

**A STUDY OF INTER-GOVERNMENTAL FISCAL
RELATIONS IN NIGERIA, 1999-2007**

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ABSTRACT

This study examined the origin and development of inter-governmental fiscal relations (IGFR) in Nigeria as well as their linkages with the political arrangement. It also identified and analysed the effects of these linkages on the states and local governments and synthesized the perception of IGFR by selected states. This was with a view to providing insights into the dynamics, management and problems of IGFR in Nigeria.

Primary and secondary data were used for the study. A questionnaire was administered on top career officers of the relevant government departments/parastatals at both the state and local government levels in 6 purposively selected states (Benue, Bauchi, Kaduna, Enugu, Delta and Ondo) representing each of the geo-political zones in Nigeria. Of the 312 copies of questionnaire administered, 251 (79.8 per cent) were retrieved. To complement the data collected from questionnaire, interviews were also conducted with 18 top political functionaries at the local government level, 3 of the commissioners representing the selected states on the National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC) and 19 opinion leaders comprising political elites knowledgeable about political and economic issues in the zones. The interviews focused on the sharing of the Federation Account among the vertical organs, the appropriateness of the revenue sharing principles in use for horizontal sharing and the distribution of tax jurisdiction. Secondary data were obtained from relevant textbooks, journals, newspapers, and official publications of the Central Bank of Nigeria (CBN), Federal Ministry of Finance, NRMAFC and other relevant publications. Data were analysed by means of descriptive and inferential statistics.

The results showed that there had been several attempts made at addressing IGFR problems at various times in Nigeria. It also showed that the conduct and outcomes had been controversial in terms of evolving a generally acceptable IGFR. The results of the Friedman Test showed a strong association between the development of Nigeria's

IGFR and the nature of her federal structure ($\chi^2 = 64.66, P < 0.01$). The relationship was bi-directional as 98.4% of the respondents were of the view that the initial development of IGFR had been dictated by the nature of the political arrangement while 91% were of the view that IGFR itself influenced the structure of power. The ensuing centralized fiscal power structure, according to 94% of the respondents, negatively affected the development of IGFR as evident in the constant agitation for the review of fiscal relations, lack of fiscal autonomy and non-viability of states and local governments. Other negative effects included the emergence of ethnic militancy and the struggle for the control of the centre by the states and geopolitical zones. Furthermore, the results showed that the states and geopolitical zones were different in their perception of IGFR. In terms of priority preference for the revenue sharing principles, there was a consensus among respondents of the Northern origin emphasizing equality, population and land mass and terrain in that order. Among states in the Southern part, population was emphasized by respondents in the South West and South East while the principle of derivation was emphasized by those in the South-South and to some extent, South West. However, the general mean ranking of priority for revenue sharing principles across the states was population (4.55), equality (4.28) and derivation (3.44). Except for the South-South zone, the principle of Internal Revenue Effort (IRE) was not well emphasized.

The study concluded that the nature of Nigerian federation influenced and at the same time was affected by IGFR. In effect, the centralization of fiscal power had undermined fiscal autonomy of the states and local governments, thus negating the rationale for their creation which is to bring government closer to the people.