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The Intersection between Revenue Allocation and Economic Drive and Development in Nigeria since 1999

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Abstract

Nigeria, a country abundant in natural resources located in West Africa, has encountered significant obstacles in effectively generating, managing, and utilizing revenue to foster sustainable economic growth and development, since the termination of military rule in 1999. This study delves into the impact of revenue allocation on Nigeria's economic progress following the restoration of democratic governance in 1999. It scrutinizes the various revenue allocation mechanisms implemented before and during this period and evaluates their efficacy in advancing economic development in Nigeria. Against this backdrop, critical economic indicators such as Gross Domestic Product (GDP) growth, poverty rates, employment levels, and infrastructure development were scrutinized to ascertain whether the revenue allocation system adopted during Nigeria's uninterrupted democratic rule has enhanced the country's economic advancement. The historical research methodology was adopted, which involved the collection, analysis and corroboration of primary and secondary research data. The study finds out that despite the clear aspiration for economic development, sustainable development has not been achieved. This disappointing outcome is a result of poor planning, misallocation of resources, lack of people-oriented policies, transparency/accountability, political will, the prevalence of corruption, over-reliance on petroleum resources, and over-concentration of power at the center. These factors have undermined initiatives and innovations at the component units, leading to an increase in poverty levels, unemployment, and social inequalities. To address these issues, the paper recommends decongesting power from the center to promote competition and increase in revenue generation at the component units. Additionally, the enactment and implementation of policies that put Nigerians first, needs to be prioritized.

Key Words: Revenue Allocation, Return to Civil Rule, Democratic Governance, Economic Drive, Economic Development in Nigeria

Introduction

The transition to civil rule in 1999 was a milestone in Nigeria's political history. Unlike the preceding democratic experiences which were marked by an abrupt end, the significance of 1999 in democratic governance in Nigeria cannot be over-emphasized. This is because despite the challenges that Nigeria has undergone between 1999 and 2023, the Fourth Republic has remained uninterrupted and by implication, the longest in the country's political history. Nigeria, had before the period in question experienced a long period of military rule, marked by human rights abuses, corruption and political instability. The unfavourable political environment engendered internal and external pressure on the military. This was due to sustained determination on the part of the citizens to reclaim their rights to choose their leaders over a given period, which had been stolen by the military.

The transition process was initiated by Nigeria's last military dictator, General Abdulsalam Abubakar, who took the reins of government immediately after the death of Nigeria's brutal dictator, General Sani Abacha. Consequently, a number of political reforms aimed at restoring democratic rule in Nigeria were initiated. Some of the reforms included the lifting of the ban on political parties and political activities, the release of political prisoners and the formation of the Independent National Electoral Commission (INEC) to oversee the much anticipated electoral process. The victory of the People's Democratic Party's (PDP) nominee, Olusegun Obasanjo was considered a beacon of hope by Nigerians, who enthusiastically craved for positive changes under democracy. Unfortunately, however, their hopes were dashed as a result of numerous challenges that have bedevilled the much anticipated dividends of a return to democratic governance.

One of the major challenges of the period has been the question of revenue allocation between the central government and the component units of the federation. The result has been continuous contestations over the modus operandi of the distribution of national wealth due to ethnic, regional, religious and other sectarian interests. Be that as it may, the importance of revenue allocation in driving economic growth and development is not in doubt. The strategic allocation of state funds to education, healthcare, social welfare programmes, business-friendly policies and overall infrastructure development holds the potential of creating an enabling environment for trade and commerce to flourish. Additionally, adequate allocation of resources is capable of enhancing the quality of life of citizens, productivity, innovation and attracting both local and foreign investment in an economy. Ultimately, it can help in reducing inequality, and in stimulating sustainable economic growth and development.

On this backdrop, this paper sets out to examine the revenue allocation systems in Nigeria since the return to civil rule. The objective being to assess the impact of the same on Nigeria's economic drive and the way forward for the country.

Revenue Allocation System in Colonial Nigeria, 1946-1960

It is eminently important to note that revenue allocation system is one of the legacies the British colonial rule bequeathed on Nigeria. Prior to 1946, Nigeria operated a unitary system of government, where there was no need for a revenue sharing scheme. However, with the introduction of the 1946 Richard's Constitution, which recognized regionalism and allowed for the creation of regions, a revenue sharing scheme was necessary to allocate resources to these newly created regions. Consequently, numerous commissions have been established in Nigeria to address the historical tensions surrounding revenue allocation, aiming to mitigate and resolve this issue. The Phillipson Commission on Revenue Allocation, established in 1946, was the first commission tasked with developing an equitable revenue allocation formula to allocate funds to the regions in line with their newly assigned responsibilities (Afigbo, 1991). Phillipson's revenue allocation formula was based on three factors: principles of derivation, even progress and population. However, the emphasis was primarily on the principle of derivation, which sparked controversy, from areas without much resources (Afigbo, 1991). This principle implies that all or some part of the revenue generated from a specific region should be allocated back to that region.

The controversies arising from the commission's actions prompted the establishment of the Hicks-Phillipson Commission on revenue allocation in 1951. According to the colonial state, the purpose of this commission was to devise a revenue sharing formula that would lead to a progressively fairer distribution of revenue over a period of five years (Afigbo, 1991). The Commission proposed the adoption of a strategy where regions would generate their own revenues independently, in contrast to the previous approach, where all revenue was collected and distributed by the central government (Phillips, 1991). In accordance with the strategy of the commission, disbursements from centrally collected revenue were to be distributed based on the principles of derivation, need, population and national interest. This formula, nevertheless, suffered a serious setback, as factors such as population and national interest were deemed to lack clear definitions. The Western Regional Government, which was comparatively wealthier than other regions due to its cocoa production, advocated for a new revenue allocation scheme that would allocate a higher percentage based on the derivation principle (Phillips, 1991). This much exerted pressure played a role in the establishment of the Chicks Commission in 1953.

The Chicks Commission was established subsequent to the 1953 constitutional conference, which resulted in the Lyttelton Constitution of 1954. This constitution granted full autonomy to the regions and formally instituted a federal structure for the country. One of the Commission's terms of reference was to ensure that the total revenue available to Nigeria was distributed in a manner that fully adhered to the principle of derivation (Oyewole, 2001). Chicks diligently adhered to his terms of reference, and as a follow-up, the central marketing board was disbanded in 1954 and replaced with regional resource boards, with their resources allocated based on derivation (Oyewole, 2001). In addition to import and excise duties, the allocation scheme was expanded by him to include export duties, mining rents, and royalties (Adeyemi, 2005). The Commission's formula was in effect for approximately five years, during which disputes arose regarding the application of the derivation principle. This was due to objections from regions with fewer natural resources, which led to demands for the use of equality among regions, need and national interest (Adeyemi, 2005).

The constitutional conference held from 1957 to 1958 presented an opportunity to reassess the Chick's revenue allocation sharing formula, which had faced strong criticism from certain regions. This led to the establishment of the Raisman Commission in 1958, tasked with devising a more effective revenue allocation formula. The Commission made significant changes, including making personal income tax a regional tax and creating a Distributable Pool Account (DPA) for sharing federally collected revenue among the regions (Adeyemi, 2005). The Raisman Revenue Allocation scheme was based on the principles of derivation and need, resulting in the North receiving 40%, the West 31%, the East 24%, and Southern Cameroons 5% of centrally collected revenue (Adamolekun, 1991). The system remained unchanged until 1964, at which time the Binns Commission was established to conduct a review of it.

Revenue Allocation System in Post-colonial Nigeria, 1964-1999

The British formally introduced federalism into Nigeria in 1954, leading to the constitutional division of power between the central government and the component units (Adamolekun, 2022). In pursuit of political order and stability, Nigeria had long considered the federal type of government as the foundation upon which its unity and corporate existence can be safeguarded. It is believed to be the most appropriate structure of governance for the country in the light of its linguistic, cultural, religious and ethnic diversities. Therefore, it is one of the major mechanisms for resource allocation, conflict management, as well as development.

The first revenue commission set up in post-colonial Nigeria was the Binns Commission of 1964. It was established to assess the distribution of mining rents and royalties and the allocation of funds from the DPA among the four regions, subsequent to the formation of the Mid-West from the defunct Western region in 1963. The Commission declined the contentious principle of derivation and advocated for the principle of financial comparability, which can be seen as a blend of need and balanced development (Awa, 1964). Consequently, the allocation was based on each region's financial position, tax efforts, and the quality of services provided. Binns recommended the following allocation percentages for the regions in the DPA: North 24%, East 30%, West 20%, and Mid-West 8%. These recommendations were scheduled to take effect on April 1, 1966 (Oyovbaire. 1985). However, the military intervention on January 15 1966 nullified these recommendations. The subsequent creation of 12 new states from the four old regions in 1967 further complicated the distribution of funds in the DPA. The distribution of DPA funds following the military takeover followed a specific formula. The states in the former Western and Eastern regions received their share based on population, while the Northern states were allocated funds based on the principle of equality (Oyovbaire, 1985).

In 1968, the Supreme Military Council (SMC) established the Dinna Interim Revenue Allocation Committee with the purpose of examining the existing revenue allocation system and proposing necessary adjustments. The committee was also tasked with identifying potential sources of revenue for both state and federal governments. The Committee recommended the following: a) changing the name of the DPA to State Joint Account (SJA), b) establishing a Special Grants Account (SGA), and c) creating a permanent planning and fiscal commission to oversee the SGA (Oyovbaire, 1985). Regarding the allocation to states, the Committee rejected the principle of derivation and instead applied the principles of basic need, minimum national standards, and balanced development. Disbursements from the SGA were based on the principles of tax effort, balanced development, and national interest (Adejumobi, 1977). The military government rejected the report, stating that it had exceeded its power and, in many respects, ignored its terms of reference (Adejumobi, 1977).

During the military era, the majority of the Federally Collected Revenue (FCR) was shifted to the central government. This is not surprising, as federalism during that period was mostly theoretical, given the high level of centralization in a military regime. The allocation of revenue was based on two main principles: a) the principle of population, accounting for 50%, and b) the principle of equality of states, also accounting for 50% (Jinadu, 1985). In terms of export revenue, states received only 60% instead of the previous 100%, with the remaining 40% being retained by the federal government. Additionally, a decree was implemented by the military that granted the federal government 100% right to off-shore rents and royalties (Olowu, 1991). It is interesting to note that there was another decree that transferred a significant portion of revenue from the states to the DPA, with 80% of on-shore mining rents being redirected to the DPA and only 20% remaining for the states to be distributed based on the principle of derivation (Eliagwu, 2002). However, the decree did not alter the existing principles of revenue allocation based on population and equality among states.

The Aboyade Technical Committee on Revenue Allocation was appointed by the Obasanjo regime in 1977 as part of its transition program to civil rule. The regime hoped that if the Committee's report was accepted, it would be included in the constitutional proposals. The Committee recommended that all FCR without any distinction be paid into the federation account. The proceeds were to be divided among the federal, state, and local governments in the ratio of 60%, 30%, and 10%, respectively (Eliagwu, 2002). In addition, a Special Grants Account (SGA) to assist mineral-producing areas was recommended. The federal government was to pay in 3% of its share of revenue to this SGA. The Commission derived its distribution formula from five guiding principles, namely: a. ensuring equal access to development opportunities; b. setting national minimum standards for national integration; c. considering absorptive capacity (the ability to learn and apply new knowledge); d. evaluating independent revenue and minimum tax effort; and e. assessing fiscal efficiency (Osaghae, 1992).

Despite the rejection of the Commission's report by the Constituent Assembly in 1978 due to its perceived technical complexity, the concept proposed by the Commission, which involved consolidating all FCR into a common pool for distribution among different levels of government, was embraced. Consequently, the "Federal Account" was established in 1979 (Olowu, 1991). Furthermore, the National Assembly (NASS) was tasked with the responsibility of determining the allocation of revenue among the various units of government. The military transferred political power to civilians in 1979. The new administration faced the challenge of devising a new and acceptable revenue sharing scheme for the country. In response, a presidential commission led by Dr. Pius Okigbo was established in 1980 to assess the existing formula for revenue allocation, taking into account principles such as derivation, population, equality of states, even development, equitable distribution, and national interest. The commission, based on its terms of reference, proposed the following recommendations: 53% of FCR was to be retained by the federal government, 30% was to be allocated to the states, 10% was designated for local governments, and 7% was earmarked as special funds (Osaghae, 1992). The table below captures the percentage of revenue shared between the central government and the component units of Nigeria, between1960 and 1998.

Table 1: Revenue Allocation between the Federal, States and Local Governments of Nigeria (1960-1998)

	1960	1963-67	1980	1982	1987	1990	1993	1995-98
Federal Government	70.0%	65.0%	55.0%	55.0%	55.0%	50.0%	48.5%	48.5%
State Government	30.0%	35.0%	34.5%	34.5%	32.5%	30.0%	24.0%	24.0%
Local Governments	0.0%	0.0%	8.0%	10.0%	10.0%	20.0%	20.0%	20.0%
Others	0.0%	0.0%	2.5%	0.5%	2.5%	0.0%	7.5%	7.5%

Source: Approved Budget of the Federal Government of Nigeria, which includes special funds, Federal Capital Territory (FCT), Derivation, Development of Minerals, Ecology and Statutory Stabilization.

The table shows how revenue allocation has overwhelmingly been in favour of the central government within the period covered. It equally points to the fact that the current revenue allocation regime which maintains the status quo, has been tremendously influenced by the former. Overall, in the 1980s and 1990s, Nigeria witnessed various changes in its revenue allocation formula due to political transitions, economic challenges and demands for fiscal restructuring (Osaghae, 1991). These changes often reflected the power dynamics between the federal government and the state governments, as well as efforts to promote equity and fairness in revenue distribution. Being that Nigeria was under military rule for a significant part of the 1980s and 1990s, the military regimes often had a centralizing effect on revenue allocation. The objective was to consolidate power at the federal level, with little attempts to address regional imbalances through adjustments of the allocating system.

Revenue Allocation System in Nigeria Since 1999

As mentioned earlier, Nigeria operated a centralized system of government under military dictatorship before 1999, with the federal government retaining most of the generated revenue. This led to dissatisfaction among states and local governments, as they felt marginalized and lacked autonomy in managing their affairs. The demand for a fairer revenue allocation formula became a central issue during the transition to democratic governance in 1999. Therefore, the shift to civilian rule in 1999 was a watershed moment in Nigeria's governance and fiscal policies. Democratic governance sparked renewed debates on fiscal federalism and revenue distribution, with a focus on rectifying historical injustices and ensuring fair allocation of resources across board. This is because the diverse ethnic, cultural, and economic make-up of Nigeria has made revenue allocation a complex and delicate matter, as it dictates how the federal government's generated revenue is divided among the federal, state and local governments. Since 1999, Nigeria has witnessed several alterations in its revenue allocation formula, reflecting the country's changing political and economic dynamics.

The current method of distributing revenue in Nigeria is primarily based on the provisions of the 1999 Constitution, as amended in 2015 (Suberu, 2005). The Revenue Mobilization, Allocation, and Fiscal Commission (RMAFC) is tasked with determining the formula for sharing revenues among the federal, state, and local governments. The RMAFC utilizes specific principles in creating the revenue allocation formula, including population, equality of states, internal revenue generation, land mass, terrain and social development factor (Suberu, 2005). The objective is to ensure an equitable distribution of resources while considering factors such as population density, land area and fiscal related matters.

One of the significant changes introduced with the transition to civil rule in 1999 was the principle of derivation. This principle allows states to retain a portion of the revenue generated from natural resources within their territories. The derivation principle was implemented in response to the demand for resource control by the oil-producing states in Nigeria's Niger Delta region (Olukoshi, 2004). It is important to note that the current revenue allocation formula in Nigeria designates 52.68% to the federal government, 26.72% to the state governments, and 20.60% to the local governments from the Federation Account. Furthermore, 13% of oil revenue is allocated to oil-producing states based on the derivation principle they had long advocated for (Olukoshi, 2004). It is noteworthy that revenue allocation in Nigeria has been influenced by various factors. The major factor is changes in the international oil price because of the country's heavy reliance on oil revenues, which has made it vulnerable to fluctuations in global oil prices, resulting in volatility in revenue allocation. Other factors include economic reforms and political dynamics.

Therefore, in times of elevated oil prices, there is typically an upsurge in the allocation of revenue to all levels of government, resulting in augmented expenditure on infrastructure, social initiatives and public amenities. Conversely, during periods of reduced oil prices, there have been difficulties in fulfilling budgetary commitments, leading to financial limitations and adjustments in revenue distribution. The system has also encountered obstacles and controversies, encompassing matters related to transparency, accountability, and efficiency in resource utilization. Concerns such as horizontal and vertical imbalances,[1] excessive reliance on oil revenue, fiscal federalism, and regional inequalities persist as contentious subjects that influence deliberations on revenue sharing. Given the aforementioned challenges, there has been an increasing demand for reforms to tackle these issues and ensure a fairer and more sustainable allocation of resources since 1999. The majority of the suggestions revolve around the

[1] Horizontal and vertical imbalances refer to the disparities in the distribution of resources and wealth among different regions, industries, or sectors within a country or economy. These imbalances can have significant impacts on the overall economic growth, development, and stability of a region or country.

necessity to broaden the revenue sources beyond reliance on oil and involve initiatives such as boosting non-oil revenues, enhancing tax administration, and promoting fiscal discipline across all government levels (Suberu, 2005).

From the foregoing, it is clear that the revenue allocation formula in Nigeria between 1999 and 2023 has been shaped by a multifaceted interplay of economic, political and social factors. This complex dynamic has led to the development of evolving systems of revenue allocation, which aim to balance competing interests, while striving for equitable development across the country.

Revenue Allocation and Nigeria's Economic Drive Since 1999

Revenue allocation plays a critical role in shaping the economic drive of nations. Efficient and effective distribution of funds can result in the development of crucial infrastructure such as roads, bridges, airports, and ports, which plays a vital role in facilitating trade, transportation and commerce. This, in turn, stimulates economic growth. Proper allocation of revenue can also contribute to the advancement of energy and telecommunications infrastructure, further bolstering economic activities. Investing in social welfare programs and human development is also fundamental to a nation's economic drive. Adequate funding for healthcare, education, housing, and social security programs is essential for enhancing citizens' quality of life. When resources are distributed fairly, it can lead to improved health outcomes, increased access to education, and a reduction in poverty level. This contributes to a more productive workforce and overall economic advancement.

The allocation of revenue has also been shown to have direct impact on the investment climate and business environment within a country. This is because a transparent and a well-managed revenue allocation system has the potential of building confidence among investors and businesses, fostering an environment that is favorable for investment, entrepreneurship and innovation. Equally, efficient allocation of revenue is crucial for ensuring the effective delivery of public services and promoting good governance (Dugard, 2017). This is because it allows governments to provide essential services such as law enforcement, public administration, environmental protection and disaster management. Appropriately distributed revenue also supports the operations of government institutions and enhances transparency in governance processes. This contributes to political stability and social cohesion while creating an environment conducive to sustainable economic progress.

Ultimately, the way revenue is allocated has a direct impact on the standard of living for citizens as well as income inequality within a nation. This is especially true in the light of the fact that equitable distribution of resources leads to improved living standards for all segments of a given society. On the other hand, unequal or unjust revenue allocation can exacerbate income disparities, leading to social unrest and hindering overall economic progress. In order to establish whether or not Nigeria's revenue allocation system has served its economic drive, the aforementioned statements of fact shall be tested in tandem with the country's experience.

The revenue allocation system in Nigeria has had both positive and negative impacts on the country's economic drive. The provision of a steady stream of revenue to the various levels of governments has enabled investment in infrastructure such as roads, railways, bridges, airports, ports, education, healthcare and other essential services that are critical to economic growth. To an extent, investment in this critical areas has promoted economic opportunities for a handful of Nigerians. In the realm of education, specifically, there were a total of thirty-six (36) universities in Nigeria before 1999. Among these, twenty-five (25) were federally owned, and eleven (11) were state-owned (Ajadi, 2010). It is important to note that this count excludes other institutions that awarded degrees but were not classified as universities. As of 2023, there are 170 universities in the country, of which 79 are private, 43 federal and 48 are owned by states across the federation (Sasu, 2023). Similar increase has been recorded in other tertiary institutions as well as primary and secondary levels.

The proliferation of institution of higher learning since 1999 has had a profound impact on access to education in Nigeria. It provided greater opportunities for individuals to pursue advanced studies, acquire specialized skills and contribute to national development across various fields such as science, technology, humanities and social sciences (Ajadi, 2010). Moreover, the increased availability of universities and degree-awarding institutions facilitated regional development by decentralizing educational resources and promoting academic diversity across different states in Nigeria.

The proliferation of universities have necessitated a focus on maintaining academic excellence, research capabilities and relevance to societal needs, which requires strategic planning, resource allocation and continuous assessment of educational outcomes. Unfortunately, however, despite the numerous opportunities the expansion of higher education has engendered, it has also brought to the fore challenges such as ensuring quality standards, adequate funding, faculty capacity building and infrastructure development. In this regard, educational policymakers and stakeholders in Nigeria have performed woefully, leading to poor standards of education and brain-drain of global proportion (Ajadi, 2010). At the very heart of the problem, is the lack of political will to turn things around for the good of ordinary Nigerians.

Since 1999, the Nigerian government and private sector have undertaken various initiatives to enhance the country's transportation, energy, water supply and telecommunications infrastructure. These efforts have aimed to improve the overall quality of life for Nigerians and support the country's economic growth. With a focus on connecting major cities and economic hubs, the Federal Government has in particular invested heavily in the construction and rehabilitation of roads. As a result, road networks across the country have expanded from approximately 100,000 km in 1999 to over 200,000 km today (World Bank, 2020). Railway networks have also been revamped. Several new rail lines have been completed, with existing ones rehabilitated. The country now has a total of over 3,500 km of rail lines, connecting major cities such as Kaduna, Lagos, Abuja, Kano and Port Harcourt. Airports and Seaports were not left untouched (World Bank, 2020). Some of the existing ones have been modernized, and news ones established to drive economic growth.

The liberalization of the telecommunications sector has enticed investments from the private sector, resulting in advancements in service delivery and expansion of networks. Consequently, Nigeria has witnessed an augmentation in the coverage of telecommunication infrastructure, accompanied by enhanced service quality and affordability for consumers (African Development Bank, 2019). The reason for all of these developments are not far-fetched; infrastructure is an indispensable component of a country's economic drive. Not only does it facilitate trade and commerce, communication and movement of goods and people, it also contributes to employment generation, investment attraction, productivity enhancement and rural development. In a nutshell, a well-functioning infrastructure system is essential for fostering economic growth and ensuring the overall prosperity of a nation.

But despite considerable infrastructural improvements in Nigeria, poverty, income disparities, and inequality and insecurity remain prevalent, because investments in the country have not been people-oriented. Thus, economic growth has not translated into inclusive growth for the broader population. Specifically, the benefits of economic growth have been concentrated among a small elite, who continue to divert resources to themselves, relations and associates, leaving the majority of the population lagging behind (African Development Bank, 2019). Thus, it is safe to say that while infrastructure has improved since 1999, the standard of living of the people the infrastructure is meant for, has not changed commensurately. Little wonder why despite being the largest economy on the continent of Africa, Nigeria was at the same time the world's poverty capital; an ironic reversal! For instance, as at 2023, the World Poverty Clock (2023) estimates that 71 million Nigerians are living in extreme poverty. Similarly, a total of 133 million people of Nigeria's over 200 million population have been classified as multidimensionally poor in

2022 (Nigerian Bureau of Statistics, 2022). Undoubtedly, this is the result of poor governance and corruption, arising from institutional weaknesses and the lack of transparency and accountability, which have hindered the effective allocation of resources. The result has been misallocation of resources and insufficient investment in critical sectors such as education, healthcare, etc. In rural areas, in particular, many Nigerians lack access to basic educational and healthcare services (African Development Bank, 2019). This has limited their ability to participate in the economy and improve their socio-economic status. The widening gap in income disparities and living standards between rural and urban residents, can be attributed to this phenomenon.

One of the significant challenges stemming from the current system is the development of a culture of dependency among the various units. This has hindered the ability to innovate and take initiatives at the state and local government levels. The heavy reliance on federal funding has made these units less motivated to explore new revenue sources and formulate their own economic development strategies. In addition to relying on funds from the central government, these funds have not been effectively utilized to address the needs of the people. In many instances, they have been primarily allocated to paying staff salaries, with minimal effort to reinvest a portion into productive sectors such as industrial activities for further state development (Adeoti & Adeyeni, 2014). The failure of some states to meet their salary obligations for months indicates a culture of wastefulness and a lackadaisical approach to the welfare of the people they were elected to govern. The misuse of resources allocated to states by the federal government in Nigeria since 1999 has been a long-standing issue, primarily caused by corruption, insufficient transparency, inefficient project execution, and political interference from the central government (Adeoti & Adeyeni, 2014). This has limited the potential for economic growth and development in Nigeria's states and local government councils.

Furthermore, excessive intervention from the central government has resulted in tensions and conflicts between the federal government and its subordinate units (Nigerian

Economic Summit Group, 2018).[2] This is primarily due to the federal government's control over financial resources and its significant influence on revenue distribution, leading the state to believe it deserves a larger share than it currently receives on a monthly basis. Consequently, disputes have arisen regarding resource allocation, driven by differing priorities and interests among the involved parties.

Overall, the reforms implemented in Nigeria since 1999 clearly indicate the country's desire for economic progress. However, the focus on economic growth has not translated into comprehensive economic development. This is evident in the considerable improvement in infrastructure, which has not led to better living standards, reduced poverty, decreased unemployment, or diminished social and income inequalities. The main reason for this disparity is the inadequate implementation of well-crafted policies due to a lack of political will to achieve sustainable growth and development for the benefit of the population. Therefore, resource allocation during this period has only minimally supported Nigeria's economic development drive.

Conclusion

This paper argues that the introduction of a federal system in Nigeria from 1946 to 1960, considering the diverse nature of the Nigerian society, played a significant role in the origin of revenue allocation. Under the colonial revenue allocation system, revenue allocation by the British colonial administration was primarily for administrative purposes, with little consideration for the developmental needs of the Nigerian people and their respective regions. Following independence in 1960, Nigeria established various revenue allocation commissions to address the distribution of resources among government units. In 1966, however, true federalism was disrupted due to a military takeover and the subsequent centralization of power. The paper argues that the military's

[2]Nigerian Economic Summit Group, ''Infrastructure in Nigeria: A Review of the Sector and the Way Forward'' (Abuja: Nigerian Economic Summit Group), 2018.

governance style, which concentrated power at the center, persisted even after decades of its rule in Nigeria.

The paper elucidates that revenue allocation since the 1970s has primarily been influenced by political factors, such as jurisdictional population, state equality and derivation, rather than economic development imperatives. During this period, the central government has predominantly collected revenue from sources like petroleum, taxes, mining, rates and royalties. Consequently, significant challenges have arisen due to disparities in resource endowment among regions, with the discovery of large oil reserves further exacerbating the issue and altering Nigeria’s revenue allocation dynamics. This has led to petroleum resources becoming the backbone of the economy. The federal government has increased its control over oil revenues, significantly impacting the allocation of resources among different levels of government. Additionally, the paper argues that while there have been notable improvements in infrastructure necessary for economic development, these have been hindered by challenges such as corruption, resource mismanagement, lack of transparency and accountability, and excessive reliance on oil revenues. These obstacles, along with others identified, have impeded Nigeria’s efforts to achieve sustainable economic development. Moreover, the excessive focus on oil revenues has left Nigeria susceptible to fluctuations in global oil prices, affecting its fiscal stability and economic planning. Therefore, there is an urgent need to diversify Nigeria’s revenue sources to achieve meaningful progress that directly benefits its citizens.

The central argument of the paper is that Nigeria’s economic challenges are primarily rooted in the lack of political will rather than the availability of resources. This assertion is supported by the persistent issues of poverty, unemployment, insecurity and inequality in the country since 1999, despite some improvements. It contends that the impact of revenue generation and allocation in Nigeria has been more quantitative than qualitative. This is partly due to the over-concentration of power at the center, which has led to an increasing demand for the restructuring of the federal system, decentralization of authority, fairer allocation of national resources and cooperation between different levels of government. Discontentment with the existing structure has led to regional identities and movements seeking independence within the country. It is thus, evident, that Nigeria needs a genuine federal structure that redistributes power from the center, allowing local units to manage their resources while contributing a portion to the central government. Although challenging, this system will ultimately diversify the economy, promote competition among states and local governments and reduce the excessive concentration of power at the center.

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