Federal Resource Allocation and Social Sector Development: Evidence from Nigeria

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Abstract

Nigeria has a revenue allocation scheme which ensures that national wealth is shared among the three tiers of government. This fiscal relationship is expected to ensure national development and improve the quality of life of the citizenry. Thus, federal resource allocation is, among other things, expected to be channelled towards the development of the critical sectors, particularly the social sector for the overall wellbeing and welfare of the citizenry. Using a blend of secondary and primary data, this paper assesses the link between federal resource allocation and its implications on social sector development in Nigeria. The paper found that the utilisation of federal allocation has not enhanced the development of the social sector in Nigeria and that there was low commitment to the development of the social sector at all levels, reflecting in poor budgetary allocation and weak policy framework. Specifically, we recommend an enhanced federal resource allocation to the social sector in line with international benchmarks, increased political commitment, consistent policy framework and effective anti-graft measures.

Keywords: Federal resource allocation, social sector, development, Nigeria

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Introduction

Nigeria has a revenue allocation scheme which ensures that national wealth is shared among the three tiers of government. This fiscal relationship is expected to ensure national development and improve the quality of life of the citizenry. Thus, federal resource allocation is, among other things, expected to be channelled towards the development of the critical sectors, particularly the social sector for the overall wellbeing and welfare of the citizenry.

Even though the social sector is often devoted to enhancing the quality of life of the citizenry, yet in several countries, especially the less developed countries (LDCs) of Africa, Asia and Latin America, government spends a relatively low proportion of its budget on the sector, compared to other sectors and countries, with education and health accounting for only 12 per cent and 7 per cent of expenditure respectively (Hagen-Zanker and Tavakoli, 2011). This is contrary to global benchmarks that, for instance, set 26 per cent of annual budget of a country for education. Even within the social sectors, as in other key sectors such as the economic and agriculture sectors, there has been limited prioritisation of the poor.

In Nigeria, the conceptualisation and pattern of development of the social sector has changed over time. In the First National Development Plan (1962–68), hereinafter referred to as NDP, the social sector expenditure was captured under social overhead, and this includes activities related to education, health, town and country planning, cooperative and social welfare as well as information. In the Second National Development Plan (1970–74), the boundary of the social sector was extended to include water and sewage. But in the Third National Development Plan (19751980), a re-classification is noticeable with social services now comprising education, health, information, labour as well as social development, youth and sports. The above categorisation was retained in the Fourth National Development Plan (1981–85). Additionally, in the reviewed Fourth National Development Plan, the social sector components were made up of five sub-groups: education, health, information, labour and social development. Other socially relevant services such as water supply, sewage and housing, town/country planning and environmental protection were grouped under environmental development (Ayoade, 1988). In this paper, the conception of the social sector development includes issues and activities relating to education, health, agriculture and infrastructure.

By 1986, prevailing distortions in the economy had led to the abandonment of control policy for market-oriented system embodied in the Structural Adjustment Programme (SAP). The SAP promulgated wideranging reforms in the economy in the areas of international trade, exchange rate as well as fiscal and monetary policy (Danladi and Naankiel, 2016). Development initiatives under SAP were to be implemented within the rubric of National Rolling Plans (NRPs) spanning 1990 to 1998 (Ikeanyibe, 2009). Despite the deregulation and guided deregulation policy introduced during the period 1986-1998, the country remained mired in a plethora of development problems such as unemployment, high inflation, increased poverty and low productivity. Thus, the civilian government developed and adopted the National Economic Empowerment and Development Strategy (NEEDS) I and II in 2003 and 2007 as the centre-piece of its socio-economic development agenda. The NEEDS was expected to lay a solid foundation for sustainable poverty reduction, employment generation, wealth creation and value re-orientation. The inception of the second transfer of power to civilian government in 2007 provoked a slight modification of the nation's development project following the mainstreaming of the seven-point agenda by the Umaru Musa Yar'Adua administration. This was followed by the Millennium Development Goals (MDGs), the Sustainable Development Goals (SDGs) and Nigeria's Vision 20-2020. Overall, the objectives of the various development initiatives of the government in the past four decades were to alter the structure of production and consumption activities, diversify the economy, reduce dependence on oil and imports, improve productivity, encourage efficient utilisation of available resources, stimulate employment, ensure equity and enhance welfare. (Chete and Falokun, 2010)

It can be observed from the foregoing that since attainment of independence in 1960, a number of development strategies and policies had been framed and implemented to engender socio-economic transformation of the Nigerian nation, particularly its social sector. However, like the first National Development Plan (NDP), the second, third and fourth NDPs failed to address, in a fundamental manner, the country's socio-economic challenges. This implies that despite concerted efforts and development strategies, the challenges confronting the social sector in Nigeria are far from being addressed as indicated by the current state of underdevelopment of the sector.

Statement of Research Problem

The issue of how to ensure sustainable development of the social sector has continued to attract policy and scholarly attention all over the world. This is because of the centrality of the social sector to human resource and national development. However, the deplorable state of the sector in Nigeria in areas such as education, health, agriculture and infrastructure, resulting in poor service delivery, has generated much concern. The sector, like many others, has continued to suffer gross underdevelopment in the country. This is in spite of concerted efforts by successive administrations as reflected in the various development plans, policies and programmes, all aimed at developing the sector. A 2016 report of the United Nations Development Programme, UNDP, ranked Nigeria 152 among the 188 United Nations (UN) member-states in Human Development Index (HDI), which is a composite statistics of life expectancy, education, and per capita income indicators. Expectedly, extreme poverty and social inequality manifest in vicious struggles for various forms of state patronage. The availability of public goods (education, health, potable water, and energy and transport infrastructure) would reduce the intensity of these demands on the state, and also shore up its legitimacy and credibility. This calls for more innovative ways of providing public services that avoid the waste and ineffectiveness of government initiatives.

One way of assessing the extent of social sector transformation in Nigeria is to examine government's commitment as reflected in the size of resources committed to the sector in relation to the nation's gross domestic product (GDP). The basic argument is that, other things being equal, appropriate or increasing levels of public expenditure on the sector would translate into greater availability of requisite human resource as well as improvements in other social desiderata. Given the foregoing, one is, therefore, worried that the pattern and indices of revenue allocation in Nigeria do not tend towards developing the social sector. Aside poor vertical allocation to the sub-national government units, the horizontal revenue allocation does not show sign of deliberate attempt at developing the social sector in Nigeria. The country's abysmally poor record on international budgetary benchmarks for education, health and agriculture further attests to this. For instance, while allocation to education at all levels of government in Nigeria falls short of UNESCO's 26 per cent benchmark on budgetary allocation to the sector, the country has yet to meet the African Union 2001 Abuja Summit's recommended allocation of 15 per cent to health as well its commitment to the Maputo Declaration signed in 2003 which committed members to 10 per cent allocation to the agriculture sector. This is compounded by use of politically-motivated indices such as equality of state and population in revenue allocation schemes in the country.

The low level of commitment to the development of the social sector in Nigeria, both at federal and sub-national levels is also manifest in weak policy framework for the sector, irrespective of the quantum of federal resource allocation that is accruable to the sector. Ironically too, even though the federal government receives the highest revenue, that is, 52.68 per cent from the Federation Account as against the 26.72 per cent and 20.60 per cent for states and local governments respectively, which is expected to translate into more development of the social sector relative to the sub-national units, it has, however, been observed that the latter have oftentimes contributed more resources to the development of the sector than the former.

Also, the subsisting expenditure assignment in Nigeria's fiscal system, which appropriates economically and financially viable functions to the federal government while the states and local governments were given functions with high investment outlay but low returns, further compounds the problem, especially for sub-national units. For each tier of government to execute the responsibilities assigned to it, it accesses funds through allocation from the Federation Account as well as constitutionally-assigned tax bases. Internally generated revenue (IGR) of states and local governments, compared with their shared revenue, has been generally low for many years. In other words, the low internal revenue base of the sub-national governments in Nigeria results from the types of taxes assigned which unfortunately have low yields and high cost of administration. Thus, most states and local governments depend largely on allocations from the Federation Account and Value Added Tax (VAT) to execute their programmes. Therefore, the amount of revenue available to the two tiers of government, other things being equal, will among others, determine their ability to provide and maintain social services.

While the size of revenue allocation accruable to each tier of government remains one of the factors working against the development of the social sector in Nigeria generally, the use to which the allocated resources are put appears to be the most dominant consideration. In other words, given that Nigeria's fiscal federalism architecture has not devolved adequate powers and resources to critical sectors of the economy, the general lack of commitment to the development of the social sector is the main challenge confronting the sector. This, therefore, suggests that beyond the size of allocation to a sector, what determines the level of development in that particular sector is, among others, the quality of use to which the 'meagre' resources are put. As a consequence, the social sector has, over the years, been a victim of the inter-play of forces around the revenue allocation architecture among the three tiers of government.

Given the foregoing, it is trite to assert that the lion's share of revenue that is enjoyed by the federal government in Nigeria has not translated into meaningful spending on the social sector development. This is reflected in the size of federal government allocation to the sector over the years. It is expected that a tier of government that receives highest percentage of revenue from the Federation Account should provide more than the two other tiers of government apropos of social development. But in Nigeria, research has shown that sub-national governments which receive less allocation have sometimes allocated or contributed more to the development of the social sector than the central government. This development, therefore, shows that while the size of resources received from the Federation Account could be a factor in determining the level of development of the social sector, the quality of use to which the resources are put is more important. In other words, beyond the size of allocation, what holds promise for the development of the sector is the level of commitment on the part of the three tiers of government to the sector.

Objectives

The overall objective of this paper is to assess the implications of federal resource allocation on the development of the social sector (proxied by education, health, agriculture and infrastructure) in Nigeria, using secondary data and content analysis technique to achieve the objective.

Conceptual Clarification and Theoretical Anchor

Federal Resource Allocation

Federal resource allocation is the process by which resources accruable to tiers of government in a federal arrangement are shared out or allocated among the relevant legal beneficiaries of the account. It is the fashioning out of the modes of sharing the revenues accruing to a commonwealth in a federation in such a way that it will be acceptable to all the benefitting tiers of government. However, one of the most contentious issues in most countries of the world is that of revenue allocation and fiscal adjustment in intergovernmental relations (Oladeji, 2014). In federal system in particular, the fashioning out of the modes of sharing the revenues that accrue to the federation account that will be acceptable to all the benefitting tiers of government is a sore point in intergovernmental fiscal relations. This lends credence to the fact that most federal countries always have some disputes and wrangling between the centre and the federating units, especially in terms of the sharing of accruals from the Federation Account. In Nigeria today, the debates on who gets what from the central pool which is known as the Federation Account and the criteria for the distribution of the common wealth still continue after several years of engineering and re-engineering of the revenue allocation formula.

Social Sector Development

The social sector is generally used to describe the institutional framework employed in the provisioning of "public goods" which are socially valuable but which may not always bring immediate or direct economic returns. The term is often used to refer to sectors like education, health, agriculture, and infrastructure, etc., which are deemed to be closely related to, and are affected by, the level of human development of a country. In this sense, the social sector can play a vital role in influencing the rate of economic growth as well as overall national development. It denotes the quality of social system in terms of social justice it delivers, social cohesion it maintains, and quality of life it provides (Sharma, 2014)

Even though the social sector is often devoted to enhancing the quality of life of the citizenry, yet in several countries, especially the less developed countries (LDCs) of Africa, Asia and Latin America, government spends relatively low proportion of its budget on the social sector, compared to other sectors and countries, with education and health accounting for only 12 per cent and 7 per cent of expenditure respectively (Hagen-Zanker and Tavakoli, 2011). This is contrary to global benchmarks that, for instance, set 26 per cent of annual budget of a country for education and 15 per cent for health. Even within the social sectors, as in other key sectors such as the economic and agriculture sectors, there has been limited prioritisation of the poor.

Literature Review

Although there is a growing literature on fiscal relations among tiers of government in federal systems, yet the issue of the effect of federal resource allocation is yet to attract sufficient scholarly inquiries. Suberu (1995) opines that Nigeria's revenue sharing debates revolve basically around three issues namely: (i) the relative proportions of federally-collected revenues in the federation account that should be assigned to the centre, the states, the localities and the so-called "Special Funds" (vertical revenue sharing); (ii) the appropriate formulae for the distribution of centrally-devolved revenues among the states and among the localities, that is, local governments (horizontal revenue sharing) and; (iii) the percentage of federally-collected mineral revenue that should be returned to the producing states and communities on the account of the principle of derivation and compensation for the ecological risks of such production. In relation to oil extraction, for instance, Olopoenia (1998) observes that since the oil boom in the early 1970s, the revenue allocation formula has been bedeviled by what he calls time inconsistencies, that is, a tendency of one of the parties in a consensual agreement to change the terms after the negotiations have been completed. This, he says, has resulted in the revenue sharing formula being continually manipulated in the service of inter-regional and inter-ethnic cross-subsidisation.

In the 2014 National Political Reform Conference (NPRC), delegates, among other issues, deliberated on the sharing of the funds accruing to the Federation Account among the three tiers of government. It was recommended that the sharing of the Federation Account should be reviewed in order to whittle down the dominance of the federal government and thereby empower the sub-national units. The recommended formula is as follows: Federal Government- 42.5%; State Governments- 35%; Local Governments- 22.5%. This was meant to replace the existing formula of: Federal Government- 52.68%; State Governments-26.72%; and Local Governments- 20.60%.

In federal systems of government, according to Lukpata (2013), revenue allocation involves two schemes. The first is the vertical sharing between the federal or inclusive government and the other tiers of governments. The subject of these sharing schemes is the federally- collected revenues. This is because the revenues generated within the jurisdictional areas of the units– states and local governments– are not subject to the national sharing formula. In the annals of federal countries' revenue sharing arrangements, the sources of the federally-collected revenue that form the subject of the sharing formula have remained largely unchanged (Ojo, 2010). These sources which are not amenable to other units include import duties, mining rents, excise units, export duties and royalties. The implication of this, according to Ojo (2010), is that, since these sources of revenue are not amenable to the jurisdiction of the other units of government, the problem of revenue allocation has focused on not who should raise the taxes, but on how to share the proceeds, that is, the actual revenue collected by the federal government. This has thus created some measure of imbalance between functions and resource base among the tiers of governments which invariably calls for higher level government to transfer revenue to the lower level. Graham (1964), in Ojo (2010), describes such transfer as "deficiency transfer or balancing" owing to the fact that the transfer seeks to make up for the differences in the levels of functions devolved to the lower government and the resources available to it.

Another principle of revenue transfer, that is, horizontal revenue sharing arises out of the variations in revenue generation capacities of the component units. Where the revenue raising capacities are low, heavier tax burden is imposed relative to higher revenue raising capacities area. This transfer is called "equalisation transfer" (Ojo, 2010). It is necessary because higher taxation will scare away businesses and the economy of the unit will become more depressed. To avoid this, the higher the federal level of government has to transfer to the lower unit, the better, to enable it make up for the differences between its internally generated revenue and those required for maintaining the minimum standard of services. These two types of resource transfer are known as intergovernmental grants-in-aid.

The third principle has been given different names by different scholars. Beak (cited in Graham 1964 through Ojo, 2010) called it "simulation," "incentive," or "conditional" grants. This grant is also known as categorical grant as it is designed basically to undertake certain projects. The basic purpose of all these different types of transfers is to maintain some measure of balance in the developmental strides of all the different parts of a federation, given the fact that resources are not evenly distributed among all of them and thus, they are not all evenly developed. The whole essence of this is to foster national integration. However, when misused, according to Ojo (2010), it engenders political altercations and contestations which destabilise the political economy and tend to undermine the efficacy of federalism in fostering political accommodation and economic development. This is why the most common source of friction in a federation is the distribution of fiscal resources. It is important to add that fiscal relationship in a gamut of intergovernmental relations is no longer only federal-state but also state-federal, federal-local and state-local. This is one of the most significant recent trends in inter-governmental fiscal relationships in federal systems across all regions and climes of the world (Aluko, 1976).

The concept of social sector development implies a multidimensional and somewhat less quantitative aspect often referred to as "quality of life" or "social well-being" (Callaghan, 1974; Michael, Scott and Michael, 2017). This includes reduction in poverty level, reduced inequality, lower unemployment rates, improved literacy level and better infrastructures, all of which are major drivers of sustainable growth. In the extant literature, development plans and policies have always emphasised economic growth, industrialisation, favourable balance of payments, etc. at the expense of social variables. However, the recent interest in many countries in the development of social indicators reflects a search for a broader concept of development. Indeed, it has become quite obvious that traditional concepts of development bear little sensitivity to the needs of people, and their overall well-being. As a result the appropriate issues are too often not addressed in development plans, and the right questions are often not asked in the assessment of development needs. Hence social development in many countries continues to be largely a subject for academic debate rather than the operational focus of development planning.

In the words of Wilcox, *et. al*. (1973) social development is defined as "the continuing process whereby the people of a nation learn how to use effectively the available human and material resources in order to upgrade the capacity of the societies' institutions to more equitably fulfil basic viability needs and social values of persons throughout society." From the foregoing, it is trite to assert that issues related to social sector development are those of education, health, nutrition and human welfare all of which are concerned with the provisioning of "merit goods" which are socially valuable but which may not always bring immediate or direct economic returns.

In the evolution of the concept of the social sector, two distinct but related approaches can be identified. The first approach is known as the human capital approach. This approach emphasises expenditure on education, health and nutrition as a means of enhancing the quality of human capital which is generally defined as the "stock of skills and productive knowledge embodied in people". The human capital approach attracted attention during the 1960s when Schultz (1961) and Becker (1962) highlighted the viewpoint that education, health and nutrition cannot be considered merely as consumption goods. Expenditure on schooling, health, on the-job training, searching for information about job opportunities, migration, etc. are investments that people make in themselves in the expectation of higher financial returns from such investments in the future. That is, investment in these sectors is emphasised as "means" to higher productivity of the labour force that will lead to higher earnings. Hence, according to this approach, social sector incorporates those sectors that contribute to an enhancement of human capital. However, this approach mainly relies on private initiatives to investment in education, health, etc. It does not take into account issues like poverty, discrimination and social backwardness and, hence, ignores the consequent inability of individuals to avail the opportunity of investing in themselves. It is, thus, considered to be of limited utility for the analysis of social sectors in countries characterised by pervasive poverty and social backwardness.

Another approach, known as the human development approach*,* views basic attainments in education, health and nutrition, etc. as an end in itself rather than as a means to higher productivity and higher earnings. In this approach, the ultimate goal is to improve the quality of life of the people and measures such, as education, health and nutrition are emphasised for their intrinsic value and for their role in enhancing the basic capabilities of the people. Thus, in this approach, social sector stands for those sectors that help in the building up of human capabilities. The emergence of this approach can be traced back to efforts by economists such as Sen (1981, 1985) who defined human well-being in terms of functioning and capabilities rather than in terms of access to commodities. While in the human capital approach, investment in education, health, etc. is governed by the rates of return on such investment, in this approach, the acquisition of education, health, and so on are considered as basic rights of the people and are promoted even if the conventionally measured rates of return on these investments are low. Since access to education health, and others are considered as fundamental human rights, this approach assigns a key role to the state in providing these rights. Hence, there is greater emphasis on the supply of public services.

Globally, the role of the social sector to the economy has often been stressed. For instance, in Europe, the social economy represents 10 per cent of European businesses and employs over 14 million employees with 70 per cent of these working in non-profit sector, 26 per cent in cooperatives and four per cent in mutual (Alile, 2018). Often described as the social conscience of the society, the social sector contributes to the development of society by focusing on the social good rather than the desire to make profit. Through the social sector, many countries have been able to substantially provide better ways of life for individuals living in under-served communities. In other words, the social sector is in the business of doing good, hence its ability to attract funding from global organisations such as the World Bank.

Although Nigeria is the most populous nation in Africa and rich in material resources, its development aspirations and strategy have been fraught with crises since independence in 1960. Evidence of the failure of Nigerian developmental efforts are currently reflected in the pervasive cases of hunger, inflation, budget deficits, debt overhang, street begging, prostitution, frauds, high crime rates in major cities, terrorist insurgency, poverty, youth unemployment, collapse of manufacturing industries, corruption in public service and stagnation in entrepreneurial development (Robinson and Madaki, 2014; NISER, 2000; UNDP, 2006).

Theoretical Framework

This paper is anchored on an eclectic theoretical framework involving the theories of Public Goods and Fiscal Federalism as well as Decentralisation Theorem. These theories, no doubt, are relevant to a study of this nature which borders on framework for revenue sharing and its impact on the welfare of the citizenry. For instance, the theories of Public Good and Fiscal Federalism as well as Decentralisation Theorem deal essentially with the revenue allocation architecture among relevant tiers of government in a multi-layer federation like Nigeria.

Theory of Public Goods

The intervention of government in the economic activities of any nation is justified in the Theory of Public Goods (Olowolaju, Ajibola, Akintoye and Falayi, 2014). According to Samuelson (1954), a public good is defined as "...(good) which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good...." Theoretically, it is generally believed among economists that private markets allocate goods and services among individuals efficiently under given circumstances. It is further accepted that no waste occurs and that individual tastes are matching with the economy's productive abilities. In many cases, however, it is found that conditions for private market do not hold, thereby resulting in market failure and the inevitable interventions of governments (Olowolaju, Ajibola, Akintoye and Falayi, 2014).

Public goods could be regarded as goods or services that can be consumed by several individuals simultaneously without diminishing the value of consumption to any one of the individuals. Public goods are nonrivalry as they are non-excludable. Non-rivalry means that multiple individuals can consume the same good without diminishing its value whilst non-excludability connotes that an individual cannot be prevented from consuming the good whether or not the individual pays for it. Many reasons can be adduced for the intervention of governments in provisions of public goods. Private markets, for instance, do not have the interests in providing public goods because of the very nature of public goods. Besides, Oates (1994) submits that private markets cannot earn sufficient revenues from selling the public good to induce them to produce the socially optimal level of the public good. Similarly, market failure arises from the divergence between private and social costs or benefits, and leads to inefficient resource allocation as well as development outcomes that might not be socially optimal (Eboh, 1999).

The theory explicates the need for every individual to be sociocontractually relevant within the polity. It explains that goods and services that are "public" in nature should be available for the consumption of the citizens as laid down by the statute or constitution. It, therefore, behoves on every responsible government to strive for resources that would help in fulfilling this statutory responsibility. By so doing, especially in any federal state where there is relationship between the constituent units and the central government, funds or resources should be allocated based on the equitable formula approved by the agencies empowered by the constitution. Hence, the theory of public goods was very apt to the understanding of this study.

However, the theory seems highly prescriptive as it tends to present argument in favour of a populist or welfarist government. It must be noted that most states in Sub-Saharan Africa might not view public goods as analysed from the Western perspective, both in content and form. Hence, the theory of public goods, which explains that goods and services could be consumed by several individuals simultaneously without diminishing the value of consumption to any one of the individuals may be misleading, especially in fascist, militocratic or totalitarian setting.

Decentralisation and Fiscal Federalism

The Fiscal Decentralisation Theorem, as formalised in Oates (1972), provides an answer to one of the fundamental problems inherent in multilayer systems of government. Decentralisation and fiscal federalism have received increasing attention as several developing countries around the world are experimenting with different institutions to bring government closer to the grassroots and hence make government potentially more accountable to the people. Indeed, genuine decentralisation of governance to lower levels where the majority of people are to be found remains a challenge to the constitutional order in virtually all countries of the world.

Nigeria's fiscal federalism is characterised by the overwhelming concentration of tax jurisdiction and collection at the level of the federal government. Indeed, the Nigerian constitution over-concentrates both power and resources at the centre, leading to high dependence of the other tiers of government on the federation account for the revenue required to carry out their statutory functions. In other words, all major sources of government revenue- petroleum profits tax, import duties, excise duties, mining rents and royalties, and companies income tax- are controlled by the federal government. State and local governments have jurisdiction only over minor and low-yielding revenue sources, with the exception of personal income tax at the state level and property tax at the local level. Even at that, the issue of mobilisation of these taxes- personal income tax (state) and property tax (local)- have been problematic. Federal dominance in tax mobilisation was such that between 1993 and 1997, federally collected revenue amounted to an overwhelming 95.62 percent of total government revenues (Phillips, 1997). This revenue dominance of the federal government not only invests the Nigerian federation with instability, but also questions the appropriateness of inter-tier distribution of tax jurisdiction (Phillips, 1997). This is the main argument for decentralising both power and resources.

Another major argument in favour of decentralisation is that sub-national governments, more often than not, usually have better information of local conditions, enabling better targeting of resources to the poor and the needy, better allocation across sectors according to local needs, and better monitoring of implementation by the local community (Oladeji, 2014). This situation has continued to inhibit the development of the critical sector of the Nigerian economy, including the social sector.

The kernel of submission of Decentralisation and Fiscal Federalism Theory exists at the level of the need for the embrace of trickle-down theory which garners strength from the configuration of a large and multilayered, multi-linguistic and multi-ethnic polity. The focus of the theory is to ensure that the economic largesse, that is, the natural and manpower resources, are allowed to trickle down to all the units of the super-structure for their sustenance and loyalty to the centre. In essence, it is a recipe for unity and cooperation.

The major weakness of this theory, however, is that it is a theory that could be susceptible to abuse by ethnic bigots who might subvert the policy inherent in decentralisation of resources to other sub-nations within the policy.

Besides, the problem of resource control may rear its ugly head, especially from groups that are more blessed with the resources which are being shared or allocated. Examples of such exist in Nigeria where the Niger-Delta people have been agitating for resource control since greater part of Nigeria's major resources (that is, oil) is found in their soil. Their argument for resource control is hinged on long term neglect of the region and the degrading of the land as a result of continuous oil spillage which had shrunk their means of livelihood.

Main Findings

Federal Resource Allocation and Social Sector Development: The Nigerian Situation

One major observable trend in federal resource allocation framework in Nigeria is the apparent lack of commitment on the part of government, both at the federal and sub-national levels, to the development of the social sector. This is reflected first in the quantum of revenue made available for the development of the sector generally, and more importantly, in the framing of policies targeted at the development of the sector. Indeed, the pattern of revenue allocation to the social sector defies a consistent trend. In spite of the importance of the social sector to the overall citizens' welfare and the clear fiscal advantage enjoyed by the federal government, its allocation to the sector has fallen short of national and international expectations.

For instance, it is contended that what is generally described as main challenges to the education system in Nigeria remains the country's failure to meet up with the 26 per cent international budgetary benchmark for the all-important education sector over the years. A review of the federal budget between 1960 and 2016 (as shown below) aptly shows the low level importance, in terms of funding, attached to the sector by government. In 1971 for instance, the percentage allocation to the sector was a mere 0.53, reaching its highest under the military in 1997, with 17.59 percent. Since the onset of civil rule in 1999, the same pattern of low budgetary allocation to the sector has been sustained. Beginning from 1999 when some 11.12 percent was allocated, the highest allocation in the dispensation was 13.0 percent in 2008, with the lowest being 2011 when a meagre 1.69 was budgeted for education.

Table 1: Proportion of National Budget allocated to Education, 1960-2016

Year	Allocation as % of Total Budget	Year	Allocation as % of Total Budget	Year	Allocation as % of Total Budget
1960	6.02	**1979**	3.70	**1998**	10.27
1961	6.15	**1980**	4.95	**1999**	11.12
1962	5.19	**1981**	6.45	**2000**	8.36
1963	3.45	**1982**	8.09	**2001**	7.00
1964	3.65	**1983**	4.04	**2002**	5.90
1965	3.57	**1984**	4.49	**2003**	1.83
1966	4.23	**1985**	3.79	**2004**	10.5
1967	4.88	**1986**	2.69	**2005**	9.30
1968	2.84	**1987**	1.93	**2006**	11.00
1969	2.20	**1988**	2.40	**2007**	8.09
1970	0.69	**1989**	3.55	**2008**	13.0
1971	0.53	**1990**	2.83	**2009**	6.54
1972	0.62	**1991**	1.09	**2010**	6.40
1973	0.88	**1992**	3.86	**2011**	1.69
1974	2.98	**1993**	5.62	**2012**	10.0
1975	4.57	**1994**	7.13	**2013**	8.70
1976	8.71	**1995**	7.20	**2014**	10.6
1977	3.12	**1996**	12.23	**2015**	9.5
1978	11.44	**1997**	17.59	**2016**	6.01

Source: Central Bank of Nigeria (2015) Statistical Bulletin and Information, from www.nigeria.gov.com

However, some level of commitment was made to the funding of education in Nigeria. In 2013, N426.26 billion out of N4.92 trillion, representing a five per cent increase over the 2012 budget, was allocated to education. The 2014 budget saw the education sector getting N493 billion, representing 11.36 per cent of the total budget of N4.695 trillion, while 11.29 per cent of the 2015 budget of N4.3 trillion was voted for the sector (www.pwc.com/ nigeriataxblog). In 2016, a total of N369.6 billion, representing 6.01 per cent of the N6.07 trillion budget was voted for education.

A look at these shows that education got its highest percentage of allocation in recent times in 2014, with 11.36 per cent, which was still grossly below the 26 per cent international benchmark. Indeed, as a testimony to the poor funding of education in Nigeria, the World Bank (2012) ranked the country last among 20 of such countries in terms of annual budgetary allocation on education. It was, therefore, not surprising that none of Nigerian universities was among the first 700 higher institutions of learning in the world and the first 18 in Africa, according to the QS World University Rankings, 2015/16 released on www.topuniversities.com on September 15, 2015 (*The Punch*, September 17, 2015).

Nigeria, the most populous black nation with 198 million people, (National Population Commission, 2018) is said to have 30 million students, with education being a shared responsibility of the federal, state and local governments. In spite of this, however, Nigeria's literacy rate is estimated at over 65 per cent, with the country said to be having a large number of out-of-school children (of over 13.2 million) and young adults with limited literacy and numeracy skills and with little hope of ever joining the formal workforce (US Embassy in Nigeria, 2012; *Premium Times,* October 4, 2018). As a matter of fact, UNICEF estimates that 60 per cent of Nigerian children are not attending school in the northern part of the country (BBC, 2017), while females account for nearly 60 per cent of the country's population (*Nigerian Tribune*, November 30, 2017). Lamenting the situation, the Education Chief, UNICEF, Mr. Terry Durnnian, warns that the world would not help Nigeria to solve the problem if it does not solve it by itself. According to him, "the number of out-of-school children calls for serious concern. Nigeria should take on the challenge of reducing out of school children. UNICEF will only lead and support the process of reducing out-of-school children." Continuing, Durnnian says Nigeria accounts for more than one in five out-of-school children and 45 per cent out-of-school children in West Africa, stressing that "low budgetary allocation to education is a bane to the sector at all levels."

Table 2: Percentage of Sectoral Budgetary Allocation to Education by States, 2010-2015

States	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Ondo	7.1	9.0	7.2	6.9	20.7	22.2
Edo	6.0	6.7	5.0	9.6	17.6	20.3
Kogi	9.6	6.0	6.4	5.5	4.7	3.6
Bauchi	5.2	4.6	3.6	7.0	14.9	18.7
Kano	21.5	19.7	15.9	18.6	22	8.5
Imo	11.7	12.8	15.5	9.3	6.3	7.2
National	6.40	1.69	10,0	8.70	10.6	9.50
International	26.0	26.0	26.0	26.0	26.0	26.0

Compiled by the author from different sources including Adebowale (2012); Akingboye (2017); Ayobami (2012); BudgIT; Jimoh & Wahab (2016); Johnson(2010); Kano State Budget Response (2014); Naijagist (2013); Nigerian Elite Forum (2011 and 2012); Ogbodo (2015); World Stage Group (2014)

The above table also shows that the same pattern of low budgetary allocation to the sector has been maintained over the years, even at the sub-national level. Although as reflected in the table, there appears to be an increasing trend in budgetary allocation to the education sector in some of the sampled states, particularly from 2014, yet the paucity of budgetary allocation is the general rule as none of the states in Nigeria has been able to muster the required political will in allocating the minimum international benchmark of 26 per cent to the sector. In Ondo State for instance, there was an increase from 20.7 per cent in 2014 to 22.2 per cent in 2015. In the same vein, Edo and Bauchi States also recorded an increased budgetary allocation respectively from 17.6 to 20.3 per cent and 14.9 to 18.7 per cent. Even though these increased allocations were below the international benchmark of 26 per cent to education, the fact that the governments in various states have recognised the need for more commitment to the funding of education is a welcomed development. Be that as it may, states like Kogi and Imo have yet to appreciate the need for enhanced funding of this important sector as reflected in their declining allocations over the years. At national level, budgetary allocation to the sector is also poor in the period under review. It was at its best in 2014 with 10.6 per cent and at its worst in 2012 with 1.69 per cent. This implied that both at national and sub-national levels, there is low commitment to the funding of education in Nigeria.

The health sector has equally not fared better in term of service delivery occasioned by poor official commitment to the sector. Even though successive administrations at various times had, over the years, undertaken several schemes, policies and programmes to improve the state of health in Nigeria, particularly since independence, little had been achieved in terms of making health care delivery available and affordable to the people. Part of the health initiatives by government was the primary health care (PHC) which was defined in Article VI of the Alma Ata Declaration as essential health care based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families in the community through their full participation and at a cost that the community and the country can afford to maintain at every state of their development in the spirit of self-reliance and self-determination (World Health Organisation, 1978).

Where PHC was properly implemented, it addressed the main health problems in the community, providing promotive, preventive, curative and rehabilitative services. It fed into a referral system that allowed access to secondary and tertiary healthcare services for members of the community.

It was, however, not until August 1987, nine years after the Alma Ata Declaration, that the federal government launched its PHC plan as the cornerstone of its health policy, and it was projected to cover the entire nation as rapidly as possible, with full implementation of the eight recognised components of PHC which could be summarised under the acronym ELEMENTS: Education for health; Locally-endemic Disease Control through control of vectors and reservoirs; Expanded Programme on Immunisation; Maternal and Child Health, including responsible parenthood; Essential drugs; Nutrition and Food; Treatment of communicable and noncommunicable diseases and injuries; and Safe water sanitation. Later on, a ninth component was added to PHC, and this was mental health care (WHO, 1990). PHC was adopted as the vehicle to reach the goal of health for all while the Federal Government created the National Primary Health Care Development Agency (NPHCDA) as a semi-autonomous agency under the Federal Ministry of Health with the mandate to provide support to the National Health Policy for the development of primary health care.

The pattern of federal resource allocation has continued to hinder effective discharge of healthcare services in Nigeria. Indeed, there is a wide gap between allocated revenue and actual releases as it affects the health sector. For instance, allocation to State House Clinic at the Presidential Villa, Abuja became a subject of serious controversy when the First Lady, Mrs. Aisha Buhari lamented the dearth of basic facilities at the centre despite the receipt of N1.2 billion (N1, 195,257, 021) between 2015 and 2017 as allocation. Although the amount consisted of N970 million (N969, 681, 821.53) for capital projects and N226 million (N225, 575, 200.60) for recurrent expenditure, yet official presidency sources claimed that only about 30 percent of allocated revenue was received (*Vanguard*, October 9, 2017).

Table 3: Pattern of Budgetary Allocation to Health in Nigeria (2006-2016)

Year	Recurrent (C)	Capital (D)	Health Budget	% (C)	% (D)	National Budget	% Health Budget
2006	67,777,199,998	39,162,800,002	106,940,000,000	63.38	36.62	1,876,302,363,351	5.70
2007	71,228,994,574	51,171,005,425	122,399,999,999	58.19	41.81	2,266,394,423,477	5.40
2008	88,812,937,132	49,366,720,000	138,179,657,132	64.27	35.73	2,492,076,718,937	5.54
2009	103,764,216,256	50,803,276,901	154,567,493,157	67.13	32.87	2,870,510,042,680	5.38
2010	111,908,323,964	53,006,615,191	164,914,939,155	67.86	32.14	4,608,616,278,213	3.58
2011	202,338,852,916	33,527,630,328	235,866,483,244	85.79	14.21	4,226,191,559,259	5.58
2012	225,760,885,287	57,010,886,138	282,771,771,425	79.84	20.16	4,749,100,821,171	5.95
2013	222,453,995,179	60,047,469,275	282,501,464,455	78.74	21,26	4,987,220,425,601	5.66
2014	214,943,830,225	49,517,380,725	264,461,210,950	81.28	18.72	4,695,190,000,000	5.63
2015	237,075,742,847	22,676,000,000	259,751,742,847	91.27	8.73	4,493,363,957,157	5.78
2016	221,712,151,746	35,670,000,000	257,382,151,746	86.14	13.86	6,077,680,000,000	4.23

Source: Federal Government of Nigeria, Budget Appropriation Acts, 2006-2016

As reflected in Table 3, recurrent expenditure in the health sector has been dominant, constituting about 75 per cent on the average between 2006 and 2016. Conversely, capital expenditure for health in the same period was about 25 per cent on the average. This showed the low level of financial commitment to capital development in the sector, and consequently the pallid development being experienced. In the same vein, the table also reveals the abysmally poor allocation to the health sector generally. As shown in the table, total annual allocation to the sector ranged between 3.58 and 5.95 per cent, indicating a far cry from the World Health Organisation (WHO) benchmark of 15 per cent of annual budget to the health sector. Hence Nigeria was not able to meet the 2015 MDGs target on health partly because of the grossly inadequate budgetary allocation to the sector by government. Indeed, the country had never for once allocated even half of the 15 per cent benchmark to the all-important sector.

In 2012 and 2013, only N282.77 billion and N279.23 billion were voted for health out of the total budget of N4.7 trillion and N4.92 trillion respectively. In 2014, N262 billion, representing 6 per cent was the share of the health sector. The 2015 budget was also not different as the sector also suffered from budgetary inadequacy, with only 6.24 per cent allocated (Population Reference Bureau, 2010; *Nigeriahealthwatch,* 2015). Out of the N4.5 trillion 2016 budget, only N221.7 billion, representing 4.64 per cent was allocated to health (*Daily Trust*, January 14, 2016). All these had had telling effects on the health status of Nigerians, particularly the ordinary citizens. In his review of the health sector within the 50 years of Nigeria's independence, that is, between 1960 and 2010, Omigbodun (2010) concludes that the initial euphoria that Nigerians felt as the country obtained her political independence from Britain in 1960 has given way to a sober realism, and sometimes despair, about how rapidly the country could develop and meet the yearnings of her people for a better quality of life. According to him, the story of Nigeria as a nation over the past 50 years might have been one of taking two steps forward and one backward now and again, in trying to improve the health status of the Nigerian people. He however recommends that the three-tier pyramid for health care (that is, primary, secondary and tertiary) should be made functional and responsive to the health needs of the people.

In spite of the fact that Nigeria is essentially an agrarian country, with about 70 per cent of her population engaging in agricultural production, according to the National Bureau of Statistics/Central Bank of Nigeria (2006), with the sector providing subsistence for two-thirds of Nigerians who were low income earners (Usman, 2006), the sector appears to have been largely neglected. To Ugwu and Kanu (2012), there has been serious decline in the contributions of agriculture to the gross domestic product (GDP) in the past three decades.

This is depicted by the National Bureau of Statistics (2010), which, despite describing agriculture as one of the most important sectors of Nigeria's economy, put the percentage of the country's labour force engaged by the sector at 30, a marked difference between 70 per cent in 2006 and 30 per cent in 2010. In the pre-and post-independence era (1930 to 1965), the Nigerian economy was predicated on agriculture, a sector that employed about 70 to 80 per cent of the country's labour force (Falusi and Olayide, 1980) and contributed 60 per cent of the nation's gross domestic product (GDP) and foreign exchange earnings (CBN, 1985). In the oil boom era (1966 to 1977), the oil sector came to a prominent position as an important source of the national revenue. The oil sector, which used to contribute a meagre 2.6 per cent of the GDP in 1960, contributed 57.6 per cent to the GDP in 1970 and up to 99.7 per cent in 1972 (Keke, 1992, cited in Ugwu and Kanu (2012). Agriculture, on the other hand, contributed only 12 per cent to the GDP in 1970 which culminated in rising food import bill, leading to the persistent huge deficit in the balance of payments over the years (Ugwu, 2007). In the third quarter of 2017 however, the sector only contributed a paltry 24.4 per cent to the GDP (National Bureau of Statistics, 2017).

Having realised the negative effect of the gradual neglect of the agriculture sector on the country's economy, the federal government fashioned out several policies and programmes aimed at revamping the sector. These included the farm settlement scheme, National Accelerated Food Production (NAFPP), Agricultural Development Projects (ADPs), River Basin Development Authorities (RBDAs), National Seed Service (NSS), National Centre for Agricultural Mechanisation (NCAM), Agricultural and Rural Management Training Institute (ARMTI) and Agricultural Credit Guarantee Scheme Fund (ACGSF). Others were the Nigerian Agricultural Cooperative and Rural

Development Bank (NACRDB)/Agricultural Bank, Operation Feed the Nation (OFN), Green Revolution Programme, Directorate of Foods, Roads and Rural Infrastructure (DFFRI), Nigerian Agricultural Insurance Company (NAIC), National Agricultural Land Development Authority (NALDA), Specialised Universities for Agriculture, Root and Tuber Expansion Programme (RTEP) and rural banking scheme, etc (Salami, 2007).

The federal government launched another economic reform in 2004 christened the National Economic Empowerment and Development Strategy (NEEDS) programme to encourage private sector participation in the development of the economy and to promote growth and poverty reduction through a participatory process involving civil society and development partners. In the agricultural sector, NEEDS were directed to influence improvement in the production, processing and distribution of agricultural commodities (Ugwu and Kanu, 2012).

All these efforts, however, appeared not to have translated into concrete improvement in agricultural production, due largely to the decline in the budgetary allocation to the agriculture sector over the years as shown in Table 4 below.

Table 4: Proportion of National Budgetary allocation for Agriculture by states, 2011-2016

Year	National Budget	Agriculture	Percentage %
2011	N4.07 trillion	N81.2 billion	1.81
2012	N4.69 trillion	N78.9 billion	1.66
2013	N4.92 trillion	N81.4 billion	1.77
2014	N4.6 trillion	N66.6 billion	1.47
2015	N4.493 trillion	N7 billion	0.9
2016	N6.07 trillion	N29.8 billion	1.26
2017	N7.44 trillion	N103.7 billion	1.80

Compiled by the author, 2018

Table 4 shows that in 2011 and 2012, N81.2 billion and N78.9 billion, representing 1.81 per cent and 1.66 per cent, were allocated to agriculture out of the N4.07 trillion and N4.69 trillion respectively. The budgetary allocation improved a bit in 2013 with N81.4 billion out of N4.92 trillion budget, representing 1.77 per cent of that year's budget voted for agriculture, while it further declined in 2014 to N66.6 billion, that is, 1.47 per cent of the N4.6 trillion budget. A total of N39.1 was allocated to agriculture in the 2015 fiscal year, which shows a cut of about half of the 2014 budgetary allocation. Also, recurrent expenditure took the lion share of N32.2, leaving only N6.9 for capital projects. And for 2016, the budgetary allocation to agriculture was N29.8 billion out of the total budget of N6.07 trillion, which was just 1.26 per cent of the budget.

It is evident from the foregoing that the agricultural sector has been one with extremely low budgetary allocations in Nigeria over the years. Agricultural spending, as a share of total federal spending, averaged 4.6 percent between 2008 and 2012 and has been trending downward precipitously. In contrast, Nigeria recorded an annual average agricultural growth rate of more than 6 percent between 2003 and 2010, and agricultural gross domestic product followed an increasing trend between 2008 and 2012. Budgetary allocation to agriculture compared with other key sectors is also low despite the sector's role in the fight against poverty, hunger, and unemployment and in the pursuit of economic development (Olomola, *et. al*., 2014).

Table 5: Percentage of Sectoral Budgetary Allocation by States, 2010-2015 - Agriculture

States	2010	2011	2012	2013	2014	2015
Ondo	7.1	9.0	7.2	6.9	20.7	22.2
Edo	6.0	6.7	5.0	9.6	17.6	20.3
Kogi	9.6	6.0	6.4	5.5	4.7	3.6
Bauchi	5.2	4.6	3.6	7.0	14.9	18.7
Kano	21.5	19.7	15.9	18.6	22	8.5
Imo	11.7	12.8	15.5	9.3	6.3	7.2
National	6.40	1.69	10,0	8.70	10.6	9.50
International	26.0	26.0	26.0	26.0	26.0	26.0

Compiled by the author from different sources including Adebowale (2012); Akingboye (2017); Ayobami (2012); BudgIT; Jimoh & Wahab (2016); Johnson (2010); Kano State Budget Response (2014); Naijagist (2013) ; Nigerian Elite Forum (2011 and 2012); Ogbodo (2015); World Stage Group (2014)

At a time when the nation was striving for alternative sources to diversify its revenue, one would have expected a growing commitment to the funding of a critical sector as agriculture. However, this was not the case as the funding of this sector across Nigeria reflected poor allocation. Against the international benchmark of a minimum of 10 per cent of the annual budget for the funding of agriculture, virtually all the sampled states have recorded appalling allocation with none close to the benchmark. Even at national level, at no time was the allocation up to two per cent. This implies that no much attention is paid to the sector which hitherto was the mainstay of the economy.

All these are gross violation of the agreement entered into in the Maputo Declaration of African Leaders to commit not less than 10 per cent of annual budgets to agriculture in order to achieve economic growth rates that could enable poverty to be halved. It was on record that less than 2 per cent of the N12.2 trillion total budgets of the federal government and state governments was spent on agriculture in 2016. The combined expenditure of the federal government and the state governments was N196.33 billion, representing 1.6 per cent, on agriculture. About half of the figure was expended on running the bureaucracies of ministries of agriculture at both the federal and state levels (*Daily Trust*, January 14, 2017).

From the foregoing, it is incontrovertible that there is a gross underdevelopment of the social sector as reflected in Nigeria's rating on human development index, which is a composite statistics of life expectancy, education, and per capita income indicators. What is beyond debate is the fact that there is low level of government commitment towards developing the social sector in the country. Aside the low size of allocation to the sector by all the three tiers of government, the quality of use to which the resources are put by the different levels of government is also nothing to write home about. As a consequence, the level of development of the social sector has, over the years, been largely uninspiring.

Conclusion

The social sector in Nigeria has been a victim of two interrelated maladies, which are low resource allocation and poor quality of utilisation of available resources. These factors are further compounded by poor policy framework, lack of an effective monitoring and evaluation mechanism as well as pervasive corruption (Shuaib, Ekeria and Ogedengbe (2016); Enofe, Oriaifoh, Akolo and Oriaifoh, 2016). Consequently, the state of social sector development remains appalling, requiring policy focus and renewed commitment on the part of the leadership at all levels of government, with attendant implication on the general welfare and well-being of the citizenry in term of poor social indicators, including low life expectancy, poor literacy rates, inequitable growth and high poverty rates.

Recommendations

As a way of enhancing the development of the social sector in Nigeria, there is the need for federal resource allocation to the sector to be driven by the needs in the sector. Also, the challenges confronting the sector should be addressed through allocation of more funds to the sector, proper monitoring of the implementation process and tackling of corruption headlong.

Adequate resource allocation should be made to boost education, health and agriculture in line with international benchmarks, while late releases, embezzlement and diversion of funds meant for the social sector should be tackled headlong. There is also the need for ensuring that federal allocations are structured to facilitate the development of the social sector in Nigeria by making federal revenue framework to be largely sector-focused or sector-specific.

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