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Author(s): A.A. Lawal

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THE POLITICS OF REVENUE ALLOCATION IN NIGERIA: THE EARLY PHASE, 1900-1935*

A.A. Lawal

*Department of History,
University of Lagos*

From a historical point of view, one can confidently say that most of Nigeria's current political, economic and social problems which are seemingly insurmountable had been with us right from the colonial period. Neither were they solved by the colonial masters before our attainment of independence in 1960.

For our interest, this paper is concerned with the evolution of the controversial question of revenue allocation in Nigeria. This is a sensitive political and economic issue that for the past years, has generated discussions in learned circles and has stimulated the production of meaningful research papers that were based on reports of previous commissions on revenue allocation. It is an irony of history that despite all collective efforts and optimism behind the appointment of various commissions, no satisfactory and lasting formula has been worked out.

The problem reoccurs because of the existing disparity in natural endowment (natural resources) and limited sources of revenue in each state, the competitive economic development in the rural areas and the demand for more revenue from the central government.

It must be noted that the same disparity in natural endowments between Northern Nigeria, Colony of Lagos and Southern Nigeria, was one of the reasons for the amalgamation of 1914. Since then, and up till the 1950's there was no serious controversy over revenue allocation. The paper at this juncture now examines the evolution of the controversy prior to 1914 and explains how colonial policy discouraged the recurrence of further controversy until the 1950s.

Right from the inception of colonial rule in 1900, only the Northern Protectorate lacked adequate revenue for running its government and financing administrative infrastructure. On the contrary, the colony of Lagos and the Southern Protectorate were financially self-sufficient and recorded surpluses which were invested abroad.

In particular, Lagos Colony, right from 1897 - had raised immense loans for the construction of railways, building of roads and wharfage scheme in order to expand export and import trade. Indeed, the Colony regarded foreign trade as the bastion upon which its economy depended i.e. import and export duties which fetched a greater proportion of its annual revenue. In like manner, the Southern Protectorate enjoyed a lucrative trade in imports and exports and had ready cash for its administration. So long as these two areas did not seek financial assistance from the Imperial Treasury, Britain had no headache other than her incessant grumbings about periodical extravagances and local disregard for official sanctioned budgets. Nevertheless, the two southern segments had no cause for financial requests from Britain.

*This is a revised version of a paper of the same title read at the 26th Annual Conference of the Historical Society of Nigeria, held at the University of Maiduguri, April 23, 1981.

The Northern Protectorate up till 1914 was the only headache for the British Treasury as Lord Lugard and his successors frequently despatched letters to the Colonial Office explaining how limited finance handicapped the consolidation of Indirect Rule and expansion of western civilisation. The wider question of how to find adequate revenue for the North became a running sore for Britain right from 1900.

From the onset of imperial control of what is now known as Nigeria, Britain has relied upon a colonial policy which enjoined colonies not to exceed their respective *de facto* means of sustenance on the ground that she would not render any financial succor to any colony that embarked upon financial projects beyond its capability. In other words, each colonial area should be self-sufficient and the scope of administration should be seriously limited in order to conserve revenue. But in case of the Northern Protectorate, colonial theory had run counter to the reality of the existing predicament vis-a-vis the objective of consolidating the British control in the presence of the French rivals in the neighbouring areas.

Rather than lose her hold on the northern protectorate to the French, Britain reasoned that a bird in hand is worth two in the forest and decided to send annual imperial grants to Lord Lugard for the administration of the North and at the same time, the Selbourne Committee which met in 1899 resolved that the Colony of Lagos and the Southern Protectorate should henceforth (from 1900) adopt a procedure for rendering annual financial assistance to the North.

According to the procedure recommended by the Committee, a kind of inter-governmental financial relationship was already determined and henceforth annual local contributions from both Lagos Colony and the Southern Protectorate to the Northern Protectorate represented the amount of duty collected on the north-bound imports on behalf of the Northern Protectorate, less the amount of expenditure incurred for customs and postal work carried out in the Southern Protectorate.

However, the Lords Commissioners of the British Treasury anticipated a certain problem which may handicap the progress of the new inter-governmental financial relationship and instantly found an interim solution to it. The problem was the likely impossibility of determining the exact proportion of the customs revenue derived from duties on goods imported for consumption in the Northern Protectorate. Without much ado, and in order to avoid any controversy over the sharing of customs duties, order came from London that "the customs receipts should be allotted to the three divisions in such proportions as the secretary of state might from time to time direct having regard to the requirements of each individual division".¹

This declaration implied that hence forth revenue was to be allocated according to needs and not derivation. However, after 1950, this time-honoured fiscal arrangement was discarded and only to be re-applied after 1970.

Right from 1900, the serious implications of the fiscal arrangement began to manifest and gradually worsened the fragile relationships between the three governments.² For instance, in implementing the fiscal arrangement, the flexible decision of the Secretary of State on revenue sharing was influenced by the annual trade figures which kept improving in the South. What further aggravated the situation was the absence of separate records for customs duties on the north-bound imports. And in this circumstance, their annual values could not be accurately fixed. The Secretary of state just began to issue an arbitrary order for an increase in the contributions of the Southern territories to the Northern Protectorate. Protests soon began to emanate from the governors in the south simply because they could not understand

why the Colonial Office chose to side with Lord Lugard in the North. At a stage, Lugard's distrust of his counterparts in rendering accurate figures of revenue led to serious ribaldry, mutual disregard and suspicion.

Lagos Colony and the Protectorate of Southern Nigeria, which had been entrenched in the tradition of economic development as inaugurated by their respective governors like Governor Sir William Macgregor 1899-1904; Sir Walter Egerton 1904-1906 (both Lagos) and High Commissioner Ralph Moor 1900-1904 (Southern Protectorate)³ had laid down their rudimentary administrative infrastructure. Their revenue yielding capacity enabled them to recruit adequate and qualified personnel to run the local administration and finance a number of public works annually.

In contrast, the Protectorate of Northern Nigeria, which could be regarded as a late starter in the race for economic development, seemed to be in a hurry to catch up with its counterparts in the South, a situation very analogous to the current trend in interstate rivalry in modern Nigeria, so the newly created states often give the impression that they are neglected in the equitable distribution of Federal revenue, while the older states are better favoured.

Indeed by 1900, when the imperial control of Britain over the Northern Protectorate was formally proclaimed, Lord Lugard had to depend on Imperial grant to the tune of only £70,000⁴ to establish his administrative machinery. He was yet to develop the pre-existing internal trade by constructing roads and building markets in various towns so as to monetize the local economy. Lord Lugard was further handicapped in his intent to develop the external trade for his area of jurisdiction like his counterparts did in the south, simply because Islam, the religion of the Hausa condemned the consumption of alcoholic spirits. And in order to enjoy the much needed cooperation of the Emirs in the various emirates, he was compelled to prohibit the spirits trade throughout the Northern Protectorate, in accordance with the Brussels Acts of 1892.⁵ Henceforth this single fiscal policy was to impoverish the Northern Protectorate for many years.

On the contrary, Lagos Colony and the Protectorate of Southern Nigeria which depended on trade in spirits continued to record increased revenue annually and realised surplus funds which were invested in foreign stocks by the Crown Agents. Indeed, by 31st March 1900, the excess assets over liabilities of the Southern Protectorate was £67,089 while its revenue stood at £164,108 as against an expenditure of £176,140⁶ In the same year Lagos Colony spent a sum of £207,143 out of a total revenue of £211,467⁷ on small scale economic projects including the instalmental payment of loans on the construction of the Lagos-Jebba railway.

Within 1899-1900, the Southern Protectorate was prevailed upon to contribute £10,750,⁸ which she did. But about a year later, the same protectorate was required to give Northern Protectorate the sum of £34,000 to enable Lord Lugard solve some of his administrative problems. Before this order emanated from London, Lord Lugard had sent a **despatch** to the Colonial Office arguing that the total customs collected on behalf of the north, at the Southern ports, had increased to the sum of £34,000. Sir Ralph Moor instantly disproved this allegation but wanted the sum to be reduced to £15,000 on two grounds. First, he argued that Southern Protectorate had not charged Northern Protectorate the full expenses incurred on customs and postal work in collecting the customs dues and secondly, that the Southern Protectorate intended to spend all its revenue on the provision of necessary communication infrastructure to improve the collection of customs dues.⁹

In the circumstance, it seems Lord Lugard succeeded in justifying Ralph Moor's insincerity about the customs figures as Moor himself could not convince the personnel at the Colonial Office that he had forwarded the correct figures of revenue collected on behalf of the Northern Protectorate. The officials at the Colonial Office even suspected that Ralph Moor, in his intention to score a technical point over Lord Lugard, must have juggled the figures in his annual report to give a false impression that his administration had incurred a colossal debt in collecting customs dues for the Northern Protectorate. For, if Ralph Moor had adhered to the arrangement made by Selbourne Committee, there could have been no need for this kind of recrimination. Again, Lord Lugard must have been right in his judgement because he was indirectly correcting the omission of an important item in the agenda of the Selbourne Committee that met in 1897¹⁰ to solve the issue of revenue sharing between the Northern Protectorate and her counterparts in the South. For indeed, the Committee, even at its subsequent meetings, did not examine the possibility of wrong or distrustful computation of statistical data on account of imports meant for the North. Neither did the Committee recommend certain procedures for cross-checking the annual returns which were despatched from the Southern Protectorate.

Ralph Moor's submission that the Southern Protectorate would need all its money for that year betrayed his inconsistency in maintaining a healthy financial relationship with Lord Lugard, and in honouring his commitment to the resolutions of the Selbourne Committee of 1899. Now, he seemed to advocate allocation of revenue by derivation in contrast to allocation according to needs, which he enthusiastically supported earlier on. The foregoing aptly demonstrate that the colonial administrators vigorously utilised their individual bargaining powers to secure more favourable decisions from the Colonial Office, just as each state in the Second Republic lobbied the federal government through its politicians for more revenue,

Nevertheless, Lord Lugard's importunity yielded good dividends and notwithstanding Moor's petulance, Southern Protectorate was made to pay £34,000 as stipulated by the Colonial Office. While Moor and Lugard were embroiled in the controversial figures of customs revenue and the amount due to the Northern Protectorate, Lagos Colony stood aloof and did not contribute the sum of £10,000 allocated to it because of the convincing reason that it was already paying an annuity on a railway loan (£792,500) it raised in 1898. The Colonial Secretary greeted the request of Lagos Colony with warm approval but warned the colony not to default in 1904/1905¹¹ when it would commence annual contributions to the Northern Protectorate.

As the years wore on, more areas of the Northern Protectorate were organised for the purpose of local administration. More Native Courts and Native Treasuries were established and run under the supervision of British administration and to man these institutions more adequately qualified personnel in various categories were to be recruited. Even as more personnel were recruited particularly from Britain, the cost of local administration began to soar with alarming rapidity. Already, Lord Lugard was finding himself in a fix because he lacked the wherewithal to maintain the West African Frontier Force at full strength. Indeed this force consumed a greater percentage of the annual revenue as exemplified by the expenditure of £250,000 out of the total revenue of £314,424 in 1902. In that year the imperial grant-in-aid was £280,000 as against £4,424 which was raised locally from tolls, fees and fines.¹²

In anticipation of increased expenditure on progressive expansion of his administration

in 1903/1904, Lord Lugard hastened to intimate the Secretary of state about his requirements for the year. These requirements he meticulously catalogued in his budget with a covering letter for increased grants-in-aid from the Imperial Treasury. Furthermore, he requested the Secretary of state to prevail upon the Southern Protectorate to increase its annual contributions. In the alternative, Lord Lugard suggested an immediate amalgamation of the Northern and Southern Protectorates in 1904 to bring the control of the revenue of the two territories under one administration, so that the Imperial grants would be spared while the surplus revenue of Southern Protectorate would be spent on the economic development of the Northern Protectorate.¹³

While undaunted by the ineffectual suggestion for premature amalgamation Lugard however had cause to rub his hands with glee because he received increased grants to the tune of £405,000 as well as increased contribution of £50,000 from the Southern Protectorate in 1903/1904 to combat its financial problems. In the meantime, the Colonial Office had taken a firm decision on the question of amalgamation and had intended to amalgamate Lagos Colony and Southern Protectorate first, according to the report of the Selbourne's Committee which met in 1898.¹⁴ Indeed, the thorny question of personnel and headship of a massive administrative machinery militated against an early amalgamation of the Southern and Northern Protectorates but meanwhile the annual Imperial grants to the Northern Protectorate was to diminish while contributions from the Southern Protectorate increased annually.

At this juncture, one may venture to ask for some explanations on how Lord Lugard managed annual revenue in such a way as to warrant increased financial aid from time to time. In fact, the Colonial Office became incensed by Lugard's frequent and incessant request for financial aid and at one stage took some pains to analyse critically his financial reports. In the process, the Imperial Treasury discovered in 1905 that Lord Lugard had recorded deficits in two consecutive financial years (1903/1904 and 1904/1905). In 1903-1904 for instance, he exceeded an authorised gross expenditure of £480,439 by £18,547 while in the following financial year an expenditure of £520,545 showed an excess amount of £12,723.¹⁵ Lugard, who had developed some thick skin for outrageous remarks from the Colonial Office was not only seriously reprimanded for flouting official instructions, but was given a stern warning against recording further deficits henceforth. His unrestrained flippancy caused the Imperial Treasury to blurt thus "Northern Nigeria is the most expensive of all British Protectorates".¹⁶

Lugard was convinced that the time was now ripe for him to recoil from unsavoury illusion of dependence on annual largesse from the parsimonious Imperial Treasury. For sure, he was seriously disturbed by the unfriendly attitudes of the Treasury and the Colonial Office. Then rather than reply to criticisms from Britain, he embarked on the introduction of direct taxation in the North though with the formal approval of the Colonial Office in 1905.

True to his expectation, the annual turn-over of taxation and Lugard's use of the Native Treasuries were a justification that the Northern Protectorate had great economic potential. Henceforth, Lugard depended on the services of loyal emirs, village and district heads who assessed the collected general tax and *jangali*. Thus, the development of local revenue sources began to swell annual revenue with amazing rapidity as shown by the experience of 1905/6 which continued to breed widespread optimism among Lugard's subordinates. Indeed, annual revenue soared from £53,726 in 1903/4 to £110,545 in 1905/6.¹⁷

As mentioned earlier on, Lagos Colony was to commence its annual contributions to Northern Nigeria from 1904 onwards. This was done without demur in 1904/5. Walter Egerton, succeeded Ralph Moor as the administrator of Lagos Colony and Southern Nigeria

in 1904, thus ruling the two territories pending the amalgamation of 1906. His anti-Northern attitude was betrayed when he objected to the mandatory contribution of £15,000 in 1905/6 which was apportioned to Lagos Colony, whereas in the previous year, the same territory contributed conveniently a sum of £10,000. What further infuriated Egerton was the demand that Southern Nigeria should surrender £60,000 out of her annual revenue in 1905/6 as against £50,000 which she contributed in the previous year.

Egerton's protests to the Colonial Office re-echoed Moor's arguments and even dwelled on his hatred for an arrangement that continually facilitated progressive unrestrained impoverishment of the Southern territories to the advantage of the North.¹⁸ He wondered why the Colonial Office tended to support the anti-Southern sentiments which continued to promote the hostile attitudes of the northern administrators. Egerton eagerly determined to implement his proposed development projects to promote the British trade and generate greater revenue for further economic progress in the South, hoping that the Colonial Office would reconsider its stand on anti-Southern prejudice.¹⁹ Moreover, he suggested the re-opening of trade in spirits in the North to generate more revenue as was done in the South, so that the northern administrators would no longer depend on Southern contributions.

The Colonial Office was not impressed by Egerton's recommendations which also betrayed his ignorance of the fact that Islamic belief in Northern Nigerian would impede progress of trade in spirits. It was no wonder then that Egerton's protests were discounted and he himself was prevailed upon to comply with official instructions.

From the foregoing, it is crystal clear that although the colonial governors were ceaselessly protecting the Imperial interest, they at the same time actively promoted their administrative careers in their different spheres of influence. This attitude stemmed from their common calculation that the Colonial Office would unhesitatingly give credit to any of them who demonstrated convincing evidence of administrative capability - a unique criterion for further promotion in the colonial service. This lingering awareness therefore created room for progressive self-centredness which underscored protests and counter protests in their despatches to the Colonial Office.

Owing to some further development of its local revenue sources, Northern Nigeria, by 1907 was able to record an asset balance of £79,996 after committing an expenditure of £498,848 out of total revenue of £533,087. This healthy financial situation was accounted for by the contribution of £295,000 and £70,000 respectively from the Imperial Treasury and the Southern territories.²⁰

As annual revenue began to improve, the northern administrators began to intensify economic rivalry, with the South. They intended to construct a 3'6" gauge railway from Baro to Kano, not only to compete with the Southern railways, but to promote both external and internal trade on which the sustenance of local administration depended.

The controversial Northern railway construction and its eventual operative impact on the Southern economy further deepened the already existing hostility between the North and the South. Since Northern Nigeria lacked adequate capital for the project, and the colonial office was unwilling to raise loans abroad on behalf of the North, the Secretary of state had to instruct the Crown Agents to make available £1,230,000 out of the surplus funds of the southern territories as a loan to Northern Nigeria at an annual interest of $3\frac{3}{4}$ per cent.²¹

From the outset, Governor Egerton demanded an annual reduction in the Southern contributions to the North since the revenue of South was being spent on the northern railway. He denounced the fiscal policy of the North which encouraged the introduction of northern

tariffs, by which Southern traders were prohibited from transacting commercial business in the north.²² While not disputing these charges, the Colonial Office agreed with Egerton that the Southern territories deduct the annual interest from their yearly joint contributions of £70,00. Yet this arrangement had to be cancelled because of the fear that northern finances would be paralysed due to the erratic attitude of the South. In the alternative, the Imperial Treasury promised to include the current interests in its annual grants to the north which varied from £22,500 to £50,000.²³

By 1910, an additional loan of £200,000 was required from Southern Nigeria to complete the Baro-Kano railway and in this regard, an official directive was sent to Governor Egerton from the Colonial Office. This new loan generated a prolonged debate in the Legislative Council at Lagos and reflected the unmistakable opposition of the unofficial members to the motion for the loan simply because Northern Nigeria was alleged to have assumed control over the Southern railway after Jebba by fixing its own rates in that section.²⁴ In particular, Sapara Williams, Sir Akintoyi Ajasa and S.J. Urry called upon the Secretary of state to settle the economic relations between the north and south and ensure an immediate modification of the northern railway policy to the advantage of the South. It was their contention that until this was done, southerners would remain strangers to the management of the Southern section in the north after Offa, and the loan would not be granted.²⁵

In response to the catalogue of Southern grievances, the Colonial Office authorised the meeting of the management of the two rival railway systems at Offa on 22nd and 25th March, 1911 to reconcile the railway rates and settle all necessary regulations for the inter-change of traffic and rolling stock.²⁶ All the issues raised were resolved except the through rates between Baro-Kano lines. Subsequent meetings which were however arranged to reconcile the differences ended in a deadlock and the two railway systems continued to engage in a cut-throat competition.

Since his assumption of office as the governor of the North in 1909, Sir Hesketh Bell had determined to make his mark by financing some laudable public works. Already, by 1911, he was embroiled in the vortex of debate on economic rivalry and mutual suspicion which continued to worsen the relations between the north and the south. To achieve his economic aims therefore, Bell attempted to resolve the north-south antagonism and recommended some thought-provoking measures to the Colonial Office. In the main, his problem-solving proposals did not differ from Lugard's proposals of 1902/3 which centred on amalgamation.²⁷ Governor Bell seemed driven to the wall because the expanded administration which he inherited had become very expensive in terms of such heads of annual expenditure as the West African Frontier Force, the Marine Service on the Niger River and the Baro-Kano and Bauchi Railways. In particular, since annual revenue was insufficient for the proper maintenance of the Northern Railway system, Bell hastened to advocate an immediate unification of the two competing railway systems as well as other very large and expensive departments like the Marine, Customs and Postal Services.

Henceforth, the Colonial Office began to give serious thoughts to the necessity of unifying not only the finances but the major departments of the north and south to finally put an end to the unhealthy relations between them. At the same time, the Secretary of State became overwhelmed by an avalanche of letters and recommendations for administrative restructuring of the two territories which would subject them under a common financial and fiscal policy for the promotion of over all economic developemnt and progress of the British trade.²⁸

Thus in 1912, Lord Lugard was recalled from Hong Kong to be the Governor General of the one Nigeria which came into existence on 1st January 1914. Prior to effective amalgamation however, all the separate major large departments were unified. So also the separate public debts were combined and Nigeria began to have a common budget. While the south stopped paying annual contributions to the north, so the Crown Agents discontinued the payment of interest on the Southern loan for the Baro-Kano Railway.²⁹ Henceforth Nigeria began to have a common Department of Audit that continued to audit unified accounts of the railways, customs, marine, central secretariat, survey, post and telegraph departments etc.

By the end of 1912, Northern Nigeria had a debt responsibility of £1,630,000 as against the Southern debt of £8,267,66530 which reflects the prevailing financial cleavage between the two territories. From 1899 to 1912 Southern Nigeria contributed a total sum of £820,720 to the north as against £4¹/₄ million being the staggering cumulative total of the Imperial grants from 1899 to 1913. This notwithstanding, the Imperial Treasury continued to forward annual grants of £100,000 to the north from 1914 to 1918 after which all grants ceased.³¹

The new Nigerian Budget consisted of the estimates of Southern and Northern provinces as well as those of Lagos Colony and the Central departments. However, under each administration, these estimates were separately prepared but were later incorporated into a single budget and transmitted to the Colonial Office by the Governor General for formal approval. Each Lieutenant Governor in charge of each administration retained his own approved draft as his authority for expenditure. Nigeria as a whole now had a common financial year which began on January 1st and terminated on the 31st December.³²

From 1914 to 1927 a glaring contrast persisted in the expenditure of the northern and southern provinces. While the southern administration encouraged the development of social and economic services, and thereby recorded annual deficits, the northern administration, already shackled by rigid application of principles of Indirect Rule often exercised extreme restraint in its spending behaviour and thereby recorded surpluses which were invested in foreign stocks. The following figures eloquently confirmed the contrasting financial positions thus:

**Revenue and Expenditure of Northern and Southern Governments:
Selected Year³³**

	1917		1919		1924/25	
	Revenue	Expenditure	Revenue	Expenditure	Estimated Revenue	Estimated Expenditure
Northern Government	£585,650	£232,418	£598,912	£410,403	£640,215	£337,076
Southern Government	£480,525	£906,588	£667,207	£1,474,665	£284,930	£604,756

In 1919, the Native Reserve Funds of the Northern Provinces stood at £485,699 as against £46,510 for Southern Provinces. Again by 1922, the reserves of the Northern

Provinces invested in various colonies, had a market value of £261,386.³⁴

Even shortly after 1927 when the central authority inaugurated a policy of drawing from a common pool, the expenditure pattern did not change in the north. By the common pool, each government was not required to balance its budget but emphasis was placed on the need to balance the aggregate budget. The deduction one can make from this contrasting expenditure pattern is that revenue was allocated to the provinces according to need and that the Southern authorities took advantage of this principle.

The pathetic situation in the north was however caused by the entrenched Lugardian system of Indirect Rule. While he was High Commissioner from 1900 to 1907, he had introduced an all-embracing policy that disallowed the Northern Native Administrations and the emirs to handle large sums of money. Neither was his administration liberal enough to enforce financial autonomy at the local level for economic development. Despite repeated objections to his control over local treasuries by the Colonial Office, Lugard did not relent in his conviction that financial autonomy in the Native Administration could not be allowed even after the protectorate government had taken its own percentage share of the general tax and jangali.³⁵

His successors like Sir Percy Giroward and Henry Hesketh Bell accepted the same policy and ensured that the emirs did not exceed the approved expenditure without the Governor's or Residents' permission. Contrary to the views of the political officers that surplus funds should be expended on economic development, Governor Bell preferred that such surplus funds of the Native Administrations should be invested abroad. It should be realised that such surplus funds helped in running the British businesses while the Native Administrations were content with the interests accruing from such investments and their fixed deposits to the British Banks in Nigeria.³⁶

Even during his tenure as Governor-General of Nigeria from 1914 to 1919, Lugard still maintained a rigid control over the finances of the Northern provinces. This was facilitated by integrating the revenue of the Native Administrations into the revenue of the Northern Protectorate Government, hence his direct control over their expenditure. Despite official condemnation and criticisms of his policy in London, Lugard remained unyielding till he left Nigeria in 1919.

During the tenure of Governor Clifford from 1919 to 1925, there was little he could do to restore the discretionary powers of the Native Authorities because already, all the residents and their senior political officers in the North belonged to Lugard's school of thought.

Indeed, Clifford's primary assignment was to overhaul the political *status quo* in the North because indirect rule there impeded economic development and material progress. No wonder he directed his virulent attacks against Lugard's theory of government and administration. Clifford failed to effect changes because he did not enjoy the support of the Colonial Office. Instead, he was reprimanded for attacking Lugard and for attempting to reverse the *status quo*.³⁷

Little did he realise that the British officials in the north were all imbued with anti-south prejudice which became an open secret throughout Lugard's career in Nigeria. The invertebrate bias against southern tradition did not die upon Lugard's departure from Nigeria. Instead of its collapse, it was rekindled and further replenished by Sir Herbert Richmond Palmer when he became the lieutenant-governor of the northern provinces (1915-30).

Thus Palmer masterminded Northern opposition to the financial and administrative

policies emanating from the central secretariat in Lagos. Unofficially, he seemed to have received a definite mandate from the emirs to be their chief spokesman during the annual proceedings of the legislative council in Lagos. In effect, the emirs were not physically present to share common views with their Nigerian counter-parts in Lagos especially in their deliberations on allocation of revenue according to needs.

Palmer was a stumbling block to the implementation of the progressive policies of Governor Clifford. Similarly, he rigidly opposed Governor Graeme Thomson (1925-31) who was determined to see that administrative and financial policies from Lagos were enforced in the north. Okonjo has treated in details the atrocities of Palmer in masterminding and defending Northern isolation and separation from the rest of Nigeria.³⁸ His career in the northern provinces consistently negated the objectives which the 1914 amalgamation was expected to achieve. Thomson unlike Clifford, supported indirect rule in the north, but his weakness allowed Palmer to press one extreme demand after another to secure exclusive control over the Northern Nigeria administration. In fact for a short time Palmer achieved his aim of freeing the northern provinces from the central control in all matters of internal management and dependence on central departmental control.

To Palmer, Lagos policies were very destructive to Northern Nigeria, and on no account would he allow a governor in Lagos to introduce new measures to the north, however politically and economically desirable they might be in the southern provinces. Between 1926 and 1930, he drummed these negative ideas into the ears of his junior political officers in course of his political tours,³⁹ even with a stern warning that only the orthodox method of administration should be embraced. On no account should they try local experiments.

He, like Lugard, maintained a tight hold on the purse strings of the Native Administrations, because he believed that by providential design, he was to determine the political and economic destiny of the northern provinces. He was the only one to decide how the emirs might spend their share of the general tax. In 1929 he criticised the format of the annual estimates of Nigeria in which the departmental provisions for Northern and Southern Nigeria were made under a single head. His argument was that the format encouraged centralised control of northern expenditure in Lagos and that the amalgamation of departments did not anticipate this development.⁴⁰ In other words, Palmer was attempting to entrench his independent control of Northern finances. Obviously his view contradicted colonial regulations which vested the control of Nigeria's finances in the legislative council and the Secretary of State. So it was unconstitutional for any lieutenant governor to authorise expenditure, only the legislative council, under the laws of Nigeria must authorise all expenditure from general revenue of Nigeria.

Palmer even succeeded in his conspiracy with Northern Residents to resist central control from Lagos. In compliance with his directives and circulars, all the Residents formed a united front or a pressure group to defend northern interests and keep departmental officers from interfering with the running of local administration. At times, this pressure group, led by Palmer, was absent from the proceedings of the legislative council in Lagos.⁴¹ In the north, they developed the Residents' conference as a substitute for the legislative council. Representatives of unofficial and private interests even attended their meetings.

Governor Thomson repeatedly reported the excesses of Palmer to the Colonial Office and remarked that unless a drastic check was administered to Palmer's recklessness, Nigeria would remain a divided country. The Colonial Office had no other choice but to transfer Palmer to Gambia in 1931. The foregoing have accounted for the disparity in the

expenditures and economic progress between the North and South. While the rapidly expanding staff in the south committed the government there to payment of more personal emoluments it was not so in those establishments in the north where expansion was slow. The contrasting situation in the north is vividly explained in the table below:

By 1929 many missionary schools in the Southern Provinces and Colony had been enjoying special grants from the general revenue because they performed certain services on behalf of the central government. This practice was the basis for the recurrent list in a federal fiscal system which by 1960 had become a popular aspect of financial relationship between the central and regional governments. Allocation of funds from the central coffers was basically by needs.

It was after 1929 that liabilities of limited scale were transferred to the Northern Provinces by the central government. Yet while many Southern Native Administrations were capable of organising and training adequate staff, only Kano, Sokoto and Bornu Native Administrations were capable of financing joint electricity and water supply schemes. Unlike their southern counterparts they were yet to inaugurate a large organisation of such departments like surveys, printing, veterinary and forestry.⁴²

It was Donald Cameron who succeeded Thomson in 1931, that defied the northern intransigence⁴³ and made the northern provinces spend more of their revenues on internal development throughout his tenure (1931-35). Indeed, Cameron was, more than any colonial governor, concerned with the future of native administrations and the future course of political developments in Nigeria, hence the sweeping reforms which he introduced. The reforms were approved by the Colonial Office and in 1933 were passed into Law. According to his expectations the reforms permanently changed the direction of Nigerian political, legal, constitutional and administrative development. The table below confirmed the success of Cameron in changing the *status quo* in the North in terms of central control of Northern expenditures.⁴⁴

Revenue and Expenditure of Native Treasuries in Northern and Southern Provinces and Colony (£'000) 1930/31-1934/35

Year	Northern Provinces			Southern Provinces and Colony		
	Revenue	Expenditure	Surplus	Revenue	Expenditure	Surplus
1930/31	1,070	1,133	1,346	596	602	391
1931/32	1,063	1,044	1,365	506	491	405
1932/33	1,041	947	1,459	485	436	454
1933/34	873	913	1,419	423	408	468
1934/35	863	894	1,397	426	411	484

From the governorship of Cameron onwards, there were no serious recurrent disputes between the north and the south over revenue sharing simply because of strict adherence to the same revenue allocation formula, and also because there was no apparent competition

between the south and the north in economic development. The north remained deliberately unperturbed by the southern rapid progress especially in education and commerce despite that revenue continued to be allocated according to needs.

But from the 1950s up till today, revenue allocation procedure has been repeatedly well articulated in the various Nigerian Constitutions and repeated emphasis on removal of imbalance in regional developments, had led various ethnic groups, states and parties to politicise the issue of revenue sharing between the central authority and other tiers of the government.

Within the past thirty years, various commissions were appointed to recommend different allocation formulae⁴⁵ which worked for some time and later became obsolete because of new political developments that often compel complete modifications of existing formulae or recommendation of new ones.⁴⁶ Up till today, revenue sharing procedure still remains unresolved resolution as Nigerian economists and financial experts continue to look for a lasting formula that will put an end to the destabilizing dilemma.

Thus from 1914 to 1950, Britain enforced a revenue allocation system based on needs. But this did not lead to progressive socio-economic development all over the country because of the anti-South stance of Northern administrators and their opposition to socio-economic progress. They did not want to see the North progress. Even with the measures taken by Cameron, the North still pursued an isolationist policy. It will not therefore be preposterous to conclude that the early arguments on the sharing of the central revenue between the North and the South foreshadowed the spate of inter-regional and tribal politics which later focussed on constitutional developments and revenue allocation.

FOOTNOTES

1. CO. 879/72, Desp. 677, 22nd May, 1902. Chamberlain to Ralph Moor, P.R.O. London.
2. Lord Lugard ruled Northern Nigeria from 1900-1906; Ralph Moor was the High Commissioner of the Southern Protectorate from 1900-1904 while Sir Walter Egerton ruled Lagos Colony from 1904-1906. Prior to amalgamation, the subsequent British governors employed the policies of their predecessors.
3. See Appendix B in Michael Crowder, *West Africa Under Colonial Rule*, Hutchinson of London, 1968.
4. CO. 446/7, 2nd February, 1899, Lugard to S of S; P.R.O. London.
5. J.J. White, *Central Administration in Nigeria, 1918-1948: The problem of Polarity*. Dublin, Irish Academic Press 1981 pp.25,31.
6. CO. 520/3 Desp. 260, 25th September, 1900 Major Galloway to Chamberlain, S.O.S. on Annual Report 1899-1900, P.R.O. London.
7. CO. 147/174, Enclosure I attached to Conf. 8th March, 1905 Egerton to S of S, P.R.O. London.
8. CO. 520/3 Desp. 307, 7th December 1900 Ralph Moor to S of S, P.R.O. London.
9. CO. 520/2, Desp. 417 9th December, 1901 Moor to S of S, P.R.O. London.
10. Co. 446/24, Enclosure No. 1 attached to Desp. No. 438 of 28th August, 1902, Lugard to S of S, which referred to Desp. of 26th June 1877, Moor to S of S, P.R.O. London.
11. CO. 446/26 Desp. 657, 24th December, 1902. Lugard to S of S, P.R.O. London.
12. CO. 446/26, Desp. 657, 24th December, 1902, Lugard to S of S, P.R.O. London.
13. CO. 446/24, Desp. 438, 28th August, 1902. Lugard to S of S, P.R.O. London.

14. CO. 446/24, Comments by Butler on Desp. NO. 438, 28th August, 1902, P.R.O. London.
15. CO. 446/48, 9th December, 1905, Treasury to S of S, P.R.O. London.
16. CO. 446/48, 6th February, 1905, Treasury to S of S, P.R.O. London.
17. CO. 446/65, Desp. 484, 27th September, 1907. Lugard to S of S, P.R.O. London.
18. CO. 446/65, Desp. 484, 27th September, 1907 Lugard to S of S, P.R.O. London.
19. Anene, J.C. *Southern Nigeria in Transition 1885-1906* Cambridge University Press, 1966, p. 327.
20. CO. 446/65, Desp. 484, 27th September, 1907, Lugard to S of S, P.R.O. London from 1907, Sir Percy Girouard took over the administration of the North from Lugard.
21. CO. 520/59, Conf. 13th February, 1908 Egerton to S of S, P.R.O. London.
22. *Ibid.*
23. CO. 446/75, Conf. 17th October, 1908. Girouard to S of S, see also Co. 446/104, Desp. 82, 9th February, 1912 Governor Bell of Northern Nigeria to Treasury, P.R.O. London.
24. CO. 520/102 Desp. 156, 25th March, 1911, Hesketh Bell to S of S, P.R.O. London. Governor Bell administered Northern Nigeria from 1909-1912.
25. *Ibid.*
26. CO. 446/99. Conf. 30th August, 1911, Bell to S of S, P.R.O. London.
27. *Ibid.*
28. See Moral E.D., *Nigeria, Its People and Its Problems*, London 1911; Flint, J.E. "Nigeria: The Colonial experience" in L.H. Gann and Peter Duignann, (Eds), *Colonialism in Africa 1870-1960*, Vol. 1, London 1969: White, J.J. op. cit. 29, 31, 48.
29. CO. 520/117, Desp. 677, 26th November, 1912, Lugard to S of S, P.R.O. London.
30. CO. 592/15, Annual Financial Report Southern Nigeria 1912. P. R. O. London.
31. CO. 583/5, Conf. 8th September, 1913 Lugard to S of S on Amalgamation Scheme P.R.O. London See also Geary W.N.M. *Nigeria Under British Rule* op. cit., p. 231.
32. CO. 583/5, Conf. 8th September, 1913, Lugard to S of S, P.R.O. London.
33. CO. 583/96, 17th January 1920, Annual Abstract Accounts 1916-1917; CO. 583/106, 10th August, 1921 Annual Abstract Accounts; and CO. 583/143/3040, Desp. 661, 15th July 1926 Clifford to S of S, P.R.O. London.
34. CO. 583/106, 10th August 1921 Abstract Accounts.
35. Obaro Ikime "The British and Native Administration Finance in Northern Nigeria, 1900-1934" in *Journal of Historical Society of Nigeria* Vol. vii No. 4, June 1975.
36. *Ibid.* pp. 682-3.
37. Okonjo, I.M. *British Administration in Nigeria, 1900-1950*, NOK Publishers, New York, 1974, pp. 83, 86, 91, 102, 116, 123.
38. *Ibid.* pp 128-137. 146-151, 157-167.
39. *Ibid.* p 137.
40. *Ibid.* p. 147.
41. *Ibid.* p. 151.
42. Pim; A.W. "Public Finance" in Perham, M. (ed.) *Mining and Commerce and Finance in Nigeria*. London 1948 pp. 253-254.
43. Okonjo *op. cit.* pp. 211, 217; Alexander who succeeded Palmer and Lethen, the Secretary of Northern Provinces failed in their attempt to control the destiny of Northern Nigeria with Lagos.
44. Pim, *op. cit.* p. 248; Obaro Ikime, *op. cit.* p. 680.
45. Adebayo Adedeji *Nigerian Federal Finance* Hutchinson Educational Ltd. London, printed 1971 pp. 2, 152. These were
 - (1) Sir Sidney Phillipson Report of the Commission on Revenue Allocation 1946.
 - (2) A. L. Chick, Report of Fiscal Commissioner on Financial Effects Proposed New Constitutional Arrangements (Lagos: Government Printer, 1953).
 - (3) Hicks - Phillipson. Report of the Commission on Revenue Allocation, 195

- (Government Printer, Lagos).
 (4) Raisman Fiscal Commission on Revenue Allocation 1957 (Government Printer, Lagos).
 46. See Birch A. H. 'Intergovernmental Financial Relations in New Federations' in *Federalism and Economic Growth in Underdeveloped Countries*, eds. by U.K. Hicks, F.G. Carnwell et al, London 1961, pp. 114-118.

	Actual Expenditure				Estimates	
	Northern Provinces 1922-23	Southern Provinces and Colony 1924-25	Northern Provinces 1924-25	Southern Provinces and Colony 1924-25	Northern Provinces 1926-27	Southern Provinces and Colony 1926-27
Secretariat	£14,675	£15,710	£14,653	£15,608	£19,113	£16,146
Provincial Administration	£204,878	£252,128	£201,295 (£162,340)	£245,764 (£188,430)	£218,462 (£161,667)	£302,651 (£215,019)
Civil Police	£60,793	£122,835	£66,217 (£54,232)	£127,649 (£117,976)	£68,528 (£54,749)	£150,265 (£126,402)
Prisons	£12,877	£143,604	£12,937 (£7,221)	£127,551 (£50,677)	£14,514 (£7,269)	£148,403 (£55,252)
Education	£29,163	£70,900	£33,086 (£24,654)	£83,215 (£43,485)	£43,784 (£30,205)	£133,959 (£60,633)
Gross Expenditure for the year	£347,479	£702,135	£380,834	£741,273	£360,342	£761,836

Note: The figures in brackets are for personal emoluments.
 Sources: CO. 583/124, Dep. 176, 26th February, 1923. Estimates 1924-25 (Clifford to S of S and CO. 583/43/2968, Dep. 661 15th July, 1923. Clifford to S of S on Estimates for 1926-27)