



KOGI STATE GOVERNMENT OF NIGERIA

PRESENTATION BY

**KOGI STATE AT THE ZONAL
PUBLIC HEARING ON THE
REVIEW OF THE VERTICAL
REVENUE ALLOCATION
FORMULA**

October 21st, 2021

@ Glass House, Kogi State
Government House, Lokoja

8:00am



HIS EXCELLENCY
ALH. YAHAYA BELLO
EXECUTIVE GOVERNOR, KOGI STATE



HIS EXCELLENCY
CHIEF EDWARD DAVID ONOJA
DEPUTY GOVERNOR, KOGI STATE



MUKADAM ASIWAJU ASIRU IDRIS (FCA)
HONOURABLE COMMISSIONER FOR FINANCE, BUDGET AND ECONOMIC PLANNING
KOGI STATE



ADDRESS BY HIS EXCELLENCY, GOVERNOR YAHAYA BELLO OF KOGI STATE AT THE NORTH CENTRAL ZONAL PUBLIC HEARING ON REVIEW OF THE REVENUE ALLOCATION FORMULA (RAF) BY THE REVENUE MOBILIZATION, ALLOCATION AND FISCAL COMMISSION (RMAFC) AT GOVERNMENT HOUSE, LOKOJA ON 18TH OCTOBER, 2021

I heartily welcome all participants to this event today. Lokoja, Kogi State is the safest place you can be right now and I urge everyone to relax and face the business at hand without any fear at all. To our visitors from out of town, you will discover that our City is hospitality personified and you are welcome to stroll around our historical sites after each day's proceedings. Perhaps you will catch a glimpse of the great promise upon which this nation was founded. A promise which we are gradually reawakening, literally from the very spot where Lord Frederick Lugard and Flora Shaw once saw it.

We can no longer deny that a comprehensive review of the Revenue Allocation Formula (RAF) currently in use in Nigeria has become overdue. Currently, the federal government takes 52.68 percent, the 36 states and the FCT split 26.72 percent and the local government councils make do with 20.60 percent. The 9 oil producing states receive an additional 13 percent as derivation revenue which is distributed among them depending on the actual contribution of each to crude oil receipts. Existential realities between the 3 Tiers of Government today necessitate a more equitable sharing plan for all revenue accruing into the Federation Account.

It is my unequivocal position on behalf of Kogi State, and I believe that I speak for not just my brother Governors of the North Central, but for all Governors in Nigeria when I say that the federal government must now consider relinquishing portions of her share to the other 2 tiers.

This is the time to make room for the extra, back-breaking, burden which states bear in catering for overbloated workforces, particularly at the third tier, which they cannot retrench (call it right-sizing if you like) without creating worse security, economic or political problems for their states. Moreover, the federal government enters into all sorts of agreements with organised labour, including on the minimum wage as well as enhanced pay for some professional cadres, which invariably mean more money out of the already depleted pockets of hapless states and local governments.

Whereas Local Government Autonomy has been thrown around like a magic wand that cures all ills, the reality on ground is that the unwieldy workforces and wage bills which many Governors are saddled with today, often as an inherited liability, makes nonsense of the projected gains thereof.



For instance, what exactly am I doing with 43,788 workers and a salary obligation of N3.8bn monthly for Local Governments in Kogi State alone despite conducting one of the most thorough staff screening and verification exercises in the recent history of this nation? This is quite different from the N3.206bn I need to settle salaries and remunerations every month at the state level for a workforce which also numbers into similar tens of thousands. Note that Kogi's monthly income, that is, allocations from FAAC and JAAC plus our internally generated revenue which this Administration has painstakingly grown about 300%, still hovers around 7bn.

The situation is dire and it becomes worse when you add our many other governance responsibilities such as meeting the needs of our people in all sectors - education, health, infrastructure and utilities, security of lives and properties, social cohesion, diversity management, among others. Clearly, the case for an enhanced revenue share for the 2nd and 3rd tier of governance has never been stronger. I urge the RMAFC that this is the right thing to do and this is the time to do it.

Crucial to actualising this progressive agenda is the Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC). The Commission is the principal executive agency statutorily mandated to mobilise revenue accruable to the federation account and to administer same equitably by devising and implementing a properly representative Revenue Allocation Formula, which it should review periodically.

Review in this context means that the Commission has a duty to look at facts such as those I have raised above, then activate principles of fairness and apply them to the RAF in order to make sure that as socioeconomic realities and revenue accruals change, the national sharing plan exhibits the nimbleness required to keep pace with them.

This is why I am glad that the RMAFC is now in the process of one of such reviews and has found the dutifulness to go around and hear directly from the key stakeholders. It remains to be seen how persuasive our voices and her findings will prove to the powers that be.

I will not end this brief address without expressing my belief that inextricably tied to the stewardship of national revenue by the Commission is a duty to ensure that none of such revenue is stolen, diverted or hidden away from all lawful beneficiaries. Often, States and Local Governments can do nothing more than look on, helpless, at the distressing frequency with which our media report the discovery of trillions of naira in distributable revenue which the NNPC or other revenue generator either neglected, failed or refused to remit to the federation account as and at when due.



The RMAFC has a concomitant duty to prevent this from happening. She can easily do so in collaboration with sister federal agencies such as the Economic and Financial Crimes Commission (EFCC) which has the responsibility to prevent, or punish, such serious economic crimes.

As a critical aside, and because we are talking about revenue and the judicious application thereof, the general public here gathered today is called upon to help me inform the EFCC that Governor Yahaya Bello advises that preventing such larceny of our communal funds is actually a better use of her valuable resources and time than the recent dealing in innuendos about alleged lost or found funds in alleged secret accounts of the Kogi State Government which neither I, as Chief Executive, nor my administration know anything about. We still challenge them therefore to clarify publicly to Nigerians if in all of their current hide-and-seek with one of the banks in this country they have discovered that even One Kobo which legitimately belongs to the people of Kogi State was misapplied or misappropriated or that any official of this New Direction Administration that I lead in Kogi State was involved in any capacity whatsoever.

The General Public in attendance at this consultation, members of the RMAFC team, press men and women, distinguished ladies and gentlemen, Revenue allocation in Nigeria should promote national unity and accelerated economic growth of all tiers. I urge this assemblage to look critically at the revenue allocation formula currently in use in Nigeria today and isolate the immediate and remote reasons why it has failed to achieve the desired developmental aspirations. To help us chart a new order for current and future development, I suggest a revenue sharing formula of 39%, 35% and 26% between the federal, state and local governments respectively.

I believe this new formula is more in keeping with the financial burdens now resting on the various tiers and will improve the nexus between revenue allocation and economic growth in Nigeria.

Welcome to Kogi, the Confluence State.

I wish us fruitful deliberations.

Thank you.

YAHAYA BELLO
Governor of Kogi State.



OVERVIEW OF KOGI STATE

Kogi State is at The Cusp of The Nation, It Borders Ten States and It's the Gateway to Northern and Southern parts of Nigeria, with an Estimated Population of 3,314,043 – (2006, Census), Predominantly an Agrarian and Animal Husbandry State
The State has a Public Service Strength of 27,894 workforce

CHALLENGES: INSECURITIES

The State has, through the Creative Ingenuity of the Government and deployment of enormous Resources remain relatively peaceful, necessitating the influx of people from violent prone states in North west, North east and North central, putting pressure on state municipal Infrastructures: schools, hospitals, water and sanitary, Roads & Public Utilities. The constitution provides that the security and welfare of people shall be the primary purpose of government, Section 14(2) (b), CFRN 1999.

The security situation in our country calls for greater responsibilities to be devolved to states and local government councils, if we are to confront and defeat the spate of insecurity. Local solutions working side-by-side FG solutions have yielded better results in Kogi State, as insecurities are largely local and require local response to be effective and efficient.

The State has been working in collaboration with the security Agencies in the State as well as the community policing

Given the enormity of our security responsibilities in the States, more resources should be made available to the States and local government Councils, based on its implications for national development

PUBLIC SERVICE

- The State, in its effort to cut cost, right sized the Public Service, but still confronted with Poor Funding to pay Minimum Wage and its Consequential Adjustment
- Though, Salaries and pension are paid as an when due, annual incremental steps, promotions effects are yet to be implemented due to funds constraints. The State Government inherited accumulated arrears of gratuities. Government releases N100m monthly to gradually defray this huge debt but these efforts have not yielded meaningful impact, as outstanding gratuities have continued to mount, due to paucity of funds.
- State sponsored capacity development of personnel through trainings and workshops has not been as desired due to resource gap
- The state present wage bill is N3.3bn as at September, 2021, out of N4bn statutory allocation to the State.

EDUCATION

- Kogi has (2) two state sponsored Universities, a state polytechnic, 2 Colleges of Education, one School of Nursing and a College of Health Sciences.



- There are 2,472 Primary Schools with 265,869 pupils and 16,738 teachers
- The state has 848 Secondary Schools with 90,061 students and 8,341 teachers.
- The above statistics are far below UNESCO recommendation
- Given the above, particularly the increasing influx of family from crisis ridden States, Kogi State requires more resources to achieve UNESCO recommendation and fill the gap of out-of-school children
- Kogi state needs a minimum of N32 billion to meet its commitments in education annually.

The State has to rely on facilities to pay the counterpart funds to access UBEC timely.

More fund is needed to recruit teachers, train and retool the existing academic staff of the schools.

More classrooms need to be built, furnished, equipped as well as to renovate the existing ones.

For the pupils to be properly schooled and skilled, IT learning materials are imperative, state is financially handicapped to procure relevant IT needs. Section 18 CFRN 1999

HEALTH INFRASTRUCTURE

- The state has 903 medical facilities comprise Primary healthcare, State and a Federal Medical Centre
- The healthcare services in the state are hampered by manpower shortages in medicine, pharmacy, laboratories sciences, x-ray physiotherapists and other allied disciplines
- The state has 113 medical doctors with about 24 specialists
- This is 1: 15,000 ratio of doctor to patients, a far cry from WHO recommended 1:600 patients.
- The state needs more fund to escalate the ongoing upgrade of of our health infrastructures as well as recruit, remunerate, and motivate qualified health personnel.
- The State requires about 30bn to fund annual health budget

ROAD INFRASTRUCTURE AND SAFETY

- The State is traversed by an estimated 6,500km Road network, it is an arterial mix of single & dual carriageways, the roads are in various deplorable condition with attendant challenges, due to pressures from heavy duty trucks plying it to other parts of the country.
- Kogi, as a gateway to other parts of the country, cannot adequaey cater for its road network by the lean resources at the disposal of the State.
- There is the need for more funds to construct new Roads, resource and equip the state Road Maintenance Agency to meet up with the traffic demand of the state as the nation's gateway.



• **WATER AND SANITATION**

- A good number of our people are still challenged by portable drinking water and sanitation with over 50% gaps.
- The approximate water demand of Kogi is 147, 856, 526 litres of portable water per capita per day, the current water supply is 40, 585, 500 per day leaving an estimated demand gap of 134, 731, 026 litres per day.
- The state needs 15% of the budget to refurbish, upgrade old water reticulations centre and build new ones for the ever increasing population

ENVIRONMENT

Kogi State annually experiences one of the worst flood nationally, chiefly due to the confluence of Rivers Niger & Benue. Our efforts to mitigate the consequences of the flood is hampered by resources.

The influx of internally displaced citizens created urban slums across the state with its attendant environmental impact. The state lacks financial capacity to redesign the state's urban towns and other remediation efforts. Section 20 (CFRN) 1999.

SOLID MINERAL AND AJAOKUTA

Kogi State is blessed with significant solid mineral resources, with about 35 of them in commercial quantity. We shall need more revenue to tap them for the benefit of our people.

The position of our constitution, that puts solid mineral in the exclusive list, is impeding our commitment to maximize the opportunities in the sector.

The procedures for granting mining license appears too cumbersome and requires a review.

We are requesting the FGN to review its policies to allow States exercise some level of control and participation over resources under their control

• **CONCLUSION**

- For a sustainable national development, the current revenue sharing formulas should be reviewed in favour of states to enable them meet their expenditure responsibilities.
- An improved revenue to the states will enable it carry out expenditure functions within their jurisdiction and ultimately improve the economic growth in the country.
- The states are closer to the citizens in terms of basic needs. They are more grassroots oriented, where the bulk of the people live.

FINALLY

- Kogi state receives from Federation Account on the Average less than N60 billion annually, while the average modest budget of the state is N140 billion leaving a short



fall of N80 billion

- This manifests in deficits and inability to meet the increasing needs of our people.
- It's our hope that the review of the vertical formula of the allocation in favour of States and Local Councils will impart more on service delivery to the citizens.

RECOMMENDATIONS

- We recommend that, Federal Government share of revenue be reviewed from 52.68% to 39%
- The States' share of revenue allocation should be reviewed from 26.72% to 35%
- While the Local Governments' share of revenue allocation should be reviewed from 20.60% to 26%

Thank You



**SPEECH BY KOGI STATE ALGON AT THE ZONAL PUBLIC
HEARING ON THE REVIEW OF THE REVENUE
ALLOCATION FORMULA
BY THE ALGON CHAIRMAN HON. TAOFIQ**

PROTOCOL

Kogi State Local Government Councils wish to thank the organizers of this Public Hearing for Deeming it necessary to bring this programme to Confluence City a serene atmosphere, with peaceful environment that God has bestowed on us and with the efforts of the dynamic Executive Governor of the State, Alhaji Yahaya Bello, in giving able leadership for security and infrastructural development of the State in general, Your stay in Kogi State shall be productive for the task given to you.

The need for a review of the revenue formula of the three tiers of government cannot be over emphasized in view of the statutory requirement under section 6 (1) (b) of RMAFC ACT CAP R 7 2004 LFN “to review from time to time the revenue allocation formula and principles in operation to ensure conformity with changing realities”

2. The exercise has long been overdue in view of changing realities that necessitates the changing of the status quo for a better fiscal realities

3. The current allocation formula of 20.60% for Local Governments cannot comprehend the challenges and problems besetting the third tier of Government Since 1976 Local Government reform in Nigeria, which was a watershed in the history of Local Government reform in

Nigeria, which recognized the Local Government as a third tier of Government and saddled it with functions that would transform the rural areas; this transformation could not be achieved without fund and fiscal capacity to transform the grassroots.

4. In line with the principles in operation herein stipulated, Local Government Revenue ought to be reviewed upward in line with changing realities:

(a) POPULATION

In view of the fact that most Local Governments have been urbanized since the past 10 years and the issue of urban migration is now a thing of the past, in Kogi State Local Governments capitals like Ankpa, Kabba, Lokoja. Isanlu, Odo-Ere, Dekina, Okene, Adavi and Ajaokuta have assumed an urban status that requires more responsibilities from Local Governments in the areas of provisions of health care facilities, primary schools infrastructure, provisions of security and water system upgrading. These requires fund and proper budgeting allocation. The current global information technology has made many



things possible in the rural areas that people need not migrate to the State Capital as hitherto existed.

b) The security challenges within the Local Governments are numerous 90% of kidnapping and banditry from statistics data available from security experts emanate from Local Government Areas. They are avenues for crimes and criminals in furthering their illegal business. In Kogi state we have witnessed relative peace and security serene in Lokoja and highly urban Local Government capitals.

Since the principal and primary responsibilities of the State including the Local Government under section 14 (b) of 1999 Constitution is “the security and welfare of the people” fund is needed for this purpose under section 20 of the constitution the responsibilities of the government to safeguard water, air, land and forest etc includes the Local Governments and the current meager allocation of the Local Government cannot accommodate the present expenditure.

c) INTERNALLY GENERATED REVENUE (IGR)

Due to the fact that most of our Local Governments are presently industrialized this has enhanced the IGR to the advantage of the State, though nothing is felt by Local Governments in view of the provisions of fourth schedule of the 1999 constitution as amended.

It is our submission that since the enabling environment is provided for these IGR (s) to be generated, the Local Governments should as an indices be given an advantage to benefit for the enhancement of their revenue.

It is necessary to State that, since the policy of the FGN is moving towards less dependence on oil fiscal economy, other sections like minerals our State is having the highest of metallic and non-metallic minerals resources which are deposited in various Local Governments in Kogi State. For enhancement of our revenue, derivatives emanating from mineral resources, exploration should have direct impact on the Local Governments system.

Presently, in Kogi State we have in abundance; Iron, Gold, Coal, Tantallite and lime stone marble. It is the effect of this that brought Obajana Cement factory and brought Obajana, a town known in the 80's for buying bush meat, into industrial giant of Africa.

It is our belief that this current formula that was done 28 years ago (1992) needed to be reviewed urgently in view of these changing variables

4. EQUITABLE DISTRIBUTION

Looking into equitable distribution indices; it would be right to say that the existing formula is not equitable in view of the fact that the highest population of people to be taken care of are in the Localand rural areas; in the aspect of manpower employment and payment



of salaries, Local Government in Kogi State is having greater number of staff than the State. Maintenance and construction of roads, street, street lightings, drain and other public highways as provided under fourth schedule section 1 (f) cannot be accommodated under the meager 20.60% given to Local Government in Kogi State. With the cost of globally acceptable cost of road construction and its maintenance, Local Governments cannot be left out in providing viable and efficient services in this area. Doing so shall give Local Governments the name of non-performance toga which is not good for any democratically elected institutions like Local Government.

5. INADEQUATE/DECAYING INFRASTRUCTURE

Local Governments have housing, water drains and viable infrastructure to maintain and inadequate funding has rendered these infrastructural amenities in decaying state. It is impossible for State Government to engage in such maintenance as the constitution has given the constitutional duties to each tier to manage.

For example most of our primary school buildings are in total despair and collapsing status. This is the bedrock of the nation because where the institution of knowledge is not given its rightful place, it would affect the economy and social development of a nation. Under the Constitution the issue of provision and maintenance of primary adult and vocational education is within the purview of Local Government system under the fourth schedule of Nigerian Constitution. In this connection upgrade of Local Government revenue formula shall enhance the standard of allocation given to our pupils in various Local Governments.

6. ECOLOGICAL CHALLENGES AND FLOODING

The state of our environment has been ecologically damaged, this cannot be overemphasized, most houses have collapsed based on poor ecological control and provision of drains for Local Government areas. This has led to incessant yearly flooding of our Local Government Areas has put our people in IDP without houses of their own. It is our believe that proper funding of Local Government, system would alleviate the suffering of the masses at the Local Government level in this dimension. This cannot be far from the fact that Local Governments now retains a lot of people in view of its urbanization.

7. STATUTORILY ASSIGNED FUNCTIONS

From record available to us apart from the 4th Schedule of the 1999 Constitution, most State of Assemblies have overloaded the Local Governments with many function in line with Assembly's power under paragraph (2) (d) of the 4th Schedule which provides for “ such other



function as may be conferred on a Local Government Council by the House of Assembly of the State”

In Kogi State we have catalogues of such powers and functions given to the Local Governments in the areas of Health Insurance Schemes, Contributory Pension Scheme and various legislation that Local Government need to make a counter-part funding of such schemes and programmes. These requires fund that cannot adequately be taken care of under the 20.60% existing revenue formula.

8. FOURTH SCHEDULE OF 1999 CONSTITUTION.

The provision of the schedule is known to us and these provision called “the functions of the Local Governments” has not been adequately performed by the Local Governments in view of paucity of fund to that direction. If funds are allocated properly to Local Governments to take care of these function, State would have no headache in giving necessary dividends of democracy. State can provide development in a direction that would move every states into Dubai status. Leave what is to be done for Local Governments alone and face the necessary globalized infrastructure and development and Local Government would deliver.

PRAYERS

Ladies and gentlemen. It is based on the above few indices that Local Governments as a tier of Government deserves an enhancement from 20.60% to enable dividends of democracy to be given to the citizens of our various Local Government Councils.

We appreciate the egalitarianism of this Commission in bringing the review into being at this critical period of our economy. This shows the receptive nature and responsive attitude of this dynamic Commission under the able leadership of the Chairman.

More grease to your elbow Mr. Chairman.

On behalf of Kogi State ALGON we wish you happy deliberation and fruitful decisions that would liberate the third tier of Government from the present financial melancholy. Thank you



MEMORANDUM SUBMISSION

ON

**A PUBLIC HEARING ON THE REVENUE ALLOCATION
FORMULA REVIEW, 2021.**

**IDRIS OZOVEHE MURAINA
*CHAIRPERSON, KONGONET***

**SUBMISSION BY IDRIS OZOVEHE MURAINA, THE
CHAIRPERSON, KOGI NON -GOVERNMENTAL
ORGANIZATIONS NETWORK (KONGONET),**

AT

**THE NORTH CENTRAL ZONE PUBLIC HEARING ON THE
REVENUE ALLOCATION FORMULA REVIEW, 2021
ORGANIZED BY REVENUE MOBILIZATION ALLOCATION AND
FISCAL COMMISSION (RMAFC) HELD AT KOGI STATE, GLASS
HOUSE, GOVERNMENT HOUSE, LOKOJA –KOGI STATE.**

**IDRIS OZOVEHE MURAINA
CHAIRPERSON KONGONET
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OCTOBER, 2021.**



BACKGROUND

In Nigeria, revenue allocation is taken as the distribution of National Revenue among the various tiers of Government in the Federation in such a way as to reflect the structure of Fiscal Federalism. However, the current revenue sharing formula came into being 1992; pre-dating the current democratic dispensation with 30 federating unit and 589 local government areas as at then. The revenue sharing formula is indeed overdue for review if the country feels its rip to toe the line of Equity, Fairness and Justice. We are however aware that revenue allocation, as it involves the federating system, allocating resources to their constituent units for economic activities has been said to have a major issue in the Nigerian political system even from the pre-independence era. Although, the whole essence of Revenue Allocation is to necessitate a just and fair revenue sharing system.

The federal, state, and local governments want a sizable share of the federation account. All the revenue allocation formulae have been geared toward the favour of the federal government, given that they have the highest share of the federation account. However, states and local government have been agitating for higher revenue shares of the federation account thereby throwing up challenges in the current revenue allocation formula in Nigeria. It is therefore evident that if revenue allocation to the federating units in the country is optimal and used efficiently for development and investment purposes, the country's economic growth will improve over time and sustained development will be achieved in Nigeria if the institutions are strengthened.

The Kogi NGOs Network (KONGONET) applauds the efforts of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) on this laudable move; positive end result of this move will ensure drastic development across the three tiers of government. It is with this understanding that we make the following observations and recommendations as below.

OBSERVATIONS AND RECOMMENDATIONS

- ***The Current Allocation - Federal Government 54.68%:***

We understand that the federal government is indeed submerged with challenges of funding



multiple Ministries, Department and Agencies (MDA), coupled with the unnecessary hold on certain functionality/dominancy based on the grand norm pronouncement of items on exclusive list.

Our Submission on Federal Government Allocation:

- We recommend that the federal government allocation should be reviewed downward to 40% to enable the federating units and constituents get attention in terms of development.

- *The Current Allocation – States 24.72%:*

The state governments over the years has not real shown the need for increase resources as the community of civil society feels that there exist a huge gap in regards to resources allocation and development across majority of the federating units.

Our Submission on State Governments Allocation:

- We recommend that the state governments allocation should be fairly increased to 27% with strict measure in place to strengthen our anti-graft agencies to ensure state government funds are deployed for the developmental interest of the state.

- *The Current Allocation – Local Governments 20.60%:*

The local government administration in Nigeria is on the verge of collapse if not collapsed in some states already. We are very much aware that the constitution of the federal republic of Nigeria contribute a great deal to this, however the funding strategy hits harder and this needs to be corrected.

Our Submission on Local Governments Allocation:

We recommend that the local government's allocation should be upgraded to 33% with strict measure in place to strengthen our anti-graft agencies to ensure local governments funds are deployed for the developmental interest of the local government.

The above recommendation is made to;

- a) Reduce rural-urban migration
- b) Increase investment in agriculture which employs about 75% of Nigerians and as well provide raw materials for industries.



- c) Promote development of the rural areas.
- d) Improve security generally through the reasonable engagement of able bodied men and women to work with the local government, get paid and stayed back in the rural areas.

Our Revenue Allocation Proposal Table

| S/N | Beneficiary | % allocated |
|------------|-----------------------|--------------------|
| 1 | Federal Government | 40 |
| 2 | 36 States | 27 |
| 3 | 774 Local Governments | 33 |



PRESENTATION ON THE OCCASION OF THE NORTH CENTRAL ZONAL PUBLIC HEARING ON THE REVIEW OF REVENUE ALLOCATION FORMULA, BY THE REVENUE MOBILIZATION, ALLOCATION AND FISCAL COMMISSION BY THE VICE PRESIDENT, SIKIRATU AUDU BELLO (MRS) OF THE NATIONAL COUNCIL OF WOMEN SOCIETIES, KOGI BRANCH, HELD ON THE 18TH-19TH OCTOBER, 2021 AT GLASSHOUSE GOVERNMENT HOUSE, LOKOJA

Protocol:

On behalf of the National Council of Women Societies, I wish to appreciate God for the opportunity given to everyone of us here today to deliberate on the need to review revenue sharing formula in favour of the states and the LGA's.

I equally wish to thank our amiable and dynamic Governor, His Excellency, Alhaji Yahaya Adoza Bello for the good work he is doing and for putting smiles on the faces of Kogi Women. Your name is already written in Golden pen and not in ordinary biro (Akoro).

To start with, what is revenue and what is review?

Revenue simply means the money or income that government receives mostly from ticket sales, allocations from Federal and others. While review is putting something under observation in order to see if changes are needed or necessary (According to Advance Learner Dictionary).

Revenue Reviewing therefore is a way of accessing what to be done to improve on the income in order to fast-track more development. Let's see what is the current Revenue sharing formula in the country: -

Federal Government takes 52.68%

State Government takes 26.72%

Local Government takes 20.60% respectively; while 13% derive revenue goes to the oil producing States. With the above analysis, there is no equitable distribution of financial income to the states and LGA's.

If the sharing formula is not looked into people will continue to be migrating from their original habitat to where they feel better way of living can favor them, creating vacuum and emptiness for where they left and get where they want be over populated.

When an area is overpopulated, a lot of social vices will be all over the place. That is, the level of criminality will be high.

In conclusion, our view, therefore is that there is need for the Revenue to be reviewed so that both the states and LGA's can be favoured through equitable distribution whereby there can be enough fund for the state and LGA's to have projects for development that will "Expand access to livelihood support, food security services, and grants for poor and vulnerable household and firms."

At this junction, NCWS Kogi State branch on behalf of Kogi Women wish to suggest that there should be proper review mechanism to improve Revenue sharing formula to be in favour of States and LGA's and let Federal Government remove bottlenecks limiting potential.

We therefore suggest as follows: -

FG- 30%

States – 34%

LGA's – 23%

13% to Oil producing States

Thanks for listening and may God see us through for a better tomorrow.



 **KOGI STATE ASSOCIATION OF PEOPLE LIVING WITH DISABILITIES (KOSAPLWDs)** Reg No.1532

ADDRESS: KOGI STATE REHABILITATION CENTRE, LOKONGOMA PHASE II, LOKOJA.

Motto: Ability in Disability
Email: kosaplwds01@gmail.com



Our Ref: _____ *Your Ref:* _____ *Date:* _____

PRESENTATION FROM THE DISABILITY COMMUNITY

We advised that Revenue Mobilization Allocation and Fiscal Commission should please as a matter of urgency increase the allocation coming to Kogi State for the following reasons:

1. To enable the government of Kogi State to domesticate the disability law (establishment of disability Commission or Board
2. If the allocation is increase, it will help the government to furnish the existing special schools and build more new once with enough human resources and the needed tools for our learning.
3. If the allocation is so increased, it will carter for the need of PWDs in putting up skill acquisition centres to give room for our members to acquire skills.
4. The increment in the federal allocation will help Kogi State to make medical services free or with a reasonable discount for people with disabilities.
5. If there is an increment in the federation allocation to Kogi State, it will give much power to the government to plan and build houses to help solve housing/accommodation needs of people with disabilities.
6. It will also help to solve the problem of unpaid salaries and other entitlement of workers.

TEL: 07037487306, 08055569150



**A PAPER PRESENTED TO THE REVENUE
MOBILIZATION, ALLOCATION AND FISCAL
COMMISSION ON NEW REVENUE ALLOCATION
FORMULA AT THE NORTH CENTRAL ZONAL
FORUM HELD IN LOKOJA, KOGI STATE
ON 21ST – 22ND OCTOBER, 2021
AT
GLASS HOUSE
GOVERNMENT HOUSE
LOKOJA.**

BY
SIR IBRAHIM VICTOR ABDULLAHI FCIB London, AMIN, KSM
PRESIDENT KOCCIMA.



1. INTRODUCTION

1.1. Establishment

1.1.1. In 1989, consequent upon issues emanating from assumed lopsidedness in revenue sharing, the Federal Government established the Revenue Mobilization and Fiscal Commission – amended in 1993, which now is cited, RMAFC Act CAP R7 LFN 2004. It is enshrined in section 153(1) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended). The commission is one of the fourteen (14) Federal Executive Bodies.

1.2. Outlook

- 1.2.1. Following the creation of additional states in 1991, it is only instructive to responsively align with calls to review the Current Revenue Allocation formula: 52.68% to federal Government, the states 26.72% and the Local Governments 20.60%. It is even more so with the creation of six additional states in 1996 with a corresponding increase in Local Government from 589 to 774.
- 1.2.2. In addition to above, is the increasing population in the States, high unemployment, increasing number of out-of-school children, issues of climate change and global warming, increasing ecological challenges, decaying public infrastructure; tax regimes and administration between the federal government and the states, and within the states; and the consequent attendant problems of devolution of powers in the nation state.

1.3. Successes

- 1.3.1. Are there any ascribable successes? Even if relative – all ‘federating’ states have for years, enjoyed largesse from the Allocation formula which gives most State Governments shares far above what they may be able to generate. In fact, some have argued that this methodology negates federalism in all intent and purposes.
- 1.3.2. It has been argued that this formula has tended to create a climate of seeming even development across the States – arguably so. Federal



infrastructures and institutions, financed through the share of the Federal Governments dot the landscape of the federation.

1.4. Outstanding issues

- 1.4.1. There are glaring lopsidedness in citing federal government institutions and infrastructural facilities.
- 1.4.2. In addition is the hues and cries raised against multiple taxation that the Joint Tax Board is yet to resolve. Not only are there multiple tax regimes, they are exorbitantly high in most states of the federation, especially the southern states.
- 1.4.3. There is also the controversy surrounding VAT – as to who should rightly collect it, and how to share it. Some argue that states should collect and possibly remit a prescribed percentile to the Federal Government.
- 1.4.4. Education – particularly infrastructure, location of federal institutions and out – of – school children. Added to this, and possibly more controversial is the issue cut-off-marks.

2. REVENUE SHARING FORMULA

2.1. Progression over the years

- 2.1.1. As at the last review of the Revenue mobilization, allocation and fiscal commission, the percentiles for sharing as at 1996 – 25years ago is:
 - a. 52.68% - Federal Governments
 - b. 26.72% - States Governments
 - c. 20.60% - Local Governments
- 2.1.2. This has stood for the past quarter of a century, which has elicited a lot of questions as to its propriety, and protestations from states and Local Governments regarding its adequacy.



2.2. The Challenges

2.2.1. Unitary instead of federal structure

It is espoused in some schools of thought in Nigeria that the present revenue sharing formula suggests more of unitary system of government than Federalism. The concentration of over 50% of federally collectible revenue in the center negates the spirit and intent of the constitution which propagates Federalism.

2.2.2. Devolution of power between the federal, and State Governments, and States with Local Governments arising from disproportionate revenue allocation, vertically and horizontally respectively.

2.2.3. Agitations for control of resources – “Resource control” emanated from feelings of unfairness in sharing of revenue accruing from particular states of the federation whose shares fall short of their contributions.

2.2.4. Multiple tax regimes and over taxation – Federal Government fiscal policies has tended to create a laissez-faire approach to revenue collection in states and Local Governments all over the Federation. This has propped up the issues of double taxation, and evasion of taxes.

2.2.5. VAT issues:

Some States Governments are already challenging the propriety of Federal Government in collecting Value Added Tax in their States, which are usually very high; and redistributing the said collections in such manner that they receive far below their initial revenue generation on VAT.

2.2.6. Population: there are new trends in population growth as observed in the burgeoning population of Kogi State – especially Lokoja – being the gateway to the North and South of Nigeria. Kogi State is bound by 10 States (the only of its kind) – Enugu, Anambra, Ondo, Ekiti, Kwara, Nassarawa, Edo, Kwara, Niger, Benue and the Federal capital city. There is a daily influx of tens of thousands of people, goods and economic activities creating artificial high demand and high prices for goods and services – the inflation index in Kogi State is the highest in the Federation.



2.3. POSSIBILITIES

- 2.3.1. There is the potential of the new formula of revenue allocation to re-invent the wheels of development of the nation state in a true federalism that will ensure rapid development of the federating states on the strength of revenues they generate internally.
- 2.3.2. The Centre, if the quantum of resources coming to it is devolved to the States, may no longer be as attractive to the point of acrimony, and attendant threat to security.
- 2.3.3. More revenue in the hands of states and Local Governments will impactfully address the issues of infrastructure in the roads, water ways, education and agricultural sectors of the economy.
- 2.3.4. The Local Government System, with increasing revenue will bring development very close to the people.
- 2.3.5. Security issues will be better addressed with immediacy; since the source of incidence is at close quarters with the line of funding (States and Local Government).

3. BORROWING FROM EXPERIENCE

3.1. What obtained then

“In any Federal system, the nature and conditions of the financial relations are crucial to the survival of the country”. Following from historical commitment to federalism as a means of co-existence and unity, fiscal federalism has been an important and central feature of intergovernmental relations in Nigeria. Evolving a stable and acceptable intergovernmental fiscal relation has been the subject of many commissions and committees since 1914(Ezra,1960); today the issue still evoke virulent contestations amongst politicians and academics.

- 3.1.1. According to Ugoh C.S., etal (2012), in attempting to define the scope of fiscal federalism in Nigeria, it is pertinent to note that government plays a very important role in the economy using policy instruments, government guides and influences development direction of the economy and the general well-being of the state.



In this wise, fiscal policy, implies the process of raising revenue through taxation and other means and deciding on the level and pattern of expenditure (cited in Ugoh, 2004:63).

3.2. **DERIVATION POLICY**

3.2.1. Revenue allocation based on derivation was practiced in Nigeria from the 1950s to 1967 when the twelve States structure was created (Ugoh et al, 2012). Now we have the 36 States Federal structure. The reason the derivation principle was aborted, according to government leadership then, was to allow for even development.

However, since the advent of political administration in Nigeria in 1999, there had been renewed agitations for state autonomy, especially in revenue control at state level, hence the “resource control” magma between 1999 and 2007. This prompted a 13% first line charge on oil revenue for oil producing States and the subsequent creation of the Niger Delta Development Commission. This amelioration is yet to totally abate the hues and cries for states control of their resources – implying that such resource owning states will only make agreed percentile contributions to the center in royalties, and or taxation.

3.2.2. **VAT: VALUE ADDED TAX**

Tax collection in today’s federating states in Nigeria has assumed controversial dimensions. There are fierce, and sometimes fatal clashes between the citizens and “revenue collectors” of Local Governments in almost all states, especially from Kogi State down to all the Southern States in the Federation. There is yet to be a resolution on this: including the high incidence of taxation in States; leading to complaints and protests over multiple taxation. As if this was not enough, only recently, the VAT imbroglio emerged with vehemence, and is now a subject of litigation. This is an emerging threat to centralism; contrary to the basic principles of federalism. Who collects VAT? How do we resolve the issues of multiple taxation, and tax barricades on our roads by Local Government Tax Consultants.



4. KOCCIMA (KOGI CHAMBERS OF COMMERCE, INDUSTRY, MINES AND AGRICULTURE) RECOMMENDATION FOR A NEW REVENUE ALLOCATION FORMULA

- 4.1. It is obvious that twenty five (25) years is too long a time frame before a review. The first review in this wise is to visit the prescribed function of RMAFC and effect a review of the 'vague' time frame for a review with specificity.
- 4.2. Consequent upon the aforementioned issues and challenges raised in the KOCCIMA discourse above on the review of Revenue Allocation Formula, it is our concern as a business body corporate institution, and key players in the nation's economy to propose a new revenue formula as thus for consideration and approval:
- a. 36% - Federal Government
 - b. 33% - States
 - c. 26% - Local Governments
 - d. $\frac{5\%}{100\%}$ - Special funds (Federal Government controlled)
- 4.3. Much as the RMAFC is concerned with a new Revenue Allocation Formula, it is expedient and essentially most pertinent for the commission to rise to the occasion, and to decisively deal with the controversy of public expenditure – importantly the budgeting system, with particular reference to Legislators salaries, emoluments and constituency projects. No legislators at Federal, State and Local Governments should earn more than a substantive Federal Civil Service Director: GL 17 including emoluments and allowances. The less attractive the Centre (Federal) is, the more the funds available for the budgetary lines of expenditure – education, health, water, agriculture, and transportation. The National Assembly is a trauma to our collective national resources.

5. CONCLUSION

- 5.1. The Kogi Chamber of Commerce, Industry, Mines, and Agriculture is most obliged to be part of this epoch consultative exercise of RMAFC, though too far in coming, is yet indicative of responsiveness and willingness to contain



growing dissent to choking revenue and fiscal system that is gradually sliding into an antithesis of Federalism. May we humbly remind us that in Economic theory parlance, every long run is made – up of several short runs – let your periodic reviews no longer be a lifetime of twenty five years; but of short runs – say, five to ten years.

5.2. Our recommendation of an upward review of the “special fund” accruable to the Federal Government as part of its overall revenue allocation is deliberate – recall it used to be 4%. Recall too, most kindly, that the oil producing states get a 13% first line charge thank God Kogi is now one of them. It is most gratifying that we humbly draw the attention of RMAFC to the socio-economic and political pressures on Kogi State, as the only door post between the North and South of Nigeria with contingent boundaries with ten States of the Federation (Edo, Enugu, Anambra, Ondo, Ekiti, Kwara, Niger, Nassarawa, and Benue State and the Federal Capital Territory). It may interest you to note that Lokoja is one of the fastest growing cities in the world – we announce the special status of Kogi State; particularly the Metropolitan Capital City of Lokoja. The most possible and probable option to forestall implosion and explosion that may negatively impact the FCT is an allocation, appropriately of 1% of the special funds accruing to the Federal Government to Kogi State as “Intervention Grant” in perpetuity to contain and maintain its rapidly increasing population – it is a time bomb that ought to be addressed now!

5.3. You are most welcome. Thank you for your attention.



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**THE POLITICS OF REVENUE ALLOCATION IN NIGERIA:
THE IMPERATIVE OF REGULAR AND REALISTIC REVIEW**

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**BEING A POSITION PAPER PRESENTED AT
THE PUBLIC HEARING ON THE REVIEW OF REVENUE
ALLOCATION FORMULA, NORTH-CENTRAL ZONE
ORGANIZED BY REVENUE MOBILIZATION ALLOCATION
AND FISCAL COMMISSION (RMA&FC)**

DATE: 21ST OCTOBER, 2021
VENUE: GLASS HOUSE,
KOGI STATE GOVERNMENT HOUSE,
LOKOJA.



1.0 Introduction

With the fragile economic based and the prevailing inter-sectoral imbalances of the Nigerian economy, tensions has always characterized the process of sharing the state's resources, most especially as the federal system goes with the decentralization of responsibilities among its constituent units. Thus behind most conflicts that have characterized the Nigerian federalism, perceived imbalances in the administration of this national dynamic has featured prominently among the federating units. Therefore government has continued to seek and develop appropriate strategies aimed at addressing these gaps with the overall aim of retaining the confidence of the component elements.

Revenue allocation formula therefore refers to the parameters used for sharing of the country's financial resources among the federating units with the overall objective of enhancing economic growth and development, minimizing inter-governmental tensions and promoting national unity (Chukwemezie et al 2000).

The evolution and the inherent complexities of this phenomenon was part of the constitutional development in Nigeria and as more responsibilities were decentralized, it progressively became necessary to equip the federating units with the necessary resources to effectively deliver their assigned responsibilities. Consequently, a number of fiscal commissions were appointed to assess and recommend acceptable formula for revenue allocation. Thus, in addition to several Decrees promulgated by the successive military administration to modify various revenue allocation arrangements, there were at least ten (10) of such commissions or committees as described below.

2.0 Overview of the various fiscal commissions in Nigeria

2.01 The Phillipson Commission (1948-1951)

The 1946 Federal Constitution provided for a limited degree of fiscal decentralization (Chuwuemezie et al 2000). However, each Regional Government was therefore mandated to design its own budget. To make provision for the financing of these budgets, the Phillipson's Commission was set up to design the Revenue Sharing formula for Nigeria. In this report, a sharing formula based on **derivation**, **even progress** and **population** were recommended. One major characteristic of this commission was that it was so



protective of 'National interest' that it provided for the Federal Government to retain fiscal supremacy and release funds to the Regional Governments from the General Revenue Fund strictly, according to 'their needs' to the extent that the Regional Governments had little or no power to appropriate revenues for their own defined peculiar or prioritized needs. This arrangement was tolerated only under the regulated federalism which Nigeria operated between 1946-1951 but certainly became intolerable after the emergence of the Federal Constitution of 1951 which classically defined Nigeria as a Federal State. The wide spread agitations for a review of the revenue allocation formula therefore prompted the setting up by another Commission of 1952 – 1954 known as Hicks-Phillipson commission

2.02 **Hicks-Phillipson Commission (1952-1954)**

With the advancement of Nigeria federalism beyond the bounds of the pre-1946 constitution, Regional Governments were saddled with greater responsibilities which required corresponding budgetary autonomy. It was however examined that the itemized sources for internal revenue became grossly inadequate to accommodate these responsibilities and thus, became imperative for the Regional Governments to share from the centrally generated revenues. Given this condition, the above commission recommended three main principles viz **derivation**, **Need** and **National interest** noting that inelastic application of any single principle of revenue allocation could either lead to suffocating centralisation or loose confederation, depending on which unit was at advantage.

One visible fact of this commission's recommendation was its scepticism for uncontrolled regional autonomy. Like its predecessor therefore, **it provided for the Federal Government to retain the bulk of the centrally collected revenue**. This formula was then enshrined in the constitution.

The Federating Units were not comfortable with this arrangement, most especially after the 1953 constitutional conference in London in which the responsibilities of the Regional Governments were further expanded in accordance with the New Federal Constitution. Consequently, Louise Chick's Commission was appointed to assess the financial effects of the newly proposed constitutional arrangement (Osemwota 1994).



2.03 Chick's Commission (1954-1955)

The emerging realities with this constitutional development showed that the principles of 'needs' and National Interest were fast becoming subjective for equitability. Though the Commission was mandated to follow the principle of Derivation to the fullest degree compatible with meeting the reasonable needs of the centre and each of the regions, Chick's pro-regional stance was reflected in his strong recommendations that more funds be made available to the regions than it used to be while almost all the revenues for the regions be shared on the basis of Derivation, all for the purpose strengthening the Regional Autonomy.

The consequence of this development was that the fiscal capacities of the Regional Governments grew stronger at the expense of the central government as the average annual share of the Regional Governments rose from 22% between 1952-1954 to over 40% between 1955-1958 (Chukwuemezie 2000).

Apart from the reduction of the amount of money at the disposal of the Federal Government, **this formula further worsened the revenue disparity among the regions, most especially, the North and East whose per capital share dropped drastically on account of its population (Osemwota 1994). The bite was so hard that the North threatened to pull out of the Federation.** The need to redress the threatening imbalances did not allow the Chick's commission to last beyond four years. Accordingly, another fiscal commission was appointed in 1957.

2.04 The Raisman Commission (1957/1958)

Raisman's Commission was appointed in 1957 to examine the then current division of power to levy taxation in the federation and the system of allocation of revenue and to make recommendations there on (Osemwota 1994).

In her term of reference therefore, the Commission was to take into account the inter-governmental allocation of functions approved at the 1957 Constitutional Conference as well as the primary need of a high degree of Regional Fiscal Autonomy, subject to administrative practicability and the requirements for national integration policy.

In their memoranda to this commission, the Regional Governments were



as divergent as their economic disparity could tolerate. **Thus the Northern and Western Regional Governments which were as at then more buoyant economically advocated for maximum decentralization of fiscal jurisdiction within regional areas while the East which was relatively weaker economically argued in favour of centralized collection of specified revenue and discretionary grants to the regions by the Federal Government in order to promote the harmonization of regional social service standards.**

While publishing the report in 1957 Raisman bridged the two extremes when it opted for the adoption of two main principles of **Derivation** and **Needs**. On the derivation, the commission recommended that proceeds of import duties on motor fuel and import and excise duties on tobacco products be distributed to Regional Governments in proportion to regional consumption Needs while on the Commission recommended that 30% of the proceeds of general import duties, as well as mining rents and royalties be allocated into the “Distributable Pool Account” and distributed to the regions at 40/95 to the North, 24/95 to the West and 31/95 to the East on the basis of population, basic responsibilities of each Regional Government, the need for continuing inter-regional services and the need for balanced development of the federation (Osemwota 1994).

Though the introduction of the Distributable Pool Account seemed to have addressed the question of equity in the distribution of collective resources, another upset broke out when the exploration of oil in commercial quantity in the East in 1960 radically changed the economic fortune of the East to the envy of the North and the West. The North and the West therefore initiated a fresh lobby to institute another commission to bridge the widening gap. It must be recalled quickly that when cocoa, and cotton were the major export earning commodities, East was the 'weeping child' and was extremely in support of centralized collection of revenue while the North and West were at the other extreme of maximum regional fiscal autonomy. However, as soon as the tide had changed in favour of the East, the North and the West had to take their turn to clamour for Centralized Revenue Collection and Distribution so as to ensure their new found principle of 'equitability'. Another commission headed by Binn was thus, appointed in 1965 to look into the various areas of conflict of the then revenue allocation formula.



2.05 Binn's Commission (1965)

From the immediate cause of this conflict that gave birth to the appointment of this commission, the terms of reference included the reviewing of:

- a) The formula for the allocation of proceeds of mining, rents and royalties.
- b) The proportion of the proceeds of duties in respect of import into Nigeria of any commodity other than motor spirit, diesel oil, tobacco wine and potable spirit which is payable to the Distributable Pool Account (DPA).
- c) The formula for the distribution of the funds in the Distributable Pool Account (DPA).

While the federal government **was strongly opposed to any further sharing of the federally collected revenue, the three regions were unanimous in pressing for the reduction of the fiscal strength of the centre.**

Worthy of note too was the differing opinions of the regions on the sharing formula to be adopted. **For instance, while the East (now at advantage given the new oil fortune) called for the full use of the Derivation Principle in the sharing of most of the federally collected revenue insisting that the then current system was extremely unreasonable, unfair and inequitable. The North and West expressed their discomfort with the widening gap between her service and investment expenditures as a result of the inadequacy of the Raisman's Commission's recommendations.**

The Commission recommended that more funds should be made available to the Regional Governments through the Distributable Pool Account to be shared on the basis of fiscal needs of the regions. Thus the North, East, West and mid-West took 42%, 30%, 20% and 8% respectively (Chukwemezie et al 2000) while all revenues from excise duties and motor fuel, previously retained by the Federal Government were shared among the states on the basis of Derivation.

It must be pointed out that another 'time bomb' in this recommendation was the high percentage of the distribution which was based on the principle of Derivation. Indeed, what was pooled into the DPA included just 30% of the Import and Export duties and mining rents and royalties while 70% of the revenue from these sources and the whole others from other sources were paid to the regions on the basis of Derivation. This further widened the regional



disparity and the consequent struggle to narrow the gap brought yet another fiscal formula (Osemwota 1994).

2.06 **Dina Committee 1979**

The Dina Committee was appointed in 1969 to fashion out the appropriate formula for the distribution of the national resources among the 12 states created out of 4 regions. The committee's recommendations favoured the use of the **principle of needs**, minimum national Standard and balanced development and suggested the taking over the higher institutions by the federal government. The Committee's position was that 10% of mining rents and royalties should go to the Federal Government while the remaining 90% should go to the State's Joint Account (the new form of the Distributable Pool Account – DPA). This was in addition to the recommended establishment of a Special Grant Account to be shared by the states on their application to the Planning and Fiscal Commission to be established.

All these recommendations were visibly against the strong central might the Federal Military Government was bent on building in the face of the political crisis of the period. The recommendations were therefore jettisoned.

2.07 **Aboyade Technical Committee (1977)**

While preparing toward transition to the second Republic Civilian Government scheduled for 1979, the then Federal Military Governments set up Aboyade Committee to examine the contentious issues in the existing Revenue Allocation formula and recommend ways to mitigate the inherent disaffections.

The Committee's recommendations were as follows:

- i) The Federally collected revenues be included in the Federal Account. By implication, it is not the components of the revenues but the size that determines what each of the federal units gets as statutory revenues. This further formalized the sharing of the federal revenue among the three levels of government rather than the previous adhoc arrangements considerations. The recommended percentages were 60%, 30% and 10% to federal, states and local government respectively.
- ii) Each of the states should contribute 10% of it is total revenue to the local



governments' Joint Account.

- iii) A special Grant Account be created for the remittance of the 3% of the share of the Federal Government's allocation and administered for the benefits of mineral producing areas and other areas in need of rehabilitation from ecological disasters.
- iv) Tax jurisdictions be shared among three levels of government as follows:
 - a) **Federal Government:** Import duties, Excise duties, Export duties, Mining rents and Royalties petroleum profits tax and capital gains tax (legal basis only)
 - b) **State Government:** Sales or purchase taxes, (except on commodities designed by the Federal Government) football pools and other betting taxes, entertainment taxes and state duties, gift tax, land tax (administration only).
 - c) **Local Government:** property tax, market and trading licenses and fees, motor park dues, canoe park dues, entertainment tax, motor vehicle tax and driver's license fees, land registration fees (administration and retention), and license fees on television and wireless radio (administration and retention).

2.08 Okigbo Commission (1980)

Dissatisfied by the lack of simplicity of application of the report of Aboyade Committee of 1977, the civilian government of Shehu Shagari appointed Okigbo Commission to look into the sharing formula and make appropriate recommendations.

As part of its report, the commission noted that the competition for the resources was much more among the states (horizontal) than between the states and the Federal Government (vertical) because to determine what goes to which level of government can simply be attained by their range of responsibilities. Thus the commission used the expenditure weight (capital and current) of each level of government to determine the appropriate revenue to be allocated.

Other recommendations of the commission were the **restoration of the use of population as a major factor for revenue allocation. Also, in responding to the arguments of the mineral producing areas for derivation principles, Okigbo held that rents on mining should be paid directly to the**



state governments in the mineral producing areas. This was in addition to the 2% of the Federal Account which the commission set aside for remittance into a special Fund Account strictly for the rehabilitation of the mineral producing area without distinction between off-shore and on-shore mineral producing areas.

The Okigbo Commission was riddled with internal crisis as manifested in the submission of two different minority reports (Leton's Minority Report and Philip's Minority Report), each of which stated different viewpoints on the various items of the commission's report. Thus, in 1984, the Federal Government amended the 1982 Revenue Allocation Act with the following sharing arrangements: Federal Government (55.0%), State Government (35.5%), Local Government (10.0%), Mineral producing area (Derivation) (1.5%), General ecological problems (1.0%)

2.09 The Danjuma Commission (1988)

In view of the visible failure of the adhoc committees or commissions to sufficiently address the recurrent crisis that attend Revenue Allocations in Nigeria, it became incumbent on the Federal Government to establish a standing machinery that would be capable of reviewing the fiscal structure on regular basis without necessarily generating any tension. In 1989 therefore, the National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC) was established vide Decree 49 of 1988 to perform the following functions among others:

- a) To systematically design and effectively mobilized all services of public sector revenues;
- b) To periodically review the revenue allocation principles and formula such that would minimize short term political pressure;
- c) To prescribe and apply revenue allocation formulae after approval by the Federal Government for the purpose of sharing funds from the federation account among the Federal, State and Local Governments;
- d) To monitor the accruals and disbursements of revenue from the Federal Accounts, the State Joint Account, the Local Government's Joint Account, the Various Special Purpose Account and such other accounts that may from time to time be established or designated by the commission with the approval of the Federal Government;



- e) To ensure full compliance with established revenue sharing arrangements as well as full public accountability for all funds as allocated to various governments and/or agencies involved in the disposition of the Federation Account;
- f) Making whatsoever general or specific recommendations as the commission may consider necessary for more effective mobilization, collection, allocation and distribution of Federal, States and Local Governments' Revenues as well as providing guidelines for their efficient implementation.

It is worthy to note that two characteristics distinguish this commission from others:

- i) Being a standing body, the reports of the commission would be more frequent.
- ii) The activities of the commission were made less public so as to minimize pressure from interest group.

In order to get information therefore, the commission organized seminars, engaged in frequent brain storming sessions, used consultants and welcomed objectives memoranda from the public while internally, the commission worked in non-partisan committee which reported to the General Board for consideration.

By January 1990 the first report of the commission was published with the formula as presented on the table below.

| | NRMA & FC % | AFRC % |
|----------------------------|-------------|------------|
| Federal Government | 47% F.A. | 50% F.A. |
| State Government | 30% F.A. | 30% F.A. |
| Local Government | 15.0% F.A. | 15% F.A. |
| Special Funds | 8.0% F.A. | 3.5% F.A. |
| i. FCT | 1.0% F.A. | 1% F.A. |
| ii. Stabilization | 10.5% F.A. | 10.5% F.A. |
| iii. Savings | 2.0% F.A. | 12.0% F.A. |
| iv. Derivation | 2.0% F.A. | - |
| v. Oil producing area | 1.5% F.A. | 1.0% F.A. |
| vi. Non-oil producing area | 0.5% F.A. | - |
| vii. General Ecology | 0.5% NOMR | 1.0% F.A. |

Source: (adopted from Chukwuemezie et al 2000)



Despite series of modifications by the armed Forces Ruling Council (AFRC), the National Revenue Mobilization Allocation and Fiscal Commission (NRMA & FC) made some important innovations that are worthy of note here:

- a) It introduced stabilization fund to serve as a buffer against fluctuations in government's revenue which have been the bane to the budget of the three levels of government in Nigeria.
- b) It institutionalized saving meant to reserve, certain percent of the federal revenue for investment in an income yielding investment.

From the recommendations of these various Committees and Commissions discussed above, it may be deduced that the principles that were being regularly used to share the federal revenues among the federating units are: Derivation, Equality, Need, Balance development, Population, Land mass, minimum national standard and National interest etc. In addition, from the foregoing, it is imperative to observe some salient features of the politics of revenue allocation in Nigeria.

The interest of the federating units and their corresponding line of argument had reflected their prevailing economic fortune per time. Accordingly, units with high income advantage at a particular time would canvass for maximum application of Derivation formula (as was the case of the North and West before 1960 and East after 1960) while those with lower income would canvass for the use of other indices such as population needs, National interest and balanced development, etc.

Another observable feature of the history of revenue Allocation in Nigeria is the narrative of federal might in the determination of the direction of the distribution of national resources. This is more visible under military dictatorship (as observed between 1966 and 1979; and 1984 and 1999) than under a democratic regime (as observed between 1960 and 1966, 1979 and 1983 and 1999 till date). The more democratized the system is, the more the opportunities for participatory revenue allocation.

Equally observable is the effect of sectoral imbalances on the peace and stability of the country. The major cause of aggregation of the federating units on the limited resources often generated from a particular sector has continued to generate tensions of diverse magnitude. Therefore, the more deliberate policies are designed to facilitate sectoral balance (e.g. Agriculture, industry and social services), the less the tension associated with revenue allocation.

Not to be undermined also is the effect of population on the efficient generation and distribution of the state resources. This became evident in the North and East



during the implementation of the Chick's Commission when the Derivation formula was largely applied. For instance, while the per capital income of the north stood at N0.08 and that of the East was N0.06, the West was N2.27. It is noteworthy that North and East were by ranking, more populated than the West. It is therefore imperative for the government to design a population control policy so as to match population with the available resources.

Conclusion/Recommendations

From the above, it may be concluded that the project of developing an enduring revenue allocation formula for the Nigerian federalism had been contentious in that interests and positions of the federating units have consistently shifted in accordance with the changes in their respective environment. In the midst of this common characteristic too, the other federating units have continued to unify their campaigns against the continued dominance of the federal government in the share of the federally generated revenues given the expanding roles of the state governments in areas of wealth creation and economic development; social welfare and safety nets ammonisation; youths mobilization and empowerment, provision of Medicare and Medicaid, environmental risks prevention and regulation; emergency and disaster response services, internal security and humanitarian emergencies management, etc.

All these require a corresponding size of resources which can only be guaranteed through adjustment and readjustments of the fiscal jurisdictions among the federating units, most especially, among the vertical elements, noting that in recent times, the combined budgets of the states in any of these subheads in any financial year have substantially dwarfed the federal government's. It is on this basis that the following recommendations are made.

- i. Vertical allocation formula should be reviewed as follows: Federal (30%), State (35%) Local Government (20%) special fund (15%)
- ii. There should be a deliberate capitalization of the federating states' areas of comparative advantage for systematic diversification of the states' economies.
- iii. RMAFC should advise and mobilize for balanced fiscal capacity of the federating states through deliberate redistribution or replication of wealth-creating federal assets to all disadvantaged states for the purpose of realizing balanced development objectives.



- iv. Policies within exclusive legislation (e.g. National Minimum Wage) should be fully funded by the Federal government in the spirit of the Minimum National Standard.
- v. RMAFC should canvass for stringent regulation of stabilization fund to guide against reckless distribution of “windfalls”.
- vi. Federal Government should take advantage of the deposit of land resources in the North Central Zone and invest in integrated Agricultural Programmes including establishment giant Agro-allied industries for regional economic growth and development.
- vii. Special funds should be allocated for agric-related conflicts prevention and resolution in order to facilitate uninterrupted agricultural productivity through enduring peace-building among the land users in the state.
- viii. There should be a constitutional amendment to specify a more regular time-table for review of revenue allocation formula in Nigeria.
- ix. The RMAFC should establish a competent intelligent unit to objectively gather and analyse economic data across the federating units for scientific determination and necessary adjustment of any existing formula.
- x. The value of investment base of all economic/wealth-creating national assets in all the states should be properly re-evaluated in order to determine the basis for fair calculation of derivation claims in the spirit of equality and equity.
- xi. The principle of needs should be scientifically calculated through the analysis of state budgets and the subsequent budget performance within specified financial years.
- xii. RMAFC should set machinery in motion to effectively monitor all accruals to the federation account and the disbursement there from among the federating units in order to ensure fiscal accountability and responsibility among the relevant structures in the chain.

Thank you.



KOGI STATE GOVERNMENT OF NIGERIA