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Revenue Allocation Formula: Appraisal of fundamental issues in Nigeria's fiscal federalism and political stability

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Abstract
Nigerian federalism structure has always been bordering on managing diversity and revenue distribution among its constituent components. It asserts that strong opposition typically accompanies revenue sharing or distribution, leading to an ongoing crisis. This study indicates that the improper method or criteria utilized in income allocation has always been the root of dispute. The study, therefore, focuses on how revenue allocation appears to influence Nigerian political stability. However, the outcome has come to define the social, political, and economic ties between the various classes, organizations, and ideologies within the federation. It proves that financial subordination deviates from proper federalism functioning in accordance with theories of federalism. Thus, to interrogate the discourse critically, the study adopts the Relative Deprivation Theory while relying on secondary data to gather the needed information. The study concludes that, to reduce the political tension on the revenue allocation, the constitution should give the centre and the states the authority to manage their resources. It recommends that, governance should be enthroned with transparency, accountability, and probity. Aside from that, the system needs to be restructured to weaken the centre and make it politically undesirable. This will lower political tensions and the marginalization of particular geopolitical zones, while also ensuring polity equity and fairness and reducing political violence.

Keywords: Federalism, Political stability, Revenue Sharing, Resource Control, Nigeria

1. Introduction

In recent years, the issue of resource control, revenue allocation and fiscal federalism have dominated discussions at various levels of Nigeria's economic and political debates. Nigeria as a nation operates a federal structure of government. Thus, fiscal federalism is a byproduct of federalism. Federalism is a political concept in which the power to govern is shared between national, states and local governments, creating what is often called a federation (Enefiok, 2020). Federalism like any other social science concepts means so many things to different people. Therefore, varieties of meanings and definitions postulated by philosophers and political theorists exist. In recent times, there have been heated debate on true federalism, resource control, local government autonomy, restructuring etc in relation to power sharing formula which suggests that the concept of federalism is experiencing intellectual cross examination in Nigeria due to the problems existing from its applicability and it presupposes the existence of diverse people with different socio - cultural background in the country (Bello & Mackson, 2022).

In Nigeria, the major features and conditions for the adoption of a federal state is embedded in the heterogeneous traditional settings, cultural diversity system, vast population and diverse languages of the people constituting it. This is very true in the Nigerian case as the state is largely heterogeneous. Hence, the galvanization of these differences can only be made possible and contiguous if the federal system of government is adopted (Ola & Tonwe, 2009). As a country, revenue allocation has remained a burning issue in the country's fiscal federalism and this is a result of the 36 states in the federation currently depending on statutory allocations from the federation account to enable them to embark on development plans and projects. Hence, to alleviate this recurring and conflictual challenge, Section 149 (7) of the 1979 Constitution provides for state - local government fiscal relations, while section 162 (5) of the 1999 Constitution regards local government as an extension of the state tier, this led to disharmonious fiscal federalism. The 1977 Aboyade Technical Committee on population was illogical as the principle of national interest it recommended defied particular interpretation in the prevailing circumstances in Nigeria.

Moreover, the 2005 Political Reform Conference was stalemated because; delegates from South - South Region staged a walk out on the issue of fiscal imbalance. Financial relations of the component units of any federation should bring about federal progress and productivity. In Nigerian federation, however, it appears as if fiscal federalism brings disharmony among the federating units, and this reduces the productive capacity of the federation as an entity (Bello & Mackson, 2022:34). Nevertheless, the goal of the current inquiry is to clarify the impact that revenue sharing and allocation have on Nigeria's political power. Nigerians have been demanding an equitable and fair distribution of the nation's resources since 1960, along with a political system that will ensure their ability to express and exercise their fundamental human rights, such as the right to a life of dignity. Consequently, the country has become a "workshop of democracy." Throughout Nigeria's revenue sharing experience, the sources of the federally collected revenue that each Commission's work was focused on have not altered. These include royalties, export duties, exercise taxes, import charges, and mining rents. State authority is not applicable to these revenue streams, neither for tax increases nor for revenue collection. Thus, rather than focusing on who should levy taxes, the issue of revenue sharing among the federating units was how to divide the proceeds (Enyi, 2005).

Accordingly, the study looks into how Nigerian political stability and revenue distribution are related. It is unfortunate that, despite a steady rise in income generation, the anticipated influence on Nigeria's economic growth has not materialized. income allocation in Nigeria is closely linked to the encouragement of both rapid economic growth and national unity. The necessity to objectively investigate the previous revenue allocation formula's effects on Nigeria's political stability results from this. Meanwhile, it is important to remember that Nigeria's revenue sharing discussions have primarily focused on three issues: (i) the proportions of federally collected revenues in the federation account that should be distributed to the federal government, the states, local governments, and the so-called "Special Funds" (vertical revenue sharing); (ii) the proper formulae for the distribution of federally collected revenues among the federal government, the states, and local governments (horizontal revenue sharing); and (iii) the percentage of federally collected mineral revenue that should be returned to the states and communities that bear oil due to the principle of derivation and compensation for the ecological risks associated with oil production (Suberu, 2015:8–9).

2. Evolution of Nigerian Fiscal Federalism

Fiscal federalism is the dynamic interaction between different tiers of government. It poses questions as to how the nature of financial relations in any federal system affects the distribution of the nation's wealth. Nigeria is beset with structural imbalance and true federalism implies that component units should freely pursue their own development. Thus, the evolution of Nigeria's fiscal federalism emanated from historical, economic, political, constitutional, social and cultural factors. In view of this, fiscal federalism has been a central feature of intergovernmental relations in Nigeria. The construction of stable and acceptable revenue formula has been the subject of many commissions and committees since 1914 (Eweton, 2012). 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 government and also on the system of revenue allocation and management of public funds in Nigeria. The details of these are contained in section 162 - 168, item 59 (part 1), items A/a, b and 2 (part II) D7 - 10 in the second schedule, item 32a - c in the 3rd schedule and item, 1b, section 7 of the 4th schedule.

Each government seeks to accomplish macroeconomic goals within the framework of its own political system in order to promote economic development. Federalism, unitarianism, and confederation are examples of different political structures. The Nigerian system is in support of federation. Within the federal government and its units (states and local governments), the federation of Nigeria accomplishes her macroeconomic goals through distributing resources, distributing revenue, and stabilizing the economy. Fiscal federalism is the term for this system of dividing up government duties among several levels of government (Buhari, 2001; Likita, 1999). Under a fiscal federalist system of taxation and public spending, authority to raise taxes and to decide how much to spend is shared by the national government and the lowest local government units in a country (Anyafo, 1996). In essence, fiscal federalism focuses on the methods of raising and distributing funds among various governmental levels for the purpose of growth. There is an abundance of material regarding Nigeria's fiscal federalism, specifically with the distribution of revenue. Although extensive and in-depth debates have been held on the topic for approximately 45 years, agreement on the best approach to pursue in order to attain the intended level of economic growth has not been established (Aboyade, 1985; Buhari, 2001). The issue at hand is to the distribution of revenue among the several governmental levels in accordance with the tasks allocated by the Constitution. A recurring issue in Nigerian federal finance is the mismatch between the fiscal capacity of different governmental levels and their spending obligations, often known as the non-correspondence problem (Mbanefoh & Egwaikhide, 2000).

More significantly, there has been more harm than benefit from Nigeria's implementation of "centrist federalism." Together with inequality, there is structural imbalance. The constituent states, who ought to have been the centre's coordinates rather than its subordinates, have suffered as a result of the centre's increased strength. It is easier to understand this unfavourable development by looking at the revenue allocation systems, which were typically biased in favour of the central government. The central government appropriates almost all revenues, and it distributes them in a blatantly unfair way. The concept of fiscal federalism is being refuted by this, and the marginalized groups in Nigeria are becoming more and more estranged from the government. Paying lip service to extraction and ecological control by allocating little portions of funds has proven to be a glaringly insufficient gesture. In addition, government organizations such as the Niger Delta Development Commission (NDDC) and the Oil Minerals Producing Development Commission (OMPADEC) are making little progress given the severity of the issues at hand (CEDCOMS, 2002).

Clearly, resource control can only be fully appreciated and understood under Federalism. In a true Federal arrangement, no level of government is supposed to be subordinate to another, but rather all tiers of government are co-ordinate. Notwithstanding the efforts to preserve the legal forms, financial subordination—which is only possible in the absence of resource control—makes a joke of federalism. For that reason, it makes sense that every unit should be able to use its resources for self-defence. Resource control is an essential component of true federalism in Nigeria. Therefore, the foundation of resource control is the desire of Nigerians to advance true federalism as the most effective way to free all parts of the country from the constraints that have held them back since the first military dictatorship, allowing for the rapid development of the nation's vast economic potential (Mimiko & Adeyemi, 2005). In order to grant minority populations in the Niger Delta, where oil is discovered, ownership of the resource and control over its extraction, resource control was thus demanded as part of the drive for an equitable fiscal framework. The Ogoni and Ijaws emerged as the most vocal groups regarding resource management. With the introduction of the Ogoni in the 1990s, the Ogoni ethnic movement organization, the Movement for the Survival of Ogonis, or MOSOP, completely destroyed the federal government. Resource control was also advocated by the Bill of Rights. Regardless of the oil resource on their land, they stated that their towns lacked basic social amenities including power, water, and pipe-born-water basic education. The result has been violent reactions from both the state and federal government under late General Sani Abacha, resulting in the hanging of the Ogoni leader, late Kenule Saro-Wiwa (Okeke & Allen, 2005).

Intergovernmental grants-in-aid are the name given to the two categories of resource transfer that were previously described. Scholars have given different titles to the third principle. Beak (quoted in Graham 1964) referred to it as "conditional," "incentive," or "simulation" grants. Because funds of this kind are primarily intended to carry out specific projects, they are also known as categorized grants. Because these are sought for specific objectives, they are sometimes known as categorized awards. However, because no federation has all of its constituent components developed equally, the state's managers can use the transfer of finances within a federation as a powerful tool to further their hegemonic objectives in a plural society with a variety of cleavages. On the other hand, it can help in ensuring that all parts of the federation have resources to carry out their functions. The government can thus ensure that the revenue from resources located in a part of the country is used for the benefit of all parts (Nyemutu-Roberts 2005).

Revenue distributions have the potential to promote national integration. But when applied incorrectly, it leads to political disputes and fights that weaken political economy and threaten federalism's ability to promote both political accommodation and economic growth. For this reason, the allocation of economic resources is the most frequent cause of conflict in a federation (Aluko 1976). It is noteworthy to mention that within the spectrum of intergovernmental relations, the fiscal relationship encompasses not only federal-state ties but also state-federal, federal-local, and state-local relations. Among the most important recent developments in intergovernmental fiscal connections in federal systems worldwide, this is true in all locations and climates (Aluko 1976).

Therefore, fiscal federalism in Nigeria is synonymous with revenue allocation and “resource control”. There has always been controversy on the appropriate formula that should be used to divide resources in Nigeria. The concept of fiscal federalism was first introduced in Nigeria in 1946 following the formation of a federation of three regions by splitting the Southern Province into the Eastern and Western Regions, while the Northern Region which was a continuation of the Northern Province remained intact. This followed the adoption of the Richards Constitution, prior to the 1914 amalgamation of Nigeria into the Southern and Northern protectorate and the Crown Colony of Lagos into a single entity. The Nigerian federal system metamorphosed thereafter from a two-tiered federal arrangement initially comprising three unequal political and administrative regions to the current three-tiered federal system of 36 states, one Federal Capital Territory and 774 Local Governments (Ijaiya, 1999). Within their specific form of governance, all governments aim to accomplish macroeconomic goals. Federal, unitary, and confederation are examples of different forms of governance. Within the central government and its components (states and local governments), Nigeria's federal system of government accomplishes its macroeconomic goals through resource allocation, income distribution and redistribution, and economic stabilization. Fiscal federalism is the defining feature of this particular system. In his contribution, Salami (2011) defined fiscal federalism as the intergovernmental fiscal relationship that is established by a federal constitution, allowing for the allocation of funds for the provision of collective goods and services as well as the functional duties to be carried out by the several tiers of government.

Fiscal federalism undoubtedly acknowledges two or three levels of government, each with distinct spending and taxing authority, and prohibits the central government from taking on the functions of the other tiers of government in economic management. The federal government keeps a bigger portion of money under the strong central government strategy, while state and local governments receive a lesser portion of the federation account. We call this decentralization. According to Sharma (2005), fiscal decentralization is the process of putting fiscal federalism's guiding principles into practice, whereas the former is a set of guidelines that aid in creating financial relationships between the national and sub-national levels of government. However, Likita (1999) thinks that Mbanefoh (1998) makes the case that it might be practically hard to strike a satisfactory balance between a federation's financial resources and the roles that each member is required to play.

According to Okeke (2004), this imbalance shouldn't be attributed to federalism but rather to perturbations in the equilibrium that would normally permit the federation's constituent parts to implement development initiatives that could be funded by their own internal resources. Vertical and horizontal fiscal relations are connected to the ideas of fiscal federalism. Though the concepts of vertical fiscal relations are related to the contentious vertical fiscal imbalance between the federal government and the states, the concepts of horizontal fiscal relations are related to regional imbalances and horizontal competition. In order to promote the devolution of greater revenue-raising capabilities to lower levels of government in line with the functions allocated to them, there are principles that underpin fiscal federalism and uphold the fundamental elements of administrative effectiveness and fiscal independence. In accordance with the constitution, the government created the Federation Account to distribute monies to the federal, state, and local governments. On a monthly basis, the Federation Account Allocation Committee (FAAC) disburses funds. The committee is chaired by the Minister of States for Finance, and other members include the Accountant General of the Federation, the Commissioners of Finance from each of the 36 states in the federation, the Central Bank, the NNPC, the Federal Inland Revenue Service, Customs, the National Pension Commission, and the Debt Management Office (DMO).

Nigeria has a rentier economy, meaning that all tiers of government rely nearly exclusively on federation account allocations. The federal government's domination has always been guaranteed by the manner the federation account is distributed. For instance, the federal government received 48.5% of the federation account at the start of the fourth republic in 1999, state and local governments received 24% and 20%, respectively, and the special fund received 7.5% (Onimode, 2003). The federal government has always benefited, regardless of the changes. As a result, state and local governments have been starved of cash, their economies have grown more slowly, and they are now overly dependent on the federal government for financial bailouts. This represents a core element of deepening crisis of Nigerian Federalism. The issue of resource control is more embracing than mere derivation. According to Attah (2004):

> *Resource control can only be fully appreciated and understood under federalism. In a true federal arrangement, no level of government is subordinate to the other, but rather all tiers of government are coordinate with one another. Financial subordination, which can only exist in the absence of resource control, makes a mockery of federalism. It stands to reason, therefore, that each unit must have the power to harness its resources for its own developmental purpose.*

Revenue allocation occurs in two ways in federal systems of government. Vertical sharing between the federal government, also known as inclusive government, and the other levels of government is the first. Federal funds are the topic of these pooling programs. This is due to the fact that the national sharing formula does not apply to earnings generated within the states' and local governments' territory. The sources of the federally collected revenue that are the basis for the sharing formula have mainly not altered over the history of revenue sharing agreements in federal nations.

According to Ovwasa (1995), these sources are export duties, mining rents, excise units, import duties, and royalties. These sources are not subject to other units. The implication of this is that, since these sources of revenue are not amenable to the jurisdiction of the other units of government, the problem of revenue allocation has focused on not who should raise the taxes, but on how to share the proceeds that is, the actual revenue collected by the federal government.

3. Agitations for Revenue Allocation in Nigeria

Revenue sharing in Nigeria, has witnessed a plethora of reviews, as evidenced by various committees and commissions instituted in this regard, yet no reliable formula has been evolved in meeting the country’s yearning and aspirations (Teidi, 2003). Such experienced deficiencies have triggered off many untoward actions, particularly among the sub - national governments that complain of fiscal imbalance (Okeke & Eme, 2004). The statutory allocations from the Federal Account, even when they are disbursed, result into zero allocation for some of the federating units to run their affairs. Disharmonious fiscal federalism reflects on low level of political maturity and inability to allow true federalism to evolve without undue politicization. Nigerian federalism is fraught with the external imposition of arrangement and political will, amongst others. Revenue allocation among various units of government in Nigeria is replete with agitations, controversies and outright rejections due to the nature of politics in vogue (Bello & Mackson, 2022). According to Nasir (2011), there is a problem with the existing sharing formular. The Federal government has not justified its lion share of nation’s revenue with small responsibilities to carry out, that lies has resulted to wastage and high level of corruption. He went further that, there is a conflict between the three levels of government in Nigeria over acceptable formula especially the principle recommended by different Revenue Allocation Commission to be used as a basis for revenue allocation and even when accepted, conflict could still arise over the principle that takes precedence on the others that this has being the situation in Nigeria since the period of colonial administration.

The Hick-Phillipson report (1951) notably states that the dispute over revenue allocation originated with Nigeria. Northern Nigeria relied on foreign help to manage its budgets between 1901 and 1914. In lieu of customs money, Southern Nigeria contributed to it annually, and the imperial government gave it a sizable grant. Therefore, amalgamation turned into a cunning plot by the colonial authority to lessen Northern Nigeria's reliance on British tax payers. At the time, this moves sparked intense debate and inflamed the animosity of certain British bureaucrats and educated elites (Osadolor, 1998). Throughout the independent and post-independence eras, this divisive and virulent subject has endured. Between 1948 till date, nine commissions, six military decrees, one Act of the legislature and two Supreme Court judgments have been resorted to in defining and modifying fiscal interrelationship among the component parts of the federation (Ozon-Eso, 2005). The inconclusive discussion of the issue at the 2005 Political Reform Conference is the latest attempt to define or redefine or interpret the framework for revenue sharing both vertically between centre-state and horizontally amongst states of the federation.

In retrospect, the division of governmental authority between the several levels of government was required by the 1946 Richard Constitution, which defined three regions: the North, East, and West. This was done before the country gained its independence. The colonial authorities assigned Sir Sydney Phillipson to look into how taxes were distributed among the many levels of government. A revenue sharing system should be gradually evolved, mostly based on derivation principles, as suggested by the Sir Sydney Phillipson Commission (1948). Based on his conviction that each region will develop a feeling of financial responsibility by "cutting their coat according to their cloth," Phillipson derived his theory. Critics contended that the Phillipson suggestion was beset with irreconcilable statistical issues, which worsened as a result of the instability of the data used to create the statistics. In Nigeria, the principle of derivation served as the primary guideline for revenue allocation between 1946 and 1966. A wide range of revenues collected and held by each of the two levels of government was guaranteed to be independent sources of income for both the regions and the central government. The distribution of fiscal power was intended to ensure that every level of government could carry out its mandated duties (Alapiki, 2005).

Fiscal federalism and resource control are important issues in Nigerian intergovernmental relations. Nine fiscal commissions were established starting in the late 1940s to investigate the fiscal relationships between the central and component entities, highlighting their significance in multi-layer administration and illustrative of the dynamic nature of Nigerian federalism. As a growing vertical revenue imbalance arises from the center taking more than its fair part of the Federation Account, there have been concerns about how to manage and govern revenue. more budgetary centralization as a result of the center's centralization of authority and responsibility. This supports the revenue spending disparity even further. In reality, one of Nigeria's destabilizing elements continues to be the revenue allocation formula (Obi, 1998). The revenue allocation mechanism used at independence was 50% derivation based. Prior to the start of the civil war, this formula was in use. However, in 1969, the Petroleum Decree was adopted, giving the central government complete control over petroleum resources (Abati, 2005). From the take-off point of 50% at independence to less than 1% in 1992 to its current problematic 13%, derivation has been steadily de-emphasized over time (Mbanefo & Egwakhide, 1998).

The minorities who produce oil argue that the derivation formula's situation perfectly reflects their own experience of being marginalized, oppressed, and suppressed by the ethnic groupings that make up the majority. They contend further that 50% derivation was permitted by the allocation method when the primary resources for generating revenue were found in the areas inhabited by the main ethnic groups. But when petroleum—found in the Niger Delta, an area home to a number of minority groups—became the nation's primary source of resources, alternative distribution formulas were preferred over derivation. Derivation would stay the same as it was in 1960 if they had the resources to decide "who gets what." The ongoing debate over resource control and the derivation principle has the potential to topple the Nigerian federation (Kehinde, 2005). Currently, the federal, state, and municipal governments split the nation's revenue vertically, and then horizontally among the states and among the local governments. The distribution of money is essentially a political and economic compromise. Sections 162(1) through (7) of the 1999 Constitution establish the legal foundation for revenue sharing amongst Nigeria's three levels of government. Nigeria had a unitary government in place from 1904 to 1946. Consequently, revenue sharing was unnecessary. However, between 1946 and 1999, there were nine adhoc commissions on Revenue Allocation which followed each political and constitutional changes that took place. These commissions included:

The Phillipson Commission - 1946
The Hicks - Phillipson Commission- 1951
The Chick Commission - 1953
The Raisman Commission - 1958
The Binns Commission - 1964
The Dina Interim Revenue Allocation Review Committee - 1968
Aboyafe Technical Committee on Revenue Allocation - 1977
The Okigbo Presidential Commission on Revenue Allocation - 1979
Babangica’s Revenue Allocation Formula -1990
The other recent ones between 1990 and 2005 (Enyi, 2005).

Notably, the National Revenue Mobilization, Allocation, and Fiscal Commission's membership, authority, and duties were standardized by the government between 1988 and 1989. According to Nwachukwu (2005), this commission has not been able to offer long-term answers to a number of difficult and divisive problems pertaining to income sharing in Nigeria. However, Tamuno (1998) claims that a number of factors, such as the rapid turnover of federal, state, and local government employees, the establishment of new states and local governments, modifications to the federal system's authority and function distribution, and pay structures and policies for public employees at the federal, state, and local government levels, negatively impacted the revenue allocation commissions' operations.

A revenue allocation formula has become a highly politicized topic without proper and sufficient consideration of the logic of economics because of the complex nature of the process that leads to the division of national resources in Nigeria. Federal-state tensions have increased along with interstate competitiveness as a result of the special funding being allocated to areas that are always in financial crisis. Resources distribution in Nigeria is a problem that has been claimed to have no lasting solution, neither the "derivation" principle nor any other combination of income allocation equations. No one can argue against the obvious: any federal system of government's ability to continue existing depends critically on the type and state of its financial relationships. This has been stressed by Olaloku (1979) when he asserts that:

> *Thus, in most, if not all federal countries, one of the most constant sources of inter-governmental wrangling centres on the problem of securing adequate financial resources on the part of the lower levels of government to discharge essential political and constitutional responsibilities.*

In the past forty years, there has been a significant increase in the demand for resource management. The Ogoni, a small ethnic community in Rivers State, are credited with the movement's modern beginnings. They outlined their demands in a Bill of Rights (Gboyega, 2002). The Ogoni movement for social justice used a variety of strategies, such as sabotage, protest marches, campaigning, civil disobedience, and blockading oil installations. Later, when the Nigerian government retaliated with coercive tactics, the campaign took a violent turn (Roberts, 1999). Therefore, other oil-producing communities in the Niger Delta region used the Ogoni Bill of Rights as a model. There were other pressure groups, such as the Ijaw Youths Council (IYC), that promoted fairness, sufficient recompense, and political and economic empowerment in the oil-producing regions. Many prototype agitations in the oil communities followed, ultimately resulting in the Kaiama Declaration of December 11, 1998 spearheaded by the IYC. Thereafter, militant wings of the pressure groups populated mainly by unemployed youths and declassed elements were established, including the dreaded Egbesu Boys of Africa. The Kaiama Declaration was a mandate for immediate action on the issues of reparation and amelioration of the consequences of oil exploration and production. Accordingly, many groups live Niger Delta Volunteer Force (NDVF) and the Supreme Egbesu Assembly (ESA) favoured the militant approach. The result was widespread insecurity in the entire oi-producing region (Nigeria, 2002:13).

The clamour for resource control dangerously polarized the nation. At a general level, the governments of the 17 southern states became pitted, not just against the Federal Government, but also against the 19 Northern state governments. But, the struggle was championed mainly by the oil-producing states. The states of the north regard the agitations of their southern counterparts as ‘unrealistic’ and even ‘treacherous’. essentially, there was gross politicization of the problem, as part of which, the Federal Government, the major beneficiary of the status quo instituted a legal suit at the supreme court, *inter alia*, to seek a legally correct interpretation of section 162(2) of the 1999 constitution of the federal republic of Nigeria, which relates to intergovernmental revenue sharing. At the moment, the debate over ‘resource control’ is marked by Vitriolic Vituperations (Roberts, 2005:275). In view of this, Roberts (1998) submits that:

> *The politics of resource control in Nigeria appears to be complicated by the coincidence of the structure of the conflicts with the geography of Nigerian ethnicity. The oil-bearing communities are mainly ethnic minorities in the south. Complaints of ‘internal colonialism’ and recurrent calls for restructuring of the*

> *federation to ensure ethnic autonomy are thus associated themes in the struggle for a resource and power - sharing formula which accommodates diversity and equity.*

4. Theoretical Perspective

The study adopts Theory of Relative Deprivation because there is an existence of a wide gap between the rich and the poor in Nigeria. This of course as results in the high degree of social tension. Today, more than half of the Nigerian population is living below one dollar per day. Thus, poverty provides the main catalyst for heightened conflicts and communal feuds in the country. Nigeria is among the 20 poorest countries in the world, and in 2002, the Human Development Index (HDI) ranking placed Nigeria 148th out of 173 countries, making the country as having the third largest number of poor people, after China and India (Igbuzor, 2003). People are living in absolute poverty.

Poverty has been seen as the major catalyst leading to the rapid increase in the membership of these religious extremist groups. Since the majority of them lived in extreme poverty, the group offering the Kalashnikov gun promised them a better life. Thurston (2011) posited that in situations where individuals are experiencing extreme poverty, it is imperative to speak up and encourage them to make changes. A culture of harmonious cohabitation among the various nations would be difficult to develop in an ironically resource-rich area where unemployment and poverty are the norm. A conundrum surrounding Nigeria's oil wealth is that, while 70% of private wealth is held overseas, 80% of the country's oil revenue belongs to just 1% of the people (Lubeck, 2007).

In a clear sense, Gurr's (1970) theory of relative deprivation may provide the road map for a better understand of the *Boko Haram* crises. Relative deprivation is a simple theory that says that the more people are deprived of what they consider their due, against what their compatriots are getting, that they are likely to rebel. In Gurr's words "relative deprivation is a perceived discrepancy between men's value expectations and their value capabilities". To support this, Gurr (1970) defines value capabilities as the goods and conditions people believe they are capable of achieving or maintaining given the social means at their disposal, whereas value expectations are defined as "the goods and conditions of life to which people believe they are rightly entitled". Gurr (1970) cited Marx and Engels (1948) from Wage Labour and Capital to emphasize the meaning and application of the word relative: "Our desires and pleasure spring from society; we measure them, therefore, by society and not by the objects which serve their satisfaction." They have a relative nature since they are social in nature.

Relational theory attempts to provide explanation for violent conflicts between groups by exploring sociological, political, economic, (religious) and historical relationships between such groups. It is believed that connections between individuals and groups are influenced differently by variances in culture, values, and collective interests. As a result, a lot of conflicts originate from prior instances of confrontation between groups, which fuelled the growth of discriminatory attitudes, racial intolerance, and unfavourable stereotypes (Faleti, 2006). The split between "We" and "Others" is always the result of disparities in values. We feel that 'others' are deserving of less or inferior because of [values] since they are seen as different from us. This shatters our lines of communication with them, which in turn distorts our impressions of one another. The socio-economic perspective of leadership challenges in Nigeria, essentially attempts to de-emphasise the interpretation of this being a particularly northern states crisis (Kukah, 2012). The theory is similar to the frustration-aggression theory of violence, which holds that aggression is always a result of frustration (Dougherty and Pfaltzgrate Jr, 1990). Its central thesis is that all humans have basic needs that they seek to fulfill and that failure caused by other individuals or groups to meet these needs could lead to conflict (Rosati et al, 1990). According to the theory, relative deprivation is a perceived disparity between value expectation and value capabilities and that the lack of a need satisfaction - defined as a gap between aspirations and achievement generally - relies on the psychological state of frustration and aggressive attitudes emanating from it (Midlarsky, 1975).

5. Revenue Allocation and the Quest for Political Stability in Nigeria

Since the pre-independence days, minority fears have centred partly on marginalization. It was unthinkable to talk about faulty fiscal regimes in the First Republic, even up to near the late 1960s, because the oil resource was not a major factor in the revenue generation calculations of the federal government, dominated majority ethnic groups. Therefore, the Independence constitution gave substantial autonomy to the regional governments and the sharing formula for national revenue was based on derivation. With the beginning of dependence on oil revenue as a major foreign exchange earner towards the end of the 1960s, the rule for sharing national revenue began to change in favour of majority ethnic groups dominated federal government. They began to create states, and local government and more of it, as a structural technique, first in 1967 to out flank secessionist Biafra and break its political entity as a region into states. Ultimately, by progressive increase in the number of states and local governments, the majority ethnic communities have come to have majority number of states and local government upon which the sharing of national revenue is made. The implication is that majority ethnic groups take more from national purse (Okeke & Allen, 2015). In Nigeria, revenue allocation is taken as the distribution of national revenue among the various tiers of government in the federation in such a way as to reflect the structure of fiscal federalism. The federal government, 36 state Governments and the 774 Local Governments have a percentage of the revenue allocated from the federation account which is distributed in the following proportions: 48.50 percent to the Federal Government, 26.72 percent to states, 20.60 percent to the Local Government Councils, and 4.18 percent to centrally control special funds on the basis of the following indices and percentage weights: equal shares to each state or locally at 40 percentage; population at 30 percent: social development needs at 10 percent; land mass and terrain at 10 percent and internal revenue generation at 10 percent (Enefiok, 2020). Under the current sharing arrangement in 2022, the federal Government takes 52.68 percent of the revenue shared, states get 26.72 percent while Local Governments get 20.60 percent (Central Bank of Nigeria, 2022). Each tier of Government is given adequate resources to be able to discharge its constitutional responsibilities, which is very important for the preservation of the autonomy of the constituent units.

In addition, according to the Revenue Mobilization Allocation and Fiscal Commission (RMAFC), the current vertical revenue allocation formula is: Federal Government 52.68%, State Government 26.72%; Local Government 20.60% and Derivation formula 13%. as elaborated by Nteegah (2023:2800), Federal Government received a total sum of N47604 billion, the 36 states of the federation got N31462.42 billion while the local Governments received a total sum of N23750 billion. This implies that the Federal government got 46.3% of the total revenue, state governments received 30.6% while the 774 local government councils got 23.1% of the total revenue from the federation account.

The quest for equitable fiscal regime took the dimension of asking for resource control to give the right of ownership of the oil resource and control of its extraction to the minority communities in the Niger Delta where oil is found. The Ogonis and Ijaws became the most outspoken on this issue of resource control. The movement for the survival of Ogonis, MOSOP, an ethnic movement Organization of the Ogonis took a swipe on the Federal government from the 1990s with a launch of the Ogoni Bill of Rights, which also demanded for resource control. The claimed non-existence of basic social amenities such as water, electricity, pipe-borne-water, basic education and other things in their communities irrespective of the oil deposit on their land. The result has been violent reactions from both the state and federal government under late General Sani Abacha, resulting in the hanging og the Ogoni leader, late Kenule Saro-Wiwa (Okeke & Allen, 2015).

Presently, in Nigeria, the sharing, control and management of resource power are, presently very contentious. Since May 29, 1999, when a democratic regime was inaugurated after 15 years of authoritarian rule, Nigeria has been buffeted by a simmering conflict over the control of natural resources in the nation. The resource control palaver in Nigeria is an historical phenomenon. The struggle for resource control in the oil and gas - producing region has taken several forms over the years (Roberts & Oladeji, 2005). An attempt to define political stability must begin by clarifying the concepts of politics and political structure. Political behaviour is any act by any member of a society that affects the distribution of the power to make decisions for that society. Political behaviour is ubiquitous. Members of society behave politically insofar as, in obeying or disobeying the laws of the society, they support or undermine the power stratification system. Obedience to the law constitutes political behaviour just as much as contesting elections does. For, whether intended or not, the effect of obedience to the law is to uphold the authority of those who make decisions about what the law should be, and how it is to be enforced. To uphold this authority is to aid in maintaining aspects of the distribution of power to make decisions for society (Ndupuechi, 2010). Similarly, all violations of the law constitute political behavior; every violation of law is ipso facto a defiance of constituted authority. It threatens the maintenance of the existing pattern of distribution of the power to make decisions for society. If the incidence of violations of law continues to increase, political authority eventually atrophies; that is axiomatic (Eyo, 2006).

However, political stability can be said to be the degree to which formal roles and structures coincide with informal roles and structures within a political object. The wider the ‘gap,’ the greater the instability.

Uniquely, this view sees stability and instability as statements of potential, not occurrence. In the editorial of the Nation Daily Newspaper, the decision of seven states that challenge the federal government in the court of law regarding the non-remittance of funds due to states and illegal deductions from the Federation Account:

> *Much more significant is that fact that the states are taking the appropriate steps to get what they feel rightly belongs to them. In a federation, this is the way things should go ... Above all, the states’ decision to go to court will advance the cause of true federalism which has eluded the country for years (The Nation Editorial, 2008).*

Struggle over the formula for revenue allocation has been a prominent issue in Nigeria’s political development since the late colonial period. This study examines the pattern of revenue allocation and its implication in Nigeria and the impact on the country's political stability. Nigeria has operated a federal constitution for much of the period in the past 67 years ago and there has not always been agreement on what percentage of the resources produced by the various units that make up the country should be controlled by them especially the oil producing states. Some attempts have been made to analyse the issues mainly from the political economy perspective only. Revenue allocation in Nigeria, a central theme in government has a chequered historical antecedent. Many commissions/committees have been set-up at different times in the Nigeria national history and were saddled with the responsibility of examining various fiscal issues and recommended the best principles and formulas in sharing national revenues to meet-up the challenges of the time. The provisions for the payment of 13 per cent derivation to mineral producing areas and the establishment of the Revenue Mobilization, Allocation and Fiscal Commission in the 1999 Constitution gave a measure of satisfaction to different interests across the country.

However, the struggle which erupted among leaders of different Nigerian groups in the course of the National Political Reform Conference in 2005 revealed that the revenue allocation crisis was far from being determined. Delegates from the oil producing Niger-Delta area of Nigeria staged a walk-out of the conference before it concluded as a result of the refusal of delegates from other parts of the country, notably the north, to accept the 25 per cent they agreed to from the initial 50 per cent derivation the Niger-Delta leaders initially insisted (The Guardian, 2015). Chapter Four of the final report of the conference noted that:

> *Delegates from the South-South and other oil-producing states insisted on 50 per cent as the irreducible minimum. Having regard to national unity, peace and stability, they are willing, however, to accept in the interim 25 per cent derivation with a gradual increase to attain the 50 per cent over a period of five years" Federal Government of Nigeria (2015).*

It equally stated that:

> *Derivation principle should be given greater prominence than as at now in the distribution of the Federation Account. On resource control, in addition to the points on which agreement was reached in the Committee on Revenue Allocation and Fiscal Federalism, the Conference recommends the clear affirmation of the inherent right of the people of the oil-producing areas of the country not to remain mere spectators but to be actively involved in the management and control of the resources in their communities (Report of National Political Reform Conference, 2015).*

But for the stability of the polity, the federal government may have to properly monitor the thirteen percent (30%) quota (accidental) allocation to them possibly through a special body that may not be akin to the present ineffective Oil Mineral Producing Areas Development Commission (OMPADEC), which has been accused on several occasions of corrupt practices. The strongest reference of this study is that the thirteen percent derivation quota should be tried and be seen to work. However, new thinking in Nigeria now is that even if revenue allocation is tinkered to favour the Oil producing regions of the country, pervasive culture of corruption in a kleptocratic polity like Nigeria is indeed making nonsense of innovations.

In a nutshell, the formulation for revenue allocation has undoubtedly been one of the most important factors shaping Nigeria's political stability since the independence. The expectation of the units that make up the country controlling a high proportion of their resources in line with the principle of federalism and the frustration of not being able to do so because Nigeria has functioned more like a unitary state than a federal one has created the condition for unrest. The failure to decisively address the revenue allocation issue since 1999 and implement the approvals of the National Political Reform Conference of 2015 raises questions for concern that often provoke political instability. However, issues revolving around some parts of the country trying to make unreasonable demands as they attempt to take advantage of other parts on the revenue allocation issue would have to be addressed as well. On the whole, the level of reasonableness and maturity demonstrated by stakeholders on the revenue allocation issue would ultimately determine its influence on Nigeria's political stability in the future.

6. Conclusion and Recommendations

Clearly, revenue allocation and government expenditures continue to increase in Nigeria but this increase seems not to have translated to meaningful growth and development as Nigeria still ranks among the poorest countries in the world. Hence, a number of constraints and challenges both within and outside the Fiscal system are part of the problems that need to be resolved in order to achieve an effective fiscal system. Quite unfortunate, Nigeria after more than 60 years of practicing fiscal federation, Nigeria has still been battling with the problems of growth and development. In fact, many local governments have not been able to embark on development projects in their areas or domain without appealing to the federal and states government for assistance.

Without mincing words, federalism, as practiced in Nigeria today is a far cry from what true federation represents. As the nation awakens to the realities of its ethnic, religious, political diversities and corporate existence, the structure of their federalist claims has to be revisited and refocused. True federalism in the real sense of the word promotes accelerated economic development, it unifies and binds people together, and this triggers intellectual dialogues and provokes an unhealthy rivalry in resource control and revenue sharing. The study therefore, concludes that the only solution to the problem of revenue allocation is adherence to true federalism and a reduction in the power of the central government. A reconcentration of critical political power will result in a relaxed federal set-up and ensure political stability in Nigeria

In view of the above findings, the study recommends that: that the thirteen percent (30%) derivation quota should be upheld and implemented and that the component states should be independent of the federal government as possible; states should be responsible for providing almost every social service – from education to housing, and from health to roads. The federal government should concentrate on areas of common concern such as minting of currency, external relations, defence, and regulation of international trade; three, that ttransparency, accountability and probity in governance should be enthroned. A truly federal structure will undoubtedly give every Nigerian and ethnic nationality a sense of belonging, reduce political tension, end the marginalization of some geo-political zones, ensure equity and fairness in the polity, checkmate coup making, and minimize political violence that results from election rigging and prepare the ground for long-lasting unity and peace of the country.

In conclusion, therefore, Federal government of Nigeria should implement the National Political Reform Conference of 2015 suggestions which is another example to improve revenue allocation for stability in oil producing region. And, for lasting solution to the country's socio-political crises. and in correcting the distortion of federalism, there is urgent need in the restructuring of the system in order to make the centre less powerful and politically less attractive.

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