

# NIGERIA

FEDERAL COUNTRY

## BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: NIGERIAN NAIRA (NGN)

### POPULATION AND GEOGRAPHY

**Area:** 923 770 km<sup>2</sup>  
**Population:** 190.886 million inhabitants (2017), an increase of 2.7 % per year (2010-2015)  
**Density:** 207 inhabitants / km<sup>2</sup>  
**Urban population:** 49.5% of national population  
**Urban population growth:** 4.3% (2017 vs 2016)  
**Capital city:** Abuja (1.5% of national population)

### ECONOMIC DATA

**GDP:** 1 121.4 billion (current PPP international dollars), i.e. 5 875 dollars per inhabitant (2017)  
**Real GDP growth:** 0.8% (2017 vs 2016)  
**Unemployment rate:** 6.0% (2017)  
**Foreign direct investment, net inflows (FDI):** 3 497 (BoP, current USD millions, 2017)  
**Gross Fixed Capital Formation (GFCF):** 14.7% of GDP (2017)  
**HDI:** 0.532 (low), rank 157 (2017)  
**Poverty rate:** 53.5% (2009)

## MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Nigeria is a federal republic with a bicameral national assembly and assemblies for each of the states of the country. The head of state and government is the president, elected for a maximum of two four-year terms. The country has three tiers of government: federal, state and local government. The 36 states are bound through a federal agreement. Elections to each state assembly take place every four years. Although democratically elected local government is protected by the 1999 Constitution, and development areas and autonomous communities are created by individual state legislation, elected local government in Nigeria is lacking in around half the states.

Local governments are uniform in structure and have the same functions, similar sources of revenue and share common relationships with the federal state governments. State and local government relations are headed by a commissioner which is responsible for administering the state-level Acts governing local governments. States are responsible for the legislation governing local elections. Councillors and chairpersons of local government councils are elected directly, using a first-past-the-post-system, for two-year terms. The local government is divided into wards which are responsible for electing a single member to its council. Councils vary from 10 to 13 councillors, and are made up of an executive chairman, vice-chairman, and councillors. In some cases, elected councillors and the chairs of local governments have been suspended by the state governor or state assemblies. In these cases, the governors appoint caretaker committees as replacements.

The structure of federalism began with the establishment of different constitutions. The MacPherson Constitution of 1951 was the first to introduce decentralization and regional autonomy. The Lyttleton Constitution of 1954 gave rise to a true structure of Federalism, which was incorporated by the Independence Constitution of 1960. In 1976, local governments were created as a third level of government and recognised as legal entities by the 1979 Constitution. The 1992 Clifford Constitution endorsed the division of Northern and Southern provinces. The current Constitution of 1999 gave far reaching responsibilities to the local government, which included increasing local authority over economic planning and development. The most recent attempt at local government reform was made in 2017 with the Fourth Alteration Bill No. 6, which aimed at strengthening local government administration by guaranteeing its democratic existence, funding, and tenure of local councils.

## TERRITORIAL ORGANISATION

2016	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	768 local government authorities v + 6 area councils		36 states + the Federal Capital Territory (FCT)	
	Average municipal size: 246 623 inhabitants			
	<b>774</b>		<b>37</b>	<b>811</b>

**OVERALL DESCRIPTION.** Nigeria has a subnational government system, made of 36 States and one Federal Capital Territory (the Abuja FCT) at the regional level, and 774 Local Governments (768 local government authorities and six area councils) at the local level.

**REGIONAL LEVEL.** The Federal Capital Territory (FCT) is situated in the centre of the country. The FCT is not a state and is under the direct control of the federal government. It is administered by the Federal Capital Territory Administration, headed by a minister appointed by the President.

Lagos State is in the South West Nigeria, and is the commercial capital of Nigeria. The state has 20 LGAs, and is divided into the metropolitan city – which covers 16 local governments – and the non-metropolitan city – which has four local governments. Lagos State is the economic centre of Nigeria.

**MUNICIPALITIES.** All local governments are single-tier and there is no difference between urban, rural, or municipal councils. Local government authorities (LGAs) are further divided into wards across all states. There are an estimated number of 12 001 wards in Nigeria. The six area councils (Abaji, Abuja, Bwari, Gwagwalada, Kuje, Kwali) form the lowest level councils within the Abuja FCT. There are no legal frameworks in place for community participation at local government level. Community involvement remains low and mainly achieved through civil society organizations programmes.

## SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The 1999 Constitution outlines the basic principles of the sharing of roles and responsibilities. Exclusive functions are those reserved for the Federal Government. Concurrent functions are shared jointly by the Federal government and the State governments. However, in case there is a conflict, the powers of Federal government prevail over those of the states. Residual functions are assigned to the states.

The Constitution makes the creation and control of local governments a residual matter for state governments. There remains a level of uncertainty over the role and status of local governments as the third-tier of government. Article 7 expresses that state governments have the power to enact legislation providing for “the establishment, structure, composition, finance and functions” of local government councils.

Local government is entitled to provide basic services such as primary education, health services and the development of agriculture (Fourth Schedule of the Constitution). However, the states are, in practice, primarily responsible for these services. Local government core responsibilities include pre-school, primary and adult education; public health; town planning; roads and transport; and waste disposal. Joint service responsibilities of local governments with the states are: primary and adult education, town and regional planning, roads and transport, water and sanitation, environmental protection, sport and leisure facilities, and religious facilities.

### MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	STATE LEVEL	MUNICIPAL LEVEL
<b>1. General public services</b>	Internal administration; Local government affairs; Public buildings and facilities	Administrative services (marriage, birth, etc.); Public buildings and facilities
<b>2. Public order and safety</b>	State police; Regional Firefighting services	
<b>3. Economic affairs/transport</b>	Regional and urban roads; Public transports; Regional economic development ; Regional tourism	Local roads; Urban transports
<b>4. Environmental protection</b>	Nature preservation; Soil and groundwater protection; Consumer protection	Parks and green areas; Waste management; Street cleaning; Sewerage; Cemeteries; Slaughterhouses; Nature preservation
<b>5. Housing and community amenities</b>	Housing Construction and renovation; Management; Urban and land use planning; Water and sanitation	Urban and land use planning; Urbanism; Water and sanitation
<b>6. Health</b>	Hospitals	Primary healthcare (medical centres); Preventive healthcare
<b>7. Recreation, culture &amp; religion</b>	Regional museums; Cultural heritage; Sports; Libraries; Religious affairs	Local museums; Sports; Libraries; Religious affairs
<b>8. Education</b>	Primary, secondary and higher education; Vocational and technical education; Higher and Adult education	Pre-primary and primary education; Adult education
<b>9. Social protection</b>	Housing subsidies and benefits	

## SUBNATIONAL, STATE AND LOCAL GOVERNMENT FINANCE

<b>Scope of fiscal data:</b> Abuja Federal Capital Territory and 36 state governments at the state level, and 774 local governments at the local level.	SNA 2008	Availability of fiscal data: <b>Medium</b>	Quality/reliability of fiscal data : <b>Low</b>
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**GENERAL INTRODUCTION.** State and local governments have autonomy for public spending, economic planning and sector policies. However, in practice, states rely largely on the policy dictates of the federal government. The effectiveness of state governments is diminished by the lack of commensurate revenue decentralization and low fiscal and budget management capacity at the state level. Fiscal federalism is enshrined in the 1999 Constitution. Since 1999, state and local governments have increased their share of Nigeria’s expenditure and revenues and currently enjoy wider policy and fiscal spaces.

The Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) is responsible for reviewing the country’s intergovernmental fiscal relations. States and local governments receive substantial amount of resources as constitutionally guaranteed transfers from the Federation Account. Each state has its own tax authority, responsible for administering and collecting state taxes.

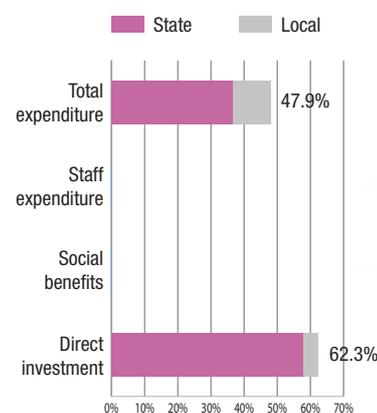
Fiscal decentralization and intergovernmental relations are an important part of the Constitution. However, statutory allocations from the Federation Account, corruption, tax evasion at the local level, subnational government capacity to generate finance internally and effectively for development purposes, and lack of financial autonomy remain key challenges.

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## SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.			% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT EXPENDITURE			% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
<b>Total expenditure</b>	<b>254</b>	193	61	<b>4.3%</b>	3.3%	1.0%	<b>100%</b>	100%	100%			
<b>Inc. current expenditure</b>	<b>194</b>	137	56	<b>3.3%</b>	2.3%	1.0%	<b>76.3%</b>	71.2%	92.7%			
Staff expenditure												
Intermediate consumption												
Social expenditure												
Subsidies and current transfers												
Financial charges												
Others												
<b>Incl. capital expenditure</b>	<b>60</b>	56	4	<b>1.0%</b>	0.9%	0.1%	<b>23.7%</b>	28.8%	7.3%			
Capital transfers												
Direct investment (or GFCF)	<b>60</b>	56	4	<b>1.0%</b>	0.9%	0.1%	<b>23.7%</b>	28.8%	7.3%			

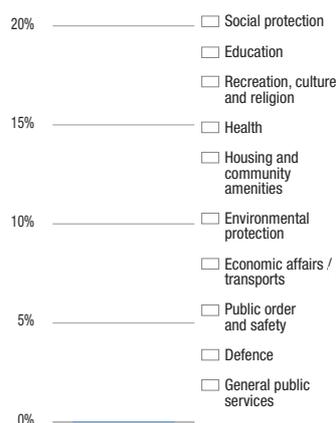


**EXPENDITURE.** Abuja Federal Capital Territory and the 36 state governments have a large discretionary power over the use of their revenues, and are responsible for a relatively high share of public expenditures. However, most of their expenditures relate to current expenditures (on average 45% of state governments expenditures are spent on staff expenditure). Local government account for 13% of total government revenue.

**DIRECT INVESTMENT.** Capital expenditure at subnational level is low (23.7%). Direct investment is low at state government level and almost none existent at local government level. There is a need for Nigeria to enact more investor friendly policies that would encourage and provide a conducive and enabling environment for gross fixed capital formation. Although Nigeria's economy is one of the largest on the continent, public infrastructure and services remain a critical challenge.

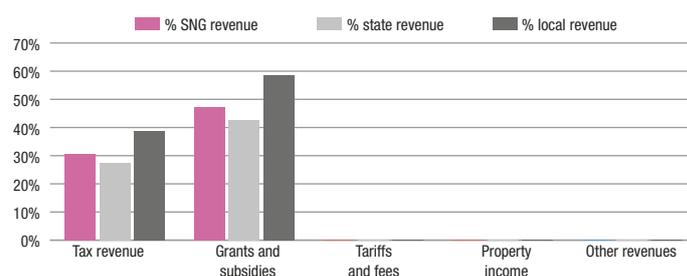
## SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

	% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT			SNG EXPENDITURE AS A % GDP	% OF TOTAL SNG EXPENDITURE
	SNG	State	Local	SNG	State	Local		
<b>Total expenditure</b>								
1. General public services								
2. Defence								
3. Security and public order								
4. Economic affairs / transports								
5. Environmental protection								
6. Housing and community amenities								
7. Health								
8. Recreation, culture and religion								
9. Education								
10. Social protection								



There is no official data on governments' functional classification of expenditures at state or local government levels. However, at federal level the highest level of spending is in the areas of general public services, public order and safety and education. At state and local government level, based on the subnational responsibilities listed above and previous year data, expenditure is highest in the area of general public services and administration; economic affairs including agriculture, road maintenance and transport; education; and health.

2016	% GDP			% GENERAL GOVERNMENT (SAME REVENUE CATEGORY)			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT REVENUE				
	SNG	State	Local	SNG	State	Local					
<b>Total revenue</b>	<b>3.4%</b>	2.4%	1.0%	<b>38.3%</b>	26.9%	11.5%					
Tax revenue	1.1%	0.7%	0.4%								
Grants and subsidies	1.6%	1.0%	0.6%								
Tariffs and fees											
Property income											
Other revenues	0.0%	0.0%									



**OVERALL DESCRIPTION.** All centrally-collected revenues are accrued to the Federation Account for distribution to the three tiers of government (Section 192 of the Constitution). Over the years, oil and gas revenues in Nigeria have provided about 75% of the income received by the Federation Account. The Federal Government is entitled to 52.7% of the Federation Account and transfers the balance to the states through the Federal Account Allocation Committee, of which 26.7% is held by the states and 20.6% is allocated to local governments. The amount received by a state is determined by the National Revenue Mobilisation, Allocation and Fiscal Commission according to specific criteria, namely the “equality of states”, population, landmass, social development and the value of internally generated revenues. Furthermore, nine oil-producing states receive an additional 13% of the country’s oil revenues.

SNG revenues in FY 16 accounted for 38% of all general government revenues. Federal and state governments are responsible for raising and collecting taxes. At SNG level, “internally generated revenues” (as referred to in the national accounts) mostly consist of: (a) rates, including property rates, education rates and street lighting; (b) taxes such as community, flat rates and poll tax; (c) fines and fees, including court fines and fees, motor park fees, forest fees, public advertisement fees, market fees, regulated premises fees, registration of births and deaths and licensing fees and (d) miscellaneous sources such as rent on council estates, royalties, interest on investment and proceeds from commercial activities. In 2016, SNG internally generated revenues amounted to 768 billion Naira - i.e. 8,182 million PPP dollars or 44 PPP dollars per inhabitant, of which 42 dollars at the state level and 2 at the local government level, representing 30% of total state revenues and 2.8% of local government revenues respectively.

**TAX REVENUE.** The Taxes and Levies Act 21 of 1998 provides that state and local governments are statutorily responsible for the collection of 80% of total taxes and levies. However, in value terms, state and local governments only collect a fraction of that total tax revenue, and the Federal government has control over setting tax bases and tax rates. The majority of high-earning tax items, such as value-added tax, company income tax, import and excise duties, mining rents and royalties, and petroleum profit tax, are generally exclusively collected by the federal government.

In FY2016, the share of VAT revenues for the three tiers of government was 35% for local governments, 50% for state governments and 15% for the federal government.

SNG mainly collects the following taxes/levies: a) Personal Income Tax (Pay-as-you-earn -PAYE- income tax automatically deducted at source from salaries); b) Capital Gains Tax (Individuals only); c) Road Taxes; d) Stamp Duties (instruments executed by individuals); and e) Pools Betting and Lotteries, Gaming, and casino Taxes. The Joint Tax Board (JTB) was created to help promote and improve tax administration across Nigeria, particularly harmonising the Personal Income Tax Act. Personal Income Tax is collected by the state governments via the State Board of Internal Revenue (SBIR) and account for at least 50% of all internally generated revenue at the state level.

**GRANTS AND SUBSIDIES.** The Nigerian government transfers a significant proportion of resources to sub-national governments. Federal allocations are meant to supplement the revenue states generate from taxes on personal income, property and other sources. Nonetheless, in almost all states, the federal allocation provides more than 80% of total revenue. In certain states, internally generated revenue (IGR) falls short of even covering personnel costs.

Section 162 of the 1999 Constitution provides for the funding of local governments through the Federation Account, managed by the State Joint Local Government Account. In practice, state governments have taken over most local government functions in order to justify the spending of the funds earmarked for councils in the Joint Revenue Account, and channelled funds from the Federation Account are often credited to state governments and do not reach the local level.

**OTHER REVENUES.** State and local governments can perceive other sources of revenues to compensate for their lack of autonomy over transferred revenues. These revenues are mainly fees and charges on public services. For state governments, these revenues include: stamp duties, gambling taxes, road taxes, business registration fees, street naming registration fees. Regarding local governments, other revenues include: motor park levies, domestic animal license fees, cattle tax, radio and television license fees, marriage and death registration fees, among others.

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## SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.			% GDP			% GENERAL GOVERNMENT DEBT			% SNG DEBT		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
<b>Total outstanding debt</b>	<b>171</b>	169	1	<b>2.9%</b>	2.9%	0.0%	<b>21.2%</b>	21.1%	0.1%	<b>100%</b>	100%	100%
Financial debt*												

\* Currency and deposits, loans and bonds

**FISCAL RULES.** Local authorities must submit their annual accounts to an auditor general and prepare financial statements by the end of the financial year. However, budget transparency remains weak in Nigeria. In recent years, less than half of the 36 states have made their budget available to the public, and only 13 states have provided full budget details. In 2015, due to the collapse in global oil prices, most states rapidly became insolvent. The federal government authorised a bailout fund for 27 indebted states.

**DEBT.** The Debt Management Office (DMO) created in 2000 is in charge of coordinating and centralizing debt activities at all levels, including debt service forecasts and debt payment. It is also responsible for advising the federal government on debt negotiation and new borrowings. In 2007, the DMO introduced a fiscal responsibility plan for subnational government. The plan has led to improvements in the public financial management in various states, including in the increase in the Internally Generated Revenue (IGR) collected and in the frequency of the preparation of financial statement. In 2016, the Minister of State for Budget and National Planning announced that states would continue with their fiscal responsibility plan which would serve as a platform to access a \$750 million World Bank loan and grant, aiming at improving public service delivery.

In FY2016, the total debt of the states and the FCT accounted for 2.9% of the GDP and represented 21.1% of total public debt. Debt remains highly concentrated in a few States: Lagos, Kaduna and Edo States. The government is engaged in strengthening the capacities of the sub-national debt managers through special capacity building programmes. Subnational government debt management training was provided in five states, namely: Kebbi, Lagos, Jigawa, Plateau and Taraba.

Regarding bonds, only the Lagos State Government accessed the domestic bond market in FY2016. The federal government authorises states and local governments to trade bonds that are free of federal income tax on the interest paid. Insufficient bank financing has led subnational governments to seek funds from the bond market to supplement their revenues in order to finance development projects. Since 1978, several states and local governments have had access to the bond market.



Lead responsible: UCLG  
Last update: 02/2019

[www.sng-wofi.org](http://www.sng-wofi.org)

**Socio-economic indicators:** World Bank // UNDP // UN Desa // ILO.

**Fiscal data:** Budget civic organization (2017) State of State 2017 Report // Budget Office of the Federation // Revenue Mobilization Allocation and Fiscal Commission // Central Bank of Nigeria (2017) Statistical Bulletin: Public Finance Statistics.

**Other sources of information:** Akpan H. Ekpo (2015) Issues in sub-national borrowing in Nigeria // The World Bank (2018) Nigeria Public Sector Governance Reform and Development Project // Amah, E. I. (2018) Devolution of Power to Local Government: Appraising Local Government Autonomy under Nigerian Federation. Beijing Law Review, 9, 275-293 // UCLG Africa and Cities Alliance (2018) Assessing the Institutional Environment of Local Governments in Africa // Adejare, A. (2017) The Impact of Personal Income Tax on Government Expenditure in Oyo State // Commonwealth Local Government Forum (2017) The Local Government System in Kenya. Country Profile 2017/18 // Adams, P. (2016) State (s) of crisis: Sub-national government in Nigeria. Africa Research Institute // Social Development Integrated Centre // Oluwafemi I. Ajayi (2013) The Nigerian Bonds Market. Central Bank of Nigeria.