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The Political Economy of Federalism in Nigeria

Dele Babalola

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Preface

Nigeria's federal system is shaped by the country's political economy, which predominantly revolves around oil rents. The central feature of Nigeria's political economy is the convoluted relationship between oil and the state. This book, therefore, brings to the fore the intrinsic link between oil resources and the country's practice of federalism. The federal government oversees the distribution of centrally generated oil revenue. The desire to operate an efficient federal system has often resulted in the adoption of several fiscal principles dictated by a combination of factors, yet the federal system has continuously come under attack from ethno-regional groups. The main argument in this book is that the inability of the federal government to distribute the oil wealth fairly is the main source of the dysfunctional character of the federal system. The colonial legacy of the Federation, the complex ethnic diversity, long years of military rule and ingrained corruption have combined to bring about this verdict. None of these individual factors can be completely ignored in explaining this failure, because they interact in a complicated fashion such that it is difficult to untangle them. The Nigerian federal system is largely flawed and is in serious need of reforms. A political restructuring of the oil-rich federation in ways that would grant the sub-national units some real fiscal autonomy would be a useful reform that might ultimately provide a cure to the ailing federal system.

This book is a revised and enlarged version of my doctoral thesis submitted to the School of Politics and International Relations, University of Kent, Canterbury, United Kingdom. Therefore, my appreciation goes

first, to the James Madison Trust for awarding me a scholarship to conduct a doctoral research work. My lead supervisor, late Professor Michael Burgess, whose knowledge of federalism I have immensely benefited from deserves praise. To my second supervisor, Dr. Frank Grundig, I thank him for his invaluable contribution to the thesis. As a teacher and the 'head' of the 'federalist family' at the Centre for Federal Studies, University of Kent, Professor Burgess 'raised' a number of young scholars of federalism. I pay tribute to him for his mentorship. I should also like to pay tribute to my external examiner, late Professor Abdul-Raufu Mustapha who encouraged me to transform the thesis into a book.

I should like to express my profound thanks to Baze University, Abuja, Nigeria for granting me research leave in the summer of 2018 to enable me complete the work. Several other individuals have in varying degrees contributed to the success of the work, among them Dr. Hakeem Onapajo, who read the entire manuscript and made valuable suggestions for improvement and Professor Sadeeque Abba for his critique of some portions of the manuscript. My thanks also go to Professor Member George-Genyi whose critical comments and suggestions on the political economy chapter proved highly valuable. Thanks also go to Professor Kayode Omojuwa and Dr. Chukwuemeka Okafor for their insightful discussions with me on the issue of fiscal federalism in Nigeria. I am also indebted to the late retired Justice Mustapha Akanbi and Dr. Abiodun Adeniyi for sharing with me their thoughts on corruption in Nigeria. Dr. Adeniyi and Dr. Okafor also assisted in editing some portions of the work. My thanks also go to my colleagues in the Department of International Relations and Diplomacy, Baze University, particularly, Professor Osita Agbu whose comments on 'restructuring' I found very helpful. Others are Maryam Datti Ibrahim, Dr. Ebi Seyeifa, Adoyi Omale, Mukhtar Imam, Dr. Ismail Bello, Mercy Kwabe and Zakari Ismail. I also thank Professor Solomon A. Benjamin for his encouragements. However, the views expressed in the book are entirely mine and I take full responsibility for them.

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Abuja, Nigeria
October 2018

Dele Babalola

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Abbreviations

AG	Action Group
APC	All Progressives Congress
CDC	Constitution Drafting Committee
CGAR	Crisis Group Africa Report
CPI	Corruption Perceptions Index
DPA	Distributable Pool Account
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
EU	European Union
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMG	Federal Military Government
GDP	Gross Domestic Product
GNP	Gross National Product
ICGR	International Crisis Group Report
IPOB	Indigenous People of Biafra
IYC	Ijaw Youth Council
LGA	Local Government Area
MASSOB	Movement for the Actualisation of the Sovereign State of Biafra
MEND	Movement for the Emancipation of the Niger Delta
MOSOP	Movement for the Survival of the Ogoni People
NATO	North Atlantic Treaty Organisation
NCNC	National Council of Nigerian Citizens
NDA	Niger Delta Avengers
NDBDA	Niger Delta Basin Development Authority
NDDB	Niger Delta Development Board
NDDC	Niger Delta Development Commission

NDMF	Niger Delta Minorities Forum
NDPVF	Niger Delta People's Volunteer Force
NPC	Northern People's Congress
NPN	National Party of Nigeria
NRMAFC	National Revenue Mobilisation, Allocation and Fiscal Commission
NSWF	National Sovereign Wealth Fund
OMPADEC	Oil Minerals Producing Areas Development Commission
OPC	O'odua People's Congress
OPEC	Organisation of the Petroleum Exporting Countries
OSCE	Organisation for Security and Cooperation in Europe
RCMP	Royal Canadian Mounted Police
RNC	Royal Niger Company
SDP	Social Democratic Party
SGA	Special Grants Account
SJA	Special Joint Account
SPDC	Shell Petroleum Development Company
UAC	United Africa Company
UNDP	United Nations Development Programme

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CHAPTER 1

Introduction: Conceptual Approaches to Nigerian Federalism

Introduction

Federalism as a governmental system became popular as a means of nation-building at the end of the Second World War, especially in the British Commonwealth. The British imperial powers promoted the federal idea in many of its ex-colonies, including Canada, India and Nigeria, perhaps as the most viable option for a multi-cultural country. Likewise, in the post-Cold War era, there was an increased interest in the federal system, as it was increasingly conceived as a tool of conflict management in war-torn countries based on experiences in Bosnia and Herzegovina (BiH) (1995), Ethiopia (1995), and Iraq (2003). Given its utility in multi-dimensional ways, federalism is adopted for different reasons by different countries, in response to disparate situations. The system is particularly attractive to such countries with large size and population as Australia, India, Nigeria and the United States of America. It is also appealing to countries with a high degree of social heterogeneity as Ethiopia, India and Nigeria as a means to achieving unity.

In the 1950s, for example, there was high optimism for federalism in Africa due to the suitability of the system to the heterogeneity that exists in those societies (Burgess 2012a). This optimism, however, disappeared with the collapse of federations like Rhodesia and Nyasaland (1953–1963) and many more. In India and Nigeria, for example, besides the British federal instinct (see, for instance, Burgess 2007) and the desire of

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the individual founding fathers, the recognition of diversity constitutes the driving force behind the formation of the federations. In these two countries, the federal system was adopted to 'hold together' the diverse elements inhabiting the countries (Stepan 1999).

Nigeria, being a product of colonialism, was a victim of a problematic unification of two protectorates, which saw peoples of diverse linguistic, historical, religious and cultural backgrounds brought together. The plural nature of the state made a unitary form of government seemingly unrealistic, making the adoption of federalism in 1954 a pragmatic decision. Therefore, the most significant step taken by Nigerian leaders, with the active support of the British colonial government in response to the country's ethnic diversity was the adoption of a federal political framework. Unlike the American federation, where small units desired to 'come together' and cede to the federal government some measure of their sovereignty, the Nigerian federation was born from a hitherto unitary state (Stepan 1999).

The British had promoted the federal idea in Nigeria hoping that the regions with their different economic resources would complement each other. Moreover, they had hoped that their architectural design would produce a structure capable of reconciling the different diversities in the country, or simply put, that the design would produce unity in a country of over 350 ethnic groups.[1] Likewise, the country's founding fathers had hoped that the interests of the multifarious groups would be better protected under a federal political arrangement. Thus, federalism was both promoted and championed as an instrument of unity in diversity. Contrary to the optimism expressed by the architects of the idea (including the British colonial government), the country's diversity appeared to be an encumbrance on the system. We are not in any way suggesting that diversity in itself is the problem, rather the manner in which the elites have continuously manipulated ethnic and religious sentiments, among others, has become a source of the problem. A federal idea seems appropriate to the socio-political situation of Nigeria but the structural imbalance inherent in the society has made the framework less able to cope with the hydra-headed strains that result from a federal system. Problems of bringing together different peoples continue to provoke debate and

[1] Nigeria is one of the most ethnically diverse countries in the world with approximately 185 million people. The actual number of ethnic groups in Nigeria is not known but some scholars have identified between 350 and 400.

controversy. Accusations of inequalities in the federal structure continue to dominate political discourse.

The Nigerian federation inherited from the colonial government a three-region federal system but its leaders have since increased the number of constituent units to its current thirty-six.[2] At inception, the federation had four notable features. One was the entrenchment of a tripartite system of government with each component unit consisting of a dominant ethnic group and a host of minority groups. Each of the units—the Northern, Western and Eastern Region—was large enough to form a country of its own. Riker (1964, p. 31) confirmed this, noting that Nigeria was the 'only one of ex-British federalisms that does not display the unification of a number of separate colonies no one of which would have been viable alone'. This 'arrangement', coupled with the regionalisation of the national economy, afforded regional bourgeoisie the opportunity to compete amongst themselves for regional political power (Williams 1976, pp. 25–28), which was regarded as a prerequisite for economic power, which in turn was a prerequisite for power acquisition at the federal level. The result was the ruthless ethno-regional competitions, which continue to characterise politics in the country. At a point, the struggle took the form of two regions conspiring against the third, as was demonstrated during the Western Region crisis of 1962 and in the creation of the Mid-Western Region in 1963. Furthermore, politics during this period revolved around a system of patronage, in which regional governments were turned into conduits for private capital accumulation. The ruthless struggle for state patronage culminated in the collapse of the country's first attempt at a federal system, which saw the emergence of the military on the political stage in 1966.

Another feature was that the federal structure was a reflection of the cultural, political and economic differences among the three largest ethnic groups in the country—the Hausa-Fulani, Yoruba, and Igbo—which dominated the Northern, Western and Eastern Regions respectively. In fact, the system was equated with regionalism because the units were in line with the ethnic structure of the country (Awa 1976, p. 2).

[2] In Nigeria, between 1954 when the country became a federation and 1966 when the military seized power, constituent units were referred to as 'Regions' but these came to be known as 'States' after 1966. Therefore, in this study, 'State' is used to connote constituent/sub-national/sub-federal/federating/component unit and these terms are used interchangeably.

To use Kirk-Greene's (1967, p. 5) word, these regions were not as 'self-contained' as they looked, as each consisted of the majority and other minority ethnic groups, and the majority dominated the minorities. In the Northern Region, for instance, are other ethnic groups such as the Kanuri, the Tiv, the Igala, the Igbira and so on, which when put together, constitute a large chunk of the country's population. The Region was not an ethnic entity, and the same was true of the Eastern Region where one finds the Ibibio, Efik and other peoples, and in the Western Region where we find such minority groups as the Benin and Edo to mention a few.

This tripartite 'design' seemingly put the fate of the country in the hands of the three major ethnic groups, setting the stage for a triangular struggle for the country's resources. The arrangement also resulted in the majority/minority dichotomy, as well as the marginalisation of the minority groups that continue to shape the politics of the country. The implication of this tripodal structure for the minority groups is best captured by Nnoli (1995) who observed that the minorities were only important as resources for the majority groups to strengthen the latter's political power or to weaken the power of their rivals in other Regions. This development set the tone for the politics of the country. Therefore, one main challenge that confronted Nigerian leaders following decolonisation was how to genuinely bring together the different peoples brought together by British imperialism. Nigerian leaders have had to contend with the daunting task of ensuring that Nigerians continue to live together in harmony and within a single political unit as envisaged by the British.

Yet another feature was that the Northern Region was bigger than the other two Regions combined, thereby affording it the opportunity to out-compete both the Western and Eastern Regions. This period marked the beginning of the fear of political and economic domination usually expressed by regional elites; a fear heightened by the economic disparities in the Regions. A federal arrangement in which one constituent unit is excessively big negates the principle of equality of states (Macmahon 1962, p. 7; Wheare 1963, p. 50).

A further feature was that the federating units, due to their enormous resources, enjoyed substantial political and economic powers. Nolte (2002) refers to the federal system, as constituted then, as regional federalism because the federal arrangement was such that the component units were constitutionally allowed to enjoy extensive political and

financial autonomy. The units were so powerful that the centre was subordinated to the Regions to the extent that, in the event of a conflict, for example, regional laws took precedence over federal laws in the areas of joint legislative competence (Ayoade 1988, p. 23).

These features, however, disappeared with the emergence of the military on the political stage, an era coinciding with that of the oil boom. The increased inflow of oil rents into Nigeria's economy in the early 1970s gave way to a new era of politically and economically strong federal centre. This completed the transformation of the country from a peripheralised to a highly centralised federation. This transformation brings to the fore the link between Nigeria's oil and the practice of federalism. What Suberu (2001) refers to as the 'hyper-centralisation' of resources is fundamentally at the heart of the imperfection characterising the operation of federalism in the oil-rich federation. Over-centralisation has become the defining feature of Nigeria's federal system. If federalism is typically a non-centralised system, then all is not well with Nigeria's federal system. The increasing agitation for 'true federalism', especially in the current democratic dispensation is an indication that the system is defective.

The Nigerian state has since the oil boom of 1973 operated an oil-centred economy. Prior to the emergence of oil as the principal source of foreign exchange earnings, Nigeria's economic success revolved around agriculture. The economic centrality of the federal centre, resulting also from the necessities of the civil war (1967–1970), ensured a complete concentration of resources at the centre. As resources become increasingly concentrated at the centre, so, the constituent units became politically and economically impotent. Moreover, the centre became a battleground for ethno-regional competition for federal economic resources and political power. In all of these, the federal government remains domineering, overseeing the distribution of oil rents. The source of centralisation goes back to 1966 when the military first intervened in Nigerian politics through coup d'état. The military did not just intervene, they actually entrenched a system characterised by 'tightly centralised controls' (Suberu 2001, pp. 1–2). Given its command structure, a military rule may be likened to a unitary system of government. Clearly, the military's style of administration seriously affected the operation of federalism in Nigeria.

In an ideal federal arrangement, governments at all levels are expected to have an independent revenue base, but this is not the case in Nigeria

where the present thirty-six states and the Federal Capital Territory (FCT) depend heavily on the centre for sustenance. This is a negation of the federal principle, which enjoins every constituent unit to be self-financing. Wheare (1963, p. 51) particularly emphasised the significance of the economic viability of the constituent units to the formation, operation and survival of a federation. He argued that the units must possess sufficient economic resources to support themselves as well as the central government. Thus, a weak independent revenue base among Nigeria's constituent units makes the sharing of centrally-collected revenue a norm. The sharing is, however, loaded with contentions. One reason for the usual acrimony is that the constituent units lack viable sources of revenue of their own, and by implication, find it extremely difficult to discharge their constitutional duties without fiscal transfers from the centre. Another source of contention has been a lack of consensus among the contending parties on a revenue-sharing formula, as every constituent unit, as well as every ethnic group, wants to maximise its share of the national resources (Elaigwu 2007, p. 204). The political sensitivity of revenue sharing has also been compounded by the 'perceptions of regional ethnic dominance' among the ethnic minorities (Baker 1984, p. v).

By the time a democratic rule was re-established in 1999, after thirteen years of military dictatorship, the character of Nigerian federalism had significantly changed from 'bottom-heavy' as it was at inception, to 'top-heavy' with political and economic power concentrated at the centre. As expected in a deeply divided society, the centralisation of oil revenue increased the ruthless competition for state control by ethno-regional elites who always find it convenient to politicise ethnicity and other social cleavages in their quest for economic advancement. This explains why the operation of federalism in the current democratic dispensation has been significantly dominated by the quest for an equitable revenue sharing practice.

The re-establishment of a liberal democratic rule in 1999 kick-started a resurgence of ethnic and regional agitations manifesting mainly in the clamour for 'true federalism'. At the forefront of this campaign were the Yoruba elite of the south-west who had not hidden their ill-feeling for their Hausa-Fulani counterparts for the annulment of the 1993 presidential election, believed to have been won by a Yoruba man. Fear of marginalisation, real and imagined, by the country's ethnic minority groups, which dates back to the 1950s, when out of fear of domination,

clamoured for separate constituent units, also deepened in the post-1999 period, particularly in the Niger Delta region, where the bulk of oil is derived. There is the perception in the area that the majority ethnic groups, because of their control of political power at the centre, are reaping from the national wealth more than their contribution. Regional elite decries the perceived lopsided nature of Nigerian distributive politics, which in their belief, is inimical to their local interests. They argue that the oil found in their region should be a source of economic fortunes for the region and its people and not a source of despondency. Also, having complained of marginalisation, some Igbo elites in the south-east region threatened to pull the region away from the federation. Another major development immediately following the return of civilian rule was the Sharia issue, which developed into a sectarian violence.[3] The adoption of the Sharia by twelve states in the north in 1999 was perceived in some quarters to be an outcome of feelings of marginalisation harboured by the Northern elite in the new political dispensation (Abah 2006). At the heart of these seemingly different agitations was the distribution of the country's oil-generated wealth.

In an attempt to ensure a fair distribution of political and economic resources, the political elites have developed some distributive and structural frameworks, some of which are in line with those suggested by Donald Horowitz, but all of which have failed to achieve the desired outcome. According to Horowitz (2000, p. 596), distributive policies are aimed at changing 'the ethnic balance of economic opportunities and rewards', while the structural approach aims to change 'the political framework in which ethnic conflict occurs'. The adoption of different resource-allocation formulas and the 'federal character' principle are examples of the federation's distributive policies. The federal character principle aims to provide representation for all major ethnic groups in cabinet positions and in the civil service, while formulas for the distribution of oil revenue are aimed at ensuring equitable distribution. The main structural approach the political elites have embarked upon includes the division of the country into smaller components through state creation. It was thought that dividing the country into several

[3] Sharia is a body of Islamic religious law regulating all aspects of Muslim life. It is based on the Quran, the Islamic holy book, and the Hadith, a narration of Mohammed's (the Prophet of Islam) life, and his teachings.