



The evolution of fiscal centralism and strong centre federalism in Nigeria: An historical analysis and critique towards a stable polity

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Abstract

Within a period of thirty-six years after independence, Nigeria grew from a three-unit to a thirty-six unit federation with ever increasing demand for further decentralization. This paper argues that the bloated structure of the Nigerian federalism is a product of fiscal centralism, which it degenerated into during the fourth phase (1959-1966) of its historical experience in developing a fiscal policy. From the fiscal U-turn stipulated in independence Constitution to five ad hoc efforts at adjusting the Nigerian fiscal policy, it is obvious that the leadership has shown a complete lack of will to confront the issue decisively and adopt fiscal federalism which is a fundamental tenet of federalism. This paper further argues that this is not unconnected with the fact that fiscal centralism is in consonance with the nature of military rule, which Nigeria was subjected to for thirty years out of her forty-year experience as a sovereign nation.

Keywords: fiscal centralism, federalism, Nigeria

Introduction

Democracy, that mass participatory system of selecting leadership and governance, is credited with epitomizing the cyclical functionality of the Eastonian model. (Easton, 1965) [5] in the evolved democracies of the West, where effective communication between elected officers and their constituents are ensured, citizen participation in representative democracy has achieved a great height. In such systems, the perpetual input-output cyclicity of the Eastonian model ensures mass participation in governance, albeit indirectly.

The Nigerian experience has been a product of an interplay of democracy and militarism. Irrespective of how much of strange bed fellows these two systems are, the people (the majority that is) have been able to aggregate and articulate their demands in regards decentralization with impressive results.

Preparing the grounds for further decentralization (state creation) beyond the four-unit structure established in August 1963, Gowon, on November 30, 1966, opined that:

It is quite clear that our common need in Nigeria is that no one region or tribal group should be in a position to dominate others.

The new federal constitution must therefore contain adequate safeguards to make such domination impossible. In a stable federation, no region should be large enough to be able to threaten secession or hold the rest of the federation to ransom in times of national crisis. There is no doubt that without a definite commitment on the states question, normalcy and freedom from fear of domination by one region or the other cannot be achieved.

Subsequently, Gowon created 12 states out of the existing four regions on May 27, 1967. Incidentally, the paranoia

over political domination, which is implicit in the above statement by Gowon, also filtered into the sphere of economic domination by any one or a few states in the federation. Resultantly, "dispossession laws" were enacted primarily to frustrate the war efforts of secessionist Biafra. While these laws, which were anti-federalism in essence, served their primary objective, they were, unfortunately, allowed to linger beyond the war years. (Osai, 2000) [8] The eventual acceptance of these laws even under the democratic dispensation of the Second Republic put paid to the death sentence on federalism as a functional system of government in Nigeria. Taken alongside the jettisoning of the derivation principle and the consequent bloated Distributable Pool Account (DPA), the stage was set for agitation for the creation of more states especially with the realization that carving out more states from any tribal group translated to greater share of the national cake. In the end, Nigeria grew from a three-unit to thirty-six-unit federation.

The above is without prejudice to the period between May 24 and July 27, 1966 when Ironsi promulgated the Unification Decree, which ushered in unitarism in Nigeria and whose most far reaching structural centralization found expression in the unification of the Nigerian public service. It should also be mentioned that Decrees 14 and 15 of 1967 by the Gowon administration inaugurated the new federal system; Nigeria then emerged more decentralized, structurally.

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The mention of federalism, as a system of government, conjures mental portrait of a willful and purposive assemblage of sovereign nation-states etc. formed for the purposes of strong territorial integrity and economy hinged on the advantages of economies of scale. Elementary

political science teaches that one of the requirements of a federation is that the component units should be economically viable enough to be self-sustaining and contributes towards the up-keep of the center. (Appadorai, 1981) ^[1] Subsumed in this requirement is viability based on self-sustainability. It therefore presupposes that the component units of the federation manage their resources and pay pre-determined and applicable taxes to the federal government.

Oyovbaire (1985) ^[9], offers that fiscal federalism had been a recurring and topical question that generated political strain in the history of Nigeria. Matter-of-factly, fiscal and financial consideration had largely fueled the conduct of debate on Nigerian federalism.

The historical experience of Nigeria in fiscal federalism can be compartmentalized into five phases. The first phase (1948-1952) was fundamentally patterned towards a centralized financial and fiscal dominion or sphere of duty with the proviso that budgetary profusion of the federal government be appropriated to the sub-national governments based on the principle of derivation. In other words, allocations to regions should be based on each region's contributions to the national coffers through public revenue-generating activities in the region. This phase covers a bulk of the years of the Richards Constitution and two years into the McPherson Constitution. The second phase, which ran for the relative brief period of 1952-1954, witnessed the introduction of autarchic revenue and tax dominions in regional governments. This development was incidentally upheld by the third phase of 1954-1959, which also stressed:

The need to provide to the regions and to the center an adequate measure of fiscal autonomy within their own sphere of government...the importance of ensuring that the total revenues available to Nigeria are allocated in such a way that the principle of derivation is followed to the fullest degree compatible with meeting the reasonable needs of the center and each of the regions. (Ayida and Onitiri, 1971:377) ^[2]

It should be noted that federalism, Whose sub-structure was put in place by the McPherson Constitution of 1951, was formalized by the Lyttelton Constitution of 1954, which Price (1977:67) ^[11] considers "the First genuine federal constitution of Nigeria." The constitutional provisions enshrined vertical distribution of powers; the judiciary and Civil Service were regionalized while revenue was reallocated on the principle of derivation. (Jordan,1985), made an impressive inroad towards achieving fiscal federalism-resource management.

The fourth phase (1959-1966) is primarily remembered for two things:

- a) It sought to de-emphasize the earlier premium placed on regional fiscal independence, which was hinged on the revenue-generating capabilities and exploits of each region; the main guarantee of the financial stability of Nigeria as a nation, is hinged on the financial stability of the central government.
- b) During this period, a joint revenue account for the regional governments, Distributable Pool Account (DPA), was established. Specifically allotted tax receipts were collected and paid by the federal government and

then distributed to the regions on four main principles: continuity in government services, minimum responsibilities dischargeable by government, need as indicated by relative population and the balanced development of the federation.

The fifth phase (1966-1969), to a greater extent, furthered the broad conviction of the previous phase/period. The report of the K.J. Binns-led Fiscal Review Commission (1965) reads inter alia:

There must be a growing dependence of regional governments on the federal government [so as] to maintain the strength and unity of the Federation; it was therefore misleading and unreal to speak of achieving and maintaining regional fiscal autonomy. The immediate economic advantage of a Region must be subordinate to the welfare of Nigeria as a whole.

We note that while the second and third phases emphasized fiscal federalism in consonance with what obtains in classical federalism, phases four and five, on the contrary, ensured an enlarged DPA and showed crystal clear recognition of the primacy of the center; this, more than any other instrument, formed the basis for the seeming justification and therefore continuation of fiscal centralism in Nigeria.

From a federation whose component units were encouraged to be self-sustaining and viable, the Nigerian nation degenerated into a federation of beggarly component unit. This left the erroneous and debilitating impression that there is more than enough to share from the national coffers. A natural corollary of this was the rise of micro- nationalism in the Nigerian body politik and the resultant endless demand for state creation to the point inter-tribal warfare virtually became a justification for state agitation and creation. The end result so far is thirty-six States most of which are not economically viable and an endless demand for further creation of States.

It is noteworthy to mention that the period of military rule between 1966 and 1985 witnessed no less than five sets of ad hoc adjustments of the structure of fiscal federalism - in 1967, 1970, 1971, 1973 and 1975. Whether these changes were in response to the combined effect of ever-shifting forces of conflict, consensus and resources remain doubtful. However, one fact is vivid and incontrovertible: the system of fiscal centralism is in consonance with the nature of military rule.

Critique

Fundamentally, federalism aims at harnessing the collective strength of component units towards a stronger and, therefore, more viable larger entity. Collective strength is used here in reference to aggregating the individual strength, including human and natural resources, of the component units into a collective whole. Therefore, each component unit is expected to explore and exploit its resources (human and material) optimally. The American experience of transition from a Union through Confederation to a weak-center federation and the structural expansion from thirteen to fifty component units (States) speak eloquently, regarding the strength derivable from fiscal federalism. (Brogan, 1985) A situation where the resources of certain component

units are left to lie fallow while those of others are exploited is only feasible in a situation of dysfunctional federalism such as obtains in Nigeria.

On federalism, Strong (1930) ^[12] offers that the extent to which a State is federal is determined by the degree to which the constitution permits the 'reserve of powers' with the units. In other words, for Strong, the barometer for measuring how 'federal' a state is, hinges on the extent to which more powers are reserved for the federating units. Wheare (1953:15) ^[13] holds that:

General and regional governments are co-ordinate...what is necessary for the federal principle is not merely that the general government, like the regional governments, should operate directly on the people, but, further, that each government should be limited to its own sphere and, within that sphere, should be independent of the other.

More specifically and as is relevant to the Nigerian experience and situation so far, Passin and Jones-Quartey (1963:90) ^[10] offer that:

Federalism is...not so much an ideal as a compromise, a compromise between two conflicting demands: on the one hand for a large state, on the other for placing political authority in the hands of smaller units of government, which correspond more closely to the units of which men feel themselves to be members.

If we may verbatim a little more on federalism from Passin and Jones-Quartey (1963:89-90) ^[10]; they offer that federalism has five advantages:

First, in a country of pronounced diversity, which is localized in compact units, a federal system, by diffusing power geographically, tends to bring public policies and local feeling into line [unity in diversity]. Secondly, by providing for a number of independent governments, the system gives scope for experiment and mutual emulation [healthy rivalry]. Thirdly, the multiplication of electoral bodies and of the number of legislators who bear considerable responsibility in their own right, broadens the opportunity for political participation [grassroots political orientation and education]. Fourthly, the system is suitable for the administration of large and scattered areas...and fifthly, federalism lessens the risk of a monopoly of political power by providing a number of independent points [decentralization] where a party that is in the minority on the national level can maintain itself in functioning condition, demonstrating its policies and capacities and developing new leadership.

A review of the imputation in the above quotation shows a set of pivotal key words around which the essence of federalism revolves and is found. There is "unity in diversity", which is fundamental to holding the numerous and diverse ethnic nationalities in Nigeria (about 450) into a cohesive unit. "Healthy rivalry" stirs up that human instinct and desire for excelling and surpassing others. In this regard, however, the implicit competition is taken beyond the individual level and into the collective grouping (component units) within which the individuals live and

compete with other groupings within the larger society - federation. Succinctly put, there is an 'us and them' consciousness and competition, which invariably, translates to collective development of the nation. Greater citizen participation in the art of governance is enhanced by decentralization, which brings government closer to the doors steps of the citizenry. From this level (grassroots), political education and orientation facilitates the harnessing of local talents towards leadership training in politics.

From the above, we note that the most relevant advantage within the context of this discourse is "healthy rivalry"—the need for component units to be allowed to harness their human and material resources towards greater developmental heights. Granted that this may lead to a head-on collision with the need for even development, it should be noted that "even development" is not a trait of federalism; rather it is one of the advantages of unitarism—a system which Nigeria opted not to operate.

Conclusion: Towards a Stable Polity

Nature, in its wisdom, creates some disparity amongst people. This is easily observable in the differences in human physical features. Beneath these observable traits, there are innate qualities such as intellect, wisdom, talent etc. in every human being; and these are also given in varying degrees by nature. Given this state of disparity, it becomes the responsibility of each and every individual to identify, explore and exploit these innate gifts towards making up for possible physical deficiencies and generally competing with others in the endeavors of human society. Achieving this no mean feat uncannily produces a balancing, obliterates or, at least, waters down the disparity. What is required is that individual should look closely inwards and identify what nature's there are innate in him. Once this identification is achieved, the job is seventy-five percent complete. The next line of action is as stated above the gift/talent be harnessed vigorously and optimally, if and when this is achieved, the individual will certainly excel and eventually realize that so called disparity is only apparent.

The above analysis is undoubtedly as relevant to the individual as it is to groupings, tribes, nations etc. in human society. Nigeria's bloated structural federalism is a product of its fiscal centralism, which has, over the years of our national life and experience, discouraged the component units (States) from vigorously exploring and exploiting the natural resources that nature, in its infinite wisdom, inhaled in their territories.

If we are permitted to recount an experience of two journeys over a four-year period:

On Sunday, December 18, 1996, Osai missed the last scheduled flight from Lagos to Kaduna and therefore boarded a nineteen-seater, twin-engine prop-plane from Lagos on a chartered flight to Kaduna with a stop-over at Minna. Though he was disturbed and upset with the instability of the light craft, the millions of butterflies in his stomach and the palpitations were effectively calmed by the breath-taking panoramic view of the Nigerian landscape, which the low-altitude flight offered him; this was immensely enhanced by the sunny day. What he saw was a massive mosaic landscape capable of nurturing a wide variety of agricultural produce in commercial quantity.

Again, on October 16, 2000, he had the privilege of driving from Port Harcourt to Gombe through Aba, Enugu, Gboko, Katsina-Ala, Numan. and Jalingo amongst numerous other cities of varying sizes, architectural designs and cultural settings. What he could not see from the bowel of the “metal bird” in December, 1966, he saw in clear and bold relief on this and the return journey of October 19, 2000.

The abundance of natural resources in Nigeria outside petroleum products is there for all to see on the surface of the soil. Only the mentally blind cannot see it. What is beneath is anybody’s guess and can be ascertained through exploration. Therefore, that Nigeria degenerated and has insisted on remaining a petroleum-based mono-economy is reflective of the point to which the leadership either lacks foresight or is mischievous, inept or wicked - profoundly unpatriotic. We came to the sad conclusion that it is criminal and therefore scandalous that Nigeria depends on distant economies for food.

That diversity is synonymous with Federalism emphasizes implicit disparities, which, undoubtedly, reflect on the socio-economy of the component units. For instance, standard and cost of living, naturally, cannot be the same throughout the Federation. Here, the unification of the public service and, therefore, salary system presents a serious problem. This finds expression in the fact that while, for example, a professor in Zaria lives comfortably on his professorial salary, his Port Harcourt counterpart, to whom we ascribe same family size and social commitments, strains immensely under the Herculean task of attempting to make perpetually belligerent ends meet. Taken within the theoretical framework of work motivation, we find that while the Port Harcourt professor may be grappling with Existence needs (physiological and safety), his Zaria counterpart may well be concerned with Growth needs. For both academics, there is a great disparity in the Valence (market value) of same salary. (Baron, 1986) ^[3].

In conclusion, it is our considered opinion that only the lazy, mischievous and profoundly unpatriotic Nigerian is afraid of fiscal federalism. Therefore, the operators of the Nigerian federal system should guide the machinery of government and citizens towards boldly confronting the realities of federalism in all its ramifications. Fiscal federalism, which finds expression in resource control, obviously holds the promise of inspiring the diversification of the Nigerian economy through harnessing the various natural resources located and inhumed across the richly endowed Nigerian landscape.

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