THE PROBLEMS OF REVENUE SHARING IN NIGERIA: A CASE STUDY OF FEDERAL REPUBLIC OF NIGERIA (BETWEEN 1946 - 1995)

BY

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CONTENTS

		PAGE
Dedication		i
Declaration		ii
Certification		iii
Acknowledgement		iv
Abstract		vi
List of Tables		viii
CHAPTER ONE		
1.1	Introduction	1-3
1.2	Statement of the Problem	3-4
1.3	Objectives of the Study	4-5
1.4	Significance of the study	5
1.5	Scope & Limitations of the study	5-6
1.6	Hypothesis	6
1.7	Research Methodology	6-7
1.8	Definition of terms	7
	End Notes	8
CHAPTER TWO		
2.1	Literature Review	9
2.2	Approach to Revenue Sharing in Some Contemporary Federation	9-21
2.3	Principles of Fiscal Adjustment	22-24
	End Notes	25
CHAPTER THREE		
Revenue Sharing among three tiers of Government in Nigeria between (1946-95)		
3.1	Philipson Revenue Sharing Commission 1946	26-28
3.2	The Hicks - Philipson Revenue Sharing Commission 1951	28-30
3.3	The Chicks Revenue Allocation Commission 1953	30-35
3.4	The Raisman Fiscal Commission 1958	35-36

3.5	The Binns Fiscal Commission 1964	37
3.6	Decree No. 15 of 1967	37
3.7	The Dina Interim Revenue Allocation Committee 1968	38
3.8	Decree No. 13 of 1970	39
3.9	Decree No. 6 of 1975	39-40
3.10	Aboyade Technical Committee on Revenue Allocation 1977	40-42
3.11	Okigbo Revenue Sharing Commission 1980	42-47
3.12	Allocation of Revenue (Federation Account) Act 1982	47-48
3.13	Decree No. 36 of 1984: Revenue Allocation Amendment Decree 1984	48-49
3.14	Danjuma's National Revenue Allocation & Fiscal Mobilization Decree 1989	49-58
3.15	Miscellaneous Value Added Tax (VAT)	58-61
3.16	Miscellaneous	61
3.17	Petroleum Trust Fund (PTF) Allocation Formula	61-62
3.18	Sharing Method of Revenue in Nigeria	62-67
3.19	Shares of Mineral Producing States from the Exclusive Revenue	67
3.20	Oil Mineral Producing Area Development Commission (OMPADEC)	67
	End Notes	68

CHAPTER FOUR

4.1	Representation and Analysis of Data	69
4.2	Representation of Principles of Revenue Sharing in Nigeria	69-70
4.3	Even EQUAN Development	70
4.4	Principles of Need	70
4.5	Principles of Population	71
4.6	Principles of Minimum Responsibility of Government	72
4.7	Principles of Social Development	72
4.8	Principles of Minimum Standard	72-73
4.9	Principles of Internal Revenue Effort	73
4.10	Principle of National Interest	73

4.11 Principle of Continuity 74
4.12 Principle of Fiscal efficiency 74
4.13 Principle of Geographical spread 74
4.14 Principle of Absorptive capacity 75
4.15 Principle of Equality of Access to Development 75
4.16 Analysis of Data Collected through Questionnaire 75-94

CHAPTER FIVE

5.1 Summary 95-97
5.2 Conclusion 97-98
5.3 Recommendation 99-100
Appendix A 101-103
Concurrent Legislative list where both the Federal and State Government have Authorities 104
Bibliography 105-106
Questionnaire

CERTIFICATION

This research work entitles THE PROBLEMS OF REVENUE SHARING IN NIGERIA: A CASE STUDY OF THE FEDERAL REPUBLIC OF NIGERIA (BETWEEN 1946 - 1995) meet the regulation governing the award of Master degree in Business Adminsitration, Ahmadu Bello University (A.B.U) Kongo, Zaria and is approved for its contribution to scientific knowledge of literature presentation.

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I think I will not be sincere with myself if I fail to acknowledge my dear wife Mrs Agnes N. Musa and my brother Dauda N. Maude whose care of my children has made the successful completion of my course and this work possible.

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DECLARATION

I, NATHAN M. MAUDE, hereby declare that this project is a product of my own research work and that it has not been submitted in any previous application for the award of a degree. All sources of information in this study have been specifically acknowledged by means of reference.

SIGN _____

NATHAN M. MAUDE

DEDICATION

This project is specifically dedicated to my: late father Mal. Musa H. Maude, late mother Mrs Chibi (Ruth) Musa, late senior brother Haziel (Mac Hai) Musa, and late junior brother Reuben (Pisco) Musa whose untimely death left a scar in my own life.

AND

Mrs Rahila Samaila Makama who is always hovering around the Maude's family like a tender mother.

LIST OF TABLES

3.1 Summary of the regional Allocation (1948 - 1951)

3.2 Estimates of Revenue Allocation Between Central and Regional Government 1953.

3.3 Approved 1954/55 Estimates of Revenue Allocation with the Revised Estimates for the same year.

3.4 Statutory Allocation of Revenue to States (1979 - 1981)

3.5 Statutory Allocation of Revenue to Local Government Councils (1979 - 1981)

3.6 Federation Account Allocation among Federal, State and Local Government Councils (1982 - 1995)

3.7 Statutory Allocation of Revenue among Local Government (1982 - 1995)

3.9 Distribution from Value Added Tax Pool Account to Federal, State and Local Government Council (1994 - 1995)

3.10 Distribution of VAT revenue to State and Local Government (1994 - 1995)

3.11 Share of each State from the Federation Account in January 1990

3.12 Shares of Mineral producing States from the exclusive revenue reserved for them (1990).

DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY
KONGO-CAMPUS, ZARIA.
KADUNA STATE.

Sir,

QUESTIONAIRE ON "THE PROBLEM OF GOVERNMENT REVENUE SHARING IN NIGERIA" A CASE STUDY OF FEDERAL REPUBLIC OF NIGERIA BETWEEN 1946 - 1995.

This questionaire is designed in a bid to obtain data for the research project on the above topic.

Please, note that all information you will supply will be strictly treated in confidence as it is only going to be used for academic exercise only. You don't have to write your name on any part of the questionaire. All you need do is to indicate your state of origin to facilitate easy analysis.

Your cooperation is hereby appreciated.

Yours faithfully,

SIGNED: NATHAN MUSA MAUDE
(RESEARCHER)

PROFESSION OF.....

STATE OF ORIGIN.....

QUESTION 1: Nigeria has had a long turbulent history of revenue sharing between the Federal, State and Local Government.

(a) YES [ ]

(b) NO [ ]

QUESTION 2: The main crisis has been over percentage and formula of sharing between the three arms of government (Federal, State & Local Government.

(a) YES [ ]

(b) NO [ ]

QUESTION 3: Presently the Federation Accounts are shared between the Federal, State and Local Government Councils as follows:-

Federal Government	-	48.5%
State Government	-	24%
Local Government	-	20%
Special Fund	-	7.5%

Do you think the above allocations are unfair? if yes then what percentage would you give?

Federal Government	-	%
State Government	-	%
Local Government	-	%
Special Fund	-	%

QUESTION 4: Are you one of those that are clamouring for revenue allocation between State and by implication Local Government to be essentially on the principle of derivation?

(a) YES [ ]

(b) NO [ ]

QUESTION 5: Recently percentage and principles of revenue sharing among State and Local Government councils from the federation Account is ?

Social development factor	-	15%
Population	-	40%
Minimum responsibility	-	40%

Do you think the above principles and percentages sharing among the State and Local Government from the federation Account are unfair?

(a) YES [ ]

(b) NO [ ]

QUESTION 6: Do you think solely or substantially relying on the principle of derivation in the sharing of revenue between States and by implication, Local Governments will encourage some States and Local Government councils to explore various opportunities of revenue generation?

(a) YES [ ]

(b) NO [ ]

QUESTION 7: Do you think that wholly or at least substantially sharing revenue on the basis of derivation could adversely affect national development?

(a) YES [ ]

(b) NO [ ]

QUESTION 8: Revenue sharing that give prominence to principle of derivation will adversely affect national unity?

(a) YES [ ]

(b) NO [ ]

QUESTION 9: Do you think that ethnicity, religions and geo-political consideration are contributing to the persistent disagreements over percentages and principles of revenue sharing between states and local government councils in Nigeria?

(a) YES [ ]

(b) NO [ ]

QUESTION 10: The Federal Government of Nigeria as presently constituted is too powerful and arrogant bith in financial resources and functions?

(a) YES [ ]

(b) NO [ ]

QUESTION 11: Do you think that, smashing the all powerful centre as presently constituted by reducing her area of tax jurisdiction for the states and by implication local government will really or minimally reduce the current tempo of revenue sharing crisis in Nigeria?

(a) YES [ ]

(b) NO [ ]

QUESTION 12: Do you think a system of revenue sharing whereby each state will collect all revenue in her domain before remitting the agreed percentage to the federal government for both her own services and distribution to other states, who may not be fortunate to have enough financial resources needed for her services, will minimally or completely eliminate revenue sharing crisis in Nigeria?

(a) YES [ ]

(b) NO [ ]

QUESTION 13: The view of many people that the overconcerntration of oil deposits (i.e the main source of national earning) in one geographical area of the country is also contributing to the persistent crisis (disagreement) over revenue sharing principles and percentages among federal, state and local government councils?

(a) YES [ ]
(b) NO [ ]

QUESTION 14: The present determination by Federal Government of Nigeria to reactivate or diversify sources of national earnings will ease revenue sharing crisis in Nigeria?

(a) YES [ ]

(b) NO [ ]

QUESTION 15: The high cost of running social administration, provisions of education, healthcare, access roads, etc due to astronomical increase in population in recent times is a contributing factor to persistent disagreement over percentages and formula of revenue sharing between the states, local government and federal government in Nigeria?

(a) YES [ ]

(b) NO [ ]

ABSTRACT

The problem of Government revenue sharing in Nigeria have failed to achieve the goals desire by government and people of Nigeria, many factors have been blamed for this failure. Among these factors are: Political, Economic and Social.

The objective of this study, therefore, is to analyse these factors and show whether or not they really affect successful sharing of revenue crisis in Nigeria.

To attain this objective, questionaires were used, including a face to face interview conducted among civil servants in federal Ministry of Finance Kaduna, State Board of Internal revenue staff, Plateau and Kaduna State staff of Ministry of Finance and Economic planning. Information drawn from the questionaire were analysed and interpreted along with information drawn from various publications.

The study will show that preservations and advancement of the course of ethnic tribal, religious and geo-political interests, the over concentration of the main sources of national earning in a particular geographical area of the country at different point of our national history and finally, the current population upsurge in the country, adversely affects successful management of revenue sharing crisis in Nigeria.

In view of these findings, the researcher has recommended that:-

(i) Government should henceforth concentrate on the identification and articulations of programmes of National integration, capable of fostering the spirit of oneness, sacrifices collective acceptance and pursuit of national goals,

(ii) Government revenue Sharing (allocation) policy must reflect the ideals of justice, equity and fair play in the eye of most Nigerians,

(iii) The federal government should concede some functions presentiy being perform by her to States and Local Government Councils to boost their financial positions and consequent performance of their statutory functions.

(iv) Government should discourage the glowing sense of regional pride and superiority, feelings of regional self-importance, delusion and consequent arrogancy in every process to sharing of federally collected revenue among tiers of government through programmes of economic diversification and intensifications of geological surveys in all nooks and corners of the country with the view to diversify sources of national earning.

Population explosions should be minimised through government legislation and active public enlightenment campaign to reduce much responsibility on various level of government.

CHAPTER ONE

1.1 INTRODUCTION

The size and the social diversities of the people of Nigeria, like any other nation, has made it difficult for either the federal, state or local governments to attempt individually to govern the people at the grassroots level effectively from a central point. Looking into the senseless struggle to satisfy man's diverse needs, out of nature's complex unequal distribution of world resources, informed global certifications of the concept of INTERDEPENDENCE, as one of the cardinal principles guiding social, political and economic inter-relationship among regions in a given country like Nigeria and other countries of the world. Today, the rising profile of this important concept of INTERDEPENDENCE is also attributable to its uncomplimentary roles in the growth of socio-economic and political interactions that usually prevails among regions and countries with varying linguistic, religious and geo-political backgrounds, co-habiting the globe.

Furthermore, the significance of this key concept is also unfolded by the very fact that it is an important factor that influences the formation of a state. It was this very issue, which was the overriding factor in the decision to amalgamate Northern Nigeria with Southern Nigeria in 1914. Similarly the creation of more local government and states throughout the country in 1976 following the recommendation of the Udoji Public Service Commission in 1974 was a further step forward to take the government to localities and thus encourage full participation in the art of government. However, the existence of social and political conflicts within the context of Nigeria's socio-economic and political settings is directly linked up with the insurmountable problems of existing regional differentials and the inevitable needs to inter-depend on one another, so as to meet our diverse needs. More often than not, the process of identifiable national resource transfer, for instance, from the regions or states, it exist in abundance to

where it exist less or none at all, to accomplished national goals, has source of acrimony, recriminations and national instability. The existence of this problem in Nigeria, although a phenomenon in most multi-national states is compounded by the application of federal principles in Nigeria's governmental arrangement.

Under the Nigerian federal system of government, responsibilities of government are divided among the federal state and local government authorities as earlier stated. Exclusive powers are given to the federal government to legislate on such areas as defence, foreign exchange, external affairs, currency minting, mining, aviation, etc, while both federal and state could legislate on such areas as education, health, industry, agriculture, etc all in concurrent list the state governments alone are empowered to legislate on matters in the residual list and local government councils have their own areas of jurisdiction.

This constitutional prescription of functions for different levels of government, to transform social, political and economic lives of Nigerians, gave rise to today existing complex intergovernmental financial relations and the general dissatisfactions prevailing among the Nigerians diverse people. This complexity is unfolded by the basic requirements that each level of government must possesses adequate financial resources to discharge it's constitutional functions to enhance individual and national development. Therefore, the historical problems of adjusting the balance between financial resources available and constitutional functions, between the competing needs of each level of government vis-a-vis the attainment of national goals of satisfying fiscal equity and efficiency in financial resource distribution, in a manner consistent with the national objective of securing unity, national integration and balanced development, has made the Nigerian intergovernmental financial relations one of the most chaotic in recent times. The difficulty of adjusting the financial resource to exact functions of each level of government is recognised by the Australian Commonweath Commission in its first

annual report in 1934 that:- "it is impossible in a federal nicely to adjust the functions entrusted to members may have more financial resources; some members may have more financial powers than actually needed and another less. Consequently, some adjustments may have to be made in the form of redistribution of the revenue from the more favoured to less fortunate members of the union".[1]

The struggle to adjust the balance between the financial resources of each level of government (federal, state and local government) and the constitutional prescribed functions has led to the establishment of several revenue sharing (allocation) commissions, committee and Decree and also different principles of formula of sharing; each best remembered for the controversy , it generated than issue resolved.

1.2 STATEMENT OF THE PROBLEM

Revenue sharing (or allocation) or statutory divisions of federally collected revenue from the federation account to different levels of government (federal, state and local government authorities), since 1946 till date, has been one of the most controversial and contentious issues in Nigeria. So controversial and contentious that none of the formula evolved at various times by different commissions, committee and/or Decree under different regimes, has gained general acceptability among the federal, state and local government authorities, and more importantly among various regions and sections of Nigeria. "Since 1950s one of the major grevances of various regions and sections has been that their wealth was being used to subsidised poorer ones and the glowing exploitation of oil deposits in the east and mid-west in 1960s thus added fuel to fire which has been lit long before. Conversely, not only the mobilisation of resources, but their distribution was an important source of intersectional competition and conflicts with constant accusations of unfair treatment"[2]. This could be further illustrated

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by the observation made in 1975 by Dudley - "The most wanted revenue allocated (shared) between the component units of the federation on the basis of derivation, with cocoa as the principal revenue this would have made the west better off of the three regional government and the west had threatened to break away were its demand not met. The North wanted revenue shared (allocated) on per capita basis, which would have favoured the North with larger population, while the east being fiscally worse off, wanted revenue allocated on the basis of need, taking a position with regard to financial divisions of powers between the federal and regional governments".[3]

Revenue sharing in Nigeria has contributed in no small measure to various political problems that had at one time or the other engulfed this nation. It should be noted that, this role in the fedecious struggle for political power between the political class and the military and among the sections of the country, has created persistent problems of election rigging, demands for state creation, delimination of constituencies, inaccurate census figures and the cries of domination by one ethnic group over the other. A senator Bola (1994) supported this view, when he stated " Nigeria's political problems centres on resource generation, sharing and management when our people reduced national problems to those of quota, citizenship right all parts of Nigeria, domination of other ethnic groups by one ethnic group, developmental neglect of some sections of the country, at the base, is the whole question of resource generation allocation and management"[4]

OBJECTIVE OF THE STUDY

This research project examines the problems of government revenue sharing (allocation) in Nigeria by critically evaluating Nigeria's system of revenue sharing (allocation) among the three tiers of government and the methodology of sharing revenue among them.

The study shall also examines various formula of revenue sharing employed over time in the distribution of federally collected revenue among the federal, state and local government authorities with a view to determines their relevance in the problem of government revenue sharing crisis in Nigeria. It is also the aim of the research to test the hypothesis through the administration of questionare and face to face interview.

1.4 SIGNIFICANCE OF THE STUDY

The study is of important, because, it will bring to light why revenue sharing crisis management in Nigeria has been quite unsuccessful. It is of paramount in the sense that, its findings will be of assistance in determining the relevance of the current approaches to management of revenue sharing crisis in Nigeria.

Finally, it is my opinion that it will add to the existing literatures and knowledge on the management of revenue sharing crisis in Nigeria and ways of eliminating outstanding and future crisis of revenue sharing formula in Nigeria.

1.5 LIMITATION AND SCOPE OF THE STUDY

This study will limit itself to the problems of government revenue sharing crisis in Nigeria and not to any country. The limit of inquiry has been fixed as far apart as 1946 - 1995. This study will attempt to look into Nigeria's system of sharing revenue among the federal, state and local government authorities and also critically evaluate formula of revenue sharing and the extent to which it contributes or otherwise to the successful management of revenue sharing crisis in Nigeria.

The study also undertake the use of research questionares, which were adminsitered among the civil servants in Federal Ministry of Finance and Economic Planning Kaduna, State Board of Internal Revenue staff, Kaduna State

Ministry of Finance and Economic Planning and Plateau State Ministry of Finance and Economic Planning. It wasn't easy getting the respondents to complete their questionaires. Some questions were not answered, other respondents didn't return their questionares. These in addition to financial constraints serve as obstacles in the course of the study.

In view of my limited time, my tied schedule in the office and in consideration of my financial situation, very few questionaires were produced and administered for the research work.

1.6 HYPOTHESIS

That the problems of government revenue sharing crisis in Nigeria have been because of:-

(i) Political factors

(ii) Economic factors, and

(ii) Social factors.

1.7 RESEARCH METHODOLOGY

For a research project like this, various methods exist of data collection. However, the following methods were used.

1.7.1 PRIMARY DATA:- First, a well designed questionares were administered on a sample of civil servants at Federal Ministry and State government. Similarly, personal contact or face to face interview were conducted among Bankers, businessmen and women and students.

1.7.2 SECONDARY DATA:- Work related to this research were used. A good number of data from commission's report on revenue sharing, journals of business adminsitartion, magazines, Decrees, Official Gazettees of the Federal Republic of Nigeria were freely used.

Similarly, Books in National Achives, Arewa House - Institute of Historical Research and Documentation of A.B.U all in Kaduna were consulted.

1.8 DEFINITION OF TERMS

1. ROYALTIES - as used here means payments made to owner's of land for the extraction of minerals from beneath his land. It is used strickly in respect of mining.
2. PRINCIPLES OF REVENUE SHARING - refers to the rules to be applied, the basis or general laws guiding the sharing of federally collected revenues, among the states, local governments and federal authorities, e.g. a given set can be shared among the tiers of government on the basis of derivation, population, national interest , etc.
3. RESOURCE TRANSFER - It is used here to denote a system whereby revenue so collected are divided among various levels of government - from federal, state and local government authorities.
4. DEVOLVED TAX - These are taxes collected by the central government and shared or assigned to the states, local governments according to prescribed principles.
5. FEDERATION ACCOUNT - It's an account from which the state, local and federal governments receives statutory allocations based on the existing principles or formula of revenue sharing.

END NOTES

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CHAPTER TWO

LITERATURE REVIEW

2.1 APPROACH TO REVENUE SHARING IN SOME CONTEMPORARY FEDERATION

The major constitutional approach for inter-governmental fiscal relations in Nigeria is embodied in sections 149, 150, 151, 153, 154, 155, 74 and 75 of the 1979 constitution. As prescribed by the constitution, Nigeria is maintaining a central accounts known as FEDERATION ACCOUNTS. To be paid into this account are all revenue collected by the government of the federation, except the proceeds from the personal income tax of the personnel of the Armed Forces of the federation, the Nigeria Police Force, the Ministry or department of government charged with the responsibility for external affairs and the resident of the federal capital territory. Any amount standing to the credit of the federation account is to be shared among the federal, state and local government in each state as may be prescribed by the National Assembly. Section 149 (3) state that "Any amount standing to the credit of the federation account shall be distributed among the states on such terms and in such manner as may be prescribed by the national Assembly"[1]. The amount or the share of the local government in the federation account is to be allocated to the states for the benefit of their local government councils as may be prescribed by the National Assembly.

The constitution also prescribed for each state to establish a special account to be called "State Joint Local Government Account" This account is made up of all allocations to the local government councils of the state from the federation account and from the government of the state. In addition, each state shall pay to local government councils in its area of jurisdiction, the proportion of its revenue as may be prescribed by the National Assembly. Furthermore the amount allocated

to the local government of the state, is to be distributed among the local government councils as may be prescribed by the national Assembly.

SECTION 150 STATE THAT:-

"Where under an act of the national Assembly, tax or duty is imposed in respect of any of the matter specified in item D of part II of the second schedule to this constitution, the net proceeds of such tax or duty shall be distributed among the states on the basis of derivation and accordingly

(a) Where such tax or duty is collected by the government of a state or other authority of the state, the net proceed shall be treated as part of the consolidated revenue of the state;

(b) Where such tax or duty is collected by the government of the federation or other authority of the federation, there shall be paid to each state at such times as the National Assembly may prescribed a sum equal to the proportion of the net proceeds of such tax or duty that derived from that sate"[2].

The constitution also uphold a system of grant as part of the Nigerian inter-governmental fiscal relation. In other words the state may receive grant to supplement their revenue in such sum and manner subject to such terms and conditions as may be prescribed by the National Assembly - on top of all compensations by the states in the sharing of revenue in the Nigerian federation to federal government is the fact that, each state shall pay to the federal government in each financial year, an amount equal to the expenditure incured by the federation in the course of collecting taxes or duties that wholly or partly paid to the state. The federal government is empowered by the constitution to deduct from any payment that is required for the compensation of any sum or amount that is due to it from the state in respect of any loan made by the federal government to that state.

Section 154 states that:-

"Any payment that is required by this chapter to be made by the federation to a state, shall be charged upon the consolidated revenue fund of the federation and any payment that is required to be made by state to a federation shall be charged upon the consolidated revenue fund of the state"[3].

In exceptional cases like where such payment fails to be made under this section, the constitution empower the Auditor General for the federation to certified the amount payable on the condition that, this provisional payment may be made before the Auditor General for the federation provided he has given his certificate. Besides, National Assembly is also empower to prescribed the time and manner in which any payment failing to be made under this part of this chapter shall be effected, and provided that adjustment and provisional payments are made.

The 1979 Nigerian constitution also decreed into existence the consolidated revenue fund into which shall be paid all revenue or other money that is to be raised or received by the federation that is not payable under this constitution or any act of National Assembly into any other public fund of the federation shall be paid into consolidated fund of the federation. Besides it is unconstitutional for money to be withdrawn from this consolidated revenue fund of the federation except to meet expenditure that is charged upon this fund by the constitution or where the issue of money has been authorised by an appropriation Act, supplementary appropriation Act or an Act shall be passed in pursuance of section 75 of this constitution.

Nigerian's approach to revenue distribution between the federal, state and local government council has alot similarities with what is obtain in other federations like India and United States of America. In India for example, the history of intergovernmental fiscal relations proceeds the emergence of political federation. In other words, the development of Indian intergovernmental fiscal

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relations comenced in the colonial state. During the British Administration in India various principles for the allocation of funds were devised. This provided the foundation for the financial provisions of the government of India Act 1919. The principles of revenue allocation between the states (provinces) as contain in this Act, were derivation by incedence, origin or collection and according to compensation for revenue sources given up. Besides Budgetary needs of the relatively backward units was also considered along with financial responsibility and regional autonomy. All these formula dictated the allocation of revenue between the central and states and between states in the federation. The new Act introduced in 1935 sought to achieve a large measure of separation of revenues between the centre (federal) and the provinces state and at the same time recognised the need for some revenue transfer. The Act awarded 50% of the proceeds from income-taxation. This amount was to be divided between the provinces using the principles of population which gave a broad measure of need and also according to the residence of the tax payers. The Act also made provision for the principle of derivation to be applied to the distribution of proceeds from export duty on jute between four jute producing province namely, assam, Bengal, and Bichat, 6 1/2% instead of former 50%. The Act also approved the provision of grant in aid to provinces in need of financial assistance.

The emergence of the financial constitutional provisions in 1950 in India constitution, comenced a modern era in the intergovernmental fiscal relations in India. The financial provision of the constitution demarcates the taxing powers or jurisdiction between the levels of government in the union. The taxing power was divided in such a way that, taxes having inter-state base, have been placed under the direct or complete jurisdiction of the central government. While those that are dominantly local base, falls under the legislative jurisdiction of the states.

Section 268(1) and 269(1) of the financial provisions of the constitution of India states that:-

"Such stamp duties and such duties of excise on medicinal and toilet preparations are mentioned in the union list shall be levied by the government of India but shall be collected:-

(a) In the case where such duties are leviable within any union territory by the government of India and

(b) in other cases, by the state within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any states shall not form part of the consolidated fund of India, but shall be assigned to state. The following duties and taxes shall be levied and collected by the India but shall to the states in the manner provided in clause (2) namely:-

(a) duties in respect of property other than agricultural land

(b) estate duty in respect of property other than agricultural land

(c) Terminal fees on goods or pasengers carried by the railway, sea or air

(d) taxes on railway fares and freights

(e) taxes other than stamp duties on transaction in stock exchange and future markets;

(f) taxes on sale or purchase of newspapers and on the advertisement published therein

(g) taxes on the sale or purchase of goods other than newspapers where such sale or purchase takes place in the course of inter state trade or commerce".

Section 2 went ahead to state that:-

"The net proceeds in any financial year of any such duty on tax, except in so far as those proceeds represent proceeds attributable to union territories, shall not

from part of the consolidated fund of India, but shall be assigned to the states within which that duty or tax is leviable in the year, and shall be distributed as may be formulated by parliament by law".

The 1950 constitution also imposed on the union government the power to levied, collected and distributed taxes on income, other than agricultural income between union and the state, in a manner provided in clause (2). Such percentage as may be prescribed of the net proceeds in any financial year of such tax, except in so far as those proceeds present proceeds attributable to union territories or to tax payable in respect of union emoluments shall not form part of the consolidated fund of India, but shall be assigned to the states within which that tax is leviable in that year and shall be distributed among those states in such manner and from time as may be prescribed . The constitution also provides that union duties of excise other than such duties of excise on medicinal and toilet preparations, shall be levied and collected by government of India. But if parliament do provides, such fund shall be paid out of the consolidated fund of India to the states and the proceeds shall be distributed among those states in accordance with such principles of distribution as may be formulated by such law.

The constitution also provide for grant and aids from the union government to be charged on the consolidated fund to the states in the intergovernmental fiscal relations in India.

Section 275(1) states that:-

"Such sum of parliament may by law provides shall be charged on the consolidated fund of India in each year as grant-in-aid of revenue of such states as parliament may determine to be in need of assistant and different sums may be fixed for different states: provided that there shall be paid out of the consolidated fund of India as grant-in-aid of the revenue of a state, such capital and recuring sums as may be necessary to enable the state to meet the costs of such schemes of

development as may be undertaken by the state with the approval of government of India for the purpose of promoting the welfare of the scheduled tribes in that state or raising the level of administration of the scheduled area therein to that of the administration of the rest of the area of that state: provided further that there shall be paid out of the consolidated fund of India as grant-in-aid of the revenues of the state of Assam, sums, capital and recuring equivalent to

(a) the average of expenditure over the revenues during the two years immediately proceeding the commencement of this constitution in respect of the adminsitartion of the tribal areas specified in part A of the table appended to paragraph 20 of the sixth schedule; and

(b) the costs of such schemes of development as may be undertaken by that state with the approval of the government of India for the purpose of raising the level of adminsitartion of the said areas to that of the administration of the rest of the area of that state".

Another salient feature of the constitution is that, it recommended the establishment of the finance commission which shall consist of the Chairman and four other members to be appointed by the President within two years from the commencement of the constitution and thereafter at the expiration of every five years. According to section 280(3) "shall be the duty of the commission to make recommendations to the President as to:-

(a) the distribution between the union and that states of the net proceeds of taxes which are to be or may be divided between them under this chapter and the allocation between the states of the respective shares of such proceeds;

(b) the principles which should govern the grant-in-aid of the revenues of the states out of the consolidated fund of India

(c) any other matter refered to the commission by the President in the interest of sound finances".

In response to their constitutional responsibilities the four commissions that was set up between February 1952 to July 1964 devised systems of revenue sharing between the union government and the states also between states in the recommendations made to the President of India by the first finance commission as provided by the constitution the commission shared 55% of non agricultural income to states leaving the centre with the remaining 45%. The finance commission went ahead to shared income tax between states on the basis of 80% attributable to population and 20% according to relative tax collection. This commission also recommend that, the state be given a 40% share of excise duties on three commodities(tobacco, matches and vegetable products) and the remaining 60% allocated to the union government. In the allocation of this revenue, the first finance commission relied on population as the sole criterion. On the proceeds of estate duty between states, it recommended that, the total amount available be divided into revenue from inmovable property which should be shared according to population. On the distribution of proceeds from a tax on railway fares, the basis for distribution was passenger earnings (excluding sub-urban services by route mileage in each state). The first finance commission under a grant-in-aid in lieu of export duty on jute to the four states (weat Benal, Cihar Ovissa and A) revenue in 1950 to the union government. The basis for the grant-in-aid was the states budgets and account was also taken of tax effort, economy in expenditure and the standard of social services in each state as well as special burdens of obligations of national concern and broad purposes of national importance. In addition the finance commission also recommended special grants-in-aid for primary education to eight states with school attendance by children in the number of school age group 6 - 11 was lowest in proportion to the number of school age

children not attending school. Furthermore, the commission also recommended that, the union government should make grants for what was termed "public purpose". For sometimes, the central government had made such discretionary grants, mainly to assist the growing of more foods schemes in the states to also support specific development schemes and developments.

The second finance commission made the following recommendations for the devolution of revenue from the centre to the states.

(a) "60% of divisible net proceeds of income tax (other than corporation tax) are assigned to the states and distributed among them on the basis of population (90%) and (10%) as attributable to collection;

(b) 25% of net proceeds of the union duties of excise on certain specified commodities are distributed among the states on the basis of population (90%) and on other adjusting factors (10%).

(c) the entire tax on railway fares is attributed to the states on the basis of passenger earnings in respective states for the three year ending March 1956;

(d) the net proceed of the estate duty are distributed between the states in proportion to their populations, except that the amount collected in respect of inmovable properties are distributed on the basis of location of those properties;

(e) the net proceeds of the additional duties of excise on textiles, sugar, tobacco, levied in lieu of the sales tax are distributed among states at specified percentages determined on the statewise consumption of these commodities and the relative population of each state.

(f) grant-in-aid of the revenues of specified amounts are shared (allocated) to states on the assessment of their needs based on review of their budgetary position, the size of their development expenditure out of revenues, central

assistance afforded towards the execution of their plans and an estimate of additional resources they are expected to find by increased taxation.

The above were accepted and made a scheme of devolution of revenue from their centre to states by the President, until the third finance commission was constituted on the 15th December, 1960, to make new recommendations on the devolution of tax or revenue between the union and the states. Below are the scheme of devolution or revenue from the centre to the state as recommended by the third finance commission:

(a) 66 2/3% of the divisible net proceeds of income tax (other than corporation tax) are assigned to the states and distributed among them on the basis of population (80%) and collection (20%);

(b) 20% of the union tax or duties of excise on all commodities other than motor spirit are distributed to the states on the basis of population (as major factor) relative financial weaknesses of states, disparity in levels of development, percentage of scehduled castes and tribe and backward classes in their population;

(c) the grant-in-aid in lieu on tax on railway fares is distributed between the states on the basis of compensation, i.e. what states were getting before the tax was abolished.

(d) the net proceeds of the estate duty are distributed between the states proportion to their population except that the amounts collected in respect of inmovable are distributed on the basis of location of those properties.

(e) in respect of the net proceeds of additional duties of excise on textiles, sugar and tobacco levied in lieu of sales tax for the financial year 1956/1957 in that state and the balance on the basis of percentage increase in the collections of sales tax and partly on the basis of population;

(f) grants-in-aid of revenue of specified amounts are made to the states on an assessment of their needs based on the review of their budgetary position and the size of their committed expenditure out of revenues, specific grants are also made to certain states for the improvement of their communication".

The above scheme of devolution of tax or revenue between the union government and states and among the states were also revisited by the fourth finance commission. On non agricultural incomes, the commission allocated 75% to the states and accepted the basis of distribution between states as laid down by the first commission. On sharing of excise duties, the fourth commission recommended that, in the absence of reliable data on consumption, 80% payable to the states should be allocated according to population and the other 20% should be allocated according to economic backwardness as measure by seven factors, such as per capita, gross value of agricultural productions, per capita value addded by manufacturrers, percentage of workers to population, percentage of enrolment in classes 1 - 5 to the population in age group 6 to 11, population per hospital bed, percentage of rural population to total population and percentage of population of scheduled castes and tribes to total population. On the allocation of estate duty, the fourth finance commission uphold the existing basis of distribution as prescribed by the first finance commission as well as the existing system of grants-in-aid.

The principle that governed the intergovernmental fiscal transfer between the union government and the states in India, basically revolves around the recognistion accorded the central government as having a measure of supreme power both in terms of duties performed and its share of resources. Between 1919 and 1967, the salient principles of sharing of revenue between the states are population, revenue effort, tax collection, derivation by incidence, origin and collection, compensation for sources of revenues given up for the union

government others were financial responsibility and regional autonomy level of social services attained, relative financial weaknesses, disparity in the level of development reached, etc. The goal of this nature of intergovernmental fiscal relations is the attainment of equity, efficiency and integration of different tribes in India.

In the case of United States of America (USA) it did not start with an articulated revenue sharing arrangement until quite recently. The state of affairs regarding revenue is that, tax powers were divided between the federal, state and local government authorities, besides, closely guarded the intergovernmental fiscal transfer arrangement, was a system of conditional grants from the federal government to states and local government authorities. In the United States of America, grants were used extensively as a means of supporting minimum standards of service in all states and also, has been used to stimulate state and local government expenditure in certain field, and to also compensate for the financial effects of federal policies.

In what seems to be an all out journey towards a comprehensive system of revenue sharing, a departure from wholly relying on a well coordinated system of grants was a system of allocation of revenue proposed by the HELLER PECHMAN PLAN, which made wide range of recommendations, that were designed to infuse structural changes into the intergovernmental relations of the country. The scrutinization of the proposals by the United States Congress and more importantly the financial committee of the house, led to the emergence of five factors of sharing revenue between the states and local government authorities namely:-

(i) Population

(ii) Tax effort

(ii) Per capita income

(iv) urbanised population, and

(v) Personal income taxation of 155.

In 1972, the state and local fiscal assistance Act emerged to govern revenue sharing. The Act provided $30.2 billion in federal funds to be paid to nearly 38 states local government authorities during the five year period (1972 - 1976). The sharing procedure involves four major stages:-

(i) Determining the aggregate sum going to each of the fifty-one states areas

(ii) Splitting each amount into shares for states and local governments

(iii) Allocating each statewide local share among country areas, amd

(iv) Calculating each local jurisdictions part of total sum available for the country in which it is located. The found was shared to each of the fifty-one states on the basis of population, tax effort, per capita income (inversely), urbanised population and 15% of revenue from personal income as formula of allocating of shared revenues between states.

The second step in the revenue sharing process under the 1972 arrangement involves simply dividing the sum available to each state area into two parts. Two-third for local distribution and one-third for state governments. In some instances however, the shares for individual states can be greater than the other, a phenomenon traceable to a provision in the law affecting country governments for each state, revenue is divided among country areas on the basis similar to that for state area allocations. Equal weight is given to three factors, population, relative rax effort and relative income. Relative income for each country is the ratio obtained by dividing the statewide average of per capita income by the country's per capita income. The determination of each country part of all the shared revenue available for local distribution throughout of the made, by multiplying these three factors and dividing the result by the sum of the corresponding products for all the areas in the state.

Revenue allocated to the country area is also subject to distribution. The total sum available for each country area is allocated in stages, first, each Indian tribe or Alasko native village, that, has members residing in the country area is entitled to revenue equal to its proportion of total population. The remainder is divided among county government, township governments and municipal government according to the respective amount of non school tax revenue raised by those several types of government. Apart from that, the respective township and municipal totals are allocated among individual units of each type by a formula that gives equal weights to three factors, population, relative tax effort and income each defined as for the county area allocation previously described, but by using per capita income of the county area, rather than of the state as a standard of relative income. If necessary, the results of step two and three are adjusted so that:-

(a) Non of the local governments receive more than 50% of the sum of its non school tax revenue plus its receipts from intergovernmental transfer other than shared revenue in the fiscal year used as the basis for the calculations.

(b) No township or municipality receives per capita income more than 145% subject to the foregoing 50% limitation-less than 20% of the statewide per capita income amount available for local distribution as initially determined.

(c) Any calculated local government share of less than $200 a year is added to the county government allocation, rather than being paid to the particular unit concerned. A similar transfer is made to any unit that officially waives its entitlements.

2.2 PRINCIPLES OF FISCAL ADJUSTMENT

An examination of fiscal operations in most well known federations indicates over concerntartion on equity consideration to the detriment of other worthwhile federal goals. J.M. Buchanan emphasises the equity goals more than

any of the other objectives. Writing on the subject "The pure theory of government finance: A suggested approach", and also "Federation and fiscal equity", he vehemently argued against a system of fiscal adjustment, which would enable all states or regional governments in a federation to provide a national average level of public services at average tax rates. Instead, he argue for an intergovernmental system of fiscal adjustment that facilitates, "equal treatment of equals". Arguing that in a federation the individual has plurarity of political units with which to deal fiscally. He rejected what he calls organismic theory as being of little use in practical problems. Because it regards the regional unit as an organic unit. He questions limiting the application of fiscal equity principle to single fiscal systems within a federation. If this were done, he argues, individuals similarly situated would be subjected to equal fiscal treatment only if they are citizen of the same subordinate government. There would be no quarantee that equal living in different subordinate units would be equally treated at all. Therefore, he concludes that, the principle of equity must be of use in solving the fiscal problem of federation.

Buchanan introduced the concept of fiscal "Residuum", which he defines as "being equal to an individual's tax burden minus his benefits from public services, only by a comparism of Residuums of Individuals" he write, can the total effects of a fiscal system be analysed and evaluated. Thus, the satisfaction of equity criterion will require that, the fiscal residual of similarly placed individuals should be the same regardless of where they live in the federation, and the policy objective for intergovernmental transfers will become one of providing or ensuring "equal treatment of equals".

Richard A. Musgrave, in his paper, "Approches to fiscal theory of political federation" presents a series of approaches which combine the various principles of fiscal adjustment and take into account not only efficiency considerations, but also, other objectives, which the federal may wish to pursue. These objectives may

relate the central government's fiscal adjustment to the groups of individual comprising the various regions in the federation. The fiscal adjustment process aimed at placing all the regions in a federation in a more or less equal fiscal position might be used to bring about various forms of equalisation, namely: actual fiscal performance, fiscal capacity or fiscal potential. Richard A. Musgrave analysis turn the effects of each form of equalisation on regional taxation. First he shows that a fiscal adjustment aimed at equalising per capita expenditure on regional services in all regions while resulting in the transfer of resources from high income to low income regions, result in a disincentive effect on regional taxation. Secondly, a fiscal adjustment aimed at equalising regional performance also has a disincentive effect on regional taxation. According to him the disincentive with regard to the later is smaller for the more needy regions or states and greater for the less needy. Thirdly, in the case of where adjustment at equalising the differential in fiscal needs and capacity, rather than ina actual outlays for performance, there are no disincentive effects in regional taxation. Fourthly, when the objective is to equalise fiscal potentials, due amount should be taken of the potential effort of each region by assessing the tax base before any adjustment is made. Under this plan, resources would be distributed from regions with larger tax base to regions with smaller ones. To Richard A. Musgrave, this approach would permit each region to determine its own level of taxation, while leaving the federal government to equalise the fiscal opportunities of the various regions. It could make it possible for a region to receive support only to the extent that, it qualified for support by its own tax effort.

END NOTES

1. The 1979 Constitution of the Federal Republic of Nigeria p.59.
2. Ibid Section 150 page 59.
3. Ibid Section 154 page 60.
4. Ibid Section 74 page 37.
5. State Fiscal Relations in India by KVS Sastri. A study of the Finance Commission and Techniques of Fiscal Adjustment, Oxford University Press 1966 pages 117 to 137.
6. Nigerian Federal Finance, Its Development, problems and Prospect by Adedeji Adebayo page 12 - 14.
7. The Union and the States by J.N. Sharma. A study of Fiscal Federation page 62 - 63.
8. Federation and Fiscal Adjustment by R.J. May page 93.

CHAPTER THREE

REVENUE SHARING AMONG THREE TIERS OF GOVERNMENT IN NIGERIA BETWEEN (1946 - 1995)

The development of revenue sharing (allocation) system in Nigeria was part of the constitutional development. In other words, the various system of revenue sharing so far tried in the country are associated with various constitutional arrangements. However, the understanding of Nigeria's system of revenue sharing demands concrete presentation of the reports and recommendations of the various revenue sharing commissions and the provisions of revenue allocation decree.

3.1 PHILIPSON REVENUE SHARING COMMISSION (1946)

In an effort to establish a new constitution in 1946, the commission came into being as one of the basic requirements. The British policy of devolution created entries of power, and more importantly, allocated responsibility. Hence Philipson terms of reference were to undertake a "comprehensive study and make recommendations regarding the problems and administrative and financial procedures to be adopted under the new constitution and to examine in the light of its historical antecodents the problem of financial relations between the Nigerian government and the native administration with a view to making recommendation as the policy and procedures which should determine those relations in future".

Towards attaining this goal, revenue was categorised into DECLARED and NON DECLARED REVENUE. Declared revenues are those that clearly identifiable with the region and locally collected by regional authorities and for which no national importance are attached or importance policy consideration are likely to arise. On the other hand, non-declared revenues are revenues that were not declared regional that revenue on which federal government could exercise

important consideration of policy. On the sharing of non-declared revenue among levels of government the fiscal commissioner proposed two fundamental principles of sharing namely; the principles of derivation and even progress. under the principle of derivation, each region should ideally receive for its expenditure the full amount of its share of direct tax and all revenues declared regional and that a block grant from other revenues in strict proportion to the contribution, each region makes to other revenues. Under the principles of even progress, each region would receive revenues in proportion to its need, population being suggested as the best measure of need. THE COMMISSION PUT THAT:- It is natural that the concern of the government of Nigeria and to the advantage of each region that the progress should be even over the whole territory; the degree of civilisation throughout the country should be raised to a general equal level; in short that backward areas receives special attention .... it is relevant to mention here that I began my inquiry with a strong predisposition in favour of sharing available non-declared revenues strictly in proportion to population being as its seemed to me the best available measure of human needs".

Items of revenue to which these formulas were to applied are custom duties, company taxes, excise duties, personal income taxes and certain revenues which were clearly without geographical origin (interest). To determine the actual contribution of each region to the non-declared revenue, trade statistics on turn-over of 1946 were examined and it was discovered that regional contributions are as follows:

Northern Region	-	46%
Western Region	-	30%
Eastern Region	-	24%

On comparing percentage contribution of each region to non-declared revenue, it was discovered that Northern Nigeria was contributing more and spend less compared to western and Eastern Nigeria that contribute less and are spending more. Consequently, adjustment was made in the capital grants to the Northern region in such a way that it was given a share "less disproportionated to its contribution to the non-declared revenue.

3.2 THE HIGKS-PHILIPSON REVENUE SHARING COMMISSION (1951)

This revenue sharing commission was set up as part of constitutional review initiated in 1950 to review allocation under the proposed Macpherson constitution. The Commissioner terms of reference was to submit proposal for achieving within a period of five years, a more equitable allocation of revenue between regions and the centre. The Commissioner was also mandated to examine the claims that, some regions were hard been unfairly treated in the past and that where such a situation occur, that region should be alllowed a block grant so as to make up what it has already lost in the past.

with this framework, the Commissioner re-examined the principle of derivation and recommended that, part of revenue allocated to the region in particular, the customs duty on import of Tobacco manufactured and unmanufactured into Nigeria and excise duty on Tobacco manifactured in Nigeria should be allocated on the principle of derivation. Besides, the commissioner introduced the principle of independent revenue into the region of revenue allocation. Under this arrangement, revenue already declared regional should be exclusively under the control of the regions and that the regions should have to fix such rates of tax at their own discretion. He also declared tax on petrol regional.

The Commissioner also proposed the principle of needs. Population was regarded as the crude indicator of need and it formed their recommendation for a capitalisation grant. The fourth principles was the principle of national interest under this arrangement, the fiscal commissioner identified some expenditures that is in national interest to encourage or support without too much been paid to geographical distribution of the expenditures. Here the commissioner stated that certain services should remained under the central authority and not to be regionalised. Examples are Education and Police. Apart from that, the Commissioner recommended the special grants of 100% of regional expenditures and 50% of the expenditure on native police. On past unfair treatment, Northern Nigeria was given a special grant of not more than 200,000 million pound to be determined by the council of Ministers and to be charged on the consoliated revenue of Nigeria. the table below shows revenue sharing to various regions between 1948 - 1951, using almost all the formulas so far discussed in this chapter.

Table 1: **SUMMARY OF THE REGIONAL ALLOCATIONS (1948 - 1951)**

A. DECLARED REVENUES

	NORTH	WEST	EAST
1948-1949	542,420 (22.63%)	(55.30%) 219,840	218,570 (22.42%)
1949-1950	752,035 (21.63%)	(56.69%) 218,800	218,259 (21.68%)
1950-1951	589,630 (22.43%)	(55.86%) 229,120	236,710 (21.71%)
TOTAL	1,704,034 22.12%)	(55.95%) 667,760	673,539 (21.93%)

B. NON-DECLARED REVENUES

	NORTH	WEST	EAST
1948-1949	1,828,860 (24.75%)	(40.69%) 1,553,610	1,112,256 (34.56%)
1949-1950	2,132,365 (28.07%)	(34.80%) 2,275,400	1,719,941 (37.13%)
1050-1951	2,494,370 (27.92%)	(35.67%) 3,545,880	1,952,290 (36.41%)
TOTAL	6,455,595 (27.16%)	(36.65%) 6,374,890	4,784,487 (36.19%)

C. TOTAL REGIONAL ALLOCATIONS

	NORTH	WEST	EAST
1948-1949	2,371,280 (24.30%)	(43.31%) 1,773,450	1,330,826 (32.39%)
1949-1950	2,704,000 (27.16%)	(37.89%) 2,494,200	1,938,200 (34.95%)
1050-1951	3,084,000 (27.20%)	(38.32%) 2,775,000	2,189,000 (34.48%)
TOTAL	8,159,680 (26.42%)	(39.49%) 7,042,650	5,458,026 (34.09%)

3 THE CHICKS REVENUE ALLOCATION COMMISSION (1953)

The inter-regional crisis that greeted the implementation of Chicks - Philipson formulas for revenue sharing was the basis for establishment of Chikcs

revenue allocation Commission in 1953 as part of the making of a new constitution in 1953. The terms of reference of the commission was that, the Commissioner was empowered to have regard to the need to provide to the regions and the centre an adequate measure of fiscal autonomy within their own spheres of government and the important of ensuring that the total revenue available to Nigeria should be allocated in such a way that the total principle of derivation is followed to the fullest degree compatiable with meeting the reasonable needs of the centre and each region".

Items of revenues that were categorised non-declared revenues on which principles of allocation were to apply are import duties, excise duties, export duties, income tax, mineral rent and royalties fees. The Commissioner faulted the application of the principle of derivation as recommended by the previous commission on the ground of inadequate statistics and that it cannot be applied to all items of revenues. Following his terms of reference, the Commissioner recommended that 50% of all proceeds of duties on import other than motor, spirits and tobacco be shared among the regions in the following proportion:

Northern region	-	30%
Western region	-	40%
Eastern region	-	30%

Secondly, 50% of import duties on tobacco, 50% of all excise duties, 100% duties of import duties on motor spirit, 50% of all export duties, be assigned to the regions in proportions to regional consumption as regional origin of the items.

Thirdly, he also recommended that, the federal government continue to levy and collect all personal income tax (PIT) mining rents and royalties. However, the full amount of the proceeds from these two sources should be returned to the region in which the tax payer lived and in which they were located. The Commissioner considered this to be a fair application of the principle of derivation

and that by this arrangement, the reasonable needs of the federal government, Northern and Western Nigeria have been met.

The Commissioner recommended that a special grant of 5 million pound in the first year of operation (1954) of the revised constitution and 250,000 pounds in the second year of operation (1955) be paid to the Eastern region. Because the reasonable needs of the region has not been met under the recommended arrangement. He further recommended that should any deficit be created, the eastern region could levied produce sales tax. In the allocation of the uncommitted reserve, 40.12 million pounds in that year between the federal, Northern, Western and Eastern regions, the Commissioner relied on his personal judgement in the absence of no principles to use. It is as follows:

Federal Government	-	33 million pounds
Northern region	-	3 million pounds
Western region	-	2 million pounds
Eastern Region	-	2 million pounds

In a related development, the constitutional regionalisation of the marketing Board made it possible for the distribution of 75.5 million pounds in 1953. The formula of sharing was derivation and it was worked out on the basis of the prevailing prices (1953) of such items as cocoa, cotton, groundnut and palm oil produce. On the basis of this, the Commissioner shared the accumulated assets of the marketing board as follows:

Northern Region	-	24.8 million pounds
Western region	-	34.4 million pounds
Eastern Region	-	15.1 million pounds

Sources: Estimates of revenue distributed in accordance with the foregoing recommendations are as follows in this table:

Table 2: **ESTIMATES OF REVENUE**

CUSTOM & EXCISE	Fed.	North	East	West
Import & Excise duties:				
Tobacco	('000)	('000)	('000)	('000)
	3,566	914	814	1,839
Import duty: Motor Spirit	-	315	277	668
Import duties: Others	6,978	2,093	2,093	2,791
Export duties	5,365	1,800	915	2,650
Excise duties other than Tobacco	55	12	14	29
Miscellaneous	112	-	-	-
Total	16,076	5,134	4,113	7,977

INCOME TAXES	Fed.	North	East	West
Individuals	465	360	85	90
Companies	3,500	-	-	-
Mining Royalties	-	1203	1	1
Direct Taxes	-	351	40	534
Produce sales tax	-	500	-	600
Uncences & Int'lRev	228	163	220	221
Fees: Court/Office	681	54	85	117
Mining	-	64	-	-
Marine	946	-	-	-
Post/Telegraph	1,540	-	-	-
Water Supplies	70	16	30	30
Rents	122	110	130	53
Interest	1,862	152	66	78
Miscellaneous	412	11	7	5
	25,903	8,118	4,777	9,706
Development grants	220	656	411	482
Total revenue	26,123	8,774	5,188	14,508

Source: Report of fiscal commissioner on the financial effects of the proposed new constitutional arrangement, A.L. Chicks 1953, page 108.

Table 3: **APPROVED 1954/1955 ESTIMATES OF REVENUE ALLOCATION WITH THE REVISED ESTIMATES OF REVENUE FOR THE SAME YEAR.**

Approved estimate of revenue allocation, 1954/1955 prepared under the 1951 system in ₦'000 revised estimates of revenue allocation of 1954/1955 prepared under the 1953 system.

	North	West	East
Tobacco duties	1,828	3,678	1,626
Motor spirit	630	1,336	554
Others	-	-	-
Excise duties	-	-	-
Beer	-	-	-
Export duties	-	-	-
Income tax	-	-	-
Mining Rent/R	-	-	-
Capilitation grant	4,236	1,304	1,578
Education	1,200	2,980	3,316
Police grant	1,110	1,256	1,148
T. service grant	-	400	-
Total	9,004	11,054	8,172

	North	West	East
Tobacco duties	14,778	3,400	1,684
Motor spirit	738	1,562	732
Others	2,506	3,342	2,424
Excise duties	-	-	-
Beer	10	34	16
Export duties	2,070	5,568	1,010
Income tax	420	210	132
Mining Rent/R	1,578	-	-
Capilitation grant	2,120	724	764
Education	600	1,500	1,658
Police grant	586	674	589
T. service grant	-	166	-
Total	12,098	17,132	8,910

Source: Adebayo Adedeji - Nigerian Public Finance page 106, Osa Osemwota - Regional Economic disparity and conflict in Nigeria, page 20

The original estimated allocation from the centre to the regions before the new system came into force was 9.004 million pounds for the North, 11.054 million pounds for the West and 8.172 million pounds for the East, but following the adoption of Chicks recommendation, this was revised and the North, West and the East had 13.098 million pounds, 17.132 million pounds and 8.910 million pounds respectively. The result of this new system was such that, disparity was created between regions.

3.4 THE RAISMAN FISCAL COMMISSION 1958

This commission came into being in 1958 to check the disenchantment associated with Chicks commission's revenue sharing formula. This commission was mandated to examine the then current division of powers to levy taxation in the federation and the system of revenue allocations and to make recommendation

thereon. According to the term of reference, the commission was to take into account intergovernmental allocation of functions approved at the 1957 constitutional conference and as well as the primary need of a high degree of regional fiscal autonomy subject only to the limitation imposed, on one hand , by administrative practicality, and on the other hand, by the requirements of national intergration policy. Two main principles -- those of derivation and need were considered by the commission in the sharing of revenues. Under the principles of derivation, the commission recommended that, proceeds of import and excise duties on tobacco products be distributed to regional consumption. Under the principles of needs, it recommended 30% of the proceeds of general import duties as well as of mining rents and royalties be allocated to distributable pool account to be distributed to the regions in the following:-

Northern Region	-	40%
Western Region	-	24%
Eastern Region	-	31%
Southern Cameroun	-	5%

The Commissioner further stated that:- 50% of mining rent and royalties shoul go to the regions of origin. 20% of the revenue should go or be retained by the federal government. The Commissioner recommendations undergone two changes. When in 1961, Southern Cameroun opted out of Nigeria and also when Mid-western region was created. The share of Western region in the distributable pool account was splitted between Western and Mid-western regions in the ratio 3:1, while the share of the Southern Camroun was retained by the government.

3.5 THE BINNS FISCAL COMMISSION 1964

This particular commission was the first in post independent Nigeria. Complying with section 140 and 144 of the independent constitution which seek a periodic review of distributable pool account specifically the mining rents and royalties, the commission was therefore set up to review the formula of allocation of proceeds of duties in respect of import into Nigeria of any commodity other than motor spirit which is payable to the distributable pool account and the formula for the distribution of funds in the distributable account.

The commissioner recommended that 35% of revenue from import duties, mining rents and royalties should be transfered to distributable account and that the account be shared as follows:-

Northern region	-	42%
Western region	-	30%
Eastern Region	-	20%
Mid Western Region	-	8%

3.6 DECREE NO. 15 of 1967

The Military intervention of 1966 changed the political structure of the country through the creation of twelve states out of the four existing region. Under this new arrangement, the Northern shared 42% the distributable account were divided among the six new states created out of it on the basis of equality. And those of the Western , Eastern and Midwestern states 30%, 20% and 8% respectively among the newly states out of the individual regions where they were created on the basis of population. In a sense, the two principles of population and equality entered the revenue allocation system partially and became operation fully in 1970.

3.7 THE DINA INTERIM REVENUE ALLOCATION COMMITTEE (1968)

The committee was appointed with the following terms of reference:-

(1) In the light of the creation of twelve states charged at present with the functions formerly exercised by the regional government

(2) Look into and suggest new changes in the existing system of revenue allocation as a whole.

ACCOUNTS CREATED BY THE COMMITTEE:

(i) Distributable pool account renamed as State Joint Account

(ii) Special Grants Account

(iii) Planning and fiscal grants Account.

In addition to the reduction of the weight assigned to the principle of derivation, the committee recommended the following principles guiding the allocation of revenue between states from the State Joint Account were basic needs, minimum national standards and balance development. The committee recommended that 10% of royalties from on-shore mining were to be paid to the states of origin, 15% were to be paid to the federal government, 70% were to be paid to the State Joint Account and special grant received 5%. Rent from on-shore operations were continue to be paid in full to the states of origin. The special account will be distributed to states on application to the commission. And the principle to be applied for disbursement are tax effort, balance development and national interest. The Military government did not apply these revenue allocation principles recommended by DINA Committee on revenue allocation.

3.8 DECREE NO. 13 OF 1970

This decree came into being soon after the civil war in 1970. It was promulgated with the effect of shifting the bulk of federally collected revenue to the federal government. The decree gave:

(i) 60% of export duty to States

(ii) 40% of export duty to federal government

(iii) 50% of excise duty revenues to state

(iv) 50% of excise duty revenues to federal government

(v) 5% of mining rents and royalties to federal government

(vi) 45% of mining rents and royalties to the states of origin as derivation.

As for the share of states of joint account, the decree laid emphasis on the principles of population and equality of state. The federal military government deliberate allocation of substantial revenue to itself could probably be attributed to her post war policy of reconciliation and rehabilitation of the country and her people.

3.9 DECREE NO. 6 OF 1975

By this decree all revenues to be shared between the states had to passed through the distributable pool account except for the 20% of on-shore mining rents and royalties due to state derivation. The decree also recommended the following for the distributable account:-

80% mining rents and royalties

30% of import duties (except on motor spirit, diesel, oil, tobacco, wine, beer and potables).

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100% duties on motor spirit and tobacco

50% on excise duties

100% export duties on produce, hides and skins.

It should also be recounted that, following the near grounded of on-shore operation in 1971 due to the national calamities, the federal government that, it alone had the right to off-shore rents and royalties. This decision has largely been influenced by the fact that off-shore mining increased considerable at that particular point in time.

3.10 ABOYADE TECHNICAL COMMITTEE ON REVENUE ALLOCATION (1977)

The technical Committee on revenue allocation was set up as part of the process of returning the country to the civil rules 1979. The constitution drafting committee recommended that a new revenue allocation formula should be prepared and submitted to constituent assembly for the incorporation into the new constitution. The committee was given the following terms of reference:-

"Taking into consideration the need to ensure that each level of government of the federation has adequate revenue to discharged its responsibilities and having regard to factor of population, equality of state among the states, derivation, geographical peculiarities, even development, national interest and any other factors bearing on the problem".

The committee should:-

(a) Examine the present revenue allocation formula with a view to determining its adequacy in the light of the factors mentioned above and the representations from the states government and the federal and other interested parties.

(b) "Following from the finding of (a) above, recommended new proposal as necessary for the allocation of revenue as between states, federal and local governments and also among the states and local governments".

(c) "make whatever recommendations, that are considered necessary for effective collection and distribution of federal and state revenue".

The committee recommended that, all federally collected revenues without distinction be paid into the federation account and the proceeds of the account be divided as follows:

Federal Government	-	60%
States Government	-	30%
Local Government	-	10%

The committee created special grant account. To be included in this account is a 3% deducted from the federal government share for the benefit of oil producing communities or mineral producing communities generally in need of one rehabilitation or another from emergencies or disasters. The principles for sharing among the states were built into five formulas, namely: Equality of access to development opportunities, national minimum standards, absorptive capacity, independent revenue and tax effort and fiscal efficiency. The committee recommended the allocation to the state as follows:

Equality of access to development opportunities	25%	
National minimum standard for national intergration		22%
Absorptive capacity	20%	
Independent Revenue	0%	
Tax effort	18%	
Fiscal efficiency	15%	

The committee recommended the sharing of the federation account as follows:

Federal Government	57%
State Government	30%
Local Government	10%
Special Grant Account	3%

According to the report, equality of access to development opportunities rested on equity consideration. So is national minimum standard for national integration. While other factors such as absorptive capacity independent revenue, tax effort and fiscal efficiency rested on efficiency consideration. This report was rejected on the ground that, it was too technical to implement by the government.

3.11 OKIGBO REVENUE SHARING COMMISSION (1980)

The establishment of this revenue sharing by the civilian adminsitration of President Shehu Aliyu Shagari was derived from the rejection accorded Aboyade recommendations on revenue allocation in 1978 by the constituent assembly and the consequent empowering of the Preseident of the federation to set up another revenue allocation committee to review allocation formulas.

In clear response to the constitutional provisions of section 149 of 1979 constitution which creates the federation account and also the prescription in the sub-section (2) (3) and (4), that sharing be first undertaken among federal, states and local government councils, then among the states for the benefit of local government councils. The committee proceeded to share the federation account in the following proportion:

Federal government	-	53%
State government	-	30%

Local Government	-	10%
Special fund	-	7%

Out of the proposed 7% for special fund, 2.5% was proposed for initial development of federal capital territory, 2.0% for the problems of mineral producing areas, 1.0% for continuing ecological and similar problems like soil erosion, desert encroachment, flood control etc. 1.5% for revenue equalisation fund. The commission further recommended that in the application of the principle of derivation with regard to the provision in the special fund, no distinction should be drawn between off-shore mineral producing areas. And finally, the commission also proposed yet another principle known as minimum responsibility in the allocation of revenue between states. According to the commission, whether on the basis of population size, income and expenditure, state has to run a government and services just as any other state. Formula and percentages recommended are as follows:

Minimum responsibility	-	40%
Population	-	40%
Social development (primary school enrolment)	-	15%
Internal revenue effort	-	5%

The commission also stated that, the amount standing in the account of the local government councils be shared between the states, on behalf of their local government councils on the basis of the formula and percentages used in the allocation of revenue between states. The commission recommended that local government joint account should be established for states to contribute 5% of their state revenue.

The federal government after due consideration of the recommendations of Okigbo Commission, proposed a new revenue allocation formula in 1981, which was embodied in a Bill title Allocation of Revenue (Federation Account) Bill 1980.

The bill met with controversy in the National Assembly. After a protracted debate and some amendments in both Houses of the National Assembly, it was sent to a joint committee of the two houses, which passed it into law by slim majority. Later in the year, the Act was declared Null and Void by the supreme court as a result of suit challenging its validity by five United Party of Nigeria (UPN) state governments.

In the interim, the executive arm of the government proposed that, the federation account was to be shared among the three levels of government as follows:

The federal Capital territory	-	2.5%
Local Government councils	-	8%
State governments	-	34.5%
Federal government	-	55%

The state combined share of 34.5% was made up as follows:

Population	-	40%
Minimum responsibility	-	40%
Social development factors	-	15%
Internal Revenue effort	-	5%
Distribution to states on the basis of derivation	-	2%
Development of oil producing areas	-	1.5%

This formula was applied temporarily until the legal determination of the revenue allocation bill and the subsequent new revenue allocation formula as passed by the national Assembly in early 1982. This was a clear departure from the formula in use in 1978/79. Under the formula in use in this period (1978/79), the federal government retained in full revenues from two sources with state governments in the distributable pool account (DPA). The federal government

retained the entire revenue from company income tax and petroleum profits tax.

It also retained 65% of import duties (excluding those accruing on account of tobacco, alcohol, motor spirit and diesel oil) and 50% excises. The remaining proportions of import and excise duties 35% and 50% respectively were paid into the distributable pool account (DPA), other revenues paid into the DPA were revenues from import duties on alcohol, tobacco, motor spirit and diesel oil, all off-shore royalties and 80 percent of on-shore royalties. The distributable pool account so constituted was allocated minimum responsibility (equality of states---- 50 percent, population-------- 50 percent, 20 percent of on-shore royalties were paid to states on the basis of derivation.

On the basis of the above existing revenue formulae, the system of revenue allocation in use in 1978 - 1979 and the interim arrangement put in place by the executive arm of government from 1980 - 1981 as equally stated, federally collected revenues were divided between the federal, state and local governments as follows:-

Out of the total federally collected revenue of ₦10,912.4 million in 1979, ₦15,813.11 million in 1980 and ₦14,745.7 million in 1981, the federal government statutory and non statutory allocations to states and local governments are made up of ₦2,903.5 million in 1979, ₦4,128.6 million in 1980 and ₦4,910.6 million in 1981. Using the existing revenue allocation formula between the states, amount allocated to states were shared as shown in table below.

Table 4 **STATUTORY ALLOCATION TO STATES**

STATE	1979 (1)	1980 (2)	1981 (3)
ANAMBRA	147.8	204.1	199.3
BAUCHI	107.5	152.4	170.8
BENDEL	243.7	355.4	309.4
BENUE	120.1	180.8	173.3
BORNO	120.3	177.5	206.2
GONGOLA	108.7	160.5	176.0
IMO	174.1	247.9	229.3
KADUNA	151.6	211.2	222.1
KANO	179.9	251.4	260.1
KWARA	98.2	143.5	156.5
LAGOS	91.1	130.9	129.7
NIGER	84.3	121.3	138.4
OGUN	89.1	129.1	135.9
ONDO	118.2	164.8	171.1
OYO	175.8	250.5	248.2
PLATEAU	108.2	148.0	161.7
RIVERS	225.1	332.6	300.7
SOKOTO	150.4	207.2	239.3
TOTAL	2,642.4	3,776.0	3,825.6

1. Statutory allocations and UPE grants (2.) December figures are figures of cash advances (3.) All figures are cash remittances.

Source: Data compiled from records of the Federal Ministry of Finance and Central Bank of Nigeria's Annual Report and Statement of Accounts, 1981, page 73.

Table 5 **STATUTORY ALLOCATION TO STATES TO LOCAL GOVERNMENTS**

STATE	1979	1980	1981
ANAMBRA	14.0	21.0	59.6
BAUCHI	14.3	17.0	54.5
BENDEL	12.8	16.6	51.8
BENUE	15.2	17.3	52.4
BORNO	13.4	18.7	64.8
CROSS RIVER	14.3	20.9	59.6
GONGOLA	14.4	17.6	58.9

IMO	14.4	21.5	69.5
KADUNA	15.2	23.5	80.9
KANO	19.9	30.8	48.6
KWARA	10.7	13.2	39.7
LAGOS	11.4	12.5	44.0
NIGER	11.0	11.4	42.0
OGUN	10.3	12.5	52.5
ONDO	12.4	16.4	75.5
OYO	17.8	28.1	50.4
PLATEAU	12.0	14.8	44.0
RIVERS	11.3	13.4	58.9
SOKOTO	15.4	25.4	76.6
TOTAL	261.4	352.6	1,085.0

1979: Data for January - March were derived as a proportion of total local government grants for fiscal year of 1979. 1980: These are figures of cash advances. 1981: These are figures of cash remittances.

Source: Data compiled from records of the Federal Ministry of Finance and Central Bank of Nigeria's Annual Report and Statement of Accounts, 1981, (p.74). Allocations of local government till 1981 were mainly grants by Federal Government. Because, no formula exist for direct allocation from Federation Account.

3.12 ALLOCATION OF REVENUE (FEDERATION ACCOUNT) ACT 1982

Following the nullification of the Revenue Allocation (federation Account) Act 1981 by the supreme court following a suit challenging its validity, the civilian administration of President Shehu Shagari introduced another revenue allocation bill in December, 1981, after earlier on amended the recommendation of the past revenue allocation formula that was the subject of litigation. The national Assembly gave approval to the revised formula for the sharing of revenue between three tiers of government. A summary of the revenue allocation formula as set out in the Act is present below:

Federal government	-	55.0%
State government	-	35.0%
Local government	-	10.0%

The states share of 35.0% were allocated as follows:

(i)	Minimum responsibility or equality of states	-	40.0%
(ii)	Population	-	40.0%
(iii)	Social development factor with emphasis on Primary school enrolment	-	15.0%
(iv)	Internal Revenue Effort	-	5.0%

The balance of 4.5% of the states share were to be allocated as follows:- The federal fund for the

(i)	Ecological problems in all states	-	1.0%
(ii)	Allocation to producing in proportion to value of mineral extracted	-	2.0%
(iii)	Federal fund for the development of mineral producing areas	-	1.5%

The share of revenue to local government to be allocated among the states using the same factors in paragraph (i-v) (a0 - (c) above. Allocations of Revenue (Federation Account Act 1982) provided the basis for the Allocation of Revenue between the federal, state and local governments from 1982 till the end of second republic in 1983. On the take over of the government in December 1983, the military government had to make do with the allocation of revenue (federation account) Act 1982 up to sometime in 1984 when a new decree was passed to define a new set of revenue sharing arrangement for the country. This was Decree No. 36 of 1984. Revenue Allocation Amendment Decree 1984.

3.13 DECREE NO. 36 OF 1984: REVENUE ALLOCATION AMENDMENT DECREE 1984

Under this new dispensation, the federation account is to be shared in the following proportions:

(i)	Federal government	-	55%
(ii)	State government	-	32.5%

(iii)	Local government fund	-	10%
(iv)	Fund for amelioration of ecological problems	-	1%
(v)	Fund for the development of mineral producing areas	-	1.5%

1.5% allocated to the fund for the development of mineral producing areas was made up of revenues accruing to the federation account derived from mineral productions as against the past practice whereby percentage allocation was made up of the entire federation account.

The state joint, i.e. the 32.5 going to the states from the federation account is to be distributed thus:

(i)	Minimum responsibility of government (equality of states)	-	40%
(ii)	Population	-	40%
(iii)	Social Development factor	-	15%
(iv)	Internal revenue effort	-	5%
	Total	-	100%

Thus, except for the distribution of this federation account, there doesn't appear to be a significant variation between the Okigbo recommendation, Allocation of revenue (Federation Account) Act 1982 and what is adopted in Decree No. 36.

3.14 DANJUMA'S NATIONAL REVENUE ALLOCATION AND FISCAL MOBILIZATION COMMISSION (1989)

On September 6, 1988, President Ibrahim babangida inaugurated in Abuja, a new commission that was not only to look for a "sharp knive" to share the "National Cake", but also find new methods of baking a bigger one. The Commission was charged not to concern itself "merely with deriving a national formula but, to embrace challenges of national revenue allocation and related fiscal matters". He also gave the commission a lecture on self-reliance. He addressed the members unequivocally in the following manner; "Our basic ideas of self-reliance development is that individuals, household, enterprises, all tiers of

government and indeed all Nigerians must live within their means and that, must be legitimately done".

On August 27, 1989, the federal government announced the revised formula based on the recommendations on the formula. It should be noted that publicity was neither accorded the sitting and deliberations, nor the recommendation of the commission, which shows President Babangida's style of leadership termed "maradonic": among the Nigerian press-men and even among the generality of Nigerians.

Under this commission's arrangement, federal government share of Federation Account was reduced from 55% as prescribed by decree No.36 of 1984 to 50%. While share of the states decreased by 2.5% from 32.5% to 30% and the share of local governments was increased to 10%. Indeed, the changes of the revenue of local governments was necessitated by their pre-occupation with grassroots development. In addition, the vote of the special fund is now 5% instead of the previous 2.5%, out of which 2.5% goes to the mineral producing states while ecological problems got 1% in reserve and remaining 1.5% goes to consolidated account. But with this revenue allocation formula, there were hell of criticisms of the formula originated first from its broad arrangement. Administrator and Economic Development experts insist that despite the 5% out of the Federal Government share of the revenue, its share of 50% is too high.

Still, in anticipation of returning the country to civil rule, the military administration of General Ibrahim babangida worked out a new revenue allocation formula in June 1992. Under this arrangement, the share of tiers of government is as follows:

Federal government	-	48.5%
State government	-	24%

Special Funds - 7.5%

Local governments - 20%

The special funds is made up of mineral producing states (derivation0 is 2%, while fund for development of mineral producing areas is 3% and ecological funds is 2.5%.

On October 1, 1995, in his 35th Independence anniversary, the Head of State, general Sani Abacha announced an increase in revenue accruing to mineral producing communities to 13%. In his speech, the Head of State had noted that: "a fixed percentage of all revenue accruing to the Federation Account directly from natural resources shall be set aside as derivation. This is to compensates communities which suffer severe ecological degredation as a result of the exploitation of their areas".

Table 6: **SHARE OF FEDERAL STATES AND LOCAL GOVERNMENT FROM THE FEDERATION ACCOUNT BASED ON DIFFERENT EXISTING FORMULA OF REVENUE ALLOCATION FROM 1982 - 1995**

Year	Federation Account	Federal Gov	State Gov	Local Gov
1982	11,748.8	7,490.4	3,312.2	1,034.6
1983	10,947.4	6,791.4	3,239.8	996.8
1984	11,738.5	7,811.9	2,865.1	1,061.5
1985	14,606.1	9,640.3	3,344.2	1,327.5
1986	-	6,311.6	2,915.8	1,166.9
1987	23,522.2	14,551.4	6,323.8	2,117.8
1988	26,770.3	15,046.4	8,332.7	2,727.1
1989	49,262.0	18,752.1	10,091.1	3,399.3
1990	46,800.0	23,575.0	13,944.7	6,300.0
1991	54,000.0	27,788.8	17,011.8	10,199.8
1992	77,800.0	38,240.0	18,173.7	15,720.0
1993	106,799.4	51,797.7	25,469.6	21,360.0
1994	110,641.0	38,240.0	23,637.9	19,684.8
1995	161,998.5	53,661.0	38,385.2	17,983.4

Table 7: **STATUTORY ALLOCATION OF REVENUE BETWEEN STATI**

	1982	1983	1984	1985	1986
ABIA	-	-	-	-	-
ADAMAWA	-	-	-	-	-
A. IBOM	-	-	-	-	-
ANAMBRA	181.3	178.8	157.0	182.4	151.5
BAUCHI	143.6	140.0	126.5	150.2	145.0
BENDEL	232.2	225.6	212.9	228.1	198.2
BENUE	145.6	144.2	123.8	188.0	114.2
BORNO	163.9	159.1	147.0	173.5	159.6
C.RIVER	175.4	172.5	154.3	170.5	144.8
DELTA	-	-	-	-	-
EDO	-	-	-	-	-
ENUGU	-	-	-	-	-
GONGOLA	149.5	145.2	126.2	152.4	132.8
IMO	195.6	197.3	151.1	185.8	152.6
JIGAWA	-	-	-	-	-
KADUNA	197.6	192.3	179.9	220.7	198.1
KANO	260.1	248.0	228.2	280.8	254.6
KATSINA	-	-	-	-	-
KEBBI	-	-	-	-	-
KOGI	-	-	-	-	-
KWARA	120.3	117.2	103.4	125.8	87.2
LAGOS	133.9	129.8	113.4	141.0	140.7
NIGER	102.5	01.1	77.0	97.7	90.3
OGUN	114.6	111.9	104.3	115.3	111.4
ONDO	155.8	152.3	179.2	136.9	106.3
OSUN	-	-	-	-	-
OYO	226.7	220.4	198.2	239.9	214.0
PLATEAU	126.2	125.9	96.6	97.7	77.6
RIVERS	226.2	220.6	202.7	202.7	171.0
SOKOTO	206.8	204.6	177.2	215.9	193.5
TARABA	-	-	-	-	-
YOBE	-	-	-	-	-
FCT	-	-	66.1	83.4	71.8
TOTAL	3,312.2	3,239.2	2,865.1	3,344.2	2,915.8

	1991	1992	1993	1994	1995
ABIA	217.6	462.1	692.3	672.1	1,104.6
ADAMAWA	217.2	598.7	825.1	837.4	1,188.2
A. IBOM	615.9	688.8	919.8	909.7	1,515.3
ANAMBRA	652.3	472.5	671.5	614.5	1,019.4
BAUCHI	638.3	664.1	952.5	830.7	1,413.1
BENDEL	500.0	-	-	-	-
BENUE	554.8	584.7	854.6	816.3	1,022.8
BORNO	704.6	612.4	837.6	823.3	1,391.6
C.RIVER	517.1	535.9	736.5	730.4	1,248.9
GONGOLA	422.9	-	-	-	1,360.0
DELTA	251.6	535.1	747.1	749.9	1,346.9
ENUGU	230.2	594.4	805.4	714.7	1,390.1
IMO	768.3	566.6	807.3	801.2	1,201.1
JIGAWA	234.4	583.0	808.6	770.9	1,135.7
KADUNA	505.5	593.3	793.6	694.9	937.4
KANO	946.3	804.2	1,044.2	939.6	1,587.0
KATSINA	608.5	643.4	870.7	771.4	1,545.4
KEBBI	183.2	486.9	628.1	733.3	1,045.6
KOGI	197.6	550.9	795.3	786.6	922.9
KWARA	539.1	502.4	665.6	656.1	823.9
LAGOS	1,348.9	624.4	871.6	686.0	1,286.3
NIGER	542.6	513.9	739.8	614.3	1,141.7
OGUN	526.7	565.5	808.1	768.7	991.9
ONDO	608.2	641.8	960.3	856.4	1,1060
OSUN	276.3	591.5	836.2	820.6	1,289.7
OYO	861.7	630.8	836.1	684.0	1,290.1
PLATEAU	595.8	613.7	864.8	819.0	1,344.6
RIVERS	790.5	549.8	880.1	908.8	1,813.6
SOKOTO	824.9	700.4	1,010	902.4	1,503.1
TARABA	189.1	457.3	682.3	685.2	
YOBE	200.2	547.9	769.7	808.6	1,067.8
FCT	539.1	770.4	1,067.3	605.9	1,375.8
TOTAL	17,011.8	18,173.7	25,469.6	23,637.9	38,385.2

Note: The data are gross allocations less any deductions arising from loan or other allocations to the Federal Government. Revenue allocation to new states created in 1987 commenced in October 1987 and are here merged with allocations to former parent states. 1991 revenue allocation was before the state ceased to exist in September, 1991.
Sources: Federal Ministry of Finance and Economic Development. Central Bank of Nigeria's Annual Report and Statement of Accounts 1992 - 1995.

REPORT AND STATEMENT OF ACCOUNTS 1982 - 1995

Revenue allocations to local government based on existing revenue allocation formula is presented below. It should equally be noted that, until 1982, there were no direct allocations to local governments. Because, formula of allocation from federation account does not exist. Local governments in Nigeria depend largely on grants from the federal government. In a related development, since the recognition of local governments in the allocation of revenue from the federation account, allocations to local government councils are first of all made to states before they are allocated to respective local government councils in each states. Besides, the swift rise in the allocation of revenues from the federation account to local government councils over time is predicated on the importance attached to grass-root development by successive Nigerian Governments.

Table 8: **STATUTORY ALLOCATIONS TO LOCAL GOVERNMENTS**

STATES	1982	1983	1984	1985	1986
ABIA	-	-	-	-	-
ADAMAWA	-	-	-	-	-
A. IBOM	-	-	-	-	-
ANAMBRA	60.7	58.6	62.4	78.0	68.4
BAUCHI	47.7	45.9	48.9	61.1	53.8
BENDEL	50.6	48.7	51.8	64.8	57.0
BENUE	49.1	47.3	50.3	62.9	55.2
BORNO	54.1	52.2	55.5	69.4	61.0
C. RIVER	67.6	55.7	59.3	74.1	65.0
DELTA	-	-	-	-	-
EDO	-	-	-	-	-
ENUGU	-	-	-	-	-
GONGOLA	49.4	47.6	50.7	63.4	55.7
IMO	60.8	58.7	62.5	78.2	68.9
JIGAWA	-	-	-	-	-
KADUNA	65.2	63.1	67.1	83.8	73.8
KANO	81.2	78.8	83.8	104.8	92.3
KATSINA	-	-	-	-	-
KEBBI	-	-	-	-	-
KOGI	-	-	-	-	-
KWARA	39.9	38.4	40.9	51.1	45.0
LAGOS	44.5	42.6	45.3	56.7	49.8
NIGER	34.5	33.1	35.3	44.1	38.8
OGUN	38.1	36.7	39.0	48.8	42.8
ONDO	51.7	49.8	53.0	66.3	58.5
OSUN	-	-	-	-	-
OYO	74.6	72.2	76.9	96.6	85.1
PLATEAU	42.8	41.2	43.9	54.9	47.8
RIVERS	40.8	39.2	41.7	52.1	46.1
SOKOTO	69.4	67.1	71.4	89.3	78.4
TARABA	-	-	-	-	-
YOBE	-	-	-	-	-
FCT	-	-	-	27.1	23.5
TOTAL	1,018.7	976.9	1,061.5	1,327.5	1,166.9

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STATES	1987	1988	1989	1990	1991
ABIA	-	-	-	-	163.9
ADAMAWA	-	-	-	-	161.4
A. IBOM	-	117.0	141.7	281.5	373.6
ANAMBRA	123.1	155.3	193.6	331.8	375.0
BAUCHI	961.0	120.7	150.4	293.8	413.5
BENDEL	102.0	123.1	160.2	313.0	218.9
BENUE	99.0	124.3	155.3	287.8	365.7
BORNO	109.4	137.7	171.8	326.3	417.5
C. RIVER	65.0	79.9	101.1	229.7	311.4
DELTA	-	-	-	-	159.0
EDO	-	-	-	-	132.1
ENUGU	-	-	-	-	169.6
GONGOLA	99.9	125.4	156.7	309.6	225.6
IMO	123.3	155.6	194.5	339.0	455.5
JIGAWA	-	-	-	-	-
KADUNA	112.1	96.7	123.6	259.8	370.9
KANO	166.0	210.5	262.5	424.3	567.4
KATSINA	-	-	-	-	388.4
KEBBI	-	-	-	-	140.5
KOGI	-	-	-	-	157.2
KWARA	80.2	99.9	124.8	264.7	338.1
LAGOS	89.0	114.4	139.1	246.5	818.1
NIGER	69.2	85.6	107.1	242.3	351.3
OGUN	76.5	95.4	118.7	243.5	322.9
ONDO	104.4	131.5	163.5	302.1	398.5
OSUN	-	-	-	-	208.4
OYO	152.2	192.5	240.2	403.0	505.3
PLATEAU	86.5	108.0	134.3	279.4	386.0
RIVERS	81.9	102.5	127.7	257.3	348.4
SOKOTO	141.2	178.8	222.7	377.5	505.3
TARABA	-	-	-	-	140.4
YOBE	-	-	-	-	137.4
FCT	23.5	40.9	49.5	61.9	-
TOTAL	2,117.8	2,724.1	3,399.3	6,300.0	10,199.8

STATES	1992	1993	1994	1995
ABIA	432.9	588.6	491.6	486.4
ADAMAWA	472.8	643.1	624.3	491.5
A. IBOM	630.0	855.6	775.7	806.2
ANAMBRA	396.1	537.6	415.0	273.7
BAUCHI	658.9	894.8	882.9	624.0
BENDEL	-	-	-	-
BENUE	488.8	664.5	581.4	499.7
BORNO	563.7	745.2	730.2	881.3
C. RIVER	378.9	515.1	479.9	534.7
DELTA	466.7	634.8	585.1	483.3
EDO	346.9	471.1	407.9	641.4
ENUGU	514.0	697.0	619.2	491.3
GONGOLA	-	-	-	-
IMO	534.8	726.3	637.0	478.2
JIGAWA	518.9	706.0	684.2	790.7
KADUNA	523.8	712.0	664.4	686.0
KANO	877.0	1,190.2	1,146.4	1,323.1
KATSINA	672.4	913.7	903.3	511.6
KEBBI	408.7	575.5	559.0	532.6
KOGI	445.8	606.4	558.2	402.2
KWARA	347.3	466.4	400.4	349.1
LAGOS	493.1	669.3	563.1	365.8
NIGER	463.7	634.8	606.9	483.5
OGUN	436.0	592.2	517.7	466.9
ONDO	699.5	950.5	818.4	718.4
OSUN	612.6	827.1	740.6	696.9
OYO	630.1	861.5	760.4	611.4
PLATEAU	630.1	861.5	796.4	775.6
RIVERS	620.8	843.8	796.1	775.6
SOKOTO	798.9	787.9	727.2	637.4
TARABA	328.9	1,065.6	1,050.1	1,077.8
YOBE	378.3	445.0	428.8	290.8
FCT	-	537.6	534.4	571.9
TOTAL	15,720.0		19,864.8	7,983.5

Note: The data are gross allocations less any deductions arising from loan or other obligations to the Federal Government. Revenue Allocations to newly created states commenced in October, 1987 and are here merged with allocations to former parent states.

Source: Federal Ministry of Finance and Economic Development. Central Bank of Nigeria's Annual Report and Statement of Accounts 1992 - 1995.

MISCELLANEOUS VALUE ADDED TAX (VAT)

The Minister of Finance (Mr. Oladele Olashore) former, in a press briefing on the 1993 budget and national Rolling Plan (1993 - 1995) january 28, 1993 had this to say about value added tax (VAT:- "In 1992, the government approved the introduction of value-added-tax (VAT) to replace the existing sales tax. There are some benefits of this development. In the first instance, it will expand the non-oil resource base of the economy, since VAT covers more products than the sales tax. Furthermore, it shifts tax burden production to consumption. This will thereby moderate the rate of the cost-push inflationary effects on the cost of production. Similarly, it will moderate and help rationalise the consumption behaviour of the populace. Finally, it tends to favour the low income segment of the population since VAT does not affect the basic needs of life. Among these are food, shelter and clothing as well as some services which target the poor. A value-added-tax (VAT) rate of 5% will apply to ten (10) categories of taxable goods and twenty-three (23) taxable services, as well as services for which banks charge their customers purchase or issuances of bank drafts, remittances and handling charges for special transaction. However, as implied earlier, basic food items, medical and pharmaceutical products, books, Newspapers and magazines were exempted. Other beneficiaries of this exemption are house rent, commercial vehicles and their spare parts. The VAT scheme also exempts services rendered by the community Banks as well as the People's Bank.

The proceeds of value-added-tax (VAT) will be shared as follows:

Federal government	-	20%
State government	-	80%

The amount distributable from the states revenue pool will be shared on the basis of the following criteria:-

State of origin	-	30%
Consumption/Destination	-	30%
Equality of states	-	40%

Allocation of revenue from VAT pool account started fully in 1994 on the basis of the above prescribed formula. In 1995 fiscal year, two sets of formula of allocations of revenue from VAT pool account were deviced. They were made up of federal government 50%, State government 25% and local government 25%, also later in the year, it was charged thus:

Federal government	-	40%
State government	-	35%
Local government	-	25%

With this well spelt out formula, value-added-tax (VAT) has entered into the regime of revenue allocation in Nigeria and once again expanded the scope of intergovernmental fiscal transfer in Nigeria and its attendants crisis. Within its shortest period of introduction, more than three different sets of formula has been devised due to rejection accorded one or the other by various tiers of government, administrators, economic and political experts. However, using the formula made up of the federal government 20% and state government 80% (local government inclusive) in 1994 and also 40% for federal government, 35% and 25% for state and local government councils respectively in 1995, VAT pool account of ₦7,260.8 million (1994) and ₦20.436 million (1995) were shared between the federal, state and local government as follows:

Table 9 **DISTRIBUTION FROM VAT POOL ACCOUNT**

	(₦'million) 1994	1995
Federal government	1,452.2	7,437.8
State government	4,996.8	6,319.7
Local government	264.5	4,264.7

Source: Central Bank of Nigeria's Annual Report and Statement of Account, 1994/95.

Table below shows the distribution of revenue from VAT pool account between states and Federal Capital Territory (FCT) on the basis of

(i) States of origin - 30%

(ii) Consumption/Destination - 30%

(iii) Equality of states - 40%

Table 10 **DISTRIBUTION OF VAT REVENUE TO STATES/LOCAL GOVT.**

STATE	States 1994	Local Govt. 1994	States 1995	Local Govt. 1995
ABIA	146.3	-	203.9	131.8
ADAMAWA	127.5	-	158.7	103.0
A. IBOM	149.0	-	188.0	143.3
ANAMBRA	141.3	-	178.6	109.8
BAUCHI	173.5	-	207.4	151.6
BENDEL	-	-	-	-
BENUE	124.7	-	154.5	103.7
BORNO	135.4	-	171.9	120.1
C.RIVER	108.4	-	146.8	79.7
DELTA	172.2	-	209.6	141.8
EDO	119.8	-	206.2	123.2
ENUGU	149.1	-	167.0	127.5
GONGOLA	-	-	-	-
IMO	144.6	-	196.0	125.5
JIGAWA	134.9	-	168.7	122.7

KADUNA	228.9	-	257.2	177.0
KANO	235.2	-	288.6	238.1
KATSINA	152.9	-	189.4	152.4
KEBBI	120.3	-	156.4	94.9
KOGI	116.2	-	148.5	91.4
KWARA	114.8	-	141.5	76.2
LAGOS	649.2	-	765.6	467.3
NIGER	115.8	-	143.9	99.5
OGUN	155.8	-	207.4	132.2
ONDO	155.8	-	198.0	158.9
OSUN	151.7	-	196.2	143.3
OYO	209.0	-	260.7	193.1
PLATEAU	147.3	-	191.3	138.3
RIVERS	180.1	-	238.9	181.4
SOKOTO	169.1	-	223.8	180.2
TARABA	108.4	-	-	72.4
YOBE	116.0	-	146.3	82.4
FCT	43.6	-	73.5	-
TOTAL	4,996.8	-	6,319.7	4,264.7

Source: State government/FCT Accountant General Reports. Central Bank of Nigeria nationwide Survey of Local Government Councils/Federation Account Reports. CBN Annual Report and Accounts 1995, page 73.

3.16 MISCELLANEOUS

Following the removal of oil subsidy in **Nov. 1994**, the federal military government set up the Petroleum Trust Fund (PTF) to be administered by its Board's members headed by its Chairman, Major General Muhammadu Buhari, a one time head of state and commander in chief of the Nigerian Armed forces. the fund that goes into PTF is made up of the excess accruals of fuel oil pump price as a result of the removal of oil subsidy. The fund will cater for socio-economic projects with direct impact on the people. Consequently, education, transportation, health, food and water supply, amongst others at the federal, state and local government levels are to be attended to by the Petroleum Trust Fund to improve economic and social well being of the majority of the populace.

3.16(1) PETROLEUM TRUST FUND (PTF) ALLOCATION FORMULA

In carrying out its duties at the federal, state and local government levels i.e. undertaking projects in education, transportation, health, food, road construction and water supply etc.

(i) Federal government projects are to gulp 48.5% of available funds.

(ii) State government projects including that of local government will be allocated the lion share of 50% of what ever fund that is available. The federal capital projects will gulp 1.5% of available fund.

3.16(2) METHOD OF OPERATION

Members of the board of the petrolem trust fund (PTF) headed by its chairman divided the country into six(6) zones. The fund will operate in these zones. The essence of such division is to ensure effective management. Each zone will have a **project implementation committee.**

The committee is expected to receive screen catergorise and priorite project from states in the zones. It is also expected to prepare feasibility studies for selected projects. The fund will also make use of project consultants, who will assist with planning , designing, supervission and execution of projects. The PTF is established by decree No. 25 of 1994. Today the fund is carrying out a number of projects in all the states of the federation including the federal capital territory. However, the fund has since been nicknamed "Government within Government" or "Two government in one nation". That is to say, the functions of PTF is no different with that of federal ministry of works and Housing.

3.17 SHARING METHOD OF REVENUE IN NIGERIA

Two systems of revenue sharing are envisaged by section 149 (2) (3) and (4). The first, there is vertical distinction between the federal, state and local

governments. Secondly, is a horizontal distribution, first among the state government from their own shares of the federation account, and second among the state governments for the benefit of the local government councils, what has come to it for the benefit of the councils.

Both the vertical and horizontal distribution to the state on their behalf and on behalf of the local government councils are governed by the National Assembly, while the distribution among the local government councils in each state is governed by the State Assembly. In addition, the sums accruing to the local government councils from the federation account in each state is required by section 149 (6) to be paid to the local government councils in its area of jurisdiction such proportion of its total revenue on term to be prescribed by the National Assembly 1979, page 49 - 51.

It provides also that under section 149 (3), the percentage of federation account stands to the credit of the states be shared among them on the basis of : population 40%, equality of states 40%, primary school enrolment 15% (of which 11.5% will be shared by direct proportion of enrolment and 3.5% by inverse proportion) and tax effort 5%. Also under section 149 (4) the share of the local government councils from the federation account will be shared among them on the same basis as that of the states. In essence, the principles evolved in the distribution of the states revenue under state joint account are:

(i) Population
(ii) Derivation
(iii) Need
(iv) Adhoc grant
(v) National interest
(vi) Equality of states in status
(vii) Even development

(viii) Geographical peculiarities

(ix) Financial comparability

(x) National minimum standard

(xi) Tax effort etc.

Moreover, it should be noted that what is usually announced in the budget as revenue is not readily available for sharing to the various tiers of government at the begining of the year. Indeed, it comes in gradually and what may be realised at the end of the year may not be equal to the projected revenue. According to a one time Budget and Planning Minister: Alhaji Abubakar Alhaji (1990, 4 - 6) "the disbursement of the revenue is equally done in stages. The central Bank of Nigeria at every quarter advises the budget and planning, and finance Ministers on how much has been generated and how much is available for national expenditure. And as a precautionary measure, the amount is shared on a monthly basis. So every month the federation allocation committee meets. While Accountant General is the chairman and which comprises the Accountant-General of every state and the Federal Capital territory, officials of relevant ministries and parastatals like those at budget and planning ministry and the Nigerian national Petroleum Corporation meets and deliberate on the sharing of revenue for the month. This group is called the Technical Committee".

This innovation shows the importance of revenue sharing in an administrative set up. It also shows the recognition of federalism as practised in Nigeria whereby co-ordination of different states is an essential ingredients. He said further that: "the technical committee's deliberation takes only one day and on the following day the committee presents its decision to the revenue allocation and mobilisation commission which is the full house that includes Finance Commissioners of every state and FCT with the Minister of Finance in the chair,

the formula of 30% allocation of federal revenue to the states is shared in the following manner; 40% is shared on the basis of equality, another 40% on the basis of population, 5% for internal revenue generated efforts and 15% for primary school enrolment, out of which 12.25% goes for direct enrolment. (i.e the population of children of schoolgoing age which some reasons are not in schools)'.

This method of presenting the decision of the technical committee to the revenue allocation and mobilisation commission also ensures checks and balances in carrying out revenue sharing in the country. In January 1990 for example, when the new formula was first used, the allocation of ₦3.5 billion for the month was shared in this way; Federal government ₦1.9 billion (50%), 21 states and FCT Abuja ₦1.4 billion (30%) including ₦54 million for the ten mineral producing areas and ₦350 million for local government councils made up of 453 local government councils (15%). Of the ₦1.4 billion for the states, ₦433 million was shared on the basis of equality, ₦433 million (40%) on the basis of population (minus ₦0.5 million that would have gone to Abuja), ₦121.79 million (12.25%) on the basis of direct primary school enrolment; ₦40.59 million (3.75%), on inverse enrolment and ₦54 million (50%) for revenue generation efforts internally. This same formula was used for the local government councils. Therefore, the total cash due to each state in order of ratings in the month of January, 1990, before the federal government made deductions for debt servicing in respect of external loans guaranteed by the federal government, special loans to states.

Table 11: **SHARE OF EACH STATE FROM THE FEDERATION ACCOUNT IN JANUARY, 1990**

STATES	₦'MILLION
KANO	83.55
OYO	76.47
SOKOTO	70.8
ANAMBRA	61.68
IMO	61.8
BORNO	54.66
ONDO	52.14
BENDEL	50.88
GONGOLA	49.73
BENUE	49.39
BAUCHI	47.9
KATSINA	46.97
AKWA IBOM	46.0
LAGOS	44.25
PLATEAU	42.8
RIVERS	40.6
KWARA	39.75
KADUNA	39.19
OGUN	37.85
NIGER	34.0
C. RIVER	32.14
FCT	19.69

Source: Federal Ministry of Budgeting and Planning. In the same manner, the ten mineral producing states shared ₦54.93 Million in January 1990, for being the custodians of mineral resources. The amount was shared thus:

Table 12: **SHARES OF MINERAL PRODUCING STATES FROM THE EXCLUSIVE REVENUE FOR THEM**

STATES	AMOUNT SHARED ₦'M	PERCENTAGE
RIVERS	27.84	50.6
BENDEL	21.28	38.7
IMO	5.8	9.1
A. IBOM	-	-
C. RIVER	737,696.28	1.3
ONDO	90,880.04	0.16
PLATEAU	17,758.7	0.03
BAUCHI	604.77	0.001
KADUNA	164.94	0.0003
KATSINA	109.96	0.0002

Source: Federal Ministry of Budget and Planning

3.18 OIL MINERAL PRODUCING AREAS DEVELOPMENT COMMISSION (OMPADEC)

The evolution of Oil Mineral Producing Areas Development Commission, popularly known as OMPADEC is traceable to the need to improve the social and economic well being of the oil producing communities by catering for their plights. The oil producing communities in Nigeria are known to have been exposed to the hazards of environmental degredation and polution created by oil prospecting firms.

END NOTE

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CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

In this chapter, there are two parts. While part one dealt with the presentation of principles of various revenue sharing formula, the second part dwell on the analysis of data collected from the questionaires and other sources indicated in the research methodology.

PART ONE

PRESENTATION OF PRINCIPLE OF REVENUE SHARING IN NIGERIA

4.2 *DERIVATION PRINCIPLES*

Ensure that each region or state should receive a share of revenue from federation account according to its contribution. In other words, more revenue should go to the regions or states that contribute more. The pioneers of this formula hinge their argument on the fact that it ensures that a fair share of the snack goes to those who contribute most in the baking. To this group of people, nothing short of giving the regions or states from which more revenue is derived a larger share than others, is fairness. The group argues further that, the criteria includes all revenues which can be identified as accruing from or contributing to a particular state, irrespective of the fiscal jurisdiction involved or the machinery for collecting the revenue. During the colonial era in Nigeria, particularly at the time the first fiscal commission was set up in 1946 uptill the early 60s, the principal agricultural products upon which some regions agitated for and got revenues on the basis of derivation are cotton, groundnut, hides and skins, cocoa, excise duties on tobacco, motor, spirits, tobacco products and on mining, rents and royalties. In the context of present day Nigeria, such revenues as those accruing from taxes are those which this group of agitators have in mind. It should be stated here that, when principal agricultural products like mentioned above were major

sources of national earnings, the Northern and Western regions were most vocal in the agitations for allocation of revenues on the basis of derivation principle.

Because the principle favoured them most. On the other hand, when in late 1950s oil deposit was discovered in commercial quantities in the mid western and eastern regions, the mid-west and eastern regions become the most vocal regions agitating for allocation of revenue to be on the basis of derivation. Today, the agitations has not subsided. Derivation has been a prominent features in all the revenue sharing formula since Philipson Allocation Commission was instituted. The Aboyade Committee discarded it somehow and faced all the criticisms. For so doing, it may be rightly said the major factors that contributed in the immediate rejection of Aboyade report includes the committee's disregard of this criteria.

4.3 EVEN (EQUAL) DEVELOPMENT

Is the one that aims at ensuring equity within the country by promoting growth in all states and/or regions, without necessarily adhering to basic economic rules. "If some areas are growing fast, while others areas remain stagnant, this may be efficient but lopsided" as put by Okigbo. This principle look at the entire country as a development area.

4.4 PRINCIPLE OF NEED

This school ensure that revenue are shared on the basis of needs of each state in the country. Equalising in nature and raising of backward states to develop side by side with the advance states or regions, similarly to create opportunities to be pursued by normal economic factors in the backward states as the economy expands. In this principle, due cognisance of the constitutional functions of each tier forms the basis of sharing revenue rather than any other principle. In this vertical revenue sharing arrangement, it is the federal government of Nigeria that

always take the highest allocation under this principle, because of enormous function she is performing.

4.5 PRINCIPLE OF POPULATION

Aims at qualifying need on the basis of the number of people in a state or region within a given time. After all, the welfare of the people is the target of any development programme. Besides, it is symbolic of the basic elements of the rule of law. Take for instance, to build schools, hospitals, markets etc population must be one of the factors that must be taken into consideration. In other words, the higher the population the higher the cost of development programmes that a state may be forced to undertake. It is pertinent to note here that, under the principle, state or region with the highest population seem to get larger revenues allocated on the basis of population. Until the General Yakubu Gowon administration created twelve states out of regions in 1967; the Northern region with both the largest population and land mass had persistently anchored her argument for allocation of statutory revenue on per capital basis. Because on the basis of that strength, the Northern region with an estimated population of 50% of Nigerian entire population and the same for land mass gave it 50% of the available non-declared revenue. Consequently, the Western and Eastern regions declined to accept it because it did not favoured them due to their less numerical strength. In the context of present day Nigeria, states like Lagos, Oyo, Kaduna, Sokoto, Kano etc go home with larger shares of revenue allocation than states like Benue, Kogi, Kwara, Plateau, Jigawa etc, because they are more populous than the latter.

Those with lesser population has been arguing for the rejection of this principle on the basis of the fact that, successive census conducted in this country were full of falsifications and hence, any allocation of revenue on the basis of principle of population is a mere expression of unfairness.

4.6 PRINCIPLE OF MINIMUM RESPONSIBILITY OF GOVERNMENT

This school provides that in a federal set up, each unit has equal legal status, which in the interest of the system should continue to form the basis for revenue sharing criteria. This principle is derived from the fact that state, regardless of size and population must perform certain minimum responsibility that are common to all states in the federation. This principle was used in the sharing of the Distributive Pool Account under Decree No. 13 of 1970. Today it is one of the most surviving principles of revenue sharing from the federation account.

4.7 PRINCIPLE OF SOCIAL DEVELOPMENT

The allocation of revenue on the basis of this principle is done through direct primary school enrolment and of course, the number of hospital beds in each state of the federation. This principle attracted two opposite school of thoughts while one school of thought advocates that, states that are in disadvantaged position in terms of primary school enrolment and total number of hospital beds should be given more consideration in the allocation of funds in order to bridge the gap, another school of thought is of the view that, since the disadvantaged states have more to expend in the running of such existing social services, they require more funds. Since there is the need for national political integration and balanced economic development, it is imperative that a deliberate policy be evolved to marry the two school of thoughts in order to achieve the much desired national unity.

4.8 PRINCIPLE OF MINIMUM STANDARD

This implies that the federal Government will set up some basic minimum standards to be attained in certain service sectors such as education, health, etc for which it will provide funds to the states. A good example of this in the country

(Nigeria) is the Federal Government financing of Universal Primary Education Programme (UPE) and Primary Health Care Scheme.

4.9 PRINCIPLE OF INTERNAL REVENUE EFFORT

This principle is used to encourage states improve their tax capacities. By this extra funds would be provided to each state in proportion to the tax the state collects internally. This basic principle was derived from global recession which has increased the need for all states to put in more effort towards internal revenue generation. The argument against this very principle could be seen from excerpts of memorandum on Federation revenue Allocation formula submitted to the committee on the Devaluation of power by Alhaji Sueliman Kishimi, Chairman, Taraba State Planning Commission. "It is my candid opinion that too much weight is given to this indicator to the advantages of states that are relatively more industrialised. It has been observed that over the years, the central government either by design or defaults has been consistently providing infrastructures and siting industries in some few states while others are left with virtually no infrastructures or industries. For instance, while states like Lagos, Kano, Edo, Rivers, kaduna etc can boast of infrastructures and industries, Taraba State has virtually no infrastructures and industries. As a result of this lopsided policy in the provision of infrastructures by the central government, investors are more attracted to invest in such advantages states than a rural state as Taraba.....".

4.10 PRINCIPLE OF NATIONAL INTEREST

This principle is more discretionary in nature and is aimed at providing the federal government with a forum to intervene in certain aspects of level of government (State and Local Governments) for the purpose of achieving a social political balance of the country. As the name suggests, this balance is aimed at sustaining the federal nature of the country.

4.11 PRINCIPLE OF CONTINUITY

As the name suggests, the governments services should not stop at all. Here the principle is aimed at ensuring that each tier of the government has enough to finance "adequately" its services as provided for in the constitution.

4.12 PRINCIPLE OF FISCAL EFFICIENCY

This principle is also aimed at encouraging state government to generate their own resources not only through tax but through other sources as well. The principle also aims at promoting judicious use of resources in generating revenue. On the whole, therefore, the principle provides for assessing the revenue generated by each state and the costs involved and providing funds for any state that displays efficiency in so doing.

4.13 PRINCIPLE OF GEOGRAPHICAL SPREAD

This principle looks at the development of a country from the point of view of the total land area covered by the country which forms the basis for all economic activities. To the advocates of this principle, allocation should be made to state (among other things) largely on the basis of land area covered by the states. In other words, the needs problems of a state are ultimately and directly linked with its geographical area. This was first advocated by the Northern region. Understandably, because of the large area it covered. Some have argued that development is more concerned with the transformation (for the better) of the livelihood of the people and not necessarily the land on which they live, and that this could have better been advanced on the basis of population spread of an area i.e. the inhabitants per square kilometre.

4.14 PRINCIPLE OF ABSORPTIVE CAPACITY

This principle was first introduced by the Aboyade Technical Committee and it is aimed at ensuring that funds are allocated to states which have capacities to use such funds within a given period say in a financial year. This involves knowing the manpower and infrastructural facilities available in the states to make the utilization of the funds so shared. Possible cities of the principle argues that it helps to promote lopsided developments within a nation. In view of the fact that economically, states are never equal, and to go by this criteria will mean to accelerate economic growth in relatively more advanced areas. On the other hand, the principle ensures optimum allocation of resources.

4.15 PRINCIPLE OF EQUALITY OF ACCESS TO DEVELOPMENTS

This principle was introduced by the Aboyade technical Committee and is worked out on the basis of a state's effort for a special development (normally seen from its development plans) in relation to the efforts of other states. The idea is to "compensate" the state for its development effort by providing it with proportional funds, all in the name of accelerating National Development. Some people have argued that if this principle is strictly adhered to, it will have the effect of either manipulation of figures by states in order to draw more resources or the well-to-do states will continue to get more.

PART II

4.16 ANALYSIS OF DATA COLLECTED THROUGH THE QUESTIONAIRE

A total of 500 (five hundred) questionaires distributed to the various questionee(s) in the following number:-

Federal Secretariat, Kaduna	150 copies
Board of Internal Revenue, Kaduna	75 copies

Plateau State Ministry of Finance, Jos	100 copies
Kaduna State Ministry of Finance, Kaduna	75 copies
Civil Servants (FCT) Abuja	100 copies

Source: The Questionaire.

However, out of the total of 500 copies distributed, only 315 (three hundred and fifteen) copies of the questionaires were actually returned.

Federal Secretariat, Kaduna	115 copies	37%
Board of Internal revenue, Kaduna	50 copies	15%
Plateau State Ministry of Finance, Jos	70 copies	23%
Kaduna State Ministry of Finance, Kaduna	50 copies	15%
Civil Servants (FCT) Abuja	30 copies	10%
Total	315 copies	

Source: The Questionaire.

Similarly to the questionaire, a face to face interview was also conducted by Researcher, when it was observed that some explanations and clarifications were necessary to guide the respondents and also to produce valuable answers. It was generally observed that majority of the lecturers paid a kind of lukewarm attitudes to the completion of questionaires than the rest group of the populations. Though, most of them claimed to have excess workload on their hands, the researcher is of the belief that these attitudes is due to lack of appreciation of accurate data. However, in some cases, some respondents evaded answering some questions. At times, the researcher had to trial, guide and direct them to fill the loophole and this assisted greatly in producing objective results at the end. This problem was more profound among the students than the rest of the groups.

Furthermore, in administrating the questionaire, the researcher selected the research population, taken in the following into consideration. They are state of origin and geo-political background of the individual respondents. The main advantage the researcher derived from this approach is that it helped to established the extent to which these affects successful management of revenue sharing crisis in Nigeria. In this wise, equal number of respondents or research population were chosen from each state or geo-political states of the federation. Unfortunately, those who returned the questionaire from some states were more than the others. However, this did not affect the objective of administering the questionaire.

4.17 The respondents were asked to indicate whether it is true or not that Nigeria has had a long turbulent history of revenue sharing between the three tiers of government. Their responses are as indicated in table 4.1 below:

Table 4.1: History of Revenue Sharing between the responses

	YES	%	NO	%
Federal Secretariate	115	37	-	-
Board of Internal Revenue, Kaduna	50	15	-	-
Plateau Ministry of Finance, Jos	70	23	-	-
Kaduna Ministry of Finance, Kaduna	50	15	-	-
Civil servants (FCT) Abuja Secretariate	30	10	-	-

Source: The Questionaire.

From the above, you can see clearly that there was consensus among the respondents that Nigeria has had a long turbulent history of revenue sharing between tiers of government in Nigeria. On this question, the questionees regardless of their state, local government origin and other centrifugal forces

existing in the country agreed that there has been a long standing crisis between federal, state and local government on issue of revenue sharing.

Beside from that, a discussion with some civil servants and Director of Finance in various ministries, uncovered the fact that, there has been longing standing conflict or crisis between the tiers of government over revenue sharing formula.

4.18 The main crisis has been over percentage and formula of sharing between the three arms of government (Federal, State and Local Government)

Table 4.2: Source of the Main Crisis

	YES	%	NO	%
Federal Secretariate	100		15	
Board of Internal Revenue, Kaduna	45		5	
Plateau Ministry of Finance, Jos	45		25	
Kaduna Ministry of Finance, Kaduna	30		20	
Civil servants (FCT) Abuja Secretariate	20		10	

Source: The Questionaire.

As seen in the table, the response to the question was impressive. All category of interviewee agreed that the problem has been over both percentage and formula of sharing. However, a fraction of those who filled the question disagreed that the crisis has not been on both percentage and formula of sharing.

A face to face interview conducted across the section s of the three groups of the research population indicated the acceptance by the overwhelming majority, regardless of their state of origin, that the crisis has been over both percentage and formula of revenue sharing between the federal, state and local government councils.

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4.19 Presently the Federation Account is shared between the federal, state and local government councils as follows:

Federal Government	48.5%
State Government	24.0%
Local Governments	20.0%
Special Funds	7.5%

Do you think the above allocation are unfair?

Table 4.3 RESPOND

	YES	%	NO	%
Federal Secretariate, Kaduna	75	24	40	13
Board of Internal Revenue, Kaduna	15	4.7	35	11.1
Plateau Ministry of Finance, Jos	30	10	40	13
Kaduna Ministry of Finance, Kaduna	20	6.3	30	9.50
Civil servants (FCT) Abuja Secretariate	20	6.3	10	3.1

Source: The Questionaire.

The table above shows that low percentage of respondents in Board of Internal revenue, Kaduna, Plateau State Ministry of Finance, Jos and Kaduna State Ministry of Finance agreed that the sharing (percentage) are fair. While the Federal Secretariate Staff Kaduna and civil servants (FCT) Abuja says that the percentage is unfair.

One noticeable significant changes generated on this particular question is that, majority of those who agreed that the percentage sharing to different level of government are unfair were spread among the states in the federation. Besides, those respondents who offer the contrary views, were also spread among the states in the country. While a considerable number seemed to have agreed that,

percentage allocation is tilted in favour of federal government, they equally justified or anchored such huge allocation on government functions allocated to the federal government vis-a-vis other tiers of government. Many agreed that, given the federal government responsibilities, the percentage allocation is not unfair. If they are unfair, what percentage sharing would be given?

	FEDERAL	STATE	LOCAL GOVT	SPECIAL FUND
Federal Secretariate, Kaduna	40 - 54%	27 - 35%	20 - 30%	6 - 15%
Board of Internal revenue, Kaduna	38 - 55%	25 - 37%	18 - 30%	5 - 6%
Plateau State Ministry of Finance	35 - 50%	30 - 35%	15 - 25%	5 - 7%
Kaduna State Ministry of Finance	37 - 60%	27 - 35%	17 - 33%	5 - 15%
Civil Servants (FCT) Abuja	45 - 50%	35 - 40%	25 - 30%	6 - 8%

Source: The Questionaire.

From the above, 75 staff of Federal Secretariate (24%) who agreed that the percentage allocation is unfair also the staff of FCT Abuja suggested percentage allocation that falls between 40 - 54% and 45 - 50% for the federal, 27 - 35% and 35 - 40% for states, while 20 - 30% and 25 - 30% for local government councils and special funds has 6 - 15% and 6 - 8% suggested by respondents respectively.

On the other hand, 15 and 30 staff of Board of Internal Revenue, Kaduna and Plateau State Ministry of Finance, Jos respectively suggested sharing that fall between 38 - 55% and 35 - 50%, 25 - 37% and 30 - 35%, 18 - 30% and 15 -

25%, 6 - 15% and 5 - 7% for the federal, state, local government councils and special funds respectively. One major remarkable changes in the suggestion of percentage allocation to all tiers of government, especially in the federal secretariate, kaduna category is that most people who suggested an increase in allocations to special funds are from oil mineral producing states.

4.20 The respondents were asked whether or not they are clamouring for revenue allocation between state and by implication local government to be essentially on the principle of derivation?

Table 4.4

	YES	%	NO	%
Federal Secretariate, Kaduna	70	22	45	14
Board of Internal Revenue, Kaduna	5	2	45	14
Plateau Ministry of Finance, Jos	20	6	50	16
Kaduna Ministry of Finance, Kaduna	15	5	35	11
Civil servants (FCT) Abuja Secretariate	26	8	4	1

Source: The Questionaire.

On this particular question, majority of the respondents which cut across all group disagreed with the fact that revenue allocation between the states and by implication among the local government councils should be essentially on the basis of derivation. This is made up of 45, 50 and 35 persons of the entire research question population. Those that consented to the fact that revenue sharing should be on the basis of derivation which consisted of 70 (22%) and 26(8%) persons from federal secretariate and federal capital territory staff are mostly from oil and mineral producing states of the federation.

4.21 Recently percentage and principle of revenue sharing among the states and local government councils from the federation account is as follows:

Tax effort	5%
Social Development factor	15%
Population	40%
Minimum responsibility	40%

Do you think the above principle and percentage allocations among the states and local governments from the federation account are unfair?

Table 4.5

	YES	%	NO	%
Federal Secretariate, Kaduna	75	23.8	40	12.6
Board of Internal Revenue, Kaduna	25	7.9	25	7.9
Plateau Ministry of Finance, Jos	30	9.5	40	12.6
Kaduna Ministry of Finance, Kaduna	20	6	30	9.5
Civil servants (FCT) Abuja Secretariate	20	6	10	3.1

Source: The Questionaire.

The question respondents shows that quite a greater numbers of respondents agreed that revenue sharing between states and by implication, the local government councils on the basis of afformation principles and percentages are unfair. These groups are made up of 75(23.8%), 25(7.9%) and 20(6%) of federal secretariate, Board of Internal revenue, kaduna and civil servants (FCT) Abuja. While the minority groups of the federal secretariate, Board of Internal revenue, civil servants (FCT) Abuja and Plateau State and kaduna State Ministry of Finance respectively offered a contrary view that both the formula and percentage sharing

are fair enough.

On discussion with some civil servant, students, colleagues revealed the fact that those who are from populous states like Sokoto, Lagos, kaduna, Kano, Oyo, Rivers etc made a strong case for emphasis to be placed on the principle of population, while those from less populous states emphasised the use of equality of state principle.

4.22 Do you think solely or substantially relying on the principle of derivation in the sharing of revenue between states and by implication local government councils will encourage some states and local government councils to explore various opportunities of revenue generation?

Table 4.6

	YES		NO	
Federal Secretariate	90		25	
Board of Internal Revenue, Kaduna	23		27	
Plateau Ministry of Finance, Jos	38		12	
Kaduna Ministry of Finance, Kaduna	40		10	
Civil servants (FCT) Abuja Secretariate	20		10	

Source: The Questionaire.

Majority of respondents firmly indicated that, sharing revenue solely or substantially on the basis of derivation between states, and by implication among the local governments is not synonymous with encouraging other states or local governments that are less fortunate in terms of revenue endowment to explore other avenues of raising revenues to finance projects and services. On the other hand, other respondents agreed that allocating revenue solely on the basis of derivation will encourage states and local governments to explore other ways of raising revenue.

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A face to face discussion with colleagues and some civil servants on this issue, revealed that, sharing of revenue on the basis of derivation may cripple the states that are less fortunate in resource endowment in terms of developmental activities and delivery of other services. On the other hand, others contended that, refusing to allocate revenue between states and local government councils that are depending on revenue from other states for their services. One common attributes of results of both method is that, derivation principle where those from resource endowed states of the federation.

4.23 Do you think wholly or at least substantially sharing revenue on the basis of derivation could adversely affect national developments?

Table 4.7

	YES		NO	
Federal Secretariate	100		15	
Board of Internal Revenue, Kaduna	30		20	
Plateau Ministry of Finance, Jos	40		30	
Kaduna Ministry of Finance, Kaduna	32		28	
Civil servants (FCT) Abuja Secretariate	25		5	

Source: The Questionaire.

Without equivocation, one can rightly say that this question seemed to be a little bit controversial among the respondents. While some point to the fact that, sharing of revenue on the basis of derivation will affect national development. On the other hand, the entire groups of research population offered the view that, sharing of revenue on the basis of derivation will not affect national development adversely.

4.24 Revenue sharing system that give prominence to principle of derivation will adversely affect national unity?

Table 4.8

	YES		NO	
Federal Secretariate	100		15	
Board of Internal Revenue, Kaduna	37		13	
Plateau Ministry of Finance, Jos	62		8	
Kaduna Ministry of Finance, Kaduna	31		19	
Civil servants (FCT) Abuja Secretariate	18		12	

Source: The Questionaire.

The table above indicated that a substantial percentage of the population or respondents agreed that, revenue sharing that give prominence to the principles of derivation in allocation of revenue between states and by implication local government councils will adversely affect the current fragile national unity of the country. This group compresses 78.7% of the entire research population. While on the other hand, a total of 21.3% of the respondents offered the contrary view that revenue sharing on the basis of derivation principle will not affect national unity.

This particular question generated much interest during a face to face interview with respondents. Because of most of those contacted during the interview, the researcher found out that revenue allocation on the basis of derivation principle will certainly and adversely affect national unity, because it negates the concept of interdependence. In addition, some respondents who are more knowledgeable on the issue at stake went further to state that, allocating

revenue on the basis of derivation principle is repugnant to federal equity. Others even suggested that, such arrangement may pose a great deal of insecurity to the smooth running of a federal system of government. Those who dissented these views and spoke for the application of derivation principle anchored their arguments mostly on the need for revenue base diversification. Others said that allocating revenue on the basis of derivation is a kin to fairness.

The study uncovered the fact that, majority of those who spoke for the application of derivation principle are from resource richly endowed states.

4.25 Do you think that ethnic, religious and geo-political consideration are contributing to the persistent disagreements over percentage and principle of revenue allocations between states and local government councils in Nigeria?

Table 4.9

	YES		NO	
Federal Secretariate	85		30	
Board of Internal Revenue, Kaduna	32		18	
Plateau Ministry of Finance, Jos	45		25	
Kaduna Ministry of Finance, Kaduna	33		17	
Civil servants (FCT) Abuja Secretariate	16		14	

Source: The Questionaire.

As the table indicates, a total of 66.99% of the entire respondents accepted the view that, persistent disagreements over formula and principle of revenue allocation between states and also among local government councils is attributable to the political factors such as ethnic, religious and geo-political considerations. This group is made up of 33.01% of the entire group of respondents. On the other

hand, % of the entire respondents disagreed with the fact that ethnic, religious and geo-political factors has no link with persistent disagreements over revenue allocation principles and percentage between states and also among local government.

On face to face discussion, majority of those spoke to on this very issue did not hesitate before acknowledging the fact that, these factors accounted in most cases to revenue sharing crisis in Nigeria. The study further uncovered the fact that those who agreed that ethnic, religious and geo-political considerations are contributing factors are almost evenly spread among the states of the federation.

4.26 The federal government of Nigeria as presently constituted too powerful and arrogant both in financial resources and functions?

Table 4.10

	YES		NO	
Federal Secretariate	85			
Board of Internal Revenue, Kaduna	40		10	
Plateau Ministry of Finance, Jos	45		25	
Kaduna Ministry of Finance, Kaduna	35		15	
Civil servants (FCT) Abuja Secretariate	28		2	

Source: The Questionaire.

The question is abandoned by most of the respondents in all the group made. Whereas few supported the idea that federal government as presently constituted is too powerful and arrogant both in financial resources and function. While other respondents offered a contrary view. However, the researcher is of the view that those who abandoned the question did so out of ignorance or lack of

understanding of this very question. This is because, during a face to face interview with respondents, most of them evaded answering this question due to its complexity, but almost all the staff of Ministry of Finance in Jos and kaduna interviewed responded favourably to this question. Most of them gave reasons such as providing security for the federation, ensuring even developments, effective national integration etc as some of the reasons for the present federational arrangement. Nonetheless, most of them suggested that, for reasons such as the need to ensure efficient performance of responsibilities, the federal government as presently constituted should be divested of some of her powers and resources.

4.27 Do you think that smashing the all powerful centre as presently constituted by reducing her area of tax jurisdiction for the states and by implications, local governments will really or minimally reduce the current tempo of revenue allocation problems in Nigeria?

Table 4.11

	YES		NO	
Federal Secretariate	30		75	
Board of Internal Revenue, Kaduna	20		30	
Plateau Ministry of Finance, Jos	25		27	
Kaduna Ministry of Finance, Kaduna	15		28	
Civil servants (FCT) Abuja Secretariate	20		10	

Source: The Questionaire.

The above table indicated that 35 respondents did not answer this question. That is representing 11.11% of the entire respondents which out cross all groups of civil servants. The study uncovered the fact that out of the total respondents to this question, 28.7% agreed that smashing all powerful centre by reducing her area of tax jurisdiction for the states will help minimised or completely eliminates

revenue sharing problem in Nigeria. On the other hand, 71.3% of the respondents offered the contrary view that revenue sharing problem in Nigeria cannot be minimised by reducing the tax jurisdiction of the federal government for the states and by implication, local government councils.

A face to face interview conducted among the respondents revealed that, reducing the tax jurisdiction of the federal government for the states cannot eliminate or reduce revenue sharing problem in Nigeria. Rather, most of those interviewed were of the opinion that states whose revenue basis failed to increase or in the extreme, decrease due to such reduction will cry of unfairness. Apart from that, states without adequate revenue base may find it difficult to meet up the cost of running her services. Those who supported the view that reducing the tax jurisdiction of the federal government for the states will minimised revenue sharing problems, anchored their arguments mostly on the fact that it will expand the revenue base of the states and will also enhance efficient performance of their duties.

4.28 Do you think a system of revenue sharing whereby each state will collect all revenues in her domain before remitting the agreed percentage to the federal government for both her own services and distribution to other states who may not be fortunate to have enough financial resources needed for her services will minimally or completely eliminates revenue sharing problem in Nigeria?

Table 4.12

	YES	%	NO	%
Federal Secretariate	45	14	70	22
Board of Internal Revenue, Kaduna	30	9	20	6
Plateau Ministry of Finance, Jos	20	6	50	16
Kaduna Ministry of Finance, Kaduna	22	7	28	9
Civil servants (FCT) Abuja Secretariate	8	3	22	7

Source: The Questionaire.

The table shows that there are few respondents who accepted the view that the federal government shall be weakened by allowing each state to collect all revenues in her domain before remitting the agreed percentages to made up of 14%, 9%, 6%, 7% and 3% respectively while on the other hand, a sizeable number of respondents to which is made up of 22%, 6%, 16%, 9%, 7% accordingly did not support the idea that states should collect revenue in their domain before remitting for her services, and that of the other states that may be less fortunate in resources endowment.

Those contacted during face to face interview especially in the federal secretariate kaduna and states government ministry of finance, suggested that the relinquishing of tax power to states is a systematic way through the back door or confederation, saying, doing so, will make the federal government dependent on the states for the funding of all her services and projects.

4.29 Will accepting the much canvassed view that the over concentration of oil deposits in one geographical area of the country is also contributing to the persistent disagreements over revenue sharing principles and percentages among federal, states and local government councils?

Table 4.13

	YES		NO	
Federal Secretariate	90		25	
Board of Internal Revenue, Kaduna	47		3	
Plateau Ministry of Finance, Jos	55		15	
Kaduna Ministry of Finance, Kaduna	48		2	
Civil servants (FCT) Abuja Secretariate	22		8	

Source: The Questionaire.

From my research work, I have found this question almost a consensus opinion of all the respondents. The above table has a total of 83.2% of the entire respondents accepting the fact that the over concentration of main source of national earnings in one geographical area of the country is a contributing factor to the persistent disagreement over the formula and percentage sharing of revenue between the federal, states and local government councils, while an insignificant percentage did not see a link between one geographical area dominating the main source of national earnings and persistent disagreements over formula and percentage allocation of revenue between the federal, states and local government councils and also, among the states.

Face to face interview, revealed almost unanimous acceptance of the fact that persistent revenue sharing problems in Nigeria could also be traceable to the over concentration of main course of national earnings in one geographical area

of the country. Some of them made references to the fact that, the problem of regional dominance in the main source of national earnings is historical. Apart from that, some of those interviewed also asserted that when the Northern part of the country insisted during the pre-independent and early post independent period that revenue sharing should be on per capita basis, she wanted this, because as at that time, the Northern region dominated the main source of national earnings and were also on top in population wise. Today, it is the turn of oil and mineral producing communities or states to demand for revenue allocation to be solely on the basis of derivation. Because it is under such arrangement, the states believes they could benefit most from the sources in their land. Not only that, when some regions dominated the sources of national earnings, they agitated for derivation principle and they got it. Finally, they were of the opinion that revenue sharing became and still suffering from crisis because states or regions that are less fortunate also believed they are entitled to a fair share, regardless of whether they dominate the main source of national earnings.

4.30 Will the present determination by the federal government of Nigeria to re-activate or diversify sources of national earnings will ease revenue sharing problem in Nigeria?

Table 4.14

	YES	%	NO	%
Federal Secretariate	25	8	90	28
Board of Internal Revenue, Kaduna	20	6	30	9
Plateau Ministry of Finance, Jos	15	4	55	17
Kaduna Ministry of Finance, Kaduna	2	1	48	15
Civil servants (FCT) Abuja Secretariate	8	3	22	7

Source: Researcher's data.

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As the table above shows, a total of 22% of the respondents were of the opinion that the current determination by the federal government to diversify sources of national earnings will ease revenue sharing crisis in the country. While a total of 78% of respondents believed that diversification of sources of revenue by the federal government cannot ease revenue sharing problems in the country (Nigeria).

Majority of those spoken to during the interview session agreed that diversification of revenue base will be of greater benefit to the government and the people it govern, it will not help in easing revenue sharing problem in the country. Those who belonged to this group were of the opinion that there is a greater difference between revenue generation and sharing. They contended that over the years, there is no much controversy over revenue generation. It might have emanated from sense of dissatisfaction arising from allocation procedures. This group finally submitted that the present determination by the federal government to enlarge revenue base may be successful, but the point to note is that, applying the same controversial formula will further exacerbate revenue sharing problems. Those who did not cherish this standpoint believed that when much revenue is generated, there will be enough to meet up the services of the states and local government.

In conclusion of this chapter four, the researcher went further to interview respondents as to whether the high cost of running social administration like education, health, access road, etc due to high increase in population in recent times is a contributing factor to persistent disagreement over the formula of revenue sharing between the three tiers of governments?.

The response to this had about 74% of the entire respondents agreeing with the view, while 26% of the respondents hold a contrary view. However, the researcher uncovered the fact that, persistent agitation for more revenue by states

and local government councils is motivated by administrative needs of finance developmental projects and the running of other welfare services for the well being of the people. Some alleged that, over the years, Nigeria had witnessed and still witnessing an upsurge in population growth. This they contended has imposed alot of responsibilities on all tiers of government, especially the state governments. Because more population means more education, health, infrastructures, provision of enrolment opportunities, etc.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

My work will not be complete if I fail to draw summary or conclusion in an unequivocal term about all our discussions and make a prognosis into the future.

5.1 SUMMARY

By way of recapulation, the central theme of this thesis has been "The problem of Government Revenue Sharing in Nigeria" at the federal level. The researcher had discussed vividly in chapter one, background to the study, statement of the problem, the aims of the study, the significance , scope and limitation of the study. Others so highlighted were the researchers hypothesis, a tentative statement that guided the researcher in his enquiry, sources and method of data collection which assisted both the entire organisation of this work and its analysis and finally, emphasis was also placed on the operational definitions of key terms to ease the understanding of the work generally.

In chapter two, relevant existing literatures with emphasis on conceptual frame work were reviewed. To be specific, the researcher reviewed sharing of revenue and its systems in contemporary federations such as U.S.A (United States of America), India federation, constitutional provisions for revenue sharing (allocation) in Nigeria and also, relevant literatures on principle of fiscal adjustment in the federation, with emphasis on equality and efficiency were also reviewed. It helped the researcher in determining what others have learn and reported on this topic, which really enhanced his understanding of the topic.

Chapter three, emphasis was placed on Nigeria's system of revenue sharing among the three tiers of government (federal, state and local governments) by tracing the history of revenue sharing in Nigeria from 1946 - 1995. In the examination of the system of revenue sharing, emphasis was placed on orderly

presentation and examination of various reports on revenue sharing by different commissions, decrees and committees during the colonial and post colonial state of Nigeria. The study shows how some commission's reports were objects of intense disagreements and the emergence of others to eliminate the problems so generated. It was also revealed that, allocation to the three tiers of government are tied to functions perform by each of the arm of government. Furthermore, it was also discovered that allocation of fund among the state and local government councils were based on states principles and formula, which explains why some states and local government councils received more revenues than the others, fundamental reasons for various revenue sharing problems. Again in this same chapter, the study also show various moves by successive government to effectively managed various crisis through setting up of commissions and administration of designated funds to appease the glowing claims of unfair treatment. In this regard therefore, the study looked into the activities of oil mineral producing areas development commission (OMPADEC), Ecological fund for the amelioration of deterioting condition of living in mineral producing states and petroleum trust fund (PTF), finally the study made a brief note on the newly introduced value added tax (VAT) and method of sharing revenue among the federal, states and local government councils.

Whereas chapter four of this study is divided into two parts. While part one dealt with the presentation of various revenue sharing (allocation) formula, the second part dwell on the analysis of data collected from questionaires among research population. For the purpose of clarity, the presentation of revenue sharing formula in part one were restricted to the divergent views expressed independently to avoid show of bias on the part of the researcher. In part two, the results of data analysis of the questionaires vis-a-vis a face to face interview with the civil servants were tabulated and analysed. The essence of administering the

questionaires and face to face interview is to test the validity of the hypothesis that guided the findings of this study.

5.2 CONCLUSION

To conclude from the discussion so far, revenue sharing generally among tiers of government and by implication, among regions or zones of the country generate much controversy the same way it is in the entire society.

The study help to discover that "problems of revenue sharing in Nigeria" has been quite difficult because, presentation and advancement of ethnic, tribal, religious and geo-political interests are the underlying and motivating factors in the various agitations and clamouring for fair revenue sharing formula and percentages. Those that had argued for the application of a particular revenue sharing formula did so, because it favoured them and disfavoured others. On the other hand, those that had argued against a particular formula and percentages did so, because it did not favour them. Take for example, during pre-independent and early post independent period, the North argued for the application of derivation, population principles, including that of land mass, because, principal agricultural products which constituted source of national earnings were found in her domain. Apart from that, until the creation of states in 1967, the North had almost half of the country's population and region is bigger in land mass than the West and East put together. Furthermore, the North later intensify agitations against the application of derivation principle, when petroleum became the source of national earnings . On the other hand, the East and Midwest on whose hand, petroleum or oil wells were discovered in large quantity are today at the fore-front of the campaigns for the application of derivation. Prior to the discovery of oil in commercial quantity, East and Midwest argued for the application of the principle of need as against derivation.

In the course of this research study, a total of 80.5% of the respondents opposed allocation on the basis of derivation, while the remaining 19.5% supported it. The breakdown of the respondents who opposed it, majority are from the less resources endowment areas while those who supported its application are from oil and mineral producing states.

In another development, the study is of the view that, although the federal government as presently constituted in functions and financial resources is too powerful, smashing it and widen the tax jurisdictions of the states and local government, will not reduce revenue sharing problems in Nigeria. Because those states that are hard hit by the new arrangement will doubtlessly argue for more. In the same way, the problems cannot be eliminated by giving each state the right to collect virtually all revenues in her domain before remitting an agreed percentages to the federal government, both for her own services and distribution to less fortunate states. Because, it will lead to unbalanced development and fiscal inequality.

It is also the finding of this study that, over concentration of the main source of national earnings in one geographical areas of the country is contributing to persistent disagreement over revenue sharing formula and percentages and its unabated problems. Here the problem of regional dominance in the sources of national earnings is unfolded by the claims that those who bake "national cake" must receive the lion share. Finally, the astronomical rise in population in recent time has given rise to much social responsibility on the part of the various levels of government, such as the need to provide educational, health and road infrastructures, food, employment opportunities and recreational facilities etc. This led to more demand for more revenue by each tier of the government.

5.3 RECOMMENDATIONS

The following recommendations are hereby made, based on the above findings:

(i) Nigerian Government should stop relying on the excessive manipulations of revenue sharing formula and percentages either among the tiers of government or by implication amongst the states and local government authorities as a way of minimising or completely eliminating revenue sharing problems. Rather, successive government should concentrate on the articulation of programmes of national integration capable of fostering the spirit of oneness, sacrifices, collective acceptance and pursuit of national goals rather than sectional goal because, Nigeria has not yet been completely freed from the hang-over of colonial divide and rule extremism, which has made us to think in regional or zonal terms.

(ii) Government must not be seen as to be disposed to advancing the course of development of a particular part of the country to the detriment of others, through the manipulation of revenue sharing policy. Because, any government that is overtly or covertly disposed to a course of a particular section do not only exposed itself to suspicion, but also precipitated sense of injustice, denial and neglect on the part of the remaining sections and consequent clamour for a redress.

(iii) The over-all interest of the nation is constituted into the hands of federal government, nothing would be lost, of the centre concedes some functions and by implications, financial resources to the state and local government authority so as to boost the financial base of those levels of government and a sense of financial relations.

(iv) Revenue sharing wholly on the basis of derivation will adversely affect national development and unity, will lead to fiscal inequality and social disenchantment revenue sharing should therefore balance both derivation

and the need of each state and the levels of government.

(v) The continuous regional dominance in the main source of national earning should be discouraged, it creates sense of regional superiority, feeling of regional or sectional self importance or delusion and consequently regional arrogant in every process leading to sharing of revenue among tiers of government. These could be eliminated through a well coordinated programmes of national economic diversification and intensification of geological survey in nooks and corners of the country with a view to diversify source of national earning and boost revenue base of the country.

(vi) States and local government authorities should leave no stone unturned in aggressive internal generation drive, to complements statutory sharing from the federation account and other grants from the federal government.

(vii) Government must be very definite and precise on the size of each family through either a system of legislation or public enlightenment campaigns, so as to reduce much responsibility arising from population explosion and consequent financial implications for each level of government.

APPENDIX A

EXCLUSIVE LIST OF 1979 CONSTITUTION WHERE THE FEDERAL GOVERNMENT ALONE HAS AUTHORITY

1. Accounts of the Federation including Auditing Account.
2. External borrowing
3. Currency, coinage and legal tender
4. Census
5. Citizenship, naturalisationa and aliens
6. Copyrights
7. Customs and Excise
8. Aviation
9. Arms, Ammunition and explosives
10. Bankruptcy and insolvency
11. Banking and banks
12. Defence
13. Diplomatic, Consular and Trade representation
14. Drugs and poisons
15. Control of capital issues
16. Commercial and industrial monopolies, combine and trust
17. Deportation of persons who are not citizens of Nigeria
18. Election to all offices excluding election to local government councils or any office in such a council.
19. Designation of securities in which trust may be vested
20. Export duties
21. Evidence
22. Exchange control
23. Extraction

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24. Finger prints, identification and criminal records
25. Immigrations and Emigration
26. Implementation of treaties
27. Incorporation, regulation and winding up of bodies corporate
28. Insurance
29. Labour, trade unions and industrial relations
30. Maritime, shipping and navigation
31. Legal proceedings between governments of the states federation, authority or person.
32. Meteorology
33. Mines and all minerals
34. National park
35. Naval, military and Airforces of the federation
36. Nuclear Energy
37. Passport and visas
38. Patents, trade marks and business names
39. Pension and Gratuities
40. Police
41. Posts, telegraphs and telephones
42. Prisons
43. Public debts of the federation
44. Public relations of the federation
45. Public service of the federation
46. Quarantine
47. Railway
48. Regulation of political parties
49. Stamp-duties

50. Taxation of income
51. tariff on federal trunk roads
52. Irigonometrical, cadastral and topographical surveys
53. Weights and Measures
54. Wireless, broadcasting and television and allocation of waves, lengths for wireless broadcasting and television.
55. Any other matter incidental or supplementary to any matter mentioned above.

CONCURRENT LEGISLATIVE LIST WHERE BOTH THE FEDERAL AND STATE GOVERNMENTS HAVE AUTHORITIES:

1. Antiquities and monuments
2. Allocation of revenue between federal, state and local government councils
3. Archives
4. Collection of taxes from incomes, profits of persons other than companies
5. Electoral law
6. Electoral power
7. Exhibition of cinematographic films
8. Industrial commercial or agricultural development
9. Scientific and technological research
10. Statistics
11. University, technical and post primary educations.

Source: The 1979 Constitution of Federal Republic of Nigeria.

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