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Dissertation

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ECONOMIC LIBERALIZATION IN A FEDERAL STATE: NATIONAL ANJ SUB-NATIONAL RESPONSES TO REGIONAL IMBALANCES IN NIGERIA

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ECONOMIC LIBERALIZATION IN A FEDERAL STATE: NATIONAL AND SUB-NATIONAL RESPONSES TO REGIONAL IMBALANCES IN NIGERIA

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DECLARATION

I hereby declare that this work is the product of my research effort undertaken under the supervision of Mr. G. N. S. Pwajok and has not been presented elsewhere for the award of a degree or certificate. All the sources in this work have been duly distinguished and appropriately acknowledged.

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CERTIFICATION

This is to certify that this thesis has been examined and approved for the award of the degree of Masters of Science in Political Economy and Development Studies.

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DEDICATION

This work is dedicated to my parents, Alhaji Garba Maimudu and Hajiya Zainab Abdullahi, and the loving memory of my late younger brother, Abuabkar Sadique.

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LIST OF ABBREVIATIONS

AAF-SAP	Africa Alternative Framework to Structural Adjustment Programme
ACGS	Agricultural Credit Guarantee Scheme
ACSS	Agricultural Credit Support Scheme
BOOT	Build Operate Own and Transfer
CBN	Central Bank of Nigeria
EPZ	Export Processing Zone
ETF	Education Trust Fund
FA	Federation Account
FCT	Federal Capital Territory
FEAP	Family Economic Advancement Programme
FRN	Federal Republic of Nigeria
HYPPADEC	Hydroelectric Power Producing Areas Development Commission
ICD	Inland Container Depot
IGR	Internally Generated Revenue
IHRHL	Institute of Human Right and Humanitarian Law
IPP	Independent Power Project
LEEDS	Local Government Economic Empowerment and Development Strategy
LHR	League for Human Right
MDF	Microfinance Development Fund
MDG	Millennium Development Goals
MFB	Microfinance Bank
MTSS	Medium Term Sector Strategy
MTEF	Medium Term Expenditure Framework
NACRDB	Nigeria Agricultural Cooperative and Rural Development Bank

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NBS	National Bureau of Statistics
NDDC	Niger Delta Development Commission
NEEDS	National Economic Empowerment and Development Strategy
NEPZA	Nigerian Export Processing Zone Authority
NEXIM	Nigeria Export Import Bank
NGF	Northern Governors' Forum
NIPC	Nigerian Investment Promotion Commission
NPC	National Planning Commission
NSC	Nigerian Shippers Council
OMPADEC	Oil Mineral Producing Areas Development Commission
OSSAP-MDG	Office of the Senior Special Assistant to the President on MDG
PBN	Peoples Bank of Nigeria
PTDF	Petroleum Technology Development Fund
PTF	Petroleum Trust Fund
SAP	Structural Adjustment Programme
SEEDS	State Economic Empowerment and Development Strategy
SGF	Southern Governors' Forum
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SOE	State Owned Enterprise
SOMPADEC	Solid Mineral Producing Areas Development Commission
UBEC	Universal Basic Education Commission
UNDP	United Nations Development Programme

ABSTRACT

This study essentially explored the link between Nigeria's federal political system and the liberalizing economic system. The study investigated the role of the state in economic development. Particular emphasis was laid on how the federal character of the Nigerian state is conditioning responses of federal and subnational governments to the problem of regional disparities.

To bring out the dimensions of regional disparities in the Nigerian federation, we selected six states each from the six non-constitutionally adapted geopolitical zones. We used data on population, manpower statistics, revenue allocation, location of branches of private commercial banks, pioneer status for foreign investors, utilization of development finances, poverty incidence and admission into Nigerian universities to show the various dimensions of regional disparities in the Nigerian federation. We limited our study to federal and state government levels because of lack of coherent data at the local government level. In our analysis, however, we used both the six geopolitical zones and the generic North-South dichotomy as employed in Nigeria's federal politics to bring out sharp contrast in structural and socio-economic imbalances in the federation.

This study took on the political economy perspective of the research problem and not the econometric approach. Although the central issue in this thesis is economic liberalization, we are, however, only concerned with how federal and state governments used their allocative powers in economic decisions and activities, and the politics associated with federal bargaining at different levels.

This study essentially drew on the market preserving federalism theory to suggest that the federal character of the Nigerian state fosters the functioning of a pseudo-market economy with both private sector and subantional governments taking over the role of the federal government

as the federal government retreats from direct participation in the economy. We also use the supplementing argument of competitive/coordinated federalism to suggest the necessity of intergovernmental coordination in achieving national development vis-à-vis balanced development.

In view of the Nigeria's fiscal history and the political dynamics, which show considerably high dependence on largely single-source federally generated revenue, we suggested decentralization of fiscal powers and revenues, and the review of horizontal revenue sharing formula. We, however, suggested that in view of the central role of the state in balancing development state allocation of resources should be used to correct imperfections of market allocation of resources particularly as it concerns unequal development opportunities to various regions. We suggested that the share of the federal government in the FA reduced as a result of decentralization of revenues should be shared into two. Half should go directly to subnational governments, while the remaining half should go into a special consolidated fund. This fund should, in addition to its traditional usage, be used in development financing particularly at the small and medium levels, and in the diversification of the economy. On the horizontal sharing formula, we argue that what may be of political expedience in the short run is most likely to have pervasive socio-economic consequences in the long run. Thus there is a need to balance between political exigent demands and socio-economic needs of various regions.

It is our hope that the findings of this study would spur further intellectual enquiry into the workings of Nigeria's federal political system and how it affects economic development.

CHAPTER ONE

INTRODUCTION

1.1 RESEARCH PROBLEM

The choice of federal political system became virtually inevitable at the terminal colonial period in Nigeria's history mainly as a result of disparities among the constituent regions (Elaigwu. 1994: 227-233). The federation then consisted of regions of disparate geography, population, peoples, and economic resources and potentials. As such, interaction among the various groups that made up the evolving political community was characterized by mutual suspicion and fear of political and economic domination among the various sub-national groups. More than four decades after, Elaigwu (2006b: 376) maintains that "the reasons for the adoption of federal system of government...are still much the same." This assertion is of debatable importance. But while the manifestation of this assertion is palpable on the political terrain, the economic dynamics are not too clear especially with structural and relational transformations the federation had undergone.

The federation has undergone considerable transformations since independence: from a federation with 3 Regions to one with 36 States, from a highly decentralized system to a centralized one (Asobie, 2001: 141) and from one with competitive intergovernmental relations to one with increasing cooperation. (Elaigwu, 2006a: 223-232). These changes were necessitated by various reasons but the underlying motive was to enhance political stability and economic prosperity by maintaining a balance between centrifugal and centripetal forces. These developments do not suggest that regional rivalry and disparities have been eliminated or even reduced to a tolerable level. There are still claims of neglect, marginalization and injustice as evidenced in the level of development among States (a *de facto* region) and more markedly among variants of the former regions. There are lingering secessionist movements in the Niger

Delta and the resurrected Biafran regions. All these crises revolve around struggle for power (Onyekpe, 2003: 28-9), distribution of resources (Ayua and Dakas, 2005: 265), and their effects on pattern of development in the federation (Onwudiwe and Suberu, 2005: 7-9). Therefore, the search for a politically acceptable mechanism for distributing resources and sharing power to facilitate economic development and achieve social distributive justice is on.

The Nigerian constitution is clear on the fundamental political and economic objectives of State policies; which is to promote development as distributive justice. All government policies are to be directed towards promoting "planned and balanced development" (FRN, 1999). This requires the State, in this case encompassing the national and sub-national governments, to arrest causes of disparities among citizens and regions as well. The Nigerian state has responded to this challenge in different ways. At one extreme, the state was involved in location of industries and productive economic activities in addition to fiscal equalization arrangements. From the 1980s, the state started pursuing policies that were aimed at the retreat of the state from its prevailing position in the economy under the Structural Adjustment Programme (SAP). The task of pushing development gradually changed as the economy was liberalized with unfavourable consequences on even the provision of public good: education, health and employment. (Fadayomi; Popoola; Fashoyin, 1993: 79-104).

The present civilian administration has embarked on more vigorous liberalization policies since May 1999. These policies are gradually exposing the economy to the vagaries and absurdities of the market forces acting locally and globally. The traditional role of (the state) pushing development is changing to one of enabling and regulating a market-driven competitive economy. With the diminishing role of the state in the economy, the challenge of balancing development will not be expected to be the same. It is this change that we investigated in this work. Particular emphasis was laid on how the federal character of the Nigerian state is conditioning responses to the problem of regional disparities.

1.2 OBJECTIVES

The main aim of this study is essentially to investigate the role of the state in economic development by exploring the link between the Nigerian federal political system and the liberalizing economic system. More specifically, the study is set out to:

i) examine the dimensions of regional disparities in Nigeria;

ii) examine adjustments made in the federal system; and

iii) assess the responses of the national and sub-national governments in balancing development.

1.3 HYPOTHESES

The research variables in this study were analyzed in the context of the following theses:

i. The state has a significant role in managing regional disparities; and

ii. The federal political system is favourable for state intervention in balancing development.

1.4 METHODOLOGY

The very first methodological challenge in this study is to define a region. There is no universal consensus on how to define a region. Each definition reflects the researcher or author's discipline and the subject of inquiry (Richardson, 1973:5). In regional economics, for instance, a region is a sub-national area whose boundaries are established by geographical location, industrial mix and concentration of production. Thus in the Nigerian case, the Lagos industrial agglomeration and the Kano-Kaduna-Zaria industrial triangle can be defined as economic regions based on concentration of industrial activities. Also, the cotton and cocoa belts are used in referring to regions in the Nigerian agricultural landscape where these formally export commodities were predominantly produced.

A region can also be defined by a combination of socio-cultural, political as well as ethnographical factors. In Nigeria, the Middle Belt region is defined by relational identity of minority ethnic groups that have a common identity and aspiration (Tyoden, 1993: i). Yet, a region can be defined by blend of geo-political, socio-cultural, historical and economic factors. These features give the triangular deltaic region of River Niger in Nigeria, the name Niger Delta. This region is largely peopled by minority ethnic groups and it is associated with the abundant natural resources found in the area, crude oil (IDEA, 2000: 142).

All these definitions are useful in bringing out the differences in the distribution of economic resources and activities. But they are grossly inadequate in this study owing to the monocultural nature of the Nigerian economy— crude oil being the major source of revenue— and its re-distributive consequences. As such, we also inevitably used the geographically circumscribed and politically defined regions in our analysis of the research variables. States, as against Regions as they were called in the First Republic, are the constituent units of the Nigerian federation. Resources are allocated and power (and associated privileges) shared based on this federal structure. These administrative (geopolitical) units that serve as sub-national tiers of government were used as *de facto* regions. This allowed us to investigate the responses of governments at different levels.

In addition to the 36 States, the non-constitutionally adapted zones were used in this study for sampling purpose. The thirty-six states in the federation are collapsed into six zones: North-central, Northeast, Northwest, Southeast, South-south and Southwest. These zones have increasingly become acceptable mechanism for the distribution of resources and sharing of power among the various groups in the federal system. They have become functional regions for allocation of resources, location of projects and political appointments. Finally the inherent North-South dichotomy has pertinently remained a regional basis for political and economic inter-States cooperation. This was therefore reflected in our analysis.

The variety of definitions of a region in the Nigerian context is manifest in our sample. Overlaps are inevitable for maximum representation to be achieved. Therefore four criteria were used for the purpose of sampling: a) administrative units; b) economic resources; c) economic activities; and d) geographical location. Based on these criteria, we selected six states each from a zone and the Federal Capital Territory, Abuja, as a special region. Lagos (a coastal State) and Kano (a State in the hinterland) were selected as two industrial nodes. Adamawa, Ebonyi and Plateau States were selected as agricultural-based States. Rivers State was selected as oil-rich State. Though we selected six States, this did not restrict our scope of investigation. We explored other centres of inter-State cooperation.

The data used in this study was generally secondary data. It was source from federal and State governments' ministries, extra-ministerial agencies, offices of statistics and planning, regulating agencies; and other publications and periodicals. We used data on population, manpower statistics, revenue allocation, location of branches of private commercial banks, pioneer status for foreign investors, utilization of development finances, poverty incidence and admission into Nigerian universities to show the various dimensions of regional disparities in the Nigerian federation. The data used was both quantitative and qualitative. The quantitative data is represented in tables. The qualitative data was used to describe and explain trends and patterns observed from the quantitative data analysis.

It is important to note that this study took on the political economy perspective of the research problem and not the econometric approach. As such, our analysis concentrated on how the state allocates resources for development financing and the provision of public goods, and how these resources are utilized.

1.5 SIGNIFICANCE OF STUDY

This study contributes to the ongoing discourse in the academic and policy circles on the thorny issue of making Nigerian federalism work better. Making it work better requires political bargaining and economic dexterity. The work also adds to the spiral of knowledge for future scholarship in the yet to be fully explored area of federalism and economic development.

This study drew on the theory of market preserving federalism to suggest that the federal character of the Nigerian state guarantees the functioning of a pseudo-market economy with both private sector and subnational governments taking over the role of the federal government as it retreats from direct participation in the economy. In our seemingly unidirectional world where the stream of thoughts flows towards free market economy, federalism, therefore, provides another opening for governments at the subnational level to actively participate in economic development without fettering the flow of private capital. We have also provided empirical evidence that suggests intergovernmental coordination is necessary in reducing regional disparities in economic development.

1.6 SCOPE AND LIMITATION

The focus of this study is basically to find out different ways different tiers of government are responding to regional disparities. Although the central issue in this thesis is economic liberalization, we are however only concerned with how federal and State governments used their allocative powers in economic decisions and activities, and the politics associated with the federal bargaining at different levels. This study covers the period between 1999 and 2007. Lastly, we limited our study to the federal and state levels due to seemingly non-coherence at the local government level.

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CHAPTER TWO

LITERATURE REVIEW

2.1 ECONOMIC LIBERALIZATION AND REGIONAL DISPARITIES

The economic liberalization policy of the Nigerian government has its root in the liberal economic theory. This theory advocates *laissez faire* capitalism, in which limited government is tolerated in practice. To Adam Smith, the State's positive role in a liberal society should be in: i) protecting security of citizens from violence and external aggression; ii) establishing exact administration of justice and iii) erecting and maintaining certain public works and institutions. Generally, the liberal theory is in favour of restriction of public authority intervention in the business community to the narrowest compass. This entails the prominence of self-regulating power of the market (Elliot and Campbell, 1973: 99). The role of the state is, therefore, essentially complementary to and supportive of the private sector.

The neo-liberal theory also follows that "if the state is satisfied with the functions accorded it by Adam Smith, globalize market…will self-regulate in the long run 'through cycles of adjustment and this will lead to an infinite rise in the net production and income per inhabitant" (Tchuigona, 1996: 6). The neo-liberal doctrine also underpins the move towards free market mechanisms, which re-emphasizes the reduction of trade barriers and internal restrictions. In essence, it abhors economic statism.

In practice, however, these guiding principles were found to create inequalities, imbalances, differentials or disparities among regions in a country. This regional expression of economic dynamics is intrinsic to capitalist growth and development. Myrdal's theory of cumulative imbalance explains how market mechanisms promote imbalance among regions. It posits that economic growth starts in few areas rather than all and as it continues factors of production and trade are attracted to these areas. Perroux explained in his theory of spatial polarization that economic activities do not fluctuate around a long-term equilibrium norm but tend to promote the concentration of growth in some areas—growth poles—at the expense of others. He argues that growth naturally show itself in these poles with different intensities (Holland, 1976: 40-48).

The dependency school links regional disparities to disparities among nation-states in the global capitalist economy. This school argues that spatial inequality and marginality of the peripheral populations in a country are inevitable consequences of the position of the poorer regions in the capitalist development process. These regions are linked in a satellite relationship with dynamic national centres, which in turn are linked in an external dependency relationship with dynamic foreign centres (Gilbert and Goodman, 1976: 121).

But some regional economists tried to untangle the issue of 'spatial equilibrium'. They argue that regional disparities are temporary. At the early stage they stem from lack of coordination between the spatial system (regional economic growth) and the national system (the national economic growth). In time, along with free movement of factors of production between and within regions, regional disparities will be minimized or possibly eliminated. In poor countries where there exists regional equality of poverty, Lipsitz (1995: 359) argues that regional inequalities increase to a certain point after which it will reduce as the national economy grows.

However, Myrdal, using the backwash effect, showed that circular causation between economic and non-economic factors culminates in a vicious circle in which factors of production are continually attracted to faster growing regions. Surpluses from agricultural sector are, for example, absorbed in the manufacturing sector in the growth poles. All these increase the competitive disadvantage of the regions lagging behind (Myrdal, 1972: 23-31). In Mydral's words, "economic development is a process of circular cumulative causation which tends to award its favours to those who are already well endowed and even to thwart the efforts of those who happen to live in the regions that are lagging behind" (Holland, 1976: 50). The dependency school also argues that the entanglement of national economies makes the poor peripheral countries to be unable to offset regional disparities (Gilbert and Goodman, 1976: 121).

One thing that these propositions insinuate is that market mechanisms can not lead to spatial equilibrium in poorly developed capitalist economies. Therefore, the dependency school sees delinking such economies from the global capitalist economy as the only way out. Conversely, the structuralists see the capitalist state as having a pivotal role in identifying and offsetting trends towards regional imbalances. For instance, Myrdal and Perroux theories provide very logical basis for state action in the play of market forces. They argued that the state has a significant role in arresting regional disparities. If the working of the market forces is responsible for retarded development, the obvious course for the state, according to them, is to control and regulate these forces in the interest of growth of the regions. This entails removal or lessening of inequalities between regions by, for example, enhancing the spread effect of the growth taking place in the more developed regions. By so doing, state intervention can minimize, or even halt, the backwash effect of capitalist growth (Agrawal and Lal, 1997: 51-2). In fact, Holland (1976: 52) noted that "indirect intervention to improve infrastructure or concentrate incentives in growth pole centres does not reverse cumulative imbalances in Myradian or Perrouxist models of regional development."

The nature and extent of state intervention in the economy varies from one country to another. Jewkes (1978: 232-3) categorized the experiences of different countries in the transition from agrarian to industrial economies into four. First, is the "spontaneous transition" in which the state direction was at "minimum and the necessary capital been provided internally". The British example illustrates this transition. It was a case in which severe pains of industrial revolution were "minimized by slow organic growth of the institutions required for [an] industrial society, by grafting of a new system on an old stock, by the long maintenance of link between agriculture and industry, by the creation of industry on relatively small units, by the frugality of the population and the mobility of capital."

Secondly, there was the "engineered transition" in which the state provided "most of the driving force and…deliberately organized the sacrifices necessary for investment". The Russian experience of industrial expansion was an outstanding example of this type of transition. In this case emphasis was on large scale production with little capital from abroad. This "enforced" and "speedy" change necessitated the state to "create the required industrial skills and to break down old habits by mass education and propaganda and to provide transport, distribution and housing as an integral part of the engineered economy".

The third was the "assisted transition" which falls between the first two. In this case state intervention was limited, "either in extent or times, and where normally investment has been provided, at least in part from outside." The Japanese experience epitomizes this transition. The state provided initial impulses to the economy "which subsequently developed its own motive power". At the early stage, the state helped "by raising foreign loans, by erecting textile factories, by handling exports and purchasing imports, by buying and loaning machinery". Virtually all the Western-like industries at the incubation period owed their establishment to the state initiatives and later "private industry built rapidly upon these foundations", with the exception of the iron and steel industries. Also, the abundance, cheapness and assiduity of labour contributed to the success of the Japanese economy. Interestingly, small-scale and scattered factories characterized Japanese industrial take-off. These factories depended on native supplies and kept transport and social capital to the minimum and foreign capital was available to supplement domestic sources.

The fourth category in Jewkes' account was the "abortive transition". In this type of transition, state intervention was seemingly a failure. Jewkes used the 1970s India to exemplify this type of transition, in which despite high industrial possibilities it "proved poor in the manufacturing accomplishment". India, then, had the third largest railway network, domestic supplies of cotton, coal, iron ore and other raw materials. Virtually all African countries fall under this type of transition. This is largely due to weak social and economic infrastructure in developing countries.

Quite a number of literature in regional economics suggests that there is no single explanation of causes of disparities in regional development. There are a variety of factors that contribute to a certain pattern of development, and researchers in the field suggest that it is the interaction of different factors that shapes the path and level of development. Generally, however, the works of Myrdal and Perroux are instructive in explaining causes of regional disparities. Their literature shows that market mechanisms promote regional imbalances (Holland, 1974: 48-50). Myrdal further identified that "natural inequalities have been supported and magnified by built-in feudal and other inequlitarian institutions and power structures which aid the rich in exploring the poor" (Agrawal and Lal, 1997: 52).

Myrdal (1972: 39) and Smith (1974:302) noted further that regional disparities are wider in poorer countries than in richer ones. More specifically, Agunbiade (1987: 187) showed that there was tendency towards divergence in regional disparities as a result of the implementation of SAP in the Nigerian case. Aka (2000: 190) concluded further that regional disparities in socio-economic development are not narrowing over the years under market economy. More recent studies on developing countries (including Nigeria) show that regional disparities in economic activities, income and social indicators are increasing. It was also noted that while spatial inequality is a dimension of overall inequality, "it has added significance when spatial and regional divisions align with political and ethnic tensions to undermine social and political stability" (UNU, 2005). Hill (2000: 2) noted this fissiparous tendency in the case of Mindano in Philippines and Aceh in Indonesia, and Elaigwu, (2006: 271) also lamented on the latent threat of disintegration of the Nigerian federation in the Niger Delta region.

2.2 FEDERALISM AND ECONOMIC DEVELOPMENT

The concept of federalism is expressed in broad federal forms encompassing a wide range of institutional forms. Generally, however, the following features are common to federal systems of government:

a) Formation of States and territorialisation of federal-local administration in such a manner as to promote closer contact between people and government;

b) Two (or more) levels, orders, spheres or tiers of government each acting directly on their citizens;

c) A formal constitutional distribution of legislative and executive authority, and allocation of revenue resources between the levels of government ensuring some areas of genuine autonomy for each level;

d) Provision for designated representation of distinct regional views/interest within the federal policy-making institutions;

e) A supreme constitution that is not amendable by one level of government;

f) An umpire, based on the principle of separation of powers, to rule on interpretation or valid application of the constitution;

g) Process and institutions to facilitate intergovernmental relations in those areas where governmental responsibilities are shared or overlap; and

h) A supportive federal political culture that includes capacity to resolve federal conflicts through negotiations, and accountability and transparency in decision-making process. (Elazar, 1993: 193; Singh, 2004: 109; and Blindenbacher and Watt, 2003: 10).

The idea of sharing power distinguishes federalism from unitarism and confederalism. In a unitary system, there is a single source of constitutional authority from which the sub-national governments drive their power as sub-ordinate jurisdictions. In this case the sub-national governments are not constitutionally guaranteed. Thus even when there is good measure of administrative or legislative devolution or decentralization, sovereignty or competence resides exclusively with the central government, and regional or local governments are legally and politically subordinate to it. At the other extreme, in a confederal system, the central government drives its authority from the sub-national governments. The constitution in this case empowers the regional government more than the central government. Even where there is considerable allocation of responsibilities to central institutions and agencies, the ultimate sovereignty is retained by the constituent regional governments and, therefore, the central government is legally and politically subordinate to them. In contrast, in federal system, both the central and sub-national governments have sovereign powers derived from the constitution rather than from any another level of government.

Recent stress in federal discourse is centred on distribution of powers and responsibilities or division of jurisdiction over a subject and the extension of autonomy to each government on the divided jurisdiction. Distribution of powers and responsibilities as a way of ensuring relative autonomy of all levels of government has assumed a critical salience in contemporary discourse on federalism due to the changing role of the state in social, economic and political development since the end of the cold war. Therefore, emphasis is laid on distribution of governmental, political, monetary, fiscal, administrative and policy responsibilities between all levels of government and how these guide the role of the state in the economy.

The role of the state in the economy requires integration of the various sub-national 'economies' into the national economy. In countries with heterogeneous socio-cultural groups, the state employs a political system with a governmental structure that ensures stable organizational equilibrium. There are in this type of states (centripetal and centrifugal) forces resulting from diversity, which drive the economy to spatial dis-aggregation while the logic of national development policy exerts pressure for rational coordination at the central level. Federal system of government institutionalizes a balance between these two opposing forces. It helps in "reconciling the need for large-scale political and economic organization" and at the same time protecting the social fabric of the society and local characteristics of the market. The spread of market economies across the globe is also creating socioeconomic conditions conducive to support the federal idea. There is more "emphasis upon contractual relationship, recognition of non-centralized character of a market...thriving market on diversity, not homogeneity, inter-jurisdictional mobility and competition as well as cooperation" (Watts, 2000: 3-9).

The major theoretical construct that explains this trend in a more articulate way is the market preserving federalism theory. Weisngast (1995: 3-10) used the theory to explain how the fundamental political dilemma of economic systems could be solved. This theory is based on the assumptions that subnational governments have the primary authority over local economies, while the federal government enforces a nationwide free market and free mobility of factors, goods and services. Competition is seen as a control on excesses of political actors. Competition is also believed to create incentives and possibilities of innovations in the political sphere such that political outcomes will better match the preferences of individuals, thereby ensuring demand is optimally met in the way benefits in the private sector are derived. Thus, governments vis-à-vis political decision makers are constrained by competitive forces to perform under a 'free market condition'.

Arguments in favour of intergovernmental competition as emphasized in the market preserving federalism theory show decentralization of fiscal and regulatory powers as a useful precommitment device for the functioning of the market in a federal setting. The economic case for decentralization points generally towards dividing three functions of the state in the economy among different tiers of government. The federal government is assigned the responsibility of macroeconomic stabilization and income redistribution in addition to the provision of national public goods. The national government is tasked with the responsibility of stabilizing the economic process in order to minimize business circle fluctuations, and to redistribute income for the purpose of addressing inequalities that result from market imperfections. The function of allocation is shared between the national and subnational governments (Bird et al, 2003: 356 and Ogisi, 2004: 333).

From another perspective, Peterson, Rabe and Wong (1986: 112) divide government policies into "redistributive" and "developmental". They labelled those that manage a country's physical and social infrastructure developmental because without them the economic progress of the country can be retarded. They argued that subnational governments have natural superiority in the arena of economic development hence they can best administer the developmental policies. On the other hand, the national government is to concentrate on redistributive policies since it operates under few market-like constraints.

From Leviathan perspective, powers to make policies are decentralized in order to create choices for individuals according to their preferences and circumstances, and also to create competition among sub-national governments (von Hagen, 2003: 379). Under such condition, governments can compete in the provision of public goods and services by improving their quality, reducing their prices and providing varieties. Governments can also compete for funds for the provision of public goods and services. They can do this by raising revenue competitively in order to access grants provided by the national government. Lastly, governments in decentralized systems, where there is free flow of factors, goods and services, can compete for business investment. Thus, to Afonso, Ferreira and Varsano (2003: 426), decentralization is a natural companion of competition. To sum it up, Ostrom (1974: 230) argued, the phenomenon of 'hidden' or 'invisible hands' of the market will have greater operations in highly decentralized federations. There will be greater opportunity for the development of quasi-market mechanisms in the operations of public enterprises.

There are, however, theoretical and empirical literature that contest the efficacy of the competition cum decentralization argument. Sinn (1997: 270), for example, argues that "competition is bad where government intervention is good". His argument is based on the fact that government intervenes in the economy when and where there are market failures. This means that competition is only helpful when and where government intervention creates false economy. Cai and Tresman (2004) also fault the theoretical assumptions concerning competition for mobile factors of production. They argued that where there is sufficient heterogeneity competition for mobile factors can be highly uneven. Free capital mobility can result in outflow of capital from less endowed and economically backward regions to the more developed ones. The governments of the affected regions would be disposed to move towards predation or rent-seeking instead of pro-business policies. The overall implication of this is the reduction in the quality of public goods and services (Bardhan and Mookherjee, 2006: 4-6). From a political economy point of view, Brenan and Buchanan (1980: 3-14) argues, competition reduces the size of government and thus maintain the efficiency of the market system. Webb, Perry and Billinger (2001) have empirically shown that fiscal competition in Brazil and Argentina exacerbated regional inequalities and the sustainability of the public sector in general (Bardhan and Mookherjee, 2006: 7).

Also, decentralization of fiscal and regulatory powers is argued to be counterproductive in some instances. Cai and Tresman (2004) and Rodden and Rose-Ackerman (1997) showed that decentralization and increased competition for capital are capable of exacerbating intergovernmental externalities, and furthermore creating tendencies towards protectionism and reduction in national welfare. Under such condition, federalism is argued to be "state-corroding" and not "market preserving". To avoid such problems, market preserving federalism requires a strong national government that will curtail the self-seeking disposition of sub-national governments. Owing to the underdeveloped nature of the capitalist economy and the shaky political foundations of "intergovernmental market" in many developing countries, Roden and Rose-Ackerman, conclude that market preserving federalism is unlikely to exist in these countries (Bardhan and Mookherjee, 2006: 6-8).

Prud'homme's (1995: 201-20) conclusion in a study on decentralization in some developing countries shows that decentralization is capable of increasing regional disparities. Decentralization can limit the applicability of national policies that are designed to correct disparities and it can as well result in the underprovision of fiscally induced stabilization policies. Therefore for a strong national development policy, the freedom of subnaitonal governments in economic policy-making needs to be limited. As Coyer and Hills (1992: 217) argue, relatively high degree of centralization enables national governments to control distribution of resources among regions for a more even development.

The assumptions made in the market preserving federalism theory underpin the notion of competitive federalism. The realities on ground, however, show a general trend toward cooperative/coordinated federalism. On the global scale, Majeed (2003: 5) observed, that liberalization of national economies had necessitated a paradigm shift to greater cooperation with the national and sub-national governments formulating and implementing public policies. In the case of emerging economies, Hosp (2003: 18) identified challenges to competitive federalism. These are i) "the challenge of preserving the internal markets"; ii) "important regional differences"; iii) "the big informal economy compared to industrialized countries"; and iv) "corruption".

Hosp also contrasted coordinated from competitive federalism. The driving principle of coordinated federalism is bargaining between the national and subnational governments with a view to adjusting differences. As compared to the use of hard budget constraints in competitive federalism, national governments use soft budget constraints in their fiscal relations with subnational governments. The national government may also bail out subnational governments because the latter are not entirely responsible for their financial condition. Coordinating federal processes and institutions also means that there is high tendency of harmonization of taxes, policies and programmes within the federation. Above all, there is greater tendency for centralization in coordinated federalism (Hosp, 2003: 5-7).

Whether competitive or coordinated federalism, fiscal adjustments are made in order to preserve the federation and to ensure political stability and economic progress. From an economics point of view, Adedeji (1968: 220) argues, fiscal adjustments are generally made to: i) address the problem of imbalances of resources and needs between the national and subnational governments; ii) harmonize income with needs in different regions; iii) achieve 'economic equilibrium' for the whole federation; and iv) 'level up' by raising poorer regions and ensuring the level of public good provided is equalized.

More specifically, the fiscal instruments used in correcting fiscal disparities among subnational units are equalization and grants (Watt, 1994:18). The principle of fiscal equalization is based on the notion of equality of subnational units as providers of public good. All subnational governments are, according to Buchanan (1950), assumed to "provide equivalent services at equivalent tax burden". There is also the efficiency counterargument that fiscal equalization based on equity does not guarantee change of behaviour of subnational governments. It is likelier to induce complacency and rent-seeking behaviours than competition (Dafflon and Vallaincourrt, 2003: 197-8). In practice, however, fiscal equalization is used as an instrument for offsetting fiscal disparities that result from differences in revenue-raising capacity of subnational governments. Differences in revenue-raising capacity of subnational units are usually caused by uneven distribution of marketable natural resources and/or economic activities. Fiscal disparities may also be caused by differences in the cost of providing public goods across the federation.

Grants are transfers made by national governments to subnational governments for the purpose of correcting vertical and horizontal fiscal imbalances, implementation of national policies through subnational governments or for compensating of spillovers of subantional governments (Bird et al., 2003: 360). Frienkman (2006: 25) identified six major types of grants. These are: i) equalization grants—formula based grants used for equalizing fiscal capacities of governments by making adjustments to address expenditure needs differences; ii) compensation grants—formulas based specific purpose grants used for funding specific federal mandates; iii) regional finance reform grants—grants given to subnational governments for implementation of reform programmes, which are usually based on conditions stipulated by the national government; iv) social expenditure grants—matching grants aimed at funding some important social services expenditure; v) regional development grants—grants given to finance subnatiuonal governments public investment in infrastructure; and vi) discretionary grants and loans.

It is important to note that the notion of state in the reviewed literature on federalism and economic development, its institutional character and the social, political and economic order it seeks to establish all flow from the liberal stream of thoughts. The state vis-à-vis governments is restricted to the provision of public or semi-public or merit goods in a competitive manner (Olson, 1986: 54) or, as Laski (1982: iii) argues, the state may extend its influence on the market for the purpose of ensuring that demand is satisfied in the widest possible scale. A sort of intergovernmental market is envisaged in which governments compete in the provision of public goods and also in creating enabling environment for private capital to be invested in the production system. Governments are therefore not expected to participate in productive economic activities.

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CHAPTER THREE

NIGERIA'S FEDERAL SYSTEM AND ECONOMIC DEVELOPMENT

3.1 EVOLUTION OF NIGERIAN FEDERALISM

Nigerian federal system is rooted in the socio-political structure of colonial domination. Prior to the establishment of colonial rule, contemporary Nigeria was composed of numerous groups with different identity and symbolism living in different forms of political organization—states, city-states, chiefdoms, dynasties, village republics, etc. These groups came under the coercive diplomacy of British colonialists which culminated in the construction of a geo-political power base for the co-existence of the various groups, on the one hand, and the establishment of a tie between the Nigerian 'state' and British colonial state.

Although, the colonial conquest started earnestly in the last decades of the 19th century, it was not until 1900 that the colonial authority started gradual process of amalgamation of the various territories that were under the British. This ushered in a three distinct colonial territories—the Colony and Protectorate of Lagos, the Protectorate of Southern Nigeria and the Protectorate of the Northern Nigeria— each of which was administered differently and independently (Tagowa, 1994: 117-9).

The Lugardian amalgamation of the Northern and Southern (with the Lagos Colony annexed) Protectorates in 1914 became a colonial milestone and a milepost in the history of Nigeria as a nation-state. This single act initiated the enforcement of political integration of the disparate colonial subjects into a huge colonial territory administered under a unitary government. Since then, Nigeria became under powerful centrifugal forces resulting from her diversity—north-south dichotomy, religious cleavages, regional allegiances, differential development, etc (Eteng, 1996: 119).

While the amalgamation of 1914 was aimed at evolving a united Nigeria by terminating disunity existing between the component parts, the desire to preserve the symbolic separateness of the amalgamated parts was contrary to the envisaged unitary system (Nwabughuogy, 2001: 40-1). Consequently, little effort was made to encourage interaction among the various groups in the evolving Nigerian nation-state apart from the vertical relations between the local administrative units and the colonial centre. This ambivalent integration, argues Elaigwu (1994: 226), generated fears and suspicion among the colonial subjects. The North's geographical size and population became a source of fear to the southern politicians. These features gave the North political superiority in the plebiscitarian and representational system of government. Also the head start in Western Education the South had was feared to be a license for domination in economic and bureaucratic spheres.

Meanwhile, the Richard Constitution of 1946 designed by the colonial administrators created three regions—North, East and West—and established central and regional legislature within a unitary framework. By 1947, when the Northern Region had its first representatives in the central legislative council, the various political leaders from the new regions interacted strangely. They had little in common and shared little in terms of political aspirations.

Nonetheless, contact among the various groups made in the central legislative council fertilized grounds for anti-colonial sentiments. It also precipitated dissatisfaction with the imposed Richard Constitution and the resultant structural and political rendition of the evolving Nigerian polity (Elaigwu, 1994: 277). These dissatisfactions led to calls for a federal system of government that will approximate the realities of Nigeria's diversity. It was in response to these that the Macpherson Constitution of 1951 gave more powers to the regions and ensured increased political representation in the central legislative body.

By 1954, when the Lyttleton Constitution was established more powers were devolved to the regions. This gave the evolving Nigerian nation-state its federal features. By 1959 the regions have become full-pledged autonomous units. These constitutional developments and the resultant crystallization and polarization of socio-political *cum* cultural identity/interest of the various groups along the regional cleavages sublimed decolonization of the Nigerian polity and the federalization of the decolonizing polity.

Against this background, Oyovbaire (1979: 28-31) identified three forms of analyses in the historical origins of Nigerian federal system. The first focus on the determinations of the various nationalities and difficulties encountered by the colonial authority in administering a large but communally variegated nation-state like Nigeria from one centre. Thus, since there was no single pre-colonial power-state, the colonial authority had no other option than to obey the objective forces of history and for the newly emergent Nigerian political leaders to maintain diversity in unity.

The second form of analysis emphasized the different patterns of colonial conquest and different approaches to the administration of the conquered territories. The third form of analysis focuses on the structures and ideological patterns of British colonial domination, which was divisive. This divisive colonial heritage had its federalist connotations as regional political leaders advocated federalism as a solution to emerging problems and challenges that were associated with increasing interaction among the various sub-national groups.

Generally, the sense of mutual distrust and suspicion among the leaders necessitated compromise. At different times, the Northern and Western regions have threatened to secede if their demands were not met. Federalism, therefore, became a political imperative for striking a balance between disintegrative and integrative forces imminent in the evolving Nigerian nation-state. It also became a veritable mechanism for managing societal conflicts and as a watershed for co-existence of various groups in a single geo-polity (Elaigwu, 1994: 231). Each of the sub-national groups agitated for greater power to the regions as a way of guaranteeing political interests and preserving its regionally-based identities. Thus the initial unitary system imposed by the British colonial authority became practically inconsistent with the realities of new political community. The social-cultural forces at work, which were expressed on geo-political (regional) grounds, made the British colonial state o accept a federal system of government that was antithetical to the overarching hierarchical colonial power structure.

The colonial legacy bequeathed Nigeria at independence in 1960 did not allow federalism to flourish albeit the challenges of nation- and state-building. It made the disintegrative aspect of the federalization process more pronounced than the integrative. Sub-nationalism became pronounce to the detriment of nationalism. Frictions and tension among the various groups heightened. The political arena harboured inter-group tension, with sub-national groups looking inward for political relevance, security and survival. The ability of federalism to allow progressive reduction of sub-national tensions and discontinuities in the process of creating a high degree of comprehensiveness in a political community was put to test. Consequently, the regional framework of politics and the inter-elite competition for power fuelled the ambers of disintegrative sentiments, which culminated in military intervention in January 1966. This circumstantial development changed the compass within which Nigerian federal system was operated. In fact, Nigeria was decreed (under the Unification Decree 34) in 1966 a unitary state. Although the decree abolishing the federal system did not last long, subsequent reversal did not return Nigeria close to its original federal settings.

The re-emergence of federal system of government in August 1966, after the second military coup, was necessitated once again by the realities of diversity in the Nigerian society. The problem of disintegrative forces dominating the political arena did not cease with the exist of civilian politicians. Maintaining a delicate balance between disintegrative and integrative forces became difficult under the military due largely to the problems associated with a weak centre in a federal structure with strong regional political and social forces. Thus, military leaders were confronted with some of the challenges that befell politicians in the operation of the Nigerian federal system.

Though, military rule did not allow active politics, these challenges attracted extensive discussions in regional consultative fora and during constitutional conference. Many issues became subject of dispute in the ensuing debate on the direction of Nigerian federalism but Osadolor (2005: 82) identified four issues that constituted greater challenges to the military leaders. These were the question of creating more states, arising from the structural imbalances in the federation and the minority-majority imbalance; the form and unit of association within the federation; the composition of the central authority; and the issue of secession, which culminated in the thirty-month civil war.

The civil war made the federal military government to take emergency measures that were difficult to reverse. Using its method of legislation by Decrees, the military quickly created 12 States out of the former 4 Regions just before the beginning of the civil war. Creation of States reduced the resources accruable to sub-national units and the nature of challenges to the political authority of the central government. It further implied that the centre had greater economic control. Furthermore, increase in revenues from oil export changed the political economy of Nigerian federalism. The federal government controlled resources to finance national development plans, in addition to its control of monetary and fiscal policies. The class structure was also transformed as military leaders' access to power and resources made possible their transition to elite/business class (Graf, 1988: 55). It was therefore not surprising that the military ruled Nigeria from January 15, 1966 to October 1979; from December 31, 1983 - August 27, 1993; and from November 17, 1993 to May 29, 1999.

One of the implications of the about 30 years of military rule was the restructuring of the federation. The first attempt to restructure the federation was under General Ironsi in May 1966. Nigeria was to, according to the Unification Decree No. 34, "cease to be a federation" and shall therefore be a republic. The implication of this was that Nigeria had lost its federal status and the former regions were consequently abolished and replaced with group of provinces. The aim of the adoption of a unitary system of government was to enhance political unity by stemming regionalism (The Federal Military Government, 1966: A153).

However, the centrifugal forces became stronger that they could not be contained within a unitary system. Hence, the second military coup restored the federal features of the Nigerian state but this time around the military cautiously tilted the federal balance between centrifugal and centripetal forces in favour of the centre. This was obviously to leverage subnationalism as against the clamour for adoption of confederal arrangement, which was an indication that the country was drifting apart towards disintegration (Elaigwu, 2006: 92-112 and Osaghae, 1998: 82). To counterbalance the effect of excessive centrifugalism, the military government under Gowon finally fragmented the former 4 big regions into twelve subnational units (states). The creation of these subnational units was done to balance the structural imbalances inherent in the federation and also to stem the tide of disintegrative forces occasioned by the secessionist movement. Subsequently, more subnational units (States and Local governments) were created from 12 in 1967 to 1976, 21 in 1987, 30 in 1991 and 36 in 1996.

The creation of states was also an attempt to approximate Nigeria's diversity. The fears of political and economic domination expressed by minority ethnic groups in the federal system were quite acknowledged even before independence. These fears were investigated by the

Willink Commission of 1957/8. The commission received submissions for creation of subnational units in all the three original regions as a way of remedying the problem of domination by majority ethnic/religious groups. The commission, however, rejected creation of subnational units for minorities based on the argument that such exercise will not guarantee an end to minority-majority conflict as there was every tendency that the new subnational units created will have new minorities in them.

Also the commission advanced the argument that the subnational units will be small compared to the three big regions. Hence they may be unviable and they cannot stand competition with the already existing bigger regions. The commission therefore suggested the establishment and development of "Special Areas" and "Minority Areas" under the existing regional structure as a way of allaying the fears of minorities. (LHR, n.d.: 164-202). It is important to note that the commission underscored the connection between creation of smaller subnational nits and federal balance. It saw the existence of big regions as a surer way of balancing power between the ethno-regional groups (Yaqub, 1996: 196). The 1963 creation of the Midwest Region for southern minorities buttresses this claim. This exercise was largely a product of political rivalry between regional politicians. The creation of this new subnational unit was a political strategy for downsizing regional political opponent (Elaigwu, 2006: 71-4).

Generally, the military's response to the challenge of balancing centrifugal and centripetal forces in the Nigerian federation resulted in a centralizing trend. This was caused by a number of factors. Elaigwu (2005) identified six factors. These were: i) military rule, ii) the civil war, iii) the creation of states, and iv) the increase in petro-naria; v) demands for federally desirable harmonization; vi) international trade and globalization. From the political economy perspective, we can add the interest of national and international bourgeoisie in the contest for control of centralized state power and resources, and increased state intervention as a strategy for overcoming development challenges (Asobie, 1998:19).

By May 1999, there were many complaints that the Nigerian Federation had become excessively centralized. This dissatisfaction was expressed in different ways. First, on the vertical plane, subnational governments contest the excessive powers of the federal government and most especially usurpation of their powers and unconstitutional fiscal deductions. Secondly, on the horizontal, both subnational governments and groups expressed their reservations on their federal association with others. The governors of the South-South zone with oil resources, for instance, agitated for more statutory allocation to their states based on the derivation principle while the governors of non-oil bearing states contested the enactment of the onshore/offshore bill in the court of law. By and large, intergovernmental relations was characterized by mutual suspicion and confrontations.

Beyond the relationship across the governmental structure, dissatisfaction with the centralized federal system found expression in the resurgence of aggressive subnatiolism. Several non-formal socio-cultural and ethno-regional groups were established for the protection and promotion of group interests. Popular among them were the Arewa Consultative Forum, Afenifere, Ohan'eze, Middle Belt Elders Forum, South-South Peoples Congress, etc. Ethno-regional militias such as Odu;a Peoples' Congress, Arewqa Peoples' Congress, Igbo Peoples Congress, Movement for the Emancipation of the Sovereign State of Biafra (MOSSOB), Niger Delta Volunteer Force, Movement of rht Emancipation of the Niger Delta (MEND) and Ijaw Youth Congress were also established. Thus subnational groups expressed their dissatisfaction violently (Elaigwu, 2005: 132-72 and Osaghae, 2005: vii).

3.2 CHANGES IN NIGERIA'S ECONOMIC SYSTEM

Nigeria's economic system is traditionally described as a mixed economy; one in which public resources and private capital complement each other or one supplements the other. The structure of this system is developed on colonial superstructure (Ocholi, 2003: 3). The colonial integration of traditional economies into world capitalist economy resulted in a dualistic economy. A peasant economy based on traditional modes of production existed along side a modernizing economic sector characterized by capitalistic industrial production.

Little effort was made by the colonial administration to establish linkages between the two segments of the economy. The Development and Welfare Act of 1940 provided the framework for a development policy that covered the period between 1940 and 1945. The aim of the development policy was to improve the economic position of each dependency in order to provide its own resources. Development was broadly defined to cover governmental activities and provinces were mandated to submit their proposals for development. Consequently, a planning bureaucracy emerged: a Colonial Advisory Committee, Provincial Development Committee and Divisional Development Committee were set.

The Ten-Year Plan of Development introduced in 1946 under the colonial Development and Welfare Fund made little provision for industrial development. Even in the agricultural sector, the plan was restricted to limited export cash crop. Consequently, the economy was poorly articulated sectorally, regionally, and in terms of ownership structure. The Nigerian state was weak and unable to manipulate growth parameters or change the ideology behind colonial development planning (Falala, 1996: 22-64). Developing linkages between the various sectors of the economy, ensuring even development among different parts of the country and transforming the ownership structure has since independence remain a challenge to Nigerian governments.

At independence in 1960, the Nigerian national government, like others in Africa, became preoccupied with rapid economic growth. But the realities of the inherited weak economic structure characterized by poor capital formation, absence of viable industrial sector and openness to international trade compelled governments to marshal development plans. The popular belief then was, as Green (1972) puts it, that "without government leadership African economic development will not take place" (Mongula, 1994: 89).

In Nigeria, the national government introduced the first Five-Year Development Plan (1962-68) in 1962 at the termination of the pre-independent plan of 1956-1960. This post-independence plan came at a time when the government adopted the import substitution instrument. Thus, the plan assured government participation in economic development through production and commercial activities. The plan argued that in addition to provision of infrastructure, government needed to provide investable funds for accelerated economic development since there was low savings and private sector domestic capacity was still very low.

A contrasting feature of the first development plan was that it was implemented when Nigeria had a highly decentralized federal system. Subnational (regional) governments enjoyed considerable autonomy. They adopted different development policies and plans. As Ayo (1987: 7) observed, however, these development plans lacked internal consistency as "projects were proposed mainly on the basis of regional rivalry without due recognition of the law of comparative advantage". Notwithstanding, the implementation of the plan led to the establishment of the first oil refinery in Port-Harcourt, hydro-electric dam on the River Niger, Paper and Sugar mills among other industrial establishments (Olaniyi, 1998: 107). In terms of improving indigenous participation in the economy that was dominated by foreigners, there was success in distributive trade and produce marketing which resulted in the emergence of few indigenous businessmen. However, the plan did not succeed in reducing the foreign dominance in the areas of large-scale commercial and industrial activities (Ezeife, 1981: 165).

Following these mixed developments, the Second National Development Plan was launched after the civil war for the period between 1970 and 1974. This time around, Nigeria has lost its original federal structure as a result of military interventions. States were created as subnational units in place of the former 4 large regions. Also the federation was centralized as a response to the strong centrifugal forces that caused the civil war. Coming after a civil war, therefore, the political objective of the plan—national unity and integration—made the plan to be focused on the reconstruction of the war ravaged infrastructure.

Although this plan was also project-based, it differed from the first plan in that it viewed the national economy as an organic unit which determines the success of subnational economies. Hence, there was no basis for rivalry or differentiated development policies at the subnational level (Olaniyi, 1998: 107). To this end, the plan recognized the element of social justice and therefore has as one of its objectives balanced development among various parts of the country. This was to be achieved by setting national minimum economic and social standard for every part of the federation without stagnating the pace of development of other parts (Oguntoyibo, Areola and Filani, 1978: 414).

Another contrasting feature of the Second National Development Plan was the indigenization policy. This came at a time when the wind of economic nationalism was blowing across Africa. In the case of Nigeria, the military easily decreed the Nigerian Enterprise Promotion policy in 1972, which was subsequently amended in 1973, 1974 and 1977. With this policy, the national government and some private citizens took increased control of the economy. This policy was accompanied with a renewed interest of the government in the production of capital goods, development of domestic scientific and technology and resource based production. Consequently, the Nigerian national government acquired majority shares in key sector of the economy. By the end of 1977, the national government had acquired majority shares in 6 oil companies, 14 financial institutions, 41 manufacturing firms and 16 public corporations whose activities directly affected the performance of manufacturing establishments (Egbon, 1994: 89).

Unlike in other African countries, the indigenization policy in Nigeria allowed the private sector to develop its entrepreneurial capacity by participating in the indigenization process. Funds were made available to them through state-owned/controlled and private banks, and other specialized financial institutions (Ezeife, 1981: 166-170). It is interesting to note also that this plan was implemented during Nigeria's first oil boom, when oil replaced agriculture as the major foreign exchange earner and export. It was therefore oil revenue that ensured the realization of the policy objectives of the plan. The government became the prime mover of the economy by investing growing oil revenues in social, physical and economic infrastructures (Obadan, 1993: 10).

With a mixture of successes and challenges in the implementation of the Second National Development Plan, the Third National Development Plan to cover the period of 1975 to 1980 was introduced. This plan was not project-based. It had well articulated objectives that were largely socio-economic. These were:

a) Increase in per capita income

b) More even distribution of income

c) Reduction in the level of unemployment

d) Increase in the supply of high level manpower

e) Diversification of the economy

f) Balanced development

g) Indigenization of economic activities.

This plan was implemented when the neo-Keynesian type of management of economy was glaring. This gave impetus to the military to pursue the move towards greater state control of the economy. However, the implementation of the plan was interrupted by world economic depression which led to reduction in oil-prices. The impact of the depression on an oil dependent economy like Nigeria's was significant. This compelled the military regime that took over from the initiator of the plan to review the plan. The plan was refocused to policies that had direct impact on standard of living; agriculture, health, water supply, etc. This change in policy direction led to the launching of Operation Feed the Nation, which reduced the deficit in agricultural commodity production as a result of dependence on oil revenue (Olaniyi, 1998: 108).

The Third National Development Plan also had regional development plans based on the policy objective of balanced development. The plan emphasized that "a situation where some parts of the country are experiencing rapid economic growth while others are lagging behind" was not tolerable. Hence, the plan was "structured to generate growth simultaneously in all geographical areas of the country" and this was reflected in the size and distribution of both federal and state programmes (Oguntoyibo, Areola and Filani, 1978: 408). This plan also concluded that the states provided the most inappropriate basis for regional planning and development, which implied central control/planning of the economy.

The Fourth National Development Plan of 1983-85 was the first to be designed by a democratically elected government. The plan was introduced when there was decline in oil revenues and disequilibrium in the balance of payment, among other implications of world economic crisis. With these problems, the plan emphasized key sectors such as agriculture, education, manpower and infrastructural development. The persistence of the impact of the world economic crisis made the government to enact the Stabilization Act in 1982 as an austerity measure. The military regime that took over power from the civilian administration in late 1983 also continued with austerity and stabilization measures.

The failure of the austerity and stabilization measures to revive the economy led to a paradigm shift in economic development policy. In 1985, the military administration of Babangida proclaimed a state of economic emergency in order to avoid economic collapse. What followed the proclamation was the introduction of Structural Adjustment Programme (SAP) in 1986. SAP was controversially opined as a "revolutionary approach" to the economic problems that defied state centric solutions (Obandan, 1993: 13-9). Thus SAP, initially designed for the period of 1986 to 1988, was specifically aimed at reducing government's direct participation in prodcutive economic activities and the liberalization of trade. Agricultural marketing boards were, for instance, eliminated and price restrictions scrapped.

The driving force for SAP was the need to open the economy for capital flow and allow market forces to take control. Measures taken to achieve this objective included rationalization and privatization of state-owned enterprises (SOE). Later in 1989 a New Industrial Policy was declared for Nigeria. This policy had 5 packages: fiscal measures on taxation and interest rates, effective protection through import tariff, export promotion of locally made goods, foreign currency facility for international trade, and development banking. Implementation of this policy led to the establishment of National Reconstruction Fund (NERFUND), Small Scale Industries Corporation and the Small Scale Industries Credit Scheme (Egbon, 1994: 85). The Nigeria Export Promotion Council, Nigerian Investment Promotion Commission, Nigerian Export Processing Zone Authority and Industrial Development Centres were established with offices in different parts of the country to facilitate the actualization of the policy objectives. In anticipation of the social consequences of the implementation of SAP the national government also introduced "complementary Programmes/Institutions" such as Peoples Bank of Nigeria (PBN)— (financed wholly by the federal government), Community banks to further provide financial resources for rural and low income citizens, national Directorate of Employment, Mass Transit Scheme, Directorate for Food and rural Infrastructure, and Better Life Programme (Obandan, 1993: 25-34).

SAP was developed based on the minimalist approach to development: one in which the level of state regulation and intervention is reduced to an absolutely necessary minimum. Unlike the pre-SAP development policies, the private sector was to serve as the engine of growth thereby marking a paradigm shift from the "state to the market as the principal allocator of resources" for economic development (Nzongola-Ntalaja, 2000: 11). Though SAP had no specific plan for narrowing disparities in development among the geo-political regions the spreading of offices of development financing and industrial/export promotion institutions in all parts of the federation was a step in that direction. This gave rise to, for instance, the establishment of export processing zones in Cross River and Kano States by the federal government, and the establishment of Peoples Bank branches in all the local government of the federation.

Although there was resurgence of agricultural and manufacturing production following the restructuring of domestic production and liberalization of incentive regimes, SAP "failed to address Nigeria's long term development objectives and the fundamental structural bottlenecks of its economy". To overcome the challenges that implementation of SAP posed, the African Alternative Framework to Structural Adjustment Programme (AAF-SAP) was developed. This alternative development strategy was aimed at socio-economic recovery and transformation of African economy by strengthening and diversifying Africa's production and the productivity of investment (Tamori and Tamori, 2004: 32-7). The AAF-SAP acknowledged political factor as an "operative force", which acts on the general pattern and rate of development. It did not, however, provide policy direction for geo-politically based regional disparities. It followed the neo-liberal trend of development policy, which limits differences in distribution of income between rural and urban areas.

The Abacha regime that came after the Interim National Government led by Chief Ernest Shonekan, used a 3-tier rolling plan system. After adopting the 3-year rolling plan (1990-92), the federal government through the National Planning Commission embarked on long term planning that was to cover a period of twenty years. But the development of this plan was overtaken by the desire of the government to prepare the Vision 2010 document. Consequently, budgets and rolling plans became subsets of Vision 2010, which went beyond the economic realm to cover all facets of national life (Okojie, 2002: 367). The policy thrust of the rolling plans, as in the case of the National Rolling Plan of 1997/99, was to sustain macroeconomic stability, address problems of inflation and ailing SOEs, any others. Some of the strategies adopted included commercialization and privatization of SOEs, fiscal transparency and intergovernmental fiscal policy coordination. An important feature of the federal government intervention was the setting of Petroleum Trust Fund (PTF), an extra-budgetary fund sourced from the increment in pump prices of petroleum products. The PTF was used as an intervention in various sectors and at different levels.

The return to civilian rule in 1999 was accompanied with a renewed vigour for economic reforms. After early years of policy conundrum, the federal government introduced its development plan called the National Economic Empowerment and Development Strategy (NEEDS) in 2004. NEEDS identified three major obstacles that prevented economic progress in Nigeria. These were unequal chances of prosperity for all citizens, government control of major national income sources, and hostile environment for private sector growth and development. To overcome these challenges, NEEDS took an ambitious approach with policy goals that include value reorientation and elimination of corruption. To achieve these goals, certain macroeconomic, fiscal and regional integration policies as well as a social charter that seeks to reduce poverty by creating wealth and generating employment were outlined.

As an economic development policy NEEDS is growth-oriented. NEEDS seek to diversify the economy from oil and mineral resources and "systematically reduce the role of government in the direct production of goods, and strengthen its facilitating and regulatory functions" (NPC, 2004: i-17). To achieve these policy objectives, NEEDS focuses on the following strategies, among others: i) privatization, deregulation and liberalization of key sectors of the Nigerian economy, ii) coordination of national development with particular emphasis on the agricultural and service sectors; iii) financing real sector of the economy; and iv) developing target programmes for private sector growth.

To successfully coordinate national development especially as its concerns macroeconomic stability, a fiscal policy that is aimed at reforming budget, tax, and public expenditure management systems was also outlined. Subnational governments were, therefore, encouraged to develop the subnational components of NEEDS; State Economic Empowerment and Development Strategy (SEEDS) and Local Economic Empowerment and Development Strategy (LEEDS).

In essence, NEEDS is tailored towards a market driven and private sector economy that promotes the values of free enterprise, competition and comparative advantage. However, NEEDS attempts to balance market fundamentalism with social responsibility by leveraging government intervention and regulation as a way of protecting the economically weak and vulnerable. It emphasizes the role of state in economic planning and not as strictly determined by market mechanisms. It seeks to achieve the fundamental objective of state policies as enshrined in the constitution: maximum welfare, planned and balanced development. Thus, while it can be said that the Nigerian state is in the process of transition from a developmental state to, borrowing words from Loughlin (2000), a "hollow state" with less government intervention, it in principle appears to be a "commutarian state" with emphasis on equality of opportunity and social justice through competition (Agranoff, 2003: 67).

3.3 NIGERIAN FEDERALISM AND BALANCED DEVELOPMENT

The idea of balanced or even development is almost as old as Nigerian federation. In the First Republic, when the federation was highly decentralized and there was considerable competition among subnational units, emphasis was on national development. The sharp differences that existed in the pre-independence regional development plans were reduced. Regional governments were made to recognize and accept common objectives and economic targets as a way of achieving national development (Olaniyi, 1998: 106 and Aka, 2000: 21). Over the years, however, the idea of balanced development has become analogous with national development. It has become a fundamental objective of state policy, which as enshrined in the 1999 Constitution, is to "harness resources of the nation [in order to] promote national prosperity". All state policies are to be directed towards ensuring "the promotion of a planned and balanced economic development". Such an economy is expected to secure maximum welfare of all citizens on the basis of social justice and equality of status and opportunity (FRN, 1999: 11).

The elevation of the idea of balanced development to a pivotal position in national development can be tied to long military rule. This was made possible by the centralization of political power and resources. The development ideology that was held high then also encouraged the national government to adopt central planning and state participation in economic activities. Importantly, the revenue that accrued to the federation following the oil boom made it possible to finance national development plans (Olufemi, 2005: 72). Thus, with firm control of power and resources, the military took political decisions that were aimed at achieving balanced economic development. The federally relevant measures taken are discussed below.

3.3.1 Restructuring of the Federation

From the first exercise in 1967 to the last in 1996, the aim of achieving balanced development was used to justify creation of new subnational units. The first exercise under the Gowon administration was necessitated by political exigencies and it was carried out just before the start of the civil war. One of the political objectives was, as Gowon puts it, "to correct the imbalances in the administrative structure of the country" and to "minimize future political friction and ensure a stable federation" (Elaigwu, 2006: 111).

Beyond this political objective, however, there was also the economic objective of creating an organic economic system that will integrate various development efforts of subnational governments. It argued that the subnational level was an inappropriate level of development planning. Therefore, it viewed the flow of federal revenue to subnational governments as a catalyst for national development vis-à-vis even development among the subnational units (Adejuyingbe, 1986: 214). In a similar way, the Murtala/Obasanjo administration saw creation of new subnational units as necessary for even development. It increased the number of subnational units from 12 to 19 in 1976. By creating more subnational units, the government believed that there would be greater opportunity for economic development in all parts of the federation since the spread of resource for development would be wider (Adejuyingbe, 1979: 197-205).

The military regime under Babangida created subnational units in 1987 and 1991. The 1991 exercise increased the number of states from 21 to 30. The creation of 9 new states was justified on the basis of 3 "mutually reinforcing principles". These were the need for social justice, even development, and a balanced and stable federation. Some of the criteria used in creating the new states were the need to achieve relative balance among state in population and resource distribution, and also to avoid sectional domination inherent in the existing power structure and resources allocation system (Suberu, 1994: 68-9).

The last exercise under Abacha was believed to be a response to two economic and socio-political factors: i) the "need for even spread of development and in order for development to reach the grassroots" and ii) "the need to meet the demand and aspiration of the various ethnic and sub-ethnic communities in Nigeria for local autonomy and self-actualization in the spheres of cultural, economic and social life" (FRN, 1995: 187).

3.3.2 Resource Allocation

To achieve balanced development in a federation, a fiscal arrangement must be devised for the distribution of resources vertically (between different levels of government) and horizontally (among governments of the same level). Different principles or criteria are used in working out this fiscal arrangement. In Nigeria, the history of resource distribution shows the use of more than ten different principles. Table 1 gives a summary of principles used in working out formula for distribution of resources since independence.

Elaigwu (2006: 247-8) identified four broad principles used in the formulation of fiscal allocation formula in Nigeria. These are: i) *derivation*, "which emphasizes that federally collected revenue or resources from land or water of states (subnational units) should be returned to them wholly or substantially"; ii) *need*, which "emphasizes the need to meet expenditure demands of subnational units in order to carryout desirable services"; iii) "*equality or logic of federalism*" , which presupposes that all subnational units are equal and as such they should receive equal federally collected revenue and they should as well have independent sources of taxes and revenues; and iv) *national interest*, which emphasizes the need to raise the living standard of those people in poorer subnational units above minimum national standard.

Elaigwu (2006:283) goes further to argue that in the desire for balanced development military administrations have de-emphasized the role of derivation in resource allocation. Beyond this predisposition of the military, Onimode (1996: 170) observed that in the debate on revenue allocation in Nigeria there is general agreement on balancing the need for "equity" with that of "efficiency" for sustained economic development and elimination of poverty. He also observed that there is general agreement that "revenue allocation should be used to redress regional imbalances in development".

3.3.3 Federal Character

Federal politics in Nigeria has always highlighted the need to promote national unity and political stability among the various groups in the federation. Besides, the existence of disparities among the various groups in terms of educational level narrows windows of opportunity opened for the more backward groups to participate in both public and private sectors. In an attempt to narrow the gap between subnational units in terms of political participation and in government bureaucracies, the federal government adopted the principle of federal character. At the federal level, the 1999 Constitution mandates the federal government to reflect Nigeria's federal character by ensuring that persons from few subnational units or ethnic group do not dominate government agencies. A specific agency, the Federal Character Commission, was established to promote, monitor and enforce the application of principle of proportional sharing of all bureaucratic, economic, media, and political posts among the various subnational units. (Ayua and Dakas, 2005: 251-2). Other deliberate policies employed as an affirmative action in, for instance, the educational sector, are the use of quota system, educationally disadvantage status of subnational units and catchment areas in admission into federal tertiary institutions.

Table 1: Horizontal Fiscal Allocation Principles (1958-2004)

Year	Fiscal Commission/Committee	Principle/factor
1958	Raisman	Need Derivation
1964	Binns	Derivation Financial Comparability Need Even Development Tax Effort
1967	Decree No. 15	Equality (in the North) Population
1968	Dina	Basic Needs Minimum National Standards Balanced development Derivation
1970	Decree No. 13	Population Equality of States
1977	Aboyade	Equality of Access to Development Nat. Minimum Standard for National Integration Absorptive capacity Independent Revenue and Tax Effort Fiscal Efficiency
1979	Okigbo	Minimum Responsibility Of Government Population Social Development Factor Internal Revenue Effort
1989	National Revenue Mobilization Allocation and Fiscal Commission	Equality of States Population Social Development Internal Revenue Effort Land Mass Terrain
2004	Revenue Mobilization and Fiscal Allocation Commission (RMFAC) recommendation	Equality of States Population Population Density Internal Revenue Effort Landmass Terrain Rural Road/Inland Waterways Portable Water Education Health

Source: Elaigwu (2006: 304).

3.3.4 Federal Presence

Preserving a federation requires the provision of equal opportunity for development for all subnational units in the federation. In Nigeria, there is a common agreement that 'federal presence should be used to correct existing imbalances or maintain exiting balances (Onimode, 1996: 170). The expression "federal presence" has been used to explain the distribution/location of federal government offices and projects/programmes, and it can be extended to cover location of enterprises or economic activities generating establishments in different parts of the federation. The essence of federal presence is to give a sense of belonging to the various subnational groups in the federation and also promote balanced development among subnational units. Such considerations led to the citing of iron and steel mills in Katsina, where there was significantly no forward linkage industries; the citing of Kaduna refinery; the distribution of eleven River Basin Authorities across the length of the Niger, Benue and Chad hydrological systems; industrial development centres in the former 21 states; among others. The distribution of these economic activity generating establishments was achieved with ease previously because of considerable government involvement in productive economic activities using the central planning instrument.

3.3.5 Regional Development Programmes

The federal government has responded to peculiar development needs of regions. The military administration of Gowon responded to the challenges of post-war economic development by initiating special programmes/projects. This led to the adoption of 3 R (Reconciliation, Reconstruction and Rehabilitation) as a guiding principle, the establishment of National Rehabilitation Commission and the proposed National Reconstruction Development

Plan of 1970-74. All these special interventions were focused on the erstwhile seceding Biafran region. Although the proposed regional-based plan was not actualized, the Second National Development Plan reflected federal government's special attention to the war ravaged Biafra (Elaigwu, 1985: 140-152).

The Niger Delta region is another region that has increasingly attracted federal governments' special attention. At independence, the Niger Delta Development Basin Authority (NDDBA) was set up. In 1981 the Revenue Act was enacted by the civilian administration to provide a special fund for oil producing areas. Later in 1985, the military government under Babangida responded to the special demands of the oil rich Niger Delta region by increasing revenue to oil producing states and the establishment of the Oil Mineral Producing Areas Commission (OMPADEC). (IHRHL, 2000: 17). In 2000, the government of President Obasanjo transformed OMPADEC into Niger Delta Development Commission (NDDC). NNDC is about regional development and its mandate is to facilitate the rapid, even and sustainable development of the Niger Delta. The states covered by the commission's activities are Abia, Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers This commission, like its precursor, is tasked with the responsibility of managing the pool of resources accruing to the states in the area for development purpose (www.nddconline.org).

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CHAPTER FOUR

DIMENSIONS OF REGIONAL DISPARITIES IN NIGERIA

4.1 STRUCTURAL IMBALANCES

The Nigerian state was founded on a colonially demarcated territory. The amalgamation of the formerly separately colonized territories to form the Nigerian compact in 1914 gave rise to two constituent units with different geographical sizes. The Northern Protectorate was twice as large as the Southern Protectorate. The disparity in geographical size of the two original constituent units created an imbalance in the Nigerian polity. By the time the Southern Protectorate was fragmented into three regions in 1963 this imbalance was more disproportionately glaring. The Northern Region covered 77.0% of Nigeria's landmass. The Eastern Region covered 8.3%, the Western Region 8.5% and the Mid-Western Region 4.2%. While Nigeria's compact area remains the same except for the recent border adjustment between Nigeria and Cameroon, the geographical size of constituents units has significantly changed with the creation of smaller units.

The sheer size of the North and the subnational units that constitute it gives it an advantage in distribution of resources and even in the creation of new subnational units. To balance the effect of imbalance in geographical size, especially in the distribution of resources, population density is also considered in addition to landmass. This gives subnational units with high ratio of population to geographical size an advantage. Also related to the geographical size is the inclusion of terrain as a factor in the distribution of resources. Since the landmass of Nigeria traverses vegetation, geological and topographical zones, particular weight is assigned to terrain in the distribution of resources. Those areas with difficult terrain will consequently attract additional consideration to enable them narrow the gap in the cost of provision of public goods and services.

Apart from differences in geographical size, the population of constituent regions in the Nigerian federation is highly uneven. Unlike geographical size of federation, the population of Nigeria and those of the constituent units changed quite considerably over the years. The northern region accounted for 55.37% of Nigeria's population in 1953 while the southern regions accounted for 44.63%. By 1963 the northern region accounted for 53.5% of the total population of Nigeria, the eastern region 22.3%, the western region 18.4% and the Midwestern 4.6%. The population of the northern region of Nigeria was more than the total population of the three southern regions. This numerical superiority is still manifest in Nigeria when viewed via the lens of the north-south dichotomy. Table 2 shows changes in population of Nigeria based on the two original regions while Tables 3 and 4 show the population of sampled states and geopolitical zones in the 2006 census.

Population is a salient issue in Nigeria's federal politics. It determines the share of subnational units in the Federation Account (FA) and number of federal constituencies in a particular subnational unit. It is also factored in in the creation of additional subnational units. Censuses have always been contested and even cancelled in the past because of the weight assigned to it in the distribution or resources and political representation. The 2006 census was also trailed with controversies. In fact the controversies started before the census exercise. The intention to use the National Identity Card for elections was interpreted differently. While southern politicians saw it as an instrument for checking the perceived manipulation of census figures in the North, their opponent in the North saw it as a way of facing out a sizeable rural population of the North. Northern politicians objected the use of National Identity Card for elections while the southern politicians insisted on the use of it. This led to threat of boycotts of the 2003 elections by some subnational groups if the National Identity Card was not used for elections (Vanguard, 11 October 2000).

Table 2 Trend in population of the Northern and Southern part of Nigeria

'Region'	1952/53 Pop.	1952/53 %	1963 Pop.	1963 %	1991 Pop.	1991 %	2006 Pop.	2006 %
North	16.835	55.37	29.809	53.55	47.369	53.32	74.025	53.59
South	13.570	44.63	25.196	45.25	41.623	46.77	64.978	46.41

Source: *This Day*, February 12, 2007, p. 82

Table 3: Population and Annual Exponential Growth Rate of Sampled States (2006)

S/No	State	Population	Annual Exponential Growth Rate
1	Adamawa	3,168,101	2.9
2	Ebonyi	2,173,501	2.8
3	Kano	9,383,682	3.3
4	Lagos	9,013,534	3.2
5	Plateau	3,178,712	2.7
6	Rivers	5,185,400	3.4
7	FCT	1,405,201	9.3
	Nigeria	**140,003,542**	3.2

Source: National Population Commission

Table 4: 2006 Population of Geopolitical Zones

S/No	Geopolitical Zone	Population	Percentage of Total Population
1	North Central	18,861,056	13.4
2	North East	18,971,965	13.5
3	North West	35,786,944	25.5
4	South East	16,381,729	11.7
5	South South	21,014,655	15.4
6	South West	27,581,993	19.7
7	FCT	1,405,201	1.0

Source: National Population Commission

When the time for the census came, the decision by the federal government not to include religious and ethnic backgrounds of citizens sparked off another round of suspicion. This again led to threat of boycott by some ethnic and religious groups. Finally when the provisional results of the census were announced in 2006, there were allegations of manipulation of figures. Groups in the southeast contested the figures saying that it gave a wrong picture of the demographic situation of the region while Lagos state threatened to discard the figures. Lagos state made a case for the use of the census figures it conducted simultaneously with that of the National Population Commission.

From the above, it can be seen that the structural imbalance in the Nigerian federation is founded on disparities in geographical size and population. The manifestation of this features in the original federal structure (1960-66) bred suspicion of political domination by the North. This suspicion led to the restructuring of the federation as a way of balancing inherent ethno-regional imbalances as manifest in the federal structure. Attempt by the military to balance the structural imbalance led to fragmentation of the large constituent units into smaller ones and the number of fragmented units (in the former regions) was made the same in 1967. Six states were created from the former northern region and the same number was created from the three former southern regions. A balance in numerical terms was achieved. However, subsequent fragmentation of constituent units tilted the balance established in 1967. The number of states in the former northern region became more than that of southern Nigeria. Table 5 shows the structural imbalance in the Nigerian federation based on the number of constituent units in the two original constituent units.

The structural imbalances inherent in the post-1967 restructuring of the Nigerian federation as reflected in the number of subnational units is a hotly debated issue. While some subnational groups particularly in the southeastern zone are agitating for additional subnational units as a way of balancing structural imbalances, others especially in the southwest are advocating the return to the original regional structure or adoption of the zonal structure in the constitution. Such agitations either underscore population and geographical size as factors that determine the structure of the federation or contest the authenticity of the figures used for the purpose of restructuring of the federation.

Another dimension of structural imbalance highlighted in Nigeria's federal politic is that of representation of subnational groups at federal the level. This could be in terms of federal appointments, elective federal legislative offices or in the federal bureaucracy. All these three aspects of representation are directly or indirectly determined by the federal structure. Political appointments for ministerial positions, heads and members of boards of extra-ministerial agencies, diplomatic positions as well as special aides and assistants to the federal executive are done on the basis of equality of states. The implication of this is that the number of federal appointees varies from one region to another. The North with 19 states will automatically have more appointees than the South with 17 states.

Table 5: Number of Subnational Units in Northern and Southern Nigeria

Date	Number of Subnational units		Total
	Northern Nigeria	Southern Nigeria	
1914	1 protectorate	1 protectorate	2
1946	1 region 12 provinces 39 divisions	2 regions 11 provinces 44 divisions	3 regions 23 provinces 83 divisions
1963	1 region 14 provinces 41 divisions	3 regions 21 provinces 55 divisions	4 regions 35 provinces 96 divisions
1967	6 states 41 divisions	6 states 55 divisions	12 states 96 divisions
1976	10 states 152 local governments	9 states 148 local governments	19 states 300 local governments
1987	11 states 240 local governments	10 states 208 local governments	21 states 448 local governments
1991	16 states 320 local governments	14 states 273 local governments	30 states 595 local governments
1996	19 states 413 local governments	17 states 355 local governments	36 states 769 local governments

Source: Wantchenkon, L and Adadurian, T. (2002: Appendix)

Similarly, the number of seats in the senate is determined on the basis of equality of states. When the number of seats in a zone is considered, however, zones with more number of states will have more number of senatorial seats. The Northwest zone, for instance, has 21 senators while the Southeast has 15, and the North has 57 while the South has 51. Tables 6 and 7 show the number of federal constituencies and senatorial districts in sampled states and the geopolitical zones.

Representation in the House of Representatives is based on the population of states. Federal constituencies are delineated based on population of states. The number of members in the house, therefore, varies significantly from one state to another or from one zone to another. While Lagos and Kano states have 24 members each, Ebonyi and Plateau have 6 and 8 respectively. This therefore means that the northern part with its population size and number of subnational units would have more representation in the federal legislature. Although the criteria adopted in the delineation of federal constituencies and senatorial districts are universal, there are fears in the Nigerian case that this imbalance can lead to permanent dominance in legislative decisions.

Table 6: Number of Local Governments and Federal Constituencies in Sampled States

S/No	State	Local Government	Federal Constituencies
1	Adamawa	21	8
2	Ebonyi	13	6
3	Kano	44	24
4	Lagos	20	24
5	Plateau	17	8
6	Rivers	23	13
7	FCT, Abuja	6	2
	Total	**774**	**360**

Table 7: Population, Number of Political Units and Federal Constituencies according to Zones

Zones	Population*	States	Local Governments	Federal Constituencies	Senatorial Districts
North-East	18,971,965	6	112	48	18
North Central	18,861,056	6	115	49	18
North West	35,786,944	7	186	92	21
South East	16,381,729	5	95	43	15
South-South	21,014,655	6	123	55	18
South West	27,581,993	6	137	71	18
FCT	1,405,201	1	6	2	1
TOTAL	**140,003,542**	**37**	774	360	109

Source: *National; Population Commission

The pattern of representation in federal bureaucracy and agencies does not follow the pattern of representation in the federal elective and appointive positions. The pattern shows those states or regions with more specialized and trained manpower dominating positions in federal bureaucracy and agencies. In this case the northern states and zones are less represented than those in the south. This has been the case since pre-independence period. Table 8 shows the trend in the distribution of manpower in core federal civil service between 2001 and 2005. The pattern of distribution can be explained, in part, by the differential levels of Western education among the regions. Addressing this uneven representation led to the constitutional provision for the federal character principle and the establishment of the Federal Character Commission to monitor and enforce the application of the principle.

4.2 FISCAL IMBALANCES

Throughout the length of the period of study, international price of crude oil remained relatively high. In an economy that is largely dependent on revenue from the sale of crude oil, this windfall meant increase in resources available to governments in the federation. The implication of this was a considerable increase in the revenue accruing into the Federation Account (FA) since mineral resources are federally controlled. Table 9 shows the fiscal trend of federal and subnational governments between 1999 and 2005.The total federally generated revenue increased from ₦972 billion in 1999 to ₦5,482 billion in 2005. Also the total amount of subantional government IGR increased from ₦39 billion in 1999 to ₦190 billion in 2005. The increasing trend was reflected in the expenditure pattern of both federal and subnational governments. The expenditure of the federal government without amortization increased from ₦262 billion in 1999 to ₦2,372 billion in 2005, while that of subnational (state and local) governments increased from ₦228 billion in 1999 to ₦1,962 billion in 2005.

Table 8: Consolidated Manpower Statistics (GL 01-17) in Core Federal Civil Service amongst Sampled States and FCT (2001-2005)

S/No	States	2001	2002	2003	2004	2005
2	Adamawa	2.4%	2.2%	2.2%	2.3%	2.2%
11	Ebonyi	0.6%	0.6%	0.8%	0.8%	0.7%
19	Kano	2.1%	2.0%	2.1%	2.0%	1.9%
24	Lagos	3.4%	3.4%	3.1%	3.0%	3.0%
31	Plateau	2.8%	2.8%	2.8%	2.7%	2.6%
32	Rivers	2.0%	2.0%	2.1%	2.1%	2.1%
37	FCT, Abuja	0.5%	0.6%	0.8%	0.7%	0.9%
	Total number	133,992	129,502	220,263	213,368	145,195

Source: Federal Character Commission

Apart from the increasing trend in government revenue the period under review was marked with fiscal decentralization. This was as a result of stricter adherence to constitutional provisions for distribution of resources, the proper utilization of the Special Fund previously monopolized by the federal government and the implementation of the derivation principle in the distribution of revenues among subnational units. With these developments, the amount allocated to the subnational governments increased steadily at the expense of that of the federal government. Table 10 shows the decentralizing trend in revenue allocation between 1999 and 2005.

Table 9: Fiscal Trend of Federal and Subnational Governments (1999-2005)

	1999	2000	2001	2002	2003	2004	2005
Gross total federally collected revenue	972	1946	2178	1964	2656	3973	5452
Subnational IGR	39	45	69	100	139	153	190
Expenditure of federal government w/o amortization	762	1136	1618	1442	1585	1707	2312
Subnational expenditure	228	505	708	895	1190	1523	1962

Source: World Bank (2007: 13).

Table 10: Actual Revenue that Accrued to Federal and Subnational Governments

Year / Government	1999	2000	2001	2002	2003	2004	2005
Federal	68.7	68.4	49.2	47.6	49.4	46.3	45.9
State	19.7	19.8	31.6	31.9	31.6	35.3	35.8
Local	11.7	11.8	19.2	20.5	19.0	18.4	18.3

Source: World Bank (2007: 14)

On the horizontal plane, the pattern of resource allocation shows a wide gap among subnational governments and zones. This is attributable to the redistributive nature of Nigeria's fiscal federalism and the dependence on almost a single source of revenue. The implementation of the 13% derivation has resulted in significant disparities in the revenue that accrue to subnational regions in the federation. The oil bearing states therefore got more resources compared to others. Rivers state, for instance, got ₦621,996,274,440.22 between 1999 and 2007 while Kano state with the largest population got ₦370,935,172,516.81 and Ebonyi got ₦149,606,220,047.59 in the same period. On the zonal level, the oil rich south-south received 27.8% of the N9 trillion distributed to subantional governments.

Fiscal disparities among subnational units in Nigeria are reflected in the politics of resource distribution. This owe to the fact that the Nigerian economy is highly dependent on a single source of revenue and the central control of revenues that accrue from this source. This has therefore made the agitation of resource bearing subnational units more aggressive and persistent. The agitation for greater control of resources from oil exploration led to the upward review of the percent assigned to the derivation principle in revenue allocation to 13% and the enactment of the onshore/offshore law, which expands the area of application of the derivation principle. These two issues are hotly debated that the delegation from the Niger Delta threatened a walk out during the National Political Reform Conference. This is in addition to the lingering violent crises in the region.

Table 11: Federation Account Allocation to Sampled States and FCT (June 1999-May 2007)

S/No	State	Allocation (₦ : K)
1	Adamawa	200,358,588,269.16
2	Ebonyi	149,606,220,047.59
3	Kano	370,935,172,516.81
4	Lagos	331,928,495,035.61
5	Plateau	155,194,100,965.61
6	Rivers	621,996,274,440.22
7	FCT	193,027,632,752.09

Source: Federal Ministry of Finance (*Vanguard* June 18, 2007: p. 1)

Table 12: Allocation Zones (June 1999-May 2007)

S/No	Zone	Allocation (₦:K)	% of Total
1	North Central	1,119,923,040,171.15	12.36
2	North East	1,169,647,233,664.93	12.91
3	North West	1,726,644,948,261.06	19.06
4	South East	918,287,731,810.75	10.13
5	South South	2,517,989,899,147.64	27.80
6	South West	1,410,918,214,147.53	15.57
7	**Total (including FCT)**	**9,056,438,699,855.15**	

Source: Federal Ministry of Finance (*Vanguard* June 18, 2007: p. 1)

The Onshore/Offshore Act was however contested in a court of law by some non-oil bearing states, while the whole issue of resource control was interpreted as "anti-North" by a former governor. This led to the agitation for resumption of exploration of crude oil in the North as a way of scaling up revenue and changing the parasitic and rent-seeking impression of the North. Besides the agitation for control of mineral resources, there was also agitation for greater control of VAT. The southwest zone also agitated for greater control of VAT since most of the VATable economic activities are done in the zone (Vanguard, October 11, 2000: 14).

4.2 SOCIO-ECONOMIC DISPARITIES

The growth and stability of the financial sector are key indicators of macroeconomic stability and economic growth in liberalized economies. This sector, particularly the banking sub-sector, was therefore given special attention by the federal government under its reform policies. This led to the banking consolidation reforms that raised the minimum operating capital of commercial banks from ₦1 billion to ₦25 billion. Consequently, the number of banks reduced considerably from 89 to 25.

The new banks have their branches spread across the country. The number of branches is an indirect indicator of economic activities in a particular region. Table 13 shows the distribution of banks in sampled states. It is important to note that the first six banks (listed in Table 13) are the most capitalized banks while the last two are controlled by former regional banks in the new merger group. Unity Bank is controlled largely by the former Bank of the North owned by the 19 states in the North while Wema Bank owned by states in the south west controls the largest shares after merging with a smaller bank.

The figures in Table 13 shows the concentration of banking activities in more industrialized states with Lagos state having between one-quarters and one-fifth of the total number of branches of the banks. The transactions of these banks also follow this trend. Lagos state and FCT, for instance, account for 48% and 16.86% of total deposits, and 69.9% and 4.6% of the total loans of the banks respectively. More alarmingly, the 3 zones in the north with 19 states have less than the deposit of the south-south zone. These 3 zones account for only 8.5% of the total deposits in the bank. According to Soludo (2007: 13) the picture is likely to be gloomier if government deposits are net out.

Table 13: Branches of Selected Commercial Banks in Sampled States

s/no	State	Number of Branches							
		FBN PLC	UBA PLC	UBN PLC	ZB PLC	GTB PLC	ITB PLC	WB PLC	UB PLC
1	Adamawa	8	6	8	2	1	1	1	4
2	Ebonyi	3	3	3	1	1	1	-	-
3	Kano	8	13	7	2	2	5	1	20
4	Lagos	70	98	56	58	36	73	43	33
5	Plateau	9	10	7	1	1	2	1	6
6	Rivers	13	20	9	5	2	8	2	9
7	FCT, Abuja	13	15	4	6	3	7	4	21
	Total	355	408	285	127	84	178	132	210

Source: CBN (working Document)

Also, in terms of ownership, the reform policy in the banking sub-sector has its regional fallout. As the only Chief Executive Officer of northern background in the group of 25 new banks argued, before the reforms, Nigerians of northern extraction had seventeen banks. These banks were not the strongest or most profitable but as he argued they were helpful to northern economy. However, the implementation of the reform policy led to the drastic reduction in the number of banks controlled by northerners from seventeen to one. The few other 'Northern' banks that survived by merging with other banks, do not in all the merger groups have up to 20% of the holdings in the new banks that emerged. In all, the stake of Nigerians of northern extraction dropped from 20% before the implementation of the policy to only 4% afterwards. The implication of this trend he argued is inability of the people of the North to participate in the control of Nigeria's resources because in modern economy credit is needed to control resources (www.busineesdayonline.com).

In order to reduce the impact of the above regional fallout on the economic development of the more backward north suggestions were made for the categorization of banks into more than one on the basis of minimum operating capital. This suggestion was reflected in a National Assembly bill which outlined the categorization of banks into four: i) national clearing bank with a minimum capital base of ₦25 billion; ii) national non-clearing bank with a minimum capital base of ₦10 billion; iii) regional/specialized bank that will operate in a geopolitical zone or in specialized banking with a minimum capital base of ₦5 billion; and iv) unit bank that will operate in a local government with a minimum capital of ₦25 million (www.busineesdayonline.com).

The agitations and suggestions made did not see the limelight. Instead the CBN responded with a new policy for Micro Finance Banks (MFB). With the implementation of this policy, it is expected that the former community banks will recapitalize and transform into unit

MFBs to operate in a local government with minimum capital base of ₦20 million or state MFBs to operate within a state with a minimum capital of ₦1 billion. A deadline for this transformation is December 2007.

Thus far the implementation of the new MFB policy indicates a bias against the more economically backward region, the North. Statistics provided by CBN shows that out of the over 600 community banks that have their financial reports vet by the apex bank only 75 had up to ₦20 million shareholders' fund as at the take off of the new policy in 2005 (CBN, 2005: 6). Also out of the existing community banks only 14 new MFBs have taken off less than six months to the deadline. Out of 14 newly recapitalized MFBs seven are located in Lagos state, two in Cross River and one each in Delta, Edo, Rivers, Imo and Akwa Ibom states. No community bank in the 3 northern zones had successfully recapitalized (CBNwww.cenbank.org: Accessed June 12, 2007).

Another indicator of disparities in economic development can be observed in the flow of foreign investment. One of the fundamental objectives of the economic reform policy of the federal government's reforms is the promotion of foreign investment. The deregulation, privatization and liberalization of major sectors of the economy have opened the economy for participation of foreign entrepreneurs. However, the flow of investment shows bias against the less industrially developed states as can be observed in Table 14. Lagos state accounted for 63.9% of the total number of investment projects between 2002 and 2005 while the FCT, Kano and Rivers states received 3.3%, 8.2% and 9.8% respectively. In all, Plateau, Ebonyi, Adamawa and other 21 states did not receive any investment.

The pattern of disparities among regions is also reflected in socio-economic terms. Although there is general reduction in the level of poverty in country, statistics show the incidence of poverty to be more acute in some regions than in others. The poverty profile of states and zones shows an increasing trend in some states and zones and significant reduction in others. Table 15 shows the poverty trend between 1980 and 2004. From the figures in Table 15, the incidence of poverty has increased from 65.5% in 1996 to 71.73% in 2004 in Adamawa state. It also shows remarkable reduction in the case of Rivers state from 44.3% in 1996 to 29.09% in 2004. The increasing trend is also replete in the case of the Northeast zone with incidence of poverty increasing from 35.6 in 1980 to 72.2% in 2004. Table 16 shows the trend in poverty profile of six geopolitical zones from 1980 to 2004. The pattern of poverty is also related to education. This can be seen using admissions in Nigerian universities as shown in Table 17.

Table 14: Pioneer Status Granted Between 2002 and 2005

s/no	State	No. Of Projects	Nature of Business/Sector	Employment Generation
1	Abia	-	-	-
2	Adamawa	-	-	-
3	Akwa-Ibom	2	Agric./Agro Allied	158
4	Anambra	-	-	-
5	Bauchi	-	-	-
6	Bayelsa	-	-	-
7	Benue	1	Building Materials/Manufacturing	
8	Borno	-	-	-
9	Cross River	-	-	-
10	Delta	2	Agro Allied and Oil & Gas	644
11	Ebonyi	-	-	-
12	Edo	-	-	-
13	Ekiti	-	-	-
14	Enugu	1	Communication/Services	202
15	Gombe	-	-	-
16	Imo	-	-	-
17	Jigawa	-	-	-
18	Kaduna	-	-	-
19	Kano	5	Automobile/Manufacturing; Food and Beverages/Manufacturing; Textile/Manufacturing; Agric./Agro Allied; Household Products/Manufacturing	2849
20	Katsina	-	-	-
21	Kebbi	-	-	-
22	Kogi	2	Mining/Solid Minerals (2)	880
23	Kwara	-	-	-

Table 14: Pioneer Status Granted Between 2002 and 2005 (cont.)

24	Lagos	39	Building Materials/Manufacturing (7); Communication/Services (7); Textile/Manufacturing; Electronics/Manufacturing; Food and Beverages/manufacturing (4); Pharmaceuticals/Manufacturing (2); Iron & Steel/Manufacturing (5); Power and Infrastructure/Manufacturing (2); Agro Allied (2); Oil & Gas (2); Chemicals/Manufacturing and Others(6)	8767
25	Nasarawa	-	-	-
26	Niger	1	Food & Beverages/Manufacturing	
27	Ogun	3	Household/Manufacturing; Food & Beverages/Manufacturing and Iron &Steel/Manufacturing	529
28	Ondo	1	Agro Allied	88
29	Osun	-	-	-
30	Oyo	-	-	-
31	Plateau	2	Mining/Solid Minerals and Agro Allied	529
32	Rivers	6	Agro Allied (2); Food & Beverages/Manufacturing (2); Machinery/Manufacturing and Construction/Services	653
33	Sokoto	-	-	-
34	Taraba	-	-	-
35	Yobe	-	-	-
36	Zamfara	-	-	-
37	FCT, Abuja	2	Iron &Steel/Manufacturing and Communication/Services	4672
	Total	61		

Source: NIPC (www.nipc.org: Accessed July 18 2007)

Table 15: Incidence of Poverty (1996 and 2004)

S/No	State	1996	2004	
	Adamawa	65.5	71.73%	
	Ebonyi	51.0	43.33%	
	Kano	71.0	61.29%	
	Lagos	53.0	63.58%	
	Plateau	62.7	60.37%	
	Rivers	44.3	29.09%	
	FCT	53.0	43.32%	
	Nigeria	65.6	54.4	

Source: Poverty Profile 2004 (NBS)

Table 16: Trends in Poverty Level by Zones (1980- 2004)

S/No	Zone	1980	1985	1992	1996	2004
1	North Central	32.2	50.8	46.0	64.7	67.0
2	North East	35.6	54.9	54.0	70.1	72.2
3	North West	37.7	52.1	36.5	77.2	71.1
4	South East	12.9	30.4	41.0	53.5	26.7
5	South South	13.2	45.7	40.8	58.2	35.1
6	South West	13.4	38.6	43.1	60.9	43.0

Source: Soludo (2007: 27)

Table 17: Admission into Nigerian Universities by State

State	Total Admission into University	
	2003	2004
Adamawa	624	1458
Ebonyi	3377	3516
Kano	139	1307
Lagos	2640	4141
Plateau	449	853
Rivers	7032	4905
FCT	-	-
	45415	52777

Source: JAMB (www.jambng.org: Accessed August 21 2007)

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CHAPTER FIVE

RESPONSES OF GOVERNMENTS TO REGIONAL DISPARITIES

5.1 NON-CONSTITUTIONAL ADAPTATIONS AND INFORMAL INTERACTIONS

Federalism is argued to be a property of the constitution. It is the constitution that shapes the federal structure, institutions and processes in a given system. The constitution also defines the fundamental political and economic objectives of state policies. During the period of study, there were no constitutional changes. The system was operated with the 1999 Constitution. However, a number of non-constitutional adaptations and informal interactions were made in response to the political imperative of change in the structural, institutional and processual aspects of Nigeria's federal system.

The thirty-six state structure of the Nigerian federation remained rigid. This structure is manifest with the inherent imbalances in size, population, number of political units and share of federally distributable political and economic resources. As a response to the growing dissatisfaction with structural imbalances in the country, a more balanced structural arrangement was adopted. The 36 states of the federation were divided into 6 zones: the north-central, northeast, northwest, southeast, south-south and southwest. This zoning system was proposed during the 1995 Constitutional Conference but it was not included in the 1999 Constitution. However, the system has been adopted by the civilian administration that operated the 1999 Constitution.

The adoption of the zoning system has helped in reducing the political tension that characterizes Nigeria's federal politics by equating the number of zones in north and southern part of the country. Though the 36-state structure forms the basis of the zoning system, it has provided a more equitable ground for sharing of political power and distribution of resources.

For example, to enhance political stability through political participation, the six highest elected positions (the President, Vice-President, Senate President, Deputy Senate President, Speaker of the House of Representatives and Deputy Speaker of the House of Representatives) are shared among the six zones. This zoning system is also reflected in other organs of government and political institutions such as political parties.

The economic implication of this attempt to balance Nigeria's structural imbalance through political participation can be appreciated if viewed from the political economy perspective. The Nigerian economy, as it is in most developing countries, is powered with state resources. Access to power means access to state resources, which can be personalized. Through rent-seeking and political patronage, and even corruption, state resources are accumulated in a more equitable manner among the elite. Thus the elite and sub-elite become broad based thereby enhancing elite stability needed to preserve the political system.

Importantly, also, the zones have provided a platform for articulation and promotion of subnational group interest. This has, for instance, given impetus for the South-South to conveniently protect and promote its political and economic interest at the federal level. This platform has been used to agitate for resource control by the state governments in the region, which resulted in the Offshore/Onshore dichotomy Act that increased the revenue accruing to the states. The zoning system has also provided an avenue for cooperation among governments in a particular zone. A good example is the floating of BEDROCK Oil Company. This company is owned by the six Niger Delta states and it was established to among other things provide greater economic control of the resources in the area by generating revenue to the states and also promoting the participation of indigenes of the area (Vanguard, October 4, 2000: 1-2).

Similarly, the governors of the 19 northern states formed the Northern Governors' Forum (NGF). This forum provided an informal basis for the articulation of collective interest of the states in federal bargain. A good example of this Forum's intervention was on the issue of the offshore/onshore bill. The Forum encouraged governors of the non-oil bearing states to contest the enactment of the Bill into law in the court of law. Although the 19 governors went to court together with two others from south western states, the issue was resolved politically out of court.

As a response to the establishment of the NGF, the 17 governors of the southern state formed the Southern Governors Forum (SGF). At one of the meetings of SGF, the governors made it clear that given the immense human and material resources in the states they controlled, southern Nigeria can surpass the Asian Tigers' developmental experience. In the same meeting, the specific grievances of the southeast, south-south and southwest peoples were expressed as marginalization in terms of federal presence, resource control and control of VAT respectively (*Vanguard*, 11 October 2000: 14 & 28). Other regionally based informal organizations such as the Northern Senators Forum, Southern Senators Forum, Northern Members Forum and Southern Members Forum were established for the promotion and protection of subnational interests.

Apart from these informal interactive fora of elected government officials, ethno-regional/socio-cultural organization emerged and became relevant in federal politics. Popular among the groups were the Arewa Consultative Forum (ACF), Yoruba Elders Forum, Afenifere, Ohan'eze, Middle Belt Forum, South South Peoples Congress and Northern Union. The minority groups were not left behind in the dominated political areana. In fact, an alliance was formed between the Niger Delta and Middle Belt which led to the signing of a Memoranda of Understanding (MoU). Some of the issues included in the MoU are the collective effort of the political leaders of the two regions in ensuring the establishment of Solid Mineral Producing

Areas Commission (SOMPADEC) similar to OMPADEC, and the consideration of the two geopolitical regions in the privatization of federal SOEs (*Vanguard*, 18 December 2000: 2).

All these are responses to some of the constitutional/political issues that need to be addressed in the Nigerian federation. They form part of the federal bargain process. Although, these informal interactions made some constitutional inadequacies more pronounced, they have succeeded in providing political solutions to constitutionally rooted disputes. As such they have lubricated the wheel of Nigeria's federal system.

5.2 USE Of FISCAL INSTRUMENTS

There are no constitutional changes in the distribution of powers and responsibilities since 1999 despite the global trend of decentralization. This therefore necessitated adjustments that will ensure the achievement of the goals of economic reform policy of the federal government. To this end, NEEDS was designed in such a way as to enhance the deconcentration of responsibilities from the federal government to the subnational governments and the private sectors. This is hoped to be achieved by using fiscal instruments in the coordination of intergovernmental relations. The fiscal instrument employed thus far is conditional matching grant. Under this scheme, state and local governments are to be provided with matching grants to execute projects or programmes that are of national priorities (NPC, 2004: 107). This scheme is the first well articulated grants scheme. It is a departure from the traditional practice of discretionary grant under the military and the excessive abuse of this fiscal instrument during the Second Republic. A National Council for Conditional Grants was set up to monitor the scheme.

Following the success in debt negotiation and in line with the reform of the public expenditure management system, the federal government initiated a conditional grant scheme. In the 2007 budget, ₦20 billion of the Federal Debt Relief fund was set aside for grants to state and local governments for projects associated with Millennium Development Goals (MDG). The MDGs are internationally set goals but achieving the goals will also address some of the areas of disparities among regions. States can be given up to ₦3 billion grant to finance projects that include water supply and sanitation, and those that support public private partnership in the provision of health, water and education. Therefore, states that are, for instance, backward in terms of human capital can maximize the window of opportunity opened to catch-up. The assumption here is that state governments are masters of their problems. They are expected to use their SEEDSs vis-à-vis MDG-related projects to close the gap that exist in terms of physical and social infrastructure.

5.3 INCREASED DEVELOPMENT FINANCING

The federal government through the Central Bank of Nigeria (CBN) has reorganized its policies and institutions as part of the economic reform agenda. This was done with a view to increasing capital for development vis-à-vis poverty reduction and wealth creation. Disparities in the access to financial resources in this case were viewed from the income axis and not geographical spread. Also, the new approach to development financing is largely sectoral, although there is bias in favour of rural poor. This approach is in line with the liberal tradition which favours sectoral interventions and frowns at regionally-based interventions that fetter the flow of factors of production and goods. Despite this inclination, however, the policy is an indirect response to the plight of the backward regions that are largely rural and agro-based.

Agriculture, being the mainstay of the economy, received substantial development funding. In 2000, the federal government merged the Nigerian Agricultural Cooperative Bank (NACB) with PBN and Family Economic Advancement Programme (FEAP) to form Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). With this development, the funds meant for financing agriculture were all disbursed through the NACRDB.

Apart from funds set aside in NACRDB, agricultural activities are financed through other commercial banks under the Agriculture Credit Guarantee Scheme (ACGS). ACGS is a scheme managed by CBN. It provides guarantee cover to banks who give loans to the agricultural sector of the economy. This encourages the banks to provide more funding to the farmers. The Scheme has an initial authorized share capital of ₦3 billion controlled by the Federal Government (60%) and the CBN (40%). The economic reforms of the federal government did not affect the public financing of development under (ACGS). In fact the amount guaranteed under the scheme increased from ₦1,184,480.40 in 2003 to ₦4,263,080.30 in 2006, representing an increased of about 360%. The spatial distribution of the funds is shown in Table 18. The distribution shows states that are more rural largely benefiting more from the scheme.

In addition to publicly guaranteed agricultural credit scheme for individuals and cooperatives, another fund was set aside in partnership with private commercial banks for the Trust Model. This fund is meant for large capital agricultural projects and programmes. So far, the states that have utilized the fund are mostly rural and agro-based. Table 19 shows the utilization of the fund by state governments and private firms as at February 2007. Interestingly, state governments accessed more funds than the private sector. Thirteen state governments utilized ₦1.358 billion representing 95.84% while the private sector and NGO utilized ₦59 million representing 4.16%.

Table 18: Utilization of ACGSF (2003-2006)

State	2003		2004		2005		2006	
	No. Of Projects	Amount (₦m)	No. Of Projects	Amount (₦m)	No. Of Projects	Amount (₦m)	No. Of Projects	Amount (₦m)
Adamawa	375	51,825.00	1009	148,840.00	1097	217,220.00	1957	376,875.00
Ebonyi	190	14,525.00	122	12,765.00	229	33,620.00	204	33,695.00
Kano	1320	63,670.00	1840	89,323.00	1404	77,875.50	1818	88,239.50
Lagos	592	52,132.00	382	63,110.00	804	101,216.00	728	116,60.00
Plateau	623	26,905.00	726	41,830.00	1228	62,455.00	738	73,185.00
Rivers	292	19,530.00	35	2,035.00	726	58,560.00	854	67,470.00
FCT, Abuja	-	-	1126	48,755.00	103	9,345.00	487	81,500.00
Total	**24,308**	**1,184,480.40**	**35035**	**2,083,744.70**	**46236**	**3,046,738.50**	**54,032**	**4,263,080.30**

Source: CBN (www.cenbank.org: Accessed June 30 2007)

Table 19: Utilization of ACGS-Trust Fund Model by Stakeholders (State Governments and Private Companies)

S/NO	State	AMOUNT PLACED/PLEDGED (₦m)	PARTNERR BANK	DATE MOU WAS SIGNED
1	SPDC MISCARD (Shell Petroleum Co.)	5.00	FBN/FIB	2001
2	Jigawa	50.00	FBN,PHB,&UNITY	2002
3	Agip Green Card (Agip Oil Co.)	10.00	UBA	2003
4	Kogi	180.00	FBN/14 COMMUNITY BANKS	2003
5	Nasarawa	10.00	FBN	2004
6	Katsina	500.00	FBN, UNITY, PHB, FIRST INLAND	2004
7	Ondo	100.00	SPRING	2004
8	Total Card (Total Oil Co.)	40.00	UBA	2004
9	Benue	15.00	PHB	2005
10	Kaduna	50.00	UBA	2005
11	Kwara	63.00	UBA	2005
12	Kebbi	100.00	UBN	2005
13	Ogun	50.00	FBN	2005
14	CASPAN (NGO)	4.00	Fidelity/Zenith	2005
15	Cross River	100.00	UBA, UBN, FBN	2006
16	Osun state	40.00	UBA, CBN	2006
17	Oyo	100.00	SPRING	2006
TOTAL		**N1,417.00**		

Source: CBN (www.cenbank.org: Accessed June 30 2007)

Another sector that recorded considerable support from the government is the Small and Medium Scale Enterprises (SME). The federal government recognizing the role of SMEs in development established the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and also provided consolidated fund for financing the Small and Medium Enterprises Investment Scheme (SMEEIS). Under this scheme, private banks are to provide guaranteed financial resources to potential entrepreneurs. The sum of ₦38,225,933,000.00 was set aside by private banks for the SMEEIS. Out of this amount ₦17, 038,945,355.11has been utilized as at December 2006. Table 20 shows the utilization of fund by sampled states. It can be observed from the table that entrepreneurs in the more industrialized states accessed most of the fund. Lagos state alone accounted for 45.86% of the total amount invested in 140 projects. In all, the fund was utilized in 24 states and the FCT while 12 states including Ebonyi and Adamawa states did not have any investment in the category of SMEs financed under the SMEEIS. Again, this pattern clearly show bias against the more rural and agriculture-based states.

The new MFB policy is expected to improve accessibility of funds meant for the SME sector. The policy framework for the MFBs was introduced in 2005. This policy was designed as a strategy for financing development by making finance capital accessible to the large segment of the Nigerian population. It is specifically aimed at scaling up financial resources for the economically weak and poor, which are more in the northern part of the country. It can be said to be a fall out of the banking consolidation policy, which did not favour the North.

Table 20: SMEIEIS fund by State as at December 2006

s/no		Number of projects	Amount Accessed (₦ : K)	Percentage of total
1	Adamawa	-	-	-
2	Ebonyi	-	-	-
3	Kano	5	323,898,346.00	1.90
4	Lagos	140	7,813,783,393.90	45.86
5	Plateau	2	54,267,029.00	0.32
6	Rivers	8	997,964,181.11	5.86
7	FCT, Abuja	4	255,000,000.00	1.50

Source: CBN (www.cenbank.org)

Interestingly, one of the targets of the MFB policy is to promote the participation of at least two-thirds of subnational governments (state and local governments) in the federation by 2015. To achieve the objectives of the MFB policy, the Microfinance Development Fund (MDB) is to be established. The funds for MDB would be sourced from the federal, state and local governments, commercial banks and international development/donor agencies and financial institutions (Maina, 2006: 6).

For the takeoff of the MFB scheme, however, financial resources would be made available by the federal government and the CBN. This policy therefore shows the central role of state in development financing and it also recognizes the central role of subnational governments in microfinancing of development. Though the CBN has reduced the stake of governments in commercial banks to a maximum of 10%, it is promoting the participation of subnational governments in the case of the MFBs. Also, unlike the PBN under SAP in which the federal government took the sole responsibility of financing the MFBs and establishing branches in all local governments in anticipation of 'market failure', this policy assign such responsibility to subnational governments. Subnational governments are expected to intervene where private capital fails. Again, the federal government is, by doing this action, shedding off the burden of microfinancing of development and sharing the risks involved with subnational governments.

5.4 INTERGOVERNMENTAL ECONOMIC COORDINATION

The 1999 Constitution grants considerable fiscal autonomy to subnational units. The responsibility of providing public goods is therefore split among autonomous governments at different levels. Subnational governments can, therefore, design and implement their economic development plans, fiscal policies and budget regimes independent of the federal government. Since the return to civilian rule in 1999, subnational governments have regained their lost autonomy. The implication of this development is difficulty in coordinating and managing national development policy. To address this problem, the federal government's NEEDS was developed within the parameters of intergovernmental coordination. NEEDS seeks to integrate economic effort of subnational governments by improving economic coordination. Subnational governments were therefore encouraged to develop their development strategies along the principles and values that NEEDS upholds. They are also expected to reflect their peculiar developmental challenges and potentials, in such a way that they will stimulate economic activities that they have comparative advantage.

A number of institutions are to be used for the purpose of intergovernmental policy coordination/implementation. These institutions existed before the current government but they have been sustained because of the importance attached to intergovernmental coordination in the new reform agenda. The major ones are:

a) National Council for Economic Planning with the state represented by their governors;

b) National Council on Development Planning with commissioners of planning representing states;

c) Joint Planning Board with permanent secretaries from state planning ministries representing their states;

d) National Councils on all the key sectors (education, health, water, etc) with state represented by commissioners of respective ministries representing states;

e) National Planning Commission, a statutory body established for the monitoring economic performance of states and intergovernmental policy coordination.

To achieve better economic coordination, the national government set an incentive scheme to support subnational governments in developing their development strategies (SEEDS). The fact that NEEDS has gained international recognition made the national government to use development agencies' funds to encourage subnational governments to accept and adopt NEEDS-guided economic development strategies (World Bank, 2007: 15). In essence the improved coordination of the economy has led to increased harmonization of policies, budgets and programmes.

Upon completion of SEEDSs by all the 36 states and FCT, the federal government, through the NPC initiated a benchmarking exercise for measuring the output/impact of implemented SEEDSs. Four key areas were selected as benchmark areas for this purpose. These areas are; i) policy development, ii) budget and fiscal management, iii) service delivery, and iv) communication and transparency. So far, two benchmark exercises have been conducted in 2005 and 2006 using 90 and 51 indicators respectively (NPC, 2007: 2-20). Tables 21, 22 and 23 show the performance of sampled states using selected indicators.

Table 21: Policy Performance of States in 2004

S/No	State	A (2)	B (2)	C (2)
1	Adamawa	0	0	0.5
2	Ebonyi	2	0	0
3	Kano	0	1.3	0
4	Lagos	0	0	0.5
5	Plateau	0	0	0
6	Rivers	0	0	0
7	FCT	2	0.8	0.5

Indicator A: Medium Term Sector Strategy
B: Coherent Fiscal Strategy
C: Provision of Separate Poverty Reducing Expenditure
Source: NPC (2006 SEEDS Benchmarking)

Table 22: Internally Generated Revenue as Percentage of Budget (2003-2005)

State	Budget			Internally Generated Revenue (IGR)			IGR as Percent of Budget		
	2003 (₦ m)	2004 (₦ m)	2005 (₦ m)	2003 (₦ m)	2004 (₦ m)	2005 (₦ m)	2003 (%)	2004 (%)	2005 (%)
Adamawa	12,164.3	23,110.4	n.a.	969.2	980.2	109.3	7.92	4.24	n.a.
Ebonyi	11,041.2	n.a.	n.a.	325.3	1043.5	826.1	2.95	n.a.	n.a.
Kano	n.a.	n.a.		3079.0	4400.0	4700.0	n.a	n.a.	n.a.
Lagos	47,221.3	59,460.2	70,759.3	27,537.4	33,998.2	42,283.1	58.32	57.18	59.76
Plateau	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rivers	69,143.43	89,602.5	150,187.0	12,287.9	15,789.0	19,974.2	17.77	17.62	13.50
FCT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: NPC (2006 SEEDS Benchmarking)

Table 23: Performance of Sampled States in Service Delivery

Project	Electricity		Water		Roads		Secondary Health		Secondary Education	
	P	C	P	C	P	C	P	C	P	C
Adamawa	7	0	38	30	36	35	11	3	33	30
Ebonyi	14	8	0	0	0	0	9	8	0	0
Kano	146	50	22	16	116	32	8	7	948	910
Lagos	95	58	18	10	42	10	0	0	0	0
Plateau	13	1	27	11	35	23	6	0	5	0
Rivers	61	5	42	29	46	20	18	2	20	1
FCT	3	0	22	20	4	3	10	0	6	4

Source: NPC (2006 SEEDS Benchmarking)
P=Proposed
C=Completed

An important innovation of the federal government that will further improve intergovernmental coordination is the Fiscal Responsibility Act, which is still under consideration in the National Assembly. This Act seeks to reduce dependence on oil revenues by imposing budget discipline, reducing arbitrariness in budget/planning and implementation, and improving internal generation of revenue. A Fiscal Responsibility Council with the federal and subnational representation as well as the private sector and civil society is expected to be established to monitor and enforce the Act.

With this Act and the Council, all tiers of governments would be mandated to develop a Medium Term Expenditure Framework (MTEF) and manage their fiscal affairs and development planning within the MTEF (NPC, 2004: 90 and World Bank, 2007: 247). This legislative piece is hoped to further strengthen and streamline development effort of subnational governments along with national priorities and internationally set goals. If implemented adequately this innovation is likely to enhance fiscal transparency and accountability.

Although coordination of governmental effort is a necessity for achieving a more balanced national development, there are, however, risks involved. The upper hand the federal government has by virtue of its leadership position in national development planning and more particularly its monopoly over macroeconomic policy making, may, depending on the policy inclination, thwart the efforts of subnational governments that are not of national priority or negates the underlying principles of the federal government's policies. Where market fundamentalism is promoted from above the direct role of subnational governments are expected to play will be frustrated. If subnational governments are restricted in their allocation of public resources to the provision of public goods, their role of checking imperfections of market allocation of resources will be upset. This will not augur well for the less developed regions, as they would not be able to offset the selective allocation of resources to the more developed regions.

5.5 OPENING HINTERLAND FOR INTERNATIONAL TRADE

Factors of production are generally geographically selective. They are usually attracted to areas that have proximity to international trade routes, nodes or ports. Disparities in terms of economic activities can therefore result from geographical locations of regions. In Nigeria, such disparities exist. Only 8 states have off-shore boundaries, and among these the bulk of the economic activities are concentrated in the Lagos ports, with scanty activities in the Port-Harcourt, Calabar and Warri ports. To minimize disparities that are associated with such geographical locations, among other reasons, the federal government has initiated a number of schemes.

Among these schemes, two are very important. These two schemes are the inland container port (ICD) supervised Nigerian Shippers Council (NSC) and Export Processing Zones (EPZ) supervised by Nigerian Export Processing Zones Authority (NEPZA). The two supervising agencies (NSC and NEPZA) have been in existence prior to the coming of the present government and its reform policies. A contrasting feature of the present schemes is the systematic withdrawal of the national government in the financing of projects related to the schemes. The federal government only provides policy direction and incentive regimes. Investment in the schemes is largely by the private sector and/or subnational governments.

The ICD is a facility with public authority status established to provide international shipping facilities in the hinterland thereby giving boost to inland trading. By so doing, the large hinterland of Nigeria is expected to be opened for international trade. The disparities in commercial and industrial activities that result from geographical location will therefore be reduced. So far, 8 ICDs were earmarked for the first phase of the scheme. These are located in Abia, Bauchi, Oyo, Plateau, Kano, Katsina, Gombe, and Borno states. Table 24 shows the location of ICDs and their Concessionaires. Out of this 8 earmarked ICDs, 6 have been concessioned to private firms for take off under Build, Own, Operate and Transfer (BOOT) arrangement in which the federal government serves as a grantor and the private firms as concessionaries/operators. The ICD can be contrasted from the Inland Port project under the Inland Port Authority. The latter is financed by the federal government as a way of brining shipping activities to the hinterlands.

The EPZ scheme has been in existence since 1992. Three EPZs were established in 1992 and 1996 in Cross River, Kano and Rivers States by the federal government. With the ongoing reform policy, the federal government has withdrawn its investment in this scheme. Therefore all the subsequent EPZs were financed by private sector, subnational governments or partnership between the two. Table 25 shows the location, ownership and status of approved EPZs. Out of the 13 EPZs that were approved for operation 6 are wholly financed by the private sector. Interestingly, 5 EPZs were financed by subnational governments. Two EPZs were financed in partnership between subnational governments and the private sector. In one case, two subnational governments (Ogun and Ondo States) partnered with the private sector.

Table 24: Location of Inland Container Depots and their Concessionaires

S/No	Name	Location
1	Equatorial Marine Limited	Funtua, Katsina State
2	Catamaran Logistics Limited	Ibadan, Oyo State
3	Eastgate Inland Container Terminal Ltd.	Isiala Ngwa, Abia State
4	Duncan Maritime Ventures Limited	Jos, Platrau State
5	Dala Inland Dry Port Limited	Kano, Kano State
6	Migfo Nigeria Limited	Maiduguri, Borno State

Source: Nigerian Shippers Council (www.nscng.org: Accessed July 14 2007)

On the whole, the pattern of development of EPZs has shown increased involvement of subnational governments by taking the previously federal government role of promoting balanced development. This development is an indication of the response of subnational governments to the challenges of economic development which requires governments to provide incentives and enabling environment for private sector participation. This is therefore an attempt to encourage both manufacturing and service industries in states that are largely agriculture-based. However, it is glaring that private capital has awarded itself to the more industrial state with all the 6 EPZs in Lagos being partly or wholly financed by the private sector. The less developed states response was therefore an attempt to make for private capital inadequacies.

Table 25: Export Processing Zones in Nigeria since Inception

S/N	Name	Location	Year of Approval	Status	Ownership
1	Calabar Free Trade Zone (CFTZ)	Cross Rivers State	1992	Operational	Fed. Govt.
2	Kano Free Trade Zone (KFTZ)	Kano State	1996	Operational	Fed. Govt.
3.	Onne oil & Gas Free Zone	Rivers State	1996	Operational	Fed. Govt.
4.	Lagos Free Zone	Lagos State	2002	Under Construction	Private
5.	Tinapa Free Zone & Tourism Resort	Cross Rivers State	2004	Under Construction	Private
6.	Olokola Free Zone	Ondo & Ogun Stats	2004	Under Construction	State/Private
7.	Snake Island Integrated	Lagos State	2005	Operational	Private
8.	Maigatari Border Free Zone	Jigawa State	2000	Operational	State
9.	Banki Border Free Zone	Borno State	2000	Declaration	State
10.	Ladol Logistics Free Zone	Lagos State	2006	Operational	Private
11.	Ibom Science & Tech. Park Free Zone	Awka Ibom State	2006	Under Cons.	State
12.	Living Spring Free Zone	Osun State	2006	Under Cons.	State
13.	Airline Service Export Proc. Zone	Lagos State	2006	Operational	Private
14.	Lekki Free Zone	Lagos State	2004	Under Cons.	Private/State
15.	Egbeda Free Zone	Oyo State	2001	Declaration	State
16.	OILSS Logistics Free Zone	Lagos State	2004	Declaration	State

Source: NEPZA (www.nepza.org: Accessed July 27 2007)

Another indicator of the changing role of government in economic development can be seen in the power sector. Nigeria's poor economic performance is attributed to her poor power infrastructure. To tackle this problem, the federal government deregulated the power sector with a view to allowing other investors participate. This has paved way for the participation of state governments. Rivers and Lagos states have successfully financed their Independent Power Projects (IPP)—the First Independent Power Company Limited and AES Power Barge Limited respectively. Table 26 shows the location of on-going IP 's and their ownership. Other states such as Kano and Kaduna have indicated their interest in investing in the sector. These four states have the largest concentration of industrial activities. Therefore the less economically viable states are likely not to participate in this sector of the economy. Similarly, it can be observed from Table 26 below that, without discounting other locational factors, the IPPs are located in states that have relatively high level of industrial activities.

5.6 REGIONAL AND SECTORAL INTERVENTIONS

The federal government has also appreciated the socio-economic problems facing particular regions. Thus far, the only regionally based response is the establishment of NDDC. The NDDC is an indication of the concerns for the plight of the oil-producing communities. It is an attempt to satisfy the demands of Niger Delta region restive population. The major objective of the commission is to facilitate the rapid, even and sustainable development of the Niger Delta

According to the Act establishing the commission, the federal government is to contribute the equivalent of 15% of the total monthly statutory allocations due to member states of the commission from the FA. The governments of the member states are also to contribute 50% of monies due to them from the Ecological Fund, while operating oil producing companies in the region are to contribute 3% of their annual total budget. The commission is also to manage all other fund that may come from the federal, state or international donor agencies for the purpose for which it was established.

Table 26: On-Going Power Projects and Timelines for Their Completion

S/NO	Name of Licencee	Type of Licence	Fuel Type	Site Location	State	Distribution Zone
1	Ethiope Energy ltd.	Electricity Generation	Gas	Ogorode Spele	Delta	Benin
2	Farm Electricity Supply ltd.	Electricity Generation	Gas	Ota	Ogun	Ibadan
3	ICS Power	Electricity Generation	Gas	Alaoji	Abia	Enugu
4	Supertek Nigeria ltd.	Electricity Generation	Gas	Akwete	Abia	Enugu
5	Ikorodu Ind. Power Ltd.	Embedded Electricity Generation	Gas	Ikorodu	Lagos	Ikeja
6	Ikorodu Ind. Power ltd.	Electricity Distribution		Ikorodu	Lagos	Ikeja
7.	Ewekoro Power Ltd.	Off-Grid Electricity Generation	Gas	Ewekoro	Ogun	Ibadan
8.	Mabon Limited	Electricity Generation	Hydro	Dadin Kowa	Gombe	Jos
9.	Geometric Power Aba Ltd	Embedded Electricity Generation	Gas	Aba	Abia	Enugu
10.	Aba Power Limited	Electricity Distribution		Aba	Abia	Enugu
11.	Westcom Technologies & Energy services Ltd	Generation (Grid)	Gas	Shagamu	Ogun	Ibadan
12.	Westcom Technologies & Energy services Ltd	Generation (Off-Grid)	Gas	Lekki	Lagos	Ibadan
13.	Anita Energy Ltd	Generation	Gas	Agbara	Ogun	Ibadan
14.	Bresson Energy Nig. Ltd.	Generation (Grid)	Gas	Magboro	Ogun	Ibadan
15.	First Independent Power Co. Ltd.	Generation (Grid)	Gas	Omoku	Rivers	Port Harcourt
16.	First Independent Power Co. Ltd.	Generation (Grid)	Gas	Trans-Amadi	Rivers	Port Harcourt
17.	First Independent Power Co. Ltd.	Generation (Grid)	Gas	Eleme	Rivers	Port Harcourt
18.	Ibafo Power Station Ltd	Generation (Grid)	Gas	Ibafo	Ogun	Ibadan
19.	Hudson Power Ltd	Generation (Grid)	Gas	Warawa	Ogun	Ibadan
20.	Shell Petr. Dev. Co. Ltd.	Generation (Grid)	Gas	Afam vi	Rivers	Port Harcourt

Source: Nigerian Electricity Regulatory Commission

To achieve its mandate, NDDC has by November 2002 awarded over 650 contracts worth over ₦35 billion for construction of social and physical infrastructure, environmental remediation and other economic activity regenerating projects. Table 27 shows budgetary allocations to member states between 2001 and 2002.

Table 27: Allocation of funds to Member States of NDDC (2001-2002)

S/No	State	2001 (₦:K)	2002 (₦:K)	Total (₦:K)
1	Abia	506,560,992.13	1,124,429,541.00	**1,630,990,533.13**
2	Akwa-Ibom	2,078,051,110.00	4,597,644,693.00	**6,675,695,803.95**
3	Bayelsa	1,785,204,643.08	3,950,412,630.00	**5,735,617,273.00**
4	Cross River	400,216,693.65	889,393,619.00	**1,286,610312.65**
5	Delta	2,683,536,114.12	5,935,852,081.00	**8,619,388,195.12**
6	Edo	444,215,980.82	986,638,259.00	**1,430,854,239.82**
7	Imo	591,895,250.13	1,310,030,305.00	**1,901,925,555.04**
8	Ondo	937,114,572.13	2,076,013,773.00	**3,013,128,345.13**
9	Rivers	1,785,204,643.08	3,950,412,630.00	**5,735,617,273.08**
	Total	**11,212,000,000.00**	**24,820,827,531.00**	**36,032,827,531.00**

Source: NDDC (www.nddconline.org: Accessed August 21 2007)

To efficiently coordinate development efforts of governments, private sector and international development/donor agencies, the NDDC came up with a development plan for the Niger Delta region. The Niger Delta Regional Master Plan provides a holistic framework for the development of the region by adopting participatory planning processes and creating a shared worldview among the diverse stakeholders to forge enduring change in the region. It is drafted in line with the goals and objectives of the NEEDS, SEEDS and LEEDS. With the support from the three levels governments as well as all the major stakeholders in the Nigeria's oil and gas industry, the plan presents a veritable tool for regional development. In fact, as response to the persistent outcry of marginalization and neglect by the people of the region, the United Nations development Programme (UNDP) commissioned its special Niger Delta Development Report in 2006.

The special attention given to the oil producing areas under the precursor of NDDC, OMPADEC, led to agitation for the setting up of similar commissions— Solid Mineral

Producing Areas Development Commission (SOMPADEC) and Hydroelectricity Producing Areas Development Commission (HYPADEC)— to cater for the special needs of solid mineral and hydro-electricity producing areas respectively. Though this agitation has not been given the necessary attention the proponents expected, it shows the importance attached to such a federal intervention.

Another important intervention by the federal government is in the education sector. This is not a regionally based intervention. It is, however, a response to the development prerequisite that shows remarkable regional variations. Interventions in this sector have been achieved by using special agencies/funds such as the Education Trust Fund (ETF), the Petroleum Technology Trust Fund (PTDF), and the Universal Basic Education Commission (UBEC). Basic education is primarily the responsibility of state and local governments. There are, however, areas of concurrence in which more than one government are expected participate. The federal government has explored these areas in a bid to improving intergovernmental policy coordination in education. A good example of innovations of the federal government is the matching grant scheme administered by UBEC to support state governments in the provision of basic education. Certainly for effective performance and maximum impact, the various agencies administering federal transfers/grant in the education sector need to be merged, the funds they manage pooled and their functions streamlined.

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CHAPTER SIX

CONCLUSION

6.1 Summary

Federal politics in Nigeria highlights the manifestation of regional imbalances in different forms. The fact that these imbalances are expressed in the old sense of north-south dichotomy makes them to be seen as inherent rather than circumstantial. This goes to confirm Elaigwu (2006: 376) assertion that the reasons that made federalism relevant in the pre-colonial era are still much the same. This is so because the North still has traits of political dominance and economic backwardness, while the South is economically more prosperous and politically disadvantaged. Subsumed under this bipolar regional picture are minority-majority issues, which are socio-culturally rooted but have political and economic dimensions. Resolving the countervailing polarities in Nigeria's federal politics and their corollaries makes federalism ever relevant in Nigeria. Thus, as Onwudiwe and Suberu (2005: 6) argued, federalism is critical in the achievement of three most important national objectives: inter-ethnic unity, democratic stability and socio-economic development.

Contrary to the envisaged federalization of the Nigerian political community, however, the restructuring of the federation into smaller subnational units has not entirely changed the old regionalized political culture. Structural imbalances are viewed in terms of number subnational units in each of the former big regions, the political offices and privileges associated with them, and the revenue allocated to subnational units. Balancing the federal structure requires equating the number of subnational units in the two big regions, or return to the former regional structure as the proponent of 'true federalism' advocate. Factors such as population and geographical size, and their derivatives, population density and terrains have become politically salient issues. Conversely, socio-economic disparities among regions are less politically pronounced and reticent. The reticence of socio-economic disparities can be explained in three ways.

The first reason has to do with the rentier nature of the Nigerian state and its redistributive federal system. In this system, there is more emphasis on distribution of revenues that accrue largely from rent collection and dependence on labour-free resource rather than revenue generation through productive economic activities. Secondly, the underlying issues in the politics of balancing structural imbalances are directly related to state allocation of resources and the power needed to control the allocation system. Socio-economic disparities, on the other hand, result from market allocation of resource— which claims cannot be made —and/or indirect consequences of management of state allocated resources.

Thirdly, and more importantly, the pronouncement of structural imbalances exposes the bizarre character of the Nigerian state. The regions and their attributes/features (population, size, etc) are instrutmentalized by political elite at the expense of the masses of the particularly more backward regions. Therefore the masses are caught up between market segregation and elite capture. As the state retreats and pave the way for market allocation of resources for economic development, regionalized masses would have to look inward for individual energies and collective synergies, and outward onto their immediate (subnational) governments so that they can optimally utilize the window of opportunity opened in the process of economic transition.

The economic reform policy initiated by the federal government is politically sensitive. It recognizes the federal character of the Nigerian state and accords various governments different roles in economic development. The drive towards market economy has made the federal government to retreat from its active role in productive economic activities. By deregulating, liberalizing and privatizing key sectors of the economy, it is gradually concentrating on the provision of national public goods. The vacuum so created as a result of the federal government's retreat is gradually filled by the private sector and in some cases by subnational governments. Subnational governments are encouraged to participate in those aspects of economic development that are believed to be essential and pose less threat to macroeconomic stability.

The federal government-led economic reforms can be argued to have therefore pushed forward the economic frontiers of subnational governments. Certainly, to face the challenges of globalization, Nigeria must control rather than be controlled by market forces. Since market allocation of capital is selective and biased towards more developed regions, subnational governments can make for factor inadequacy in areas they have comparative advantage. Nothing precludes participation in productive economic activities as states and even local governments can stimulate the growth of state-owned or state-propelled enterprises in the way the Town and Village Enterprises (TVE) were bolstered during the early period of transition of the Chinese economy. However, the underlying challenges are those of ensuring accountability and prudence in the management of such enterprises, and transforming bureaucratic psyche to entrepreneurial capability.

Some of the subnational governments have responded remarkably in the creation of enabling environment for increased economic activities as in the case of EPZ and IPPs, and the success of the ICDs will depend to a large extent on the commitment of subnational governments in infrastructural development and incentive regimes. Their participation is also highly encouraged in financing the development of two important sectors that are relevant in narrowing disparities among different regions; agriculture and small and medium enterprises. Their intervention in particularly the SME sector through microfinancing would go a long way in reducing the effect of the natural tendency of private capital flowing to more developed regions. The regulatory powers of federal agencies particularly the CBN will serve as a guarantee for the functioning of the market with both private and public participation in different sectors of the economy. Therefore, Nigeria's federalism can be argued to be fostering a pseudo-market economy with both private capital and public resources invested in different sectors of the economy.

The favourable economic environment created for subnational was made possible by the political transition to civilian rule. With the return to civilian rule, subnational governments have increasingly exercised their autonomy. This has resulted in and was also furthered by revenue and expenditure decentralization. The centralized structure of the Nigerian federation has, however, placed the federal government in a better position to lead the drive towards market economy. This has been made possible by the remarkable powers the federal government have and the resources it controls. Importantly also the support it enjoys from the international development/donor agencies for promoting an endorsed reform policy gives impetus for stiring up subnational governments to align their policies along similar line. The result of this is increased harmonization and intergovernmental coordination.

The NEEDS of the federal government puts premium on intergovernmental policy coordination using incentives, fiscal instrument such as matching grants and the Fiscal Responsibility Act, if it eventually scales through. The autonomy of subnational governments can be contained for the purpose of promoting national development policy. The danger here is that coordination may lead to over harmonization especially since the federal government has more disposable resources and still channels international development assistance. Over harmonization may lead to federal capture, or even international capture, in which case there will be difficulty in differentiating subnational priorities from international and national priorities.

Besides, if market fundamentalism is promoted from the top, the envisaged role of subnational governments in reducing regional disparities in economic development will be derailed as they would be confined to the provision of public goods. In the long run, this will not augur well for the country.

Another likely constraint to the active participation of subantional governments in the new vistas opened by the economic reform policies implemented is revenue availability. Subnational governments have recorded increase in the share of revenue in the FA due to revenue decentralization. However, the increase in the amount allocated to them was made possible by the oil windfall, which is arguably Nigeria's second oil boom. But this is not a healthy development and the trend is not sustaining. The general performance of subanational governments in IGR is poor. No state government can finance its budget without transfers from the FA. Results of the 2005 benchmarking exercise (Table 22) shows, for instance, Lagos state with the largest concentration of industrial and commercial activities generated 58.32% of its budget in 2003. Rivers state that received the highest allocation from the FA generated only 17.77% while more rural states like Adamawa and Ebonyi generated 7.92% and 2.95% respectively. Such a degree of dependence portends risks of subnational government not able to meet their developmental challenges. While Lagos state may not be able to meet the challenges of exponential urban growth, Adamawa may be financially incapacitated to change the increasing trend of poverty. Generally, due to high dependence on oil revenues, subnational governments would be susceptible to the vagaries of international market fluctuations and also the political outcome of resource distribution in Nigeria.

The political economy of resource distribution in Nigeria in the period of study shows that the generic formula used is in favour of resource endowed states, for now confined to the oil-producing states. The derivation principle which pegs not less than 13% of the revenue accruing from the sale of crude oil to the states of origin is a major advantage to few oil-producing states. It further militates against development of a stronger mechanism for horizontal fiscal equalization thus posing the risk of inequality which is likely to widen in medium and long term (World Bank, 2007: 15 and Frienkman, 2007: 188). Reasons for such inequality include i) built-in inequality in the horizontal revenue sharing that has bias in per capita terms in favour of less populous states, ii) differences in the revenue-raising opportunities related cross state development, and iii) different subnational expenditure policies. The net effect is the tendency towards uneven development or even increasing regional disparities in economic development.

Thus what may be of political expedience in the short run is most likely to have pervasive economic consequences in the long run. If the logic of federalism must be considered, a balance must be achieved between the two extremes so as to guarantee minimum standard across the federation. Subnational governments hold the key to solving this problem. They have to seize the opportunity opened under the current reforms to diversify their revenue base by stimulating economic activities in their areas of comparative advantage. The federal government's initiatives in the agricultural and solid mineral sectors, SME and MFB are gateways to greater economic performances.

6.2 RECOMMENDATIONS

There are popular agitations for the increase in the share of derivation in the revenue sharing formula, which means reduction in revenues accruable to the FA, and also reduction in the weight assigned to equality of states, population, landmass and terrain in the existing formula. Certainly, for political expedient reasons, the percentage for derivation needs to be increased to an amount that is mutually agreed. Contrary to suggestions that landmass and terrain be removed completely from the revenue formula because they are politically motivated (Osagie, 2007: 133), the weight assigned to them should be reduced from 10% to 6% and population density (also assigned 3%) should be added under this portion to balance the effect of increasing population particular in more urbanized states. These three factors affect mostly differential costs in the provision of physical infrastructure, and they need not to be discarded for now. The remaining 1% should then be added to that of social development factor. Table 28 shows the suggested horizontal revenue allocation formula.

Also the weight assigned to equality of states should be reduced to 30% from 36%. This is to cater for those states that are economically disadvantaged. The 4% reduced should be added to that of social development factor. The percent assigned to population should be reduced from 30% to 20%. 5% out of the 10% reduced should be added to social development factor while the remaining 5% should go to internal revenue generation effort. Thus, the percent assigned to social development factor will therefore be 20%. This is conformity with the general agreement that one of the major causes of underdevelopment in developing countries has to do with poorly developed social infrastructure. The revenue sharing formula should, therefore, accord the same importance to social development as a way of reducing poverty and enhancing economic development.

Also of equal importance is the need to scale up the weight assigned to internal revenue effort. The percent assigned to it should be increased from 10% to 15%. The difference of 5% should come from the percent reduced from the share of population. Efforts of subnational governments need to be rewarded in order to reduce dependence on federally generated revenue and also encourage healthy competition.

On the vertical axis, there is common agreement across board that revenue allocated to subnational governments be increased. This is in conformity with the global trend of decentralization and the increasing realities of localization which demands subantional governments to be responsive in the provision of public goods, and by extension in microfinancing development. While it has become imperative for a downward review of the existing vertical revenue sharing formula in favour of subnational governments, it is our contention that the amount reduced from the share of federal government should be divided into two. Half should go to subnational governments and the remaining half should be pooled in a special consolidated fund. Table 29 shows the breakdown of the suggested vertical revenue allocation formula.

Table 28: Suggested Horizontal Revenue Allocation Formula

Formula / Criterion	Current Formula	Suggested Formula
Equality of States	40	36
Population	30	20
Landmass	5	3
Terrain	5	3
Population Density	-	3
Social Development Factor	10	20
Internal revenue Effort	10	15
Total	100	100

The special fund should be maintained for purposes such as economic diversification and stabilization, development financing, research and development and for ecological purposes. Setting aside such a special fund is very important for a developing economy like Nigeria's. The fund can be used to offset market fluctuations that can be caused by oil price fluctuations; subsidies where and when needed and in the stabilization of the currency, when necessary. Subsidies here include those on pump prices of fuel (which led to the setting up of petroleum stabilization fund with the federal and subnational governments contributing ₦150 billion in 2006); subsidies for industrial imports such as machines; and subsidies for non-oil exports with special emphasis on agriculture and solid minerals sectors. All these subsidies would help in supporting the economy, as it was done in the case of developed market economies like Japan. In a highly competitive world with unlevelled playing ground, it is illusive to allow market forces to determine the course of these activities. State intervention is very necessary and it is through such special fund, controlled by no single tier of government but operated by federal agencies/institutions, that Nigerian economy can surely breakthrough.

Also, part of the special fund should be devoted to development financing. Currently this responsibility is shouldered by the federal government. This should however be a shared-responsibility. It has also become very necessary with the reform policy of the government, which implies federal government shedding off this responsibility to private sector and subnational governments. Subnational governments need to be involved especially at the micro-level, and a surer way to achieve this is through the special fund, which is first line charge. Subnational governments' lack of responsiveness in policy formulation and implementation as shown in the 2005 benchmarking results and the propensity of private investors to go to more developed regions can therefore be tackled. 2.5% of the distributable amount in the FA should be put aside for the purpose of development financing. The amount set aside for this purpose should be injected through both public controlled financial institutions like NACRDB, Nigeria Export Import Bank (MEXIM), SMEDAN and Bank of Industry, and as guaranteed or subsidized loans in private commercial banks. Particular attention should be paid to more rural areas by setting aside part of the fund for MFBs in the MDF.

The resources needed for the diversification of the economy can also come from this fund. Already the federal government has initiated special programmes for the agricultural and ailing textile sectors, with ₦50 billion and ₦70 billion pledged as support for the agricultural and textile subsectors respectively. The same intervention can help boost the solid mineral sector especially small and medium scale mining and refining activities. Whereas the intervention in the agricultural and textile subsectors are in the right direction, the same reasons that made private commercial banks' loans inaccessible to the real sector of the economy would most likely impede the success of any intervention made through largely commercial banks. These banks have propensity of financing lucrative quick-money and low risk investments to the detriment of sectors that have both forward and backward linkages. Thus the special fund can be used to augment private sector by guaranteeing or subsidizing loans into the sectors.

Apart from the statutorily allocated revenues, which are formula-based transfers by default, the federal government needs to re-invent a more robust grant system that will trigger competition among subnational governments without necessarily putting those regions that are backward at the disadvantage. The traditional discretionary 'grant' imbedded in annual budgets are more of 'federal gifts', used as a tool for generating political capital. However, greater part of budgeted expenditure of the federal government can be tied to certain conditions which would encourage subnational governments to contribute the resources towards achieving national development priorities and at the same time discharging their responsibilities. Each federal ministry should be mandated to identify areas of federal intervention or partnership between federal and state governments. The NPC and national councils on various sectors should then fashion out (conditional matching) grants in the core public service sectors—education, health, and water—and economic regeneration sectors— agriculture, tourism, solid minerals, commerce and industries. A well-designed grant system will, among other things, improve the capacity of subnational governments in policy formulation, encourage subantional governments to align their policies in line with national development goals, increase accountability of subnational governments in spending public funds, improve the quality of public services and enhance more balanced development.

Table 29: Suggested Vertical Revenue Allocation Formula

Level of Government	**Current Formula**	**Suggested Formula**
Federal	54.68	40.5
States	24.72	28
Local Governments	20.60	22
Special Funds	-	9.5
FCT	-	1.0
Economic Stabilization (including safety nets and subsidies)	-	2.0
General Ecology	-	3.0
Research and Development	-	1.0
Development Financing	-	2.5
Total	**100**	**100**

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APPENDIX

Table A: Minerals Found in 36 States and FCT

s/no		
1	Abia	Clay, Granite And Coal
2	Adamawa	Clay, Gypsum, Manganisite, Coal and Granite
3	Akwa-Ibom	Clay, Kaolin and Granite
4	Anambra	Clay, Kaolin, Granite and Coal
5	Bauchi	Wolfomite, Ill-R, Considerate, Kaolin, Coal, Clay and Granite
6	Bayelsa	Clay and Granite
7	Benue	Barite, Clay, Coal, Limestone, Granite
8	Borno	Clay, Fluoride, Bentonite and Granite
9	Cross River	Barite, Lead, Tantalite, Zinc, Limestone, Clay and Granite
10	Delta	Clay, Silica, Coal and Granite
11	Ebonyi	Clay, Zinc, Granite and Limestone
12	Edo	Dolomite, Gypsum, Bitumen, Clay, Coal, Limestone and Granite
13	Ekiti	Clay, Mica, Tantalite, Kaolin, Quartzite, Talc and Granite
14	Enugu	Clay, Iron-Ore, Coal and Granite
15	Gombe	Gypsum, Clay, Limestone and Granite
16	Imo	Clay, Kaolin, Granite and Coal
17	Jigawa	Clay, Granite and Silica
18	Kaduna	Clay, Wolformite, Kyanite, Gold, Considerate, Iron-Ore, Bismuth, Talc, Granite and Il-R
19	Kano	Clay, Wolformite, Silver, Considerate, Granite and Silica
20	Katsina	Clay, Kaolin, Manganese and Granite
21	Kebbi	Clay, Gold, Kaolin, Manganisite, Manganese and Granite
22	Kogi	Fluoride, Dolomite, Gold, Mica, Iron-Ore, Bentonite, Kaolin, Marble, Coal, Quartzite, Limestone, Clay, Talc and Granite
23	Kwara	Clay, Dolomite, Gold, Mica, Coal, Quartzite, Granite and Tantalite
24	Lagos	Clay, Bitumen, Silica and Granite
25	Nasarawa	Clay, Barite, Mica, Tantalite, Iron-Ore, Marble, Granite and Lithium
26	Niger	Clay, Wolformite, Kyaite, Gold, Grnaite and Talc
27	Ogun	Clay, Feldspar, Phosphate, Gypsum, Bitumen, Limestone and Granite
28	Ondo	Clay, Silica, Bitumen, Bentonite, Kaolin, coal and Granite
29	Osun	Clay, Feldspar, Gold, Considerate, tantalite and Granite
30	Oyo	Clay, Granite, Dolomite, Mica, Marble and Quartzite
31	Plateau	Clay, Il-R, Considerate, Lead, Molybdenum, coal, Zinc, Granite and Kaolin
32	Rivers	Clay, Granite and Kaolin
33	Sokoto	Clay, Phosphate, Gypsum, Granite and Limestone
34	Taraba	Clay, Barite, Fluorite, Quartzite and Granite
35	Yobe	Clay, Diamante, Gypsum, Talc and Granite
36	Zamfara	Clay, Barite, Lead, Gold, Manganese and Granite
37	FCT, Abuja	Clay, Dolomite, Lead, Marble, Zinc and Granite.

Source: Federal Ministry of Finance (www.msmd.gov.ng)

Table B: Population and Annual Exponential Growth of States and FCT (2006)

s/no		Population	Annual Exponential Growth rate
1	Abia	2,833,999	2.7
2	Adamawa	3,168,101	2.9
3	Akwa-Ibom	3,920,208	3.4
4	Anambra	4,182,032	2.8
5	Bauchi	4,676,465	3.4
6	Bayelsa	1,703,358	2.9
7	Benue	4,219,244	3.0
8	Borno	4,151,193	3.4
9	Cross River	2,888,966	2.9
10	Delta	4,098,391	3.2
11	Ebonyi	2,173,501	2.8
12	Edo	3,218,332	2.7
13	Ekiti	2,384,212	3.1
14	Enugu	3,257,298	3.0
15	Gombe	2,353,879	3.2
16	Imo	3,934,899	3.2
17	Jigawa	4,348,649	2.9
18	Kaduna	6,066,562	3.0
19	Kano	9,383,682	3.3
20	Katsina	5,792,578	3.0
21	Kebbi	3,238,628	3.1
22	Kogi	3,278,487	3.0
23	Kwara	2,371,089	3.0
24	Lagos	9,013,534	3.2
25	Nasarawa	1,863,275	3.0
26	Niger	3,950,249	3.4
27	Ogun	3,728,098	3.3
28	Ondo	3,441,024	3.0
29	Osun	3,423,536	3.2
30	Oyo	5,591,589	3.4
31	Plateau	3,178,712	2.7
32	Rivers	5,185,400	3.4
33	Sokoto	3,696,999	3.0
34	Taraba	2,300,736	2.9
35	Yobe	2,321,591	3.5
36	Zamfara	3,259,846	3.2
37	FCT, Abuja	1,405,201	9.3
	Total	**140,003,542**	3.2

Source: National Population Commission

Table C: Federation Account Allocation to the 36 States and Abuja between June 1999 and May 2007

S/NO.	STATE	ALLOCATION
1.	Rivers	621,996,274,440.22
2.	Delta	561,421,465,722.84
3	Awka Ibom	495,266,604,843.58
4.	Bayelsa	452,260,540,942.94
5.	Kano	370,935,172,516.81
6.	Lagos	331,928,495,035.61
7.	Katsina	280,544,163,809.26
8.	Oyo	263,298,045,707.53
9.	Ondo	257,395,751,810.07
10.	Kaduna	256,110,734,255.77
11.	Borno	242,143,511,536.62
12.	Niger	237,369,691,547.30
13.	Imo	231,384,556,606.10
14	Bauchi	227,082,096,536.85
15.	Jigawa	225,625,079,684.13
16.	Benue	221,639,773,288.79
17.	Sokoto	214,300,345,320.76
18.	Osun	210,051,538,274.76
19.	Adamawa	200,358,588,269.16
20	Edo	196,650,837,309.93
21	Kebbi	196,139,911,137.47
22.	Ogun	195,378,106,884.06
23	Kogi	195,125,198,336.31
24.	FCT	193,027,632,752.09
25.	Cross River	190,394,175,888.13
26.	Anambra	183,439,623,354.30
27.	Zamfara	182,989,541,536.86
28	Abia	180,913,356,049.45
29.	Yobe	177,230,732,544.09
30.	Taraba	176,332,044,844.11
31.	Enugu	172,943,975,753.31
32.	Kwara	165,588,098,911.35
33.	Plateau	155,194,100,965.61
34.	Ekiti	152,866,276,435.50
35.	Ebonyi	149,606,220,047.59
36.	Gombe	146,500,259,934.10
37.	Nasarawa	145.006,177,121.79
TOTAL		9,056,438,699,855.15

Source: Federal Ministry of Finance (*Vanguard* June 18, 2007, p.1).

Table D: Local Governments and Federal Constituencies in States and FCT

s/no		No. of Local Govt.	No. of Federal Constituencies
1	Abia	17	8
2	Adamawa	21	8
3	Akwa-Ibom	31	10
4	Anambra	21	11
5	Bauchi	20	12
6	Bayelsa	8	5
7	Benue	23	11
8	Borno	27	10
9	Cross River	18	8
10	Delta	25	10
11	Ebonyi	13	6
12	Edo	18	9
13	Ekiti	16	6
14	Enugu	17	8
15	Gombe	11	6
16	Imo	22	10
17	Jigawa	27	11
18	Kaduna	23	16
19	Kano	44	24
20	Katsina	34	15
21	Kebbi	21	8
22	Kogi	21	9
23	Kwara	16	6
24	Lagos	20	24
25	Nasarawa	13	5
26	Niger	25	10
27	Ogun	20	9
28	Ondo	18	9
29	Osun	30	9
30	Oyo	33	14
31	Plateau	17	8
32	Rivers	23	13
33	Sokoto	23	11
34	Taraba	16	6
35	Yobe	17	6
36	Zamfara	14	7
37	FCT, Abuja	6	2
	Total	**774**	**360**

Table E: Branches of Selected Commercial Banks

s/no	State	Number of Branches							
		FBN PLC	UBA PLC	UBN PLC	ZB PLC	GTB PLC	ITB PLC	WB PLC	UB PLC
1	Abia	11	11	11	3	3	4	1	3
2	Adamawa	8	6	8	2	1	1	1	4
3	Akwa-Ibom	11	10	11	2	1	5	2	4
4	Anambra	17	19	11	4	3	10	1	3
5	Bauchi	7	6	6	1	1	1	1	4
6	Bayelsa	2	4	1	1	1	2	-	-
7	Benue	6	8	10	1	1	2	1	6
8	Borno	4	9	8	1	1	2	1	6
9	Cross River	5	4	4	1	1	2	1	-
10	Delta	13	18	11	44	2	5	1	9
11	Ebonyi	3	3	3	1	1	1	-	-
12	Edo	16	19	7	6	1	5	2	6
13	Ekiti	9	4	3	1	1	1	6	2
14	Enugu	10	14	9	2	1	5	1	-
15	Gombe	2	3	8	1	1	1	-	3
16	Imo	8	7	7	1	1	2	1	-
17	Jigawa	2	3	2	1	1	-		7
18	Kaduna	10	12	10	3	2	3	3	1[illegible]
19	Kano	8	13	7	2	2	5	1	20
20	Katsina	3	8	5	1	1	2	1	6
21	Kebbi	4	4	7	1	1	-	-	4
22	Kogi	8	4	5	1	1	1	1	6
23	Kwara	5	5	6	1	1	3		4
24	Lagos	70	98	56	58	36	73	43	33
25	Nasarawa	1	3	2	2	1	1	1	4
26	Niger	8	11	7	2	1	1	-	7
27	Ogun	8	4	6	2	1	7	20	-
28	Ondo	10	9	8	1	1	3	9	4
29	Osun	10	8	7	1	1	4	11	1
30	Oyo	16	12	12	3	2	6	14	2
31	Plateau	9	10	7	1	1	2	1	6
32	Rivers	13	20	9	5	2	8	2	9
33	Sokoto	4	6	2	1	1	1	1	9
34	Taraba	6	6	6	1	1	1	-	2
35	Yobe	5	6	2	1	1	1	-	3
36	Zamfara	6	4	1	1	1	1	-	2
37	FCT, Abuja	13	15	4	6	3	7	4	21
	Total	355	408	285	127	84	178	132	210

Source: CBN (Working Document)

Table F: Consolidated Manpower Statistics (GL. 01-17) in Core Federal Civil Service amongst States and FCT for Years 2001-2005

s/no	STATES	2001 NO.	2002 NO.	2003 NO.	2004 NO.	2005 NO.
1	Abia	3.4%	3.6%	3.5%	3.5%	3.5%
2	Adamawa	2.4%	2.2%	2.2%	2.3%	2.2%
3	Akwa-Ibom	5.1%	5.2%	4.8%	4.9%	5.2%
4	Anambra	2.8%	2.9%	3.2%	3.1%	3.5%
5	Bauchi	1.5%	1.6%	1.8%	1.7%	1.6%
6	Bayelsa	0.7%	0.7%	0.9%	0.9%	1.0%
7	Benue	4.0%	3.9%	3.7%	3.9%	4.0%
8	Borno	2.1%	2.0%	3.2%	2.2%	2.0%
9	Cross River	2.9%	2.9%	2.7%	2.8%	2.8%
10	Delta	5.4%	5,4%	5.0%	4.9%	5.0%
11	Ebonyi	0.6%	0.6%	0.8%	0.8%	0.7%
12	Edo	5.3%	5.1%	4.5%	4.8%	4.8%
13	Ekiti	2.2%	2.3%	2.5%	2.6%	2.5%
14	Enugu	2.7%	2.7%	2.6%	2.8%	2.7%
15	Gombe	1.2%	1.2%	1.3%	1.4%	1.2%
16	Imo	6.5%	6.6%	6.0%	6.3%	6.4%
17	Jigawa	0.7%	0.7%	0.9%	0.8%	0.8%
18	Kaduna	3.7%	3.7%	3.6%	3.6%	3.5%
19	Kano	2.1%	2.0%	2.1%	2.0%	1.9%
20	Katsina	1.7%	1.8%	2.0%	1.9%	2.0%
21	Kebbi	1.1%	1.0%	1.3%	1.3%	1.3%
22	Kogi	4.8%	5.0%	4.8%	5.0%	5.1%
23	Kwara	2.7%	2.6%	2.7%	2.7%	2.7%
24	Lagos	3.4%	3.4%	3.1%	3.0%	3.0%
25	Nasarawa	1.3%	1.6%	1.7%	1.6%	1.6%
26	Niger	2.1%	2.1%	2.4%	2.4%	2.6%
27	Ogun	7.0%	7.0%	6.5%	6.3%	6.3%
28	Ondo	4.4%	4.2%	3.8%	3.7%	3.7%
29	Osun	3.6%	3.5%	3.5%	3.5%	3.5%
30	Oyo	4.1%	3.7%	3.7%	3.6%	3.6%
31	Plateau	2.8%	2.8%	2.8%	2.7%	2.6%
32	Rivers	2.0%	2.0%	2.1%	2.1%	2.1%
33	Sokoto	0.8%	0.8%	1.1%	1.0%	0.8%
34	Taraba	1.3%	1.2%	1.4%	1.4%	1.3%
35	Yobe	0.8%	0.8%	1.1%	1.0%	0.9%
36	Zamfara	0.5%	0.5%	0.7%	0.6%	0.6%
37	FCT, Abuja	0.5%	0.6%	0.8%	0.7%	0.9%
	Allen	0.0%	0.0%	0.0%	0.0%	0.0%
	Total	133,992	129,502	220,263	213,368	145,195

Source: Federal Character Commission

Table G: Utilization of ACGSF (2003-2006)

s/no	State	2003		2004		2005		2006	
		No. Of Projects	Amount (₦m)	No. Of Projects	Amount (₦m)	No. Of Projects	Amount (₦m)	No. Of Projects	Amount (₦m)
1	Abia	234	9,103.00	327	16,009.00	263	17,345.00	487	81,500.00
2	Adamawa	375	51,825.00	1009	148,840.00	1097	217,220.00	1957	376,875.00
3	Akwa-Ibom	616	60,270.00	560	57,446.00	519	73,080.00	218	58,185.00
4	Anambra	238	19,695.00	100	12,420.00	324	43,785.00	533	85,185.00
5	Bauchi	357	20,626.00	956	36,721.00	578	81,845.00	1573	136,756.00
6	Bayelsa	-	-	-	-	98	12,740.00	131	22,110.00
7	Benue	2885	69,445.00	2538	86,517.00	2100	99,839.00	3284	189,780.00
8	Borno	1180	37,515.00	1736	67,373.00	2338	78,108.00	2449	147,805.00
9	Cross River	489	41,150.00	574	59,559.00	720	80,300.00	1019	124,385.00
10	Delta	54	1,870.00	39	1,500.00	128	17,430.00	31	3,660.00
11	Ebonyi	190	14,525.00	122	12,765.00	229	33,620.00	204	33,695.00
12	Edo	116	10,415.00	211	22,370.00	741	90,568.00	176	25,375.00
13	Ekiti	384	23,028.00	289	33,495.00	242	40,870.00	206	22,910.00
14	Enugu	337	27,640.00	236	40,975.00	563	70,440.00	413	71,150.00
15	Gombe	146	21,895.00	153	28,101.00	286	82,800.00	2644	106,378.00
16	Imo	367	15,059.80	533	27,245.00	325	59,460.00	766	100,378.00
17	Jigawa	655	48,504.00	1370	80,175.00	4688	201,620.00	4883	222,718.00
18	Kaduna	336	19,417.00	648	55,426.00	807	58,137.30	373	91,625.00
19	Kano	1320	63,670.00	1840	89,323.00	1404	77,875.50	1818	88,239.50
20	Katsina	2548	52,970.00	4233	163,491.40	8094	268,454.10	5401	224,191.00
21	Kebbi	1154	36,567.00	2854	105,985.00	2226	93,634.30	4018	203,248.21
22	Kogi	883	46,610.00	1880	116,597.00	1972	104,691.00	3388	190,092.50
23	Kwara	1232	65,505.00	2238	112,598.00	3729	271,413.00	2519	219,756.00
24	Lagos	592	52,132.00	382	63,110.00	804	101,216.00	728	116,60.00
25	Nasarawa	953	22,624.00	1325	47,798.00	610	37,430.00	1099	67,320.00
26	Niger	803	53,822.90	1978	124,859.00	1754	92,539.00	1254	88,031.28
27	Ogun	402	37,365.00	484	73,015.00	570	82,963.00	865	167,282.00
28	Ondo	492	31,585.00	436	48,428.00	812	78,675.00	738	96,800.00
29	Osun	252	13,350.00	105	18,290.00	452	50,041.50	477	58,660.00
30	Oyo	553	43,743.00	593	71,731.00	667	97,610.00	806	137,290.00
31	Plateau	623	26,905.00	726	41,830.00	1228	62,455.00	738	73,185.00
32	Rivers	292	19,530.00	35	2,035.00	726	58,560.00	854	67,470.00
33	Sokoto	749	18,835.00	2034	73,265.00	2127	78,692.00	2126	90,795.00
34	Taraba	788	43,265.00	793	64,510.00	1202	81,950.00	1222	163,168.00
35	Yobe	835	23,360.00	400	16,922.30	369	18,534.30	487	30,864.50
36	Zamfara	874	22,138.00	372	15,185.00	343	11,532.50	3686	227,018.84
37	FCT, Abuja	-	-	1126	48,755.00	103	9,345.00	487	81,500.00
	Total	**24,308**	**1,184,480.40**	**35035**	**2,083,744.70**	**46236**	**3,046,738.50**	**54,032**	**4,263,080.30**

Source: CBN (www.cenbank.org)

Table H: Utilization of SMEIEIS Fund by State as at December 2006

s/no		Number of projects	Amount Accessed	Percentage of total Amount
1	Abia	6	523,000,000.00	**3.07**
2	Adamawa	-	-	-
3	Akwa-Ibom	1	45,000,000.00	0.26
4	Anambra	4	334,759,775.98	1.96
5	Bauchi	1	68,400,000.00	0.40
6	Bayelsa	-	-	-
7	Benue	1	30,000,000.00	0.18
8	Borno	-	-	-
9	Cross River	5	3,092,455,906.55	18.15
10	Delta	4	235,190,000.00	1.38
11	Ebonyi	-	-	-
12	Edo	6	430,034,874.00	2.52
13	Ekiti	2	57,600,000.00	0.34
14	Enugu	2	117,994,000.00	0.69
15	Gombe	-	-	-
16	Imo	2	214,938,994.39	1.26
17	Jigawa	-	-	-
18	Kaduna	5	156,000,000.00	0.92
19	Kano	5	323,898,346.00	1.90
20	Katsina	-	-	-
21	Kebbi	-	-	-
22	Kogi	-	-	-
23	Kwara	1	15,440,000.00	0.09
24	Lagos	140	7,813,783,393.90	45.86
25	Nasarawa	1	102,000,000.00	0.60
26	Niger	-	-	-
27	Ogun	20	1,499,223,853.94	8.80
28	Ondo	3	157,700,000.00	0.93
29	Osun	1	80,000,000.00	0.47
30	Oyo	12	356,230,000.00	2.09
31	Plateau	2	54,267,029.00	0.32
32	Rivers	8	997,964,181.11	5.86
33	Sokoto	1	27,665,000.00	0.16
34	Taraba	-	-	-
35	Yobe	-	-	-
36	Zamfara	1	50,000,000.00	0.29
37	FCT, Abuja	4	255,000,000.00	1.50
		248	**17,038,945,355.11**	**100**

Source: CBN (www.cenbank.org)

Table I: Poverty Incidence By State (1996, 2004)

S/NO	STATE	1996	2004
1	Abia	56.2	22.27
2	Adamawa	65.5	71.73
3	Akwa Ibom	66.9	34.82
4	Anambra	51.0	20.11
5	Bauchi	83.5	86.29
6	Bayelsa	44.3	19.98
7	Benue	64.2	55.33
8	Borno	66.9	53.63
9	Cross River	66.9	41.61
10	Delta	56.1	45.35
11	Ebonyi	51.0	43.33
12	Edo	56.1	33.09
13	Ekiti	71.6	42.27
14	Enugu	51.0	31.12
15	Gombe	83.5	77.01
16	Imo	56.2	27.39
17	Jigawa	71.0	95.07
18	Kaduna	67.7	50.24
19	Kano	71.0	61.29
20	Katsina	77.7	71.06
21	Kebbi	83.6	89.65
22	Kogi	75.5	88.55
23	Kwara	75.5	85.22
24	Lagos	53.0	63.58
25	Nassarawa	62.7	61.59
26	Niger	52.2	63.90
27	Ogun	69.9	31.73
28	Ondo	71.6	42.14
29	Osun	58.7	32.35
30	Oyo	58.7	24.08
31	Plateau	62.7	60.37
32	Rivers	44.3	29.09
33	Sokoto	83.9	76.81
34	Taraba	65.5	62.15
35	Yobe	66.9	83.25
36	Zamfara	83.9	80.93
37	FCT	53.0	43.32
	Nigeria	**65.6**	**54.4**

Source: Poverty Profile 2004 (NBS)

Table J: Admission into University by States

S/NO		2003	2004
1	Abia	6664	6054
2	Adamawa	624	1458
3	Akwa-Ibom	4128	8136
4	Anambra	10525	9967
5	Bauchi	394	536
6	Bayelsa	4366	4191
7	Benue	2604	3688
8	Borno	888	922
9	Cross River	1952	2412
10	Delta	6717	9514
11	Ebonyi	3377	3516
12	Edo	6665	5100
13	Ekiti	1662	3012
14	Enugu	7997	5986
15	Gombe	267	485
16	Imo	14764	15503
17	Jigawa	44	209
18	Kaduna	298	1489
19	Kano	139	1307
20	Katsina	117	522
21	Kebbi	302	501
22	Kogi	3318	4745
23	Kwara	1776	2292
24	Lagos	2640	4141
25	Nasarawa	387	1087
26	Niger	173	596
27	Ogun	4704	4506
28	Ondo	4169	5214
29	Osun	3197	3389
30	Oyo	2301	2639
31	Plateau	449	853
32	Rivers	7032	4905
33	Sokoto	291	728
34	Taraba	198	601
35	Yobe	221	284
36	Zamfara	190	383
	Total	**105144**	**122401**

Source: JAMB (www.jambng.org)