



Revenue Sharing Formula and Local Government Survival in Nigeria

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ABSTRACT

The study examined the comparative effect of revenue sharing formula on local government survival in Nigeria using descriptive method by looking at the pre and post-independence era. It considered the challenges confronted by the local government councils in Nigeria and their community dwellers. The study discussed established the new revenue sharing formula, local government autonomy and benefits derivable while conclusion and recommendations were made accordingly

INTRODUCTION

The evolution of Nigeria's revenue sharing formula has been extensively documented in academic literature, highlighting the shifting emphasis on derivation, population, and equality principles over time. The pre-independence era witnessed a revenue allocation system heavily influenced by regionalism, with significant autonomy granted to regions in managing their resources. This period set the stage for post-independence debates on revenue sharing, where the derivation principle was initially dominant, allocating substantial revenue to regions based on resource production (Transparency International Nigeria, 2018).

Post-independence, the Nigerian government introduced several commissions to review and recommend revenue sharing formulas. It has been extensively analyzed that these commissions, noting the significant shifts in revenue allocation principles. The 1970s saw a gradual shift towards centralization, with the introduction of the Distributable Pool Account (DPA) and increased federal control over revenue allocation. This shift was aimed at promoting national unity and addressing regional imbalances (National Bureau of Statistics, 2021).

The discovery and subsequent reliance on oil revenue further complicated the revenue sharing dynamics. Oil wealth led to increased federal dominance, reducing the financial autonomy of state and local governments. The derivation principle, once a significant aspect of revenue sharing, was diminished, causing tensions, especially in oil-producing states. The 1999 Constitution attempted to address these issues by reintroducing the derivation principle, albeit at a lower percentage, to ensure that oil-producing states received a fair share of the revenue (Transparency International Nigeria, 2018).

The current revenue sharing formula allocates 52.68% to the Federal Government, 26.72% to State Governments, and 20.60% to Local Governments, with additional allocations from VAT and other taxes. Despite this structured approach, the system faces numerous challenges, including corruption, political interference, and dependency on volatile oil revenue. These issues have been well-documented in the literature by emphasizing the need for transparency and accountability in the allocation process (Federal Research Division of the Library of Congress, 2004).

The role of local governments in Nigeria's federal system has been a subject of significant academic interest. Local governments are crucial for grassroots development, but their effectiveness is hampered by financial dependency on federal allocations. This dependency, coupled with mismanagement and late disbursement of funds, undermines the capacity of local governments to deliver essential services and develop infrastructure. Several scholars have proposed reforms to improve the revenue sharing system. Local revenue generation is enhanced through diversified economic activities and sustainable resource management which can reduce dependency on federal allocations. Additionally, strengthening institutional frameworks and implementing performance-based funding are crucial for fostering financial autonomy and accountability (Okwuosa&Nwanegbo, 2018).

Revenue sharing is a critical aspect of fiscal federalism, ensuring the equitable distribution of financial resources among different tiers of government. In Nigeria, this formula plays a pivotal role in shaping the survival and effectiveness of local governments. This term paper explores the historical context, current formula, challenges, and potential solutions related to revenue sharing.

Statement of the Problem

Nigeria's diverse population and economic disparities necessitate a fair distribution of revenue to address regional imbalances. It ensures that all regions, regardless of their economic capabilities, receive a fair share of national resources. This is particularly vital in a diverse country like Nigeria, where there are significant disparities in economic development among states (Revenue Mobilization, Allocation, and Fiscal Commission, 2019).

Revenue sharing directly impacts the financial autonomy and capacity of local governments to provide essential services to citizens. Local and state governments rely heavily on revenue from the federal government to fund essential services such as education, healthcare, and infrastructure. Effective revenue sharing ensures that these services are adequately funded and can be delivered efficiently to the populace (Federal Research Division of the Library of Congress, 2004).

An effective revenue sharing formula fosters cooperation and minimizes tensions among different tiers of government. By distributing resources across all regions, revenue sharing helps to foster national unity and reduce regional disparities. It addresses grievances that could arise from perceived or actual inequities in resource allocation.

Properly allocated funds contribute to infrastructure development, education, healthcare, and poverty reduction. A well-structured revenue sharing formula can help stabilize the economy by ensuring a steady flow of funds to all levels of government, thereby supporting economic activities and growth across the nation (Adu&Ajigbotoso, 2024).

LITERATURE REVIEW

Concept of Revenue Sharing

Revenue sharing refers to the allocation of financial resources (such as taxes, oil revenue, and other income) among the federal, state, and local governments. It aims to promote balanced development, enhance service delivery, and foster economic growth. It is a system by which the national government allocates a portion of its collected revenues to different levels of government—federal, state, and local. This system is designed to ensure that all levels of government have adequate funds to perform their functions and responsibilities effectively. In Nigeria, revenue sharing is a crucial mechanism for distributing financial resources among the various tiers of government to promote balanced development and service delivery across the country (Adu&Ajigbotoso, 2024).

Pre-Independence

Revenue sharing was less formalized during colonial rule, with resources primarily benefiting the colonial administration. Before Nigeria's independence in 1960, the colonial government managed the country's finances. Revenue

allocation was primarily based on the needs and preferences of the colonial administration, with little attention to equitable distribution among regions. The 1946 Richards Constitution introduced revenue allocation principles, but significant changes occurred over time. After gaining independence, Nigeria adopted a federal structure, and the need for a formal revenue sharing system became apparent. The Raisman Commission of 1958 laid the foundation for post-independence revenue allocation. It introduced the "Derivation Principle," which allocated a significant portion of revenue to the regions from where the resources were extracted (National Bureau of Statistics, 2021).

Post-Independence

Military rule and changes in revenue allocation (1966-1979): The period of military rule saw significant changes in revenue sharing: **Dina Commission (1968):** The dina commission recommended the establishment of the Distributable Pool Account (DPA), from which funds were to be shared among the federal, state, and local governments; **Decree No. 15 (1967):** This decree formalized the DPA and introduced a new revenue sharing formula, with 50% of revenue allocated based on the derivation principle, 35% on population, and 15% on even development; **Aboyade technical committee (1977):** The Aboyade Committee proposed a more scientific approach to revenue allocation, considering factors such as equality of states, population, social development, and internal revenue effort. This led to the establishment of the Federation Account. **Second republic and return to civilian Rule (1979-1983):** The return to civilian rule brought new perspectives on revenue sharing. The 1979 Constitution established the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) to oversee the revenue sharing process. The formula adopted during this period gave more emphasis to equality and population (Revenue Mobilization, Allocation, and Fiscal Commission, 2019).

Military Rule and Adjustments (1983-1999): Military rule resumed in 1983, bringing further changes: **1981 Revenue Act:** This Act allocated 55% of federally collected revenue to the federal government, 30% to states, and 10% to local governments, with 5% reserved for special funds; **Oyelese Commission (1992):** This commission reviewed the revenue sharing formula, emphasizing the need for a more equitable distribution to support state and local governments; **Constitutional Amendments (1999):** The 1999 Constitution provided for the current revenue sharing formula and the establishment of the Federation Account Allocation Committee (FAAC) to manage the distribution of revenue from the Federation Account (BudgIT Nigeria, 2017).

Fourth Republic and Democratic Era (1999-Present): The Fourth Republic has seen continued efforts to refine the revenue sharing formula to address the needs of all regions and levels of government: **1999 Constitution:** This constitution enshrined the revenue sharing formula and established key institutions like the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) to oversee the process; **2004 Revenue Allocation Formula:** The RMAFC proposed a new formula that allocated 52.68% of revenue to the federal government, 26.72% to states, and 20.60% to local governments. This formula aimed to balance the needs of all levels of government, ensuring adequate

funding for local governance; Derivation Principle: The 13% derivation principle, included in the 1999 Constitution, ensures that oil-producing states receive a significant portion of revenue generated from their resources. This principle aims to address the environmental and infrastructural impacts of resource extraction; Periodic Reviews and Adjustments: The revenue sharing formula has undergone periodic reviews to reflect changing economic conditions and regional needs. These reviews are essential to ensure that the distribution of resources remains fair and equitable (Revenue Mobilization, Allocation, and Fiscal Commission, 2019).

Contemporary Issues and Debates

Revenue sharing in Nigeria remains a contentious and dynamic issue, with ongoing debates and discussions about the best way to allocate resources: Equity vs. Efficiency: Balancing the need for equitable distribution of resources with the need for efficient utilization remains a major challenge. Some argue that more funds should go to less developed areas to promote balanced development, while others believe that states with higher revenue-generating capacities should retain more of their income; Impact of Oil Revenue Volatility: Nigeria's heavy reliance on oil revenue makes the revenue sharing system vulnerable to fluctuations in global oil prices. This volatility affects the stability of allocations and poses challenges for long-term planning at all levels of government. Calls for Restructuring: There are ongoing calls for restructuring the federation to give more fiscal autonomy to states. Proponents argue that states should have greater control over their resources and revenue generation capabilities; Transparency and Accountability: Ensuring that allocated funds are used effectively and transparently is a significant concern. There are persistent issues of corruption and mismanagement at various levels of government; Population Census and Accurate Data: Reliable and up-to-date population data are crucial for fair revenue distribution. Inaccuracies in population figures can lead to unfair allocation and disputes among states (Okwuosa&Nwanegbo, 2018).

METHODOLOGY

Current Revenue Sharing Formula and its Components

The current revenue sharing formula in Nigeria is designed to distribute the federally collected revenue among the three tiers of government: the federal, state, and local governments. This formula is guided by principles aimed at promoting equitable distribution of resources and addressing the diverse needs of various regions: Revenue allocation breakdown:

1. Federal Government: 52.68%

The largest share goes to the federal government to fund national projects and other federal responsibilities, including defense, foreign affairs, and national infrastructure.

2. State Governments: 26.72%

This portion is allocated to the 36 states of Nigeria to support their functions, including education, healthcare, state infrastructure development, and public administration.

3. Local Governments: 20.60%

Local governments receive a portion of the revenue to fund grassroots development projects and provide essential services at the local level. Distributed among the 774 local government areas, this share funds local projects and services, including primary education, healthcare, and sanitation (Adu, Oke-Potefa, & Adeleke, 2023).

Components of the Revenue Allocation Formula

Vertical Allocation Formula (VAF): This component determines how revenue is distributed between the federal government and the other tiers (state and local governments). The proposed VAF for the federal government is currently 45.17%, while states receive 29.79%. The remaining percentage goes to local governments. Horizontal Allocation Formula (HAF): The HAF focuses on distributing revenue among states and local governments; it considers factors such as population, landmass, and internally generated revenue (IGR) capacity; each state's share is determined based on these criteria (Revenue Mobilization, Allocation, and Fiscal Commission, 2019).

Other Components of the Revenue Allocation Formula

Derivation Principle: 13%

This principle ensures that oil-producing states receive 13% of the revenue generated from the natural resources extracted from their regions. This component is aimed at compensating these states for the environmental and infrastructural impacts of resource extraction.

Federation Account: remaining revenue after the derivation principle allocation is deposited into the Federation Account. This account is then shared among the federal, state, and local governments based on the established formula (BudgIT Nigeria, 2017).

Factors Influencing the Distribution

The distribution of funds to state and local governments takes into account several factors to ensure fairness and address regional disparities:

1. Population: A significant factor, ensuring that more populous states and local governments receive a larger share to cater to their higher demand for services.
2. Equality of States: Ensures that every state receives a base amount, promoting fairness and balanced development across all regions.
3. Social Development Needs: Allocations consider the specific developmental needs of states, such as infrastructure deficits, educational requirements, and healthcare needs.
4. Internal Revenue Effort: Encourages states to improve their internal revenue generation by rewarding those that demonstrate higher efforts in generating their own income.
5. Landmass and Terrain: Considers the geographical size and topographical challenges of states, which can affect the cost of development projects and service delivery (Adu & Ajigbotoso, 2024).

Special Funds

Apart from the primary revenue sharing formula, there are special funds set aside for specific purposes:

1. Ecological Fund: Used for addressing ecological problems such as soil erosion, flood control, and environmental degradation.
2. Stabilization Fund: Provides financial support to states facing economic difficulties or emergencies.
3. Development of Natural Resources Fund: Aims at developing and enhancing natural resource management and infrastructure.
4. Federal Capital Territory (FCT) Allocation: Specific funds allocated to the FCT for its unique administrative and developmental needs (Adu, Oke-Potefa&Adeleke, 2023).

RESULT AND DISCUSSION

Final Thoughts on Improving Local Government Survival

To enhance the survival and functionality of local governments in Nigeria, it is crucial to address the challenges identified and implement strategic improvements:

1. Enhancing Transparency and Accountability: Strengthening public financial management systems, promoting community participation, and enforcing robust audit mechanisms are essential to combat mismanagement and corruption (BudgIT Nigeria, 2017).
2. Diversification of Revenue Sources: Expanding the revenue base through local taxation, economic development initiatives, and sustainable resource management can reduce dependency on oil revenue and enhance financial resilience.
3. Strengthening Institutional Frameworks: Investing in capacity building, promoting decentralization, and implementing legislative reforms will empower local governments and improve governance (Transparency International Nigeria, 2018).
4. Policy Recommendations and Reforms: Reviewing the revenue allocation formula, ensuring timely disbursement of funds, introducing performance-based funding, and implementing public sector reforms are critical for creating a more equitable and efficient system (Revenue Mobilization, Allocation, and Fiscal Commission, 2019).

Impact of Revenue Sharing on Local Government Survival

The survival and effective functioning of local governments in Nigeria are heavily influenced by the revenue sharing formula. This section explores how the allocation of funds impacts local government financial autonomy, budget allocation, service delivery, and infrastructure development, supplemented by case studies of specific local governments (Transparency International Nigeria, 2018).

1. Financial Autonomy: Financial autonomy refers to the ability of local governments to generate and manage their own revenues independently of state and federal allocations.
2. Current Scenario: In Nigeria, local governments rely significantly on revenue shared from the Federation Account due to limited capacity for internal revenue generation (Adu&Williams, 2023).

3. Challenges:

- Limited Revenue Sources: Local governments have a narrow tax base, primarily comprising property taxes, business licenses, and market fees.
- Dependence on Federal Allocations: High dependency on federally allocated revenue limits financial autonomy and makes local governments vulnerable to fluctuations in national revenue.

4. Budget Allocation: Local governments receive 20.60% of the revenue from the Federation Account. Additionally, they receive 35% of the Value Added Tax (VAT) revenue allocated to the local tier.

5. Budgeting Process:

- Revenue Forecasting: Local governments prepare budgets based on projected allocations from the Federation Account and estimated internally generated revenue (IGR).
- Expenditure Prioritization: Budgets prioritize essential services such as healthcare, education, sanitation, and infrastructure development (Adu&Williams, 2023).

6. Implications for Local Government:

- Stability: Regular revenue allocations from the Federation Account provide a stable financial base for local governments.
- Planning and Execution: Reliable revenue streams enable better planning and execution of development projects (Transparency International Nigeria, 2018).
- Role of Local Governments in Service Delivery and Infrastructure Development

Local governments play a crucial role in providing basic services and infrastructure development at the grassroots level. The impact of revenue sharing on these functions is significant.

1. Service Delivery:

- Healthcare: Local governments are responsible for primary healthcare centers. Adequate funding from shared revenue is essential for maintaining facilities, procuring medical supplies, and paying healthcare workers.
- Education: Local governments manage primary and junior secondary schools. Revenue allocations support teacher salaries, school infrastructure, and learning materials.
- Sanitation: Effective waste management and sanitation services rely on consistent funding to ensure clean and healthy environments (BudgIT Nigeria, 2017).

2. Infrastructure Development:

- Roads and Transportation: Local governments use allocated funds to construct and maintain local roads, bridges, and transportation infrastructure.
- Water Supply: Provision of potable water through boreholes, wells, and local water schemes is a critical responsibility of local governments.

- Electricity and Utilities: Local governments often invest in rural electrification projects and maintenance of public utilities (Adu, Oke-Potefa, & Adeleke, 2023).
3. Impact of Adequate Funding: Improved Quality of Life: Enhanced service delivery and infrastructure development improve the quality of life for residents. Economic Development: Good infrastructure supports local businesses and economic activities, fostering overall economic growth.
- Case Studies of Specific Local Governments and Their Reliance on Shared Revenue

Case Study 1: Lagos Mainland Local Government Area (LGA)

1. Overview: Lagos Mainland LGA is part of Lagos State, one of Nigeria's most economically vibrant regions.
2. Revenue Dependence: Despite having a relatively higher capacity for internal revenue generation, Lagos Mainland LGA still relies on shared revenue for significant projects.
3. Impact: Shared revenue funds major infrastructure projects such as road repairs, public health initiatives, and educational improvements. The consistent allocation of funds enables the LGA to maintain and improve essential services (Saibu&Olasunkanmi, 2017).

Case Study 2: Bwari Local Government Area, Abuja

1. Overview: Bwari LGA is located in the Federal Capital Territory (FCT) and includes both urban and rural areas.
2. Revenue Dependence: Bwari LGA depends heavily on revenue from the Federation Account due to limited local economic activities.
3. Impact: Shared revenue is crucial for maintaining primary healthcare centers, schools, and local roads. It also supports agricultural extension services and rural electrification projects. However, any delay or reduction in federal allocations significantly impacts the LGA's ability to deliver services effectively (Saibu&Olasunkanmi, 2017).

Case Study 3: Yenogoa Local Government Area, Bayelsa State

1. Overview: Yenogoa LGA is situated in an oil-producing state and benefits from the derivation principle.
2. Revenue Dependence: The LGA receives substantial funds from the 13% derivation allocation in addition to its share from the Federation Account.
3. Impact: The additional revenue from the derivation principle allows Yenogoa LGA to invest in more extensive infrastructure projects such as water supply schemes, healthcare infrastructure, and educational facilities. This has significantly improved living standards and economic opportunities in the area (Central Bank of Nigeria, 2020).

Challenges in Revenue Sharing and Local Government Survival

The effective distribution and utilization of revenue in Nigeria face several challenges that impact the survival and functionality of local governments. These challenges include mismanagement and corruption, political interference, inadequate allocation and late disbursement of funds, and dependency on oil revenue and its volatility.

1. Mismanagement and Corruption: Mismanagement and corruption at various levels of government severely undermine the efficient use of

allocated funds. This problem is pervasive in many local governments, where resources meant for public services and infrastructure development are often diverted for personal gain. Mismanaged funds lead to delays or abandonment of infrastructure projects, hindering economic development and public welfare. Essential services such as healthcare, education, and sanitation suffer, resulting in poor quality of life for residents (Saibu & Oluksunmi, 2017).

2. **Funds Diverted or Misused:** Allocated revenues are sometimes misappropriated by officials, leading to inadequate funding for critical projects. **Weak accountability mechanisms:** Weak oversight mechanisms allow corrupt practices to go unchecked, reducing public trust and effectiveness of local governance. The phenomenon of ghost workers, where salaries are paid to non-existent employees, siphons off substantial funds from local governments.
3. **Political Interference:** Political interference in the allocation and management of revenue disrupts the functioning of local governments. This interference often stems from the higher tiers of government or political figures exerting undue influence over local governance. Political meddling undermines the autonomy of local governments and disrupts effective governance. Unequal distribution of resources exacerbates regional disparities and fuels social unrest (National Bureau of Statistics, 2021).
4. **Politicians Influence Revenue Allocation:** Political favouritism can influence the distribution of funds, with some regions receiving more resources than others based on political considerations rather than need. **Policy Implementation:** Political interference can disrupt or alter the implementation of development policies and projects, affecting their outcomes. Political appointments often prioritize loyalty over competence, leading to inefficient administration
5. **Inadequate Allocation and Late Disbursement:** The timely and adequate allocation of funds is crucial for the functioning of local governments. However, issues related to inadequate allocations and delays in disbursing funds pose significant challenges. Late and insufficient funding hampers the provision of essential services, affecting public health, education, and infrastructure maintenance. Delays in disbursement affect the timely completion of infrastructure projects, leading to increased costs and inefficiencies.
 - **Delayed funds affect project implementation:** Funds are frequently released late, disrupting the planning and execution of local projects and services.
 - **Local governments struggle to meet obligations:** Allocations from the Federation Account and other revenue sources are often insufficient to meet the needs of local governments.
 - **Budget shortfalls:** Inadequate funding leads to budget shortfalls, forcing local governments to cut essential services and delay development projects (Adu&Williams, 2023).

6. Dependency on Oil Revenue: Nigeria's heavy reliance on oil revenue creates vulnerabilities for local governments due to the volatile nature of global oil prices. This dependency affects the stability and predictability of revenue allocations. Volatile revenue streams disrupt budget planning and execution, causing instability in local government finances. Local governments struggle to maintain services and infrastructure development during periods of low oil prices, impacting economic resilience and growth.
 - Volatile oil prices impact revenue stability: Fluctuations in global oil prices directly impact the revenue available for distribution, leading to unpredictable funding for local governments.
 - Economic diversification: The lack of diversified revenue sources at both the federal and local levels exacerbate dependency on oil, making local governments susceptible to economic shocks.
 - Fiscal sustainability: Over-reliance on oil revenue undermines the fiscal sustainability of local governments, affecting their long-term planning and development strategies (Adu&Ajigbotoso, 2024).

Strategies for Improving Revenue Sharing and Local Government Survival

To address the challenges associated with revenue sharing and to ensure the survival and effective functioning of local governments in Nigeria, several strategies can be implemented. These include enhancing transparency and accountability, diversifying revenue sources, strengthening institutional frameworks, and introducing policy recommendations and reforms (Transparency International Nigeria, 2018).

1. Transparency and Accountability

Improving transparency and accountability in the management of shared revenues is crucial for combating corruption and ensuring that funds are used effectively for the benefit of local communities.

- Expected Outcomes:
 - Reduced corruption: Enhanced transparency and accountability mechanisms help to minimize opportunities for mismanagement and corruption.
 - Improved trust: Increased public trust in local government institutions as citizens see more effective use of public funds.
 - Efficient resource Utilization: Better management of resources leads to more efficient and impactful use of funds for service delivery and development projects (Export-Import Bank, 2016).
- Examples are:
 - Regular audits by the Office of the Auditor General for Local Governments.
 - A dedicated website displaying revenue distribution data.

2. Diversification of Revenue Sources

Reducing dependency on oil revenue and expanding the revenue base is essential for the financial sustainability of local governments.

- The Key Strategies:
 - Local taxation: to strengthen the capacity of local governments to collect taxes such as property taxes, business licenses, and market fees.
 - Economic development: to promote local economic development initiatives to broaden the revenue base, including supporting small and medium-sized enterprises (SMEs) and attracting investments.
 - Grants and partnerships: to seek grants from international organizations and establish partnerships with private sector entities to fund local development projects.
 - Natural resource management: to encourage local governments to explore and manage other natural resources sustainably, such as agriculture, mining, and tourism (Transparency International Nigeria, 2018).
- Expected Outcomes:
 - Stable revenue streams: Diversified revenue sources provide more stable and predictable funding for local governments.
 - Economic growth: Local economic development initiatives stimulate economic activities and create job opportunities.
 - Resilience to shocks: Reduced reliance on volatile oil revenue enhances the resilience of local government finances to economic shocks (Export-Import Bank, 2016).

Strengthening Institutional Frameworks

Robust institutional frameworks are essential for the effective management of revenue sharing and local governance.

- Key Strategies:
 - Capacity building: Invest in capacity building for local government officials to improve their financial management, planning, and administrative skills.
 - Legislative reforms: Implement legislative reforms to clarify the roles and responsibilities of federal, state, and local governments in revenue management.
 - Decentralization: Promote decentralization to empower local governments with greater autonomy and decision-making authority.
 - Monitoring and evaluation: Establish comprehensive monitoring and evaluation systems to track the performance of local governments and the impact of revenue allocations (Bird&Martinez-Vazquez, 2008).

Summary of Findings

An effective revenue sharing formula is vital for equitable resource distribution to ensure fair allocation of resources across different levels of government, promoting balanced regional development. It provides a stable and predictable source of funding for local governments, enabling better planning and execution of development projects. It supports local governments in delivering essential services such as healthcare, education, and infrastructure,

improving the quality of life for residents. It fosters local economic development and infrastructure improvement, a well-designed revenue sharing formula can stimulate economic activities and create jobs.

CONCLUSION

The revenue sharing formula in Nigeria has undergone numerous changes since independence, with varying emphasis on derivation, population, and equality principles. The current revenue sharing formula allocates 52.68% to the federal government, 26.72% to state governments, and 20.60% to local governments, with additional funds from VAT and other taxes.

RECOMMENDATION

There should be periodic review and adjustment of the revenue allocation formula to ensure it reflects current economic realities and development needs. It should consider increasing the percentage allocated to resource-producing states to address environmental and infrastructural impacts more effectively. There should be timely and predictable disbursement of funds from the federation account to local governments. Government should introduce performance-based funding mechanisms to incentivize efficient and effective use of allocated funds. There should be implementation of broader public sector reforms to enhance the efficiency and accountability of local government operations.

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