

NIGERIA

FEDERAL COUNTRY

AFRICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - LOWER MIDDLE INCOME Local currency - Nigerian naira (NGN)

POPULATION AND GEOGRAPHY

AREA: **923 773** km²

POPULATION: **177.475** million inhabitants (2014),
an increase of 2.70% per year (2010-14)

DENSITY: **192** inhabitants/km²

URBAN POPULATION: **47.7%** of national population

CAPITAL CITY: **Abuja** (1.3% of national population)

Source: World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **1 049.1** billion (current PPP international dollars)
i.e. 5 911 dollars per inhabitant (2014)

REAL GDP GROWTH: **6.3%** (2014 vs 2013)

UNEMPLOYMENT RATE: **4.8%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **4 956** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **15.8%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.514** (low), rank **152**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
774	-	37	811
LOCAL GOVERNMENTS AVERAGE MUNICIPAL SIZE: 229 295 INHABITANTS		36 STATES + THE FEDERAL CAPITAL TERRITORY	

MAIN FEATURES OF TERRITORIAL ORGANISATION. Nigeria is a federal country with a three-tier subnational government system, made of 36 States, one Federal Capital Territory and 774 Local Governments. Fiscal federalism as enshrined in the 1999 Constitution of the Federal Republic of Nigeria. Back in 1914 the Northern and Southern protectorates of Nigeria were amalgamated, under a unitary political administration, with powers being shared between the Governor-General head of the Central government, and the Lieutenant Governors heading the governments of Northern and Southern Protectorates. In 1946, under the British colonial administration, three provinces were created out of the Northern and Southern Protectorates, institutionalizing the current federal government system. The Macpherson Constitution of 1951 reinforced federalism in Nigeria, appointing governors at the head of these 3 regions, and the Lyttelton Constitution of 1954 granted legislative power to legislative and executive councils, making the constitutional status of federal and state governments clear and distinct. A Supreme Court is in charge of handling conflicts between central and regional governments. Until now, the 1979 constitution and the current 1999 constitution failed to provide the necessary constitutional backing and legal framework to operationalise local governments as a third-tier of the federation, even though they are in theory a unit of government with defines powers and authority. Despite their importance (some local governments' population exceeds 1 million inhabitants) they remain an appendage of state government which have absolute discretion over their creation and their operational autonomy. The creation of the State Joint Local Government Account (SJLGA) by the 1999 constitution undermined their role further.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The federal regions own and manage their resources. They equally take charge of all residual matters that affect the regions, while the federal government takes charge of few exclusive matters of national interest such as: defense, foreign policy, currency regulations etc. The 1999 constitution sets out the following functions of local government in Nigeria: provision and maintenance of health services; agricultural and national resource development; provision and maintenance of primary, adult and vocational education; and other functions as may be conferred on it by the state house of assembly. No constitutional distinction exists between rural and urban local governments. Due to the intervention of military power in government, Nigeria does not fully operate according to a federal system of government. The regional states rely heavily on the federal government and the relationship between the two levels remains one-sided. Recently, state governors demanded for a paradigm shift in the national practice of federalism, and for dual sovereignty between federal and federating states.

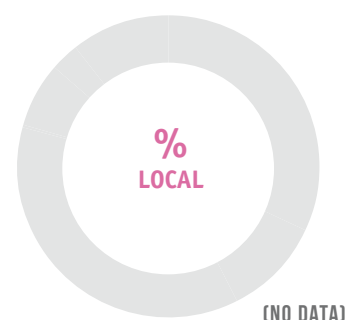
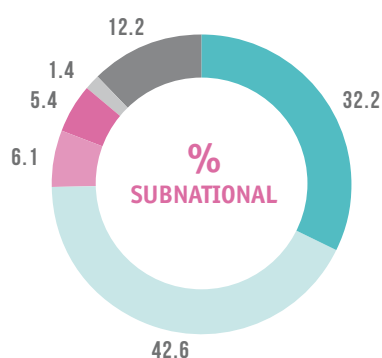
EXPENDITURE	% GDP		% GENERAL GOVERNMENT (same expenditure category)		% SUBNATIONAL GOVERNMENT	
TOTAL EXPENDITURE (2013)	5.3%	2.1%	38.1%	16.3%	100%	100%
CURRENT EXPENDITURE	2.6%	1.7%	-	-	48.9%	81.5%
STAFF EXPENDITURE	1.1%	1.2%	23.5%	27.9%	21.0%	58.0%
INVESTMENT	2.7%	0.4%	62.5%	9.7%	51.1%	18.5%

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

State governments have a large discretionary power over the use of their revenues, and are responsible for a relatively high share of public expenditures (38.1%), in particular regarding investment expenditures (62.5%). On the other hand, because of the lack of effectiveness of the transfer system through the SJLGA, local governments are relatively ineffective, and their room for manoeuvre on spending are very limited. As a result, most of their expenditures relate to current expenditures (81.5% of local expenditures).

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



State governments expenditures are mainly concentrated in the sectors of general public services and administration; economic affairs including primarily agriculture, road maintenance and transportation; education; and to a lesser extent housing and community utilities and health. There is no official data on local governments' functional classification of expenditures.

REVENUE BY TYPE

% GDP

% GENERAL GOVERNMENT (same revenue category)

% SUBNATIONAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

Revenue Type	% GDP	% GDP	% General Government	% General Government	% Subnational Government	% Subnational Government
TOTAL REVENUE (2013)	4.9%	2.1%	40.0%	18.4%	100%	100%
TAX REVENUE	0.8%	0.03%	-	-	15.3%	1.6%
GRANTS AND SUBSIDIES	3.7%	1.7%	-	-	74.3%	82.4%
OTHER REVENUES	0.5%	0.1%	-	-	10.4%	6.0%

In Nigeria, most resources are owned and managed by the federal government, and almost all states and local governments rely on allocations or shares from federal revenues. Around 75% of federal revenues are derived from oil and gas, making all three tiers of governments vulnerable to international fluctuations. Besides, since 2000, each state maintains a special account, the State Joint Local Government Account, gathering funds from the Federation Account and from the government of the state that is to be used to pay all allocations to local government councils. Yet this system is not operating well and funds rarely reach local governments.

TAX REVENUE. For the most part, the Federal government has control over setting tax bases and tax rates. Besides, the major part of federal revenues is collected, pooled and then being allocated and shared within state and local governments. Main shared taxes are: company and personal income tax, value-added tax, petroleum profit tax.

GRANTS AND SUBSIDIES. Section 162 of the Constitution provides for the funding of local councils through the Federation Account, managed by the State Joint Local Government Account. The 1999 constitution further empowers the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) to allocate revenue to the three tiers of government. Yet in practice, state governments have taken over most local government functions in order to justify spending funds earmarked for councils in the Joint Revenue Account, and funds from the Federation Account channelled often are credited to State governments and do not reach local level. Most grants are unconditional grants.

OTHER REVENUES. State governments and local governments can perceive other sources of revenues to compensate for their lack of autonomy over transfer revenues. These revenues are mainly fees and charges on public services, such as, for federal governments: stamp duties, gambling taxes, road taxes, business registration fees, street naming registration fees, etc; and regarding local governments: motor park levies, domestic animal license fees, cattle tax, radio and television license fees, marriage and death registration fees, etc.

OUTSTANDING DEBT

% GDP

% GENERAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

Outstanding Debt	% GDP	% GDP	% General Government	% General Government
OUTSTANDING DEBT (2013)	2.5%	-	19.8%	-

Recently, due to the lack of state own revenues other than monthly allocation of oil and gas revenues from the National government (which have declines sharply), Nigerian federal governments' debt has steadily grown, to 2.5% of GDP in 2013, and keeps rising. Besides, a large amount of government borrowing is in the form of high interest loans from domestic banks, and has been done to cover operating expenditures such as salary costs. Subnational debt is highly concentrated within a few States: Lagos State at the top, followed by Kaduna, Cross River and Ogun, which account for about 51 percent of the 36 states' total external debt in 2016. Therefore, prudential measures are being taken: Loans taken must be tied to specific projects and closely monitored, and according to the Fiscal Responsibility Commission (FRC) Act, the states should also adhere to the three percent ceiling in relation to their total annual revenue.

A joint-study of:



Sources: FDA and LGA Finance Statistics of Nigeria, 2016 • Central bank of Nigeria Data and Statistics • E.N Thom-otuya, Nigeria's Federalism: an Exploration of Its Dilemma, IISTE, Working Vol.3, No.5 (2013) • Local government administration in Nigeria: the search for relevance, Commonwealth Journal of Local Governance 2015, 18: 4850, - <http://dx.doi.org/10.5130/cjlg.v0i18.4850> • Local Government Finance in Nigeria: Challenges and Prognosis for Action in a Democratic Era (1999-2013), Journal of Good Governance and Sustainable Development in Africa, Vol. 2, No 1 (2014) • Annual Report and Statement of Accounts, Debt Management Office of Nigeria (2015) • IMF World Economic Outlook (WEO), October 2015 • From Oil to Cities: Nigeria's Next Transformation, The World Bank (2016)