POLITICS OF REVENUE ALLOCATION AMONG THE THREE LEVELS OF GOVERNMENT IN NIGERIA

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Abstract

Fiscal powers closely interrelate with the character and dynamics of any federal arrangement. Revenue is the main stay of the finances of government at all levels, upon this premise; this paper is to examine the revenue allocation among the levels of government because their financial viability and creditability as autonomous governmental units hang upon it. The paper adopts documentary sources of data and content analysis for its methodology. The paper sees revenue allocation formula as both political and economic problem, thus, adopts K.C Wheare's theoretical discourse as it relate to intergovernmental relations among the tiers of government. Finding shows that revenue allocation has been an unending one involving intense political bargaining, negotiation and coalition formation amongst units via representatives, emanating from the dynamics of inter-governmental relationship, socio-economic situation and the political culture of the country.

Keywords: Intergovernmental Relations, Revenue Allocation, Socio-economic Political Culture.

1.1 Introduction

Nigerian federalism is about the only one in Africa and it has been under strains for some years. Different commentators attribute the stresses to the combined pressures of military dictatorship and its unified military command that imposes a unitary state, and the increasing dominance of the federal government, with the corresponding marginalization of the states and local governments. Then there have been persistent complaints over the Unitarian and the relegation of the derivation formula in national revenue allocation. All these have been compounded by the politics of federal character, ethnicity and indignity. These are the collective backgrounds to the increasing tensions of federalism in the country.

According to Akindele and Olaopa (2002) over the years, the concept of intergovernmental fiscal relations has been examined by various scholars and practitioners of repute. In fact, the nitty-gritty of intergovernmental fiscal relations (IGFR) is concretely located within the definitional elucidation of the concept of federalism though with economic blending.

Thus, along this line, federalism could be taken to mean a system of government where revenue and expenditure functions are divided among the tiers/levels of government.

This division is usually done to enhance the government's effective provision of public goods and services at different levels to the citizens. It has been generally opined that revenue generating and spending responsibilities, intergovernmental fiscal relations or fiscal federalism as it is usually known.

Fiscal federalism refers to the allocation of tax-raising powers and expenditure responsibilities between levels of governments" according to Sewell and Wallich; and Latvact and Wallich. The objectives of fiscal relations among units in a federation are;

- To ensure correspondence between sub-national expenditure responsibilities and their financial resources (including transfers from central government) so that functions assigned to sub-national governments can be effectively carried out;
- To increase that autonomy of sub-national government by incorporating incentives for them to mobilize revenues of their own;
- To ensure that the macroeconomic management policies of central government are not undermined or compromised;
- To give expenditure discretion to sub-national government in appropriate areas in order to increase the efficiency of public spending and improve the accountability of sub-national officials to their constituents in the provision of sub-national services.
- To incorporate intergovernmental transfers that are administratively simple, transparent and based on objective, stable, non-negotiated criteria;
- To minimize administrative costs and there by economize on scarce criteria;
- To provide 'equalization' payments to offset the differences in fiscal capacity among states and among local government so as to ensure that poorer sub-national governments can offer a sufficient amount of key public services;
- To incorporate mechanisms to support public infrastructure development and its appropriate financing;
- To support the emergence of s governmental role that is consistent with market-oriented reform; and
- To be consistent with nationally agreed income distribution goals.

Specially, Nigerian fiscal federalism structure involves the allocation of expenditure and tax-raising powers among the federal, state and local government.

According to Tella in Akindele and Olaopa (2002) fiscal federalism is deeply rooted in apolitical arrangement called federalism.

As the financial relationship between and among existing tiers of governments, fiscal federalism deals with the system of transfer or grants through which the federal government shares its revenue with state and local government.

1.2 Statement of the Problem

In recent years, the issues of resource control, revenue allocation and fiscal federalism have dominated discussions at levels of Nigeria's political debate. Like most federal systems, Nigeria has a resource with the states and local governments. Different formulas at different times have been adopted.

Similarly, at different times, adhoc commissions have been set up to determine the allocation formulae and criteria. Between 1946 and 1979, there were eight of such commissions on revenue allocations.
These were, Philipon (1946), Hicks-phillipson (1951), Chick (1953), Raisman (1958), Binns (1964), Dina (1968), Aboyade (1977), and Okigbo (1980). It was not until 1988 that a permanent body was created to monitor, review and advise the federal government on Revenue Allocation System (RAS) on a continuing basis. The new body called the National

Revenue Mobilization, allocation, and fiscal commission, represents a structured attempt to replace the adhoc approaches to effecting changes in the RAS. The body is enshrined in the 1989 constitution. Despite these efforts, revenue allocation has remained a contentious issue among the three tiers of government in Nigeria. In the last eight years, the 36 states governments have been at daggers-drawn with the federal government over the formulation of a revenue sharing formula that would be acceptable to all the stakeholders. One major impact of this seemingly never ending controversy is the fact that fiscal federalism in Nigeria has not been able to contribute optimally to social and economic development.

Despite the considerable increase in the number of administrative units, the rate of real economic growth has been low and the country's per capita income has declined considerably over the years compared with the level that was attained in the 1980's. As the nation operates a new era of democracy under a federal constitution, there is the need to critically review the division of functions among the various tiers of government, as well as the revenue sharing arrangements in order to substantially improve the delivery of public goods and services as well as promote real economic growth (Olofin, S.O et al. 2008). The realization of this gap is what this paper is to address.

1.3 Objectives of the Study

The broad objective of this study is to examine the implications of politics of revenue allocation among the three levels of government in Nigeria. The specific objectives of this study are;

i. To assess the politics of revenue allocation among the three levels of government in Nigeria.
ii. To ascertain how the revenue allocation have been equitably distributed among the federal, state and local government.
iii. To evaluate the impact of the politics of revenue allocation among the three levels of government in Nigeria.

1.4 Significance of the Study

The significance of this research work is at two levels. It has both theoretical and empirical significance. Theoretically, the research will contribute to knowledge by adding to the existing literature on politics of revenue allocation among the three tiers of government in Nigeria thereby stimulating further research from students and scholars.

Empirically, the relevance of this study to policy makers and the society cannot be over-emphasized. It will be of paramount importance to the political actors and the three tiers of government.

2.1 Theoretical Review

Federalism

Federalism creates dependable fiscal relations between the federal, state and local government. The federal government controls high yielding revenue heads and allocate the average and low yielding revenue heads to the state and local government respectively. (Otinche, 2014).

According to Akindele and Olaopa (2002) one of the primary features of a federal system of government is the assignment of functions between the various components of government. This is the assignment of functions between the various components of government. This also forms the basis for the genesis of IGER. Most constitutional arrangements in federal systems classify the powers and responsibilities into exclusive, concurrent and residual legislative lists, as it is the case in Nigeria. The basis of this classification can be historical, political, or economic, among other considerations.

Thus, it is generally accepted that the assignment of functions among federating units should be organized in the following ways;

1. Functions which can be more efficiently performed by the federal government than lower levels of government should be assigned to the former (i.e be placed in the exclusive legislative list). These include national defense, external relations (including borrowing and external trade), banking, currency, nuclear energy, etc.
2. Functions whose benefits are more local than national but with the possibility of spillover effects should be placed in the concurrent list. Such functions include industrial, commercial or agricultural development, post primary institutions, health care, etc
3. Functions which are purely local in character, in the sense that the benefits accrue, in the main, to limited geographic areas within the country, are usually assigned to local authorities. Such functions would include the establishment and maintenance of markets, car parks and public conveniences, refuse disposal, primary education and the construction and maintenance of local roads and streets.

Equally, Revenue allocation or the statutory distribution of revenue from the federation account among the different levels of government has been one of the most contentious and controversial issues in the nation's political life. So contentious has the matter been that none of the formulae evolved at various times by a commission or by decree under different regimes since 1964 has gained general acceptability among the component units of the country.

Indeed, the issue, like a recurring decimal, has painfully remained the first problem that nearly every incoming regime has had to grapple with since independence in the process, as many as thirteen different attempts have been made in devising an acceptable revenue allocation formulae, each of which is more remembered for the controversies it generated than issues settled. (Report of the political Bureau in Ikeji, 2011).

In a related development, Ikeji, C. C (2011) revenue allocation can be described as a method(s) of sharing the centrally generated revenue among the different tiers of government and how the amount allocated to a particular tier is shared among its components. Nigeria is a federal state under the federal system of government, federal or centrally-generated revenue is shared among the three levels of government, namely; the federal government, the states and the local governments. The theory of revenue sharing in a federal state is each level of government receives an allocation of financial resources tailored to their specific requirements as defined by the mandate of legislative competence, their actual situation and the statutory indices of calculation. In Nigeria, decisions as to what proportion of centrally-generated revenue that would be retained by the federal government, the proportion that will be shared among the state governments and the proportion that will go to the local government has always been a problem, due to the fact that there is no consensus of opinion as to what could be seen as an ideal formula.

According to Ogunna (1999), the British colonial administration made first attempts to evolve appropriate and acceptable revenue allocation formula for the country. These attempts can be seen in the reports of the Phillipson Commission of 1951, Louis Chicks commission of 1953 and Raisman commission of 1958. The reports of these commissions are;

i. Phillipson commission: following the Richards constitution of 1946 which created the three regions (East, West and North), the then financial secretary to the Nigerian government, Sir Sydney Phillipson was appointed to undertake a comprehensive study and recommend administrative study and recommend administrative and financial procedures to be adopted under the 1946 constitution.

Phillipson based his recommendations on the principles of derivation and even development. The principle of derivation means that what each region receives from the central Government should be determined by how much it contributes to the federal revenue. It was, however, difficult to apply this principle at that time because of the absence of reliable data on the amount of revenue.

ii. Secondly, the Hicks-philipson commission was set up in 1951 and charged with the responsibility of carrying out an expert and independent inquiry on the proposal of sharing revenue for a period of five years between the regions and central government. The commission therefore rejected the principle of derivation as the sole and most important basis of revenue allocation system which would emphasize independent, revenue, derivation, need and national interest.

iii. Thirdly, as a result of the establishment of full federal system of government in Nigeria in 1954. Sir, Louis Chicks commission was appointed to review the revenue allocation formula that would be most equitable to the different levels of government. The commission in its report emphasized the principle of derivation in addition, it stressed the burden placed on the federal government resulting from such subjects as defence, communication was of the opinion that the federal government should have adequate resources for its services.

iv. Fourthly, the Raisman commission of 1958 was appointed in October 1957 on the recommendation of the London constitutional conference of 1957. It was set up to examine revenue allocation and problems of taxation. It has two members namely, sir, Jerome Raisman as chairman, and Professor R.C Tress as member. In the commission's recommendations, it was guided by the principles of (a) financial stability of the federal centre b) Need to be determined by population (c) derivation (d) balanced development of the federation; and (e) maintenance of certain minimum responsibilities required of a government. The commission emphasized that the financial stability of the federal centre should be the guarantee of the financial stability of Nigeria as a whole. It therefore, recommended as follows:

a. The federal government should possess the general power to control the tax import;
b. The federal government should have sole power to levy and wholly retain taxation on beer, wines and spirits;
c. The regions should retain basic jurisdiction over personnel income tax;
d. The jurisdiction over mining royalties and rents should continue to be an exclusive preserve of the federal government.
e. Mining and mining royalties and rents should be shared between the regions of origin, the federal government and all regions together. The formula for sharing them should be as follows:
   Federal government- 50%, Region of Origin-20%, All the Regions -30%, (the 30% for the regions should be paid into the distributable pool Account);
f. 70% of the general import revenue should be retained by the federal government while 30% should be paid into the distributable pool account for the states;
g. The distributable pool account consisting of 30% of general import revenue and 30% of mining royalties and rents should be divided between the regions in the following proportion: North-50%, East-31%, West-21%, Southern Cameroons -5%.
h. External borrowing remained on the exclusive list of the federal government;
i. Borrowing with Nigeria by a region for it's purpose to continue to be a residual subject.

However, modalities for promoting fiscal efficiency are provided for in the second schedule part 2 section 4 (1a and b) and the fourth schedule section 7 (1 and 2) of the 1999 Nigerian constitution (constitution, 1999) and fiscal responsibility Act 2007. The constitution creates a public treasury (the federation account), the modalities for revenue sharing among the tiers of government and creates distinct tax heads for each tier of government. Tertiary, secondary and primary tax revenue heads are allocated to the federal state and local governments responsibility.

Generally, the efficiency with which each tier of government manages its financial resources depends on the enforcement of statutory financial rules and regulation and ethical political orientation. These are antidotes to fiscal due process and fiscal discipline (Otinche, 2014).
Equally, Orluwene (2008) observed that revenue generation and allocation among the federating units of Nigerian federalism is a crucial issue in that as soon as there exists two or more levels of tiers of governments, it becomes necessary to introduce a system of sharing fund to various tiers of government to particularly meet constitutionally assigned and specified functions.

2.2 Empirical Review

Federalism and Functional Allocation

As documented by Akindele and Olaopa (2002) one of the primary features of a federal system of government is the assignment of functions between the various components of government. This also forms the basis for the determination of revenue rights and the delimitation of tax-raising powers, which constitute the genesis of IGER. Most constitutional arrangements in federal systems classify the powers and responsibilities into exclusive, concurrent and residual legislature lists, as is the case in Nigeria.
The basis of this classification can be historical, political or economic among other considerations. Thus, it is generally accepted that the assignment of functions among federating units should be organized in the following ways:

i. Functions which can be more efficiently performed by the federal government than lower levels of government should be assigned to the former (i.e be placed in the exclusive legislative list). These include national defense, external relations (including borrowing and borrowing and external trade), banking, currency, nuclear energy, e.t.c
ii. Functions whose benefits are more local than national but with the possibility of spillover effects should be placed in the concurrent list. Such functions include industrial, commercial or agriculture development, post primary institution, health care e.t.c
iii. Functions which are purely local in character, in the sense that the benefits accrue, in the main, to limited geographic areas within the county, are usually assigned to local authorities. Such functions would include the establishment and maintenance of markets, car parks and public conveniences, refuse disposal, primary education and the contracture and maintenance of local roads and streets. Again, it was identified by Nwachukwu (2009) as cited by Otinche (2014) that the revenue is shared among the three tiers of government on the basis of equitable (40%) population (30%), land mass/terrain (10%), internal revenue effort (10%) and social development factors (10%). However, the operation of the state Joint Local Government Account system has constrained the fiscal independence of the local government. The allocation from the federal account into the state Joint Local Government Account is disbursed by state governors on a master-servant basis. This has weakened the development efforts of local government councils in Nigeria.

Functional Allocation

The Nigerian constitution (sections 153 & 162) creates the Revenue Mobilization Allocation and Fiscal Commission to monitor the accrual to and disbursement of funds from the common pool called the federation account; and work out the principles for sharing of proceeds between the centre and the units. (Ekwonna 2012:274).

Also the allocation of functions among the component units of the Nigerian federal system (i.e federal, state and local government) is spelt out in section 4 second schedule of the 1999 constitution of the federal Republic of Nigeria. The section specifies three main categories of legislative functions; the exclusive legislative list, which contains some 68 functions upon which only the federal government can legislative; the concurrent legislative list, which consists of about eight functions upon which both federal and state governments can legislate; the remaining functions are on the residual legislative list which consists of those functions neither specifically mentioned nor included in the exclusive or concurrent list.

In addition to these provisions, section 7 of the same constitution provides to the establishment of local governments, which are made creatures of the state governments, and whose functions are spelt out in the fourth schedule. These functions are classified into two categories; the first category consists of those functions to be solely performed by the local government, while the second consists of those to be performed concurrently or in participation with their responsible state governments.

However, the structure of the functions outlined all levels of government have remained, by and large, unchanged throughout the constitutional changes since the 1979 constitution. It is also important to note that the assignment of functions included in the specific legislative lists, and in the fourth schedule (for local governments) include both expenditure functions (functions which involve incurring expenses) and revenue functions (functions which involve the raising of revenue). (Akindele & Olaopa, 2002).

Statutory Sources of Local Government Finances in Nigeria

Nkwede (2011) citing Omorogiuwa (1990) stated that local government derives their finance from the following sources:

- Their share of the prescribed percentage of the federation account (statutory allocation)
- A percentage of the total revenue of the state account
- Internally generated revenue

Sequel to the recognition of local governments as the third tier of government, the federal government set up a committee on federal and state governments financial contributions to local governments (Aboyade 1977).

In its report submitted in February 1977, the Aboyade Technical committee recommended and government accepted that the consolidated federal revenue was to be shared thus;

Federal government – 57%
State government – 30%
Local government – 10%
Federal government (for special grants)- 3%

The committee anchored its recommendation on the principles of equality of access to development opportunities, absorptive capacity, and national minimum standard for national integration, independent revenue and minimum tax effort and fiscal efficiency (Nwori and Nkwede, 2009). It should be emphasized here that section 162(5) and (6) of the 1999 constitution provides that;

> The amount standing to the credit of local government councils in the federation account shall also be allocated to the states for the benefits of their local government councils on such terms and in such manner

> as may be preserved by the National Assembly and each state shall maintain a special account to be called state joint local government account into which shall be paid all allocations to the local government councils of the state from the federation account and from the government of the state.

However, the statutory allocation to local government was raised from 10% to 15% in 1990 and 20% since 1992 to date (Ezeani, 2004). It should be noted equally that the then military junta in Nieria established a permanent revenue mobilization allocation and fiscal commission (RMAFC) in 1989, and this permanent commission has carried out the reviews of the vertical revenue allocation in Nigeria till date. The commission also plays an advisory role to the federal government of Nigeria since its establishment till the present dispensation on the revenue allocation formula.

Internally Generated Revenue Sources

As documented by Nkwede (2011), internally generated revenue sources of local government authorities are those from which it generates independent revenues for use by themselves apart from the statutory allocation from the federation account. These internal sources include;

- **Rates:** this is a tax levied on an individual person on yearly income and may also be levied on occupiers of ratable property or tenement rate and special rate and are fixed at the discretion of the relevant local government councils.
- **Taxes:** the type of tax revenue accruable to local government are (a) community tax which according to the 1975 Decree as modified by decree no 61 of 1977 provides for community tax to be levied as an alternative to community rate.

Accordingly, the model financial memoranda (1991) provides that it is the duty of the local government to determine the sub-divisions of its area for nomadic herdsmen and (b) cattle tax which is charged as community tax and is paid by nomadic herdsmen.

- **Capitation Rate:** this the oldest form of rating in developing countries, as it is traceable to the hay days of colonialism and known as "head" or poll tax" in the words of Ezeani (2004) capitalism is a flat rate tax.
- **Special Rate:** this can best be described as a rate levied on everybody resident in a local government area for a special purpose such as school levy, water levy e.t.c

At times, it is levied on people living in certain parts of a local government area and not made compulsory in the whole area.

- **Fees and Licenses**: these are fees and licenses that are charged and collected by local government areas as their internally generated revenue.
  Property or tenement rate: Wraith (1972) opined that property rate is based on pay a rate which is related to the value of his property and this is imposed on such property and this is imposed on such property as undeveloped land and building.
- **Commercial and Industrial Undertaking:** local governments are empowered to undertake commercial ventures and make profits which constitute an important part of their revenue. Profit can be made from transport services or sale of goods. Local government can also earn money from small scale industries and co-operative stores, supermarkets or agricultural establishments, renting of houses or lands out to individuals.
- **Grants:** grants are monies given annually by state and or central governments in aid of local governments to enable them discharge their responsibilities. It can be given in form of general grants also called block grants to enable local governments finance its recurrent expenditure. It is further aimed at helping the local government to meet the cost of particular services of national importance like Education, health, agriculture e.t.c,

matching grants for specific priority projects and equalization grants aimed at helping the less developed local governments to enable them catch up with rich and more developed ones.

- **Gifts and Donations:** individuals, groups and organizations can give donations or gifts to local governments and this constitute its IGR.
- **Loans:** local governments are also empowered to raise loans from banks, governments or other corporate organizations to finance capital projects.

The importance of revenue generation, allocation as well as its distribution towards maintaining both the existing and new socio-politico-economic structure in any economy be it centrally planned, market or mixed economies cannot be overemphasized. To this end, what revenue is to an individual or a firm is what it is to the government. Thus, revenue allocation and its distribution remain a vitally sensitive issue which continues to spark off reactions from all stakeholders at all times. This is more so in the sub-saharan region and particularly in Nigeria where ethnic plurality and language heterogeneity characterizes the country's existence. (Olofin, S.O et al 2008).

Challenges of Revenue Allocation

1. It was noted by Ewetan (2012) that Nigeria is a federation, but in practice and with the assumption of power by successive military administrations, the constitution has always been suspended and the country ruled more or less like a unitary state. The imposition of a centralized unitary system on a federal structure under the military administration party explains our experience of poor fiscal management and low economic performance which, over the years, had advertence which, over the years, had adversely inhibited the true practice of fiscal federalism.
2. In a related development, Ikeji (2011) observed that there is usually a lack of correspondence between the spending responsibilities and the tax powers/revenue sources assigned to different levels of government. It is this incongruence that is often referred to as the non-correspondence problem. In Nigeria, most of the major sources of revenue come under the jurisdiction of the federal government yet lower levels of government are supposed to generate internal revenue.
3. Again, the issue of relative fiscal autonomy and independence of the state and local governments in a true federal structure goes with the corollary issue of the correspondence of governmental functions and revenue sources. Since the creation of the twelve state structures in 1967, states and local governments have been excessively dependent on the federation Account. This independence must be reduced if the federating units are to be free to pursue their own development goals without being hampered by the unpredictable fluctuations in their shares of the federation Account.
4. Obasanjo (2005:72) cited in Ikeji (2011) observed that the latest of several official and unofficial constitution reform initiatives, the NPRC is charged with forging a national consensus on new constitutional blueprint for "reinforcing the unity, cohesion, stability, security, progress, development and performance of the Nigerian federation".

   Yet, half way into its proposed four month tenure, the NPRC is already embroiled in the contradictions and divisions often associated with the politics of mega-constitutional change in deeply divided societies. Especially palpable is the increasing polarization of the conference along a geographical faultline that pits putative sourthern Nigerian constitutional performers against more pragmatic northern conservatives.

5. Observably, there were problems of allocating the centrally collected revenue equitably among all the levels of governments. In order to resolve this problem, various principles had been tried by different fiscal commissions and, so far, there are yet to be fully acceptable principles for sharing revenue. Very often, lack of adequate data for objective analysis had exacerbated, rather than ameliorated, the revenue sharing problem among states and local government. (Ewetan, 2012).

2.3 Theoretical Framework

Akindele and Olaopa (2003) observed that various contending theories have been propounded by scholars in their attempt to analytically bring into clearer perspectives the nitty-gritty of federalism as structural mechanism for the governance of men within various polities that form part of the physiology of global political community.

These theories have variously highlighted the components inherent in federalism (already referred to above) as does the attention they deserve in that; the actual sorting out of functional tasks amongst different levels of government is a perennial source of tension and uncertainty in most federalism (ACIR, 1980:301).

In the course of this work, the adoption of Wheare's work, is imperative because of his universal acclamation as the reputed father of (Modern) federalism (Akindele, 1995b, Op.Cit:92)

Wheare's contribution to federalism which as recently noted by Ajayi (1997:Op.cit:151) was based "In its entity on the American 1887 federal model" now forms the bedrock of all federal politics. (Akindele, 1995b:op.cit:92).

His doctrine of federalism which while recognizing the inevitability of conflicts among the components of the federation or any federation, prescriptively advocates mechanism for constitutionally dealing with such conflicts include the following:

- The division of governmental responsibilities between levels of government.
- A written constitution spelling out this division and from which federal and state authorities derive their powers.
- A judiciary independent of both levels of government that acts as an arbitrator in cases where there are conflicts over the jurisdiction enumerated in (1) above.
- The federal arrangement emphasizing co-equal supremacy of the various levels each in its respective field of operation…the citizens of the federation being concurrently under two authorities and owning loyalties to them (Wheare, 1964).

This implies that the division of governmental duties among the three tiers of government will enable each tier to carry out its functions accordingly in line with the written constitution and any attempt to go beyond or below its responsibilities will attract the riot of the judiciary which serves as an arbiter.

Equally, Wheare in Obiajulu and Obi (2003:223) stated thus in Nsi (2014);

> If the government authorities in a federation are to be co-ordinate with each other, in actual practice as in law, it is essential that there should be available to each of them under its resources sufficient for the performance of the functions assigned to it under the constitution… for if state authorities, for example, find that the services allotted to them are too expensive for them to perform, and if they call upon the federal authority for grants and subsidiaries to assist them they are no longer coordinate with the federal government but subordinate to it.

Financial subordination makes an end of federalism in fact, no matter how carefully the legal forms may be preserved. It follows therefore that both state and federal authorities in a federation must be given the power in the constitution each to have access to and to control its own sufficient financial resource, each must have power to tax and to borrow for the financing of its own services by itself.
Taking a cursory look at K.C Wheare's view on fiscal federalism, he posited that each of the governmental authorities in a federation should have access to independent finance that is not under the control of the other level of government if it must perform its constitutional roles.

3.1 Discussion
The positions, views and ideas of scholars on the politics of revenue allocation among the three levels of government in Nigeria and other salient issues were reviewed in the literature of this study. some of the scholars and researchers whose work and studies were reviewed include; Akindele & Olapa (2002) whose study on "The Theory and practice of federalism as a structural mechanism of Governance: How adequate for gender struggle and representation in Nigeria" assessed the true nature and practice of federalism in Nigeria; Olofin, S.O (2008) who researched on "Fiscal federalism in Nigeria: A cluster Analysis of Revenue Allocation to states and local government Areas, 1999-2008"

Others include Otinche (2014) whose study was entitled "fiscal policy and local government administration in Nigeria" Ikeji (2011) who studied "polities of Revenue allocation in Nigeria; A reconsideration of some contending issues" Ogunna (1999) who studied "The management of public finance I; Orluwene (2008) did a research on "The politics of Revenue Allocation in Nigeria since independence; An overview.

A synthesis of the reviewed related literature show that the scholars acknowledged the politics of revenue allocation among the three tiers of government in Nigeria.
The theoretical framework on which this study is based is the theory of fiscal federalism. The theory holds that the tiers of government will enable each tier to carry out its functions accordingly in line with the written constitution and any attempt to go beyond or below its responsibility will attract the riot of the judiciary which serves as an arbiter. It further posits that financial subordination makes an end of federalism. In fact, no matter how carefully the legal forms may be preserved. It follows therefore that both state and federal authorities in a federation must be given the power in the constitution each to have access to and to control its own sufficient financial resources, each must have power to tax and to borrow for financing of its own services by itself.

The position of theory of fiscal federalism is in line with the view of Orluwene (2008) that revenue generation and allocation among the federating units of Nigerian federalism is a crucial issue in that as soon as there exist two or more levels of tiers of governments, it becomes necessary to introduce a system of sharing fund to various tiers of government to particularly meet constitutionally assigned and specified functions.
The three objectives of the study stated in chapter one is hereby restated including the strategies for achieving them.

i. To assess the politics of revenue allocation among the three levels of government in Nigeria. This was achieved by using deductive-inductive-inductive reasoning.
ii. To ascertain how the revenue allocation have been equitably distributed among the federal, state and local government. This was achieved by using content analysis of the secondary data collected. Specifically, public documentary sources of content analysis were used.

iii. To evaluate the impact of the politics of revenue allocation among the three levels of government in Nigeria. This was achieved by logical deductions involving inductive-deductive method.

3.2 Conclusion

The findings of this study reviews that the politics of revenue allocation among the three levels of government in Nigeria is a crucial issue in that as soon as there exist two or more levels or tiers of governments, it becomes necessary to introduce a system of sharing fund to various tiers of government to particularly meet constitutionally assigned and specified functions.

3.3 Recommendations

In order to strengthen the revenue allocation among the three levels of government in Nigeria is a crucial issue in that as soon as there exist two or more levels or tiers of governments. It becomes necessary to introduce a system of sharing fund to various tiers of government to particularly meet constitutionally assigned and specified functions. The study recommends that;

i. The government should adopt a new strategy that will ensure equity, and fair play in the distribution of national resources among the three tiers of government in Nigeria.

ii. The various revenue commissions set-up by different regimes should set-up committees at the three levels of government to monitor the revenue allocated to each tier to ensure that the resources are judiciously utilized.

iii. Finally, the federal, state and local government should entrust their resources in the hands of transparent, God fearing and accountable individuals who will always be available to account for it whenever they are called upon.

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Appendix I

BRIEF HISTORICAL OUTLINE OF REVENUE ALLOCATION FORMULA IN NIGERIA.

ITEM	DATE	FEDERAL GOVT %	STATE GOVT %	LOCAL GOVT %	SPECIAL FUND %	TOTAL %
Phillipson Report	1946		Largely by derivation resulting in Northern Region-46%, Western Region-30%, Eastern Region-24%			
Hicks-Philipson Report	1951		By derivation (for taxes that can be regionally identified), need (eg by population) and national interest.			
Chick commission	1953	F.G-50% of general import duty F.G-50% of the import and excise duty on tobacco. F.G 50% share basis on export duty on hides and skins	Regions-50% on general import duty on derivation basics; regions:-50% of import and excise duty on tobacco based on derivation; Regions-100% of the import duty on motor spirit. -100% of the mining rent and royalty should go to the regions.			

			Regions-50%-50% share basis on export duty on hides and skins.			
Raisman commission	1958	Introduced Distributable Pool Account (DPA) under federal control from DPA; 20% of mining rent and royalty. (DPA-according to principles of continuity, minimum responsibility, population and balanced development of the federation.	Sales produce and motor vehicle tax 100% from DPA: 50% of mining rent and royalty returned to region of derivation from DPA. 30% of mining rent and royalty to all other regions.			
Binns commission	1964	No fundamental changes	Proceeds of the excise duty imposed on locally produced motor spirit and diesel oil, the federation shall pay to the regions, duty based on their consumptions.			
Federal	1967	States	DPA divided			

Military Decree 15	(Military Coup January 1966)	created May 27, 1967	equally among 6 Northern states; by population among Southern states.			
Dina commission	1969 (rejected)	DPA renamed states Joint Account (SJA) and that a special Grants Account (SGA) Allocation of funds based on tax effort balanced development and national interest.	Offshore operations revenues shared; federal government, 60%, SJA, 30%. And SGA, 10% Onshore Royalties shared; federal government, 15% state of derivation, 10%, SJA, 70% and SGA, 50% Revenue from Excise duty shared; federal government, 60% SJA 30%, and SGA, 10% Revenue from import Duty shared; federal government 50% and SJA, 50% Revenue from Export Duty shared;			

			federal government, 15%, state of derivation 10%, SJA, 70%; and SGA, 5%			
Federal Military Decree 6	1975	DPA: -80 of mining rents and royalties,-35% of import duties, -100% of duties on motor spirits, tobacco and hides and skin. -50% of excise duties.	DPA divided among the states on the following basis; -50 based on equality of states. -50% based on population.			
Aboyade commission	1977	57.00	30.00	10.00	3.00	100.00
Okigbo commission	1980	53.00	30.00	10.00	7.00	100.00
Revenue Allocation Act	1981	55.00	30.50	10.00	4.50	100.00
Pre-supreme court-legal decrees/Law	Pre-April 2002	48.50	24.00	20.00	7.50	100.00
Pre-supreme court-RFMAC proposal	August 2001	41.23	31.00	16.00	11.70	100.00
Supreme court Ruling	April 2002				Unconstitutional	
Post-supreme court-executive	May 2002	56.00	24.00	20.00	0.00	100.00

order #1						
Post-supreme court Executive order #2	July 2002	54.68	24.72	20.60	0.00	100.00
Post-supreme court-RFMAC proposal	January 2003	46.63	33.00	20.37	0.00	100.00
Latest RFMAC proposal	Submitted to president. September 20, 2004	47.19	31.10	15.21	National priority services funds. Ecology-1.50 Mineral Devt- 1.75 Agric Devt- 1.75 Reserve fund- 1.50 Total -6.50 (Joint Fed/state/LG management)	
Presidential proposal	Submitted to NASS January 25, 2005	47,19	31.10	15.21	Ditto + Horrizontal formulas + state Derivation funds Boards to manage 13% derivation.	100.00

Source: (www.nigerianmuse.com)

Appendix II

VERTICAL ALLOCATION OF NIGERIAN GOVERNMENT REVENUES AMONG THE THREE TIERS OF GOVERNMENT

PERIOD	PERCENTAGE (%) OF FEDERATION ACCOUNT			
	FEDERAL GOVERNMENT	STATE GOVERNMENT	LOCAL GOVERNMENT	SPECIAL FUND
1981	55	35	10	-
1989	50	30	15	5
1993	48.5	24	20	7.5
1994	48.5	24	20	7.5
1992-1999	48.5	24	20	7.5
May 2002	56	24	20	-
March 2004 to date	52.68	26.72	20.6	-
Current Bill under consideration at the National Assembly	53.69	31.1	15.21	-
Revenue Act of 1981				
Prior to supreme court judgment of April, 2002 on resources control suit, the provision of special funds was nullified.				

Source: Revenue Mobilization and Fiscal Commission, Ministry of Finance.

Appendix III

Horizontal Revenue Allocation

	PRINCIPLES	Weight (%)
1.	Equality of states	40.00
2.	Population	30.00
3.	Population density	
4.	Landmass and Terrain	10.00
5.	Social Development factor	10.00
6.	Internal Revenue effort	2.50
7.	Equality of states in Revenue generation	7.50
	Total	100.00

Source: Revenue Mobilization and Fiscal Commission Ministry of Finance