



## Facilitating Adequate Revenue Generation for Enhanced Service Delivery: The Case of Nigeria

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**Abstract:** The capacity of any level of government within a federal structure to initiate and strengthen public service delivery in any given economy is often hinged on the generation of adequate revenue. The paper noted that international development institutions provide more facilities for Nigerians than their government. It was also observed that poor tax administration, poor legal basis, tax evasion and tax avoidance amongst others acted as constraints to revenue generation, and that these problems further foster other factors which hinder efficient service delivery. Factors identified as constraints to efficient service delivery include; mismatch of revenue generation sources and assigned expenditure at the sub-national levels of government, lopsided revenue allocation formula, defective institutional guidelines, corruption and political patronage and inadequate tracking of the process of public expenditure. In order to facilitate adequate revenue generation for efficient service delivery the paper called for a holistic budgeting and reforms of financial management, and in addition, relevant staff training and orientation towards best practices in revenue generation and expenditure processing should be engineered and adopted in the country.

### **I. Introduction**

The linkage between revenue adequacy and efficient service delivery by government in both developed and developing countries of the world currently constitute a major area of focus by both academicians and public administrators. The thinking is that efficient service delivery usually act as a tonic on the part of the public to voluntarily and positively carry out their civic responsibility of paying taxes, licenses and other obligatory

financial requirements. It is common for people to resist such obligatory payments on the excuse that government has failed to deliver such essential services as good roads, drainages, electricity, pipe-borne water, health facilities, etc.

Revenue adequacy is the basic elementary standard that a tax system ought to achieve. The existing budget deficits in many developing countries suggest that the tax systems are not revenue productive. Some may overlook this

and attribute the cause of deficits to excessive spending, or temporary adverse economic conditions (Osoro, 1993). The poor performance of revenue sources in generating adequate revenues has created the need for tax reforms in many developing countries, including Nigeria. Revenue generation is a major prerequisite to the actualization of adequate public finance by government. It is therefore important to appreciate the link between revenue generation and public sector programmes.

This presentation is made up of five sections. The following section examines revenue generation and efficient service delivery in Nigeria with an in-depth discussion of expenditure on public services by the various levels of government. Section three is directed at a discussion of those factors which constrains revenue generation and efficient service delivery in Nigeria. Issues regarding the improvement of revenue generation and adequate service delivery in Nigeria are examined in section four. The presentation is concluded in section five.

## **II. Revenue Generation and Efficient Service Delivery in Nigeria**

It is expected that a modern government would try to check trade cycles, reduce unemployment, bring about distributional justice, help in capital accumulation and economic growth, and remove regional disparities. In addition, government

is responsible for the provision of essential public goods and services, such as defense, and regulatory system for maintenance of law and order, which are not attractive to profit-seeking individuals. Moreover, government still provides some basic social and physical infrastructure such as education, health, transport-network and public utilities to meet basic needs of the citizens and facilitate its activities and policies, government has to collect necessary revenues and expend same to achieve national objectives such as rapid growth, price stability and full employment, among other things. Government often resorts to borrowing (domestic or foreign) to finance any deficit when revenues generated fall short of planned public expenditures (Obioma, 2004, 125).

Of all the revenue avenues in Nigeria, taxation contributes well over 50% of total federally collected revenue since 1974. Nigerian tax sources include; personal income tax, company income tax, petroleum profit tax, capital gains tax, import duties, export duties and excise duties, as well as mining rents and royalties. These taxes along with NNPC earnings, interest and repayments and licenses and fees constitute government revenue. Taxes are imposed not only to generate revenue, but also to encourage or discourage some socio-economic activities.

It is pertinent to note that the provision of expected services cannot be facilitated by taxes,

licenses and fees alone. Commercial revenue constitutes another major strand of government receipts. In 2003, it was observed that Nigeria received about \$300 billion in oil revenues after foreign companies engaged in the industry have been paid. In spite of this huge earning, Nigeria's per capita GDP declined from US\$1,113 to US\$1084 between 1970 and 2000. Hence the country was included in the list of fifteen poorest nations in the world. Considering the United Nation's absolute poverty benchmark of US \$1 per day, it means that Nigerian's living below the benchmark rose from 66percent in 1970 to 70 percent in they year 2000 (Sala-i-Martin and subramanian (2003) and Gay and Karl (2003). Between 1999 and 2006, it was reported by the Vanguard (2006) that the three tiers of government in addition to the Federal Capital territory expended ₦11.185 trillion with the two lower tiers and the federal capital territory getting ₦6,047 trillion, while 46 percent of the total was expended by the federal government. With these huge allocations for the period under review, the expectation is that essential economic and social services will be adequately provided for the citizens, contrarily the service have been grossly inadequate.

According to Adubi and Obioma (1999) lack of transparency and accountability in public expenditure have resulted in the wastage of huge revenue derived by Nigeria during the oil boom era. This problem was

recognized by Jutting Johannes et al, (2004) when they cited the World Bank recommendation that adequate delivery of services to the poor in the society is a function of the accountability to each other of the actors in an institutional relationship. Adequate provision of social and economic infrastructure can only be realistic when decision makers are accountable to the people.

The most proximate measure of public service delivery engineered through public revenue generation is the expenditure on public services by government.

### **Expenditure on Public Services in Nigeria**

The desire globally for enhanced democratic administration in the 1990s facilitated the demand for proper politically guided governance. Social scientists and observers of economic management are not only calling for enhanced service delivery but the improved impact of such services on the common man. As Kiragu and K.K Consulting Associate puts it – “the fight against corruption in service delivery, the observance of meritocratic principles of human resource management, and greater participation of civil society should all be geared towards better services”. In 2003, president Olusegun Obasanjo in an address to the National Assembly, made the following comment on service delivery: “Public offices are shopping floor for government business. Regrettably, Nigerians have for too long been feeling short-

changed by the quality of public service delivery... our public offices have for too long been show cases for the combined evils of inefficiency and corruption while being impediments to effective implementation of government policies: Nigerians deserve better". The achievement of the Millennium Development Goals (MDGs) requires that funds made available through the budgetary process should be applied appropriately for appreciable service delivery. The capacity of the three tiers of government to initiate and facilitate appropriate public service delivery in the country is often hinged on the positive response of the public towards enhanced revenue generation. Such response is often buoyed by the previous records of government on service delivery. It is therefore important to examine some indicators of public service delivery at the various levels of government in Nigeria.

### **Budget Estimates on Education and Health by the Federal Government**

Oriakhi (2006) reported that "in 1990, total Federal recurrent expenditure estimates for social and community services was N2,945.9 million. Of this amount, allocation to education was N1,962.6 million, that is 7.2 percent of the total recurrent expenditure for 1990. With occasional decline and increases in the percentage value of funds allocated to education between 1991 and 1999, allocation to the sector

was N44,225.5 million in the year 2000, representing a peak performance of 12.5 percent of total recurrent expenditure that year. By the year 2004, education share of total recurrent expenditure was 7.2 percent. Regarding the health sector, federal budget estimates put the 1990 figure at N401.1 million, a mere 1.5 percent of the total recurrent budget estimates of expenditure for that year. The highest share the health sector got from recurrent federal budget estimates between 1990 and 2004 was N40,563.2 million in 2002, representing 5.8 percent of the total expenditure that year (see table 2.1 (A))".

Between 1990 and 2004, the capital estimates for expenditure on education were overall poorer than the recurrent estimates for the period. Capital expenditure estimate for education in 1990 stood at N331.7million or 3.7percent of N9,055.6 million which was the total capital expenditure projection for that year. In 2004, the allocation to the sector move up to 8.4 percent of total. The health sector witnessed better capital expenditure estimates in comparison to the recurrent estimates for the sector. In 1992, the share of the health sector in total capital expenditure was a mere 1.2 percent moving upward to 5.4% in 1999 and declined to 2.7percent in 2003. It further increased to 5.8percent of total capital estimates in 2004(table 2.1 B). The addition of both capital and recurrent expenditure estimates for 1990, 2000

and 2004 respectively gave the share of education in total expenditure as 6.3 percent, 10.2 percent and 6.2 percent. The share of health sector when capital and recurrent expenditure estimates are added will be 1.8 percent in 2004. In spite of the obvious fact that these estimates are very low, effective and efficient management of the funds could initiate the needed service required in the health and education sectors.

### **Expenditure on Education and Health by States and Local Governments**

States and the Federal Capital Territory expended N40, 441.0 million of their recurrent expenditure on education in the 2000 fiscal year. This amount represented 20.6 percent of state government's total recurrent expenditure. In 2001, it declined to 6.8 percent and moved up to 15.4 percent of total recurrent expenditure in 2003. Oriakhi (2006) indicated that "the health component of recurrent expenditure was N17,860.2 million in the year 2000, representing 9.1 percent of total recurrent expenditure. It declined to 2.7 percent of total in 2001 and increased steadily to 8.3 percent of total recurrent expenditure by 2004. (See table 2.2 (A))". Table 2.2 (B) indicates that in 2000 education shared 6.5 percent of the total capital expenditure of states. Declining to 5.7 percent in 2002 and 5.5 percent in 2003. In 2004, the share of education in the total capital expenditure of states moved up to 8.7 percent. At N16,395.5 million,

states capital expenditure on health represented 4 percent of their year 2000 total capital expenditure. It dropped slightly to 3.1 in 2002 and in 2004, it rose to 5.1 percent. It is important to note that the high proportion of education share in recurrent expenditure have been traced to personnel cost. And that education's share in total capital expenditure could be regarded as low when compared to its share in total recurrent expenditure. Hence, the decay of infrastructure in most secondary schools all over the country. The Guardian (August 3, 2006), reported that "at the Government Day Secondary School, Gandu, located in the Gombe State Capital, about 100 students were seen under a big tree within the school premises. Some sat on the floor while others knelt down. According to the Guardian reporter, though the principal said they were praying it was later confirmed by one of the students that they were studying".

In 1997, social and community services share in total capital expenditure at the local government levels was 16.8 percent. In 2003, it increased to 41.9 percent and in 2004, it declined slightly to 40.9 percent (see table 2.2 (c)). From the analysis so far, it quite clear that huge resources have been earmarked over time for economic and social infrastructure at the lower tiers of government in Nigeria, however, the observation is that the expenditure have had little or no impact on the

citizenry. The insufficiency of basic and important services creates huge challenges for appreciable social and economic development. Hence, several studies on expenditure tracking have contended that budget allocations are seemingly weak proxy for the delivery of services to the beneficiaries in countries with poor accountability processes. The Guardian (August 22, 2006) indicated that “Nigerians are seemingly enjoying more predictable facilities from international development institutions than from our government. For example, the Local Empowerment and Environmental Management Project (LEEMP) one of the five World Bank poverty reduction programmes in Nigeria, recently commissioned some 30 rural community projects comprising classroom blocks, water supply environmental sanitation worth N118 million in some select Katsina State communities. Under the LEEMP component, the sum of \$70 million has been earmarked to be spent by the World Bank in the next five years in nine states of Nigeria as part of efforts to help the country attain the 2015 Millennium Development Goals”.

### **III. Factors Constraining Revenue Generation and Efficient Service Delivery in Nigeria**

#### **(A) Revenue Generation**

Several reasons have been advanced for the poor performance of income tax in developing countries. According to Prest (1975), there are four main reasons why income tax

yield is low in underdeveloped countries - problems of defining incomes, problems of assessing and measuring it, the choice of rates and allowances and the difficulty of tax collection. Of all the problems common to income taxation in Nigeria, its administration is the most serious. Our income tax laws, in spite of their excessively generous allowances and very low rates, could still yield much more revenue but for the inefficient and defective assessment and collection machinery. Bogunjoko (2004:85) noted that the inability of government to achieve sustainable high tax revenue in general and non-oil tax revenue in particular could be attributed to some militating factors in tax design and administration. These factors include conflict in tax jurisdiction, lack of codification of tax law, weak institutional framework, government ineptitude and inertia, the paradox of oil revenue and narrow tax base.

The purpose of tax administration is to fully implement tax programmes and proposals. In the long-run, this means collecting all the legislated tax with the minimum of cost. In the short-run period, it implies optimizing the revenue collectible with the resources the government makes available to the administrator. Since the test of a tax system is the implementability and the manner in which it is implemented, a tax system that ignores the administrative aspect of tax policy or takes administration for granted is

deemed to remain a good system only on paper. Though we have talked about the problems or constraints inhibiting effective revenue mobilization in Nigeria as perceived by some writers, let us itemize and briefly discuss some of these constraints.

### **Poor Tax Administration**

Tax administration in Nigeria involves many agencies at various levels of government. The tax authorities of the three tiers of government derive their creation from Federal Laws which constituted the Federal Tax Authority, the State Tax Authority and the Local Government Tax Authority. The efficacy of the tax system is not just a matter of appropriate laws but depends on the efficiency and integrity of tax administration. In Nigeria, the administration of taxes is largely inefficient and tax officials are corrupt. Tax institutions such as the Federal Board of Inland Revenue and State Inland Revenue Boards are not adequately staffed. Moreover they are underequipped and largely neglected. Several tax departments have unqualified personnel who are incapable of interpreting tax laws. Also, required materials for the execution of tax duties are not readily available. In addition low salaries, lack of training and understaffing have acted to constrain the revenue generating capacity of the tax departments of the various tiers of government in Nigeria.

### **Poor Legal Basis**

The income tax laws in Nigeria are not properly codified for proper understanding and interpretation by tax administrators. The origin of the complexity of Nigerian tax laws is traceable to the empowerment of the former three regions which operated separate tax laws in the federation before their break-down to a twelve state structure in 1967. Though several attempts have been made since independence to unify tax laws in Nigeria, the Federal Constitution which empowers states through the State House of Assembly to make provisions for the collection of any tax further compounds the lack of uniformity in tax laws.

The Income Tax Management Act (ITMA) and the Companies Income Tax Act (CITA) are major reference tax laws creating anomalies or conflicts in terms of their administration. The present tax legislations consisting of Personal Income Tax Decrees of 1993, Companies Income Tax of 1990, Petroleum Profit Tax of 1990, Capital Gains Tax of 1990, Value Added Tax of 1993 require some review and harmonization to assist tax payers to interpret and pay taxes as and when due. Apart from the poor legal basis of the tax system in Nigeria, tax laws in Nigeria generally do not adjust to meet the changing conditions and dynamics of tax bases (Bogunjoko, 2004:86). It is therefore necessary for our administrators to introduce a single code of tax laws and regulations that

contain all the required information about taxes and tax laws in Nigeria.

### **Tax Evasion and Tax Avoidance**

Tax evasion is a direct violation of the law and it involves a fraudulent or deceitful effort by a tax payer to escape legally stated obligation or obligations. It is a criminal offence as it involves illegal means of reducing the tax payable by making false returns or by the deliberate omission from the return of some source of income.

Tax avoidance in contrast, does not violate the law. It occurs when a tax payer takes a perfectly legal course to keep down the amount he has to pay in taxes such as taking out a life assurance policy- which is deductible from the total amount subjected to tax or claiming the existence of an aged mother or father (where they do not) which legally attract some deductions from the taxed sum. In some cases, companies could claim that they recorded losses in their operations and are therefore not subjected to income tax, while in other cases income are shifted from taxable to tax-exempt activities.

Both tax evasion and tax avoidance have similar effects of reducing tax payers liabilities, government revenue and fiscal equity. More importantly, it is crucial that we understand that both tax evasion and tax avoidance are alternative means of facing extremely high tax rates. Hence, for a full understanding of an individual's tax resistance behaviour, both tax evasion and tax avoidance

which constitute a clog in Nigeria's revenue generation efforts should be analyzed simultaneously in tax planning and management.

### **B. Service Delivery**

The failure of public expenditure to translate into desired services could be attributed to such factors as the mismatch between expenditure assignment and revenue sources; vertical revenue allocation that is lopsided in favour of the federal government, political patronage and corruption, defective institutional guidelines and inadequate tracking of the process of public expenditure.

#### **a. Mismatch between Expenditure Assignments and Revenue Sources**

The mismatch between expenditure assignment and the revenue generation powers of the lower tiers of government in Nigeria is a clearly observable phenomenon. The primary assignment for expensive, expansive and essential services like water, agriculture, health and education are borne by subnational levels of government, whereas important revenue generation avenues are controlled by the Federal government (table 3.1A and 3.1 (B)). Shah (1994) observed that "the literature on fiscal federalism is clear on the need for expenditure assignment to precede tax assignment because tax assignment is clearly guided by spending requirement at different levels and cannot be determined in advance". It follows therefore that the location of important revenue generation sources at the federal level is a



misnomer. This reasoning is not unmindful of the criterion of efficiency which requires that a revenue generation source should be handed over to the level of government that will administer it efficiently at least cost (Bello-Imam, 1999, Ekpo and Ndebbio, 1996). According to Musgrave (1959), “residence based taxes such as sales of consumption goods to consumers or excises are suited for the states”. This is why the centralization of value Added Tax (VAT) and excise tax at the centre in Nigeria is difficult to appreciate. The paucity of expenditure responsibilities at the state and local government levels impedes the execution of their statutory functions.

### **b. Lopsided Vertical Allocation of Revenue**

The operation of the Federation Account in the Nigeria has over time been manipulated in favour of the Federal Government. According to Olowonomi (2004), “it is often unilaterally, arbitrarily and illegally operated, appropriated and manipulated by the central authorities”. The Federal government allocated 55 percent of the Federation account to itself in 1981, while the states and local government had 30 percent and 10 percent respectively. In 1991, the National Primary Education Commission was dissolved and the management and funding of primary education was transferred to local government by decree 3 of 1991. In January 1992, the share of local

government from the federation account was increased from 15 percent to 20 percent to account for the additional responsibility of managing primary education in the country. And that of the states was reduced from 30 percent to 25 percent. In spite of protests by states that the Federal government should reduce its share to accommodate local councils in the country, it only shelved 1.5 percent in 1992 in favour of special funds. These special funds which include the Autonomous Foreign Exchange market (AFEM) intervention surplus, Petroleum Trust Fund, Stabilization Fund and Dedicated Account acted as conduits for the minimization of revenue that would have accrued to the states and local governments. As at 2014, the federal government share of the federation account is 48.5 percent, and the states and local councils respectively have access to 24 percent and 20 percent of the account.

### **c. Political Patronage and Corruption**

The African Economic outlook (AEO,2003/2004) citing Transparency International Corruption Perceptions index (2003), reported that Nigeria was second only to Bangladesh in the list of countries perceived to be corrupt. Such high rate of corruption has social, political and economic implication for both developed and developing countries. The economic aspect of corruption is central to our current discussion because it is a

serious inhibiting factor to the delivery of services in Nigeria. Bevan, Collier and Gunning (1992) noted “that the civilian government which assumed power in 1979 viewed the growth of public expenditure as an opportunity for patronage. Kick-back increased the costs of investment projects spectacularly. For example, the contract for the construction of a dam which has been concluded by the military government for US\$120 million was renegotiated by the civilian government to US\$600 million, presumably a result of a considerable increase in rent-seeking activities characterizing the switch to civilian rule”.

Cases of mismanagement of public funds at all levels of government abound in the country, and the problem could be regarded as pervasive. However, the government has set-up two separate organizations, that is the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and other offences Commission (ICPC) to fight financial crimes both in the public and private sectors of the economy. Currently, their activities are yielding appreciable outcomes.

#### **d. Defective institutional Guidelines**

The constitution of the Federal Republic of Nigeria have no explicit provisions for checking the mismanagement of public funds designated for the delivery of social and economic services at all levels of

government. The constitutional immunity clause which protects serving governors from arrest and prosecution while in office make nonsense of allegations of mismanagement of public funds entrusted to them. In several cases, subordinate officers of the governor who cannot directly account for the funds are arrested and prosecuted.

#### **e. Inadequate Tracking of the Process of Public Expenditure**

Inadequate policing or tracking of the process of public expenditure has been largely responsible of the huge leakages in the finances of the federal, states and local councils in Nigeria. In most cases, there are no financial and performance audit. Even when the finances of these tiers of government are audited, the reports are not made public as it is required by law. The indication therefore is that the three tiers of government in Nigeria have not been organized to concentrate on strategic planning which create avenues for the evaluation of outcomes against targeted objectives or goals. The non-presentation of audit report or the window dressing of same at the state level have been attributed to the power of the state governor to hire and fire the Auditor – General and his or her loyalty must never be in doubt.

#### **IV. Enhancing Service Delivery through Improved Revenue Generation**

To attain important development objectives through the provision of basic social services such as primary

education, health care delivery and other basic necessity of life, our social development challenges should be addressed within a consistent growth inclined budgetary framework. Spending on social services and infrastructure should be facilitated. For efficient service delivery, the planning, budgeting and reporting approaches which outline measurable objectives for the assessment of performance should be adopted. As indicated by the UNDP (2005), “there is an urgent need to establish and develop efficient systems of inter-governmental fiscal transfers and local government own source revenue in line with poverty reduction strategies”.

There is the need to review the current system of intergovernmental fiscal transfer in the country. Thus, at least 65 percent of revenue from the federation account should be devolved to the lower tiers of government. Maybe, some of the recommendations of the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) which are often tilted in favour of sub-national levels of government should be accepted and implemented. In order to check the utilization of the funds flowing to the states and local councils, appropriate machinery should be put in place to track the receipts and output of funds earmarked for important projects and programmes. In addition, the instrument of due process which will facilitate authentic costing and ensure appropriate direction of

public funds to the achievement of set objectives and targets through budget procurement and spending should be embraced, and this will ensure that public funds management are properly controlled and accounted for.

For budgetary and financial management reforms to succeed in Nigeria, Oriakhi (2006) recommended that “the public should be empowered constitutionally to seek redress from the law courts without recourse to the legislature on matters relating to the misuse of public funds. Hence, the immunity granted the president and vice-president and governors should be withdrawn. This is especially because Nigerian politicians see power search (election) as investment (not service to the people) to which adequate returns is always expected, and the only means to achieve this goal is to divert public funds into private pockets”. Thus, It is pertinent for our administrators to ensure that required services are delivered adequately in order to elicit positive response from individuals and firms with respect to meeting their tax obligations to the government.

The public sector in all three tiers of government is in dire need of restructuring and reform. The endemic practice of supporting the leakage of resources meant for public sector projects and programmes should be discouraged through strategic reorientation. Hence, capacity building designed

for the improvement of financial and information management should be facilitated. Sanctions should be applied where civil servants fail to comply with the codes of ethical conduct. The salaries and other emoluments of public sector workers need urgent positive repackaging to elicit self-sufficiency and contentment, which will ultimately dissuade them from participating in the siphoning of public funds earmarked for the delivery of important services. When properly carried out the above initiatives could ensure an appreciable achievement of the millennium development goals by 2015.

## **V. Conclusion**

For effective and efficient service delivery to the people, there is the need for enhanced revenue generation. To this end, it is necessary to properly harness both human and material resources of Nigeria's revenue generation units. Hence, constraints likely to retard enhanced revenue generation, such as weak tax administration, poor legal basis, tax avoidance and tax evasion should be minimized or completely sidetracked.

The Federal Board of Inland Revenue and other revenue units are

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in dire need of positive reforms. The staff strength should be increased to facilitate proper collection and monitoring of tax sources, and the materials necessary to improve revenue generation should be made available on demand. Moreover, our tax laws should be simplified for proper interpretation and application.

The lopsided vertical revenue allocation against sub-national governments when combined with the mismatch between expenditure assignment and revenue generation sources, rent seeking, political patronage and corruption, defective institutional guidelines, inadequate tracking of the process of public expenditure and the lack of financial and performance audits, the dearth of basic social and economic services become explicable. To redirect the use of public expenditure to the achievement of the much desired growth and development in Nigeria, the government needs to embark on the reforms of budgetary and financial management. In addition, capacity development as it relates to the training and reorientation of staff towards imbibing corruption free practices should be made possible.

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## Appendices

**Table 2.2 (A): Federal Government Recurrent Expenditure) (₦ Million)**

Years	Total recurrent	Administration	Economics services	Social and community services						Transfers
				Total	Education	As % of Total Rec.	Health	As % Total Rec.	Others	
1990	36,219.60	6,540.20	1,613.70	3,396.00	2,402.80	(6.6)	500.70	(1.4)	492.50	24,669.70
1991	38,243.50	6,953.80	1,303.40	2,676.90	1,256.30	(3.2)	618.20	(1.6)	802.40	27,309.40
1992	53,034.10	8,684.51	3,080.11	1,336.15	291.30	(0.55)	150.16	(0.3)	894.69	39,933.34
1993	136,727.10	30,570.17	7,749.86	4,659.82	8,882.38	(6.5)	3,871.60	(2.8)	1,905.84	83,747.25
1994	83,374.90	20,535.64	3,909.87	10,085.42	7,382.74	(8.2)	2,093.98	(2.3)	608.70	55,443.97
1995	127,629.80	28,757.90	5,917.90	13,820.80	9,746.40	(7.6)	3,320.70	(2.6)	753.70	79,133.20
1996	124,491.30	46,547.28	4,752.96	15,989.18	11,496.15	(9.2)	3,023.71	(2.4)	1,469.32	57,201.87
1997	158,563.5	56,184.3	6,200.40	22,060.13	14,853.54	(9.4)	3,891.10	(2.5)	3,315.49	74,118.63
1998	178,097.80	50,678.8	11,574.72	21,441.43	13,589.49	(7.6)	4,742.27	(2.7)	3,109.67	94,402.87
1999	449,662.4	183,631.3	87,076.72	71,371.20	43,610.65	(9.6)	16,638.77	(3.7)	11,121.78	107,577.16
2000	461,600.0	144,530.1	28,591.93	84,788.05	57,956.64	(12.6)	15,218.08	(3.3)	11,610.33	203,612.91
2001	579,300.0	180,800.95	53,008.48	79,630.41	39,882.60	(6.8)	24,522.27	(4.2)	15,225.54	265,860.19
2002	699,800.0	266,509.8	52,951.44	152,185.38	80,530.88	(11.5)	40,621.42	(5.8)	31,033.09	225,153.41
2003	984,300.0	307,973.3	96,070.73	102,607.58	64,782.15	(6.6)	33,269.8	(3.4)	4,557.45	477,648.37
2004	1,110,643.60	306,767.46	58,781.73	134,390.66	76,527.65	(6.9)	34,198.48	(3.1)	23,664.53	610,703.74
2005	1,321,229.99	434,671.80	64,308.53	151,646.56	82,797.11	(6.3)	55,663.00	(4.2)	13,186.46	670,603.10
2006	1,390,101.90	522,198.18	79,687.16	194,169.05	119,017.97	(8.6)	62,253.62	(4.5)	12,985.16	594,047.50
2007	1,589,269.80	626,358.58	179,071.91	256,673.80	150,779.27	(9.5)	81,909.37	(5.2)	23,985.16	527,165.50
2008	2,117,362.00	731,022.79	313,751.23	332,925.98	163,977.47	(7.7)	98,219.32	(4.6)	70,729.19	739,662.00
2009	2,127,971.50	820,794.70	317,191.42	354,233.05	137,156.62	(6.4)	90,202.60	(4.2)	126,873.53	635,752.33
2010	3,109,378.51	1,267,095.11	412,996.08	555,930.30	170,770.56	(5.5)	99,119.92	(3.2)	281,039.82	878,357.02

**Source:** CBN Statistical Bulletin, Abuja, December, 2004

**Table 2.2 (B): Federal Government Capital Expenditure (₦ Million)**

Years	Total recurrent	Administration	Economics services	Social and community services						Transfers
				Total	Education	As % of Total Rec.	Health	As % Total Rec.	Others	
1990	2,919.9	12.1	3,485.7	14.5	2,096.0	8.7	15,547.0	64.6	24,048.6	9.0
1991	3,345.0	11.8	3,145.0	11.1	1,491.7	5.3	20,359.2	71.8	28,340.9	9.1
1992	5,118.5	12.9	2,336.7	5.9	2,132.6	5.4	30,175.5	75.9	39,763.3	7.5
1993	8,081.7	14.8	18,344.7	33.7	3,575.3	6.6	24,500.1	45.0	54,501.8	8.0
1994	8,785.1	12.4	27,102.8	38.2	4,994.4	7.0	30,036.0	42.4	70,918.3	7.9
1995	13,337.8	11.0	43,149.2	35.6	9,215.6	7.6	55,435.7	45.8	121,138.3	6.3
1996	14,863.6	7.0	117,829.1	55.3	8,656.2	4.1	71,577.4	33.6	212,926.3	7.9
1997	49,549.0	18.4	169,613.1	62.9	6,902.0	2.6	43,587.6	16.2	269,651.7	9.6
1998	35,270.4	11.4	200,861.9	65.0	23,365.6	7.6	49,517.7	16.0	309,015.6	11.4
1999	42,737.2	8.6	323,580.8	65.0	17,253.5	3.5	114,456.1	23.0	498,027.6	15.6
2000	53,279.5	22.3	111,508.6	46.6	27,965.2	11.7	46,697.6	19.5	239,450.9	5.2
2001	49,254.9	11.2	259,757.8	59.2	53,336.0	12.2	76,347.8	17.4	438,696.5	9.3
2002	73,577.4	22.9	215,333.4	67.0	32,467.3	10.1	0.0	-	321,378.1	4.6
2003	87,958.9	36.4	97,982.1	40.5	55,736.0	23.1	11.3	0.0	241,688.3	2.8
2004	137,765.9	39.2	167,721.8	47.7	30,032.5	8.6	15,729.8	4.5	351,250.0	3.1
2005	171,574.1	33.0	265,034.7	51.0	71,361.2	13.7	11,500.0	2.2	519,470.0	3.6
2006	185,224.3	33.5	262,207.3	47.5	78,681.3	14.2	26,272.9	4.8	552,385.8	3.0
2007	226,974.4	29.9	358,375.6	47.2	150,895.2	17.3	23,036.0	3.0	759,281.2	3.7
2008	287,103.6	29.9	504,286.9	52.5	152,174.6	15.8	17,325.0	1.8	960,890.1	4.0
2009	318,888.3	27.7	503,009.2	43.6	120,696.9	10.4	210,202.0	18.2	1,152,796.5	4.7
2010	264,554.2	29.9	412,245.2	46.6	147,409.5	11.9	59,661.1	6.7	883,870.0	3.0

**Table 2.2 (C): Functional Classification of State Government Recurrent Expenditure (₦ Million), 2000-2010**

Years	Total Recurrent	Administration	Economics services	SOCIAL SERVICES						Transfers
				Total	Education	Expenditure on Education as % of Total Recurrent Expenditure	Health	Expenditure of Health as % of Total Recurrent Expenditure	Others	
2000	196,784.1	42,888.6	58,687.0	58,301.1	40,441.0	(20.6)	17,860.2	(9.1)	-	36,907.4
2001	294,709.5	61,264.2	55,139.7	162,117.5	20,045.5	(6.8)	7,835.1	(2.7)	134,236.9	16,188.2
2002	424,195.4	102,921.6	60,600.1	162,385.7	55,636.4	(13.1)	26,308.2	(6.2)	80,441.1	98,288.0
2003	545,306.7	116,193.8	63,978.1	217,810.9	83,750.9	(15.4)	36,711.1	(6.7)	97,348.9	147,325.9
2004	556,812.3	170,895.0	80,500.5	208,783.7	78,886.2	(14.2)	45,998.7	(8.3)	83,898.8	96,633.2
2005	789,127.4	242,196.4	114,087.2	295,893.0	111,799.3	(14.2)	65,190.5	(8.3)	118,903.2	136,950
2006	894,300.0	276,800.0	129,200.0	334,000.0	126,300.0	(14.1)	73,000.0	(8.2)	134,700.0	154,200.0
2007	1,217,400.0	318,000.0	226,600.0	238,400.0	101,100.0	(8.3)	54,700.0	(4.5)	82,600.0	434,500.0
2008	1,591,800.0	465,000.0	324,500.0	279,200.0	146,400.0	(9.2)	58,400.0	(3.7)	74,400.0	523,200.0
2009	1,426,100.0	321,700.0	486,400.0	381,500.0	140,800.0	(9.9)	77,300.0	(5.4)	163,400.0	236,500.0
2010	1,437,000.0	327,800.0	450,200.0	426,200.0	139,200.0	(9.7)	90,600.0	(6.3)	196,400.0	232,700.0

**TABLE 2.2 (D): Functional Classification of State Government Capital Expenditure (₦ Million), 2000-2010**

Years	Total Capital Expenditure	Administration	Economics Services	SOCIAL SERVICES						Transfer s
				Total	Education	Expenditure on Education as % of Total Capital t Expenditure	Health	Expenditure of Health as % of Total Capital Expenditure	Others	
2000	158,895.6	23,002.4	49,695.3	52,830.2	10,300.2	(6.5)	6,395.5	(6.5)	36,134.3	33,367.6
2001	235,241.7	32,225.6	83,932.3	78,528.0	15,790.0	(6.7)	7,371.9	(6.7)	55,366.1	40,555.8
2002	283,473.8	34,543.5	96,362.0	103,846.9	16,090.6	(5.7)	8,750.4	(5.7)	79,005.9	48,721.3
2003	324,019.9	36,564.9	122,194.5	111,427.7	17,839.2	(5.5)	15,515.6	(4.8)	78,072.9	53,832.8
2004	412,926.2	75,051.0	183,027.9	141,520.4	35,882.0	(8.7)	21,171.1	(5.1)	84,467.3	13,326.8
2005	514,724.7	93,553.3	228,149.7	176,409.4	44,728.0	(8.6)	26,390	(5.1)	105,291.1	16,612.3
2006	585,000.0	107,400.0	259,100.0	199,800.0	50,800.0	(8.7)	29,800.0	(5.1)	119,200.0	18,600.0
2007	854,800.0	174,900.0	409,500.0	238,700.0	63,200.0	(7.4)	31,200.0	(3.6)	144,300.0	31,700.0
2008	1,455,700.0	180,300.0	757,800.0	456,300.0	88,300.0	(6.1)	59,000.0	(4.1)	309,000.0	61,300.0
2009	1,284,200.0	171,000.0	677,100.0	401,200.0	93,500.0	(7.3)	72,400.0	(5.6)	235,200.0	34,900.0
2010	1,339,000.0	137,600.0	768,000.0	381,800.0	102,100.0	(7.6)	60,400.0	(4.5)	219,300.0	51,600.0



*Source: CBN Annual Report and Statement of Accounts, Abuja, December, 2004.*

**Table 2.2 (E): Functional Classification of Local Government Capital Expenditure (₦ Million), 1997-2010**

Years	Total Capital Expenditure	Administration	Economics Services	SOCIAL AND Community Services	Social and Community Services As % of Total Capital Expenditure	Transfers
1997	8,620.5	2,894.5	4,279.9	1,446.1	(16.8)	-
1998	19,889.1	3,521.9	11,944.8	3,073.3	(15.5)	-
1999	18,747.3	5,632.3	9,146.3	3,761.6	(20.1)	287.1
2000	59,964.9	19,062.4	20,856.7	13,264.0	(22.1)	6,781.8
2001	48,661.8	11,642.2	25,001.6	9,946.3	(20.4)	2,071.7
2002	45,118.6	11,996.1	21,455.2	10,289.6	(22.8)	1,377.7
2003	150,130.2	21,643.3	51,994.6	62,941.5	(41.9)	13,550.8
2004	165,395.9	22,809.7	56,592.4	67,725.0	(40.9)	18,268.8
2005	213,463.3	29,438.7	73,039.3	81,407.2	(40.9)	23,578.1
2006	267,656.7	27,966.7	101,335.5	111,428.6	(41.6)	26,925.9
2007	143,800.0	15,000.0	54,400.0	59,900.0	(41.6)	14,500.0
2008	562,600.0	72,800.0	252,800.0	219,800.0	(39.1)	17,200.0
2009	363,000.0	57,400.0	175,000.0	124,200.0	(34.2)	6,500.0
2010	533,000.0	78,700.0	247,200.0	183,300.0	(34.3)	23,700.0

*Source: CBN A45118.6 Annual Report and Statement of Accounts, Abuja, December, 2001-2004.*

**Table 3.1 (A): Nigeria's Major Tax Jurisdictions and Right to Revenue, 1999.**

	Types of Tax	Jurisdiction**		Right to Revenue
		Law	Administration and Collection	
1.	Import duties	Federal	Federal	Federation Account
2.	Excise duties	Federal	Federal	Federation Account
3.	Export duties	Federal	Federal	Federation Account
4.	Mining rents and royalties	Federal	Federal	Federation Account
5.	Company income tax	Federal	Federal	Federation Account
6.	Company income tax	Federal	Federal	Federation Account
7.	Capital gains tax	Federal	Federal/State	State
8.	Personal income tax (ST)*	Federal	State	State
9.	Personal income tax (FG)*	Federal	Federal	Federal
10.	License fee on television/wire radio	Federal	Local	Local
11.	Stamp duties	Federal	Federal/State	State
12.	Capital transfer tax (CTT)	Federal	State	State
13.	Value Added Tax	Federal	Federal/State	Federal/State/Local
14.	Pools betting and other betting taxes	State	State	States
15.	Motor vehicle and drivers licenses	State	State	States
16.	Entertainment tax	State	State	States
17.	Land registration and survey fees	State	State	States/Local
18.	Property taxes and rating	State	Local	Local
19.	Marketing and trading license and fees	State	Local	Local

**Note:** \*Armed forces, external affairs officers, residents of the Federal Capital Territory and Nigeria Police pay personal income taxes to the federal government while others pay to states.

\*\*the right to administration and collection is not synonymous with the right to retain and spend.

Source: Anyanwu 1999.

**Table 3.1 (B): Expenditure Responsibility Allocation in Nigeria**

<b>Level of Government Responsible</b>	<b>Expenditure Category</b>
Federal only	Defence Foreign affairs. Intentional trade, including export marketing. exchange control, banking, Currency, borrowing. Water resources. Federal trunk roads, Shipping. Elections. Postal service, Railways, Aviations. Army, Police and other security services. Regulation of interstate commerce, labour. Telecommunications. Immigration, citizenship and naturalization rights. Nuclear energy, Mines and minerals. National statistical system (census, births, deaths, etc), Social security, insurance. Guidelines and basis for minimum education. Business registration. Price control.
Federal-State (shared)	Health, social welfare. Education (post primary/technology) Culture. Antiquities. Monuments, archives. Statistics, stamp duties. Commerce, industry. Electricity (generation, transmission, distribution) Research surveys.
State only	Residual powers, i.e., any subject not assigned to federal or local government level by the constitution.
Local government	Development and Economic planning. Health services. Land use. Regulation and Control of advertisements, pets, small business. Public conveniences and Markets. Social welfare, sewage and refuse disposal. Registration of Marriages, births, deaths. Primary, adult and vocational education. Agriculture and natural resources development.

Source: Oriakhi (2006)