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Falling Federation Allocation in Nigeria and the Need for Diversification: A Thematic Exposition

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Abstract: *A large number of states in Nigeria are running on avoidable deficits due to overdependence on centrally allocated crude-oil dependent revenues. Many of the state governments came into power with the mindset of getting monthly allocation from the federation account but the decline in the oil price and the lingering slowdown due to destruction of oil pipeline and installations by militants and vandals have dashed many hopes. Unpaid salaries, uncompleted and abandoned projects and many socio-economic and political challenges are facing governments due to paucity of funds. Even though there had been uneasy silence about how the nation's wealth is being shared among all tiers of government before now, the latest outcry, appears to have polarised Nigeria along regional lines. With the controversy over a more acceptable revenue sharing formula causing a 'war' of words among the various tiers of governments, this paper dismisses any adoption of any new sharing formula for the federating states among other measures. This paper posits that the answer is the diversification of the Nigerian economy and resource governance accountability and transparency.*
Key words: *Accountability and Transparency, Inter-governmental Fiscal Relations, Nigeria and Corruption*

INTRODUCTION

Revenue generation and its distribution remain a vitally sensitive issue which continues to spark off reactions from all stakeholders at all times in Nigeria. This is more so and particularly in Nigeria where ethnic plurality, natural resources and language heterogeneity characterize the country's existence. In recent years, the issues of resource control, revenue allocation and fiscal federalism have dominated discussions at various levels of Nigeria's political and constitutional debates. Like most federal systems, Nigeria has a revenue distribution system in which the federal government shares revenue with the states and local governments. Different formulas at different times have been adopted. Similarly, at different times, ad hoc commissions have been set up to determine the allocation formulae and criteria. Between 1946 and 1979, there were eight of such commissions on revenue allocation. These were: Phillipson (1946), Hicks-Phillipson (1951), Chick (1953), Raisman (1958), Binns (1964), Dina (1968), Aboyade (1977), and Okigbo (1980). It was not until 1988 that a permanent body was created to monitor, review, and advise the federal government on revenue sharing on a continuing basis. The new body, called the *National Revenue Mobilization, Allocation, and Fiscal Commission,* represents a structured attempt to replace the ad hoc approaches to effecting changes in revenue sharing. This body is enshrined in the 1989 Constitution.

Despite these efforts, revenue allocation has remained a contentious issue among the three tiers of government in Nigeria. In the last sixteen years, the 36 state governments have been at war with the Federal Government over the formulation of a revenue sharing formula that would be acceptable to all the stakeholders. One major impact of this seemingly never ending controversy is the fact that fiscal federalism in Nigeria has not been able to contribute optimally to social and economic development. Despite the considerable increase in the number of administrative units, revenue at their disposal, the rate of real economic growth has been low and the country's per capita income has declined considerably over the years compared with the level that was attained in the 1960s.

Last April, Governors of the 36 states of Nigeria, pushed for a new fiscal restructuring plan due to the present economic realities in their states, which had made it impossible for them to pay workers' salaries. The governors, acting under the aegis of Nigeria Governors Forum, NGF, made the proposal at a meeting with President Muhammadu Buhari at the Presidential Villa in Abuja. They pushed for a new revenue allocation formula and handed over to the President a Fiscal Restructuring Plan for the Federation. The President, who shared the concern of the governors, however, said the Federal Government would quicken action on refunding monies spent on federal infrastructure by the states. He also promised to set up an inter-ministerial committee to enable him study the document. The committee will review the plan to improve the finances of state governments and make recommendations on how proposals in the plan should be dealt with by the Presidency, the Federal Executive Council and the National Assembly through legislation.

Just as this palliative measure was to address their concern, the National Bureau of Statistics reported that between June 2015 and May 2016, the 36 states and the 774 local government councils in Nigeria shared N2.8 trillion from the Federation Account in the one year of President Muhammadu Buhari's administration. The report disclosed that the total figure was payment made to the three tiers of government between June 2015 and May 2016 at the monthly meeting of the Federation Account Allocation Committee (FAAC). In the report, Lagos State is ranked first as the highest recipient of gross allocation with N178 billion in the twelve months. It is followed by Akwa Ibom State with N173 billion, Delta State N144 billion and Kano State N117 billion. The five states collected 25 per cent of the total allocation for the States and local government councils in Nigeria within the period. Among the 10 highest recipients from the Federation Account are Bayelsa State which got N95bn; followed by Katsina State N88 billion, Oyo State N84 bn, Kaduna State N83 billion and Borno State N78 billion. The lowest recipients are Gombe and Ebonyi states that got N49 billion each followed by Ekiti and Nasarawa states N50 billion each and Kwara N52 billion. The report further disclosed that Edo and Ondo which are oil-producing states got N66 billion and N71 billion respectively while another state in the South-South, Cross River State merely received N59 billion. The reports posited that the factors that influence allocations to states and local government councils from the Federation Account include population, derivation, landmass, terrain, revenue effort, school enrolments, health facilities, water supply and Equality of the beneficiaries.

Despite the laudable achievements of the Buhari administration in fight against terrorism and corruption, Nigerians are not impressed with the non-challant attitude of the administration to the economic hardship they are passing through. The drop in oil earnings has exposed Nigeria as a country without solid alternative sources of revenue. The available literature on revenue allocation in Nigeria focuses mostly on justifying a particular sharing formula or proposing a new one or the politics and history surrounding it. Notable among this category are: Phillips (1991), Eme (1995, Eme & Okeke 2013,Eme & Elekwa ,2011 & Egwu,et.al, 2016), and Aluko (2002, 2004). Other studies including Anyanwu (1999), Aigbokhan (1999), Ebajemito and Abudu (1999), Okon and Egbon (1999), seem to discuss generally about fiscal federalism by diagnosing the Nigeria situation and proffering solutions. Hitherto, no attempt has been made to even analyse the various allocations made to all the tiers of government especially during economic crisis under a regime that promised change.

This reality has made the diversification of the economy non-negotiable. The immediate puzzling issues that need to be examined critically from the previous allocations include the following: What are the reasons that account for this drop? And what are the best ways of addressing them. This paper seeks to address these issues. Following the introduction, the rest of this paper is structured as follows: section two presents a brief review of relevant literature on revenue allocation in Nigeria; section three presents the methodology while section four gives the analysis of results, section five provides the concluding remarks.

Conceptualizing Intergovernmental Fiscal Relations

A large number of studies have been conducted on fiscal federalism and revenue allocation both in the developed and developing countries. However, the focus of majority of these studies focuses on establishing the linkage between the structure, pattern, trends and impact analysis of revenue allocation on economic growth and development (see Boadway and Watts, 2004; Kincaid, 2001; Oates, 1999 ; Ter-Minassian, 1997 and Watts, 2003). These scholars in their studies for instance established weak and negative relation between the degree of fiscal federalism and the average growth rate of Gross Domestic Product per capita for a sample of 46 countries they studied over a given time . Most of these countries were poor nations. For the sub-sample of industrial countries according to them, this effect is not significant. The negative influence for developing countries is robust though only weakly significant as well. According to these estimates, an additional decentralization of spending by 10 percent reduces the growth of real GDP per capita in developing countries by 0.7 – 0.8 percentage points.

Aigbokhan (1999) also employs the OLS technique to investigate the fiscal decentralization on economic growth in Nigeria. The study provided evidence of high concentration ratio of both expenditure and revenue. It also finds evidence of mismatch in spending and taxing responsibilities with states being harder hit. In a similar vein, Jimoh (2003) provides concrete statistical evidence on the impact of the extent of decentralization of government expenditures and/or revenue collection on the levels of economic activities in Nigeria. Based on regression analysis, the paper finds that more decentralized governance, especially in terms of increased local governments and increased transfer of revenues to lower tiers of government would stimulate economic activities and/ or economic growth. It also suggests that the major determinants of the prevalence of poverty in Nigeria are economic and population growth. This conclusion arrived by these authors is no longer sustain since the reverse is the case since 2015 in Nigeria.

This is because despite the laudable achievements of the Buhari administration in fight against terrorism and corruption, Nigerians are not impressed with the non-challant attitude of the administration to the economic hardship they are passing through. This is because of the absence of a clear cut economic direction of the Buhari administration has aggravated the economic challenges in the country. Local and foreign investors are afraid of investing in the economy they are not sure of government's policy on doing business; many entrepreneurs have closed shops because of high cost of production and laid off workers. For instance, the 2015 World Bank report ranked Nigeria 169 out of 189 countries with ease of doing business. To ordinary Nigerians, the cost of living is unbearable as prices of essential commodities skyrocket on daily basis, yet the government could not provide palliative measures to cushion the effects of the economic hardship. However, *The Nation*'s Forum on the Economy held in April, 2016 provided a platform for Vice President Yemi Osinbajo to unveil the much-awaited economic direction of the Buhari administration.

Osinbajo disclosed that the Federal Government's blueprint would be based on a strategic implementation plan for the 2016 budget under six thematic key areas adding that the plan would focus on about 33 priority actions. The key areas listed are: Lasting changes in the policy environment, national security and governance; Diversification of the economy by fast-tracking industrialisation, agriculture and agro-allied processing, attracting investment into the solid minerals, tourism and entertainment sectors. Others are Priority critical infrastructure, focused on increasing investment in power, rail and roads; restructuring of oil and gas sector and providing enabling environment for ease of doing business in Nigeria. Nigerians are waiting.

According to Opeskin (1988) cited in Bello (2014: 66),the term intergovernmental relations is commonly used to refer to relations between central, regional and local governments, as well as governments between any one sphere (level) , that facilitate the attainment of common goals through co-operation. In Nigeria such relations have existed either between the federal and state government, the federal and local governments or the state and local government. According to Uche and Uche (2004:60), Fiscal federalism is essentially about the allocation of government responsibilities, as well as the sharing of revenue resources among tiers of government. Their position is based that the focus of fiscal federalism is on the sharing of the general or federal resources among the tiers of government in such a federation to enable such governmental bodies carry out their responsibilities without relying on the other tier for its functioning.

Fiscal federalism demands that each level of government should have adequate resources to perform its functions without appealing to the other levels of government for financial assistance (Wheare, 1963, cited in Ewetan, 2012:1076). The implications of Wheare's assertion is that in fiscal federalism, each level of government should possess enough resources necessary for the performance of its duties, without depending on the aid of another level of government for the performance of such duties.

Akujuobi and Kalu (2009) in their study focused on the role of the financing sources of Nigerian State governments in the financing of their real asset investments. Using the OLS technique, the scholars were able to establish that Federal allocation and stabilization fund are significant in the financing of real asset investments at both 5% and 1% levels of significance. Internally-generated revenue (IGR), loans (LNS), Grants (GT) and value added tax (VAT) are found insignificant in the financing of the real asset investments of Nigerian state governments for the period 1984-2008. Our work differs from the previous studies as we evaluate using pictogram and tables to examine the extent of revenue generation, revenue allocation and distribution at the federal, state and local government levels. These provide some pictographic evidence for any observed variations in the revenue allocation and need for diversification in Nigeria and also raises other pertinent issues that may provide basis for future research.

Oni (2013:214) in his view posited that intergovernmental fiscal relations suggest a legal arrangement describing the distribution of revenue among the different levels of government in a federal structure. In trying to strengthen his position on the subject matter, he went further to state that;

For government to fulfill its constitutional responsibilities of maintaining law and order and providing social amenities that promote citizens' well-being, governments at all levels must imperatively find a revenue base, It is the management and distribution of such revenues that forms the crux of fiscal federalism (Oni, 2013:214).

Ejeh and Oropko(2014: 37) conceptualized intergovernmental fiscal relations as the financial relationship that exist between tiers of government. The implication of their position is that tiers of government in a federal structure enter into financial relationships which are necessary for their survival. As powers are shared among tiers of government, responsibilities are shared and thus powers regarding to the sharing of the entire wealth and utilization of the funds of the country is equally shared among the tiers of government. Ejeh and Olokpo in their work went further to state that;

Specifically, intergovernmental fiscal relation is the system of transfers or grants by which the federal government shares its revenues with states and local governments. It implies the disposition of tax powers, retention of revenue and method adopted in sharing centrally collected revenue in accordance with the constitutional responsibilities of all the levels of government *(Ejeh & Olokpo, 2014:37).*

They continued to posit that it covers the principles and formula for sharing the centrally collected revenue among the individual states and local governments.

Understanding Reasons for the Falling Revenues

The drop in oil earnings has exposed Nigeria as a country without solid alternative sources of revenue. This reality has made the diversification of the economy non-negotiable. |This has affected the revenue base of Nigeria. Corruptions in subsidy and waiver policies among others have equally denied Nigeria the needed revenue. These issues will be discussed in themes:

The controversy that preceded the recent announcement by the Minister of State for Petroleum Resources, Dr. Emmanuel Ibe Kachikwu, who doubles as the Group Managing Director of the Nigerian National Petroleum Corporation, NNPC, of government's decision to scrap the Petroleum Support Fund, otherwise known as fuel subsidy, raises questions as to the economic value the people derive from the acclaimed payment. Although this came on the heels of prolonged scarcity of the product which sold between N120 and N350 per litre, depending on your location, most people were opposed to the hike in the price of the commodity. Review of subsidy regime in mid-2015, the Nigerian Extractive Transparency Initiative, NEITI, released its audit report indicating that the Federal Government spent about N4.5 trillion between 2006 and 2012, a period of seven years, as subsidy on petroleum products imported into the country(Eme, el.tal,2015:)

According to the then Executive Secretary of NEITI, Zainab Ahmed, the Audit Report of 2012 showed that a total of N1.355 trillion was processed for payment as subsidy. Out of this amount, N690 billion was actually paid, putting a debt burden of N665 billion on the government. "From our reports, the amount of money that Nigeria has paid so far on subsidy in the last seven years stands at N4.5 trillion. The breakdown shows that N816.554 billion was paid between 2006 and 2008, N3 trillion between 2009 and 2011 and N690 billion in 2012," she disclosed (Usim & Sanyaolu,2016).

The auditing agency, however, lamented the gross misappropriation of funds, adding that such amount is more than enough to repair the country's refineries or build new ones, while insisting on the removal of oil subsidy. In a similar development, Dr. Kachikwu while speaking on how much the country had spent in subsidising fuel in recent time, said an average of N1 trillion per year is paid as fuel subsidy in the last five years despite mounting debts and infrastructure deficit. The figure by implication, within a period of nine years, which is between 2006 and 2015, the country spent close to N10 trillion on fuel subsidies.

Unfortunately, Nigerians cannot boastfully say they have truly benefited from subsidised petroleum products. As noted by the Minister of State, the country spent the huge amount on fuel subsidy in the face of mounting local and foreign debt as well as infrastructural deficit. But as highlighted by Zainab, the amount spent on subsidy in seven years, is good enough to repair the country's faulty refineries and build new ones. She emphasized that it was time for the Federal Government to remove oil subsidy, adding that the financial commitment to subsidy has grossly impacted on the national purse(Okwe& Otaru,2016).

History of subsidy removal in Nigeria have always insisted that the country could ill afford the huge subsidy paid on petroleum products, while alleging that the money usually go into private pockets at the end of the day. Therefore, government's position is that it would be better if the subsidy is done away with to foreclose a few cabals from feeding fat at the expense of majority of Nigerians. Fuel price increase, otherwise tagged removal of subsidy, in the country dates back to 1978 when government first increased the price to 15 kobo per litre from 10 kobo per litre. In 1990 the government further increases the price to 60 kobo per litre, and two years later, precisely 1992, an additional 10 kobo raised the price to 70 kobo per litre. In 1993 it was jerked up to N3.25, and further to N11.00 per litre in 1994. The commodity enjoyed some stability until mid-1999 when based on the claim of subsidy removal, the government moved the price to N20 per litre and by 2000 increased it further to N22.00 per litre. Barely a year after, in 2001, the commodity's price went up to N26 per litre where it enjoyed some level of stability until 2003 before it went up to N40, with the usual claim that the subsidy had been removed. Before President Olusegun Obasanjo left office, he jerked up the price of petrol to, first, N65 per litre and later to over N100 per litre. It is on record that when the late President Umaru Musa Yar'Adua assumed office, the Nigeria Labour Congress, NLC, resisted the increase and forced him to revert to the N65 per litre. In January 2012, the government of former President Goodluck Jonathan attempted to remove the acclaimed subsidy but this was stoutly resisted and the commodity which was billed to sell for N97 per litre was later pegged at N87 per litre (Eme et.al,2012 & Reuter, 2012).

Nigerians have now been asked to buy the product at N145 per litre. Government said its decision in this regard is informed by the fact that despite the decline in the price of crude oil in the international market, marketers are finding it increasingly difficult importing refined petroleum products due to scarcity of foreign exchange. Setting the stage for removal prior to the announcement of the new pump price of N145 per litre, the Federal Government had convened a meeting of various stakeholders in Aso Rock. The meeting was said to have been presided over by Yemi Osibanjo, the Vice President, and had in attendance the leadership of the Senate, House of Representatives, Governors Forum, and Labour unions, including the NLC, the Trade Union Congress, TUC; the National Union of Petroleum and Natural Gas Workers, NUPENG and the Petroleum and Natural Gas Senior Staff Association of Nigeria, PENGASSAN (Adebayo,2016).

Crash of Oil Price & Non-Enhancement of States' IGR

There has been no respite in this critical sector. It is still ailing. Paradoxically, the sixth largest producer of crude oil is also an importer of oil for domestic consumption. The scarcity of fuel has persisted, resulting in the unmitigated agony of long queues at filing stations. Recently, the Minister of State for Petroleum, Dr. Ibe Kachukwu, attributed the scarcity to sabotage. He said the fuel was being diverted. According to him, over 30 per cent of fuel is diverted to Chad and Cameroon leading to these criminals making money out of agony of Nigerians. Government has only overcome a hurdle by removing the subsidy. With the removal, the amount of crude oil being lifted and actual earnings from the crude oil can now be determined. But, refineries are at low ebb, despite the huge investment on turn around maintenance. Oil theft has become a lucrative business, fuelling suspicion of an institutional cover-up. President Buhari cried out in London recently that, unless oil theft is listed as an international crime, the trend may persist.

Kachukwu has embarked on some reforms. He has reduced the number of subsidiary heads from eight to four. In his view, cutting costs will reduce efficiency and profitability. Oil subsidy has been removed. But, deregulation too will require continuous adjustment. Another area of focus should be the health and capacity of the refineries. Should Nigeria continue to import fuel as outrageous costs when the refineries can be rehabilitated and bridge the gap? What has happened to the huge investment on maintenance? Which is a better option-importation of refined fuel or domestic production and distribution? These are some of the issues the crashes in oil price and subsidy removal have thrown up since 2015.

Nigeria's dwindling revenues, resulting from the crash in crude oil prices in the global market, and the forecast by experts that the days of higher oil prices might have gone forever, portend prolonged economic hardship for the Federal Government and our 36 states and 774 councils. As at today Nigeria needs oil to trade at above $120 per barrel to balance its budget, and its economy has lost a whopping $51 billion in economic output occasioned by the crisis in the Niger Delta. But over 90 per cent of the governors depend mostly on monthly revenue allocations from Abuja to address their governance challenges. Responsible state governors must feel unsettled about the immediate implications of this negative oil shock on the welfare of their people. Already, the effects are disturbingly noticeable. Just a few months after the oil revenue drop began, a majority of the states can no longer pay salaries. Media reports indicated that 11 of the states owed civil servants between three and four months' salaries as of December 2015. What is more disturbing is the fact that during the November 2015 FAAC meeting which distributed the sum of 369 billion Naira to the Federal, States and Local Governments which was below that of October (Akinmutimi, 2015 & Anumihe, 2016).

After a marginal increase in distributable revenue for the month of October, allocations to the three tiers of government again dropped in November following a decrease in total generated revenue during the period. As against N473.83 billion shared in October, the various tiers got N369.882 billion at the Federation Account Allocation Committee (FAAC) meeting. For the months of August and September, N442.606 billion and N389.93 billion, respectively, was shared by the three tiers of government. Speaking after the monthly FAAC meeting in Abuja, the Minister of Finance, Mrs. Kemi Adeosun, said the gross statutory revenue of N400.310 billion received in November was higher than the N321.996 billion received in the previous month by N78.314 billion(Anumihe,2016).

According to her, the intermittent shutdown and shut-in of production for repairs and maintenance at different oil terminals during the month continued to impact crude oil and gas revenue negatively. Giving a breakdown of allocations to the various tiers for November, she said the federal government got N139.105 billion, states N70.757 billion, and local governments N54.551 billion. She also stated that there was a revenue loss of $1.3 million as a result of the drop in the average price of crude from $47.315 in August to $46.96 in September 2015. The minister disclosed that non-oil revenue recorded a significant improvement in the month, rising by N104.212 billion more than the previous month's non-oil receipts. With distributable statutory revenue for the month standing at N400.310 billion, the sum of N6.330 billion was refunded to the federal government by the Nigerian National Petroleum Corporation (NNPC). There was also an exchange rate gain of N6.995 billion which was also distributed. Responding to a question as to what the response of the administration would be to dwindling oil revenue, the minister said non-oil revenue was the plank on which the economy would be anchored come 2016 and beyond(Eme& Mba,2016:1).

The National Bureau of Statistics, NBS, in its 2015 IGR report on named Ogun, Anambra, Borno, Edo, Bauchi, Abia, Kogi, Nasarawa, Niger, Taraba and Sokoto as the only states that bettered their 2014 records of revenue generation performance in 2015. The NBS, which relied on records obtained from the Joint Tax Board and states' boards of internal revenue, said the IGR earnings in 24 other states declined from the levels attained the previous year. Among the 24 states that performed poorly included Kwara, Imo, Bayelsa, Adamawa, Akwa Ibom, Benue, Cross River, Delta, Ekiti, Enugu, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Lagos, Ondo, Osun, Oyo, Plateau, Rivers, Yobe, and Zamfara. Ebonyi was the only state whose internally generated revenue records were not available.

Overall performance of the 36 states showed that the total IGR realised for the year dropped by 3.69 per cent, from N707.86 billion in 2014 to N682.67 billion. Details of the respective states' performances showed that Ogun State's IGR records were adjudged best, with a 49.42 per cent increase, almost doubling the N17.5 billion revenue earned in 2014 to N34.6 billion. Anambra followed closely, with its IGR rising by about 29.32 per cent from N10.45 billion in 2014 to N14.79 billion, while Borno came third with a 21.8 per cent improvement from N2.76 billion the previous year to N3.53 billion. Other states with improved performances included Edo (10.95 per cent), Bauchi (10.2 per cent), Sokoto (9.75 per cent), Taraba (8.57 per cent), Abia (7.33 per cent), Nasarawa (4.59 per cent), Niger (3.98 per cent) and Kogi (3.05 per cent).

Among the poor performers, the NBS showed that Kwara state topped, with its IGR declining massively by about 73.57 per cent, from about N12.46 billion realised in 2014, to about N7.18 billion in 2015. The state was followed by Imo, whose IGR in 2014 dropped by 48.3 per cent, from N8.12 billion to N5.47 billion the following year. Yobe state came third with a 36.53 per cent drop in its IGR from N3.07 billion in 2014 to N2.74 billion in 2015. Others included Bayelsa (25.76 per cent), Jigawa (23.46 per cent), Plateau (19.42 per cent), Ondo (16.05 per cent), Cross River (16.01 per cent), Zamfara (14.88 per cent), Adamawa (12.19 per cent), Kaduna (10.8 per cent) and Gombe (8.61 per cent).

Also included among the poor performers were Benue (8.55 per cent), Rivers (8.54 per cent), Katsina (7.46 per cent), Kebbi (6.73 per cent), Enugu (6.47 per cent), Akwa Ibom (5.99 per cent), Osun (5.45 per cent), Ekiti (4.99 per cent), Delta (4.93 per cent), Oyo (4.11 per cent), Lagos (2. 96 per cent), and Kano (0.37 per cent). Among the oil producing states of the Niger Delta, apart from Edo and Abia, all others could not meet their 2014 IGR levels, with their average earnings dropping by about 6.6 per cent. In terms of IGR volume, Lagos state was ranked highest with a total of N268.23 billion during the year, followed by Rivers with N82.1 billion, and Delta, with N40.81 billion. The table below captures the poor state of affairs in the states in terms of internal generated revenue.

Table 1: Internally Generated Revenue Summary by States between 2008 – 2014 in N bn

S/N	State	No of Local Government Councils	2010	2011	2012	2013	2014	2015	Total Gross Allocation for States/LGCS	% of IGR
1	Abia	17	11,124,643,033.22	11,763,510,585.86	16,751,700,375.58		12.4	13,349,444,263.72	58,145,094,691.02	23.0
2	Adamawa	21	4,208,037,781.45	4,149,550,775.70	4,615,407,803.00	4,149,550,775.70	4.9	4,451,736,117.84	62,295,543,772.58	7.1
3	Akwa Ibom	31	10,133,958,927.00	11,678,520,984.00	13,516,810,150.00	15,398,828,428.00	15.6	14,791,175,253.00	173,902,779,602.28	8.5
4	Anambra	21	7,655,785,733.05	6,148,922,395.00	7,601,585,012.15	8,731,599,921.43	10.4	14,793,120,188.67	63,654,309,711.92	23.2
5	Bauchi	20	3,402,848,015.39	4,463,780,451.92	4,064,710,425.23	4,937,242,874.83	4.8	5,393,721,996.00	72,613,430,598.92	7.4
6	Bayelsa	8	4,710,021,000.00	10,500,936,262.88	4,958,806,727.00	10,500,936,262.88	10,958,263,688.00	8,713,516,526.24	95,408,284,755.19	9.1
7	Benue	23	6,877,690,630.00	11,131,343,534.58	8,436,560,608.98	8,373,720,592.15	8.2	7,631,789,841.37	73,823,754,968.40	10.3
8	Borno	27	2,108,612,985.25	2,282,102,699.76	2,444,613,205.37	2,132,815,258.00	2.7	3,530,261,222.31	78,717,920,659.55	4.5
9	Cross River	18	7,870,941,915.00	9,159,651,948.00	12,734,560,333.00	12,002,167,999.57	15.7	13,567,122,507.38	59,049,491,133.09	23.0
10	Delta	25	26,087,346,526.00	34,750,081,881.93	45,566,897,481.00	50,208,229,986.91	42.8	40,805,656,911.96	144,706,571,893.61	28.2
11	Ebonyi	13	12,998,269,207.69	---------------			11.0	11,032,472,512.00 (2004 IGR Figure)	49,400,218,495.52	22.3
12	Edo	18	10,651,999,356.60	14,764,018,237.44	18,880,055,380.83	18,899,322,710.47	17.0	19,117468,369.25	66,041,595,150.93	28.9
13	Ekiti	16	1,554,020,325.64	2,489,797,191.33	3,787,607,515.35	2,339,670,199.77	3,462,341,448.32	3,297,707,703.96	50,460,337,004.42	6.5
14	Enugu	17	13,795,511,815.00	7,287,161,299	12,209,587,683.00	20,203,801,863.00	19.2	18,081,014,527.00	59,609485,755.91	30.3
15	Gombe	11	2,954,868,571.34	3,153,362,788.35	3,717,188,863.22	3,870,998,757.79	5.2	4,784,605,861.47	49,802,580,045.16	9.6
16	Imo	27	5,714,554,547.72	5,806,462,989.22	6,810,221,957.04	7583,501,933.27	8.1	5,472,581,634.18	71,694,047,410.89	7.6
17	Jigawa	27	1,241,956,756.54	1,482,918,912.88			6.3	5,081,424,105.40	73,065,332,210.82	7.0
18	Kaduna	23	11,564,414,063.48	9,781,946,157.96	11,531,795,961.69	10,932,071,462.59	12.7	11,536,729,988.59	83,447,953,776.39	13.0
19	Kano	44	6,618,936,565.04	6,618,936,565.04	11,051,971,481.61	17,142,211,079.94	13.7	13,611,853,935.85	117,852,408,096.50	11.5
20	Katsina	34	3,151,689,985.00	4,239,692,674.00	5,029,720,846.00	6,852,511,585.00	6.2	5,791,008,741.00	88,880,271,506.43	6.5
21	Kebbi	21	3,807,258,812.42	4,472,397,621.47	5,424,015,848.65	3,732,343,145.11	3.8	3,592,406,108.00	64,896,141,433.46	5.5
22	Kogi	21	2,217,504,390.25	2,848,556,782.15	3,185,459,549.72	5,020,349,740.18	6.5	6,776,580,756.17	67,200,907,459.88	10.1
23	Kwara	16	7,295,348,963.22	8,816,657,944.50	11,317,269,584.36	13,838,085,972.51	12.5	7,178,922,182.76	52,384,587,394.46	13.7
24	Lagos	20	149,966,383,196.47	202,761,061,679.60	219,202,426,843.89	384,259,410,959.19	276.1	268,224,782,435.23	178,549,361,363.13	150.2
25	Nasarawa	13	1,850,541,963.18	4,132,282,812.68	4,132,282,812.68	4,012,291,835.93	4,085,127,585.70	4,281,701,806.50	50,554,539,354.39	8.5
26	Niger	25	3,257,215,894.60	4,115,777,679.30	3,782,827,634.99	4,115,777,679.30	5.7	5,975,149,921.86	74,851,989,994.10	8.0
27	Ogun	20	7,917,662,341.92	10,838,698,403.20	12,438,765,025.22	13,777,026,969.63	17.4	34,596,446,519.52	60,070,767,635.93	57.6
28	Ondo	18	6,480,372,918.69	8,015,725,375.26	10,153,042,597.01	10,498,697,469.99	11.7	10,098,000,000.00	71,491,617,166.92	14.1
29	Osun	30	3,376,735,645.43	7,398,572,036.48	5,020,250,633.94	7,284,225,003.77	8.5	8,072,966,446.00	66,005,570,597.93	12.2
30	Oyo	33	10,488,362,233.80	8,915,603,182.50	14,598,808,723.10	15,251,369,563.24	16,307,233,700.20	15,663,514,824.74	84,044,983,198.03	18.6
31	Plateau	17	3,398,815,261.07	4,520,622,617.37	6,927,858,653.07	8,486,806,640.08	8.2	6,937,349,802.70	61,450,215,048.92	11.3
32	Rivers	23	49,632,280,280.92	52,711,985,543.27	66,275,698,676.01	87,914,415,268.80	89.1	82,101,298,408.43	130,712,237,312.44	62.8
33	Sokoto	23	3,888,400,925.16	4,185,153,701.13	4,313,699,006.03	5,509,132,929.43	5,617,763,260.35	6,224,448,122.53	69,767,717,468.53	8.9
34	Taraba	16	1,284,745,422.40	2,869,031,498.92	3,418,289,991.33	3,344,006,052.45	3.8	4,155,053,816.15	56,399,948,000.85	7.4
35	Yobe	17	5,960,502,339.45	2,385,653,776.94	1,785,221,060.95	3,072,005,109.88	3.0	2,251,330,427.39	58,145,094,691.02	3.9
36	Zamfara	14	2,068,729,575,95	1,714,432,462.63	2,592,935,139.95	3,039,396,601.83	3.1	2,741,632,541.03	56,621,635,820.29	4.8

Sources: National Bureau of Statistics / Joint Tax Board

At the inception of the present administration, no fewer than 30 states were said to be distressed financially as a result of the declining earnings from oil exports. Global oil price dropped from an average of $100 per barrel to $24 late last year. Oil now sells for about $40 a barrel. To enable the states meet their minimum obligations, particularly in respect of payment of workers' salaries, the federal government unfolded a bail-out package for all the states. But, Central Bank of Nigeria, CBN, said only 19 of the affected states applied for and received various sums from the facility. Beneficiaries included Kwara, Zamfara, Osun, Niger, Bauchi, Gombe, Abia, Adamawa, Ondo, Kebbi, Ekiti, Imo, Ebonyi, Ogun, Plateau, Nasarawa, Sokoto, Edo and Oyo states. Although Akwa Ibom and Rivers states were not among the beneficiaries of the bail-out, their respective legislative assemblies recently approved requests from their governors for various loan facilities to enable them survive. The two states are among those that receive the highest allocations from the federation account every month.

Corruption

The first one year of President Buhari's administration witnessed the fight against corruption in the energy sector both in government and private circles. The Economic and Financial Crimes Commission (EFCC) and Dutch investigators, during this period, began the probe of Shell's alleged involvement in the $1.1 billion Malabu /Oil Prospecting License (OPL) 245 scam. Aside this, some big names in the industry, including the former Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, were also caught in the web of corruption probe. Shell and Eni had invested at least $1.8 billion in purchasing and developing the OPL 245 block, which they own 50-50. The block reportedly holds probable reserves of 9.23 billion barrels of oil, which if proven, would represent the equivalent of a third of Shell's proven reserves and two thirds of Eni's(AU/ECA ,2015).

The administration of former President Goodluck Jonathan, which handed over to President Buhari on May 29, 2015, had controversially approved the transfer of $1.092 billion from Nigeria's JP Morgan account in London to Nigerian accounts controlled by Malabu, a company controlled by Nigeria's former Petroleum Minister, Dan Etete. Global oil giants, Shell and ENi, paid the money for Africa's richest oil bloc, OPL 245. The first quarter of 2016 began with talks on a $1.2 billion multiyear drilling financing package for 36 Offshore/ Onshore Oil wells under the Nigeria National Petroleum Corporation (NNPC)/Chevron Nigeria Limited Joint Venture. The package, which even though was announced in the last quarter of 2015, actually began to take shape between the NNPC/ Chevron Joint Finance Team and the Consortium of local and international lenders led by Standard Chartered Bank and the United Bank for Africa Plc. (UBA) in the first quarter of 2015

Related to the above is that the Nigerian Extractive Industries Transparency Initiative (NEITI), recently , accused the Nigerian National Petroleum Corporation, NNPC, and other oil and gas companies of shortchanging the country and failing to remit $4.4 billion and N358.3 billion to the Federation Account in 2013. This comes as Lagos-based indigenous chartered accounting firm, SIAO Partners, had been contracted by NEITI to carry out the 2014 audit. The reports also revealed that Nigeria lost $5.966 billion and N20.4 billion in 2013 to crude oil theft, Offshore Processing Agreement, OPA, and Crude Oil for Product Swap Arrangement. Oil, gas earnings The NEITI report further stated that the country earned $58.07 billion from oil and gas sector, dropping eight per cent from $62.9 billion realised in 2012, adding that the sum was earned from crude oil sales, taxes, royalties and other incomes. Explaining the decline in oil and gas earnings in the year under review, NEITI attributed this to a drop in oil and gas sales, following divestment of federation equity in some oil assets and crude oil losses. In addition, the report noted that N33.86 billion accrued to the federation from the solid minerals sector in 2013(CBN Economic Report,2014).

Broken down further, cement manufacturing companies accounted for N30.47 billion or 89.98 per cent of the total; construction companies N1.98 billion or 5.83 per cent and; mining & quarrying companies N1.42 billion or 4.19 per cent respectively. Giving a breakdown of the figures in the oil and gas report, Fayemi said NNPC and its sub-units failed to remit $3.8 billion and N358.3 billion in 2013, while $599.98 million was under-assessments/underpayments of petroleum profit taxes and royalties by oil and gas companies. In the case of the NNPC and its sub-units, the report stated that outstanding payments were due from unpaid considerations from divested Oil Mining Leases, OMLs, cash call refunds from the National Petroleum Investment Management Services, NAPIMS; and Nigerian Petroleum Development Company, NPDC, lifting from Nigerian Agip Oil Company, NAOC, Joint Venture(JV) and NLNG dividends among others(Isa, 2016).

The report accused the NNPC of failing to remit $1.289 billion Nigeria Liquefied Natural Gas, NLNG, dividends, interest and loan repayment for the year under review, despite acknowledging receipt of the said amount from the NLNG. To this end, the report stated that with the 2013 figure, the total NLNG payments received by the NNPC between 2005 and 2013, but not remitted to the Federal Government or the Federation Account, now stood at $12.9 billion. The report also stated that the NNPC only remitted $100 million in 2014, of a total $1.8 billion expected from the divestment of its 55 per cent equity stakes in eight oil assets from the Shell JV to its subsidiary, the NPDC, adding that the NNPC failed to pay for crude oil lifted from these oil assets on behalf of the NPDC. Shell, Total, Mobil fingered in under-payments In the area of oil and gas companies shortchanging the country to the tune of $599.98 million, the report identified Total Exploration and Production Nigeria Limited, TEPNG; Shell Petroleum Development Company, SPDC, and Mobil Producing Nigeria Unlimited, MPNU, as the worst offenders in the area of under-assessment/under-payments in the Petroleum Profit Tax, PPT, validation, while SPDC, Shell Nigeria Exploration and Production Company (SNEPCO) and Pan Ocean were worst offenders in terms of royalty validation. Specifically, Total, SPDC and Mobil were fingered in under-assessments/under-payments of $294.87 million, $53.9 million and $49.207 million respectively in Petroleum Profit Tax; while SPDC, SNEPCO and Pan-Ocean were fingered in $73.16 million, $50.946 million and $28.006 million royalty under-assessments/under-payment in the period under review(FGN,2015).

NEITI report stated that the lingering pricing dispute between International Oil Companies, IOCs, and the Nigerian government had resulted in revenue loss of over $4.2 billion in the last eight years. The report added that "the royalty payable on crude oil by companies is a function of the value of the crude oil, which in turn is determined by the price. There have always been issues over the pricing mechanism to be adopted in the computation of royalty, that is, whether Official Selling Price, OSP, as determined by NNPC, or Realisable Price (RP), as determined by companies, should be used. The Report adds:

Royalty under assessments decreased from $465 million, comprising 30 entities, in 2012 to $166.54 million, comprising 17 entities, in 2013, representing a decrease of 64 per cent. The under assessment recorded was mainly as a result of price differentials between the official government position and that of the oil companies. The Production Sharing Companies, PSCs, entities had the proportion of 34 per cent under-assessment, while the JV entities had 65 per cent. Total under assessment from marginal fields amounted to $443.182 million, representing one per cent. This was due to the fact that reconciliation meetings were held regularly with these indigenous companies and the Official Selling Price (OSP) was applied on their production. "The prices applied by SPDC on its royalty computation continued to differ from the advised prices of NNPC-COMD. This difference resulted in an underpayment of $73.161 million for 2013(FGN,2015:4).

Waiver & Tax Corruption

Just as the Senate ad hoc committee was presenting its report, the House of Representatives y also disclosed that Nigeria currently loses about $2.9 billion annually to indiscriminate tax waivers, with little evidence that the tax incentives have increased investments in the country. The policy of tax incentives and waivers, the House recalled, was originally designed to attract genuine investments, particularly foreign investors who were expected to bring in capital to support economic development and create employment. The policy has however been abused, the House said. The House therefore directed its Committees on Finance and Public Accounts to review the policy, which is implemented by the Ministry of Finance, with a view to abolishing unproductive incentives.

The resolution of the House followed a motion sponsored by Hon. Kehinde Odeneye (Ogun APC), who emphasised that conditions for tax incentives should be clearly spelt out and directed at achieving specific social and economic objectives.

Nigeria receives an average of $6 billion annually, Odeneye said, citing figures from the Nigeria Investment Promotion Council (NIPC). Hon. Herman Hembe (Benue APC) also lamented that the policy was abused to the extent that waivers were granted to oil exploration companies. He accused the Ministry of Finance of disregarding the recommendations on eligibility and duration of tax waivers. Hon. Nnenna Ukeje (Abia PDP) however noted that the issue of tax waivers could not be handled by a motion but by a bill, which has the potential of becoming a law. The majority leader, Hon. Femi Gbajabiamila, advocated that the investigation should include waivers granted to manufacturers and importers, not just foreign investors. The joint committee is expected to submit its report in four weeks.

The Senate resolution was the fallout of the adoption of the report of its ad hoc Committee on Import Duty Waivers, Concessions and Grants which investigated the indiscriminate use and abuse of waivers granted by the federal government to some organisations. Presenting the report, the committee's chairman, Senator Adamu Aliero, put the total amount to be recovered as grants for rice importation at N10 billion. He listed the organisations meant to repay the N10 billion rice waivers and the respective amounts they should refund to include: Dangote Limited (N1,031,038,848); Kersuk Farms (N1,927,800,000); BUA Group (N3,704,126,328); Elephant Group (N1,501,627,680); Golden Penny (N284,602,399.20); and Milan Group (N1,855,263,312)() .He added that the sum of N31.7 billion, representing 5 per cent import duty and another 45 per cent levy for 2013, as well as 5 per cent import duty and 65 per cent levy for 2014-2015 grants for the importation of raw sugar, should be recovered from BUA Group for obtaining a waiver for the importation of raw sugar without what he described as the backward integration policy for local sugar production (Nwachuku,2016).

He also said Mediterranean Nigeria Limited should be made to pay N82,101,866.10 as import duty for excess and under-invoicing 2,161,440 kilogramme of St. Louis cube sugar in June 2014. In the same vein, the Senate resolved that the sum of N687,496,320, which the committee described as an illegal amount for the transfer of 100,000 metric tonnes of rice by JNI to Elephant Group, should be recovered. It also said Elephant Group and officials, who were involved in the transaction, should be sanctioned for alleged economic sabotage, noting that the waiver was offered as charity grants and not for commercial purpose, because the company only donated foodstuffs to secure the offer(Nwokoma,2016).

The Senate also resolved that firms, which were illegally granted customs duty waivers and concessions through flagrant abuse of executive powers, must be made to refund such losses, as it described the amount as a huge loss of revenue to the federation account. It also said the companies should be sanctioned for economic sabotage.
According to the committee, organisations such as Mc Sally Investment Limited, which it said was not a player in the sector, got a waiver and imported 250,000 metric tonnes of vegetable oil, adding that it was detrimental to the economy. In the same vein, the Senate said Elephant Group should be sanctioned for securing a waiver and importing 100,000 metric tonnes of parboiled rice without being a rice farmer or miller as provided for in the National Rice Policy (Okwe,2016).

The Senate called on the federal government to ensure that the grant of multiple incentives in the form of multiple duty waivers, concessions, pioneer incentives and grants at the same time to the same beneficiaries should be stopped henceforth.
It also asked the NCS to accept only bank indemnities and not corporate indemnities to avoid future loss of revenue to the government. It advised the federal government to as a matter of urgency restructure and streamline the functions and responsibilities of the Budget Office of the Federation with a view to preventing abuses and excesses in support of duty waivers, concessions and grants. It also said in line with international best practices, the federal government should take appropriate steps to evolve a clear-cut policy on import duty waivers, concessions and transparent grants.

The Senate further held that federal and state governments' contractors should no longer enjoy import duty waivers, just as it said institutional weakness in the system should be addressed through the review of all relevant laws such as Customs and Excise Management Act and Nigeria Export Promotion Council Act, among others.

Recommendations

Diversification of the economy is central to the economic revival of her ailing economy. The drop in oil earnings has exposed Nigeria as a country without solid alternative sources of revenue. This reality has made the diversification of the economy non-negotiable. The monolithic nature of the economy is unsustainable. We must immediately begin to initiate and sustain policies directed at economic diversification. We must look at manufacturing and agriculture, which have the potentials to create employment opportunities. To attain this goal, agricultural incentives will help in driving the economy. The Buhari administration has reiterated its determination to invest heavily in agriculture and make it an income yielding sector while also providing employment for youths. The administration has recently obtained

15 billion dollars from China in aid if the sector. This is because, if a country like China, with a population of over 1.4 billion, can provide food security for her citizens through mechanised farming, Nigeria with less than 200 million people could do the same.

The government needed to do more in the sector before it can thrive. Agriculture should be made attractive and it can only be attractive if it is profitable. Farmers' farm produce rot away on the distant farms, in the absence of feeder roads. There is lack of immediate market for the products, which are mostly perishable. Government can assist in facilitating the marketing of agricultural products. Canning is also very important. Youths will not embrace agriculture, if the rural areas are unattractive because of lack of social amenities and if agriculture is unprofitable. Government needs to invest in infrastructure.

Solid minerals development

The reality has dawned on the Buhari administration that the country can no more be salvaged by oil. Thus, Nigeria is now emulating countries that are reaping the fruits of diversification. Examples are China, India, Mexico and Indonesia. Nigeria has natural endowments, which remained untapped. These resources include bitumen, tin, copper, zinc, coal, gold, celica, clay and limestone. Others are laterate, cassilitrite, koolne stones, columbite and marble. Nigeria could earn more from solid minerals than oil if efforts have been made to harness the natural resources besides oil. All the 44 non-oil resources available in Nigeria are of economic value.

Nigeria suffers in the midst of plenty. If government puts just about 10 per cent of what is in oil and gas into the solid mineral sector, our national income will be more than triple. The MDAs in the Ministry of Steel and Mining will be richer than the NNPC. We are talking about 44 minerals with many more being added. Put differently, since every state has resources and not a few want the federal government to evolve a more acceptable revenue generation and distribution formula among the federating states. Those, who hold this view like this paper, were quick to demand for fiscal federalism among the 36 states of the federation, noting that it would tackle all contentious questions about revenue sharing formula in Nigeria.

The Minister of Solid Minerals, Dr. Kayode Fayemi, has been up and doing. His ministry is working on a new policy and a legal framework that will guide exploration and mining activities. Due to the neglect of the sector, illegal miners have been on the prowl. To the minister's consternation, five million Nigerians are engaged in illegal mining. To address this challenge, the ministry is putting in place a mining road map that will define the standard practice in the sector. Also, the ministry is partnering with governors and the host communities to ensure that environmental safety is accorded a pride of place. A machinery is being put in place to coordinate miners as they organise themselves into cooperative societies so that they can acquire licences and work legally. The Ministry of Solid Minerals is also trying to woo investors by granting them tax holiday and making their equipment duty-free. It is also working with the Central Bank, the Bank of Industry and other banks to make funding available to miners. Banks are being encouraged to set up mining desks and guarantee them lease on equipment because mining equipment are expensive. The ministry is also working with the ministries of works, transport and interior to ensure a better investment environment and security. These will grow the economy and revenue base.

The absent of accountability is the reason people are asking for more money. Look at the recent pension, tax waiver and NEITI reports and probes. These are perfect examples of how people feed fat on available funds. The revelations coming out from these probes show how money goes into private pockets. Even the National Assembly has not shown that it is capable of fighting corruption. We think Nigeria requires serious rethinking, rebranding and reorganisation. The structure is always encouraging the corrupt people that are why we have to do something about political corruption, judicial corruption and value system, so that when the resources are given, they can be properly utilised for the benefit of Nigerians.

Since that internally generated revenues have yet to be mainstreamed, it is now time to come up with a law that will mandate government to henceforth use IGR for recurrent expenses while externally generated revenues only spent on capital projects. Should this law be enforced, a revenue inward-looking government should hardly waste any time in sealing off the leakages created in Section 22 (1) of Fiscal Responsibility Act of 2007 by making sure that all its internally generated revenues are paid into the Consolidated Revenue Fund Account, where no agency of government should have any drawing right to the account. What it will mean is that Sections 22 (1) and (2) are deleted from FRA.

It also will mean that the Fiscal Responsibility Commission should become more proactive in ensuring that all government agencies abide by the rules as dictated by FRA or else such agency should be promptly reported to the EFCC and the Office of the Attorney-General for further investigations and prosecutions. To ensure that government focuses on increasing internally generated revenue, the lawmakers shouldn't pass into law any proposed budget unless the sources of funding demonstrate that internally generated revenues are for recurrent expenditure whereas externally generated revenues should be solely for capital spending. Since our lawmakers have the responsibility to appropriate and oversight how public money is spent, our lawmakers should recognise that because this Appropriation Act is solely in their hand, equally, they are solely responsible for the financial actions or inaction of the other two arms of government, they should sit up and do their work.

CONCLUSION

This paper has investigated the impact of falling oil prices and lack of accountability on Nigeria's fiscal federalism. It argues that the brazen abuse of resources in Nigeria is a consequence of the rentier nature of the Nigerian state which has progressively eroded the inherent internal controls for prudent fiscal relationships among the various tiers of government in a federal state. This paper has also shown that since 1999 the twin issues of corruption and absence of good governance, are responsible for the recurring fiscal federalism controversy. In the context of a rentier state, the problem is not about the kind of federalism we practice. There is institutionalise corruption at the local, state and federal governments, so they have not been able to justify the money they received in the past, no amount of money will be given to a particular local government or state that would put an end to the recurring demands for revenue increment, except there is an end to corruption. We have a situation in the country, whereby the more revenue you get, the more corrupt you are, so we must develop a mechanism that would ensure accountability. The issues at stake have gone beyond having fiscal federalism or not, we need to change our value system, address the issue of corruption and good governance. When that is done, any increment in revenue allocation will be useful to Nigerians.

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