



Creation of States in Nigeria and their Financial Viability in Advancing Development

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Abstract

With about 372 different linguistic groups in the country, the attainment of the ideal principle of federalism in which power is divided between a federal government and various states governments, with healthy competition as well as financial viability of the federating units has been a chronic problem in Nigeria. Majority of the states in Nigeria are not financially viable. In the United States, the U.S. Constitution gives certain powers to the federal government, other powers to the state governments, and yet other powers to both. This study examined the nature of state creation in Nigeria and their financial viability. This research utilized a historical analysis technique. Information was sourced from previous studies, reports of government agencies and institutions, and other relevant articles. The findings showed that the extreme fiscal centralization has badly affected the country's balanced federal system. Therefore, the study recommended that, in order to obviate the negative consequences of the over fiscal centralization, arising from the creation of past and future states, high consideration should be given to the adoption of the six geo-political zones to be administrative units because, principally, they were fairly large enough to be solvent and viable.

Keywords: Federal System, State creation, Financial Viability, Politics, Nigeria.

Introduction

Background: Federalism is adopted in Nigeria. Federalism is a political philosophy in which a group of people are bound together, with a governing head. In a federation, the authority is divided between the head (for example the central government of a country) and the political units governed by it (for example the states or provinces or local governments of the country). Therefore, Power is spread between a minimum of two units with powers divided between the parts.

A federal system of government is one that divides the powers of government between the federal government, state and local governments that are given considerable self-rule, usually through their own legislatures. Under federalism, each level of

government has sovereignty in some areas and shares powers in other areas. For example: both the federal and state governments have the power to tax. The Constitution of the United States (U.S.) established the federal system, also known as federalism. It contrasts with a unitary government, in which a central authority holds the power, and a confederation, in which states are clearly dominant. The federal government is composed of three distinct branches, namely, legislative, executive, and judicial, whose powers are vested, for example, by the U.S. Constitution on the Congress, the President, and the federal courts, respectively. There are roughly 25 federal countries in the world today, which together represent 40 per cent of the world's population. Examples of Countries practicing federalism, among others include; United States of America,

Nigeria, the Federal Republic of Germany, India, Mexico, Argentina (23 provinces and 1 autonomous city), Australia (6 states and 2 territories), Austria (9 states), Belgium (Flanders and Wallonia), Bosnia and Herzegovina (Federation of Bosnia, Herzegovina and Republika Srpska), Brazil (26 states and 1 federal district), Canada (10 provinces and 3 territories), etc.

Nigeria adopted federalist system from the United States. Federalism in the United States is the constitutional division of power between U.S. state governments and the federal government of the United States. Since the founding of the country, and particularly with the end of the American Civil War, power shifted away from the states and move towards the national government.

The Constitution of India establishes a federal structure to the Indian government, declaring it to be a "Union of States". Part XI of the Indian constitution specifies the distribution of legislative, administrative and executive powers between the Union/Federal/Central government and the States of India. The main federal features of the Indian Constitution include: Written Constitution; Supremacy of the Constitution; Rigid Constitution; Division of Powers; Independent Judiciary; Bicameral Legislature; Dual Government Polity. The number of branches in the government and the way power is divided is not the same for all federalist governments.

Federalist form of government has several advantages, such as protecting the country from tyranny, dispersing power, increasing citizen participation, and increasing effectiveness. The disadvantages include; protecting slavery and segregation, increasing inequalities between states, and states blocking national.

Key features of Federalism include: different tiers of government govern the same citizens, but each tier has its own jurisdiction in specific matters of legislation, taxation and administration. And the jurisdictions of the respective levels or tiers of government are specified in the constitution.

Basic principle of federalism include: the constitutional provisions by which governmental

powers are divided on a geographic basis (in the United States, between the National Government and the States). Those powers, expressed, implied, or inherent, granted to the National Government by the Constitution.

When the American government was first established in the Constitution it was deemed to be run under a system of federalism. Federalism, a term that sprouted from the Federalists, is the idea that the governmental sovereignty is divided between the central governing national authority, and another political unit, such as states. This is exactly like the American government which has a national government, and the state government. There are some restrictions on the national government which are listed in the Constitution in Articles 1, 2, and 3. There are however, no restrictions on the state governments, and in fact, the Constitution only enables the state governments and guarantees them rights that are not listed in the Constitution. There are many different types of federalism including dual federalism, cooperative federalism, creative federalism, fiscal federalism, and new federalism among others.

The three main types of Federalism are;
Dual Federalism is the idea that the union and the state share power but the Federal Government holds more than the individual states. This is currently how the U.S. system works. (see 1 below). Cooperative Federalism is the idea that the federal government and the state government share power equally. It has never been attempted but it seems unlikely that it would work as the state governments and the federal government would be locked in a stalemate unable to reach compromises over important legislation. (see 1 below).

Fiscal Federalism is the type of Federalism in which the money bag controls everything. This gives Congress massive amounts of power as it is responsible for the American treasury. It can therefore limit the budget of any other political department it does not believe is working towards the best interest of America. There have been several instances in U.S. history, however, of times when Congress has given full of the treasury to the President. One example of this would be the Tonkin Gulf Revolution in 1964 which gave

President Johnson the ability to, "expressing the unity and determination of the United States in supporting freedom and in protecting peace in south-east Asia"; Which, as anyone can see, leaves a wide space open for interpretation. To quote Dr Berry, it was essentially a "blank check". (see 2 below).

Creative Federalism is common in the United States even now, while New Federalism was dominant type of governmental federalism from 1960 to 1980, and particularly, during the Johnson administration in the 1960's. The key aspects of Creative Federalism or "picket fence federalism" is that the federal government determined the needs of the states and provided services for them. In this case, the federal government works directly for the states, and caters to their needs. This involves common planning between the federal and state governments to achieve goals that work for the states. These days, creative federalism seems to have been diminished by cooperative federalism and the rise of the federal government's power. (see 2 below). New Federalism was created in response to the power the state governments lost due to the enforcement of civil rights and President Roosevelt's New Deal in the 1960's. This type of federalism returned rights to the local and state governments and turned federal government powers over to the lesser governments. President Nixon prominently enforced this by returning the provision of block grants and revenue sharing to the state and local governments.

As a Nigerian, it is important to understand why federalism was adopted as the system of governance in Nigeria. Federalism was implemented in Nigeria in 1946 during the British colonial era. Then Nigeria was organized into a federation that had three regions. Nigeria's independence was gotten and founded on the basis of a federalist system of Government. By the time Nigeria became a republic, the system of federalism was adopted and the country was considered as a federation of three regions. Between 1960 and 1996, the three regions have been divided into smaller entities which are now

known as states and their boundaries were reorganized. The governmental powers are shared between the federal government and the thirty-six state governments. Each state has the same level of self-governance.

The reasons why Nigeria adopted federalism are as follows:

1. British interest. Before the amalgamation of the Northern Protectorate and the Southern Protectorate in 1914, there was nothing like Nigeria. There was just the Northern Protectorate and the Southern Protectorate. Present Nigeria was formed by the amalgamation of the two regions which many see as a big influence in why federalism was later adopted by the British and later on by Nigerian leaders as at the time of independence.

2. Size of Nigeria. One of the major reasons why countries choose federalism is because of size. And this is one of the factors responsible for the adoption of federalism in Nigeria. Nigeria is quite a big country with an area of 923,768 km². So, for effective governance of a country of this big size, federalism has to be adopted.

3. Population of the country. Another reason why federalism is adopted by any country is that of its population. As at the time of independence, the population of Nigeria was estimated at 45.21 million. This was many times more than the population of most African countries then. And even now we can see the population of Nigeria compared to other countries in Africa. It is believed by many that this was one of the reasons why Nigeria adopted a federalist system.

4. The leaders wanted a federal system of government prior to independence. It is believed that the British adopted federalism because it favoured their interest. There is a general opinion that Nigeria was formed because of the interest of the British and they had to govern the country under a federation system. By the time Nigeria got her independence, the various political parties involved in the first republic were more formed on a regional basis. The leaders also were from different major tribes and also wanted a level of

power. So majority, if not all of them, were in favour of a federalist system of governance.

5. Diverse ethnic background of the population. Another major reason why federalism was adopted in Nigeria is the multiple ethnic backgrounds in Nigeria. There are three major tribes in Nigeria namely, Hausa, Igbo, and Yoruba. But besides these three major tribes, there are over 350 other smaller tribes with diverse languages and dialects. This was one of the major reasons for the creation of the newer and smaller states after the independence. The states' territories were formed around ethnic groups with common interest and close ties, culture, and dialects. Also, there was a demand for more local regions by all these ethnic interest groups which was what led to the creation of new states.

6. Framework for the development. Post-independence creation of states and further division of states created after independence was done as a framework for the development of Nigeria. Federalism was further adopted because the developed countries from which Nigeria borrowed democracy practice federalism. For example, United States of America.

7. To advance good governance and development. For a multi-ethnic and big country like Nigeria federalism was considered the best to advance good governance and development. Unfortunately, since the formation of Nigeria and adoption of this system of governance, the country has not seen much positive effects of federalism. Rather, there have been more challenges than benefits of this federal system. It needs proper review so that the country can move forward as a nation. This is why there is a clamoring for restructuring and true federalism in Nigeria.

8. Giving people a voice in how things are run. Advocates of federalism claim that this method of governance is to be preferred as it brings power closer to the people at the local level. In countries with large, diverse populations, federalism can be a better way of giving people a voice in how things are run. For example in programmes such as health, education, environmental issues, industrial relations, etc.

The Roles and Responsibilities of Federal, State and Local Governments

The Federal Government: The Federal government is responsible for the conduct of national affairs. Its areas of responsibilities are stated in the Constitution and include defence and foreign affairs; trade, commerce and currency; immigration; postal services, telecommunications and broadcasting; air travel; most social services and pensions. The Federal Government is also involved, mainly through funding, in many things largely carried out by the States, such as health, education, environmental issues, industrial relations, etc.

State Government: The States, for instance in Australia, are responsible for everything not listed as a Federal responsibility. However, sometimes both levels are involved. Major State responsibilities include schools, hospitals, conservation and environment, roads, railways and public transport, public works, agriculture and fishing, industrial relations, community services, sport and recreation, consumer affairs, police, prisons and emergency services. Each state has its own constitution, setting out its system of government.

Local Government: In Australia, Local Government areas vary greatly in size and character. The Sydney area is divided into about 35 cities, municipalities or shires, each with its own local council. The bigger country centres such as Bathurst or Albury have city or municipal councils. Large but less populated country areas, with a number of small towns and large rural areas, are usually shires with a Shire Council based in one of the larger towns. The power of local governments is controlled by Acts of State Parliament such as the Local Government Acts. Local Councils are concerned with matters close to our homes, such as building regulations and development, public health, local roads and footpaths, parks and playing fields, libraries, local environmental issues, waste disposal, and many community services.

The Federal System and Politics of State Creation in Nigeria.

At independence in 1960, Nigeria had three substantive regions with a federal structure and constitution. This was the culmination of various political, historical and constitutional developments that evolved from 1900. The name “Niger Area” (later, Nigeria) first appeared in the British House of Commons Debate on the Royal Niger Company (RNC) Bill in July 1889. Prior to this, the colony of Lagos had been annexed in 1861, and trade had been extended by the RNC through the Niger Delta and up to the River Niger. Later, the Berlin Conference of 1885 recognized a special British interest and sphere of influence in the Niger Area. But in 1900, the Charter of the RNC was revoked, and all the territories it has hitherto administered taken over by the Crown.

It was also in 1900 that the territory known as Nigeria, derived from Niger Area by Flora Shaw, later Lady Lugard, crystallized with its division into three distinct entities, namely, the Colony and Protectorate of Lagos, the Protectorate of Southern Nigeria, and the Protectorate of Northern Nigeria (Adigwe 1979; Price 1977). The Lagos Colony and the Protectorate of Southern Nigeria were amalgamated in 1906 and christened “the Colony and Protectorate of Southern Nigeria”. By 1914, about the eve of First World War, both the Northern and Southern Protectorates were amalgamated under one administration, thus becoming the “Colony and Protectorate of Nigeria”. A number of notable landmarks took place subsequently, including the introduction of the elective principle through the Clifford Constitution of 1922; the emergence of Regions and Regional Councils through the Richards Constitution of 1946; and the assignment of legislative authority to the Regional Houses of Assembly through the Macpherson Constitution of 1951. It was, however, the Lyttleton Constitution of 1954 that made Nigeria a federation of three regions, with division of legislative powers between the federal and regional legislatures.

The first major adjustment to the regional structure Nigeria inherited at the threshold of independence was made with the creation of the Mid-Western

Region out of the Old Western Region in August 1963. Following the procedure laid down in the Independence Constitution of 1960, the Federal Parliament had on 23 March 1962 approved a constitutional amendment to provide for a Mid-west Region as a fourth region, the decision was subjected to a referendum in the affected area on 13 July 1963, at which overwhelming support was expressed for the new region. Subsequently, the Mid-Western Region came into existence on 12 August 1963 – shortly before the launch of the Republican Constitution on 1 October 1963.

The Republican Constitution, very much like the Independence Constitution before it, laid down procedures for the creation of new regions/states. As it were, although no state was created until 1963, the agitation preceded independence. The objective of this paper examines the nature of state creation in Nigeria and their financial viability.

Justification of the Study

Development is a fundamental national objective although its ramifications may not have become well defined. Ordinarily, the creation of states is supposed to further that national objective. If poor state finances have been adduced as reasons for the failure to meet the development objective, obviously, it is necessary to find out how and why. This study is justified, first, by that necessity. Secondly, the dearth of comprehensive data on the finances of state governments makes it difficult to be definitive in drawing conclusions on poor state finances. Indeed, research on the subject has generally been constrained by this limitation. Mbanefoh (1990:231) laments this void. He went further to say “research into government revenue in Nigeria will be greatly enhanced if the various state ministries of finance in the country under the Federal Ministry of Finance can work out a modality for uniform and timely presentation of data on government revenues across the boards”. To date, however, it is not just information on revenue that is not available or readily accessible, the problem straddles all fiscal and financial operations. This study, therefore, is also justified by the need for comprehensive data and exposition on state finances.

Theoretical Framework and Review of Empirical Studies.

Theoretical Framework

This study is based on the Keynesian theories. Keynesian macroeconomics recognizes and acknowledges the key role of money in determining aggregate demand. Keynesian theories hold that many forces beside money also affect aggregate demand. Apart from the majority-minority issues, the case for the creation of regions/states is predicated on their financial viability, and potential roles in advancing development, among other things. The Irikefe Panel on State creation in Nigeria (1975) gives the following basic reasons for state creation:

- It makes for the greatest possible diffusion of economic and political power which itself guarantees the maintenance of the freedom of the individual; therefore, it is the only alternative to the development of an arbitrary despotism;
- It brings the government nearer to the people by making the government more democratic and efficient and thereby providing a permanent infeasible devolution of government;
- It quickens the pace of development;
- It goes somewhat towards assuaging the fears of the minority;
- It guarantees a balanced federation; and
- There was a very strong movement for it and political stability cannot be guaranteed without it.

Empirical Studies

Omorogiuwa (1981:56) submits that the minority ethnic groups started the agitation for the creation of more states/regions in the late 1940s and early 1950s. In his words: "It was a sort of demand by the minority groups from the dominant of the majority group ... So strong was the demand for the creation of states, especially after 1954 when Nigeria became a full-fledged federation ... that the Willinks Commission of Enquiry was set up in 1957 to investigate the fears of the minorities.

In apparent confirmation of the above, Ekwueme (1997) remarks that one of the defects in the federal structure bequeathed to Nigeria at Independence was that a major ethnic group dominated each of the three regions. "This generated in the minority groups a pathological sense of insecurity. The response to this insecurity was a demand for a Middle-Belt Region in the North, a Mid-West Region in the West, and a COR (Calabar-Ogoja Rivers) Region in the East". Omorogiuwa (1981) also notes that the Willinks Commission Report confirmed the fears of the minorities but did not believe that the creation of more states would solve the minority problems, Ekwueme (1997) contends that the Willinks Commission had the opportunity of redressing the majority-minority aspect of the unbalanced federal structure, "but a Hobson's choice was presented to the Nigerian leadership: create more regions to cater for the minority and postpone the agreed 1960 date for independence, or stick to the agreed 1960 independence date and forget all about creating new regions". Based on a variety of considerations and factors, independence took precedence.

In retrospect, it would seem that the earliest exercise in state creation were much more politically motivated than any economic considerations (see Gowon 1994). First, the excision of Mid-West from the Old Western Region derived mainly from the Western Region crises starting from 1962. More fundamentally, the first time states were created in Nigeria was in an atmosphere of political crisis.

Following the first military coup of January 1966, one of the sequels to the Western crises from 1962, disturbances in the North laid a basis for secessionist bid by the Eastern Region. The victims of the Northern disturbances were predominantly of Eastern origin. As the clamour for, secession intensified, Britain, through the British High Commission in Lagos, advised Yakubu Gowon, then head of the Federal Military Government, to create states as a means of checkmating the secessionists (Forsyth 1982). This plot is particularly significant against the background that the issue of state creation was a crucial factor in the determination of whether the

Eastern minorities will actively support the secession or not.

Amadi (1973) notes that the creation of River State was a focal issue at a meeting between the Governor of the Eastern Region and representatives of a section of minority groups on 2 September 1966. But Ojukwu offered an unacceptable alternative, proposing a provincial administration. The perceived flaws in the proposed provincial administration were part of the major issues that antagonized the minorities against the secessionist government. A peep into (Amadi 1973:16-18)'s account reveals: ... I was among those chosen to represent the Rivers people in a private interview with Ojukwu at the State House in Enugu on September 1966. Some others in the group were N. Nwanodi, Wenike Briggs, Richard Woyike and Chief Harold Happa – Biriye. In his opening address the Military Governor explained briefly that he was preoccupied with the unity and solidarity of the Eastern Region and was anxious to ensure that there was no cause for serious discontent in any quarter. We should therefore express our views frankly on any matters, which vexed us. Several delegates spoke on the deprivations suffered by minorities. The last speaker was Chief Dappa – Biriye. He spoke with courage and forthrightness and, as we say, did not care whose mother's corpse was being buried. He talked of the "remote control" of the affairs of the river in areas from Enugu, and said this would not do. The only lasting solution would be the creation of a Rivers State. Then he went on to define the area he had in mind. He brought out a map from his briefcase, walked to Ojukwu's table and Unrolled it. Calmly and firmly he traced the outline of the Rivers State with his forefinger. At last Chief Dappa-Biriye sat down. Military Governor then rose to reply. He thanked us for our frankness. It showed, he said, that we wanted the East to survive. Our fears were genuine, but could be looked at in another way. He went on to propose a system of provincial administration. It seemed an attractive alternative, but a little thought revealed loopholes.

Thus, when the federal government announced the creation of 12 states on 17 May 1967, the Eastern minorities were completely bought over to the

federal side. As Nwankwi (1980:67-70) remarks, one of the federal government's stands on the events leading up to the civil war was that it would not allow five million minority people to be condemned to perpetual Ibo (Igbo) domination. "It was in this belief, added to other reasons, that Gowon created 12 states". In particular, "the division of Nigeria into 12 states won over many intellectuals from the minority areas to the federal cause" Remarkably, the event of 27 May 1967 came directly on the heels of a directive by the Eastern Consultative Assembly that the Governor should declare an independent republic. It also came three days before declaration was to be made on 30 May.

States creation in Nigeria were borne out of political crises, starting with the Western Region crisis of 1962 which led to the creation of Mid – Western Region in 1963. Political crises also led to the Biafra Civil War 1967

Trend and Evolution of Nigerian States

With three regions at independence, the number rose to four regions at the threshold of becoming a Republic in 1963. Then became 12 states under Yakubu Gowon in May 1967, and 19 states in February 1976 under Murtala Ramat Muhammed. Agitation for the creation of more states during the Second Republic was much. However, their considerations in line with the provisions of the 1979 Constitution were inconclusive before the military took over on 31 December, 1983. The Ibrahim Badamasi Babangida raise the number further to 36 in October 1996, just as Nigeria turned 36 years after independence. The patterns and trends of states creation from 1960 through to the last exercise in 1996, which stands to date.

A close look at the structure and evolution of the creations reveals a number of things. Prominent among them is that apart from the excision of the Mid-Western Region from the old Western Region in 1963, all the other exercises from 1967 onwards were done by the military. Incidentally, the 1963 exercise was the only one that was subjected to a referendum in accordance with constitutional provisions.

Another revelation is the unequal distribution of states among the various regions and zones of the country. 'This has implications for the shares of pooled resources with the use of the equality factor in horizontal revenue allocation; and the rates and pace for growth and development across the regions in view of the apparent centralization of Nigeria's fiscal revenue system. According to Gowon (1994:127); progressively the number rose, as successor governments, largely for political reasons created more states out of existing ones.

Revenue Allocation and the National Question

The question "does Nigeria exist?" beyond being "a mere geographical expression" has come up very frequently in socio-economic and geopolitical discussions relating to the country. It is true that there is a defined territory, inhabited by people, and going by the name "Nigeria". But the cohabitation of the people that comprise the component areas has at best been uneasy. The unease permeates all facets of the coexistence, especially fiscal relations. They raise issues about the national question, particularly in the light of recent agitation for state control of resources, etc. Revenue allocation is at the heart of the matters.

According to Toyo (1993:2-3), "the national question concerns the association of ethnic groups or nations in apolitical union, or the unity, integrity, autonomy or viability of states". Anyanwu (1993:28) posits that the national question refers to the issue of the composition of the nation of the fundamental basis of the political existence of the nation as an entity. Zakka (1992) contends that it involves not only the territorial integrity of Nigeria, power sharing and management of Nigeria's resources in terms of access, control and distribution, but also the issues of minority interests, ethnicity, citizenship, revenue allocation, the creation of states and local governments, as well as religious, linguistic, cultural and educational policies. Kayode (1993:45) summarizes the debate as follows: "The issues highlighted in respect of the national question clearly indicate that the end result (or the bottom line) of the question can be found in the

distribution of power, responsibility and resources".

The current agitation consists in an advocacy for fiscal restructuring in Nigeria, arising from observed problems associated with the revenue allocation system over the years. Indeed, the problem is rooted in revenue allocation discontents, especially as it relates to the oil-producing areas of the country, notably the region referred to as the Niger Delta. Kayode (1993:43) observes that revenue allocation is a very sensitive issue, which is inextricably tied to the national question. He points out that in the analysis of the relationship between the national question and revenue allocation, some insist that the national question is revenue allocation; while others believe that revenue allocation is part of the national question. His view is that "it would appeal that both are related in the sense that a satisfactory solution to the question of revenue allocation depends on a correct attitude to the national question and its solution". He avers that both issues predate Nigerian independence, pointing out that they became points of serious consideration at the time of amalgamation of the Northern and Southern Protectorates in 1914.

The National Question and Resource Control

The renewed interest in state control of resources hinges on the fluctuating fortunes of the derivation principle in Nigeria's revenue allocation schemes since the end of the Nigerian-Biafra war. In an interview with *The News* in April 2001, James Ibori, the then Governor of Delta State said, "Resource control and derivation are tied together," adding that, "it was when they would not listen to us on derivation that we began to say we would rather control our resources directly". The point about derivation is that the principle featured prominently in revenue allocation arrangements in Nigeria before and after independence, and up to early 1970. But as early as the mid 1960s, some people had begun to advocate that it should be deemphasized (see i.e. Adedeji 1969). The case against it was that it would promote unbalanced development with

regional inequalities, as rich regions would get richer and poor ones poorer.

As recommended by various revenue commissions and committees prior to independence, 50 per cent of revenue receipts from natural and mineral resources were to be returned to the regions from which they derived, 30 per cent would go into the distributable pool account (DPA), while the central government would retain 20 per cent. Section 140 of the 1963 Constitution retained this provision, which remained until states were created for the purpose of prosecuting the civil war. At the end of the war, Decree No.9 of 1971 followed precisely the advocacies of Teriba (1966) while Decree No.6 of 1975 even reduced the share of onshore oil revenue going to the states from 45 to 20 per cent.

In a review of some of the major opinions relating to the fluctuating fortunes of the derivation principle in Nigeria, Aigbokhan (2000) called attention to the need to be conscious of the political economy underpinnings of the arguments. The point to stress about this is that there is a problem of the tragedy of the commons since oil became a common property resource by virtue of the Petroleum Decree No.51 of 1969 and the Land Use Decree of 1978. Petroleum production and activities are associated with adverse externalities. The regions in which the activities are undertaken bear the problems alone; they do not share such with other regions. If derivation leads to uneven development because oil is the main source of government revenue, how do we compensate for the adverse externalities that cannot be shared between the Niger Delta and other regions that benefit from oil revenues without *qui-pro-quo*?

Methodology

This research utilizes a historical analysis technique. Information is sourced from previous studies, reports of government agencies and institutions, and other relevant articles.

Results and Discussion

Creation and Structure of the Nigerian Federation- Regions/States, 1960 – 2013

From Table 1, it could be seen that from 1963 of the Nigerian Republican State, the former Northern region has been broken into nineteen (19) states; former Eastern region divided into nine (9) states, former Western region partitioned into six (6) states, while former mid-western region was divided into two (2) States, as at year 2013.

The States' Financial Viability in Advancing Development.

In 2017, according to the Economic Confidential, the 2017 Annual States Viability Index (ASVI) showed that seventeen (17) States are insolvent as their Internally Generated Revenues (IGR) in 2017 were far below 10% of their receipts from the Federation Account Allocations (FAA) in the same year. The index proved that without the monthly disbursement from the Federation Account Allocation Committee (FAAC), many states remain unviable, and cannot survive without the federally collected revenue, mostly from the oil sector. The IGR are generated by states through Pay-As-You-Earn Tax (PAYE), Direct Assessment, Road Taxes and revenues from Ministries, Departments and Agencies (MDA)s.

The report further indicates that the IGR of Lagos State of N333bn is higher than that of 30 States put together whose Internally Generated Revenues are extremely low and poor compared to their allocations from the Federation Account. The states with impressive over 30% IGR apart from Lagos are Ogun, Rivers, Edo, Kwara, Enugu and Kano States who generated N607bn in total, while the remaining states merely generated a total of N327bn in 2017. Only Lagos and Ogun States generated more revenue than their allocations from the Federation Account by 165% and 107% respectively and no any other state has up to 100% of IGR to the federal largesse.

Table 1: Creation and Structure of the Nigerian Federation: Regions/States, 1960 – 2013.

Region		States				
1 Oct. 1960	12. Aug. 1963	27 May, 1967	3 Feb. 1976	27 Aug. 1987	27 Aug. 1991	1 Oct. 1996
Northern	Northern	North Eastern	Borno	Borno	Borno	Borno
			Bauchi	Bauchi	Yobe	Yobe
			Gongola	Gongola	Bauchi	Bauchi
		North Central	Kaduna	Kaduna	Adamawa	Gombe
					Taraba	Adamawa
		Kano	Kano	Kano	Kaduna	Taraba
					Katsina	Kaduna
					Katsina	Katsina
		North Western	Sokoto	Sokoto	Kano	Kano
					Jigawa	Jigawa
					Sokoto	Sokoto
		Kwara	Kwara	Kwara	Kebbi	Zamfara
					Niger*	Kebbi
		Benue	Benue	Benue	Niger*	Niger*
					Kwara	Kwara
		Plateau	Plateau	Plateau	Kogi*	Kogi
					Benue*	Benue
		East Central	Imo	Imo	Plateau	Plateau
					Anambra	Nasarawa
Eastern	Eastern	South Eastern	Cross River	Cross River	Anambra	Anambra
					Enugu	Enugu
		Rivers	Rivers	Rivers	Abia	Ebonyi
					Imo	Abia
		Mid Western	Bendel	Bendel	Imo	Imo
Western	Western	Western	Ondo	Ondo	Cross River	Cross River
			Oyo	Oyo	Akwa Ibom	Akwa Ibom
			Ogun	Ogun	Rivers	Rivers
		Lagos	Lagos	Lagos	Bayelsa	Bayelsa
					Delta	Delta

Source: Uga 2002

Note *Two local governments were excised from old Kwara and merged with Niger in 1991. The most remarkable was the excision of Borgun Local Government where the Kanji Dam is located. Some other local governments from old Kwara were obtained with some others from old Benue to yield Kogi State.

The IGR of the 36 states of the federation totaled N931bn in 2017 as compared to N801.95 billion in 2016, an increase of N130 billion. The report noted that poor states may not stay afloat outside the Federation Account Allocation due to socio-political crises including insurgency, militancy, armed - banditry and herdsmen attacks. “Other states lack foresight in revenue generation drive coupled with arm-chair governance”, it added. “The states that may not survive without the Federation Account due to poor internal revenue generation are Bauchi which realized a meagre N4.3bn compared to a total of N85bn it received from the Federation Account Allocation (FAA) in 2017 representing about 5%; Yobe with IGR of N3.59bn compared to FAA of N67bn representing 5.33%; Borno N4.9bn compared to FAA of N92bn representing 5.41%; Kebbi with IGR of N4.39bn compared to N76bn of FAA representing 5.77% and Katsina with IGR of N6bn compared to N103bn of FAA representing 5.8% within the period under review.

“Other poor internal revenue earners are Niger which generated N6.5bn compared to FAA of N87bn representing 7.43%; Jigawa N6.6bn compared to FAA of N85bn representing 7.75%; Imo N6.8bn compared to FAA of N85bn representing 8.1% and Akwa Ibom N15bn compared to FAA of N197bn representing 8.06%, Ekiti N4.9bn compared to FAA of N59bn representing 8.38%; Osun N6.4bn compared to FAA of N76bn representing 8.45 %, Adamawa N6.2bn compared to FAA of N72.9bn representing 8.49%, Taraba N5.7bn compared to FAA of N66bn representing 8.70% and Ebonyi N5.1bn compared to FAA of N57.8bn representing 8%.

“Meanwhile, Lagos State remained steadfast in its number one position in IGR with a total revenue generation of N333bn compared to FAA of N201bn which translates to 165% in the twelve

months of 2017. It was followed by Ogun State which generated IGR of N74.83bn compared to FAA of N69bn representing 107%. Others with impressive IGR include Rivers with N89bn compared to FAA of N178bn representing 50%; Edo with IGR of N25bn compared to FAA of N75bn representing 33%. Kwara State however with a low receipt from the Federation Account has greatly improved in its IGR of N19bn compared to FAA of N61bn representing 32% while Enugu with IGR of N22bn compared to FAA of N69bn representing 32%. Kano generated N42bn compared to FAA of N143bn representing 30% while Delta State earned N51bn IGR against FAA of N175bn representing 29%.

“The Economic Confidential ASVI further showed that only three states in the entire Northern region have IGR above 20%. They are Kwara, Kano, and Kaduna States. Meanwhile ten states in the South recorded over 20% IGR in 2017. They are Lagos, Ogun, Rivers, Edo, Enugu, Delta, Cross River, Anambra, Oyo and Abia States. “The states with the poorest Internally Generated Revenue of less than 10% in the South are Bayelsa, Ebonyi, Osun, Ekiti, Akwa-Ibom and Imo States while in the North we have Gombe, Zamfara, Taraba, Adamawa, Jigawa, Niger, Katsina, Kebbi, Borno, Yobe and Bauchi States.”

From Table 2, it is clear that the states are generally dependent on the centre for the revenues they would use to discharge their responsibilities. The extent of dependence was 80.3 per cent in 1988; 79.6 percent in 1989; 85.4 per cent in 1990; 86.1 per cent in 1991; 82.2 percent in 1992; 82.5 percent in 1993; 76.5 percent in 1994; 69.4 percent in 1995; and 68.4 percent in 1996, in terms of the ability of the states to internally generate a sizeable proportion of their total revenue.

Table 2: Independent Sources of Revenue of the States as well as Appropriation from the Federal Government, 1988-2012 (Nmillion)

Year	Independent Revenue (a)	Appropriation from the Federal Government (b)	Total	Extent of Dependence of (a) on (b)%
1961	29.4	80.7	110.1	73.3
1962	41.1	87.8	128.9	68.1
1963	49.6	86.5	136.1	63.6
1964	44.4	91.3	135.7	67.3
1965	57.9	121.3	179.2	67.7
1966	29.1	131.2	160.3	81.8
1967	41.1	96.2	137.3	70.1
1968	31.8	88.4	120.2	73.5
1969	58.1	86.5	144.6	59.8
1970	68.1	164.1	232.2	70.7
1971	91.0	302.1	393.1	76.9
1972	119.9	334.3	454.2	73.6
1973	142.4	312.5	454.9	68.7
1974	260.0	591.0	851.0	69.4
1975	776.5	1,053.5	1,830.0	57.6
1976	586.6	1,552.5	2,139.1	72.6
1977	338.9	2,390.5	2,729.4	87.6
1978	123.6	2,322.3	2,445.9	94.9
1979	871.8	2,534.1	3,405.9	74.4
1980	121.7	3,695.4	3,817.1	96.8
1981	142.60	3,825.60	3,968.2	96.4
1982	74.90	3,245.70	3,320.6	97.7
1983	38.00	2,958.50	2,996.5	98.7
1984	58.80	2,722.00	2,780.8	97.9
1985	1,584.10	3,260.80	4,844.9	67.3
1986	1,860.60	2,843.80	4,704.4	60.4
1987	1,954.50	6,197.10	8,151.6	76.0
1988	2,169.0	8,823.0	10,992.0	80.3
1989	2,760.0	10,785.6	13,546.2	79.6
1990	2,726.2	15,943.8	18,670.0	85.4
1991	3,147.1	19,434.3	22,581.4	86.1
1992	5,120.39	23,706.9	28,827.29	82.2
1993	5,594.3	26,291.2	31,885.5	82.5
1994	10,564.09	34,467.1	45,031.19	76.5
1995	16,715.8	37,862.0	54,577.8	69.4
1996	18,289.7	39,652.2	57,941.9	68.4
1997	27,368.20	50,902.50	78,270.7	65.0
1998	29,213.90	66,067.10	95,281.0	69.3
1999	34,109.00	103,657.30	137,766.3	75.2
2000	37,788.50	251,570.00	289,358.35	86.9
2001	59,416.00	404,094.00	463,510.0	87.2
2002	89,606.90	388,294.70	477,901.6	81.2
2003	118,753.50	535,179.90	653,933.4	81.8
2004	134,195.30	777,208.00	911,403.3	85.3
2005	122,737.80	920,985.90	1,043,723.7	88.2
2006	125,228.90	1,016,078.20	1,141,307.1	89.0
2007	305,706.30	1,109,338.80	1,415,045.1	78.4
2008	353,063.70	1,693,968.60	2,047,032.3	82.8
2009	461,224.50	973,790.30	1,435,014.9	67.9
2010	420,454.83	1,353,741.34	1,774,196.2	76.3
2011	509,290.85	1,786,254.13	2,295,545.0	77.8
2012	548,120.27	1,857,031.51	2,405,151.8	77.2

Source: Calculated by authors from the CBN Annual 'Report and Statement of Accounts (various issues).

From Table 3, we found out that only Lagos State was able to generate more than 50 per cent of its revenue consistently from 1992 to 1996. Other states that generated more than 50 per cent from 1994 included Kwara (only in that year), and Delta and Rivers up to 1996. States that were also able to generate up to a quarter (25 per cent) and above are specified as follows :

1992: Delta, Kaduna, Oyo, Rivers and Taraba
 1993: Delta, Enugu, Imo, Kaduna and Rivers
 1994: Anambra, Delta, Imo, Ogun and Oyo
 1995: Anambra, Enugu, Imo, Kaduna, Kano, Ogun, Osun, Oyo and Yobe
 1996: Akwa Ibom, Anambra, Imo, Kaduna, Kano, Ogun, Ondo, Osun and Oyo.

on those states that have been able to generate up to and/or more than a quarter of their revenues internally twice, and within the time frame, as depicted on the said table, it can be concluded that there are only about eleven states in Nigeria, as currently constituted, that can be said to be viable. These are Anambra, Delta, Enugu, Imo, Kaduna, Kano, Lagos, Ogun, Osun, Oyo and Rivers. The remaining 19 states of the old 30 states structure merely exist to augment or beef up the centralization process, as they are too dependent on the centre to function realistically. The likelihood is greater that states created in the future will be more dependent on the centre.

This dependence is manifested in the inability of the states to do anything more than routine administration, i.e., the maintenance of law and order. Hardly are states in a position to initiate and embark on a meaningful programme of development. Even when there are potent ideas for the development of the states, funding is most likely to constitute a hindrance. The result is a pervasive pastime in the Nigerian federal set up whereby the centre, acting unilaterally and arbitrarily because of the prodding of the

increasingly weak constituent parts, takes over functions that would have constitutionally belonged to either the states or the local governments. For instance, the defunct Mid-Western State encouraged the federal government to take over the State University (now the University of Benin).

The dynamics of the centralization process is connected to the pattern (style) of governance by the military. The military has encouraged harmonization in every facet of administration-the administration of wage policies, the reorganization of the civil service, legislation pattern, etc. On wages, in particular, the federal government has always been the pacesetter with respect to the national minimum wage. Unfortunately, this was never interpreted in a manner that would permit its adoption only by the states and the local governments that have the means. Invariably, they are made to implement it, and when they comply, as they are bound to, such a policy or course of action deepens the centralization process as much as it erodes seriously the ingrained federalist principle of autonomy.

The foregoing call to question the role of Nigerian states in the advancement of development and the uses of their proliferation. As noted earlier, it would seem that the progression of state creation in Nigeria has been driven by politics rather than development considerations. Gowon (1994), Ekwueme (1997) and Ewharieme (1999) raise pertinent issues in this regard as it would seem that state creation has created more problems than it has solved. States multiplication appears to have been anti- development than development promoting because the states have been a drain on development resources. Indeed, they were not really created to promote development but usually to address political crises and related agitations.

Table 3. Summary of State Governments' Finances, 1992-1996 (NMillion)

State	1992				1993			
	Statutory Allocation	Internal Revenue	Total	2 as % of 3	Statutory Allocation	Internal Revenue	Total	2 as % of 3
Abia	575.5	135	710.5	19	776.6	173.2	949.8	18.2
Adamawa	843.8	60	903.8	6.6	1014.9	69.3	1084.2	6.4
Akwa Ibom	1017	101.9	1118.9	9.1	958.6	132.8	1091.4	12.2
Anambra	667.9	138	805.9	17.1	759.7	217	976.7	22.2
Bauchi	1037	69.5	1106.5	6.3	1167.5	84.8	1252.3	6.8
Benue	634.3	27.9	662.2	4.2	1150.8	59.3	1210.1	4.9
Borno	550.9	164.9	715.8	23	361.1	62.7	423.8	14.8
Cross River	589.2	61.2	650.4	9.4	751.7	151.4	903.1	16.8
Delta	685.8	324.1	1009.9	32	966.9	544.7	1511.6	36
Edo	486.9	84.7	571.6	14.8	788.9	1.6.6	895.5	11.9
Enugu	594.4	87	681.4	12.8	742	270	1012	26.7
Imo	941.9	139.4	1081.3	12.9	980	193	1173	16.5
Jigawa	961.4	23.9	1005.3	2.4	832.5	22.9	855.4	2.7
Kaduna	763.2	323.1	1086.3	29.7	1060.3	400.1	1460.4	27.4
Kano	820	136.9	956.9	14.3	1543.6	187.7	1731.3	10.8
Kalsina	1352.6	50.6	1403.2	3.6	1251.4	129.8	1381.2	9.4
Kcbbi	560.2	107.4	667.6	16.1	751.8	137.4	889.2	15.5
Kogi	606.2	32.4	638.6	5.1	795.3	68.7	864	8
Kwara	534.6	104.4	639	16.3	719.6	175.1	894.7	19.8
Lagos	1284.9	1343.2	2628.1	51.1	NA	NA	NA	NA
Niger	477	21.4	496.4	4.3	NA	NA	NA	NA
Ogun	554.7	92.3	647	14.3	830.8	183.3	1014.1	18.1
Ondo	664.1	72.3	736.4	9.8	854.1	179.1	853.2	21.5
Osun	989.3	82.4	1071.7	7.7	947.7	175.8	1123.5	15.5
Oyo	1122.4	442.7	1565.1	28.2	901.2	221.6	1125.8	19.7
Plateau	723.7	123.8	847.5	14.6	1078.1	310.6	1388.7	22.4
Rivers	1308.7	551.9	1860.6	29.7	1399.3	1066.7	2466	43.3
Sokoto	1230	108	1338	8.1	1406.6	133.4	1538	8.8
Taraba	457.3	178.2	635.5	28	708.8	185.2	894	21
Yobe	672	23.6	695.6	3.4	791.4	42.1	833.5	5.05

Table 3(contd). Summary of State Governments' Finances, 1992-1996 (₦Million)

State	1994				1995			
	Statutory Allocation	Internal Revenue	Total	2 as %of3	Statutory Allocation	Internal Revenue	Total	2 as %of3
Abia	793.8	170	963.8	17.6	1106.1	284.3	1390.4	20.4
Adamawa	878.4	71.6	950	7.5	1182.2	104	1292.2	8
Akwa Ibom	902.2	277.2	1179.4	23.5	1510.9	282.2	1793.1	15.7
Anambra	736.7	295.9	1032.6	28.7	1012.4	332.5	1344.5	24.7
Bauchi	1028.9	203	1231.9	16.5	1413.1	234.1	1647.2	14.2
Benue	857.8	94.3	962.1	9.9	1022.8	187.5	1210.3	15.5
Borno	857.1	16.19	1019	159.1	322.3	"103.8	1426.1	7.3
Cross River	794.9	181.3	976.2	18.6	1248.9	338.5	1587.4	21.3
Delta	973.8	509.1	1482.9	34.3	1347	1372	2719	50.5
Edo	7302.2	130.5	860.7	16.2	1360	283.8	1643.8	17.3
Enugu	838.5	236	1074.5	22	1390.1	560.4	1950.5	28.7
Imo	931.3	345.9	1277.2	27.1	1201.1	499.8	1700.9	29.4
Jigawa	832	96.8	928.8	10.4	1135.7	141.1	1276.8	11.1
Kaduna	1154.7	336.6	1491.3	22.5	937.4	739.4	1676.8	44.1
Kano	1606.2	284.9	1891.1	15.1	1587.1	589.9	2177	27.1
Kalsina	1252.8	170.8	1423.6	12	1545.4	224.2	1769.6	12.7
Kcbbi	951.7	149.1	1100.8	13.6	1045. 6	153.5	1199.1	12.8
Kogi	665.3	79.9	745.2	10.7	1001.8	191.7	1193.5	16.1
Kwara	735.5	1010.3	1743.8	58	1019.7	205.7	1225.4	16.8
Lagos	931.9	2566.9	3498.8	73.4	1286.3	4708.1	5994.4	78.5
Niger	862.2	30.4	892.6	3.4	1141.7	100.2.	1241.9	8.1
Ogun	S76.6	297.4	1174	25.3	1191.6	657.3	1848.9	35.6
Ondo	1030	299.1	1329.1	22.5	1304.6	249.2	1553.8	16
Osun	934.6	234.4	1169	20.1	1289.7	421.1	1710.8	24.6
Oyo	S60.1	470.7	1330.8	35.4	1060.8	349.5	1410.3	24.8
Plateau	1008.3	384.9	1393.2	27.6	1568.8	322.3	1890.3	17.1
Rivers	1011.2	1228	2239.2	54.8	1511.8	2552.2	4064	62.8
Sokoto	1045	135.2	1180.2	11.5	1503.1	205.1	1708.2	12
Taraba	1004.6	215.4	1220	177	980.3	294.1	1274.4	23.7
Yobe	808.8	42.3	851.1	5	1062.2	28.3	1090.5	2.6

Table 3(contd). Summary of State Governments' Finances, 1992-1996 (₦Million)

State	1996			
	Statutory Allocation	Internal Revenue	Total	2 as %of3
Abia	957.9	224.3	1200.2	18.7
Adamawa	1052.4	52.2	1104.6	4.7
Akwa Ibom	1500	699.1	2199.1	31.8
Anambra	619.6	292	911.6	32
Bauchi	1772.6	391.9	2164.5	18.1
Benue	1245.1	338.7	1583.8	21.4
Borno	1396.7	130.8	1527.3	8.6
Cross River	1114.8	330.6	1445.4	22.9
Delta	1378.8	1869.2	3248	57.5
Edo	1174	366.1	1540.1	23.8
Enugu	1394.8	370.7	1765.5	21
Imo	1190.2	620.5	1810.7	34.3
Jigawa	1367.3	97.7	1465	6.7
Kaduna	1645.2	560.2	2205.4	25.4
Kano	1666.7	862.7	2549.9	33.8
Kalsina	1391.3	207.8	1599.1	13
Kcbbi	1232.8	138.1	1370.9	10.1
Kogi	1141.7	320.1	1461.8	21.9
Kwara	1082.7	145.3	1228	11.8
Lagos	1704.8	5266.8	6971.6	75.5
Niger	1390.2	157.6	1547.8	10.2
Ogun	1184.5	725.4	1909.9	39.4
Ondo	1417.1	475.4	1892.5	25.1
Osun	1070.9	425.6	1496.5	28.4
Oyo	1169.6	409.4	1579	25.9
Plateau	1624.5	406.3	2030.8	20
Rivers	1777.4	1932	3709.4	52.3
Sokoto	1574.1	250.9	1825	1.4
Taraba	1136.4	137.5	3011.4	6.2
Yobe	1278.1	84.8	1362.1	6.2

Notes:

- a. Bauchi and Gombe States combined for the year
- b. Enugu and Ebonyi States combined for the year
- c. Ondo and Ekiti States combined for the year
- d. Plateau and Nassarawa States combined for the year
- e. Rivers and Bayelsa States combined for the year
- f. Sokoto End Zamfara States combined for the year. NA = Not Available

Source: Calculated by authors from the CBN Annual 'Report and Statement of Accounts (various issues).

The precarious financial conditions of Nigerian states and local governments were a recurrent theme in the Central Bank of Nigeria Annual Report and Statement of Accounts during 1995-97. The CBN (1997) implies this much when it said: "State and local governments have been experiencing considerable difficulties in performing their statutory functions owing to inadequate funds. The fiscal operations of the State Governments have been characterized by growing deficits and neglect in the provision of some social services. ... The fiscal operations of Local Governments have been under similar pressures...". A lot has been published in this regard and accounts could be found in Ekwuene (1997); Aigbokhan (2000); among other studies. The summary is that there have been revenue malpractices and manipulation of revenue sharing managements in Nigeria since the end of the Nigerian Biafran war in 1970. Among the elements of the malaise are playing down of the derivation principle in revenue allocation and the operation of specialized accounts by the federal government. These specialized accounts are priority charges on federally collected revenues to which state and local governments have no access.

We also need to query the low internal revenues of state and local governments by recognizing that it goes beyond the question of residual sources to include low revenue generation efforts, apparently in consequence of expected receipts from statutory allocations on the assumption that oil receipts will always be there, or at least are there. There are also problems of tax administration. Also important is the problem of corruption and siphoning off of resources. Various forms of corruption have been associated with the Nigerian system and they have adverse implications for the uses/application and benefits of public spending (FRN 1997). However, their scope and consequences are beyond the purview of this work.

Analyzing the above Tables 4 and 5 as published by Economic Confidential magazine and looking at the total allocations received by each state in

Nigeria from the Federation Account Allocation (FAA) between January to December, 2016 and 2017 respectively, only Lagos and Ogun States generated more revenue than their allocations from the Federation Account by 169% and 127% in 2016, and 165% and 107% in 2017 respectively; and no other state has up to 100% of IGR to the federal largesse. The IGR of the 36 states of the federation totaled N931bn in 2017 as compared to N801.95 billion in 2016, an increase of N130 billion. While the report provides shocking discoveries, the states with less than 10% IGR have jumped to 17 in 2017 from 14 states in the previous year 2016. The poor states may not stay afloat outside the Federation Account Allocation due to socio-political crises including insurgency, militancy, armed-banditry and herdsmen attacks. Other states lack foresight in revenue generation drive coupled with arm-chair governance. The states that may not survive without the Federation Account due to poor internal revenue generation are Bauchi which realized a meagre N4.3bn compared to a total of N85bn it received from the Federation Account Allocation (FAA) in 2017 representing about 5%; Yobe with IGR of N3.59bn compared to FAA of N67bn representing 5.33%; Borno N4.9bn compared to FAA of N92bn representing 5.41%; Kebbi with IGR of N4.39bn compared to N76bn of FAA representing 5.77% and Katsina with IGR of N6bn compared to N103bn of FAA representing 5.8% within the period under review.

Other poor internal revenue earners are Niger which generated N6.5bn compared to FAA of N87bn representing 7.43%; Jigawa N6.6bn compared to FAA of N85bn representing 7.75%; Imo N6.8bn compared to FAA of N85bn representing 8.1% and Akwa Ibom N15bn compared to FAA of N197bn representing 8.06%, Ekiti N4.9bn compared to FAA of N59bn representing 8.38%; Osun N6.4bn compared to FAA of N76bn representing 8.45 %, Adamawa N6.2bn compared to FAA of N72.9bn representing 8.49%, Taraba N5.7bn compared to FAA of N66bn representing 8.70% and Ebonyi N5.1bn compared to FAA of N57.8bn representing 8%.

Table 4: Economic Confidential Annual State Viability Index (ASVI) 2016
Ranking of States by Internally Generated Revenue (IGR) Compared Federation Account Allocation (FAA) in 2016.

S/N	Beneficiaries	Federation Account Allocation (FAA) 2017 in =N=	Internally Generated Revenue (IGR) 2017 in =N=	Percentage
1	Lagos	178,606,493,854.14	302,425,091,964.78	169%
2	Ogun	57,362,408,575.36	72,983,120,003.85	127%
3	Rivers	134,870,667,278.36	85,287,038,971.02	63%
4	Edo	59,278,008,837.96	23,041,425,599.71	38%
5	Kwara	49,222,542,289.48	17,253,829,559.51	35%
6	Delta	126,621,398,438.93	44,057,915,472.72	34%
7	Kano	111,380,002,329.61	30,959,027,531.92	27%
8	Cross River	55,771,945,495.55	14,776,808,331.83	26%
9	Enugu	56,123,326,156.66	14,235,512,227.00	25%
10	Oyo	80,349,610,722.30	18,879,084,132.00	23.40%
11	Abia	54,400,939,511.55	12,694,839,539.40	23.30%
12	Kaduna	78,554,203,037.18	17,051,864,537.13	22%
13	Plateau	57,794,404,593.55	9,191,372,277.87	16%
14	Akwa Ibom	150,238,498,696.05	23,269,750,752.08	15.48%
15	Kogi	63,998,636,681.55	9,569,124,487.16	14.95%
16	Osun	62,985,226,855.55	8,884,756,040.35	14%
17	Benue	69,928,787,692.35	9,556,495,064.33	13%
18	Bauchi	68,136,764,933.47	8,677,265,878.00	12.73%
19	Ondo	70,343,574,708.16	8,684,406,578.63	12.34%
20	Taraba	52,769,573,806.68	5,895,538,974.32	11%
21	Adamawa	58,489,518,680.81	5,788,979,592.34	10%
22	Zamfara	53,119,877,025.68	4,777,169,537.80	9%
23	Imo	67,717,778,855.94	4,777,169,537.80	9%
24	Niger	70,831,185,155.64	5,905,458,280.30	7.96%
25	Bayelsa	99,291,071,848.36	7,905,458,280.30	7.96%
26	Nassarawa	47,554,540,407.21	3,402,616,062.14	7.15%
27	Sokoto	65,979,243,303.62	4,545,765,527.76	6.88%
28	Katsina	83,279,473,947.46	5,545,900,833.33	6.65%
29	Ekiti	47,564,063,908.13	2,991,041,855.48	6.28%
30	Gombe	46,952,352,244.00	2,941,438,110.63	6.26%
31	Yobe	53,936,297,357.10	3,240,867,567.79	6.00%
32	Jigawa	68,522,798,932.74	3,535,349,908.61	5.15%
33	Kebbi	60,886,882,102.18	3,132,343,261.58	5.14%
34	Ebonyi	46,665,951,480.45	2,342,092,225.07	5.01%
35	Borno	73,800,935,256.90	2,675,723,063.89	4%
36	Anambra	60,100,365,047.16	- - -	---
37	FCT	19,272,644,365.47	- - -	---
Total		2,662,701,994,413.30	801,951,625,136.55	30%

Table computed and designed by the Economic Confidential Magazine.

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Table 5: Economic Confidential Annual State Viability Index (ASVI) 2017
Ranking of States by Internally Generated Revenue (IGR) Compared Federation Account Allocation (FAA) in 2017.

S/N	Beneficiaries	Federation Account Allocation (FAA) 2017 in =N=	Internally Generated Revenue (IGR) 2017 in =N=	Percentage
1	Lagos	201,935,552,551.50	333,967,978,880.44	165%
2	Ogun	69,806,564,590.45	74,835,979,000.51	107%
3	Rivers	178,328,738,893.36	89,484,983,409.10	50%
4	Edo	75,715,459,387.89	25,342,829,212.22	33%
5	Kwara	61,394,781,199.17	19,637,873,512.22	32%
6	Enugu	69,884,925,596.37	22,039,222,902.86	32%
7	Kano	143,181,313,100.55	42,418,811,470.64	30%
8	Delta	175,897,252,584.64	51,888,005,338.33	29%
9	Kaduna	98,694,047,144.51	26,530,562,880.89	27%
10	Cross River	68,998,495,756.17	18,104,562,225.62	26%
11	Anambra	75,137,599,081.37	17,365,385,830.51	23%
12	Oyo	101,142,709,311.51	22,448,338,824.61	22.19%
13	Abia	69,329,972,730.91	14,917,141,805.80	21.51%
14	Plateau	71,970,021,474.20	10,788,283,409.45	14.98%
15	Benue	84,933,625,192.32	12,399,414,557.79	14.59%
16	Kogi	78,660,645,696.30	11,244,260,974.75	14.29%
17	Ondo	85,680,368,282.10	10,927,871,479.76	13%
18	Sokoto	81,239,767,306.71	9,018,844,307.29	11%
19	Nassarawa	59,004,672,943.01	6,174,136,952.59	10%
20	Gombe	57,725,224,701.66	5,272,273,408.28	9.13%
21	Zamfara	66,037,409,094.96	6,023,994,930.94	9.12%
22	Bayelsa	138,571,777,686.42	12,523,812,450.59	9.03%
23	Ebonyi	57,815,805,583.07	5,102,902,366.82	8.82%
24	Taraba	66,198,618,626.85	5,764,251,233.85	8.70%
25	Adamawa	72,996,987,973.33	6,201,369,567.23	8.49%
26	Osun	76,733,567,695.38	6,486,524,226.45	8.45%
27	Ekiti	59,275,570,522.58	4,967,499,815.79	8.38%
28	Akwa Ibom	197,851,042,041.29	15,956,354,035.30	8.06%
29	Imo	85,427,916,949.27	6,850,796,866.07	8.01%
30	Jigawa	85,752,782,248.73	6,650,200,980.11	7.75%
31	Niger	87,683,488,432.89	6,517,939,033.07	7.43%
32	Katsina	103,851,360,745.59	6,029,850,857.76	5.80%
33	Kebbi	76,088,182,321.67	4,393,773,965.39	5.77%
34	Borno	92,060,789,546.03	4,983,331,049.24	5.41%
35	Yobe	67,435,211,152.17	3,598,131,936.59	5.33%
36	Bauchi	85,046,042,841.92	4,369,411,450.27	5.13%
37	FCT	23,089,734,242.20	---	---
Total		3,350,578,025,229.06	931,226,905,149.13	28%

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Meanwhile, Lagos State remained steadfast in its number one position in IGR with a total revenue generation of N333bn compared to FAA of N201bn which translate to 165% in the twelve months of 2017.

It is followed by Ogun State which generated IGR of N74.83bn compared to FAA of N69bn representing 107%. Others with impressive IGR include Rivers with N89bn compared to FAA of N178bn representing 50%; Edo with IGR of N25bn compared to FAA of N75bn representing 33%. Kwara State however with a low receipt from the Federation Account has greatly improved in its IGR of N19bn compared to FAA of N61bn representing 32% while Enugu with IGR of N22bn compared to FAA of N69bn representing 32%. Kano generated N42bn compared to FAA of N143bn representing 30% while Delta State earned N51bn IGR against FAA of N175bn representing 29%. The Economic Confidential ASVI further showed that only three states in the entire Northern region have IGR above 20%. They are Kwara, Kano, and Kaduna States. Meanwhile ten states in the South recorded over 20% IGR in 2017. They are Lagos, Ogun, Rivers, Edo, Enugu, Delta, Cross River, Anambra, Oyo and Abia States. The states with the poorest Internally Generated Revenue of less than 10% in the South are Bayelsa, Ebonyi, Osun, Ekiti, Akwa-Ibom and Imo States while in the North we have Gombe, Zamfara, Taraba, Adamawa, Jigawa, Niger, Katsina, Kebbi, Borno, Yobe and Bauchi States. Meanwhile, the IGR of the respective states can improve through aggressive diversification of the economy to productive sectors rather than relying on the monthly Federation Account revenues that largely come from the oil sector.

From Table 5, Annual States Viability Index ASVI revealed that 36 States generated N931bn IGR against N3.3trn from Federation Account in 2017. Lagos generated more IGR than 30 States combined in 2017. The Economic Viable States were Lagos, Ogun, Rivers, Edo, Kwara, Enugu, Kano and Delta States. The most unviable and Poor IGR States were Bauchi, Yobe, Borno, Kebbi and Katsina States. From the Economic Confidential released data in table 5 above, its

Annual States Viability Index (ASVI) showed that seventeen (17) States are insolvent as their Internally Generated Revenues (IGR) in 2017 were far below 10% of their receipts from the Federation Account Allocations (FAA) in the same year. The index carefully and painstakingly computed proved that without the monthly disbursement from the Federation Account Allocation Committee (FAAC), many states remain unviable, and cannot survive without the federally collected revenue, mostly from the oil sector. The IGR are generated by states through Pay-As-You-Earn Tax (PAYE), Direct Assessment, Road Taxes and revenues from Ministries, Departments and Agencies (MDA)s. The report by this economic intelligence magazine further indicated that the IGR of Lagos State of N333bn is higher than that of 30 States put together whose Internally Generated Revenues are extremely low and poor compared to their allocations from the Federation Account. The states with impressive over 30% IGR apart from Lagos were Ogun, Rivers, Edo, Kwara, Enugu and Kano States who generated N607bn in total, while the remaining states merely generated a total of N327bn in 2017.

Conclusion

In concluding, it can hardly be argued that the extreme centralization of a federal system which is essentially a devolution strategy, as has been witnessed in Nigeria, has done incalculable damage to balanced federalism. Balanced federalism, in this sense, is understood as the existence of a federal Nigeria in which the component parts and their people have agreed 'abinitio' to relate with one another on the basis of mutual respect and understanding for one another. It is also to be understood as the enthronement, defence and promotion of a system of justice, equality, equity and cooperation. This is as far as the philosophical basis of balanced federalism is concerned. As for its institutional basis, a balanced federalism is to be composed of units that are autonomous, viable and able to govern and be responsible.

With 372 different linguistic groups in the country, there is no time the country shall have 372 different states. Thus, except the South-West and a part of the South – East zones that are almost unilingual zones, the zones that have been recommended by the 1995 Constitutional Conference appear to be the reasonable structures which should be used to re-organize Nigeria for a more balanced federalism. With them, the very principle of federalism such as cooperation, coordination and healthy competition can be exploited to rejuvenate and ensure an ideal as well as a viable federal system.

In order to reinstitute a balanced federalism, we have to admit in Nigeria that the existing 36-state structure is abnormal to the concept of federalism, particularly in its functional sense. To get a functional federalism, it is hereby suggested that a serious consideration of the 1995 Report of the National Constitutional Conference Commission should be undertaken. Thus, with respect to structural reorganization of the country into six geo-political zones, the zones are recommended to be administrative units because, principally and in principle, they are fairly large enough to be solvent and viable.

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