

Redefining Revenue Distribution System as Catalyst for National Development

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Abstract

This study examines the impact of revenue distribution system on Nigeria national development. The dependence of the thirty-six states of the federation on the center for monthly revenue has retarded the growth of some state in the federation. The present arrangement of the revenue distribution formula laid much emphasis on the revenue derivation (revenue source) at the expenses of the financial needs of state and local government. It is an issue which has been politicized by successive administrations in Nigeria both military and civilian regimes. This subjected most of the states to receive very little in spite been relatively contributing huge revenue (crude oil and VAT) to the center (FGN) compared with the other geopolitical regions. The repercussion of the foregoing is a massive proliferation of the poor more in all geopolitical zone of the nation. It was discovered that inequitable revenue distribution causes unbalance development leading to economic underdevelopment in some part of the country. The paper concludes that for Nigeria to achieve holistic national development there is need to redefine revenue distribution systems. Specifically, we recommend practicability of the administration of VAT at the state level with respect to the taxation of non-resident of the state, treatment of output and input tax, as well as taxation of goods imported into the country. The same is applicable to crude oil proceeds.

Keywords: *Revenue distribution, national development, Value Added Tax, crude oil.*

Introduction

Government participation in economic activities varies according to the philosophy of the state. The proportion of total output purchased by government budget and total income collected in taxes is dependent on the economic doctrine of the state. Beside the budgetary functions and other ways by which government actions affect the course of economic activities include monetary, regulatory and other devices.

Public enterprise played significant role in some states whereas it is of less importance in others. In a mixed enterprise economy, it is the interaction of the public and the private sectors that operate in an integral fashion. Public sector is that portion of an economy whose activities are under the control and direction of the state. The state owns all the resources and uses it either for the well-being of the ruling class or for the welfare of the society as a whole.

The manners in which government revenue are distributed have a significant effect on economic development thereby bringing government closer to the people. Achieving equitable revenue distribution in Nigeria constitutes the perennial problems which have not only defied all past attempts at permanent solution, but also has a tendency for evoking high emotions on the part of all concerned. It is an issue which has been politicized by successive administrations in Nigeria both military and civilian regimes. Indeed, in virtually all federations in which the constitution shares power between the central and regional or state governments and, for each tier to justify their existence. Before the discovery of crude oil and the time when agriculture was the mainstay of the Nigerian economy, contending issues relating to derivation principle is silent in the revenue distribution. However, with the discovery of oil and the subsequent oil boom of the 1970s made Nigeria solely dependent on oil sector as a source of foreign exchange and neglected the traditional sector with hitherto accommodates over 70 per cent of the productive youth, in addition of being the source funding to the public authority.

In a country where its economy is dumped by foreign good as a result of absence of industrialization, the populace would always be watch dogging how the national pie is derived and shared among effortless federating entities. Accordingly, it will be an economic miracle to device an acceptable formula despite agitations here and there for an acceptable formula (Ogbole and Robert, 2012). Meanwhile, it is imperative to note that Nigeria's revenue sharing debates have revolved basically around three issues. Firstly, the relative proportions of federally collected revenues in the federation account that should be assigned to the centre, the states, the localities and the so-called 'Special Funds' (vertical revenue sharing); Secondly, the appropriate formulae for the distribution of centrally devolved revenues among the states and the localities (horizontal revenue sharing); Thirdly, the percentage of federally collected mineral revenue that should be returned to the oil-bearing states and communities on the account of the principle of derivation and compensation for the ecological risks of oil production (Ogbole and Rober, 2012).

In spite of huge revenue earned from both the usufruct of crude oil and the remittances made by Nigerian experts working in advanced countries, the country is mingled within the miniature of low human development countries. Smooth transition between military to civilian in 1999 made Nigerians to build up very high expectations that the budget would contain laudable programs that would lead to poverty reduction in particular and promote their welfare in general. However, concern seems to be growing among stakeholders regarding the ability of the budget to fulfil the policy objectives of the government and by implication satisfy the aspirations of the people (Olowola, 2012). This unwanted development appeals the attention of researchers to discuss the redefining revenue distribution system in Nigeria for national development.

Conceptual Framework

The concepts of national development according to various literatures have different meanings and interpretations. To however understand the concept, it is sacrosanct to examine what development entails. Development can be defined as the process of improving the quality of all human lives in the areas of raising peoples living level, that is, their incomes and consumption levels of food, medical services, education etc. through relevant economic growth process, creating conditions conducive to the growth of people's self-esteem through the establishment of social-political and economic system and institutions which promote human dignity and respect and increase people's freedom to choose by enlarging the range of their choice variables. On this backdrop, national development encompasses social, economic, technological and political growth or development (Unanka, 2001). National development entails the availability of basic necessity of life (food, clothing, education, medical services, shelter and water), elimination or reduction of poverty and unemployment. It equally focuses on increasing the people's choice and participation in governance and maintaining the rule of law. Besides, national development includes all aspect of the life of an individual and the nation. It is holistic in approach. It includes full-growth and expansion of our industries, agriculture, education, social, religion and cultural institutions. It means development of a nation as a whole. It deals with raising the income and consumption levels of the people and equitable distribution of resources. When the indices of social, political, technological and economic development are in growing at a high level and beyond doubt, national development is said to have taken place. It is a process of reconstructions and development in various dimensions of a nation and development of an individual which is not attainable in Nigeria presently. The lack of implementation of national planning due to bad revenue distribution system in Nigeria has resulted to economic depression, unemployment, joblessness, kidnapping and banditry, the reasons for the redefining revenue distribution in Nigeria

Revenue Distribution Formula -Issues

The problem with revenue allocation in Nigeria started when the country switched from a Unitary Constitution to a Federal Constitution in 1946. With the adoption of the Federal Constitution, formal apportionment of centrally collected revenues amongst the constituent regions became necessary. Since then, one panel after another was commissioned to make recommendations on revenue allocation between the levels of government and among the units (regions/states) that form the federation.

The Revenue sharing in Nigeria is saddled with series of problems. This arises from the fact that states lack the authority either to raise tax or to collect the proceeds, hence the problem centered not on who should raise taxes but how the proceeds should be shared. This problem of revenue sharing is not peculiar to Nigeria alone, as older federations such as Australia, Canada, and United States have faced similar problems. These older federations were able to solve their problems in their own way given their stable economic and political environment.

In addition, these federations had a more settled constitutional history as none is still undergoing the same rapid changes in the number of fiscal units as is the case in Nigeria in which, they have risen from 3 to 4, and 12 to 19, 21 to 30 and 36 states within a space of three and a half decades. Consequently, the primary motivation of revenue distribution in older federations is economic that is, to assist those states that are financially and fiscally weak with the federally collected revenue. In these federations revenue distribution forms a small fraction of the state resources. Therefore, revenue distribution is a supplementary rather than a primary source of state resources. In Nigeria, the above scenario may be difficult to obtain since revenue distribution reflects to a greater extent the political power of the party to the bargain, in addition to the fact that majority of the states are economically very weak to fund their economic activities. To solve this problem of revenue sharing a number of commissions and ad-hoc committees have been set up at various times. Before analyzing the activities and recommendations of the various commissions, let us examine why Nigeria had revenue allocation problems.

Revenue Distribution Lacuna

There are a number of reasons why we had revenue distribution problems in Nigeria and why it had continued to be a nightmare to policy makers. These could be summarized as follows:

1. **Political And Economic Instability:** The political and economic instability in Nigeria political system had led to absence of planning which had slowed down economic growth and development. The instability is evidenced by the number of heads of state and elected Presidents, which had governed the country from the time of our independent to date.
2. **Constitutional Framework:** the absence of a stable constitution was also a significant factor to the problem of revenue allocation in Nigeria. In a country where there is no permanent legal structure, the political field will be opened only to heavy weights that decide whatever they wish.
3. **Financial Weakness:** since most of the physical units were created without a guided political and economic philosophy, they are financially very weak to stand on their own. Hence they are always agitating for increase in demand for the sharing of the proceeds of the federation Account.
4. **Insincerity:** the insincerity on the part of the judiciary, legislature and the executives to address the problems of revenue sharing was aptly reflected in the destruction of the various structures put in place by the preceding regimes. In other to resolve these problems, lets now examine the various committee set up at different times:

The Philipson Commission-1946

The constitutional change to be introduced in 1946 by Richardson created the need to formulate proposals to enable the newly created regions: West, East and North to perform their responsibilities.

The Philipson Commission was saddled with the responsibility of formulating financial and administrative procedures to be adopted under the new constitution. The commission divided regional revenue into two categories- "DECLARED and NON- DECLARED."

Declared revenues were those locally collected by the regional authorities, such as direct taxes (personal income tax), licenses, fees, income from property, rent, etc? it was the central government that determined what portion of the non-declared revenue was to be shared among the regions.

For the sharing out of the non-declared revenue among the regions, Philipson considered three basic principles: DERIVATION, EVEN-PROGRESS AND POPULATION.

The Hicks-Philipson Commission-1951

The changes envisaged by the 1951 McPherson constitution and the dissatisfaction with the Philipson's scheme led to the appointment of Prof. John Hicks and Sir Sidney Philipson to develop a new scheme that will achieve a more equitable sharing of revenue. The commission recommended that the regions should have power to raise, regulate and appropriate to themselves certain items of revenue. The commission proposed that revenue should be shared on the principles of DERIVATION, NEED AND NATIONAL INTEREST.

The Chick Commission - 1953

The constitutional conference of 1953 gave an opportunity for the review of the previous allocation scheme. Sir Louis Chick was then appointed to ensure that the total revenue available was allocated in such a way that the principle of derivation was followed to the "fullest" and compatible with the needs of the central as well as the regional governments. Chick does not merely adhere to the injunction, he expanded the allocation scheme to include not only import and excise duties but also export duties, mining, rent and royalties and personal income taxes.

The Raisman Commission - 1958

The commission was appointed to review the tax jurisdiction as well as the allocation of revenue from these taxes such that the regions had the maximum possible proportion of the revenue within their exclusive competence. To facilitate the sharing of some federally collected revenue, the commission created the Distribution Pool Account now called Federation Account for the purpose of sharing among the region out of the total revenue. However, there were clearly two principles: DERIVATION AND NEED.

The Binns Commission- 1964

The commission was set up under section 164 of the 1963 Republican Constitution. The term of reference of the commission was to review and make recommendations with respect to the

allocation of mining rent and royalties and the distribution of funds in the distributable pool account among the regions. The commission applied the principle of financial comparability which was somewhat of a hybrid between NEED and EVEN-DEVELOPMENT.

The Military Era - (1967/1979/83)

The period 1967 to 1979 then 1983 to 1999 was characterized by series of decrees. Decree No. 15 of 1967 resolved the problem of revenue sharing by allocating equally the percentage that belong to the Northern Region among the six new states created out of that region, and that of the East and West among the new state on the basis of population.

Dina Interim Revenue Allocation Review Committee - 1968

The committee was appointed in 1968 to probe into, and suggest changes in the existing system of revenue allocation as a whole; suggest new revenue sources both for the federal and state governments. The committee renamed the distributable pool account into "State Joint Account", established a special grants account, and recommended a permanent planning and fiscal commission to administer the special grants account and to undertake a continuous study and review of revenue allocation problems and schemes.

The report was rejected by the Federal Military Government and was not published. Decree No. 13 of 1970 adopted a two-factor formula: population and equality of states while Decree No.9, 1971 gave to the Federal Military Government absolute right to revenue off-shore rent and royalties. Decree No.6 of 1975 emphasized that all revenues to be shared by the states had to pass through the distributable pool account except 20% of the on-shore mining rents and royalties due to the state of origin on the principle of derivation.

1. The Aboyade Technical Committee - 1977

In line with the political the technical committee on revenue allocation was appointed in 1977 to review the existing allocation scheme. The committee recommended that all federally collected revenue without distinction be paid into the federation account and that the proceeds of the account be shared among the federal, the state and the local government in the following order:

- a. Federal Government 60%
- b. State Government 30%
- c. Local Government 10%

The committee created a special grants account (3% from the federal government share) to be administered by the federal military government to the benefit of mineral producing states and other areas in need of rehabilitation from emergencies and disasters. The principles for sharing among the states were built into five factor formula:

1. Equality of access to development opportunities
2. National minimum standards
3. Absorptive capacity
4. Independent revenue and tax effort
5. Fiscal efficiency

2. The Okigbo Commission - 1979

The Okigbo commission was inaugurated on 23rd November 1979 to devise a method of allocation that would be understood and widely acceptable as equitable. For this reason, the commission deliberated on the meaning of "revenue" in section 149(i) and 149(6) of the 1979 constitution and concluded that receipts from repayment of loans, sale of government capital assets and reimbursement cannot be regarded as revenue and therefore should not form part of the federation account or the total revenue of the federal government.

Section 279(2) of the federal constitution, the provision of section 263 creating the federal capital territory came into force on 1st October, 1979 and regarded the federal capital territory as a state and therefore entitled to participate in the sharing from the federation account of revenue among the states. Section 149 of the constitution also provides that all revenues collected by the federal government should be paid into the federation account except for the proceeds of personal income tax of the Armed Forces personnel, the Nigerian Police personnel, the Ministry of External Affairs and the residents of the Federal Capital Territory.

The commission recommended that the proceeds of the federation account be shared among the federal, the state and the local governments as listed hereunder:

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|-----------------------|-----|
| a. Federal Government | 53% |
| b. State Government | 30% |
| c. Local Government | 10% |
| d. Special Funds | 7% |

The 7% of the Special Funds is applied as follow:

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| i. Initial development of the Federal Capital Territory | 2.5% |
| ii. Special problems of minerals producing areas | 2.0% |
| iii. Ecological and similar problems: flood, erosion, and etc. | 1.0% |
| iv. Revenue equalization fund | 1.5% |

The commission further recommended the use of four-factor formula for allocation among the state government with the following weights:

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|---|--------|
| i. Minimum responsibility of government | 40% |
| ii. Population | 40% |
| iii. Social development factor | 11.25% |
| iv. Direct primary school enrollment | 3.75% |

- v. Inverse primary school enrollment 15%
- vi. Internal revenue effort 5%

9. The National Revenue Mobilization Allocation and Fiscal Commission

The commission headed by Lt. Gen. T. Y. Danjuma (Rtd) was established in 1989 as a permanent revenue allocation body. It was charged with regular review of allocation formula.

The commission applied the following basis.

- i. Federal Government 48.5%
- ii. State Government 24.0%
- iii. Local Government 20.0%
- iv. Special Funds 7.5%

The 7.5% of the special funds is utilized as thus:

- a. Ecological problems 2.0%
- b. Emergency problems 2.5%
- c. Mineral producing areas 3.0

The 3-tiers of government prior to Ibrahim Babangida regime and mid-way into the regime shared the proceeds of the federation account as follows:

Federal Government	55%
State Government	35%
Local Government	10%

The 35% accruing to the states which is paid into "State Joint Local Government Account" is in turn

shared as follows:

- (i) Direct to states 30.5%
- (ii) Mineral producing areas on derivation basis 2.0%
- (iii) Amelioration of ecological problems 1.0%
- (iv) Development of oil producing areas 1.5%

The respective share of the various governments account is known as "Statutory Allocation". In his speech on the eve of his fourth year in the office, Ibrahim Babangida announced a new revenue allocation formula approved by the Armed Forces Ruling Council (AFRC) as follows:

Federal Government	50%
State Government	30%
Local Government	15 %
Special Funds	5%

The AFRC also decided that any surplus arising from the sale of gas should be separately accounted for and in the same manner as the sale of petroleum for the purpose of payment into the federation account.

From the overview of events that have shaped revenue sharing in Nigeria, it is apparent that the revenue allocation system has undergone a series of reviews and changes over the years. So far none of these reviews and changes has assured a mutually acceptable system of allocation that is satisfactory to the states concerned. Moreover, the commissions were not consistent in their recommendations. For instance, the Phillipson Commission stressed the importance of the Principle of derivation while the Raisman and subsequent commissions were in favor of other principles such as continuity, minimum responsibilities, need, revenue effort and balanced development.

Revenue Distribution and National Development in Nigeria

This paper has reviewed the works of different commissions and also the criteria used in past allocation, the debate cannot be resolved thus the need to make some recommendations regarding redefining Nigeria's revenue distribution formula. Up to this point the issue of revenue sharing among states has been handled as if the only income available to a state is the allocation from the federal government. This is far from being true. States derive their revenue from the private and the public sectors. Hence, an improvement in a state's economy can be attributable to the efforts of the public as well as the private sector of that state. The private sector especially can (and often does) participate in the development of a state. The controversy being talked about in this paper relates to the fiscal needs of a state government. It is the fiscal needs that would "enable the state government to perform its role in the development of the state's economy." Moreover, for the performance of its tasks, a state government has more than one avenue of acquiring funds. Apart from the fact that it can borrow money from external sources, it obtains recurrent revenues from these sources: internal revenue, non-statutory grants, and statutory revenue.

Accordingly, the constitution of the Federal Republic of Nigeria Section 162 stipulates that all federally-collected revenue should be paid into the Federation Account monthly and shared among the three tiers of government. These revenue components are made-up of oil and non-oil revenues as well as VAT. The oil revenues include proceeds from sales of crude oil and gas, Royalties, Petroleum Profit Tax, Rentals, Gas Flared and Miscellaneous oil revenue. The non-oil revenues include Company Income Tax (CIT), Import Duty, Excise Duty, Fees, tariffs, Customs Penalty Charges and Value Added Tax. The responsibility of revenue distribution is discharged by the Federation Account Allocation Committee (FAAC) at its monthly meetings statutorily chaired by the Honorable Minister of State for Finance, with Honorable Commissioners for Finance and Accountant Generals of the 36 States, and the Director of Treasury represents the Federal Capital Territory (FCT) as members (NPC, 2011). It should be

noted that in order to ensure equitable parameters’ for the sharing of the revenues to the three tiers of Government, an independent body was created by the 1999 constitution and later amended under Act CAP R7 LFN 2004 under section 153(1) of the 1999 named Revenue Mobilization Allocation and Fiscal Commission and come up with an acceptable Revenue sharing formula for the Federation. In the light of above, sharing the current formula is as follows:

i.	Federal Government of Nigeria (FGN)	–	50.65
	- Ecological	-	1.00%
	- FCT	-	1.00%
	- Stabilization	-	0.50%
	- Development of National Resources	-	1.68%
	Sub-total		52.68%
ii.	State Governments	-	25.62%
iii.	Local Governments	-	23.73%
			Total: 100.0%

Oil producing states (9 States) receive 13% derivation which is deducted up front.

Value Added Tax (VAT) is shared among the three Tiers of Government separately using a different formula as follows:

i.	FGN	-	15%
ii.	State Government	-	50%
iii.	LGAs	-	<u>35%</u>
	Total:		100%

Source: Revenue Mobilization Allocation and Fiscal 2021

One can hardly be surprised that revenue sharing among the Nigerian states generates a lot of heat and controversy when one realizes that "the resultant revenue going to each unit considerably affects, if not determines, the rate of economic development that can be achieved in the units. Moreover, the level of economic development relates (assuming efficiency) to the level of expenditures in the state. Since Internal sources of revenue generation are limited for states in, it follows then that a state has to look to federal sources for its revenue. But a state's share of the source(s) depends on what formula is used to distribute the statutory allocation. It follows, therefore, that a state has to be sensitive to the formula used for this allocation. The federal government’s plan to retain the collection of Value Added Tax despite a Federal High Court ruling, hit a brick wall in the year 2022 as the National assembly rejected a proposal to shift collection of VAT from concurrent to the exclusive legislative list meanwhile a Federal

High Court in 2021 ruled that states had the powers to collect VAT while it projected that it will collect N2.2tn in 2022 through the Federal Inland Revenue Service. The regime of President Buhari also incorporated VAT collection in its Finance Act 2021 and included it in 2022 budget a move that put the government on a collision course with the Southern Governor's Forum

The Excess Crude Account (ECA) which has now metamorphosed to Sovereign Wealth Funds (SWF) was created by FAAC to warehouse excess oil revenues over the predetermined budget benchmark price of crude oil. The policy is in line with the Fiscal Responsibility Act of 2007 and Government responsibility of managing the economy as an entity. It is very clear that the present sharing formula is skewed in the allocation of fund to states. Apart from the statutory allocation earmarked for each state of the federation equally, certain amount (13%) is set aside for oil producing in the name of derivation. This bad omen made some states of the country to be operating from hand to mouth (gigantic recurrent expenditure and less for capital project).

The replica of the imbalance revenue distribution formula is the existence of wide disparities among the federating units. This is clearly portrayed in 2017, statutory allocation ranged from N17.86 billion in Akwa Ibom state. In subsequent years (2018-2020), Gombe state continued to maintain the lowest rank while Akwa Ibom state received the highest followed closely by Delta state which is also an oil-rich state. The revenue (statutory allocation) trend follows a similar pattern in all the states with an increase from 2017 to 2018 followed by a general decline in 2019 and an increase in 2020. Statutory allocation raised to an all-time high in 2010 in all the states. The oil-producing states are also highly rated in terms of internally generated revenue (IGR) but Lagos state topped the list right from 2017 to 2020. In 2017, the IGR ranged from N2.63 billion in Kwara state to N141.69 billion in Lagos state. Whereas Lagos state continued to maintain its lead in subsequent years, the states occupying the lowest position has been changing; from Taraba state (N1.00 billion) in 2008 to Niger state itself (N3.0 billion) in 2009 (a position shared with Zamfara state) and Zamfara state itself (N2.9 billion) in 2020. Some states such as Kwara, Kano, Gombe, Akwa Ibom, Delta and Oyo States there was a decline from 2019 to 2020. In Niger and Zamfara states, IGR trended downwards while in Taraba and Imo the trend has been haphazard (Akande, Olomola and Olukesusi, 2022). Apart from the problem of dwindling revenue accruable to some states, diversion of available revenue constitutes a major threat to their fiscal capacity. Some state governors have threatened to deal with civil servants found tampering with internally generated revenues or siphoning the revenues through dubious means. In general, the availability of revenue also depends on the level of indebtedness of states. Some debt repayments are deducted right from source implying that the net flow of the statutory allocation to the States concerned may actually not be adequate to meet their requirements for development financing. The revenue flow from this source is also characterized by frequent delays due to lateness in holding Federation Account finances of many state governments. In recent times many states are carrying out verification

exercises of their accounting systems including staff audit and biometrics with the expectation that the savings made from personnel cost arising from the fraudulent practices discovered will be channeled to offset the shortfall in statutory allocations. Even though there has been a substantial increase in both expenditures for the state in the country however discrepancies there exist. For instance in 2020, recurrent expenditure ranged from N9.79 billion in Niger state to N145.76 billion in Lagos state. Thereafter, the lowest recurrent expenditure was recorded in Anambra state for three consecutive years from 2018 to 2021 during which time Lagos state continued to be the greatest spender except in 2010 when Delta state (oil producing state) recorded the highest recurrent expenditure of N116.53 billion. The standing of the states with regard to capital expenditure is different. Lagos state was the greatest spender in 2018 whereas for three consecutive years from 2018 to 2020, Akwa Ibom state (oil producing state) recorded the highest capital expenditure.

Throughout the period, Niger State recorded the least capital expenditure annually from 2018 to 2020. Overall, total government expenditure in Lagos State was the highest from 2008 to 2010 followed by Akwa Ibom and Delta States; while Ebonyi State recorded the lowest total government expenditure for the three consecutive years. The repercussion of the differences in the revenue and expenditure among the state further reflect in the form of high incidence of poverty to the state receiving less statutory allocation. The lack of implementation of national planning due to bad revenue distribution system in Nigeria has resulted to economic depression, unemployment, joblessness, kidnapping and banditry, the reasons for the redefining revenue distribution in Nigeria.

Conclusion

Nigeria still has quite some way to go in its revenue sharing system in order to be able to finally arrive at a formula for allocation that will satisfy the states. It is distressing to note that the previous Review Committees have not been successful in solving the knotty issues of revenue sharing. This is largely because they often failed to realize that revenue sharing among states is only marginally economic and principally a matter political compromise. The Federal Republic of Nigeria is comprised of many ethnic groups who put ethnic /tribal considerations over considerations of equity with respect to revenue sharing. This creates conflicts as regards how revenue is to be equitably distributed. These types of conflicts, on the other hand, make compromise difficult and the principles of equity and efficiency difficult to translate into policies. Another reason for the failure of the commissions is that they frequently work with data which nobody has faith in because they are outdated and therefore unreliable. The population data which relies on 2006 census figures is a perfect example of such data. The establishment of a permanent independent finance commission is long overdue for the country. Such an independent commission should have a secretariat where it would be involved in research and make recommendations on a biennial basis, on allocations of shared revenues

between the federal government and the governments of states and also among state governments.

Finally, deliberate efforts are needed on the part of state governments to realize that revenue needs of other states are just as pressing as their own. "To see beyond narrow, sectional interests to the necessity for a nation that is more than merely a grouping of 36 states is a formidable challenge indeed, but it isn't an impossible one. Therefore, for Nigeria for Nigeria to achieve holistic and sustainable national development, resources must be equitably distributed as there is an urgent need to redefine the revenue distribution system by permitting each state to manage its endowed resources and collect its VAT for its development. Specifically, we recommend for the adoption of the New Equitable Empowerment Framework whereby priorities would be placed on the untapped resource in the other areas (State) excluded from derivation with the objective of augmenting their budgetary allocation to match them on the similar financial strength with states enjoying more of the national pie. This is yielding fruitful results in Namibia and it is expected to yield the same for Nigeria. However, in pursuing developmental policies, efforts should be made towards results-oriented and evidence-based so that it could achieve the targeted objectives. Lastly, there is need for regional autonomy where each region coordinates the activities of states other than the Federal Government. The decision of the Federal High Court, until overturned by a superior court, essentially renders the VAT Act and its amendments, void. By implication therefore, individual states are entitled to enact laws for the administration on VAT and can appoint their respective tax agencies to supervise the collection of taxes within the state. The VAT Act will, however, still be applicable in the Federal Capital Territory and the FIRS will continue to be responsible for the administration of its VAT.

In addition, every state will be entitled to the revenue accruing from the VAT collected by in and VAT from each state will no longer be pooled into the Federation Account.

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