social service delivery. Acrimony in inter governmental relations cannot be avoided in situations like this, and oil bearing states were not left out.

The perpetuation of this state of affairs held until the early 1990s when the nation started witnessing civil advocacy from minority ethnic groups like movement for the survival of Ogoni People (MOSOP) and Association of Mineral Oil States (AMOS) to mention but a few. At the reemergence of democracy in 1999 and thereafter, youth restiveness and militancy virtually overthrew advocacy with various groups like Niger Delta Peoples volunteer Force, Movement for the Emancipation of Niger Delta and Ijaw Youth Council among several others, complaining of inequity, injustice, marginalization and ecological devastation of their communities. They reiterated that ad-hoc arrangements through federal government intervention agencies (like Niger Delta Development Authority, Oil Mineral Producing Areas Development Commission and later Niger Delta Development Commission) were incapable of addressing their problems.

The oil-bearing states now ask for a return to "true" fiscal practice with commensurate percentage attached to derivation principle, attainable at independence, which can redress their situation. By this, the states can own and control the resources within their jurisdiction and a restoration of their tax powers, while an agreed percentage can be remitted to the central government. This implied that all laws/decrees dispossessing the region of these rights must be repealed.

This awareness informed agitations and lobbying at the 1994/95 constitutional conference by delegates from the states of the Niger Delta region that witnessed the inclusion of a minimum 13% as derivation criterion in revenue allocation (section 162,2b) in the 1999 constitution.

Intergovernmental fiscal relations assumed a seeming combative posture at the reemergence of democracy in 1999, leading to the celebrated supreme court battle on the seaward boundaries of the littoral states and whether a distinction can be made between onshore and offshore oil in the application of the derivation principle from revenue accruing therefrom.

The states in the Niger Delta region complained at the 2005 National Political Reform conference that the constitutionally prescribed 13% derivation still amounts to injustice, considering the brunt they bear from the negative socio-economic externalities, which oil prospecting and producing activities generate on their communities. They canvassed an increase in this percentage, if the status-quo at independence is not obtainable. The "walk-out" on the conference by the delegates from the region led to a seemingly inconclusive deliberations and other adjoining acts of unrest and hostage takings thereafter, which makes the zone a flash point call for urgent fiscal redress and intervention on a sustainable basis.

The Problem

Fiscal federalism which implies the co-existence of national and sub-national governments that perform various fiscal functions and assignment of tax powers required by the society, if not properly conceived and managed, is bound to generate disagreements and conflicts that could unsettle the system.

A major burden of the Nigerian state remains how to fashion an equitable and just revenue sharing arrangement between tiers of government. Fiscal autonomy via appropriate revenue sharing mechanism seem to be the most contentious aspect of the Nigerian federalism, going by the turnover in revenue allocation commissions from 1946 to date.

The dominance of oil in federal revenue (constituting over 80%) in the post civil war years signaled a desperate scramble for power to control the centre, which has been made very powerful by successive alterations to some revenue allocation criteria, derivation for example.

The de-emphasis in the application of derivation as a revenue allocation criterion became pronounced during military rule (via decrees 15 of 1967, 13 of 1970, 9 of 1971 and 6 of 1975). The oil bearing Niger Delta had seriously and severally decried this action as serious injustice to them and that this is done and perpetuated on account of their numerical size as minority ethnic nationalities. It was further buttressed that until 1966 when agricultural products contributed significantly to export, the three major ethnic groups along the North, East and West regions benefited tremendously from the application of derivation principle (Mbanefoh and Egwaikhide, 1998:213).

It is the above phenomenon that fueled and sustained the politics of resource control, which translates to claims on mineral land rents through the application of derivation principle that is fair, just and equitable in revenue allocation and tax administration. This is against the backdrop that oil exploration and production generate negative social and economic externalities like environmental degradation, pollution, aquatic disorder, while also noting that oil is a depleting asset.

In addition, some of the criteria used in allocating revenues (especially land mass/terrain and population which some times is not weighted) has been criticized as being highly subjective and inequitable.

The federal government's response through its intervention agencies like Niger Delta Development Authority, Oil Mineral Producing Areas Development Commission and Niger Delta Development Commission seem not to have assuaged the demands and expectations of the region. These agencies were mired by administrative and political bottlenecks that impeded the realization of their objectives.

It is however noteworthy that scholars writing on this subject and adjoining issues in the past contributed more to the hype on the imperatives of resource control by the Niger Delta states to the detriment of the actual management of the resources accruable to the zone from the federation account. Available statistics from the federal ministry of finance (as routinely published in some national dailies) show that on the basis of constitutional provisions, the zone gets its fair share from the "centre" especially since the re-emergence of democracy in 1999.

Predicated on the foregoing discourse, this chapter therefore seeks to answer the following questions:

- What is the link between the practice of fiscal federalism in Nigeria and agitations for resource control in the oil bearing states?

- Can resource control solve the problems giving rise to agitations in these states?

- What other options/measures can be put in place to remedy the problems giving rise to agitations for resource control in the oil bearing states?

Objectives of the Chapter

The primary objective of this chapter is to establish the link between contemporary fiscal practice in Nigeria and the agritations for resource control which finds expression in the demands of the oil bearing communities and states to claims on mineral land rents through the application of derivation principle (that is equitable, fair and just) in revenue allocation and tax administration. This demand in popular parlance is referred to as resource control.
Other aspects of this demand include:

i. The appropriate fiscal and institutional responses to the ecological problems of the oil-bearing areas,

ii. Social responsibility of oil companies to the oil bearing communities and

iii. Credible arrangements for securing the integrity and autonomy of the oil bearing states within the present Nigerian federal structure.

In view of the broad nature of the issues raised above, the specific objectives are to:

- Examine the link between the practice of fiscal federalism in Nigeria and agitations for resource control in the oil bearing states.
- Verify the efficacy of resource control as a solution to the problems giving rise to agitations in these states.
- Suggest other options/remedial measures to the problems giving rise to agitations for resource control in the oil bearing states.
- Most of the illustrations will be drawn from the Niger delta states that actually constitute the key players in the agitation for resource control.

The Concept of Federalism

Most writers on federalism are wont to starting discussions on federalism with reference to Wheare in several editions (1940:1953,1956,1963) having been credited with the original idea of developing a concise theory and treatise on federal government or federalism (see Adebayo 2004:203, Anifowose 1999:166, Nwolise 2005:115).

Wheare's definition of federalism as the method of dividing powers so that the general and regional governments are each within a sphere coordinate and independent, though remains a classical idea, has been criticized as being too static or fixated and legalistic.

Jinadu (1979) in Egwu (2005) and Aiyede 2005:221) also criticized Wheare's definition on the grounds "that it fails to distinguish between an idea and its institutional manifestations, setting up the US experience as the ideal type federal system". Echoing the views of scholars like Friedrich (1964), Jinadu reiterates that federalism must be seen in a dynamic sense and as process due to its changing and evolving nature, citing the U.S federal experiment as having evolved through critical phases of centralizing competitive and cooperative forms. Jinadu therefore conceptualized federalism as a form of governmental and institutional structure, deliberately designed by political "architects" to cope with the twin but difficult task of maintaining "unity while also preserving diversity".

Tamuno (1998:13) offers a more localized and practical definition of federalism thus "...that form of government where the component units of a political organization participate in sharing powers and functions in a cooperative manner, though the combined forces of ethnic pluralism and cultural diversity, among others, tend to pull their people apart". He elaborates that "Delicate arrangements of this kind, where carefully worked out, provide sufficient room for the co-existence of centre-seeking and centre-fleeing forces".

Anifowose (1999:166) proceeds by identifying the attractiveness of federalism as: Supremacy of the constitution, the distribution of powers between the federal and coordinate states forming it and some supreme authority to settle inter-governmental disputes.

Watts and Blindenbacher (2002) in Adejumobi (2005:266-267) in convergence with Anifowose (1999) on this issue however included the following: Two (or more) orders of government, each acting directly on their citizens, constitutional distribution of legislative and executive authority/allocation of revenue resources between tiers of government with genuine autonomy in some areas for each tier, supreme written constitution not unilaterally amendable, a judiciary for interpretation or valid application of the constitution and the existence of processes or institutions for addressing matters or problems of overlapping jurisdiction.

Kincaid and Watts in Onwudiwe and Suberu (2005:4 16-17) agree on the notion that federalism as an approach to governance is also attractive based on its tenets of "shared and self rule". This assertion may not reflect the Nigerian situation which is reputed for high federal and fiscal, centralism contrary to the letter and spirit of federal constitutions and practice.

Features of Nigerian Federalism

With reference to Nigeria, Suberu (2004:10-13) identified the following as specific features of Nigerian federalism: the efficacy of the federal structure in fragmenting, cross-cutting and sublimating the identities of the major ethnic formations of Hausa-Fulani, Yoruba and Igbo under the old regional structure which more or less consolidated each into a constituent unit. This, no doubt has empowered the country's ethnic monitories as amplified by the Niger Delta states irresistible lobby for "true" fiscal federalism based on the derivation principles.

The Nigerian federalism since the re-emergence of democracy in 1999 has stimulated inter-ethnic cooperation, which in part encouraged the development of a system of inter government coalition and competition defying ethnic fault-lines as manifested in the cooperation of some states in a series of federal-state litigations at the supreme court on revenue allocation and control of local governments.

The Nigerian federalism is also known for its contestable role in disseminating national economic and political opportunities to nationalities through the revenue allocation process and the application of the federal character principle.

Notwithstanding the foregoing, Onyeoziri (2005:15-27) in an analysis cautioned on the lacuna in discussing federalism without backing it with "the theory of state" (which is the infrastructure onto which federalism is grafted. Onyeoziri argues that federalism creates certain liabilities for the integrity of the state which derives from the tension that characterizes the inconsistencies in their logic-the logic of centralization and decentralization. The imperfections in state institutions also create some disability for federal practice. Thus, a mutual reinforcement of the two variables offers a reliable strategy in guaranteeing stable federal arrangements.

It can therefore be inferred that effective and careful application or practice of federalism does provide a mechanism for managing tensions and conflicts emanating from ethnic and cultural pluralism, while also preserving integration and stability in deeply divided societies. Bargaining and compromise from opposing demands should be the guiding principles.

Fiscal Federalism and Its Practice in Nigeria

Fiscal federalism derives from federal practice in a country and it presupposes the existence of multi-level system characterized by fiscal powers and responsibilities.

Fiscal federalism in Nigeria has its legal basis laid in the constitution. The 1999 constitution contains copious citations in the second and fourth schedule on the tax powers of the federal, state and local governments and also on the system of revenue allocation and management of public funds in Nigeria. Details of these are contained in section 162-168, item 59 (part 1), item A 1a, b and 2 (part II) D7- 10 in the second schedule, item 32a-c in the third schedule and item, 1b, section 7 of the fourth schedule.

According to Anyanwu (1997:159) fiscal federalism "implies the co-existence of both national and sub-national governments which perform the economic functions required by the society or an association of two or more levels/tiers of government within a country". The author posits further that fiscal federalism relies on the assumption "that the method of taking collective decisions is predetermined and that it is relatively efficient". It therefore suggests that government tends to take decisions on resource allocation, according to the collective preferences of constituents. This may not be true all the time, and with reference to Nigeria, military rule and the role of oil in federal finance can explain this.

The central issues in fiscal federalism have been on resource generation and distribution. However, in Nigeria, emphasis has been on resource distribution (cake sharing) to the detriment of resource generation (cake baking) which informs the struggle to control power at the centre, the control of the centre indicates control over resource distribution. This power game has been more observable in revenue allocation as one commission/committee replaces the other, yet the problem they seek to address festers.

Corroborating the above, Tamuno (1998:23-24) asserted:

> *...politics and economics tend to play games many sufferers seem not to enjoy...many of such games were played over and over. To set rules for the proper regulation of these games, and ensure "fiscal equity" under prevailing circumstances...government appointed known experts to head commissions and committees for thorough investigations and recommendations...however (they) did not, could not provide sustainable solutions to several complex and vexatious problems at all three levels of the federation.*

Onwudiwe and Suberu (2005:8) identified a major pathology of the Nigerian fiscal federalism as devolving on fiscal practice in such a way that "Nigeria's constituent states and localities lack any significant degree of fiscal autonomy, viability, responsibility and competitiveness as underscored by their near-total budgetary dependence on central financial devolutions".

In a related development, Obi (1998:261) averred that "with revenue allocation largely implying the allocation of oil revenue, oil is central to the politics of intergovernmental relations in Nigeria, the economic crisis and the transcendence of the destabilizing tendencies within the system". Corroborating, the author on page 265, affirmed that under oil, fiscal federalism in Nigeria and the revenue allocation system has gone through several convulsions which culminated in the tightening of the grip of federal power over the entire process, with the concomitant increase in the struggle for access to and control over federal power". It is therefore trite to infer that oil is the fiscal basis of Nigerian federalism.

Reinforcing the above, Bassey (2005:41) observes, fiscal federalism, therefore as conditioned by the politics of oil revenue, acquisition and distribution strikes at the very basis of the existence of the Nigerian federation and the rules of entry and exit from the ruling class". The latter part of this assertion underscores the elite factor and conspiracy in the Nigerian fiscal practice and governance.

Nwokedi (2003:11) highlighted the peculiarities and seeming inequities in the Nigerian fiscal federalism thus:

> *As a matter of fact no where in the world in a federation is the dependence of states on centrally collected revenues as pronounced and crucial.......no where else in the world in a federation is revenue shared among states merely on the basis of unweighted population, nor is revenue shared equivocally and equally amongst states in absolute sense as in the federation of Nigeria. Nowhere in a federation the world over other than in the Nigerian federation does the system of revenue allocation completely negate or ignore the taxable capacity, tax effort and nature of resources of the component governments.*

In corroborating the above, he argued that some of the principles used in allocating revenues (such as the principle of need; equality of states, geographical peculiarities/land mass or terrain; national interest, financial comparability and absorptive capacity) were either vague in concept, controversial or their application fraught with problems (Nwokedi, 2003:85-94)

Tanzi (2000:15) posited that "countries such as Nigeria, Indonesia or Russia where resources are discovered in one region, problems often arise because the region tend to claim for its own use the revenue from the resources..." This is very apt in the case of Nigeria and underscores the link between fiscal federalism and agitations for resources control in the oil bearing states.

Meaning of Resource Control

Resource control connotes the access of communities and state governments to natural resources located within their boundaries and the freedom to develop and utilize these resources without interference from the federal government (Nwokedi:2003:124).

Ofeimum (2005) captures the concept this way: This principle is that every federating unit must be empowered to be self-governing in this sense. It is the business of the rest of the country to help them exercise their right without let or hindrance".

Seen in the above way, resource control amounts to an expression of self determination by the zone, and it places a collaborative duty on other parts of the country to assist the zone realize this objective. This, however is more of an emotional view or expression of the concept.

Agu (2004:265) conceptualized it as a question thus; "…how can these states be compensated? … how would the revenue accruing from natural resources be redistributed to ensure that the contributing states or communities benefit while an agreed sum is paid to the federal government". This view attempts to locate resource control within a "true" fiscal federal practice.

Douglas (2005) sees it as, "Actual control of resources by the people who live in the communities with these resources for the support of life …Resource control is about survival" This is an average Niger Delta view of resource control. It is seen as a magic wand or pill that solves all the problems of the zone. It totally ignores the management question on the elite, which is tantamount to postponing the core issue at stake.

Bases for Agitation for Resource Control

In deriving from the definitions given above, Nigeria resource control agitation amounts to "verbal war of liberation" which can be said to be multi-directional as "between the oil minorities and the federal state … and between oil producing and non oil producing states" Obi (2005:199).

Implied in the above is the fact that the centre should relate with the oil bearing areas (where over 80% of the federal revenue are generated) based on equity, justice and transparency among several virtues, and against the backdrop of negative externalities that oil prospecting, exploration and production generate, noting also that oil is a depleting asset.

In a related development, Ikporukpo (2002:210) asserted that "…A common thread linking all the protests is the feeling of the people that in spite of their oil resources and the governmental deterioration consequent on the resource exploitation, the region remains underdeveloped and neglected with the non-oil producing areas deriving most of the benefit".

Ikhariale (2003) posits that the questions of resource control and genuine federalism are treated with levity and that percentages of compensation to the zone for redressing lingering injustices are being insulted. He concluded "we have not addressed the key questions of ownership and control".

Commenting on the change in advocacy from intellectualism of the Saro-Wiwa period to militarism of today, Odion (2005) opines that it is a "dilution of the original philosophy". The author noted that this is due "to the failure of the Nigerian state to do the right thing". This view converges with that of Ikhariale (2003) and also underscores the elite factor in the resource control debate.

In a similar vein, Gore and Pratten (2003) argued that youth activities (in the Niger Delta) "mobilized around resource control and …can be understood as a response to the Nigerian "politics of plunder", endemic since the beginning of the oil boom, but locally perceived as having intensified from the 1990s…"

Federal Government's Response to the Oil Bearing States

The response of government to the agitations of oil bearing states are predicated on the works of Theodore Lowi (1964) and Edmond Keller (1983), which are in three (policy) dimensions namely: re-distributive, re-organizational and regulatory or repressive state policies.

Re-distributive policies: These are state decisions that consciously dispense valued resources to one group at the expense of other claimants. Examples of this, with respect to the Niger Delta was the June 1992 AFRC revisions in fiscal and administrative arrangements for revenue sharing which increased allocation to oil-bearing areas from 1.5% to 3% of federally collected oil revenues, the establishment of OMPADEC (and later NDDC) to administer this allocation, and the increment from 1% to 2% of statutory allocation for redressing ecological problems.

Reorganizational policies: These take the form of efforts by the central government to restructure or reconfigure political or administrative institutions and relationships in order to accommodate group demands or strengthen the efficacy of centralized state power. State and local governments that were created from time to time under the military are typical examples. Thus the increment in the number of local government councils from 14 to 24 (in old Rivers State) in September 1991 following agitation by various groups and the subsequent creation of Bayelsa State out of Rivers State are cases in point.

Regulatory policies: These take the shape of mandatory imposition of sanctions or restrictions on individuals or groups that are perceived to pose a threat to state cohesion and order. Otite and Albert (1999) in Bassey (2005:43) agree with Keller (1983) in Suberu (2003:41) that "the most common form of regulatory policy in Africa is "banning". Such "banning" and draconian laws were replete in the Babangida and Abacha years. Examples include Decree 21 of May 1992 and the Treason/treasonable offences decree of 1993. These decrees proscribed associations that were perceived to be seditious or threaten domestic tranquility, detention of individuals or groups construed as such. The proscription of Association of Mineral Oil State (AMOS) and other similar organizations in May 1992, and the extra judicial murder of Ken Saro-wiwa and his 8 Ogoni compatriots in October 1995 were the highest points of the iron rule.

Theoretical Framework

This study has its theoretical base laid in the Elite theory

There are several versions of the elite theory ranging from that developed by Vifredo Pareto and Gaetano Mosca to those of C.W. Mills, Floyed Hunter and Raymond Aron. A combination of these versions of the theory will therefore be utilized as framework of analysis.

The elite theory was first developed by two Italian sociologists namely: Vilfredo Pareto and Gaetano Mosca. The earlier versions of the theory emphasized personal attributes of leaders, which aided their hold or dominance in power positions. Later versions dwelt more on the institutional framework of society. (Haralambos 1999:107).

The thrust of the theory according to Pareto and Mosca are as follows:

- An elite owes its power to its internal organization and forms a united and cohesive minority in the face of an unorganized and fragmented mass.
- Major decisions which affect society are taken by the elite, and this decision usually reflects the interest of the elite rather than the wishes of the majority.
- The mass of the population is largely controlled and manipulated by the elite, passively accepting the propaganda which justifies elite rule.
- Major change in society occurs when one elite replaces another. Pareto refers to this as "circulation of elites" and he added that, "all elite tend to become decadent". They decay in quality and lose their vigour. They may become soft and ineffective with the pleasures of easy living and the privileges of power…" (Haralambos, 1999:108).
- The rule by a minority is an inevitable feature of social life and that the ruling minority are superior to the mass of the population who lack capacity for self government and require the leadership and guidance of an elite.

In addition to the foregoing, C.W. Mills theorized "that American society is dominated by a power elite of unprecedented power and unaccountability…free from popular control…pursues its own concern-power and self aggrandizement (Haralambos 1999:111). F. Hunter argued "that power rests in a small decision making group which…rules by persuasion, intimidation, and coercion, and if necessary, force". Dahl in Haralambos (1999:112) argued in reaction to C.W. Mills theory that if it can be shown that a minority has the power to take "decisions on taxation and expenditures, subsidies, welfare programs military policy and so on, and …overrule opposition to its policies, then the existence of a power elite will have been established".

Relevance of the Theory

The governing elite in the oil bearing states like in other zones in Nigeria, by virtue of their social characteristics and privileges of office are united and operate as a formidable team against the hungry and poverty stricken mass of the population who are easily divided and distracted on account of daily pressure for sustenance and necessities of life. The divide and rule by the elite thus inhibit any genuine effort to advance common cause in form of qualitative education, shelter, basic infrastructure and other social amenities, which are grossly inadequate in the Niger Delta.

Madunagu (2005) brings this to the fore by asserting that "the dominant fraction of the Nigerian ruling classes do not use the wealth they loot from the Niger Delta for the benefit of "their people" although these poor people whose names are invoked in vain are often mobilized to fight their imaginary enemies…"

No matter how democratic a government may pretend to be, fiscal issues or decisions are rarely taken in consultation with the mass of the people. This explains why fiscal practice in Nigeria has been subjected to serious manipulation by the elite. It is to such an extent that the majority of the population are not carried along at the conception/formulation stage, except at the implementation stage where they are affected. This top-bottom approach to decision-making characteristic of the elite, frequently generate conflicts.

The resource control agitations started as a militia force graduating to intellectual advocacy and it is now assuming a more militant stance, noting the activities of veterans like Adaka Boro, Ken Saro-wiwa to militia campaigns of the Niger Delta People Volunteer Force (NDPVF) and youth organizations like Ijaw Youth Council (IYC). The whole essence of the agitations has been reduced to propaganda as an elite creation to serve their selfish interest.

For instance the governing elite in the Niger Delta receive the huge allocations from the federation account, and social service delivery is barely existent to have any meaningful impact on the majority of the population. Resource control agitations can thus be viewed as an elite creation and tool to manipulate the ignorant mass of the people in serving the elite agenda. The African Network for Environment and Economic Justice (ANEEJ, 2004:16) position that "the exploitation of public and private resources for the gain of the elite is embedded in institutionalized practices", corroborate this assertion.

The elite in the Niger Delta like their counterparts in other zones are not accountable to their people. Various allegations of public treasury looting by public officials and serving Governors in the zone brings this to the fore (for details, see Elendu and Sowore, 2005). And it is doubtful if there is anything the defenceless mass of the population can do about this, in view of the instrument of coercion at the disposal of the elite.

In addition to the foregoing, to the extent that the governing elite in the Niger Delta cannot rise to the challenge of service delivery and qualitative life for their people, they may have become decadent and ineffective due to pleasures of easy living and privileges of power, in the words of Pareto. ANEEJ (2004:16) underscored this issue while positing the existence of a predatory state and elite in Nigeria, and concluded that "this may therefore explain the lack of development in the country in general and in the Niger Delta in particular despite over thirty five years of oil wealth."

The Practice of Fiscal Federalism in Nigeria and Agitations for Resource Control

Our discussions have revealed that the fiscal practice in Nigeria lacks equity and fairness as epitomized by the incessant manipulation of revenue allocation criteria and tax regimes or policies by the governing elite. This may have precipitated agitation for resource control and other forms of demand for self-determination among ethnic nationalities, especially the Niger Delta. Other factors that have contributed to the agitation for resource control are discussed below.

The de-emphasis on the Application of Derivation: Principle in revenue allocation: This underscores agitations for resource control. The first five revenue allocation commissions for instance placed heavy emphasis on the application of "derivation" among several criteria recommended in the allocation of revenues (Agu, 2004:265-266). This period coincided with the growth of agricultural products as export items and major revenue earner. Mbanefoh and Egwaikhide (1998:213-231) argued that this principle was put to optimal use and benefit by the three dominant ethnic regions, and it gradually became de-emphasized with the discovery of oil as a revenue earner.

The scholars expatiated that "the principle may have been replaced by landmass/terrain, a principle whose introduction was not thrown to public debate or whose acceptance has not officially been tested". They also averred that the principle of "equality of states" and subjective criteria like landmass were devices to divert resource to some parts of the country especially the non-oil bearing part to the detriment of the oil bearing states.

The above is supported by net allocation figures to local government councils in the country between June 1999 and July 2004, which gave local government councils in Kano State for instance, the sum of N82, 798, 315, 441. 78 compared to Bayelsa State (local government councils) at N15, 835, 646, 772.05 (Federal Ministry of Finance, 2004:5). What could have explained this yawning gap except subjective criteria in horizontal allocation such as landmass and perhaps population, which sometimes are unweighted, hence they are not only unreliable, but contribute to the inequity and unfairness in the Nigerian fiscal federalism.

Several Revisions of Vertical Allocation: It is also observable that vertical allocation has been revised severally and manipulated to the advantage of the central government; contrary to the "true practice" of federalism. This action circumscribed the independence of other tiers of government. For instance, through decrees number 15 of 1967, 13 of 1970, 9 of 1971, and 6 of 1975, the balance of control and access to revenue titled towards fiscal centralism at the federal level (Obi, 1998:265). Decree 13 of 1970 gave the federal government 100% tax power over mining (sole power to collect and distribute oil revenue). It broadened this power through Decree 9 of 1971 under which it assumed exclusive right to revenue accruing from offshore oil. Decree 6 of 1975 replaced the Distributable Pool Account with Federation Account and also introduced State-Local Government Joint Account (Fadahunsi, 1998:97-98).

The Aboyade technical committee report which was rejected for its technical or rather esoteric approach recommended vertical allocation thus: federal government (57%); State Governments (30%); Local Governments (10); Special grant account (3%) (Adesina, 1998:232).

The Okigbo report which was nullified by a Supreme Court judgment of October 2, 1981 is hardly different from the 1981 Revenue Act that replaced it. The Act gave the vertical allocation formula as follows: Federal Government (55%); State Governments (32.5%); Local Governments (10%); Special Funds (2.5%)

Decree 36 of 1984 retained the criteria in the 1981 Revenue Act and also altered vertical allocation as: Federal Government (47%); State Government (30%); Local Government (15%); Special Fund (8%).

The Danjuma report modified vertical allocation as: Federal Government (50%) State Governments (30%) Local Governments (15%) Special Funds (5%). In January 1992 the Armed Forces Ruling Council (AFRC) altered the vertical allocation arrangements, in favour of Local Governments to 20% and reduced State Governments share to 25%. In June 1992, by military fiat again, the AFRC revised the vertical allocation as follows: Federal Government (48.5%; State Governments (24%); Local Government (20%); Special Fund (7.5%) (Agu, 2004:268).

Apart from pressure in the 1994/95 constitutional conference which created the 13% derivation fund which was later incorporated into section 162, subsection 2b of the 1999 constitution, the above formula is currently operational for vertical allocation.

The proliferation of Special Accounts: The creation of special accounts including the First Line Deduction System (FLDS) has shortchanged other tiers of government in revenue allocation, and this partly explains the acrimonious nature of intergovernmental relations. Such discriminatory fiscal practices were replete in the military era of Babangida and Abacha characterized by the operation of special accounts like the Petroleum Trust Fund (PTF), Dedicated Account, Stabilization and External Loans Debt Servicing Account. The practice was to make deductions into these account first, the balance in the federation account are then allocated vertically and horizontally (Aiyede, 2005:229).

The above state of affairs pervaded until the re-emergence of democracy in 1999 and thereafter. Practices like these accentuated bitterness and squabbles among tiers of government. The States in the Niger Delta region, which contribute the bulk of the federal revenue and also bear the brunt of negative activities of oil production were not left out. It was this situation that gave rise to the celebrated Supreme Court battle of April 2002 between the Niger Delta states in alliance with some Southern states on the one hand and the Federal Government joined by some Northern states on resource control and the seaward boundary of littoral states. The Supreme Court in a landmark judgment of 5th April 2002 abolished the First Line Deduction System (FLDS) and other discriminatory financial practices by the federal government.

Resource Control and the Niger Delta Problem

Resource control as presently advocated by the Niger Delta States, except it is backed by proper and efficient management of available resources, cannot solve the problems of poverty, unemployment, ecological devastation and other negative socio-economic externalities frequently played up for redress.

After more than five years of continuous receipt of the derivation fund from the federation, poverty and miseration of the people fester, while the governing elite live in opulence and grandeur. Elendu and Sowore (2005) alluded to the ostentation and consumption pattern of the governing elite as exemplified by ownership of property and investment within and outside the country in excess of their legitimate emoluments.

The tables below show details of net allocation to States and Local Government Councils in Niger Delta between June 1999 and July 2004.

Table I: Net Allocation to States & LGCS in Niger Delta (June-Dec. 1999)

States	Net Allocation
Abia	**N2.688 billion**
Akwa Ibom	**N 4.216 billion**
Bayelsa	**N 2.671 billion**
Cross River	**N 3.208 billion**
Delta	**N 4.391 billion**
Edo	**N 3.253 billion**
Imo	**N 3.293 billion**
Ondo	**N 3.026 billion**
Rivers	**N 4.459 billion**

Source: Federal Ministry of Finance, Abuja, 2004

Table II: Net Allocation to States & LGCS in Niger Delta (Jan-Dec 2000)

States	Net Allocation
Abia	**N10.311 billion**
Akwa Ibom	**N 27.457billion**
Bayelsa	**N 19.087billion**
Cross River	**N 11.333billion**
Delta	**N 31.941billion**
Edo	**N 11.810billion**
Imo	**N 13.097billion**
Ondo	**N 14.656billion**
Rivers	**N 22.815billion**

Source: Federal Ministry of Finance, Abuja, 2004

Table III: Net Allocation to States & LGCS in Niger Delta (Jan-Dec 2001)

States	Net Allocation
Abia	**N12.807billion**
Akwa Ibom	**N 37.119billion**
Bayelsa	**N 24.518billion**
Cross River	**N 12.722billion**
Delta	**N 45.623billion**
Edo	**N 14.267billion**
Imo	**N 17.150billion**
Ondo	**N 20.151billion**
Rivers	**N 27.963billion**

Source: Federal Ministry of Finance, Abuja, 2004

Table IV: net Allocation to States & LGCS in Niger Delta (Jan-Dec 2002)

States	Net Allocation
Abia	**N15.861billion**
Akwa Ibom	**N 29.394billion**
Bayelsa	**N 21.637billion**
Cross River	**N 15.422billion**
Delta	**N 53.152billion**
Edo	**N15.027billion**
Imo	**N 19.862billion**
Ondo	**N 19.990billion**
Rivers	**N 40.308billion**

Source: Federal Ministry of Finance, Abuja, 2004

Table V: Net Allocation to States & LGCS in Niger Delta (Jan-Dec 2003)

States	Net Allocation
Abia	**N19.732billion**
Akwa Ibom	**N 45.819billion**
Bayelsa	**N 37.329billion**
Cross River	**N 19.994billion**
Delta	**N 64.399billion**
Edo	**N20.102billion**
Imo	**N 24.297billion**
Ondo	**N 25.696billion**
Rivers	**N 53.580billion**

Source: Federal Ministry of Finance, Abuja, 2004

Table VI: Net Allocation to States & LGCS in Niger Delta (Jan-July 2004)

States	Net Allocation
Abia	**N13.157billion**
Akwa Ibom	**N 40.454billion**
Bayelsa	**N 36.502billion**
Cross River	**N 15.253billion**
Delta	**N 48.768billion**
Edo	**N16.551billion**
Imo	**N 19.818billion**
Ondo	**N 20.256billion**
Rivers	**N 40.960billion**

Source: Federal Ministry of Finance, Abuja, 2004

The foregoing tables show the breakdown of income to states and local government councils in Niger Delta from the federation for the period of June 1999 to July 2004.

It is important to note that the states and local government councils were not favourably disposed to releasing their expenditure figures. However, a look and analysis of the states with emphasis on infrastructural development/facilities, social capital and welfare programmes may lead one to infer that most of the states could barely justify the whooping allocation to them from the federation under this democratic dispensation.

Additional records have it that at the re-emergence of demcocracy in 1999 when the derivation fund constitutionally prescribed became operational, the Niger Delta states earned 26% of total revenue in the federation account and this increased to 44% in 2003 NNPC, 2006:12).
Only a few of the state governments and local government councils in the zone operate on sound principles of qualitative service delivery, prudence, accountability and transparency in the face of abundant resources from the federation as shown in the tables above.

Cross River state seem to fare better under the leadership of Governor Donald Duke. This is exemplified by reports on the state attesting to fiscal prudence and reasonable service delivery as manifested in an initial investment of N40billion in the Tinapa project (Ojukwu, 2006:14-18). This is in addition to efforts at agricultural development, despite the low resource base of the state compared to the other states in the zone.

Several newspaper reports by Economic and Financial Crimes Commission (EFCC) allude to mismanagement of resources and corruption for self-serving reasons by the elite (ThisDay, 2006, July 12:1 and 4; The Punch, 2006, July 12:1 and 2). The revelation of public treasury looting by the impeached Governor of Bayelsa State D.S.P Alamieyeseigha and his eventual conviction for corruption is public knowledge and offer a case in point.

From the foregoing (facts) which also explains the attitude of the governing elites in the zone, it is doubtful if resource control can be a solution to the problems of the zone.

Resource Control and Management of Resources in Niger Delta State

In the course of writing this chapter, it was found out that resource control as an advocacy tool for pressuring the central government to address the problems of the Niger Delta amount to propaganda. It pays lip service to the problems of the Niger Delta, and it is a very serious disservice to the majority of the poor people in the zone. It postpones the core problems of poverty, unemployment, ecological problems and other negative externalities frequently played up for redress.

To reiterate, most of the state governments and local government councils failed to operate on sound principles of accountability and qualitative service delivery in the face of abundant resources from the central government. This, may have caused and sustained the cycle of militant and violent agitations in the Niger Delta including the present situation of hostage taking.

The absence of prudent and efficient management of resources explains the lack of people centred programmes like provision of portable water, qualitative health delivery, regular and reliable supply of electricity, employment for the restive youths, affordable/qualitative education, motorable roads and a host of other infrastructure and social capital.

The above situation is capable of fueling the desire of the people to have unimpeded access to their resources, which amounts to passing a vote of no confidence in the leadership as manifested in the management of resources. This is predicated on the fact that the lives of the ordinary people have not been positively impacted upon through the above mentioned human/people oriented programmes.

Furthermore, in this democratic dispensation, especially in the Obasanjo era, some governors, local government chairmen, councilors, legislators and public officials in the zone are being accused of financial impropriety and corruption by EFCC (ThisDay, July 12:1 and 4). These may explain why the zone is prostrate and bereft of development.

The solution to the problems of the Niger Delta therefore cannot be found in resource control, but in the efficient management of available resources. The logic is that if 13% derivation fund, in addition to other sources of revenue available to the zone cannot lay a foundation for redressing the problems as they are now, then 100% will not do. The problem is that of mismanagement of resources. The Parables of the Talents (Mathew 25:14-30) and the Shrewd Manager (Luke 16 verse 10, NIV), underscore this point. The thrust of the two parables is that whoever is faithful or can be trusted with little resources can be trusted with much and vice versa. Mismanagement of all forms is therefore a depiction of these parables.

Conclusion and Recommendations

The study resting on its observation on the role of the elite emphasized the place of management of resources. It identified mismanagement of resources as the bane of Niger Delta problems. This is predicted on the fact that there is no correlation between resource availability and performance in the Niger Delta. The lives of their people have not been positively impacted upon despite the resource accruable to them from the federation, especially during this democratic dispensation.

Recent manifestations in the country attest to the fact that elites in the zone (like in other zones) may be guilty of narrow or self-interest and normative disorientation. It is this anomaly that sustained the state of affairs (inadequate infrastructural/social amenities and welfare programmes) which explains the various violent conflicts and agitations in the zone including resources control advocacy.

As options to Resource control by the oil bearing states, we make the following recommendations;

- People centered and purpose driven management anchored on the principles of transparency, accountability and service delivery must be instituted in the oil bearing states. Such leadership capable of articulating and executing people oriented policies is a sine-qua-non for tackling the problems of the area.

- There should be a continuous emphasis on collaboration between federal government intervention agencies and the local governments in the zone for effective service delivery to the grassroots. This has the advantage of integration and intervention on a sustainable basis.

- As a corollary to the above, concerted efforts and attention should be given to ecology. In this respect, a mechanism for redressing ecological problems devoid of mismanagement (of funds) should be emphasized. An integrated approach that involves the communities, local governments and other stakeholders is advocated as solution to some of these endemic problems of the oil bearing states.

- The tax powers of the states and local government council with respect to revenue generation need to be revisited and enhanced if fiscal autonomy is to be achieved and guaranteed.

- All the obnoxious and dispossessing legislations (military or civil as earlier highlighted which detract human and property rights in contravention of "true" fiscal federalism should be repealed. A process of repeal of all military decrees and edicts giving vent to fiscal absolutism should be initiated.

- The present Anti-graft war should be pursued with vigour and without selection. This has the potency of exposing corrupt public office holders and ensuring that justice is not only done, but seen to be upheld, thus serving as deterrent to potential offenders. This may assist in redressing the elite role or complicity in resource mismanagement in the areas and in the country in general.

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