

Report of the Presidential Commission
on Revenue Allocation.
Volume III

Official memoranda submitted by the
Governments ^{of the Federal} State Houses of Assembly
and Local Government councils

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S O K O T O S T A T E

SOKOTO STATE'S MEMORANDUM TO THE
PRESIDENTIAL COMMISSION ON REVENUE ALLOCATION

1. 1. In a Federation the issue of revenue sharing among its constituents can always be expected to generate a lot of heat and controversy since the resultant revenue going to each unit considerably affects, if not determines, the rate of economic development that can be achieved in the units. The position can hardly be different in the context of Nigeria. In fact it is the situation that all states now depend on Federally generated/collected revenue to the tune of about 90% of their total revenue. It is therefore to be expected that states would show much concern for the issue of revenue allocation.

1. 2. Whilst the issue of increasing the size of revenue to all Governments is a very important one in its own right there is no denying the fact, if the truth must be faced, that the main focus is the issue of relative allocation.

1. 3. In an effort to evolve a workable and equitable system various commissions were mandated to recommend suitable formulas for use in the country. Stretching from 1946, when the first Commission was established, to date no less than eight of such commissions were established to tackle the vexations issue of revenue allocation. These include The Phillipson Commission of 1946; The Hicks-Phillipson Commission of 1951; The Chick Commission of 1964; The Dina Committee of 1968; The Aboyade Technical Committee and now the Okigbo Presidential Commission. From 1946 to date the following criteria of revenue allocation have been tried:-

- i) Derivation
- ii) National Interest
- iii) Population
- iv) Geographical Peculiarities
- v) Even Development
- vi) Equality of States
- vii) Independent Revenues
- viii) Need
- ix) Continuity
- x) Financial Comparability
- xi) Equality of Access to Development Opportunities
- xii) National Minimum Standard for National Integration.
- xiii) Absorptive Capacity
- xiv) Independent Revenue and Minimum Tax Effort
- xv) Fiscal Efficiency

Given the changing pattern of Nigeria's economic configuration it is to be expected that no allocation formula is likely to stand the test of time. It is therefore as well that this sensitive issue is looked at periodically in the light of prevailing economic and social conditions.

1. 4. In considering the issue of allocation of revenue we are broadly concerned with the following aspects (apart from finding ways to increase the total revenue size):-

- (i) Allocation of revenue to each of the three tiers of Government viz; Federal, States and the Local Governments.
- (ii) Allocation of the States' share among the respective States.
- (iii) Allocation of a State's share among the Local Governments in the State.

Federal - States Financial Relationship

2. 1. The constitution has largely settled the issue of the allocation of functions amongst the three tiers of Government. To this extent we have a basis on which to assess the responsibilities that are to be discharged by each of these tiers of Government. Before we discuss the relative distribution of funds among the three tiers of Government we consider it pertinent to briefly review the current trend in revenue allocation between the Federal and the other Governments.
2. 2. For the past few years a particular phenomenon of the Federal budget has been its size, especially in relation to the size of the budget of the Nineteen State Governments combined. This situation has arisen because of the preponderance of the Federation's revenue retained by the Federal Government. It is sometimes argued that the responsibilities entrusted to the Federal Government justify the lopsided distribution arrangements that States have had to bear in recent years.
2. 3. By far the greater responsibility for enhancing the welfare of the citizens of this country devolves on States. Accordingly state Governments combined are required to bear the burden of providing such services as Education, Public Health, Hospitals and Medical Care, Welfare, Water, Housing and Roads which touch on the welfare of the vast majority of the populace. Given the size of Nigeria's population it is to be expected that the cost of providing a reasonable level of these services will be high. It therefore does not stand to reason that the States (and the Local Governments) should be denied a reasonable level of funds to execute those programmes that touch on the lives of the vast majority of Nigerians.

and which programmes derive from the "directive principles of State Policy" as enunciated in the Nigerian Constitution.

2. 4. We should take adequate note of the burden of the UPE which has now fully devolved on the States as provided for by the Constitution. The sharing of responsibility for higher education by the States also calls for increased financial allocation to the States.
- 2.5. Another area that should be explicitly recognized is the responsibility of the State Governments for the burgeoning urban centres in their respective areas. The level of urbanisation in Nigeria is rising very sharply and this calls for serious attention in the form of large investment in welfare and environmental services much more than has ever been the case in Nigeria. Failure to respond to this situation adequately will, without doubt, create social and environmental problems, possibly of unprecedented magnitude.
2. 6. Also when we examine the national objectives as stated in the National Plan we find that one of the five cardinal objectives is to establish Nigeria as a "just and egalitarian society." How can egalitarianism be achieved with the bulk of the national resources in the hands of one Government! We believe that the goal of egalitarianism is better realised if national resources are dispersed more widely than by concentrating them in the hands of the Federal Government. Such a dispersal can best be achieved through substantial increase in the share of national revenue going to the States and the Local Governments.

2. 7. Reference had earlier been made to the budgeoning size of the Federal Budget in recent years. It is illuminating to identify some of the expensive and wasteful projects to which huge national resources have been committed to produce such oversized but largely irrelevant budgets. Some of these projects are the never ending fly-over projects in Lagos, the expensive reclamation works in Lagos, the white elephant Trade Fair Complex, the National Theatre and the Festac Village. Perhaps the most glaring of the recklessness with which some Federal Government agencies commit national resources without due regard is the case of the new Federal Secretariat even when the issue of the need to shift the location of the Federal Capital from Lagos was a fore-gone conclusion.
2. 8. Neither do these adequately represent all areas in which national resources could be invested with more prudence. For example, it is a well known fact that a lot of savings can be made from expenditures being incurred in running our diplomatic missions abroad. There are so many of these missions scattered throughout the globe. In some parts of Europe, for instance, there are as many as four diplomatic missions within a radius of 300 kilometers! The number of these missions can be reduced without sacrificing any substantive benefit to the Nigerian nation.
2. 9. Another area where the Federal Government could be more prudent relates to its financing of regional organisations. With the cooperating Governments invariably defaulting in paying their share of contributions to sustain these organisations we believe that in effect it is

Nigeria that bears the preponderant and inequitable weight of funding these regional organisations like the Niger Basin Commission, the Chad Basin Commission or even ECOWAS. The time has come for the Federal Government to review its financial policy to these regional organisations.

2. 10. An extension of this paternalistic policy can be found in the apparent eagerness with which the Federal Government seems to embrace every opportunity to make largesse to a number of African countries. Whilst we do not advocate an isolationist policy in foreign relations, we believe that our foreign aid policy should be predicated on some additional criteria such as the formal declaration by the international community e.g. U.N. or O.A.U. that conditions in such countries deserve international support.
2. 11. Or to consider our expenditures on defence! There is no doubt that given a clear identification of the national objective, considerable saving can be made even while optimising the capacity of our defence establishment through the optimal choice of factors in terms of limited numbers of personnel, effective training and suitable equipment.
2. 12 The Federal Government can contemplate engaging in all these cases of adventurous financial spree while starving the states of funds because of the preponderant share it takes in the national revenue. As a result a vast proportion of the country is left in a state of almost absolute penury.

2. 13 In the light of the foregoing we believe a more equitable share of national revenue to the Federal Government should be 50%. Infact, the proposed 50% can only be justified in order to enable the Federal Government discharge its responsibilities with regard to such areas of the national economy such as ports, roads/railways development, mining, energy, telephones and heavy industries.
2. 14 The temptation must be strongly resisted to underestimate the size of the suggested 50% for one Government, as against 50% for 19 states' governments plus over 300 local governments.
2. 15 From the 50% assigned to the Federal Government, 1 $\frac{1}{2}$ % should be allocated to a special fund for meeting the rehabilitation problems of areas where mineral extraction is undertaken. This is in recognition of the fact that people from the areas where mineral extraction is undertaken suffer from the hazards of environmental pollution and wastes that continually engulf them and their lands. However, this is a planning rather than a revenue allocation problem. To solve this problem a special consolidated fund should be established by the Federal Government for the purpose of rehabilitating devastated land and minimising if not completely eliminating the various sorts of pollution associated with drilling activities.

Criteria

3. 1. The identification of the criteria on which revenue allocation should be based is a very important one requiring thorough consideration.

In identifying these criteria it is necessary to determine what type of formula should be adopted.

3. 2. It is our considered opinion that in the search for a formula we should put a high premium on a simple formula which is easy to administer and verify. A complex formula will not only be difficult to operationalise but will also be difficult to verify thereby failing to elicit the confidence of public functionaries in its fairness.
3. 3. One other potential source of controversy concerns the usual temptation to build sophisticated academic concepts into our revenue allocation arrangements without adequate regard for the data base on which such concepts can be computed. The standard of data collection in Nigeria is still poor and until this standard is drastically improved it would be hypocritical to attempt to use such data without discrimination. The result of the Aboyade Technical Committee should be adequate pointer to the problems of relying on poor quality data.
3. 4. This is not to argue that data should not be used at all in attempting to determine a fair and equitable allocation arrangement. The main point is that we should be cautious and deliberately confine ourselves to the use of simple and easily obtainable data.
3. 5. Having regard to the need to evolve an acceptable sharing arrangement in the context of the constraints imposed by lack of accurate data, we are of the firm view that the following criteria should be adequate to form the basis of our allocation formula viz: Population, Even development (national minimum standards), and equality.

Population as a factor

3. 6. The justification for the use of population figures for revenue allocation should generate no controversy if we are realistic and not hypocritical. We are honest enough to admit that Sokoto State is a large State both in area and population. According to the 1963 census, Sokoto State comes third in order of magnitude, among the 19 states. But there are strong intrinsic arguments which justify the use of population figures. Our choice is not therefore based on the selfish motive of deriving special advantage from a factor that favours Sokoto State, but our choice rests on the intrinsic merit of a most practical indicator of need. Shorn of any trappings we should recognize that government begins with people and should end with people. In other words the purpose of a good government is to serve its people and increase the welfare of its constituents. In that case every government has certain basic obligation to its people. The larger the number of these people the heavier will be the burden of the obligation. We should not manufacture spurious reasons to discard the most relevant criterion for the rational allocation of national resources.

3. 7. The whole concept of State, government, and development rally around people. A government succeeds or fails based on the efforts it makes to marshal all available resources for the improvement of the quality of lives and living standard of the people. It therefore follows that no responsible government can afford to ignore the wishes and aspirations of the majority of its people. Wisdom, equity and prudence therefore demand that population be considered as the most important principle.

It is essentially a basic and fundamental principle. Its focus of attention is the people where ever they may be. The welfare of the people is the direct motivating factor behind this principle. We therefore recommend that 50% of the allocation to States should be based on population.

3. 8. Although a lot of controversy surrounds the accuracy of our census figures, we do believe that we can still use the 1963 officially accepted figures as basis.

Even Development (National Minimum Standard)

3. 9. As a national objective in trying to achieve even development we should aim at ensuring that a minimum standard of certain important services is available in each state. While the progress of the relatively developed states is not retarded, efforts must be made to enhance the pace of social and economic development of the relatively less developed states.
3. 10 In determining which services should be considered to make use of this new criterion we have identified the following:

number of Secondary Schools in a State
number of Hospital beds in a State
number of rural health institutions in a State
quantity of pipe - borne water in a State
miles of tarred roads in a state.

The object here is to use a yard-stick to determine the quantity of each of these services that ought to be available to each state as a minimum. In this context, some United Nations recommended data should prove useful.

3. 11 We are well aware of the fact that the intensity with which services are required will vary with population but we have deliberately avoided such a normalizing factor

and have recommended the use of absolute figures. In this case, the share of a State will be inversely related to the level of absolute development of such services in the State.

3. 12 We recommend that 30% of the allocation to States be disbursed on the basis of even development as explained above.

Equality

3. 13 Although a number of commentators have criticised the concept of equality of States as one of the criteria for allocating national revenue, we are of the view that such commentaries are seriously misplaced. Each Government, no matter the size of the State, has minimum administrative functions to perform for which resources are required. They each have parliaments, Commissioners, the Civil Service etc. to up-keep. Although States are not all the same in area and population, and the criterion of equality favours the less populated States, we believe it re-inforces national unity if the issue of equality of States is recognised and given expression in terms of revenue allocation. All states in the Federation regardless of their sizes, location, degree of prosperity or poverty, education or backwardness are States of the Federal Republic of Nigeria. The Federal Government as a Central authority and father of all has a basic moral obligation to allocate financial resources to each state on the plain and simple fact that the State is Nigerian. This is a basic responsibility of fundamental importance. This moral principle does not allow for any variation as variation is tantamount to discrimination.
3. 14 We therefore recommend that 20% of the revenue to States be allocated equally.

The issue of derivation

- 3.15 The criterion of derivation seeks to share revenue on the basis of the State of origin of such revenue. There is no doubt that states that stand to gain by the introduction of such criterion will naturally argue for its inclusion in the list of criteria to be used. We however believe that by weaving the criterion of derivation into the allocation principles we would be directly undermining the unity of this country. There can be no justification for its recognition in a cohesive fiscal system which aspires to national political and social development. Since the bulk of the Nigerian revenues come from mining activities in which the States of their location have no investment except for the land where such activities are being carried out, it will be inequitable to recognise the principle of derivation in sharing the proceeds of such national economic activity.
- 3.16 Thus throughout the history of revenue allocation the derivation principle hampered the development of equity and rationality in Nigeria. It poisoned inter-government relationship and generated inter-regional animosities and disputes. More than anything else it hampered the development of a true sense of national unity. The nation must move away from this danger. The discovery and exploitation of oil in the East which transformed that region from financial weakness to financial strength between 1946 and 1966 showed that no area is certain to prosper and another area to remain in poverty perpetually. The discovery of the all-important uranium and other minerals in some part of the country is a pointer to this fact.

3. 17 On the other hand we do recognize the fact that the areas where mineral extraction is being undertaken suffers substantial depredation and deserve reasonable recompense. In judging this issue of recompense we must not fail to recognize that there are substantial benefits accruing to the mineral producing areas as a result of extraction activities in such areas. For, while the communities in these areas may be deprived the use of their lands presumably for farming purposes it is equally true that the companies carrying out exploration activities provide such communities with relatively highly paying employment, social infrastructure such as roads, schools, clinics and so on. All this is in addition to high revenues derived from rent and royalties. The coffers of the governments in the areas are also raised by the enhanced taxable capacity in the areas of such activities. Therefore the activities of mineral extraction in relation to the host states are not entirely negative and we should be honest to recognise this point.

3. 18 However in spite of the benefits which the host States enjoy directly and indirectly from the activities of mineral extraction, we recognise the need to provide something directly from national revenue to go to the areas in which such activities are carried out. It is for this reason we have earlier recommended that $1\frac{1}{2}\%$ of the Federal allocation be set aside to take care of environmental problems.

Local Governments

3. 19 We recommend that 10% of the Federation Account be shared amongst the States for allocation to the local Government in their areas. We also recommend that each State should in addition pay to the States Local Governments 10%

of its total revenue to be disbursed amongst the local governments in that State.

3. 20 The State Joint Local Government Account should be allocated among the Local Governments on the basis of:-

Population	50%
Even Development	20%
Equality	30%

The rationale for inter changing the percentage for equality and Even Development, compared with allocation among states is that the reliability of data at the Local Government level is less than that at the State level.

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Representative Memorandum on the State
Memorandum on Revenue Allocation

1. Development Loan Funds:

The proceeds from Development Loan Funds represent a significant fraction of the State's total financial resources for executing its Capital development programmes.

The loan has consistently been a reliable source of revenue to the State and if discontinued will throw the whole development plan of the State out of gear as drastic cuts will have to be made in the Capital Estimates unless a corresponding increase is made to the Statutory Allocation of the State.

The present arrangement whereby the Federal Government borrows from the Private Sector then lending it to State Governments needs to be continued. This is necessary because no State in the Federation has been able to raise any appreciable amount from this source. We suggest that the proceeds should continue to be shared out among the States using the present criteria.

2. Foreign Exchange

The management of foreign exchange should continue to be the exclusive reserve of the Federal Government. This includes the planning and preparation of foreign exchange budget, its allocation to the various tiers of Government, its final approval and general administration.

The estimated amount for this should be allocated to States as a percentage of their share of statutory revenue allocation. There is, however, a need to remove the much red-tape in the processing and approval of applications for foreign exchange.

3. Federal Capital Territory

Establishing a new Capital ^{involves} ~~involves~~ heavy expenditure especially at the preliminary stages of setting up the basic infrastructure and buildings. This is, however, the Federal Government's responsibility and is thus expected to bear the cost. It is recommended that a special account should be opened by the Federal Government crediting it with 3% of its own share of federally

collected revenue. This will solve the problem of bureaucratic bottleneck and facilitate the completion of the Ministry's programmes on Schedule.

4. Grants

Because of the anticipated increase in revenue accruing to States from statutory revenue allocation, the cumbersome way in which grants is managed, the delays in its remittance and the manpower wastages involved in pursuing its collection, it is recommended that grants should be de emphasised in the issue of revenue allocation.

5. Federal Presence in States

It is our view that Federal presence in State Governments contributes to the level of development achieved in a State and this level achieved has a direct relation with the level of development so achieved.

In considering revenue allocation among the State, a criterium of even development which assumes consideration of minimum standard has been incorporated in the determination of the formula to be used for allocating revenue among the States. Where the Federal Government will come in is in the future where it has to take into account the extent of its own presence in locating further facilities with a view to enhance even development of the Country.

6. Financial Projectious 1980-1985 (₹ M)

<u>Sources</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
1. State Independent Revenue	13.01	14.31	15.61	16.91	18.21
2. Statutory Revenue	<u>202.67</u>	<u>210.00</u>	<u>221.81</u>	<u>229.29</u>	<u>240.07</u>
3. Total Recurrent Revenue	215.68	224.31	237.42	246.20	258.28
4. A) Less Recurrent Exp.	138.62	145.55	152.83	160.47	168.50
B) Less State Revenue to I	<u>21.57</u>	<u>22.43</u>	<u>23.74</u>	<u>24.62</u>	<u>25.83</u>
5. Recurrent Surplus	55.49	56.33	60.85	61.11	63.95
6. Add Internal Loan (Fed)	30.00	30.00	30.00	30.00	30.00
7. Add External Loan	-	20.00	20.00	-	-

Sources	1981	1982	1983	1984	1985
8. Other Loans	-	2.00	2.00	-	-
9. Add Anticipated Balance in Development fund Account	10.00	-	-	-	-
10. TOTAL	95.49	108.33	112.85	91.11	95.95

i.e. \$501.73 m or approximately \$502m

Because of the increase in oil prices, a revised revenue projection was made.

Sources	1981	1982	1983	1984	1985
1. State Indpt. Revenue	13.01	14.31	15.61	16.91	18.21
2. Statutory Revenue	282.99	287.10	292.07	298.47	321.50
3. Total Recurrent Rev.	296.00	301.41	307.68	315.38	330.71
4. a) Less Recurrent Exp.	138.62	145.55	152.83	160.47	168.50
b) Less State Rev. to LGs	29.60	30.14	30.77	31.54	33.07
5. Recurrent Surplus	127.78	125.72	124.08	123.37	129.14
6. Add Internal Loan (Fed)	30.00	30.00	30.00	30.00	30.00
7. Add External Loan	-	20.00	20.00	-	-
8. Other Loans	-	2.00	2.00	-	-
9. Add Anticipated Balance in Development fund Account	10.00	-	-	-	-
10. TOTAL	167.78	177.72	176.08	153.37	159.14

i.e. 834.09m or approximately \$834m

MEMORANDUM SUBMITTED BY LOCAL GOVERNMENTS
(SOKOTO STATE) ON THE ISSUE OF REVENUE
ALLOCATION

INTRODUCTION: The issue of Revenue Allocation in Nigeria has always generated alot of heat in the political circles. This is what it should be in a multi-national society such as ours where the services of the distributable resources required for development keep on changing locational origin. For instance, in the sixties farm products such as cocoa, cotton and groundnut which originate from the North and the West were the main sources of revenue while now it is oil from the riverine areas of the Federation.

No matter how resources keep on changing origin, the fact remains that Nigeria as an entity should be the pride of all of us. Past events have shown that the continued existence of the country as an entity is not only desirable but necessary. We believe that the concept of Nigerian unity and consequent integration of the communities is a manifestation of recognising the peculiarities of each of the federal units and above all accepting and tolerating the differences in a spirit of one nation one destiny.

To accept the above proposition is to accept the notion of the need to evolve deliberate political and economic strategy which can eliminate areas of potential conflict so that Nigeria as a nation can withstand the strains and stresses of emerging nationhood. This can only be achieved through the spirit of give and take, the spirit of brotherhood, thus the principle of narrowing developmental gaps should be given the right place it deserves when contemplating the thorny issue of revenue allocation. There should also be a conscientious effort to narrow the developmental gaps between rural and urban areas and among Local Government areas in each of the States in the Federation. We believe that it is only by so doing shall we eliminate areas of conflict (to a reasonable extent) and prepare for a giant leap into an industrial era. Luckily, recent political actions at various levels of government are very assuring that considetation of nations interest is reigning supreme.

We appreciate the various steps taken to evolve an acceptable revenue allocation formula since independence. Solutions arrived at, however, have unfortunately often proved either unworkable or sometimes worked for only a while.

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The reasons for such failure could be attributed to either the reluctance on the part of the authors to face the nations problems squarely and the tact of taking the safety valve aspect of the problem, by being unnecessarily vague, technical and academic. The report of the latest of such Committees, the Aboyade Committee, was by all standards known in this country too abstract and consequently could not be operated. The report is loaded with jargons such as "absorbptive capacity, Fiscal Efficiency, Equality of access" etc. which convey little or no message to the vast majority of the elite who are expected to translate the report into action.

II - FACTORS (CRITERIA) TO CONSIDER IN REVENUE ALLOCATION:

We submit that the following factors be considered as listed in order of importance which taken together will take adequate case of the problem and lead to the desirable state affairs high lighted in the introduction to this memoranda:-

- (a) Population
- (b) Need and Even Development.
- (c) Equality
- (d) Derivation
- (e) Land area and Communication.

(a) POPULATION - We consider population as the most practical indicator of the need for development finance. It does not need a demographer to drive home the point that the more people you have the more income you will require to provide services. The extent to which such services are planned and subsequently over stretched or otherwise will largely depend on the number of people you have to cater for. For instance you need a different scale to measure a Clinic for 10,000 and 3000 people respectively. Consequently, you need different barometers to measure running costs etc. In the past, this has unnecessarily generated controversy. It should, though, since simple logic and reason suggests that the more people you have, the larger your facilities have to be and the more likely of the services being overstretched. We believe that for all practical purposes the 1963 figures with the annual projections have become accepted for planning and other purposes in Nigeria. These figures could thus be used. We recommend that 45% of the Federal revenue be allocated using this criteria.

(b) NEED AND EVEN DEVELOPMENT - Need here refers to the specific peculiarities of certain States of the Federal which necessarily forces such states to require more funds. Such need includes the problem of dislocation of people as well as air water pollution in oil producing areas. Desert encroachment drought situations in the sahel zone of the country. There are also other human factors like the need to bridge the educational and commercial gaps between the northern and southern states. It could be seen that the issues here are either natural or those which come into being as a result of some people giving up their abode for the purpose of national pursuit for oil. We recommend, therefore, that 25% of the Federal revenue be allocation using this criteria.

(c) EQUALITY - We believe that there should be some minimum standards which all things being equal, should prevail in each of the States of the Federation. We, therefore, recommend 10% of the Federal revenue to be allocated using this criteria to provide this minimum.

(d) DERIVATION: - We appreciate the issues involved in the issue of derivation. The argument in favour normally tend to be moral. The consideration has been given such a weight in practical terms that the per capita in the so-called derivation areas is often four times the rest of the country. A cursory look at the 1979/80 state allocation/budgets confirms this. We are of the opinion, however, that too much moral undertone is given to this issue to the extent that areas where oil is produced are given a special place in the economy. We are not unmindful of the need to work out some form of compensation for oil producing areas in return for loss of farmland and settlements. However, in the interest of national unity the derivation principle should be de-emphasised to make reasonable lump of development finance go round to other States. We recommend that 10% of Federal Revenue be allocated using this criteria.

(e) LAND AREA AND COMMUNICATION - This point is important for two reasons. (a) Where the land area is vast, there is a tendency for people to be scattered and consequently the units of projects multiply with the number of such settlements (b) Those areas of the country which are far away from the coast naturally have contingencies and cost of transport added to the cost of materials. We recommend that 10% of the Federal Revenue be allocated using this criteria.

ALLOCATION TO VARIOUS TIERS OF GOVERNMENT - In view of the need for development finance at all levels of government we recommend that the Distributable Pool Account (DPA) be enlarged in such a way as to make enough revenue available. We recommend allocation to the three tiers of government as follows:-

- (a) 50% - Federal Government
- (b) 35% - State Government
- (c) 15% - Local Government.

The above recommendation is realistic when cognizance is taken of centre-peripheral relationships in developmental efforts. Such areas of overlapping include Universal Primary Education Programme, Health, Education, Roads and ~~Lines~~ ^{River} ~~Communication~~. *Transportation*

It might be suggested that an allocation of 15% to Local Government is too much. However, our submission is based on the following consideration:-

- (i) 80% of Nigerians are directly affected by Local Government efforts:
- (ii) Local Governments house the lowest income earners and as such services have to be rendered free of charge:
- (iii) The need to translate the principle of rural development and
- (iv) The need to arrest rural - urban drift.

It is our belief that given the funds, Local Governments will recruit qualified staff in readiness to deliver the goods.

STATE - LOCAL GOVERNMENT FINANCIAL RELATIONSHIP:

For reasons advanced above, we recommend that 15% of States revenue go to Local Governments. In addition, they should be given the right to collect revenues now accruing to States, such as motor cycle registration fees, Radio and TV licensing fees and the pay as you earn paid by Local Government staff.