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Fiscal Federalism and Development in Nigeria

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Abstract
It is a known fact that the pattern of fiscal federalism the military imposed on the nation has no regard for the source of production and revenue generation. This is so through the power bestowed upon the federal government by the constitution which gave the federal government power over taxation and payment collection, the same constitution also vested the power of ownership of natural resources in any part of the country on the central government, and this has gone a long way to balkanized revenue generation effort and made development Epileptic and subjecting states as agents to the federal government. The 1963 Republican constitution, 1979 constitution, 1989 constitution and 1999 constitution made it possible in Nigeria, and conflict are still "brewing". In finding solution to this problems, this paper would x-ray on the following issues; problem of Nigerian fiscal federalism, theory of fiscal federalism. problem of acceptable sharing formula, objective of fiscal relations, importance of fiscal federalism to national development, revenue allocation principles in Nigeria, effect on development in Nigeria and to suggest a way forward for an improved fiscal federalism so as to reduce the internal heat that has led to the ethnic cold war in the polity.
Keywords: Fiscal Federalism, Development, Revenue, Nigeria, Government.

1. Introduction

Historically, Nigeria as a country began as a unitary state due to the mistake of 1914 amalgamation in the view of some people. Federalism has been in Nigeria since the former British Colony was reorganised into a federation of three regions by Arthur Richard who succeeded Bernard Bordello in 1939 as a result laid the foundation of federalism in Nigeria in 1946. The Northern and the Southern protectorates were merged by the British for economic purpose. Through the Macpherson's constitution of 1951 and Littleton federal constitution of 1954, the country became a federal state with regional autonomy, the balance of power was tinted in favour of the regions in the first republic. In this context, the process and principles of revenue sharing in Nigeria has remained a very contention issue since 1946. According to Offiong, from 1946, derivation was from 100% reduced to 50% by Philipson commission's recommendation in 1951, the Raiseman commission set it at 50% in 1958, in 1960, it remained at 50%, and General Gowon reduced it to 45% in 1970, and was further slashed in 1975 to 20%. Obasajo/Yar'Adua administration raised it to 25%, Shehu Shagaria reduced it to 5% in 1981, while General Buhari later crashed it to 1.5%, General Babangida pretended to raise it to 3%, Ken Saro Wiwa's pressure got the government to raised it to 13% as in the Nigeria's constitution. Military intervention in 1966 and its decree no 9 1971 and decree no 51 1969 petroleum Act bestowed ownership of both solid minerals and Oil to the federal government, it allows 100% off-shore rents and royalties to the federal government, that decree 13 1970 also create an atmosphere where federal government could amassed enough wealth to tackle the problem of public expenditure after the civil war with the aim of reducing fund of the lower levels of government and these decrees, imposed and changed the phase of federalism, and it fiscal federalism Ola & Offiong (1999). The nature practiced currently, has discouraged internal revenue generation and encourages incessant state creation, therefore, the result has been underdevelopment smiling heavily on the Nations' face due to neglect in the agrarian sector and over dependence on one product to meet the needs of the federating units.

Fiscal federalism aimed at managing conflicts in a pluralised societies Kayode, (2014). It is the system of revenue generation, allocation and redistribution within a federal system. While Development on the other hand is when a country is progressing in terms of infrastructure and technology to improve the standard of living of the citizens. A sustainable development could only be achieved and well sustained through proper policies implementation in an atmosphere where the federating units manage and in full control of their resources to enable them develop at its own pace. But in a bifurcated society as Nigeria, the federal system pattern after the American model would go a long way to shape the nations' dwindling fiscal federalism perceived to be a mirage. This work, tend to examine Nigerian fiscal federalism, problems associated with the sharing formula, allocation principles and to suggest a way forward to reduce internal contradictions in the polity.

2. Conceptual Clarity

Understanding federalism as a larger concept will make easy the understanding of fiscal federalism. This is as a result of the topic in question is a sub-topic and is studied within the context of federalism and is an integral part of federalism. Federalism in principle as earlier noted by Kayode, (2014) being used to manage conflict in a heterogeneous society, is perceived to serve as a medium point between oneness and separation, it is unity in diversity. Federalism is derived from Latin word "foedus meaning covenant. It is a political concept in which members are united together by a covenant with a governing body, it is also a system of government in which the sovereignty is constitutionally divided between the levels of government, Arowolo, (2011). According to Wheare, (1953), federalism is the method of dividing powers so that general and regional governments are each within a sphere, co-ordinate and independent. Federalism is an arrangement whereby powers in a multi-national country are shared between a federal government and component units in a way that each unit exist as a separate and independently from others, operating within the territory and with a will to conduct its own affairs and with authority in exclusive matters, Sagay, (2008). In federalism each unit exist as an independent entity without sacrificing their own freedom, each state is autonomous, have the power to raise revenue and develop with its resources at its own space.

Fiscal federalism is the fiscal relations and transaction between the three levels of government. Herber, (1979), looked at fiscal federalism as the division of fiscal powers between sovereign levels of government in a federation. It is a system which refers to the existence in a country of more than one level of government, each with different expenditure responsibilities and taxing powers Okigbo, (1969). Fiscal federalism is a framework for allocating responsibilities to different levels of government and the necessary fiscal instrument for carrying out these functions. In the view of Sharma, (1995), fiscal federalism constitutes a set of guiding principle, a guiding concept that assist in the design of financial relations between the national and the sub- national levels of government. Thus fiscal federalism is the system of revenue generation, allocation and redistribution of among the federating units in a federal system which gives room for regional fiscal autonomy.

The concept of development is used interchangeably with economic and National development. Development means a continuous improvement of what is already in existence, development has to do with progressing increase in one's choice, effort, opportunity which consist an upward to goal expectation. When looking at the concept from the nature of services delivered to the people by the government, development could said to be a condition where things are adequately improving. Also looking at it from gross income perspective, development is the attainment of the social economic progress or advancement at a particular time in time. To buttress this point, Walter Rodney asserted that development means a capacity for self- sustaining growth. It means an economy must register advances which in turn will promotes further progress. On the other hand national development according to Wood hall, 1985 defined it as the improvement of a country's productive capacity through changes in social attitudes, values and behavior and finally changes towards social and political equality and eradication of poverty. National development could be achieve through development planning which could be described as the country's collection of strategies mapped out by the government. It is the ability of a country to improve the social welfare of the people by providing social amenities like quality education, portable water, transportation, infrastructure and medical care Wikipedia, (2010). Thus, development entail modernization and civilization especially on existing structure to improve the standard of living of the people. Development is when government has put in place amenities that allow citizens to achieve self – actualization and it reflects happiness and fulfilment.

Economic development on a similar note has to do with a society increase and improvement in the standard of living, it includes the process in which a nation's economic political and social well- being of its people, it can be seen in terms of the progress or decrease it has achieved and the indicator such as literacy rates, life expectancy and poverty rates Sullivan and Scheffrin, (2003).

Conclusively, development is increase in infrastructure, technology and a transition from traditional state to the modern stage and improved health care, qualitative education, while economic development is increase in a nation's capacity to produce.

3. Theoretical Framework

The theoretical framework for this work would utilize the system approach in analyzing the various components units of fiscal federalism and development in Nigeria. This approach perceived the environment as a system with component parts that is dependent on each other to function properly in order to achieve the goal set to achieve in an environment. This approach perceived the political activities as involving the environment, the political system and output, the environment consist of objective condition and forces that generates demands and output, Ikelegbe, (2006). The organization and its parts interact and depend on each other to achieve its purpose, and when one part is faulty, the others would not work or could stop. This means, various political institutions that allocates authoritative values exist within the environment which has both external and internal dimension. The manner a nation allocates its resources has a long way in determining the nature of development of that nation.

The Nigerian situation concerning revenue allocation falls within this framework, hence in a situation where one part happens to have problem or not functioning properly, the other parts would not function in full capacity. The nature of fiscal federalism currently practiced in Nigeria, where the Federal government dictates the tax, the tax base and sharing formula within the three levels of government and expand its fiscal jurisdiction with little or no fiscal responsibilities, left the lower levels of government with enormous responsibilities without fiscal power. This is the position the states and the local government are stocked. This kind of system is bound to malfunction and reflects underdevelopmentalism.

4. Theory of Fiscal Federalism

The basic foundation for the theory of fiscal federalism were laid by Kenneth Arrow, Richard Musgrave and Paul Sadweh Samuelson's two papers(1959, 1955) on the theory of public goods. Also, Musgrave's book(1959) on public finance provided the framework for what became the acceptable role of the state in the economy which was later known as "Decentralization Theorem to correct market failure also ensuring equitable distribution of income to maintain stability in the macro- economy at full employment and stable prices Musgrave, (1959).As Ozon-Eson noted, that the government is expected to intervenes where the market mechanism of laze-affair failed due to types of public goods characteristics. He went further that the government were seen as custodians of public interest who will provide social welfare on the basis of ensuring electoral success in a democratic society. According to Oates, (1995), the theory of fiscal decentralization tends to focused on situations where different levels of government provided efficient levels of output of public goods, and for those goods with the nature of benefits includes several things according to their geographical jurisdictions. He went further that the local pubic goods with inter- jurisdictional spill- overs, that the role of government in maximizing social welfare through public goods, that this role would be assigned to lower levels of government and the central government will be in charge of income stabilization and distribution. Through this role assignment, on theory of fiscal federalism, the central government are expected to ensure equitable distribution of income, maintenances of macro- economic stability and the provision of public goods at the national level, and the lower levels of government are to concentrate on the provision of local goods .while the national government will render assistance through grants in aids especially in emergency situations. There was the need to determine the appropriate taxing powers.

According to Gordon, (1983), Emphasis is laid on an extensive application of no – benefits taxes on mobile factors at decentralized levels of government could lead to instability in locating economic activities, he went further that when assigning functions, that taxes that is suitable to allow effective carrying out of function where assigned to levels of government. Ozon- Eson, (2005) X-rayed the need to prescribe taxes to decentralized level of government to promote economic efficiency in dealing with mobile economic units like firms and individual. Through this theory, there is fiscal equalization which is the form of transfers made by the federal government to other levels of government to compensate different tax capacity and to also render help to poor regions.

Summarily, the traditional theory of fiscal layout a general normative framework for the assignment of functions to different levels of government and the appropriate fiscal instruments for carryout those functions. At the general level, this theory contends that the central government should have the basic responsibility for the macro- economic stabilization function and for income redistribution by assisting the poor through adequate provision of basic socio- economic needs.

5. Importance of Fiscal Federalism to National Development

Fiscal federalism is the system of generating, allocation and the redistribution of revenue in a federal system of government, its importance cannot be over emphasized. In the postulation of Wiesuer, (1995), fiscal federalism is an important tool for economic development, that country like Colombia, through fiscal decentralization most spending on social services are done at the local level that when a country development plan gives priority to social sector spending and decentralization as an important part of its social strategy, he concluded that with a well-designed policy framework of decentralization leads to improvement in spending on social services and this well controlled system of local government transfer, local spending on social services has helped the population in number of ways. In accessing the view of Olaleye and Olowu,(1989) also enumerated the importance of fiscal federalism, that fiscal federalism not only produce efficient and equitable services through the assistance of local understanding, but will also lead to greater participation and democracy that would result in popular consent to government and improve political stability, that with these good quality of increased resource mobilization and reduce dependence on the central finance, greater accountability and more responsive and responsible government could be achieved. Shah, (1990) also provides a strong rationale for fiscal federalism in terms of efficiency, accountability, manageability and autonomy principles, he went further that;

Through local provision the government is able to respond to the needs and aspiration of local residence.

That decision making is closer to the targeted population in terms of services and this will lead to a more responsiveness to local concern and more fiscal responsibility and efficient provision in financial decentralized areas.

It also removed multiple layers of jurisdiction and Enhances inter-jurisdictional competition and innovations in the provision of public services.

Finally, Ter-Manassiah, (1997), and Wildasin (1998) highlighted the benefits of fiscal federalism which includes:

To bridge the fiscal gap that may result from a mismatch between revenue means and expenditure needs leading to revenue shortfalls.

To compensate for the presence of interstate and local governments differential in income and resource capacities that creates inefficiencies due to fiscally – induced migration as factors of production gravitate towards rich areas.

To ensure common minimum standards across jurisdictions to enable poorer areas to provide acceptable levels services.

To alleviate inefficiencies arising from inter-jurisdictional spill-over, where people enjoys the benefits of a public good but do not contribute to the cost of providing it and resulting in possible sub-national levels of government considering only the benefits that accrue within their own jurisdiction and under providing the public good.

6. Revenue Allocation and Allocation Principles in Nigeria

Revenue allocation is the mechanism for sharing the nation's financial resources between the various tiers of government in the federation with the objective of enhancing sustainable economic growth and development and to minimize inter-governmental conflicts and to assist the nation in attaining national unity.(Ola & Offiong,1999). It is the stipulated approach by the federal units to handle the accruing receipts in the economy, which is federal, state, and local government (D.E Oriakhi; 2004). There are particular receipts which the state and the local government are entitled to and the exclusive receipts of the federal. Thus, revenue allocation is the function of the character of a political system. Revenue allocation is rationalized in a number of ways which is usually balancing, equalization, incentives or stimulation. Balancing are the transfers made due to the existing imbalance between available resources and the responsibilities and it is done to compensate state and local government for limited taxing powers. While Equalization is necessary due to the variations in ability to generate revenue by the lower levels of government and this transfers are done to help minimized tax burden and if possible eliminated. Stimulations-incentives or promotional transfer is made to help to stimulate economic growth or economic activities within specific in their disbursements and this transfers are usually refer to as grants in aids by the federal government. (Ola & Offiong, 1999).

A number of principles have been used overtime in order to ensure equity in the distribution in different part of the world including Nigeria and this includes ; the principles of derivation, need, even development, population, minimum responsibility of government, equality of states continuity of government services etc. And shall be elucidated upon.

6.1 Revenue Allocation Principles

In Nigeria as a country, revenue allocation has remained a burning issue in the country's fiscal federalism and this is as a result of the 36 states in the federation are currently depending on statutory allocations from the government account to enable them to embarked on development plan. This problem associated with revenue allocation posed difficulty to efficient and effective public administration since 1946, through increasing number of fiscal units. Nigeria as earlier mentioned, started as two protectorates, and was increase to three regions, to four regions with the creation of Midwest, moved to twelve states to nineteen, and to twenty-one and presently 36 states and 774 local government. And the economy is not diversified, thereby, relying solely on one product and this is the genesis of the ethnicity syndrome which the nation is yet to get a cure. According to Ola & Offiong, (1999), revenue allocation formula includes:

6.1.1 Principle of Derivation

This principle is the most controversial of all principles, different regions of the nation read meaning to it from their various perspective to facilitate goal achievement, This principle is based on the grounds of equity, the proponents asserted that, the states that have the capacity to generate tax and naturally endowed should receive a huge allocation compared to states that are not naturally endowed and that allocation should be based on derivation i.e. certain percent should be set aside on this purpose. Understudy this principle, the proponents are majorly from Niger-Delta, their arguments is that, their communities ought to be adequately compensated for the damages done to the environment and communities on the account of Oil exploration and exploitation. On the other hand, some Nigerians (especially from non-oil producing areas) frowned at it on the ground that, natural resources belongs to the federal government, the ideal of allocating a portion of the federal revenue to states on basis of oil exploration and exploitations on the environment of oil producing communities, that the ownership is that of Nigeria as a whole and not to the states where those natural resources are discovered. So as a result the government has turned a deaf ear to the dissatisfaction of this people, and this attitude of the government has made this principle a far cry.

6.1.2 Even Development Principle

The aim of this principle is that growth and development should be spread in order to reduce inequalities and imbalances. Allocation on this basis is premised on equity, that fund should be allocated to resolve the problems of in equity in development, that allocation on equal basis may likely widen the gap of development and could also compound some existing problems.

6.1.3 Principle of Need

This principle anchored on the need of the state such as development and that revenue should be allocated on this basis. Every government have needs to provide such as infrastructure. This principle could have been useful if need was based on legitimate and population census, but unfortunately in Nigeria, population census have been politicized till date. There is no particular state whose need is most crucial.

6.1.4 Principle of Population

This principle stipulated that revenue allocation should be based on population. That means, the state that is highly populated should receive a higher allocation than states less populated in horizontal revenue sharing. This principle has also been argued that a largely populated is bound to be endowed with human and natural resources and therefor, deserve less revenue than the less populated states. The problem with principle is that, people argued against it on the ground that revenue allocated on this basis have many times diverted by the Elite and the controversy of 1991 census figure question the desirability of population as a suitable formula for revenue allocation.

6.1.5 Internal Revenue Effort

This principle laid emphasis on the ability of states to raise or generates and that put such state in a position to get a higher allocation from the federal government. The implication is that, the state that generate more revenue internally, also stand a chance to collect revenue externally from the federation account. This principle has generates debates especially from states who lack the capacity to generate revenue internally. Due to the problem associated with this principle, it has was subjected to review by the Okigbo's Commission which reviewed the recommendation of the Abayode's Committee and was later modified by the Danjuman's Commission and the weight was increased from 50% to 20% while the AFRC reduced the Danjuman's recommendation from 20% to 10%.

6.1.6 Landmass and Difficult Terrain

This principle was introduced in January 1990. It suggested that states with landmass and difficult terrain should be given more revenue, hence development in this areas is usually difficult and that they would require more fund hence they tend to incur higher cost in provision of infrastructure facilities such as building of roads that require to construct a bridge across an ocean and also in a rocking environment than states with less difficult terrain. That the nations' revenue should be shared on that basis.

6.1.7 Equality of States

This principle is indicative of the fact that each state in a federating units, irrespective of size and resource endowment should have an equal share of the percentage of total revenue set aside under the principle. This principle helps to affirm the equality, importance and constitutional status of each state within the federation.

6.1.8 Minimum National Standards

This principle laid emphasis on maintenance of minimum standards in the allocation of resources among states. And such standards are usually in terms of education, health, agriculture etc., with the objective of uplifting the desired units to a defined level, and should never fall below the minimum standard. This principle bridges the existing social gap among the federating unit sand help to minimized or total elimination.

6.1.9 Absorptive Capacity

Through this principle, states are assessed on ground of capacity to make use of funds. Hence it means that fund should go to those states best able to use them. The index is the ratio of total actual capital expenditure in a plan period and the total planned capital expenditures over the whole period such that the state with the highest ratio is rated first.

6.1.10 Minimum Responsibility of Government

This principle recognizes that each level of government has a minimum responsibility and as such services being provided by the government for its citizens must not be allow to fall below a defined level. This principle is equity oriented and refers to the functions assigned to other tiers of government constitutionally and also reaffirms the principle of need.

6.1.11 Social Development Factors

This principle help to recognized such as healthcare delivery, education and urbanization as the major social development indicators. Primary school enrolment is often employed as an indication for social development.

Education is a priority to most government all over the world especially when it is enshrined in most nations' constitution and a basic aim of states' policy.

7. Fiscal Relations

Fiscal relations is a major area hence there are issues over resource control. Every federal system have a system by which resources are distributed and allocated. There are financial transactions that takes place, and the pattern of allocation. Fiscal relations is the financial transactions that takes place among the different levels of government.

7.1 Objectives of Fiscal Relations

According to Sewell et al (1994) the objective of fiscal units in a federation includes:

- To ensure correspondence between sub-national expenditure responsibilities and their financial resources (including transfers from central government) to enable the sub-national government to carry out the functions assigned to it.
- To increase the level of government by incorporating incentives for them to mobilized revenue of their own.
- To ensure that the macroeconomic management policies of central government are not undermined and compromised.
- To give expenditure discretion to sub-national government in appropriate area in order to increase the efficiency of public spending and improve the accountability of sub-national officials to their constituents in the provision of sub-national services.
- To incorporate intergovernmental transfers that are administratively simple, transparent and based on objective, stable and non-negotiated criteria.
- To minimize cost and economize on scarce criteria.
- To provide equalization payments to offset the differences in fiscal capacity among local governments so as to ensure that poorer levels of government can afford adequate key services.
- To incorporate mechanism to support public infrastructural development and proper funding.
- To support a consistent government role which is market-oriented.
- To agree with a rational distribution goals that is consistent.

8. Problems of Nigerian Fiscal Federalism

Fiscal federalism in Nigeria is characterized with constant struggle and agitation for change and resource control. This is Due to the centrifugal tendencies in our disaggregate federalism. And the challenges is hold on equity of the expenditure assigned to them and revenue raising functions among the three levels of government. The lingering problems are discussed below;

8.1 Functions and Tax- Raising Power

One of the problem in Nigeria fiscal federalism is the allocation of functions among component units of the federal system i.e. the federal, state, and the local government. This functions are spelt out in part 1 (one), section 4 of the scheduled of the 1999 constitution of the federal republic of Nigeria. The section specified three main legislative functions, the exclusive legislative list, the concurrent legislative list, and the residual legislative list. In the provisions of the constitution, the federal government has exclusive constitutional responsibilities for functions under the exclusive list. Both the federal and state have control over the concurrent legislative list, S. Aigbepue. & A. Augustine, (2011). The allocation of tax-raising power is the legislative function even during military regime in Nigeria was said to be stable. The 1999 constitution also specified the procedure for the disbursement of the "Distributable pool account to the three levels of government in section 162, (1) (2). This specification was done in order to enable the different levels of government to carry out its function. Despite this specification, there is still a problem between the state and federal government over tax jurisdiction, what level of government should collect what tax and this has led to the existing perceived imbalance among the ethnic groups. (Onwe, 2011).

8.2 Problem of Acceptable Sharing Formula

According to Nasir (2011), there is a problem with the existing sharing formula. The federal government has not justified its lion share of nations' revenue with small responsibilities to carry out, that this has resulted to wastage and high level of corruption. He went further , that, there is a conflict between the three levels of government in Nigeria over acceptable formula regarding acceptable formula especially the principle recommended by different Revenue Allocation Commission to be used as a basis for revenue allocation and even when accepted, conflict could still arise over the principle that takes precedence on the others that this has being the situation in Nigeria since the period of colonial administration and the introduction of the Richard's constitution in 1946. Odoko & Nanna (2009), also noted that, in terms of revenue assignment, the fiscal system in Nigeria gave little or no room for fiscal autonomy to the regional governments. That the local level don't put effort to generate revenue internally and they depend on federal allocation, they went further, that there is a difference between the expenditure and revenue responsibilities which is evident in the manner they shared and transfers the nations revenue, which is considered outdated. There is still conflict over the principle of derivation as the acceptable sharing formula.

8.3 State and Local Government Joint Account

Sagay, (2008) observed that there is an unbridle diversion of local government funds by the state government, to the extent of rendering them idle in development ,the local government is known but as a clearing and forwarding house through which the councils gets their share from the federation account, the position of state was to add a compulsory 10% of internally generated revenue to local government, but the state operators has enmarked the fund for takeover on allocated resources from the federal government, that despite all the reforms to solve the thorny issue, the problem has remain unabated and this has facilitates loyalty of local government chairmen who has no other option but to dance to the tune of the music. On a serious note, the diversion of local government fund is a serious issue and has affected their performance at the local level hence they would have to lobby for what is rightfully theirs.

9. Effort to Address the Challenge of Fiscal Federalism in Nigeria

The revenue allocation issue is a primary issue which is a key determinant of any political system. According to Silas, (2013), the verdict of the supreme court created fiscal stampede, which gave room to the president to introduce a new revenue allocation of 56 percent to the federal government, 24.72 percent to the state and 20.60 percent to the Local governments, the states' resistance to this formula prompt the federal government to reduce to 52.68 percent and states' increase to 26.72 percent, he went further that, revenue allocation remain a thorny issue as the contentious debate persist, the state is always in conflict and criticizing the federal government for taking the lion share and the federal governments' justification was that it is as a result of its enormous responsibilities which includes cost of providing education, health care services, roads energy and national security. Due to the various problem associated with the Nigerian fiscal federalism, the federal government since 1946, has set up revenue mobilisation commission to look into the nations' fiscal matters and this various commissions and committees set to midwife the process according to Offiong, (1999), includes:

- The sir Sydney Philipson commission of 1946
- Hick Philipson commission of 1951
- Sir Louis Chicks Philipson commission of 1953
- Sir Jeremy Raiseman commission of 1958
- Bins commission of 1964
- Okigbo commission of 1980
- Dina commission 1968
- Abayode technical commission of 1977
- NRMAFC 1988

Other related decrees in the first military era and presidential system includes:

- Decree 13 1970
- Decree No 9, 1971
- Decree No 6, 1975
- Parliament Act of 1981
- Revenue Amendment Decree no 36 of 1984 (Buhari's regime)
- Danjuma commission of 1989
- Armed Forces Ruling Council (AFCRC) January 1990 Approval
- Armed Forces Ruling Council promulgation Decree of 1991
- Armed Forces Ruling Council of January 1992.

10. Conclusion

Based on the analysis, of several issues on fiscal federalism and development within the context of this study. It was revealed that the manner with which resources is allocated to the lower levels of government has effect on development and the causal factor is Derivation principle which was drastically reduced from 50% in the First Republic to 13% in the Fourth Republic 1999. As a result the State government has inadequate fund to embark on developmental projects. Furthermore, the present of corruption in the system also has effect on development and these reflects on weak infrastructural development

Base on the findings a number of conclusions have been reached. Firstly that the nature of fiscal federalism impose on the nation hinders development, that the current allocation formula is unacceptable, and the various revenue commission put in place to adopt a suitable formula for the country's result was biased hence the leaders on assuming office usually allocate more money to his region without resources at the detriment of other regions where Oil exploration and exploitation takes place, and this has led to environmental degradation such as pollution of the sea and air. Secondly, that corruption of public officials also hinders development hence fund meant for capital projects are diverted by this officials. Thirdly, that this system of resource allocation where the federal government has expanded its tax jurisdiction with little responsibilities has created a situation whereby the State governments had to lobby for what is rightfully theirs at Abuja and also reduce the competitive spirit in a federal system, and reduced internal revenue generation effort, has also led to an atmosphere where various ethnic groups agitates for creation of more States and Local government to enable them have access to the "national cake". Thus each states needs to develop with its resources at its own pace and the federal government needs to reverse this situation and the nature of fiscal federalism in Nigeria.

10.1 Recommendations

Based on the investigation of this study, fiscal federalism and development in Nigeria, the following recommendations were made to provide an improved and acceptable fiscal federalism for the nation as a whole

The Nigeria government should endeavored to practice true federalism pattern after the American model, and shun the currently practiced quasi – federalism where the states are left with enormous responsibilities without fiscal power to function.

The government should adopt a suitable revenue formula to enable the lower level government to have adequate fund for execution of capital project.

Federal government should increase derivation principle to guarantee development, and this increment should be from the current 13% to 50% and this will help to reduce agitation for resource control.

Nigeria should sincerely fight corruption of public officials at all levels of government through the instrument of Law, to serve as deterrent to others.

The government should create massive employment by providing a conducive environment to allow both domestic and foreign investors to invest.

The government should make development his priority, to give room for resilience infrastructure at all levels of government.

There should be focus on economic diversification to allow other viable sectors such as Agriculture to contribute significantly to the nation's Gross Domestic Product, (GDP).

Overdependence on one product should be discourage to allow other states in the country to develop other sources of revenue in their environment, hence overdependence on one product has led to environmental pollution in Oil and Minerals producing States.

The central government should increase the development fund meant for Oil and Mineral producing States from 1.5% to 10%, as this will enable them to clean pollutions and to compensate the ordinary citizens including Farmers and Fishermen whose source of livelihood has been destroyed, and thereby, reducing illegal oil bunkering and pipe line vandalism.

The federal government should construct good governance, hence lack of good governance leads to political alienation and lack of trust in the governments' policies, and this would spread contentment among the general populace.

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