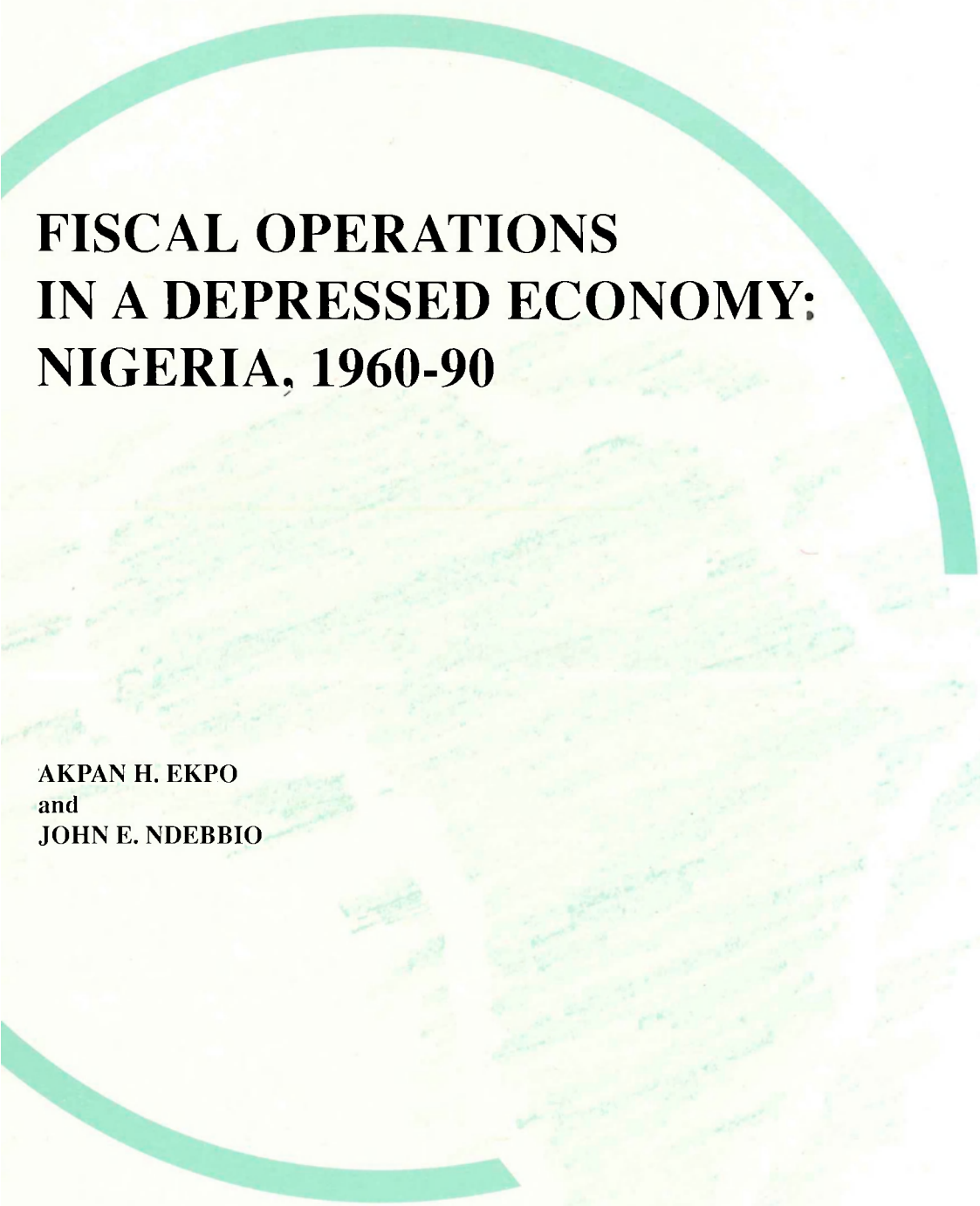


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**FISCAL OPERATIONS
IN A DEPRESSED ECONOMY:
NIGERIA, 1960-90**

**AKPAN H. EKPO
and
JOHN E. NDEBBIO**

— AFRICAN ECONOMIC RESEARCH CONSORTIUM

CONSORTIUM POUR LA RECHERCHE ECONOMIQUE EN AFRIQUE

**Fiscal operations in a depressed
economy: Nigeria, 1960–90**

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I. Introduction

Fiscal federalism remains an important area of study especially in an economy characterized by regional or state organization. The Nigerian economy consists of states. Twenty-one states and the Federal Capital Territory (Abuja) made up the federation until 25 August 1991, when the federal government created additional nine states. Hence, the country now consists of 30 states plus the Federal Capital Territory. However, this study concentrates on the original 21-state structure. The pattern had developed from one with three regions to one with four regions between 1960 and 1966. From 1967 to 1971, the country operated a 12-state structure. A 19-state blueprint, which lasted until September 1987 was created in 1975/76. These re-organizations, though political, have reasonable doses of historical and economic considerations. From the economic sphere, the creation of more states affects an economy's fiscal operations. The nature and type of relationship(s) between the centre and the states have to be worked out especially in terms of revenue sharing and expenditure. State fiscal structures have to be developed and fiscal functions of allocation, distribution and stabilization should be properly monitored in order to ensure growth and development within the economy. The centre must ensure that expenditure and revenue patterns in states or regions do not create distortions in the larger economy.

This study analyses fiscal federalism in Nigeria. Specifically, the report presents an historical account of fiscal federalism in the economy, highlighting significant episodes as well as drawing out implications for overall fiscal performance. Furthermore, it attempts to highlight some issues of fiscal centralization and decentralization within the economy. The paper is organized as follows. Section II discusses some theoretical issues, while Section III examines the evolution of fiscal federalism within the economy. Federal fiscal profiles as well as an evaluation of the implementation of the complex allocation system are presented in Sections 4 and 5, respectively. Section 6 discusses the fiscal operations of all states and focuses on ten selected states. Section 7 concludes the study.

II. Theoretical issues

Public expenditures play a significant role in the functioning of an economy whether it has a relatively low or high level of income. The theory of public expenditure development posits that the role of public expenditures changes in the course of development since the budgetary function must be adapted to the changing needs of the economy. Expenditure development is determined by economic, social, cultural and political factors.

The varying needs of the economy relate to both the allocation and distribution aspects of expenditure profiles. The allocation aspect concerns itself with the rising share of the public sector in the economy. It argues that as an economy expands, there will be a rising share of the public sector; that is, the ratio of public expenditures to GNP will increase. This is the familiar *Wagner's law* concerning the "expanding scale of state activity".

In terms of distribution, it is necessary to ascertain whether, as per capita income rises, there is an increasing or decreasing need for distributional measures depending on (1) variations in the existing distribution of income and (2) changes in the need to secure a particular pattern of distribution. Changes in technology as well as demographic factors may affect expenditure development. These factors have been labelled "conditioning forces" (Musgrave, 1973, pp. 70-74). The preferred mix of public and private goods is partly influenced by changes in technology in both the capital and consumer goods sector. Changes in demographic factors affect demand patterns and therefore the appropriate output mix. For example, an increase in the birth rate will likely influence future demand for education.

Conceptually, fiscal operations of any economy can be perceived from two extreme forms of the public sector. On one hand, there exists a highly decentralized fiscal system in which the government at the centre has no economic responsibilities. The other arms of government hence perform virtually all economic functions. The other extreme is a case of total centralization where the central government undertakes complete responsibility for all economic activities of the public sector and thus no other tiers of government participate in the economic life of the nation. In reality, there exists some degree of decentralization in all economies.

Decentralization implies the portion of total revenue collected and expenditures allocated to both state and local governments. The degree of decentralization is the extent of independent decision-making by the various arms of the government in the provision of social and economic services. It consists of the degree of autonomy of the state and local governments in carrying out various economic tasks.

An operational measure of decentralisation is therefore the share of decentralised expenditures and revenues of the state and local governments in the nation's total fiscal activities (Ubogu, 1982, p.3).

Many factors determine an existing form of fiscal decentralization. They include historical, economic, political, geographical, cultural and social. It should be noted that an analysis of fiscal decentralization in an economy may differ depending on whether emphasis is with tax (revenue) or expenditure. Decentralization of the fiscal structure, determined by historical and political forces, may have significant bearing on the functioning of a country's fiscal system. This could allow for comparison of fiscal performance within an economy. If concern is on revenue when measuring fiscal decentralization, then a distinction must be drawn between total and own-revenues, with inter-governmental transfers constituting the significant difference. Within the context of expenditure centralization, allowances must also be made for the degree of central direction of local expenditures.

Expenditure made at the local level may be not only centrally financed but also centrally directed. Local governments which act as central expenditure agents do not reflect expenditure decentralization in a meaningful sense, just as centrally collected but shared taxes do not constitute true revenue centralization (Musgrave, 1973 p. 342).

Therefore, various kinds of grants or transfers must be distinguished depending on the extent to which central control of expenditures is involved. Centralization could be measured between various tiers of governments. Hence, a country may be relatively decentralized between the federal and state governments, but relatively centralized at the local government level; the reverse is also possible.

The degree of centralization or decentralization also affects the composition of the tax structure. Certain taxes are imposed more appropriately and administered more efficiently at the central level, while others are better at the state and local levels. Consequently, differences in tax centralization have implications for stabilization and economic development. Several economists have attempted to analyse various economic factors responsible for the different levels of fiscal centralization or decentralization.

The literature on fiscal federalism maintains that centralization of government expenditure is often accompanied by a rising per capita national income. This argument is predicated on the fact that: (a) as economic development occurs coupled with the increasing urbanization problems, there is pressure on government to provide better services by greater centralization; (2) there exist economies of scale in public activities

provided by the central government; and (3) the broad-based taxation and superior taxing powers of the central government lead to an increasing centralization of government functions (Peacock and Wiseman, 1961).

However, greater centralization of government activities is significant as a result of the scarcity of qualified people. Their empirical results revealed that local governments have been unable to execute the functions assigned to them because of lack of qualified personnel; thus centralization of government expenditures is necessary for optimum use of the limited qualified manpower. They further observed that the various degrees of centralization were related to the physical size of a nation, rather than to economic development.

Per capita income, size of population, costs, degree of urbanization, degree of openness of an economy, etc are explanatory variables that have been used by scholars in studying fiscal centralization or decentralization vis-a-vis economic development. Several conflicting results have been obtained by economists (Pryor, 1967; Oates, 1972; Wheave, 1963; Kee, 1977; Ubogu, 1982).

We have attempted a brief discussion of the theoretical issues involving expenditure and revenue structure development. We have not carried out a detailed analysis of tax structure development because it is beyond our present focus. Nonetheless, we hope that the issues discussed will provide a framework within which we can describe fiscal federalism in Nigeria, bearing in mind that economic, political, social and cultural factors are often difficult to separate.

III. Evolution of Nigeria's fiscal federalism

The evolution of fiscal federalism in Nigeria is anchored in economic, political/constitutional, social and cultural developments, which have influenced the nature and character of inter-governmental fiscal relations. As the economy progressed from a unitary to a federal type of government and the form of government became more and more decentralized, there were changes in fiscal arrangements. In analysing the history of the country's fiscal federalism, we divide the economy into two broad time frames, namely: (1) the pre-independence period and (2) the post-independence period. Within the post-independence era, we are specifically interested in the period of stabilization and structural adjustment (1980-1990). The evolution of Nigeria's fiscal federalism is summarized in Table A-1 in the appendix.

Pre-independence period

Before the introduction of a republican constitution in 1963, the fiscal arrangements in the country were influenced by political and constitutional factors. Several commissions were set up to review existing fiscal arrangements and make appropriate recommendations.

The Phillipson Commission

Under the 1946 constitution and following the establishment of Regional Assemblies in the then Western and Eastern Regions, as well as a Northern Regional Council in the Northern Region, it was necessary to give some financial responsibilities to these new bodies. Consequently, the financial secretary to the Nigerian government, Sydney Phillipson, was appointed sole commissioner charged with the responsibility of preparing financial arrangements under the new constitution. The Phillipson commission, as it was later known, was mandated "to study comprehensively and make recommendations regarding the problems of the administrative and financial procedure to be adopted under the new constitution" (Phillipson, 1946, p. 1). The commission attempted to resolve three problems, namely: (1) the criteria to be used in declaring revenue as regional revenue; (2) how to determine the size of the grants from the central revenue; and (3) the formula for allocating grants among the regions. As regards the first problem, the commission utilized two criteria: (a) the revenue in question must be derived within the region and locally collected by the regional authorities, and (b) the revenue must be free from national

or significant policy questions. Direct taxes, revenue from licences, mining rents, fees of courts and offices, rent from government property, and earnings from government departments met the two criteria.

The second problem had a constitutional solution. Under the constitution, the central government had complete authority to determine how much to provide as grants to the regions. However, the onerous task faced by the commission was how to derive a formula for distributing such grants among the regions. The commission considered two principles, (a) derivation and (b) even progress or even development. It recommended that the sharing of the grants be based *solely* on the principle of derivation. The shares were as follows: East, 24%; West, 30%; and North, 46%. The adoption of the principle of derivation in sharing revenue among the regions in Nigeria started with the implementation of the Phillipson Commission's recommendations. The derivation principle has since been a thorny issue in Nigeria's inter-governmental fiscal relation (Adedeji, 1969; Phillips, 1971; Teriba, 1966).

The Hicks-Phillipson Commission

Following the dissatisfaction with the revenue allocation system under the Phillipson Commission and the decision to transfer educational grants-in-aid from the central to the regional estimates, a new commission known as the Hicks-Phillipson Commission (HPC) was appointed in June 1950.

The terms of reference of the HPC included: (1) To carry out an expert and independent enquiry in consultation with all parties concerned, to submit proposals to the governor-in-council for division of revenue over a period of five years between the three regions and central Nigerian services in order to achieve in that time a progressively more equitable division of revenue among the three separate regions and the centre. (2) To determine whether any region had been unfairly treated in past years; if this was proven, then that region would be allowed a block grant to compensate for grants lost in past years.

In allocating revenue, the commission adopted the following criteria: liberty, justice, fraternity and efficiency. It recommended four principles corresponding to these criteria. They were independent revenue, derivation, need and national interest. Regarding independent revenue, four conditions were postulated for viewing revenue as regional. The revenue must be localized within the region, stable in yield, inexpensive to administer and free from considerations of national interest and policy. Hence, independent revenues to the regions were similar to revenues viewed regional by the Phillipson Commission except that the regions were given powers to impose sales taxes on petrol and also to impose entertainment taxes and stamp duties. The HPC applied the other three principles to the allocation of non-declared revenue. It apportioned 50% of tobacco tax on the principle of derivation; based capital grants on the principle of need; and transferred to the federal budget police and education. The Native Authority Police received 50% on national interest.

Furthermore, the HPC recommended that a one-time grant of N4 million be paid to

the Northern Region as compensation for its deprivation, arguing that the North was under-capitalized as compared to other regions. Scholars have criticized the HPC for fomenting inter-regional conflicts and misunderstanding (Teriba, 1966, p. 366).

The Louis-Chick Commission

As the nationalist struggle persisted, two constitutional conferences were held, the first in August 1953, and the second in January and February of 1954. The conference created the Louis-Chick Commission (LCC). Its terms of reference included: (1) to assess the cost of central services and those of the regions; (2) to recommend how best revenue should be collected and distributed having regard to the need to provide the centre and the regions an adequate measure of fiscal autonomy and the importance of applying the principle of derivation to the fullest degree compatible with meeting the reasonable needs of the centre and the regions; and (3) to examine the financial ramifications of the southern part of the Cameroons becoming a separate region.

The commission's report was accepted by government and became operational in October 1954. The report provided that:

1. The federal government should retain the revenue from the following: company income tax and 50% of the duties on exports, tobacco, excise, imports (except those on motor spirit and tobacco).
2. 50% of import duties except those on tobacco and motor spirits should be shared thus: 40% for the West; 30% for the North; 29% for the East; and 1% for the Southern Cameroons.
3. Regions should collect and retain revenue from personal income tax, produce sales tax, license and service fees, interest on loans and earnings on surplus funds invested, revenue from regional departments, etc.
4. Revenue from the following sources should be shared among the regions in accordance with regional consumption: 50% of tobacco, export and excise duties; 100% of the duty on motor spirit, all mining rents and royalties; and fees from small craft licences. Personal income tax revenues collected by the federal government from Africans were returned to the regions where the Africans who paid the tax were resident.

The Raisman-Tress Commission

The revenue allocation commission of Sir Louis Chick was found wanting on three grounds: insufficient independent revenues to the regions, the utilization of the principle of derivation in revenue allocation, and the rejection of the principles of need and national interest in revenue allocation. As a result of these shortcomings, the 1957 constitutional conference inaugurated another fiscal revenue review commission in 1958 under the chairmanship of Sir Jeremy Raisman. Though the details of the commission's assignment

is in (Raisman and Tress, 1958), we present highlights of its terms of reference.

The Raisman-Tress Commission (RTC) was required to examine the division of power to levy taxes in the Federation of Nigeria and the system of allocation of the revenue thereby derived in the light of: (1) experience of the system to date; (2) the allocation of functions between the governments in the federation as agreed at the conference; (3) the desirability of ensuring that the maximum possible proportion of the income of regional governments should be within the exclusive power of those governments to levy and collect, taking into account consideration of national and inter-regional policy; (4) as regards item 3, the special problems in the area of indirect taxation given the position of Lagos as a federal territory; (5) in so far as the independent revenues that can be secured for the various governments are insufficient to provide not only for their immediate needs but also for a reasonable degree of expansion, and bearing in mind the federal government's own further needs, the desirability of allocating further federal revenue in accordance with such arrangements as will best serve the overall interests of the federation as a whole.

It is noteworthy that the commission introduced taxes on partnerships, clubs, trusts and other unincorporated associations to accrue to regional government jurisdictions. It contended that the federal government should be financially strong in order for it to avoid insolvency, and be able to provide grants to needy regions and services of national interest. The commission adopted four criteria in allocating revenue in a distributable pool account, which it created. These criteria were: balanced development, continuity in regional government services, maintenance of minimum responsibilities and population.

The RTC divided each type of revenue into three parts to be paid to states of origin, federal government and the distributable pool account. These included: under state of origin, 50% of mining rents and royalties and import duties; for the distributable account, 30% of mining rents, royalties and import duties; and for the Federal Government, 20% of mining rents and royalties as well as 40% of import duties.

The distribution of the distributable pool account was based on 40% for the North; 31% for the West; 24% for the East; and 5% for Southern Cameroons. It is interesting to note that the distributable pool account was used after independence to share some federally-collected revenue among the regions of the federation. In addition, the commission recommended the formation of a fiscal commission to review periodically the revenue from mining rents and royalties as well as the size, composition and distribution of the distributable pool account. The fiscal commission was required to consult with the regional governments. This recommendation seemed to have survived given the frequent review of revenue allocation within the economy.

From the above discussion, it appears clear that each commission was concerned with the efficient provision of public goods, and the distribution of available revenue. New fiscal commissions were appointed on the basis of constitutional changes. Though not explicit, there was some evidence of a power struggle between the regions — each attempting to secure benefits for having an important natural resource. This phenomenon is implicit in the debate over the derivation principle.

The post-independence period

1) This period experienced significant economic, social and political changes, including an almost three-year civil war (1967-1970), which affected government expenditures and revenue patterns. 2) The form of government was further decentralized in 1967 by the creation of 12 states out of the erstwhile four regions. 3) In 1976, 19 states were created and local governments became officially known as the third tier of government. 4) Two new states (Akwa Ibom and Katsina) were created in 1987, thereby bringing the number of states to 21 excluding the Federal Capital Territory (Abuja), which received full status and thus was entitled to the allocation of federal funds. 5) Of significance during the period was the frequency and duration of military rule. The military took over the reigns of power and held them for almost 13 years before a civilian administration was installed in October, 1979. 6) In 1984, the military once again seized power from the civilians and two military regimes have existed since then: the Buhari regime and the Babaginda administration. 7) The military rule was characterized by the promulgation of decrees affecting the country's fiscal operations.

A major economic feature of the period was the ascendancy of the petroleum sector as the major foreign exchange earner. The windfall profit from petroleum beginning in 1974 and the dependence of the economy on oil revenues had implications on fiscal variables. For example, as a result of the huge foreign exchange earnings, government embarked on various non-viable projects and became actively involved in virtually all sectors of the economy.

Almost throughout the post-independence period Nigeria has been in a situation of economic crisis. Beginning in 1979/80, the economy entered a recessionary phase. The prolonged high rates of inflation and unemployment coupled with declining productivity confirmed the existence of stagflation in the economy. Consequently, various stabilization and adjustment packages aimed at reversing the crisis were introduced from 1984. The economy finally had to settle for a full-blown IMF type of structural adjustment in 1986. These stabilization and adjustment packages have implications for the country's fiscal operations. More concretely, the issues highlighted above influenced — positively or negatively — the evolution of fiscal federalism during the post-independence period in Nigeria.

The Binns Commission of 1964

Following the introduction of a republican constitution in 1963, the Binns Revenue Commission was appointed in 1964 to review inter-government fiscal relations. Its terms of reference included an examination of the appropriateness, in the prevailing circumstances of Nigeria, of: (a) the formula for the allocation of the proceeds of mining rents and royalties laid down in section 140 of the constitution of the federation; and (b) the formula for the distribution of funds in the distributable pool account laid down in

section 141 of the constitution of the federation (Binns, 1964, pp. 5-6).

The commission rejected the distribution of funds based on principles of derivation and need, and utilized the principles of regional financial comparability, continuity in government services and maintenance of minimum responsibilities. The commission recommended that 35% of federally collected revenue from import duties, mining rents and royalties be paid into the distributable pools account and distributed among the regions on the basis of North, 42%; East, 30%; West, 20%; and Mid-West, 8%. After the military intervention in 1966, and the creation of 12 states in 1967, the shares of the Northern Region were divided among the six northern states on the basis of population and equality of states. The military government carried out the changes by promulgating, as an interim measure, Decree No. 15 of 1967. The decree stipulated how the funds in the distributable pool account were to be shared among the 12 states. It took cognizance of the regional blocks and segmented the funds in the account that had accrued to those regions among the new states. The principle adopted in dividing a region's share among the states emanating thereof was ad hoc and unsatisfactory. As a result, the military government appointed an Interim Revenue Allocation Review Committee in 1966, chaired by Chief I.O. Dina.

Interim Revenue Allocation Review Committee

This committee was the first such body consisting only of Nigerians. In the light of the creation of 12 states, charged with the functions formerly exercised by the regional governments, the committee was mandated to look into and suggest any change in the existing system of revenue allocation as a whole. This included all forms of revenue going to each government besides and including the distributable pool account. The committee was also to suggest new revenue sources for both the federal and state governments.

In carrying out its mandate the committee proposed possible principles that could serve as criteria for revenue allocation, including four of those used in earlier allocation systems. The principles were basic need, minimum national standard, population, tax effort, financial prudence, fiscal adequacy, balanced development, independent revenue, derivation and national interest. The allocation of revenue between the federal and the state governments was divided into independent revenue and shared revenue. The independent revenue to the federal government comprised principally company (including oil companies) income tax, while that of the state governments consisted of personal income tax, licences, fees, etc. The shared revenue consisted of revenue from excise duty, import duty, export duty, mining rent and royalties from off-shore operations, and royalties from in-shore operations in respect of oil and solid minerals.

In addition, the committee recommended that the shared revenue should be allocated among the federal government and three accounts namely: the states joint account to replace the distributable pool account, the special grants account and the derivation account. The committee also worked out the details for sharing the states joint account.

Table 1: Allocation of shared revenues (in %)

Account	ED ¹	IM ²	ED ³	MRI ⁴	MRRO ⁵
Federal	60	50	15	15	60
State deriv	—	—	10	10	—
States joint	30	50	70	70	30
Special grants	10	—	5	5	10
Total	100	100	100	100	100

Source: The Report on the Interim Revenue Allocation Comm., (1969, p.77).

Notes: 1. excise duty; 2. import duty; 3. export duty; 4. mining royalty (in-shore); 5. mining rent and royalty (off-shore)

In terms of derivation, the committee argued that the rent from inshore oil exploration should be assigned in full to the state from which the oil was extracted, while 10% of the royalties should be shared on derivation. The formula for the allocation of shared revenue is given below:

It must be noted that this first indigenous revenue allocation committee addressed vital fiscal issues in its recommendations. For example, it called for the centralization of certain functions, overhauling the tax administration throughout the country as well as uniformity in personal income taxes, measures that would increase tax revenue to federal and state governments, and the intensification of federal government spending on public goods that have the characteristics of spillovers in their consumption. However, the military government rejected the report of Chief Dina's committee and enacted Decree 13 of 1970. This decree modified the distribution of the distributable pool account, and the revenue paid into the account was distributed among the states on the basis of 50% on equality of states and 50% on population. Furthermore, an off-shore oil revenues decree was promulgated in 1971 — it amended Section 140(6) of the constitution, which provided that the continental shelf of a state is part of that state.

The 1971 amendment stated that: (a) the ownership of and title to the territorial waters and the continental shelf shall vest in the federal military government; and (b) all royalties, rents and other revenues derived from or relating to the exploration, prospecting or searching for or the mining or working of petroleum (as defined in the Petroleum Decree of 1969) in the territorial waters and the continental shelf shall accrue to the federal military government.

The implication of the off-shore decree was that all the revenues from off-shore operations accrued to the federal government, while those from in-shore operations were allocated as per the existing formula: 45% on derivation; 50% to the distributable pool account; and 5% to the federal government.

In 1975, further changes were effected in the revenue allocation system. The distributable pool account was enlarged and revenues credited to the account included 35% of import duties other than motor fuels, tobacco, wine, potable spirits and beer;

100% of the import duty on motor fuels and tobacco; 50% of excise duty on any commodity; 100% of the export duty (if levied) on produce, hides and skins; 80% of mining rents and royalties from inshore operations; and 100% of mining rents and royalties from off-shore operations. The creation of 19 states in 1976 and the demand by the constitution drafting committee for a new revenue allocation formula for inclusion in the proposed new constitution led to the appointment of *The Technical Committee On Revenue Allocation in 1977* under the chairmanship of Professor Ojetunji Aboyade.

The 1977 Technical Committee on Revenue Allocation

The terms of reference of the committee were to take into consideration the need to ensure that each government of the federation had adequate revenue to enable it to discharge its responsibilities, with regard to population, equality of status among the states, derivation, geographical peculiarities, even development, the national interest and any other factors bearing on the problem. The committee was to analyse the existing revenue allocation formula with a view to determining its adequacy in the factors mentioned above and representations from the federal government and the state governments and other interested parties. Based on those findings, the committee was charged with recommending new proposals as necessary for the allocation of revenue among federal, state as well as the local governments, and also among state, and the local governments and making whatever recommendations were deemed necessary for the effective collection and distribution of federal and state revenues.

The committee rejected the former principles used in previous allocation systems. On the other hand, it recommended the following five criteria in allocating funds in the states joint account: equality of access to development opportunities, national minimum standards for national integration, absorptive capacity, independent revenue, and minimum tax effort and fiscal efficiency. The following weights were assigned to each of the above criteria respectively: 0.25, 0.22, 0.20, 0.18 and 0.15. The committee maintained that the allocation criteria should be applied to the incremental changes in the states joint account and not to the total absolute amount so as to ensure that each state government would be able to maintain a minimum continuity of services in carrying out its duties. The same formula was suggested for local governments.

The allocation formula recommended by the committee was: 57% for the federal government; 30% for states joint account; 10% for local government; and 3% for special grants account. The federal government in accepting the committee's recommendations modified the formula to read thus: 60% for the federal government; no change in state and local government shares, and no allocation for the special grants account.

The other significant recommendations of the committee, accepted by government, included: (1) the concurrent subjects in the new constitution would be similar to those of the 1963 constitution; (2) the local governments would be entrenched in the new constitution as the third tier of government; (3) all mineral rights would be vested in public ownership; (4) the tiers of government would be allocated tax powers and functions;

and (5) all revenue collected by the federal government (apart from personal income tax from the armed forces, external affairs officers and the new federal capital territory) would be shared among the federal, states and local governments.

The committee's report came under severe criticism especially as regards the weights attached to the five criteria and the recommendation that state governments should administer company income tax. It was feared that the latter would introduce complications while the former (weights) were arbitrary. An excellent appraisal and critique of the various fiscal commission reports is in Uduebo (1982).

The Okigbo Commission

Consequently, a new revenue allocation commission was established in November 1979, under the chairmanship of Dr. Pius Okigbo. This commission, otherwise known as the Presidential Commission on Revenue Allocation or the Okigbo Commission was set in motion two months after a new civilian administration assumed power. Despite the minority views expressed by some members of the commission, government modified and accepted its report.

However, on 2 October 1981 the Supreme Court of Nigeria declared the recommendations of the Okigbo Commission as invalid, null and void, and of no effect whatsoever.

The 1981 Revenue Act

In 1981, a new revenue act was passed by Parliament. It became operational from January 1982. Under the new act, federally collected revenues were distributed as follows:

Federal government	55%
State governments	35%
Local governments	10%

The 35% statutory share of the state governments was to be distributed thus:

- | | | |
|-----|---|-----|
| (1) | 30.5% to be shared among the states on the basis of: | |
| (a) | Minimum responsibility of government (equality of states) | 40% |
| (b) | Population | 40% |
| (c) | Social development as indicated by primary school enrolment, of which 11.5% is based on direct primary school enrolment; and 3.75% on inverse enrolment). | 15% |
| (d) | Internal revenue effort measured as the ratio of | |

- total internal revenue to total recurrent expenditure 5%
- (2) 3.5% for the benefit of the mineral producing states to be shared on the basis of derivation, of which 2% will be shared directly on derivation and 1.5% will be administered by the federal government for the development of the mineral producing areas.
- (3) 1% will be allocated to the federal fund for ecological problems.

The 1981 Revenue Act remained in force until December 1989. The act is the longest-standing revenue formula in the history of Nigeria's fiscal federalism. We will evaluate the implementation of this revenue act in a subsequent section. Even the two military governments, after the civilian rule, ignored the several criticisms levied against the act. However, in 1988, The National Revenue Mobilization, Allocation and Fiscal Commission was inaugurated under the chairmanship of General T. Danjuma. In December 1989, government modified and accepted the recommendations of the Danjuma Commission.

The Danjuma Commission

Among other things, it is noteworthy that government agreed with the commission that there should be no dichotomy between on-shore and off-shore oil production for the purposes of revenue sharing and for the development of mineral producing areas. The important aspects of the revenue allocation formula of the Danjuma Commission accepted by government are summarized below:

	Commission's recommendation	Government's approved
Vertical allocation:		
Federal government	47%	50%
State governments	30%	30%
Local governments	15%	15%
Special funds	8%	5%
	100%	100%
Special funds:		
Federal territory	1.0% FA	1.0%
Stabilization	0.5% FA	0.5%
Savings	2.0% FA	-
Derivation	2.0% MR	1.0% MR
Development of oil MPA	1.5% OMR	1.5% MR
Development of non-oil MPA	0.5% NOMR	-
General ecology	0.5% FA	1.0%
	8.0%	5.0%

Horizontal allocation:

Equality of states	40%	40%
Population	30%	30%
Social dev. factor*	10%	10%
Land mass and terrain	-	10%
Internal rev. effort	20%	10%
	100%	100%

Notes:

FA = Federal account

MA = Mineral areas

OMR = Oil mineral producing areas

NOMR = Non-oil mineral producing areas

*includes education (direct enrolment 8%); inverse enrolment (2%)

The above revenue allocation formula except that of land mass and terrain took effect from December 1989.

IV. Federal fiscal profiles

Between 1961 and 1967, the federal government operated a surplus budget, with tax revenues exceeding both current and capital expenditures from 1961 to 1965. The period 1960 to 1968 was characterized by high earnings from the export of agricultural commodities. Between 1961 and 1962, total revenue increased by 6.8%. However, total revenue, which was only N223.65 million in 1961, rose to N4,537 million in 1974. The growth in total revenue in 1974 was 167.6% as a result of the windfall profit from petroleum. Total revenue then continued to show remarkable increases except for 1981, 1982 and 1983 when the economy was in a depression. There were reductions in both current and capital expenditures during the same period (see Tables A-2 to A-10, as well as the bar charts and graphs in the appendix).

From 1968, excluding 1973 and 1974, the government operated a deficit in its fiscal operations. There were attempts to narrow the deficit during the period of depression, (1984-1988), which were necessitated by the conditions of the structural adjustment programme (SAP). The evidence does suggest some financial discipline on the part of the federal government. Table A-6 in the appendix presents some important fiscal ratios. Tax revenues constituted more than 60% of total federal revenues between 1961 and 1989; jumping from 16.5% of total revenue in 1961 to 86.9% in 1964 due to favourable international prices in agricultural exports. Thereafter, there were slight decreases; but on the average, tax revenue's share in total revenues between 1971 and 1974 was almost 80% — indicating the importance of the oil sector. Though not shown in the tables, our investigation revealed that petroleum profit tax became the dominant revenue source during the 1970s. In 1979, for example, petroleum profit tax averaged almost 88% of direct tax revenue.

The ratio of tax revenues to gross domestic product, which averaged less than 10% before 1971, rose to 18.8% in 1974 and remained at almost 18%; by 1980, it increased to 21.6%. The ratio started to decline in 1981; at the worst of the depression, it stood at about 9.8%. This was partly due to the decline in company income taxes, personal income taxes, etc., caused by the downward trend in economic activities. However, from 1987, the increase in productive activities as well as efforts by government to enhance its revenue position-coupled with increased petroleum earnings-assisted in raising slightly the share of tax revenues to national product.

Furthermore, the evidence on the structure of expenditure development in Nigeria reveals interesting results. As an economy grows and modernizes, a substantial part of its expenditures ought to be financed through the national product. The share of total expenditures to GDP remained at almost 7% between 1961 and 1967. It averaged almost 18% from 1968 to 1972; declined to 13.4% in 1973 and rose slightly to 16.3% in 1974. Thereafter, the ratio increased remarkably, and by 1978 it was 39.4%. From 1981 to

1989, the ratio of total expenditures to national income was erratic (see Table A-6 in the appendix). Several factors were responsible for the "observed" structure on expenditure development. The growth in population and resulting demand for more social services like health and education, as well as the desire to provide necessary infrastructures for development, increased the share of expenditures in national income in the Nigerian economy. In addition, increased military expenditures (current and capital) raised the share of total expenditures in national output. The larger share of expenditures to national output between 1979 and 1990 was more political, because the then civilian regime tried to appease the electorate by engaging in a wide variety of projects, many of which were not viable. The present military regime began in 1985 to spend huge sums of money on the programme for the transition to civilian rule. This expenditure, financed by the Central Bank of Nigeria, generated fiscal imbalance.

In order to make precise statements on the ratios in Table A-6, it would be necessary to decompose the various revenue and expenditure sources and analyse the components as arguments within each fiscal ratio. For example, to properly incorporate the issue of economic development, it is important to ascertain over time and cross-sectionally how the ratio of tax revenue to GDP (TX/Y) and total expenditures to GDP (TE/Y) are related to income per capita. It is noteworthy to examine the variations of total expenditures and other fiscal variables in real terms over time. From 1961 to 1974, fiscal variables increased over time when compared to nominal values during the same period. For example, in 1961, total federal government revenue and total expenditures stood at N223.65 million and N163.9 million, respectively, in nominal terms. In real terms, federal government revenue was N2,033.18 million, while total expenditures stood at N1,490.00 million. Thus, in real terms, the 1961-1974 period seems better in terms of the impact of inflationary pressure on the economy. Tables A-3 and A-5 in the appendix present fiscal variables in real terms.

The adverse effect of inflation is clearly present during the period 1975 to 1990. However, it is important to indicate that the period was also characterized by various stabilization and adjustment policies. In real terms, government revenues and total expenditures have fluctuated over time. Invariably, government actually spent less on both current and capital expenditures for the period 1981-1990. In looking at real variables, 1975 and 1984 were chosen as base periods in deriving the implicit price deflators. The variables for these years match their nominal values.

The growth rate of fiscal variables in real terms is presented in Table A-5 in the appendix. Comparing Table A-5 with Table A-4 further confirms the presence of inflationary pressure on fiscal operations in the Nigerian economy.

Federal fiscal profiles have been influenced by the political character of the country. Expenditures have increased because of federal responsibilities to the regions and states. The expansion of the political structures from 4 regions to 12 states in 1967, from 12 to 19 states in 1976 and then to 21 in 1987 brought pressure on the fiscal balance of the federal government. The recent creation of nine more states further compounds the problem. The need to give states fiscal autonomy raises the issue as to which taxes should be collected at the state level. In addition, the size of federal allocations to the states depends on the amount of revenue collected. The domestic and external economic and

political conditions could determine the magnitude of federal revenues. If states are to depend less on the federal government in terms of revenue, then they must be given some autonomy in determining their fiscal operations. The extent to which the federal government can allow states to be independent in revenue and expenditure matters reflects the complex nature of fiscal centralization and/or decentralization in an economy characterized by ethnic rivalry, political instability, diverse cultures, etc. Let us attempt an evaluation of the complex allocation system during the period, 1982-1989.

V. Evaluation of the allocation system, 1982-89

The 1981 Revenue Act, which became operational from January 1982, remained in force until December 1989. Our evaluation of the act concentrates on ten states, namely: Anambra, Bendel, Cross River, Lagos, Kaduna, Kano, Ogun, Oyo, Plateau and Rivers. We compared the statutory allocation to these states and the amount of federal funds actually received. The summary of the results is presented in Table A-11 in the appendix.

From the results, there appears to have been some inconsistency in the application of the allocation formula. Some states received more than their statutory allocation while others received less. There are few instances where the actual allocation corresponded with the specification in the formula. For example, from 1986 to 1989, Anambra state got far more than its statutory allocation. On the other hand, Plateau state received less than its share during the same period. The allocation system was erratic in Cross River, Lagos, Plateau and Rivers States. Only Bendel state received its exact allocation consecutively from 1982 to 1984. Ogun, Oyo, Plateau and Rivers States got exact allocations for 1982 and 1983, respectively. Lagos, except for 1983, received more than its statutory allocation during the entire period.

The *ad hoc* and inconsistent implementation of the Revenue Act of 1981 partly explains the frequent creation of revenue allocation commissions, since according to most economic observers in the country, government has not been firm in enforcing any allocation formula. It could be argued that economic, political and social pressures could have resulted in the excess allocation to states. The entire scenario makes a mockery of the revenue allocation system. If states are always to rely on the federal government, then they will not be aggressive and innovative in ensuring fiscal prudence. Moreover, the lopsidedness of the allocation system brings into question the seriousness of the federal government when it issues orders that states must maintain fiscal balance. The inability to stick to the allocation guidelines could affect the macro management of the economy by policy makers.

According to state officials, the excess over the statutory allocation is often caused by the federal government. The government creates new programmes, empowers the states to implement them and promises to pay for them. For example, states were ordered to implement the Better Life for Rural Women Programme, the Transition to Civilian Rule Programme, etc. Invariably, the federal government provides funds to cater for such extra and unbudgeted programmes.

It should be noted that for cases in which some states received less than their statutory allocation, the federal government deducted at source funds owed to it by such states. On the other hand, the observed imbalance in 1987, when most states received far more than

their statutory allocation, can be explained in terms of excess money in the economy due to the increased revenue from petroleum. Towards the last quarter of 1986 and all of 1987, government realized a "windfall" from petroleum, hence states' allocations were increased.

It is difficult to examine the impact of the 1981 revenue allocation system. There are no data on states' gross domestic product or income. Efforts to collect data on industrial production for each state were also fruitless. As regards agriculture, there are production figures on various crops for each state. Agricultural production for all states decreased during the period under study. However, there were slight increases in the production of cocoa and palm produce for 1987 and 1988.

State governments, like the centre, were involved in all kinds of economic activities. Most of the allocations from the federal government were used by states to float companies, either directly or in partnership with internal and external investors. States owned investment and finance houses as well as banks; they were involved in beer, cement, paint, agriculture, transport and other types of businesses (Federal Republic of Nigeria, 1986). These state enterprises performed badly, hence most of them have been either privatized or commercialized.

Most states experienced economic problems despite the "generous" financial allocation from the centre. For the period 1984-1987, for example most states recorded high urban unemployment rates (see Table 2). In 1984, Anambra had an unemployment rate of almost 15%; Bendel almost 13%; Cross River, 14%; Imo, about 16%, and Lagos, almost 10%. The unemployment rates for Bendel in 1986 and 1987 stood at 25.1% and 32.4%, respectively. The high unemployment rates in these states suggest, among other things, the loss in potential output. However, Kano and Kwara seemed to have performed better in terms of employment. Most states did reduce their unemployment rates in 1990 and 1991. It must be noted that Bendel, Cross River, Imo and Rivers are oil-producing areas. The federal allocation coupled with the grant received as oil producing areas seemed not to have arrested the high unemployment rates. The actual unemployment was likely to have been much higher, given the fact that most job-seekers do not patronize the labour exchanges.

Though inflation rates for states are not usually published, the available data on retail prices of certain basic commodities in all states indicated sharp increases in the prices of basic commodities during the period 1986-1990 (CBN, annual reports). Invariably, there has been a decline in the real wage of workers in all the states.

The provision of social services by the states is another area that consumes a large share of the federal allocations. Primary, secondary, technical and vocational schools come under the purview of state governments and education constitutes a substantial part of the states' current and capital expenditures. The population has been growing between 2.5% and 3% annually (see Table A-8 in the appendix), which should indicate increased expenditure on education. For the period 1981-1985, most northern states spent huge sums of money on scholarships for both secondary and university education. Some of the university scholarships were tenable abroad — this also explains the excess statutory allocation to some of these states. However, the period of structural adjustment

Table 2: Urban unemployment rates in Nigerian states 1985-1991 (%)

States	1984	1985	1986	1987	1989	1990	1991*
Anambra	14.8	9.4	10.7	6.1	10.2	10.9	6.7
Bauchi	7.0	7.4	8.9	6.9	2.5	2.6	2.9
Bendel	12.8	11.6	25.1	32.4	13.0	10.1	8.5
Benue	8.0	13.8	9.1	10.4	7.7	4.1	2.9
Borno	5.7	12.6	8.1	6.0	4.3	3.5	6.5
Cross River	14.1	15.4	15.9	14.5	14.1	12.7	11.8
Gongola	13.3	16.0	8.2	3.0	1.0	10.1	13.0
Imo	15.7	15.9	18.8	19.4	10.4	15.0	5.9
Kaduna	5.7	12.2	8.1	19.8	10.2	7.9	3.0
Kano	3.6	2.3	2.7	2.3	1.3	7.0	1.4
Kwara	0.3	1.5	5.3	5.8	2.1	0.9	3.2
Lagos	9.7	7.3	11.4	7.1	6.1	4.3	1.5
Niger	2.7	3.9	12.0	5.1	2.9	**	2.4
Ogun	6.5	5.1	5.5	14.6	2.1	2.3	1.6
Ondo	4.5	6.1	7.8	14.7	7.4	6.4	1.4
Oyo	8.1	11.5	5.9	10.4	8.1	1.7	2.9
Plateau	2.3	7.1	7.6	16.1	6.0	4.1	6.0
Rivers	7.3	10.1	11.6	21.8	12.9	7.2	18.8
Sokoto	0	1.4	2.8	4.1	11.3	8.4	9.5
All Nigeria	7.9	9.7	10.0	12.2	7.5	5.9	5.9

Source: Federal Office of Statistics, Lagos.

Notes: * Figures are for March, 1991. ** Less than 0.1.

has been characterized by reduced expenditures on secondary education in almost all the states.

The data on primary school enrolment in all the states show that apart from the slight increase between 1982 and 1983 (2.1%), enrolment declined from 14.383 million to 12.915 million in 1986 representing a -3.5%. This trend is not unconnected with the stabilization and adjustment policies of the period. The introduction of school fees and other charges in primary, secondary and other types of training institutions resulted in fewer prospective school pupils since parents could not afford the increased fees.

Oyo state recorded the highest primary school enrolment as a ratio of total enrolment in the country for the period 1982-1986. In 1982, the percentage of primary school enrolment in the state compared to the total was 13.1%; by 1984, it had jumped to 14.4% and it stood at 15% in 1986. Kaduna, Kano and Anambra are also states with high primary school enrolment (see Tables A-9 and A-10 in the appendix).

In the health sector, out of 11,177 health establishments in the country in 1984, state governments owned 2,968, about 27% of the total, while the federal government owned 78 (0.7%). The total number of health establishments in 1985 and 1986 were 3,023 and 3,022, respectively. The bulk of the health establishments were owned by private concerns

and local governments (FOS, Abstract of Statistics, 1988). What is important in the provision of health care, however, is the accessibility and quality of services; How to measure these aspects is beyond the scope of this study.

The paucity of data on important variables like income/production at state levels prevented a cross-sectional correlation analysis. Nonetheless, we attempted to take an impressionistic view by discussing certain economic and social indicators with the implicit assumption that funds allocated to states were utilized in economic and social activities. Next, we examine the fiscal operations of selected states.

VI. State fiscal operations and federal allocations: An overview

States' tax revenues, current and capital expenditures, and federal statutory allocations, as well as their annual growth rates in nominal and real terms, are shown in Tables A-7 to A-10 in the appendix. States operated fiscal deficits throughout the period 1961 to 1989, and depend on the federal government to meet their expenditures. In fact, during the period under study, state tax revenues were far below either current or capital expenditures. States' fiscal operations in real terms differed sharply from nominal values during the period, but an analysis of their fiscal operations using nominal values is also in order, at least in allowing for inflationary effects.

Revenue and expenditure profiles

Tables A-8 and A-10 present states' fiscal operations in real terms. However, the degree of centralization differed from time to time. In absolute terms, state tax revenues, which were N31.22 million in 1961, rose to N61.82 million in 1967, representing an increase of 10.3%. In 1968, states tax revenues began to decline, but showed some increase between 1972 and 1976 — a period when states were allowed to collect personal income taxes. The remarkable upswing between 1980 and 1988 was partly due to the creation of more states, which resulted in increased employment and thus more personal income taxes. Current and capital expenditures of states were inconsistent. For example, in 1976, states' current expenditures grew by 208%, but in 1977 and 1978 they declined by 13.4% and 14.3%, respectively. By 1980, they grew by almost 65%, and showed some evidence of a decline after 1986. Capital expenditures exhibited similar patterns. Since the expenditures are aggregated for all states, we can only describe the trend more precisely when we analyse the fiscal operations of selected states.

From Table A-9, federal allocation to states recorded its highest pre-SAP growth rate in 1974 (116.4%). During the same year, capital expenditures of states grew by almost 71%, while the efforts by states to generate their own revenue grew by 12%. However, efforts by states to generate own revenues declined from 12% in 1974 to 3% in 1978, the period of the oil boom.

The period before the oil boom shows a different pattern. Between 1960 and 1967, the regions depended less on the federal government. The revenue allocation formula at that time allowed regions to collect petroleum profits tax, airport and produce sale/purchase taxes, customs and excise, and mining receipts. Hence, states' and regions' revenue efforts

Table 3: Nigeria: Compound growth rates of fiscal variables, 1961-1988 (in %)

Items	1961-66	1967-70	1971-78	1974-76	1979-88
Fed alloc	10.5	3.6	26.4	13.9	13.4
Fed revenue	5.4	17.9	26.1	14.2	9.6
Fed tax revenue	6.5	21.7	25.1	10.2	10.3
Fed cur exp	10.6	52.8	29.2	53.2	8.8
Fed cap exp	2.5	24.7	53.0	40.0	5.6
State tax rev	-1.7	-16.7	15.1	-1.5	20.4
State cur exp	6.9	2.9	31.8	73.3	9.4
State cap exp	2.0	-2.9	58.8	21.9	7.4
State rev effort	-6.6	-17.8	-18.1	-36.3	12.0

Source: Computed by authors based on data in tables in the appendix.

Table 4: Nigeria: Compound growth rates of fiscal variables in real terms 1961-1988 (in %)

Items	1961-66	1967-70	1971-78	1974-76	1978-88
Fed alloc	2.72	-11.2	4.7	0.7	15.2
Fed revenue	2.00	1.0	4.4	1.0	10.0
Fed tax revenue	-0.90	4.2	3.6	-2.5	10.6
Fed cur exp	2.9	30.9	7.0	35.4	9.1
Fed cap exp	-4.6	6.8	26.6	23.6	5.9
State tax revenue	-8.6	-28.6	-4.7	-12.9	22.9
State cur exp	-0.6	-11.9	9.1	53.1	11.1
State cap exp	-5.3	-16.8	31.5	7.7	7.7

Source: Computed by authors based on data in tables in the appendix.

grew at reasonable rates. It is interesting to note that in 1973, states' revenue efforts far exceeded the growth rate of total state expenditures! We are unaware of any policy that created such a scenario. During the period of the civil war (1967-70), federal allocations to regions grew at a compound rate of 3.6%, while state tax revenue declined by almost 17%. For the same period, the efforts by states to generate their own revenue decreased by almost 18%. It is commonly noted that during and after wars, governments usually increase expenditures, hence, the retained revenue to be allocated may be insufficient to meet demands by states. Fiscal operations during the war and after support the above observation for the Nigerian economy.

It appears that fiscal centralization in the economy was more pronounced before the period of supply-side stabilization and structural adjustment packages. A close

examination of Tables 3 and 4 indicate important episodes.

During 1961-1966, when the economy was characterized by agricultural export earnings, state tax revenues declined while both current and capital expenditures increased; reliance was on federal allocation. Efforts by states to generate tax revenues fell by -6.6%. The same pattern, though with different magnitudes, could be observed during the civil war, the oil boom period and the windfall petroleum profits period (so-called due to the Arab oil embargo on the United States of America).

During the adjustment period, however, the scenario appears different. Annually, federal allocation declined successively from 1981 to 1986, except in 1985 (see Table A-9). On the other hand, state tax revenues registered a compound growth rate of 20.4% between 1979-1988 due to the fiscal discipline dictated by the SAP and the mandate from the centre to the states that budgetary deficits would not be tolerated. In real terms, state tax revenues also grew by almost 23% during the same period. The growth of current and capital expenditures of states was less during the adjustment period as compared to other phases. Overall during the period under study, however, state revenue effort declined except during adjustment when it recorded a positive growth rate of 12%.

It follows, all things being equal, that the period of supply-side stabilization and adjustment was characterized more by fiscal decentralization. States attempted to match expenditures with revenues and depended less on the federal government. There is no doubt that states have tried to mobilize additional revenue by being innovative in establishing new revenue sources while at the same time enhancing the machinery for collecting taxes. The performance has varied between states. The federal government awards a surprise bonus to any state that generates more revenue during a fiscal year. Last year, Bendel state was the winner of the bonus.

Presently, state governments' revenue sources, that is, their tax jurisdictions, include:

- (a) personal income tax (retention of proceeds).
- (b) capital gains tax (retention of proceeds).
- (c) stamp duties (retention of proceeds).
- (d) football pools and other betting taxes.
- (e) land tax, including land registration fees.
- (f) vehicle licence and driving licence fees.
- (g) other fees, licences and earnings on items relating to state government functions.
- (h) other taxes as provided for under section 4(7) (a) of the constitution, for example, purchase tax.

In line with the above, states have floated companies/banks in partnership with private investors, established lotteries, created development funds, etc. — all with a view of being more revenue independent. Some states now source for funds from the capital and money markets. This was not the case before adjustment.

Fiscal operations in selected states

It is important to examine the fiscal operations of selected states in order to make precise

statements on the economy's fiscal federalism. We have identified ten states, namely: Anambra, Bendel, Cross River, Lagos, Ogun, Oyo, Kano, Kaduna, Plateau, and Rivers. These states were chosen on the basis of data availability, geographical spread, and stage of economic development and maturity.

The pattern of fiscal operations in the ten selected states is shown in Table A-15 in the appendix and in Table 5 below. It is interesting to note that all states exhibited deficit financing throughout the period, 1980-1990. No state was able to raise enough revenue to cover even recurrent expenditures. Consequently, statutory allocations continued to be vital in bailing out the economies of the various states. The reliance on federal grants suggests fiscal centralization. For all states, federal allocations increased steadily from 1980-1990.

In order to better discuss the fiscal operations of states, we divided the period into three namely: (1) 1980-1985, a period of various stabilization packages; (2) 1980-1990, characterized by a full-blown structural adjustment; and (3) 1980-1990.

For the period 1980-1985, federal allocations to the ten selected states declined. The largest declines were recorded in Plateau (-8.2%), Rivers (-8.1%) and Bendel (-7.8%). During this period, there were efforts by government to deliberately reduce allocations to states as a way of ensuring fiscal prudence. The stabilization policy of the Buhari regime as well as the austerity measures of the 1985 Babaginda administration must have contributed to the decline in federal allocations to states. Federal projects in states were curtailed and the latter were instructed by the centre to avoid unnecessary capital projects and to reduce current expenditures.

Thus it is surprising that the period of structural adjustment is characterized by dramatic increases in federal allocation to states. Between 1986 and 1990, federal allocation to Anambra grew by almost 37%, while allocation to Plateau showed a compound growth rate of 47% for the same period. Allocations to other states also recorded remarkable growth. There is no doubt that increased federal revenue meant more money in the federation account for distribution. In addition, the centre, as was indicated in Section 5, made extra funds available to states in order to enable them to implement certain projects and programmes. For example, after the 1989 anti-SAP riots, funds were dispatched to states so that facilities to cushion the negative aspects of the SAP could be implemented.

Tax revenues of most of the states increased during 1980-1985 a period marked by declining federal allocations. For example, tax revenues in Bendel increased by about 22%; Cross River's by 19%; and those of Ogun and Anambra by almost 15%. On the other hand, tax revenues for Lagos state declined by -0.8%, and the decline in Plateau was rather drastic (-16.5%). In Plateau, all fiscal variables during 1980-1985 declined, with capital expenditures registering a negative growth rate of approximately 51%. Furthermore, the state exhibited no efforts in raising internal revenues. It should be noted that during the period of stabilization, some states relied on bank loans (mostly state-owned) to manage their economies.

It is noteworthy that during adjustment, capital expenditures for Bendel, Cross River, Ogun, Oyo, Plateau and Rivers grew by 45.5%, 39.2%, 37.4%, 55.1%, 78.8% and 53%, respectively. These rates are rather high for a period in which governments were supposed to be curtailing expenditures. During this same period, Bendel, Cross River, Ogun, Plateau

and Rivers showed no serious efforts in generating internal revenue and thus there was no growth in revenue efforts. However, there were states in which the growth in tax revenues either matched or exceeded the growth of current expenditures. In Anambra, tax revenues grew by 14.7% in 1980-1985 and current expenditures increased by 2.1% for the same period. For Bendel, tax revenues grew by 21.7% while current expenditures increased by 8.4%. In Kano, both tax revenues and current expenditures grew by the same rate of 1.6%. In these states, revenue efforts registered considerable growth as well.

It thus appears that these states and others in the same situation must have attempted to implement the fiscal directives of the federal government. The overall period of 1980-1990 indicates some 'stability' in the behaviour of certain fiscal variables except for Kano, Ogun and Plateau, where revenue efforts declined remarkably.

In fact, for Plateau and Lagos states, revenue efforts declined for each of the three periods. This partly confirms the assertion that Lagos state does not have that extra drive to raise revenues since it collects substantial company and personal income taxes at source.

However, it is important not to reach conclusions on the basis of examining only growth rates. In the case of Lagos state, for example, Table A-15 shows that the state revenue efforts stood at almost 114%, 104% and 130% for 1987, 1988 and 1989, respectively. Hence, Table 5 must be examined in conjunction with Table A-15 in the appendix.

The facts presented above on the fiscal operations of selected states may not fully portray the workings of the fiscal system within each state. It may be necessary to decompose the expenditure variables in order to ascertain which project or programme is creating the fiscal imbalance. States do have relationships with local governments under their jurisdiction, and they allocate funds to local governments. Moreover, some of the capital expenditures of states are located in local government areas and the multiplier effects may not be realizable in the short-run. For example, the building and equipping of schools and hospitals by states in various local governments possess both short-run and long-term advantages to the respective states and the wider economy.

Table 5: Compound growth rates of fiscal variables in selected Nigerian states, 1980-1990 (%)

States	1980-1985	1986-1990	1980-1990
Anambra			
Federal allocation	-3.4	36.8	11.2
Tax revenue	14.7	9.6	15.4
Current expenditure	2.1	17.7	9.5
Capital expenditure	-11.6	19.4	1.5
Revenue efforts	12.5	-6.8	5.4
Bendel			
Federal allocation	-7.8	32.9	7.5
Tax revenue	21.7	4.8	10.7
Current expenditure	8.4	16.8	10.4
Capital expenditure	-17.1	45.5	5.9
Revenue efforts	12.2	-10.3	0.3
Cross River			
Federal allocation	-4.7	27.8	7.3
Tax revenue	19.0	-1.0	6.0
Current expenditure	0.9	-1.2	-1.0
Capital expenditure	-19.3	39.2	2.9
Revenue efforts	17.9	-3.7	7.1
Lagos			
Federal allocation	-0.3	30.5	12.7
Tax revenue	-0.8	9.8	4.9
Current expenditure	7.2	19.8	8.8
Capital expenditure	0.8	30.3	16.8
Revenue efforts	-7.4	-8.4	-3.6
Kaduna			
Federal allocation	-1.0	21.6	7.6
Tax revenue	2.8	25.2	10.1
Current expenditure	-0.3	9.5	3.5
Capital expenditure	-19.0	20.4	-5.9
Revenue efforts	3.2	14.3	6.4
Kano			
Federal allocation	-0.1	29.4	11.4

Table 5 ...continued

Tax revenue	1.6	9.4	7.3
Current expenditure	1.6	24.0	11.9
Capital expenditure	-11.4	25.6	1.0
Revenue efforts	0.1	-11.7	-4.1
Ogun			
Federal allocation	-3.4	35.7	12.4
Tax revenue	14.9	-15.4	1.4
Current expenditure	9.1	17.4	10.3
Capital expenditure	-30.4	37.4	-1.6
Revenue efforts	5.3	-27.9	-8.0
Oyo			
Federal allocation	-2.5	31.3	10.5
Tax revenue	10.3	15.7	16.0
Current expenditure	10.2	15.4	12.0
Capital expenditure	-13.1	55.1	9.9
Revenue efforts	0.1	0.2	3.5
Plateau			
Federal allocation	-8.2	47.3	11.5
Tax revenue	-16.5	7.4	-3.5
Current expenditure	-2.4	14.1	5.1
Capital expenditure	-50.8	78.8	-11.5
Revenue efforts	-14.5	-5.9	-8.2
Rivers			
Federal allocation	-8.1	33.5	7.0
Tax revenue	9.3	18.0	13.6
Current expenditure	-2.4	18.1	5.1
Capital expenditure	-20.6	53.0	6.2
Revenue efforts	12.0	0	8.1

Source: Computed from data in Table A-15.

Notes: Revenue efforts = [tax revenue/current expenditures]%.

1978-1980-1981-1982-1983-1984-1985-1986-1987-1988-1989-1990

VII. Conclusion

We have examined fiscal operations in the Nigerian economy using an historical (political economy) approach. Specifically, we described the evolution of the various revenue allocation commissions from 1946 to the Danjuma Commission of 1989. We evaluated the implementation of the allocation formulas as contained in the Revenue Act of 1981. Furthermore, an impressionistic view of the impact of the allocation system as well as a discussion of the fiscal profiles of ten states were undertaken.

An analysis of the fiscal operations of both the federal and state governments showed that the latter was more dependent on the former before the economic crisis of 1979/80, suggesting some evidence of centralization. The stabilization and adjustment period portrayed fiscal decentralization.

It was apparent that states often received more than their statutory allocation, implying that the allocation formulas were not strictly adhered to by the federal government. This must have been due to political and social pressures. Consequently, states depended on the federal government to meet their deficit financing. It was rather difficult to find a common pattern or framework that could be used in describing the nature of fiscal operations within the economy, especially in the states. All evidence confirms revenue centralization, while there were certain episodes of expenditure decentralization.

The creation of more states, the civil war, the dependent nature of the economy on the petroleum sector and the economic crisis have had implications for the country's fiscal federalism. Moreover, fiscal federalism in the economy is more influenced by non-economic factors. The agitation for more states, for example, is more political than economic. Economic viability of these states is of secondary importance.

It seems to us that states need some financial autonomy if they are to contribute to national development. In other words, fiscal decentralization within the economy is necessary. Please note that this conclusion is not directly derived from our analysis. It is rather based on our discussions with officials at the state level. This is, therefore, suggested for political reasons. We also suggest that: (1) certain taxes like export and custom duties be returned to the states; (2) states be allowed to obtain royalties, etc., from minerals within their areas with an agreed fraction to be paid to the federal government; and (3) certain vital data like production and income be gathered at the state level — this would allow for a more robust analysis of the economy in general and a given state in particular. Finally, the federal government must on its own part show fiscal discipline before giving directives to states to behave likewise.

The *ad hoc* and inconsistent nature of the country's fiscal operations has consequences on the macroeconomic management of the economy. The issues of stabilization, efficient resource allocation, distribution, growth, etc. — all matters of structural adjustment —

could create further disequilibrium within an economy if inter-governmental fiscal relations are not properly managed.

In future, it may be necessary to carry out a more robust analysis in order to strengthen the discussion on the aspect of fiscal centralization and decentralization in the Nigerian economy.

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Appendix

Table A-1: Summary of the evolution of revenue commissions and allocation formulas

Year/commission	Principles/criteria and allocation formulas
1946 Phillipson	Based on derivation and equal progress or equal development. Grants were solely on derivation. East 24%, West 30% and the North 46%
1950 Hicks-Phillipson	Based on independent revenue, derivation, need and national interest. Same formula as in 1946 except regions were empowered to impose sales taxes on petrol, entertainment taxes and stamp duties.
1954 Louis-Chick	Federal government to retain revenue from company income tax; and sales on the export, tobacco, excise; 50% of import duties (except on tobacco and motor spirits) to be shared thus: West 40%, North 30%; East 29% and Southern Cameroons 1%. Regions to collect and retain revenues from personal income tax. 50% of tobacco export and excise duties and 100% of the duty on petrol to be shared among the regions in accordance with regional consumption.
1958 Raiseman-Trees	Criteria: balanced development, continuity in regional government services, maintenance of minimum responsibilities and population. Divided each revenue into three parts: (a) states of origin, (b) federal government, (c) distributable pool account. For (a) 50% of mining rents and royalties and import duties; for (b) 30% of mining rates, royalties and import duties; for (c) 20% of mining rents and royalties and 40% of import duties. Allocation from the pool account: North 40%; West 31%; East 24%; and Southern Cameroons 5%.

- 1964 Binns 35% of federally collected revenue from import duties, mining rents and royalties to be paid into the distributable pool account and shared among states as follows: North 42%; East 30%; West 30% and Mid-West 8%.
- 1966 Dina Principles: basic needs, minimum national standards, population, tax effort, financial prudence, fiscal adequacy, balanced development, independent revenue, derivation and national interest. Segmented revenue into independent and shared; the latter to be allocated between the federal government and other accounts, viz., states joint account, special grants account, and derivation account. Excise duty: 60% federal; 30% states joint account; 10% special grants. Import duty: federal 50%; states joint account 50%. Export duty: 15% federal; 10% derivation; 70% states joint account; 5% special grants. Mining royalty (in shore): 15% federal; 10% derivation; 70% states joint account; 5% special grants. Mining rent and royalty (off shore): 60% federal; 30% states joint account and 10% special grant.
- 1970 Decree 13 Rejected Dina report. Revenue distributed among the states on the basis of 50% equality of states; 50% on population. All off-shore revenues accrued to the federal government. In-shore revenue shared as follows: 45% on derivation; 50% to the distributable pool account and 5% to the federal government.
- 1975 Amendment to Decree 13 of 1970 of import duties except on motor fuels, tobacco, wine, potable spirits and beer to the distributable pool account; 100% of the import duty on motor fuels and tobacco; 50% of the excise duty on any commodity; 100% of the export duty (if levied) on produce, hides and skins; 80% of mining rents and royalties from in-shore operations, and 100% of mining rents and royalties from off-shore operations. All of the above were to accrue to the distributable pool account.
- 1977 Aboyade Criteria for state joint account: equality of access to development opportunities, minimum standards for national integration, absorptive capacity, independent

revenue, minimum tax, and fiscal efficiency. 50% for the federal government; 10% for local governments; 3% for special grants account. Later, federal government changed its share to 60% and abolished the special grants account.

1979 Okigbo

Recommendations declared null and void by the Supreme Court of Nigeria.

Revenue Act of 1981

Revenues to be allocated thus: federal government 55%; state governments 35%; local governments 10%. 35% statutory share of states to be allocated as follows: 40% as equality of states or minimum responsibility of government; 40% on population; social development 15%, of which 11.5% is based on direct primary school enrolment and 3.5% on inverse enrolment; 5% for internal revenue effort; 3.5% for mineral producing states, of which 2% on the basis of derivation and 1.5% administered by the federal government for the development of the mineral producing areas; 1% to the federal fund for ecological problems.

1989 Danjuma

Vertical allocation: federal 50%; state governments 30%; local governments 15%; special funds 5%. Horizontal allocation: 40% for equality of states; 30% for population; 10% for social development factor, 8% direct enrolment and 2% for inverse enrolment; land mass and terrain 10% and internal revenue effort 10%. These were approved by the government.

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Table A-2: Nigeria: Federal government revenue, tax revenue and expenditures, 1961-1990 (N million)

Year	TR ¹	TX ²	CE ³	CAPE ⁴	TE ⁵
1961	223.65	171.1	96.86	67.0	163.9
1962	238.89	174.9	103.61	63.9	167.5
1963	249.10	186.6	119.64	64.0	183.6
1964	277.21	240.9	142.63	75.6	218.2
1965	321.10	267.6	156.84	79.6	236.5
1966	306.44	250.2	177.27	77.9	255.2
1967	327.17	2234.2	166.67	91.3	258.1
1968	290.76	230.0	218.75	131.1	349.9
1969	377.98	305.0	433.42	122.8	556.2
1970	633.16	513.6	909.15	220.9	1130.1
1971	1168.97	942.4	918.68	173.8	1092.5
1972	1404.80	1105.5	1412.40	451.3	1863.7
1973	1695.30	1369.1	963.50	565.7	1529.2
1974	4537.00	3530.3	1517.00	1549.4	3066.5
1975	5514.70	3750.9	4740.10	3518.2	8258.3
1976	6765.90	4735.1	5459.60	4241.9	9701.5
1977	8042.20	5876.6	6253.00	5442.3	11695.3
1978	7469.30	5659.6	7140.10	5197.0	12337.1
1979	10913.50	6898.2	8354.00	4837.5	13191.5
1980	15234.00	10974.6	9117.30	8395.6	17542.9
1981	12180.20	9362.8	5739.10	5696.9	11436.0
1982	11764.40	8090.7	7417.90	7950.3	15368.2
1983	10508.70	6316.1	5656.50	5868.5	11525.0
1984	11766.80	7197.0	6275.40	54110.0	11686.4
1985	14680.80	9972.5	7215.30	7613.3	14828.6
1986	12837.60	8227.8	7696.90	9076.8	16773.7
1987	25099.80	17280.0	15646.20	6372.5	22018.7
1988	27310.80	18333.0	19409.40	8340.1	27749.5
1989	50272.10	32110.4	25993.98	15034.1	41028.0
1990	66895.40	39042.3	36219.60	24929.5	61149.1

Sources: (1) Files of the Federal Ministry of Finance and Development, Lagos.
(2) Central Bank of Nigeria, *Economic and Financial Review*, various issues.
(3) Federal Office of Statistics, *Abstract of Statistics*, various issues.

Notes: 1 = Total revenue; 2 = Tax revenues; 3 = Current expenditures;
4 = Capital expenditures; 5 = Total expenditures (3+4).

Table A-3: Nigeria: Federal government revenue, tax revenue and expenditures in real terms, 1961-1990 (₦ million)

Year	TR ¹	TX ²	CE ³	CAPE ⁴	TE ⁵
1961	2033.18	1555.5	880.6	609.1	1490.0
1962	1837.62	1590.0	941.9	491.5	1288.5
1963	1779.29	1332.9	854.5	457.1	1311.4
1964	1848.07	1606.0	950.9	504.0	1454.7
1965	2006.88	1672.5	980.3	497.5	1478.1
1966	1802.59	1471.8	1042.8	458.2	1501.2
1967	2336.93	1672.9	1190.5	652.1	1843.6
1968	2236.62	1769.2	1682.7	1008.5	2691.5
1969	2099.89	1694.4	2407.9	682.2	3090.0
1970	2435.23	1975.4	3496.7	849.6	4346.5
1971	3653.03	2945.0	2870.9	543.1	3414.1
1972	4256.97	3350.0	4280.0	1367.6	5647.6
1973	3198.68	2583.2	1817.9	1067.4	2885.3
1974	5214.94	4057.8	1743.7	1780.9	3524.7
1975	5514.70	3750.9	4740.1	3518.2	8258.3
1976	5369.76	3758.0	4333.0	3366.6	7699.6
1977	5361.47	3917.7	4168.7	3628.2	7796.9
1978	5151.24	3903.2	4924.2	3584.1	8508.3
1979	5774.34	3649.8	4420.1	2559.5	6979.6
1980	6482.55	4670.0	3879.7	3572.6	7452.3
1981	14835.90	11418.1	6998.9	6947.4	13946.3
1982	13368.64	9194.0	8429.4	9034.4	17463.8
1983	11548.02	6940.8	6215.9	6448.9	12664.8
1984	11766.80	7197.0	6275.4	5411.0	11686.4
1985	12991.86	8825.2	6385.2	6737.4	13122.6
1986	11163.13	7154.6	6693.0	7892.9	14585.9
1987	15687.38	10800.0	9778.9	3982.8	13761.7
1988	14842.83	9963.6	10548.6	4532.7	15081.3
1989	21211.86	13548.7	10967.9	6343.5	17311.4
1990	24868.18	14513.9	13464.5	9267.5	22732.0

Source: Computed by authors from data in Table A-2.

Notes: Nominal values have been deflated via the implicit price deflator (IPD). For 1961-1980, base year is 1975; for 1981-1990, base year is 1984.

Table A-4: Nigeria: Annual growth of federal revenue, tax revenue and expenditures, 1962-1990 (%)

Year	TR ¹	TX ²	CE ³	CAPE ⁴
1962	6.8	2.2	7.0	-4.6
1963	4.3	6.7	15.5	0.2
1964	11.3	29.1	19.2	18.1
1965	15.8	11.1	10.0	5.3
1966	-4.6	-6.6	13.0	-2.1
1967	6.8	-6.4	-6.0	17.2
1968	-11.1	-1.8	31.2	43.6
1969	30.0	32.6	98.1	-6.3
1970	67.5	68.4	109.8	79.9
1971	84.6	83.5	1.0	-21.3
1972	20.2	17.3	53.7	159.7
1973	20.7	23.8	-31.8	25.3
1974	167.6	157.8	57.5	173.9
1975	21.5	6.2	212.4	127.1
1976	22.7	26.2	15.2	20.6
1977	18.9	24.1	14.5	28.3
1978	-7.1	-3.7	14.2	-4.5
1979	46.1	21.9	17.0	-7.0
1980	36.9	59.1	9.1	73.6
1981	-20.0	-14.7	-37.1	-32.1
1982	-3.4	-13.6	29.3	39.6
1983	-10.7	-21.9	-23.7	-26.2
1984	12.0	14.0	10.9	-7.8
1985	24.8	38.6	14.9	40.7
1986	-12.6	11.5	6.7	19.2
1987	96.0	110.0	103.3	-29.8
1988	8.8	6.1	24.1	30.9
1989	84.0	75.2	33.9	80.2
1990	33.1	21.6	39.3	65.8

Source: Computed from data in Table A-2.

Table A-5: Nigeria: Annual growth of federal revenues, tax revenue and expenditures in real terms, 1962-1990 (in %)

Year	TR	TX	CE	CAPE
1962	-9.6	2.2	7.0	19.3
1963	-3.2	-16.2	-9.3	-8.1
1964	3.9	20.5	11.3	10.3
1965	8.6	4.1	3.1	-1.3
1966	-10.2	-12.0	6.4	-7.9
1967	29.6	13.7	14.2	42.3
1968	-4.3	5.8	41.3	54.7
1969	-6.1	-4.2	43.1	-32.4
1970	16.0	16.6	45.2	24.5
1971	50.0	49.1	-17.9	-36.1
1972	16.5	13.8	49.1	151.8
1973	-24.9	-22.9	-57.5	-22.0
1974	63.0	57.1	-4.1	66.8
1975	5.7	-7.6	171.8	97.6
1976	-2.7	0.2	-8.6	-4.3
1977	-0.2	4.2	-3.8	7.8
1978	-3.9	-0.4	18.1	-1.2
1979	12.1	-6.5	-10.2	-28.6
1980	12.3	28.0	-12.2	39.6
1981	129.1	144.5	80.4	94.5
1982	-10.9	-19.5	20.4	30.0
1983	-13.6	-24.5	-26.3	-28.6
1984	1.9	3.7	1.0	-16.0
1985	10.4	22.6	1.8	24.5
1986	-14.1	-18.9	4.8	17.2
1987	40.5	51.0	46.1	-49.5
1988	-5.4	-7.7	7.9	13.8
1989	42.9	36.0	4.0	39.9
1990	17.2	7.1	22.8	46.1

Source: Computed by authors from Table A-3.

Table A-6: Nigeria: Ratios of fiscal variables (in %) and per capita income (in naira), 1961-1990

Year	TR\Y ¹	TX\TR ²	TX\Y ³	TE\Y ⁴	Yp ⁵
1961	9.4	16.5	7.2	6.9	44.8
1962	8.6	73.2	6.3	6.0	51.7
1963	8.5	74.9	6.3	6.2	52.6
1964	8.8	86.9	7.7	7.0	55.2
1965	9.6	83.3	8.0	7.0	57.9
1966	8.5	81.6	7.0	7.1	60.2
1967	11.1	71.6	8.0	8.7	48.4
1968	10.1	79.1	8.0	12.2	45.7
1969	10.0	80.7	8.0	14.7	58.3
1970	11.3	81.1	9.2	20.2	83.3
1971	17.1	80.6	13.8	16.0	99.3
1972	19.7	78.7	15.5	26.1	100.5
1973	14.9	80.8	12.0	13.4	156.0
1974	24.2	77.8	18.8	16.3	250.3
1975	25.6	68.0	17.4	38.3	280.2
1976	24.8	70.0	17.3	35.5	349.2
1977	24.9	73.1	18.2	36.1	409.6
1978	23.9	75.8	18.1	39.4	386.4
1979	26.8	63.2	16.9	32.4	356.5
1980	30.0	72.0	21.6	34.4	362.6
1981	20.7	76.9	15.9	19.4	321.1
1982	18.8	68.8	13.0	24.5	304.1
1983	16.2	60.1	9.8	17.7	276.0
1984	16.5	61.2	10.1	16.4	251.0
1985	18.2	68.0	12.4	18.4	256.5
1986	15.7	64.1	10.1	20.5	292.1
1987	23.4	68.8	16.2	20.6	289.8
1988	19.1	67.1	12.8	19.4	281.6
1989	22.6	63.9	14.4	18.4	271.7
1990	27.3	58.4	16.0	25.0	275.7

Sources: Computed by authors based on the data from Table A-2.

Notes: (1) Ratio of total revenue (TR) to gross domestic product (Y); (2) ratio of tax revenue (TX) to total revenue; (3) ratio of tax revenue to GDP; (4) ratio of total expenditures (current + capital) to GDP; (5) per capita income

Table A-7: Nigeria: Federal allocation, tax revenues and expenditures of regions

Year	FA ¹	STX ¹	SCE ²	SCAE ³	TSE ⁴
1961	66.8	31.22	115.60	56.7	172.27
1962	71.9	38.22	138.11	56.27	194.38
1963	75.7	40.31	127.39	55.53	182.92
1964	109.0	37.64	143.87	62.54	206.41
1965	130.7	31.77	167.56	61.08	228.64
1966	121.3	28.14	172.21	63.91	236.12
1967	85.7	61.82	126.92	50.80	177.72
1968	77.1	40.29	104.67	24.25	128.92
1969	126.6	45.45	173.29	42.50	215.79
1970	98.8	29.76	142.20	45.20	187.40
1971	190.0	41.04	220.49	54.46	274.95
1972	349.1	76.70	349.10	136.00	485.10
1973	357.1	83.02	489.30	250.20	739.50
1974	772.9	113.97	521.40	427.00	948.40
1975	1039.9	73.93	880.70	409.70	1290.40
1976	1142.8	108.90	2711.60	772.90	3485.50
1977	1572.5	138.10	2349.50	3990.30	6339.98
1978	1240.0	126.60	2012.70	2201.20	4213.90
1979	2044.0	283.60	2583.90	1758.50	4342.40
1980	4128.6	1327.70	4254.00	4697.00	8951.00
1981	3825.6	1049.20	4944.90	6913.50	11858.40
1982	3245.7	1315.80	4733.90	5946.60	10680.00
1983	2958.5	1370.90	5262.10	5828.80	11090.90
1984	2722.0	1678.90	4603.10	2424.00	7027.00
1985	3260.8	1584.10	4823.10	1034.00	5857.10
1986	2843.8	1818.00	4458.20	1130.40	5588.60
1987	6197.1	1954.50	5721.20	2542.30	8263.50
1988	8181.3	2178.80	7193.40	3585.10	10778.50
1989	9899.3	1602.30	8140.60	4834.10	12974.70
1990	13509.7	3006.80	12140.20	5603.00	17743.20

Source: As Table A-2.

Notes: From 1960-1967, allocations were for regions. Thereafter, allocations were for states. There are presently 21 states excluding the Federal Capital Territory (Abuja).
¹ Federal allocations; (1) states' tax revenues; (2) states' current expenditures; (3) states' capital expenditures; (4) total states' expenditures.

Table A-8: Nigeria: Federal allocation, tax revenues and expenditures of regions and states in real terms, 1961-1990 (N million)

Year	FA	STX ¹	SCE ²	SCEA ³	TSE ⁴
1961	607.27	283.82	1050.91	515.18	1566.09
1962	553.08	294.00	1062.24	432.85	1495.23
1963	540.71	287.93	909.93	396.64	1306.07
1964	726.67	250.93	959.13	416.93	1376.07
1965	816.88	198.56	1047.25	381.75	1429.00
1966	713.53	165.53	1013.00	371.59	1388.94
1967	612.14	441.57	906.57	362.86	1269.43
1968	593.08	309.92	805.15	186.54	991.69
1969	703.33	252.50	962.72	236.11	1198.83
1970	380.00	114.46	546.92	173.85	713.08
1971	593.75	128.25	689.03	170.19	859.22
1972	1057.88	232.42	1057.88	412.12	1470.00
1973	673.77	156.64	923.21	472.08	1395.28
1974	888.39	131.00	599.31	490.80	1090.11
1975	1039.90	73.93	880.70	409.70	1290.40
1976	906.98	86.43	2152.06	613.41	2766.27
1977	1048.33	92.07	1566.33	2660.25	4226.65
1978	855.17	87.31	1388.07	1518.07	2906.14
1979	1081.48	150.05	1367.14	930.42	2297.57
1980	1756.85	564.98	1810.21	1998.72	3808.94
1981	4665.36	1279.51	6030.36	8431.10	14461.46
1982	3688.30	1495.23	5379.43	6757.50	12136.93
1983	3251.10	1506.48	5782.53	6405.27	12187.80
1984	2722.00	1678.90	4603.10	2424.00	7027.00
1985	2885.66	1401.86	4268.23	915.04	5183.27
1986	2472.87	1580.87	3876.70	982.96	4859.65
1987	3873.19	1221.56	3575.75	1588.94	5164.69
1988	4446.36	1184.13	3909.46	1948.42	5857.88
1989	5176.19	1117.77	4513.09	2082.90	6595.99

Source: Computed by authors.

Notes: See Tables A-3 and A-5

Table A-9: Annual growth of federal allocation, state tax revenues, state expenditures and state revenue effort in Nigeria, 1962-1990 (in %)

Year	FA	STX	SCE	SCAE	TSE	SRE*
1962	7.7	22.4	19.5	-0.7	12.8	19.7 (18.1)**
1963	5.2	5.5	-7.8	-1.3	-5.9	22.0
1964	44.0	-6.6	12.9	12.6	12.8	18.2
1965	20.0	-15.6	16.5	-2.3	10.8	13.9
1966	-7.2	-11.4	2.8	4.6	3.3	12.0
1967	-29.3	119.7	-26.3	-20.5	-24.7	34.8
1968	-10.1	-34.8	-17.5	-52.3	-27.5	31.3
1969	64.3	12.8	65.6	75.3	67.4	21.1
1970	-22.0	-34.5	-17.9	6.3	-13.2	15.9
1971	92.3	37.9	55.1	20.5	46.7	14.9
1972	83.7	86.9	58.3	149.7	76.4	15.8
1973	2.3	8.2	40.2	84.0	52.4	59.5
1974	116.4	37.2	6.6	70.7	28.2	12.0
1975	34.5	-35.1	68.9	-4.1	36.1	5.7
1976	10.0	47.3	208.0	88.7	170.0	3.1
1977	37.6	26.7	-13.4	416.3	82.0	2.2
1978	-21.1	-8.3	-14.3	-44.8	-33.5	3.0
1979	64.8	124.0	28.4	-20.1	3.1	6.5
1980	102.0	368.2	64.6	167.1	106.0	14.8
1981	-7.3	-21.0	16.2	47.2	32.5	8.8
1982	-15.2	25.4	-4.3	14.0	-10.0	12.3
1983	-8.8	4.2	11.2	-2.0	3.8	12.4
1984	-8.0	22.5	-12.5	-58.4	-36.6	23.9
1985	14.8	-5.6	4.8	-57.3	-16.6	27.0
1986	-12.8	14.8	-7.6	9.3	-4.6	32.5
1987	118.0	7.5	28.3	125.0	47.9	23.7
1988	32.0	11.5	25.7	41.0	30.4	20.2
1989	21.0	-26.4	13.2	34.8	20.4	12.3
1990	36.5	87.6	49.1	15.9	36.8	16.9

Source: Computed by authors from data in Table A-5.

Notes: See Table A-4.

*SRE = state revenue efforts = state tax revenue = the ability of states to generate own revenues.

Table A-10: Nigeria: Annual growth of federal allocation, state tax revenues and state expenditures in real terms, 1962-1990 (in %)

Year	FA	STX	SCE	SCAE	TSE
1962	-8.9	3.6	1.1	-16.0	-4.5
1963	-2.2	2.1	-14.3	-8.4	-12.6
1964	34.4	-12.9	5.4	5.1	5.3
1965	12.4	-20.9	9.2	-8.4	3.8
1966	-12.7	-16.6	-3.3	-2.7	-2.8
1967	-14.2	166.8	-10.5	-2.3	-8.6
1968	-3.1	-29.8	-11.2	-48.6	-21.9
1969	18.6	-18.5	19.6	26.6	20.9
1970	-46.0	-54.7	-43.2	-26.4	-40.5
1971	56.3	12.0	25.9	-2.1	20.5
1972	78.2	81.2	53.5	142.2	71.1
1973	-36.3	-32.6	-12.8	14.5	5.1
1974	31.9	-16.4	-35.1	4.0	-21.9
1975	17.1	-43.6	47.0	16.5	18.4
1976	-12.8	16.9	144.4	49.7	114.4
1977	15.6	6.5	-27.2	333.7	52.8
1978	18.4	-5.2	-11.4	-42.9	-31.2
1979	26.5	71.9	-1.5	-38.7	-20.9
1980	62.4	276.5	32.4	114.8	65.8
1981	-73.5	126.5	233.1	321.8	279.7
1982	-21.0	16.9	-11.3	-19.9	-16.1
1983	-11.9	0.8	7.5	-5.2	0.4
1984	-16.3	11.4	-20.4	-62.2	-42.3
1985	6.0	-16.5	-7.3	-62.3	-26.2
1986	-14.3	12.8	-9.3	22.6	13.4
1987	56.6	-22.7	-7.8	61.6	6.3
1988	14.8	-3.1	9.3	22.6	13.4
1989	-6.1	-42.9	-12.1	4.7	-6.5
1990	20.2	65.3	31.4	2.1	20.5

Source: Computed by authors from Table A-8.

Table A-11: Implementation of the revenue allocation system in selected Nigerian states, 1982-1989 (million naira)

Year	Statutory	Amount received	Excess
Anambra			
1982	181.3	181.4	-0.1
1983	178.8	2445.6	-66.8
1984	157.0	157.0	0
1985	182.4	181.8	+0.6
1986	151.6	170.8	-19.3
1987	342.6	409.8	-67.2
1988	426.9	442.5	-15.6
1989	573.0	588.2	-15.2
Bendel			
1982	232.2	232.2	0
1983	225.2	225.6	0
1984	212.9	212.9	0
1985	228.1	189.9	+38.2
1986	198.2	173.9	+24.3
1987	415.8	493.7	-77.9
1988	520.4	593.9	-73.5
1989	676.3	712.0	-35.7
Cross River			
1982	175.4	177.4	-2.0
1983	172.5	203.2	-30.7
1984	154.3	157.2	-2.9
1985	170.5	152.8	-17.7
1986	144.8	115.0	+29.8
1987	375.4	486.5	-111.1
1988	232.3	258.8	-26.5
1989	304.0	420.4	-116.4
Lagos			
1982	133.9	183.9	-50.0
1983	129.8	129.8	0
1984	113.4	199.3	-85.9
1985	141.0	215.2	-74.2
1986	140.7	221.9	-81.2
1987	270.6	473.2	-202.6
1988	338.4	552.1	-213.7
1989	419.2	836.7	-417.5
Kaduna			
1982	197.6	205.1	-7.5
1983	192.3	205.5	-58.2

Table A-11 continued

1984	179.9	198.8	-18.9
1985	220.7	240.6	-19.9
1986	198.1	175.2	+22.9
1987	440.6	660.9	-220.3
1988	291.2	433.3	142.1
1989	301.2	301.2	0
Kano			
1982	248.0	249.6	-1.6
1983	240.2	241.8	-1.6
1984	228.2	229.9	-1.7
1985	280.8	291.3	-10.5
1986	254.6	252.5	+2.1
1987	501.8	559.3	-57.5
1988	639.4	628.2	+11.2
1989	786.1	759.9	+26.2
Ogun			
1982	114.6	114.6	0
1983	111.9	111.9	0
1984	104.4	90.9	+13.5
1985	115.3	48.3	+67.0
1986	111.4	80.9	+30.5
1987	231.9	275.3	-43.4
1988	285.4	312.0	-26.6
1989	336.8	205.8	+131.0
Oyo			
1982	226.7	226.7	0
1983	220.4	220.4	0
1984	198.2	202.1	-3.9
1985	239.9	316.9	-122.0
1986	214.4	255.9	-41.5
1987	437.2	471.4	-34.2
1988	572.5	552.2	+20.3
1989	701.6	716.7	-15.1
Plateau			
1982	126.2	126.2	0
1983	125.9	125.9	0
1984	96.6	98.3	-1.7
1985	97.7	110.2	-12.5
1986	77.6	21.8	+55.8
1987	202.4	121.4	+81.0
1988	300.7	242.6	+58.1
1989	378.8	339.9	38.9

Table A-11 continued

Rivers			
1982	226.2	226.2	0
1983	NA	NA	NA
1984	202.7	206.2	-3.5
1985	208.2	220.3	-12.1
1986	171.0	185.3	-14.3
1987	384.0	489.6	-105.6
1988	490.2	473.5	+16.7
1989	618.5	646.2	-27.7

Sources: (1) Federal ministry of finance and development,
 (2) Central bank of Nigeria, Lagos.
 (3) States' ministries of finance.

Notes: 1. A minus (-) indicates that the state received more than its statutory allocation according to allocation formula; plus (+) shows that the state received less than its statutory share. 2. The allocation is based on the revenue Act of 1981 formulae.

Table A-12: Nigeria: Population of states, 1982-1986 (million)

STATE	1982	1983	1984	1985	1986
Anambra	5.7	5.9	6.0	6.2	6.7
Bauchi	3.9	4.0	4.1	4.2	4.5
Bendel	3.9	4.0	4.1	4.2	4.6
Benue	3.9	4.0	4.1	4.2	4.5
Borno	4.8	4.9	5.0	5.2	5.6
C\River	5.5	5.7	5.8	6.0	6.5
Gongola	4.2	4.3	4.4	4.5	4.9
Imo	5.9	6.0	6.2	6.3	6.9
Kaduna	6.5	6.7	6.8	7.0	7.7
Kano	9.2	9.4	9.7	10.0	10.8
Kwara	2.7	2.8	2.7	3.0	3.2
Lagos	2.6	2.7	2.8	3.4	3.8
Niger	1.9	2.0	2.1	2.1	2.0
Ogun	2.4	2.5	2.6	2.7	2.9
Ondo	4.4	4.5	4.6	4.7	5.1
Oyo	8.3	8.5	8.7	9.0	9.7
Plateau	3.2	3.3	3.4	3.5	3.8
Rivers	2.7	2.8	2.9	3.0	3.2
Sokoto	7.2	7.4	7.6	7.8	8.5

Source: Federal Office of Statistics, *Annual Abstract of Statistics*, 1988, Lagos

Notes: C\River is an abbreviation for Cross River State

Table A-13: Primary school enrolment in Nigerian states, 1982-1986 (million)

State	1982	1983	1984	1985	1986
Anambra	1.005	.853	.838	.929	1.414
Bauchi	.370	.434	.326	.284	.308
Bendel	.819	.860	.928	.661	.759
Benue	.903	.975	.954	.442	.468
Borno	.398	.404	.446	.444	.470
C/River	.836	.868	.872	.846	.617
Gongola	.521	.470	.518	.360	.384
Imo	.855	.827	.794	.850	.887
Kaduna	1.060	1.070	1.134	1.262	.817
Kano	1.200	1.215	.752	.763	.765
Kwara	.591	.621	.866	.536	.526
Lagos	.565	.571	.638	.651	.662
Niger	.426	.451	.462	.460	.451
Ogun	.401	.426	.445	.360	.369
Ondo	.674	.692	.694	.568	.453
Oyo	1.878	1.972	2.070	1.983	1.936
Plateau	.601	.565	.524	.546	.512
Rivers	.514	.585	.369	.321	.345
Sokoto	.645	.684	.706	.718	.725
Abuja	.023	.029	.045	.045	.047
Total	14.285	14.575	14.383	13.025	12.915

Source: Federal Office of Statistics, Lagos.

Table A-5: Nigeria: Annual growth of federal revenues, tax revenue and expenditures in real terms, 1962-1990 (in %)

Year	TR	TX	CE	CAPE
1962	-9.6	2.2	7.0	19.3
1963	-3.2	-16.2	-9.3	-8.1
1964	3.9	20.5	11.3	10.3
1965	8.6	4.1	3.1	-1.3
1966	-10.2	-12.0	6.4	-7.9
1967	29.6	13.7	14.2	42.3
1968	-4.3	5.8	41.3	54.7
1969	-6.1	-4.2	43.1	-32.4
1970	16.0	16.6	45.2	24.5
1971	50.0	49.1	-17.9	-36.1
1972	16.5	13.8	49.1	151.8
1973	-24.9	-22.9	-57.5	-22.0
1974	63.0	57.1	-4.1	66.8
1975	5.7	-7.6	171.8	97.6
1976	-2.7	0.2	-8.6	-4.3
1977	-0.2	4.2	-3.8	7.8
1978	-3.9	-0.4	18.1	-1.2
1979	12.1	-6.5	-10.2	-28.6
1980	12.3	28.0	-12.2	39.6
1981	129.1	144.5	80.4	94.5
1982	-10.9	-19.5	20.4	30.0
1983	-13.6	-24.5	-26.3	-28.6
1984	1.9	3.7	1.0	-16.0
1985	10.4	22.6	1.8	24.5
1986	-14.1	-18.9	4.8	17.2
1987	40.5	51.0	46.1	-49.5
1988	-5.4	-7.7	7.9	13.8
1989	42.9	36.0	4.0	39.9
1990	17.2	7.1	22.8	46.1

Source: Computed by authors from Table A-3.

Table A-6: Nigeria: Ratios of fiscal variables (in %) and per capita income (in naira), 1961-1990

Year	TR\Y ¹	TX\TR ²	TX\Y ³	TE\Y ⁴	Yp ⁵
1961	9.4	16.5	7.2	6.9	44.8
1962	8.6	73.2	6.3	6.0	51.7
1963	8.5	74.9	6.3	6.2	52.6
1964	8.8	86.9	7.7	7.0	55.2
1965	9.6	83.3	8.0	7.0	57.9
1966	8.5	81.6	7.0	7.1	60.2
1967	11.1	71.6	8.0	8.7	48.4
1968	10.1	79.1	8.0	12.2	45.7
1969	10.0	80.7	8.0	14.7	58.3
1970	11.3	81.1	9.2	20.2	83.3
1971	17.1	80.6	13.8	16.0	99.3
1972	19.7	78.7	15.5	26.1	100.5
1973	14.9	80.8	12.0	13.4	156.0
1974	24.2	77.8	18.8	16.3	250.3
1975	25.6	68.0	17.4	38.3	280.2
1976	24.8	70.0	17.3	35.5	349.2
1977	24.9	73.1	18.2	36.1	409.6
1978	23.9	75.8	18.1	39.4	386.4
1979	26.8	63.2	16.9	32.4	356.5
1980	30.0	72.0	21.6	34.4	362.6
1981	20.7	76.9	15.9	19.4	321.1
1982	18.8	68.8	13.0	24.5	304.1
1983	16.2	60.1	9.8	17.7	276.0
1984	16.5	61.2	10.1	16.4	251.0
1985	18.2	68.0	12.4	18.4	256.5
1986	15.7	64.1	10.1	20.5	292.1
1987	23.4	68.8	16.2	20.6	289.8
1988	19.1	67.1	12.8	19.4	281.6
1989	22.6	63.9	14.4	18.4	271.7
1990	27.3	58.4	16.0	25.0	275.7

Sources: Computed by authors based on the data from Table A-2.

Notes: (1) Ratio of total revenue (TR) to gross domestic product (Y); (2) ratio of tax revenue (TX) to total revenue; (3) ratio of tax revenue to GDP; (4) ratio of total expenditures (current + capital) to GDP; (5) per capita income

Table A-7: Nigeria: Federal allocation, tax revenues and expenditures of regions

Year	FA [*]	STX ¹	SCE ²	SCAE ³	TSE ⁴
1961	66.8	31.22	115.60	56.7	172.27
1962	71.9	38.22	138.11	56.27	194.38
1963	75.7	40.31	127.39	55.53	182.92
1964	109.0	37.64	143.87	62.54	206.41
1965	130.7	31.77	167.56	61.08	228.64
1966	121.3	28.14	172.21	63.91	236.12
1967	85.7	61.82	126.92	50.80	177.72
1968	77.1	40.29	104.67	24.25	128.92
1969	126.6	45.45	173.29	42.50	215.79
1970	98.8	29.76	142.20	45.20	187.40
1971	190.0	41.04	220.49	54.46	274.95
1972	349.1	76.70	349.10	136.00	485.10
1973	357.1	83.02	489.30	250.20	739.50
1974	772.9	113.97	521.40	427.00	948.40
1975	1039.9	73.93	880.70	409.70	1290.40
1976	1142.8	108.90	2711.60	772.90	3485.50
1977	1572.5	138.10	2349.50	3990.30	6339.98
1978	1240.0	126.60	2012.70	2201.20	4213.90
1979	2044.0	283.60	2583.90	1758.50	4342.40
1980	4128.6	1327.70	4254.00	4697.00	8951.00
1981	3825.6	1049.20	4944.90	6913.50	11858.40
1982	3245.7	1315.80	4733.90	5946.60	10680.00
1983	2958.5	1370.90	5262.10	5828.80	11090.90
1984	2722.0	1678.90	4603.10	2424.00	7027.00
1985	3260.8	1584.10	4823.10	1034.00	5857.10
1986	2843.8	1818.00	4458.20	1130.40	5588.60
1987	6197.1	1954.50	5721.20	2542.30	8263.50
1988	8181.3	2178.80	7193.40	3585.10	10778.50
1989	9899.3	1602.30	8140.60	4834.10	12974.70
1990	13509.7	3006.80	12140.20	5603.00	17743.20

Source: As Table A-2.

Notes: From 1960-1967, allocations were for regions. Thereafter, allocations were for states. There are presently 21 states excluding the Federal Capital Territory (Abuja).

* Federal allocations; (1) states' tax revenues; (2) states' current expenditures; (3) states' capital expenditures; (4) total states' expenditures.

Table A-8: Nigeria: Federal allocation, tax revenues and expenditures of regions and states in real terms, 1961-1990 (N million)

Year	FA	STX ¹	SCE ²	SCEA ³	TSE ⁴
1961	607.27	283.82	1050.91	515.18	1566.09
1962	553.08	294.00	1062.24	432.85	1495.23
1963	540.71	287.93	909.93	396.64	1306.07
1964	726.67	250.93	959.13	416.93	1376.07
1965	816.88	198.56	1047.25	381.75	1429.00
1966	713.53	165.53	1013.00	371.59	1388.94
1967	612.14	441.57	906.57	362.86	1269.43
1968	593.08	309.92	805.15	186.54	991.69
1969	703.33	252.50	962.72	236.11	1198.83
1970	380.00	114.46	546.92	173.85	713.08
1971	593.75	128.25	689.03	170.19	859.22
1972	1057.88	232.42	1057.88	412.12	1470.00
1973	673.77	156.64	923.21	472.08	1395.28
1974	888.39	131.00	599.31	490.80	1090.11
1975	1039.90	73.93	880.70	409.70	1290.40
1976	906.98	86.43	2152.06	613.41	2766.27
1977	1048.33	92.07	1566.33	2660.25	4226.65
1978	855.17	87.31	1388.07	1518.07	2906.14
1979	1081.48	150.05	1367.14	930.42	2297.57
1980	1756.85	564.98	1810.21	1998.72	3808.94
1981	4665.36	1279.51	6030.36	8431.10	14461.46
1982	3688.30	1495.23	5379.43	6757.50	12136.93
1983	3251.10	1506.48	5782.53	6405.27	12187.80
1984	2722.00	1678.90	4603.10	2424.00	7027.00
1985	2885.66	1401.86	4268.23	915.04	5183.27
1986	2472.87	1580.87	3876.70	982.96	4859.65
1987	3873.19	1221.56	3575.75	1588.94	5164.69
1988	4446.36	1184.13	3909.46	1948.42	5857.88
1989	5176.19	1117.77	4513.09	2082.90	6595.99

Source: Computed by authors.

Notes: See Tables A-3 and A-5

Table A-9: Annual growth of federal allocation, state tax revenues, state expenditures and state revenue effort in Nigeria, 1962-1990 (in %)

Year	FA	STX	SCE	SCAE	TSE	SRE*
1962	7.7	22.4	19.5	-0.7	12.8	19.7 (18.1)**
1963	5.2	5.5	-7.8	-1.3	-5.9	22.0
1964	44.0	-6.6	12.9	12.6	12.8	18.2
1965	20.0	-15.6	16.5	-2.3	10.8	13.9
1966	-7.2	-11.4	2.8	4.6	3.3	12.0
1967	-29.3	119.7	-26.3	-20.5	-24.7	34.8
1968	-10.1	-34.8	-17.5	-52.3	-27.5	31.3
1969	64.3	12.8	65.6	75.3	67.4	21.1
1970	-22.0	-34.5	-17.9	6.3	-13.2	15.9
1971	92.3	37.9	55.1	20.5	46.7	14.9
1972	83.7	86.9	58.3	149.7	76.4	15.8
1973	2.3	8.2	40.2	84.0	52.4	59.5
1974	116.4	37.2	6.6	70.7	28.2	12.0
1975	34.5	-35.1	68.9	-4.1	36.1	5.7
1976	10.0	47.3	208.0	88.7	170.0	3.1
1977	37.6	26.7	-13.4	416.3	82.0	2.2
1978	-21.1	-8.3	-14.3	-44.8	-33.5	3.0
1979	64.8	124.0	28.4	-20.1	3.1	6.5
1980	102.0	368.2	64.6	167.1	106.0	14.8
1981	-7.3	-21.0	16.2	47.2	32.5	8.8
1982	-15.2	25.4	-4.3	14.0	-10.0	12.3
1983	-8.8	4.2	11.2	-2.0	3.8	12.4
1984	-8.0	22.5	-12.5	-58.4	-36.6	23.9
1985	14.8	-5.6	4.8	-57.3	-16.6	27.0
1986	-12.8	14.8	-7.6	9.3	-4.6	32.5
1987	118.0	7.5	28.3	125.0	47.9	23.7
1988	32.0	11.5	25.7	41.0	30.4	20.2
1989	21.0	-26.4	13.2	34.8	20.4	12.3
1990	36.5	87.6	49.1	15.9	36.8	16.9

Source: Computed by authors from data in Table A-5.

Notes: See Table A-4.

*SRE = state revenue efforts = state tax revenue = the ability of states to generate own revenues.

Table A-10: Nigeria: Annual growth of federal allocation, state tax revenues and state expenditures in real terms, 1962-1990 (in %)

Year	FA	STX	SCE	SCAE	TSE
1962	-8.9	3.6	1.1	-16.0	-4.5
1963	-2.2	2.1	-14.3	-8.4	-12.6
1964	34.4	-12.9	5.4	5.1	5.3
1965	12.4	-20.9	9.2	-8.4	3.8
1966	-12.7	-16.6	-3.3	-2.7	-2.8
1967	-14.2	166.8	-10.5	-2.3	-8.6
1968	-3.1	-29.8	-11.2	-48.6	-21.9
1969	18.6	-18.5	19.6	26.6	20.9
1970	-46.0	-54.7	-43.2	-26.4	-40.5
1971	56.3	12.0	25.9	-2.1	20.5
1972	78.2	81.2	53.5	142.2	71.1
1973	-36.3	-32.6	-12.8	14.5	5.1
1974	31.9	-16.4	-35.1	4.0	-21.9
1975	17.1	-43.6	47.0	16.5	18.4
1976	-12.8	16.9	144.4	49.7	114.4
1977	15.6	6.5	-27.2	333.7	52.8
1978	18.4	-5.2	-11.4	-42.9	-31.2
1979	26.5	71.9	-1.5	-38.7	-20.9
1980	62.4	276.5	32.4	114.8	65.8
1981	-73.5	126.5	233.1	321.8	279.7
1982	-21.0	16.9	-11.3	-19.9	-16.1
1983	-11.9	0.8	7.5	-5.2	0.4
1984	-16.3	11.4	-20.4	-62.2	-42.3
1985	6.0	-16.5	-7.3	-62.3	-26.2
1986	-14.3	12.8	-9.3	22.6	13.4
1987	56.6	-22.7	-7.8	61.6	6.3
1988	14.8	-3.1	9.3	22.6	13.4
1989	-6.1	-42.9	-12.1	4.7	-6.5
1990	20.2	65.3	31.4	2.1	20.5

Source: Computed by authors from Table A-8.

Table A-11: Implementation of the revenue allocation system in selected Nigerian states, 1982-1989 (million naira)

Year	Statutory	Amount received	Excess
Anambra			
1982	181.3	181.4	-0.1
1983	178.8	2445.6	-66.8
1984	157.0	157.0	0
1985	182.4	181.8	+0.6
1986	151.6	170.8	-19.3
1987	342.6	409.8	-67.2
1988	426.9	442.5	-15.6
1989	573.0	588.2	-15.2
Bendel			
1982	232.2	232.2	0
1983	225.2	225.6	0
1984	212.9	212.9	0
1985	228.1	189.9	+38.2
1986	198.2	173.9	+24.3
1987	415.8	493.7	-77.9
1988	520.4	593.9	-73.5
1989	676.3	712.0	-35.7
Cross River			
1982	175.4	177.4	-2.0
1983	172.5	203.2	-30.7
1984	154.3	157.2	-2.9
1985	170.5	152.8	-17.7
1986	144.8	115.0	+29.8
1987	375.4	486.5	-111.1
1988	232.3	258.8	-26.5
1989	304.0	420.4	-116.4
Lagos			
1982	133.9	183.9	-50.0
1983	129.8	129.8	0
1984	113.4	199.3	-85.9
1985	141.0	215.2	-74.2
1986	140.7	221.9	-81.2
1987	270.6	473.2	-202.6
1988	338.4	552.1	-213.7
1989	419.2	836.7	-417.5
Kaduna			
1982	197.6	205.1	-7.5
1983	192.3	205.5	-58.2

Table A-11 continued

1984	179.9	198.8	-18.9
1985	220.7	240.6	-19.9
1986	198.1	175.2	+22.9
1987	440.6	660.9	-220.3
1988	291.2	433.3	142.1
1989	301.2	301.2	0
Kano			
1982	248.0	249.6	-1.6
1983	240.2	241.8	-1.6
1984	228.2	229.9	-1.7
1985	280.8	291.3	-10.5
1986	254.6	252.5	+2.1
1987	501.8	559.3	-57.5
1988	639.4	628.2	+11.2
1989	786.1	759.9	+26.2
Ogun			
1982	114.6	114.6	0
1983	111.9	111.9	0
1984	104.4	90.9	+13.5
1985	115.3	48.3	+67.0
1986	111.4	80.9	+30.5
1987	231.9	275.3	-43.4
1988	285.4	312.0	-26.6
1989	336.8	205.8	+131.0
Oyo			
1982	226.7	226.7	0
1983	220.4	220.4	0
1984	198.2	202.1	-3.9
1985	239.9	316.9	-122.0
1986	214.4	255.9	-41.5
1987	437.2	471.4	-34.2
1988	572.5	552.2	+20.3
1989	701.6	716.7	-15.1
Plateau			
1982	126.2	126.2	0
1983	125.9	125.9	0
1984	96.6	98.3	-1.7
1985	97.7	110.2	-12.5
1986	77.6	21.8	+55.8
1987	202.4	121.4	+81.0
1988	300.7	242.6	+58.1
1989	378.8	339.9	38.9

Table A-11 contnued

Rivers			
1982	226.2	226.2	0
1983	NA	NA	NA
1984	202.7	206.2	-3.5
1985	208.2	220.3	-12.1
1986	171.0	185.3	-14.3
1987	384.0	489.6	-105.6
1988	490.2	473.5	+16.7
1989	618.5	646.2	-27.7

Sources: (1) Federal ministry of finance and development,
 (2) Central bank of Nigeria, Lagos.
 (3) States' ministries of finance.

Notes: 1. A minus (-) indicates that the state received more than its statutory allocation according to allocation formula; plus (+) shows that the state received less than its statutory share. 2. The allocation is based on the revenue Act of 1981 formulae.

Table A-12: Nigeria: Population of states, 1982-1986 (million)

STATE	1982	1983	1984	1985	1986
Anambra	5.7	5.9	6.0	6.2	6.7
Bauchi	3.9	4.0	4.1	4.2	4.5
Bendel	3.9	4.0	4.1	4.2	4.6
Benue	3.9	4.0	4.1	4.2	4.5
Borno	4.8	4.9	5.0	5.2	5.6
C\River	5.5	5.7	5.8	6.0	6.5
Gongola	4.2	4.3	4.4	4.5	4.9
Imo	5.9	6.0	6.2	6.3	6.9
Kaduna	6.5	6.7	6.8	7.0	7.7
Kano	9.2	9.4	9.7	10.0	10.8
Kwara	2.7	2.8	2.7	3.0	3.2
Lagos	2.6	2.7	2.8	3.4	3.8
Niger	1.9	2.0	2.1	2.1	2.0
Ogun	2.4	2.5	2.6	2.7	2.9
Ondo	4.4	4.5	4.6	4.7	5.1
Oyo	8.3	8.5	8.7	9.0	9.7
Plateau	3.2	3.3	3.4	3.5	3.8
Rivers	2.7	2.8	2.9	3.0	3.2
Sokoto	7.2	7.4	7.6	7.8	8.5

Source: Federal Office of Statistics, *Annual Abstract of Statistics*, 1988, Lagos

Notes: C\River is an abbreviation for Cross River State

Table A-13: Primary school enrolment in Nigerian states, 1982-1986 (million)

State	1982	1983	1984	1985	1986
Anambra	1.005	.853	.838	.929	1.414
Bauchi	.370	.434	.326	.284	.308
Bendel	.819	.860	.928	.661	.759
Benue	.903	.975	.954	.442	.468
Borno	.398	.404	.446	.444	.470
C/River	.836	.868	.872	.846	.617
Gongola	.521	.470	.518	.360	.384
Imo	.855	.827	.794	.850	.887
Kaduna	1.060	1.070	1.134	1.262	.817
Kano	1.200	1.215	.752	.763	.765
Kwara	.591	.621	.866	.536	.526
Lagos	.565	.571	.638	.651	.662
Niger	.426	.451	.462	.460	.451
Ogun	.401	.426	.445	.360	.369
Ondo	.674	.692	.694	.568	.453
Oyo	1.878	1.972	2.070	1.983	1.936
Plateau	.601	.565	.524	.546	.512
Rivers	.514	.585	.369	.321	.345
Sokoto	.645	.684	.706	.718	.725
Abuja	.023	.029	.045	.045	.047
Total	14.285	14.575	14.383	13.025	12.915

Source: Federal Office of Statistics, Lagos.

Table A-14: Primary school enrolment in Nigeria: Ratio of state over total (in %)

State	1982	1983	1984	1985	1986
Anambra	7.0	5.8	5.8	7.1	10.9
Bauchi	2.6	3.0	2.3	2.2	2.4
Bendel	5.7	5.9	6.4	5.1	5.9
Benue	6.3	6.7	6.6	3.4	3.6
Borno	2.8	2.8	3.1	3.4	3.6
C/River	5.9	6.0	6.1	6.5	4.8
Gongola	3.6	3.2	3.6	2.8	3.0
Imo	6.0	5.7	5.5	6.5	6.9
Kaduna	7.4	7.3	7.9	9.7	6.3
Kano	8.4	8.3	5.2	5.9	5.9
Kwara	4.1	4.3	6.0	4.1	4.1
Lagos	4.0	3.9	4.4	5.0	5.1
Niger	3.0	3.1	3.2	3.5	3.5
Ogun	2.8	2.9	3.1	2.8	2.9
Ondo	4.7	4.7	4.8	4.4	3.5
Oyo	13.1	13.5	14.4	15.2	15.0
Plateau	4.2	3.9	3.6	4.2	4.0
Rivers	3.6	4.0	2.6	2.5	2.7
Sokoto	4.5	4.7	4.9	5.5	5.6
Abuja	0.2	0.3	0.3	0.3	0.4

Source: Computed from data in Table A-9

Table A-15: Fiscal operations of selected states in Nigeria, 1980-1990 (million naira)

Year	FA	RX	CE	CAPE	TE	RE1	RE2
Anambra							
1980	225.1	38.4	256.2	178.6	434.8	14.9	8.8
1981	199.3	64.3	337.5	438.1	775.6	19.1	8.3
1982	181.3	281.8	412.3	476.0	888.3	68.3	31.7
1983	178.8	167.4	442.9	347.2	770.1	37.8	21.7
1984	157.0	106.0	2800	170.0	450.0	37.8	23.6
1985	182.4	87.6	290.3	85.5	375.8	30.2	23.3
1986	151.5	117.7	309.5	87.0	396.5	38.0	29.7
1987	342.6	130.4	411.1	153.0	564.1	31.7	23.1
1988	426.9	130.0	431.6	212.0	643.6	30.1	20.2
1989	573.0	41.3	567.0	211.3	778.3	7.3	5.3
1990	725.8	186.4	698.4	210.7	909.1	26.7	20.5
Bendel							
1980	372.0	50.0	244.3	206.8	451.1	20.5	11.1
1981	309.0	32.4	358.7	626.1	984.8	9.0	3.3
1982	232.2	44.4	365.1	416.7	781.8	12.1	5.6
1983	225.6	53.6	419.2	330.6	749.8	12.8	7.1
1984	212.9	149.6	365.5	102.6	468.1	40.9	32.0
1985	228.1	162.7	396.7	67.1	463.8	41.0	35.1
1986	198.2	120.9	333.2	59.4	392.6	36.3	30.8
1987	415.8	118.4	406.2	93.7	499.9	29.1	23.7
1988	520.4	190.4	155.9	645.3	38.9	29.5	-
1989	676.3	93.1	521.0	342.4	863.4	17.9	10.8
1990	821.2	152.9	723.5	399.0	1111.5	21.1	13.8
Cross River							
1980	227.4	22.6	273.2	60.6	520.8	8.3	4.3
1981	198.0	27.5	330.7	325.2	655.9	8.3	4.2
1982	175.4	40.8	256.6	250.3	506.9	15.9	8.0
1983	172.5	54.8	276.1	289.8	565.9	19.8	9.7
1984	154.3	61.6	227.1	83.3	310.3	27.1	19.9
1985	170.5	64.2	288.1	16.7	304.8	22.3	21.1
1986	144.8	55.5	260.0	15.9	275.9	21.3	20.1
1987	375.4	43.0	253.3	88.5	341.8	17.0	12.6
1988	232.3	21.0	137.4	90.5	227.9	15.3	9.2
1989	304.8	32.0	1340	133.2	267.2	23.9	12.0
1990	493.8	43.1	244.5	83.1	327.6	17.6	13.2
Lagos							
1980	143.4	43.6	344.6	160.5	505.1	125.5	85.6
1981	129.7	365.2	369.1	386.4	755.5	98.9	48.3
1982	133.9	399.4	415.5	272.0	687.5	96.1	58.1
1983	129.8	417.7	446.4	564.4	1010.8	93.6	41.3

Table A-15 continued

1984	113.4	296.3	475.2	659.2	1134.4	62.3	26.1
1985	141.0	412.7	423.1	168.8	691.9	78.9	59.6
1986	140.7	458.2	351.8	234.2	586.0	130.2	78.2
1987	270.6	466.6	410.4	551.2	961.6	113.7	48.5
1988	338.4	464.7	47.3	412.6	859.9	103.9	54.0
1989	419.2	593.1	457.6	615.2	1072.8	129.6	55.3
1990	533.0	729.9	868.7	878.5	1742.2	84.0	41.8
Kaduna							
1980	234.7	65.8	245.1	270.4	515.5	26.8	12.8
1981	221.1	37.4	254.4	386.1	640.5	14.7	5.8
1982	197.6	45.6	274.3	373.8	648.1	16.6	7.0
1983	192.3	60.0	320.9	354.0	674.9	18.7	8.9
1984	179.9	85.4	273.8	188.6	462.4	31.2	18.5
1985	220.7	77.5	240.3	76.2	316.5	32.3	24.5
1986	198.1	61.4	227.8	54.6	282.4	27.0	21.7
1987	440.6	132.7	219.0	124.0	343.0	60.6	38.7
1988	291.2	72.8	79.3	142.6	221.8	91.8	32.8
1989	301.2	129.6	302.5	258.4	560.9	42.8	23.1
1990	526.7	189.1	858.8	138.4	497.2	52.7	38.0
Kano							
1980	282.2	66.5	222.9	244.6	467.5	29.8	14.2
1981	260.1	50.3	280.9	450.6	731.5	17.9	6.9
1982	248.0	38.1	263.7	376.0	639.7	14.4	8.9
1983	240.2	52.4	313.7	276.9	590.6	16.7	8.9
1984	228.2	92.4	258.7	15.6	374.3	35.7	24.7
1985	280.8	73.2	245.0	118.7	363.7	29.9	20.1
1986	254.6	92.3	261.7	87.3	349.0	35.3	26.4
1987	501.8	104.0	382.6	189.7	572.3	27.2	18.2
1988	639.4	96.1	530.7	227.0	757.7	18.1	12.7
1989	786.1	48.8	538.7	378.7	917.4	9.1	5.3
1990	923.0	144.8	765.7	272.8	1038.5	18.9	13.9
Ogun							
1980	141.6	23.9	124.1	251.5	375.6	19.3	6.4
1981	135.9	50.1	193.5	210.6	404.1	25.9	12.4
1982	114.6	32.0	158.6	181.7	340.3	20.2	9.4
1983	111.9	47.2	203.0	217.4	420.4	23.2	11.2
1984	104.4	135.0	253.4	58.9	312.3	53.3	43.2
1985	115.3	55.0	208.8	28.5	237.3	26.3	23.2
1986	111.4	64.7	163.6	43.0	206.6	39.5	31.3
1987	231.9	77.0	181.0	84.5	265.5	42.5	29.0
1988	285.4	79.1	223.4	127.3	350.7	35.4	22.5
1989	336.8	28.1	286.1	235.5	521.6	9.8	5.4
1990	512.2	28.0	364.4	210.8	575.2	7.7	4.9

Table A-15 continued

Oyo							
1980	278.6	78.5	236.2	187.7	423.9	33.2	18.5
1981	248.2	41.8	300.2	379.1	679.3	13.9	6.2
1982	246.7	61.5	351.1	420.4	771.5	17.5	8.0
1983	220.4	37.3	425.4	396.2	819.7	13.5	7.0
1984	198.2	201.4	378.2	99.9	478.1	53.3	42.1
1985	239.9	141.0	422.3	80.6	502.9	33.4	28.0
1986	214.4	194.1	402.3	58.9	461.2	48.2	42.1
1987	437.2	234.2	440.8	234.3	675.1	53.1	34.7
1988	572.5	280.5	595.5	361.3	956.8	47.1	29.3
1989	701.6	125.3	714.0	240.3	954.3	17.5	13.1
1990	836.0	401.9	823.7	528.3	1352.0	48.7	29.2
Plateau							
1980	162.8	83.4	215.1	380.4	595.5	38.8	14.0
1981	161.7	35.5	237.6	342.4	580.0	14.9	6.1
1982	126.2	31.9	250.1	355.5	605.6	12.8	5.3
1983	125.9	25.1	246.0	333.0	579.0	10.2	4.3
1984	96.6	36.7	147.4	16.4	163.8	24.9	22.4
1985	97.7	28.2	186.0	5.4	191.4	15.2	14.7
1986	77.6	39.4	193.4	5.4	198.8	20.4	19.8
1987	292.4	27.8	302.7	8.5	311.2	9.2	8.9
1988	300.7	35.3	341.6	55.1	396.7	10.3	8.9
1989	378.8	11.6	405.7	52.4	458.1	2.9	2.5
1990	538.9	56.4	373.6	98.7	472.3	15.1	11.9
Rivers							
1980	346.0	45.4	373.3	178.6	551.9	12.2	8.2
1981	300.7	53.2	333.9	533.6	867.5	15.9	6.1
1982	262.2	-	-	-	-	-	-
1983	-	-	-	-	-	-	-
1984	202.7	87.3	286.9	77.0	363.9	30.4	24.0
1985	208.2	77.6	322.1	44.8	366.9	24.1	21.2
1986	171.0	80.9	282.4	41.2	323.6	28.6	25.0
1987	284.0	67.3	08.7	37.0	345.7	21.8	19.5
1988	490.2	94.3	397.8	249.4	647.2	23.7	14.6
1989	618.5	26.3	476.8	195.7	672.5	5.5	3.9
1990	725.1	185.1	647.9	344.9	992.8	28.6	18.6

Source: (1) Files of the Federal Ministry of Finance and Development, Lagos.
(2) State Ministries of Finance. (3) Central Bank of Nigeria, Lagos.

Notes: FA = Federal allocation; RX = State tax revenues; RE1 = Ratio of state revenue to current expenditure (revenue efforts); RE2 = Ratio of state revenue to total expenditure (current + capital); CE = Current expenditures; CAPE = Capital expenditure; TE = Total expenditure

Appendix B

Figure B-1: Federal allocation to regions and tax revenues of regions, 1961-1966 (N million)

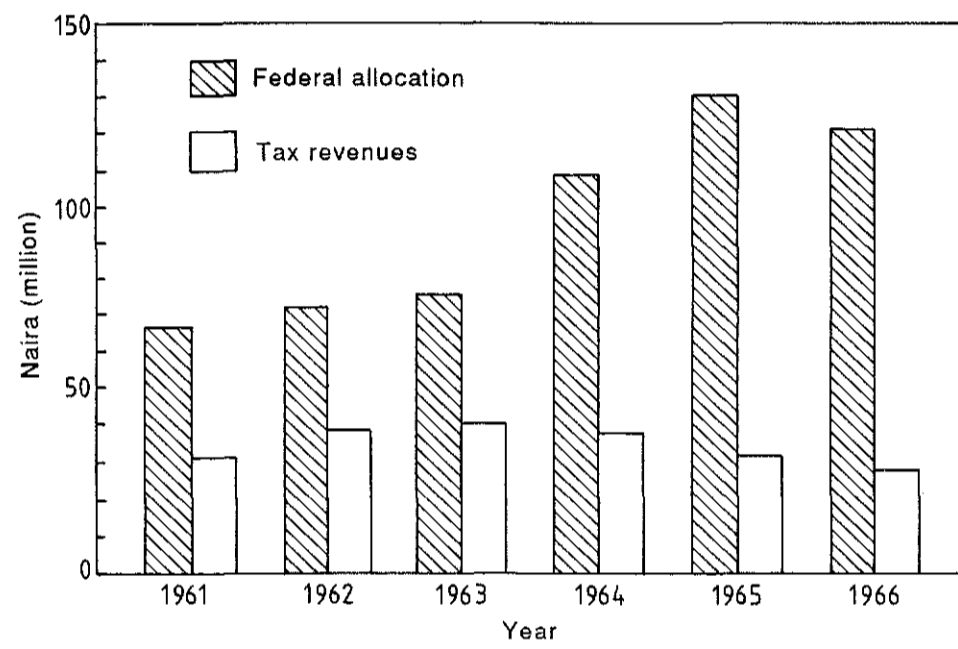


Figure B-2: Tax revenues and current expenditures of regions, 1961-1966

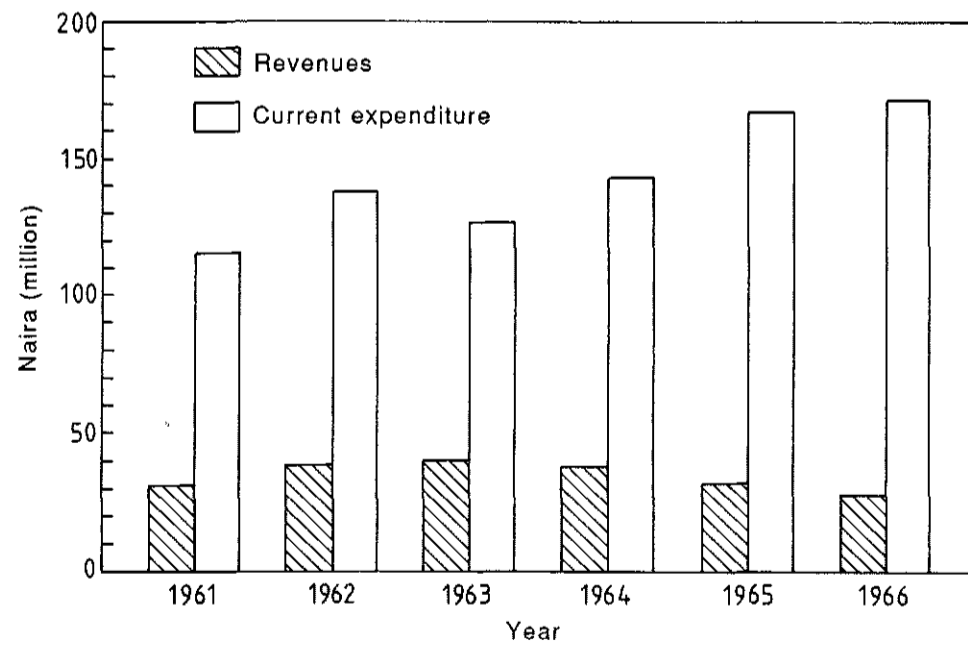


Figure B-3: Federal allocation to states and tax revenues of states, 1967-1978 (N million)

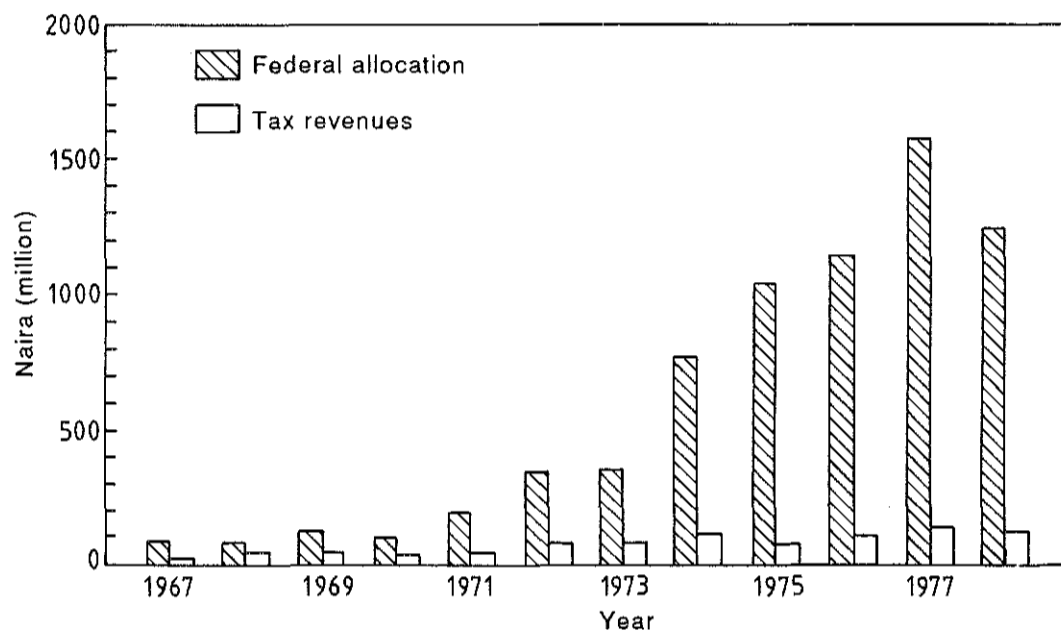


Figure B-4: Tax revenues and current expenditures to states, 1967-1978 (N million)

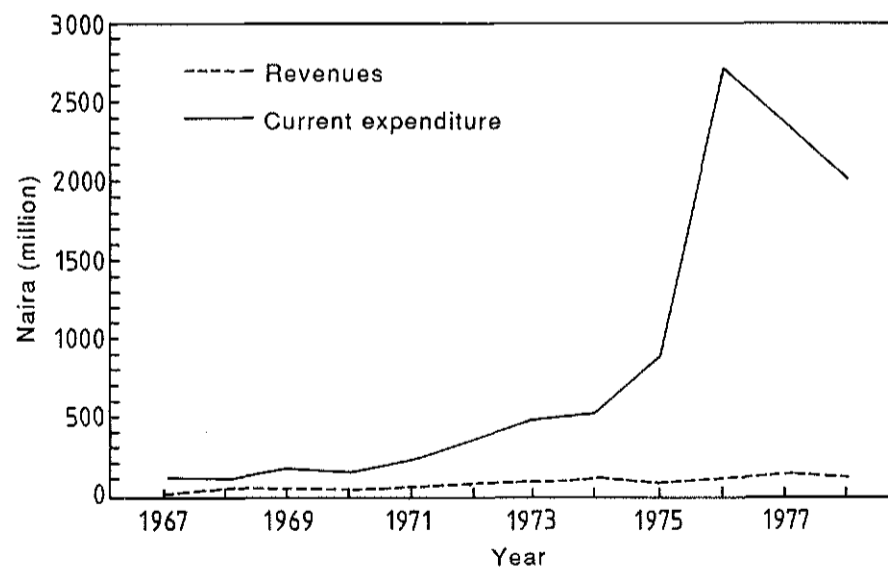
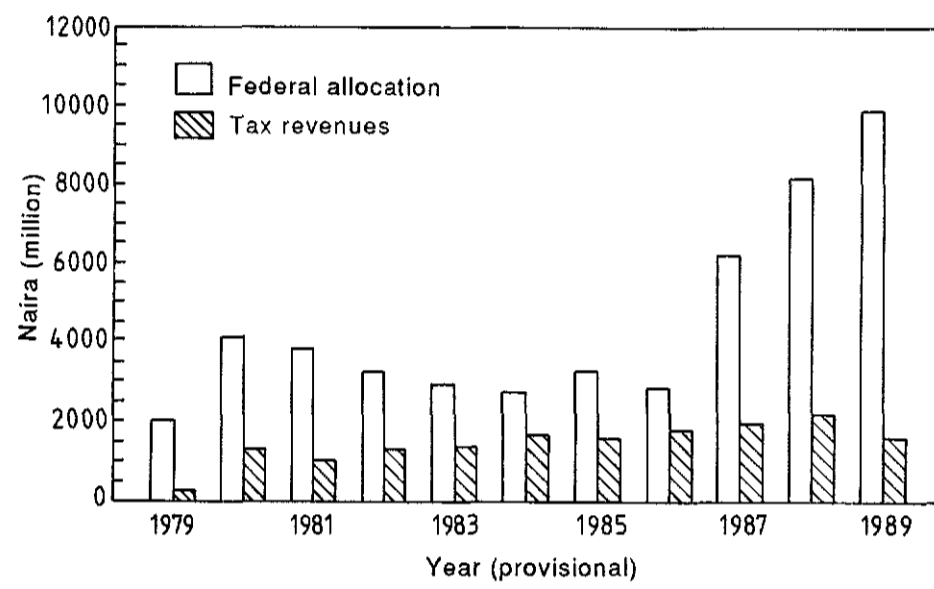
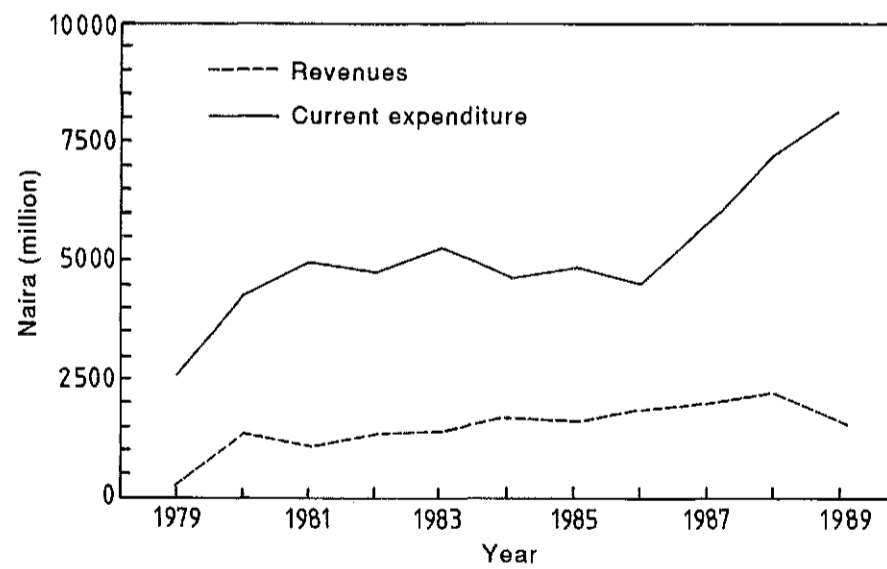


Figure B-5: Federal allocation to states and tax revenues of states, 1979-1989 (N million)**Figure B-6:** Tax revenues and current expenditures of states, 1979-1989 (N million)



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