

ANALYSIS OF REVENUE GENERATION AS A TOOL FOR SOCIO-ECONOMIC AND INFRASTRUCTURAL DEVELOPMENT IN NIGERIA*

BY

OBIECHINA, M. E.

Senior Economist

Monetary Policy Department

INTRODUCTION

After the World War II, massive public sector investment assumed the most viable mechanism for covering the major obstacles to development and ensuring sustained high rate of growth. The records of past decades, however, have generated mounting criticism among development economists as to the validity of the impact of increasing government expenditure on economic growth. In fact, there is ranging controversy among scholars over what should constitute the size of government and the roles, it is expected to play in any economy.

This controversy was once, one of the hallmarks of the ideological divide among nations, during the socialist-capitalist divide. Notwithstanding ideological inclinations, governments have duty to forestall anarchy and social disorder as well as improve the living conditions of the people through the provision of variety of services. Government performs these arduous tasks through the utilization of revenue generated or sometimes through borrowing public receipts. The major role of government in any economy was aptly captured by Adam Smith (1776), despite his strong belief in 'invisible hand', as cited by Brown and Jackson (1990) in the excerpt below;

“the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understanding; first the duty of protecting the society from the violence and invasion of other independent societies; second the duty of protecting, as far as possible, every member of society from the injustice or oppression of every other member of it, or the duty of

establishing an exact administration of justice; and third, the duty of erecting and maintain certain public works and certain public institutions, which it can never be for the interest of any individual or small, or small number of individuals, to erect and maintain because the profit could never repay the expenses of any individual or small number of individuals, though it may frequently do much more than repay it to a society”

Government provides the foregoing through the instrument of budget - stating estimated revenue and expenditure. This brings to light government fiscal operations, encompassing government revenue, expenditure and borrowing. In Nigeria, huge amount of revenues have been received by various governments, and its usage in improving the level of socio-economic and infrastructural development in the country is still an issue of debate among academia, policy makers, politicians, etc. For example, the federal government retained revenue trended upward from N448.80 million to N5,514.70 million between 1970 and 1975, indicating a growth rate of 1,129 per cent. During the same period, the public expenditure trended upward from N903.90 million to N5,942.60 million, indicating a growth rate of 557.4 per cent. The unprecedented growth rate in the government revenue was attributed to the increase in the oil component of the federally collected revenue from N166.60 million to N4,271.50 million during the period, 1970 - 1975. Between 2000 and 2005, the federal government retained revenue grew from N597,282.10 million to N1,660,700.00 million and further to N3,193,440.00 million in 2008, while the public expenditure grew from N701,059.40 million to

N1,919,700.00 million and further to N3,240,820.00 million, during the same period. As observed by Gbeyesola and Uga (1995), Nigeria has witnessed tremendous growth in her revenue generation capacity, especially with the discovery of oil. Oil has consistently accounted for over 80.0 per cent of total government revenue and over 90.0 per cent of foreign exchange earnings over the past two decades.

Despite the tremendous growth recorded in the federal government retained revenue and expenditure during the review period, there are reoccurring questions as to how and whether governments have fully utilized revenues earmarked for provision of socio-economic and infrastructural development. There are arguments that low tax structure and fluctuations in government revenues; due partly to international oil price volatility has impacted negatively on the level of socio-economic and infrastructural development in Nigeria, mainly because of increased uncertainty and erosion of budgetary planning and implementation (AIAE, 2006). Nonetheless, there seem to be disconnecting between government revenue and the level of socio-economic and infrastructural development in the country. Baunsgaard (2003) explains that despite the substantial oil resources that have been spent during the last thirty years, there is little to show in terms of economic development and poverty alleviation (Oil revenue amounted to more than US\$300 billion during 1970-2001, whereas per capita Gross Domestic Product (GDP) declined from US\$264 to US\$254 over the same period).

It is in this light, that we shall analyze the federal government revenue vis-à-vis the provision of socio-economic

*The views expressed in the paper are those of the author and do not in any way represent the official position or thinking of the Central Bank of Nigeria. The author acknowledges the comments and criticisms of anonymous reviewer.

and infrastructural development in Nigeria from 1970 to 2008, the centerpiece, which is improved productivity and standard of living. To this end, the paper is divided into five sections. Following this introductory section, section two explains the concept of government revenue and infrastructural development as well as theoretical and empirical literature. In section three, we examine the sources and structure of government revenue. Section four focuses on the trend in government revenue and expenditure and the state of some infrastructure in Nigeria. It also discusses challenges of revenue generation and utilization for socio-economic and infrastructural development, while recommendation was discussed in section five.

2.0 CONCEPT OF GOVERNMENT REVENUE AND INFRASTRUCTURAL DEVELOPMENT

2.1 Government Revenue

Financial resources of government constitute the bulk of its revenue and this relate to monies mobilized or generated in the economy. Government revenue can be defined as public receipts, which the government collects from all sources, except loans and borrowing (Ihimodu; 1995). It is different from public receipt, in that, the latter refers to government revenues and borrowings. This implies that in addition to government revenues, public receipts comprises of non-revenue aspects, which increase government debt obligations. Thus, public receipts consist of public borrowings, taxes, grants and gifts, administrative and business revenues.

Tax and non-tax revenues are the major sources of government revenue in Nigeria. The primary function of taxation is to provide funds for public services. Because of the peculiar nature of the economy, the sources take the form of oil and non-oil revenue. Notwithstanding the distinction, oil and non-oil revenues still forms integral part of tax revenue.

2.2 Infrastructure Development

By infrastructure, it means a large-scale public systems, services and facilities of countries that are necessary for economic activities.

The components or elements of infrastructure are electricity, telecommunication, transport (road, rail, ocean, air, pipeline) etc, (Ajakaiye, 2002). Aigbokhan (1999) explains infrastructure as a term, which encompasses activities referred to as "social overhead capital", with two principal characteristics being that they have economies of scale in production and spillovers from users to non-users.

The provision of infrastructure services by government can be explained in economics literature within the context of public goods, natural monopolies, merit goods and externalist. Public goods are goods, which once provided becomes available to all whether or not payments are made for the services. Examples are law and order, defence etc. Natural monopolies arise because of the enormous cost required to bring such goods/services to manageable levels, hence the need for a single investor (government) that would ensure for the economy to reap from the benefits of such investment. Merit goods are considered to have intrinsic values, which, if left to individual consumers, would generally not be consumed at the required level, for example, education, health etc. The positive externalities derivable from the services mentioned, may not allow it to be left with the private sector alone.

2.3 Theoretical and Empirical Literature

Theoretically, development economists posit that at the early stages of economic growth and development, government investment as a proportion of total investment of the economy is high (Musgrave-Rostow). Government provides infrastructure, which include: transportation system - road and railway; sanitation system; law and order; health; and education (human capital development), etc. The whole essence of government expenditure during this period is to stimulate the economy for eventual take-off into the middle of economic development. In addition, Wagner's law explains economic growth relative to the size of government. It states that as the per capita incomes in an economy grow, the relative size of the public sector grows. The law argues

that as real incomes in the economy increases, government spending in the infrastructure; recreation and culture, roads, welfare, education and health increases.

Furthermore, development economics portend that when government revenue is properly invested in infrastructure, it leads to economic growth. It has also shown that public sector borrowing to finance improvements in infrastructure has positive impact on private sector investments in the economy through increased productivity of labour and greater efficiency of investment, hence, higher levels of aggregate output. Rubinson (1977) concludes that larger government revenue in GNP enhances economic growth mostly in poorer developing countries. Studies have confirmed that growth in infrastructure capacity is directly correlated with real positive economic growth. Ilori (2002) indicated that a per cent increase in the stock of infrastructure is associated with a positive percentage increase in gross domestic product (GDP). Hemming (1991) observed that growth is influenced by composition of expenditure, since certain types of spending may have more of a growth orientation. According to him, critical among these types of spending are provision of socio-economic infrastructure, operations and maintenance, and general administrative and legal framework. Akpan (1999) explained that public expenditure on transport, communication and agriculture crowd-in private investment, while public spending on manufacturing and construction crowd-out private investment. He pointed out that expenditures on education and health have a positive influence on private sector investment.

Blejer and Khan (1984) maintained that public investment, which has some bearing on infrastructure and provision of public goods, can be complementary to private sector investment. They show for a group of developing countries that longer-term infrastructural expenditures, rather than short-term public investment, positively induce private investment. Alogoskoufis and Kalyvitis (1996) analyze the effects of infrastructure

on output and highlight the production enhancing role of public investment. From their analysis they show that public infrastructure changes operate through firms' production function and are then reflected in output changes.

Disaggregating the public expenditure into recurrent and capital, Ogiogio (1995) emphasized that adequate funding of public sector recurrent budget makes for an effective and functional civil service, and hence, the effectiveness of implementation of development policies and programme. Conversely, Fajingbesi and Odusola (1999) in their study indicated that real capital expenditures positively and significantly affect real output, while the effect of real recurrent expenditure was relatively marginal.

Despite the place of infrastructure in ensuring economic growth and development, a review of studies on infrastructural development in Nigerian revealed the level of infrastructural decay and its attendant impact on output growth and living standard. The Nigeria's National Economic Empowerment and Development Strategy (NEEDS) acknowledges that "Nigeria's infrastructure does not meet the needs of the average investor, inhibiting investment and increasing the cost of doing business" Reviewing manufacturing industries in Nigeria (Chhibber and Dailami, 1990) showed that a breakdown of social infrastructure forced private firms in Nigeria to acquire costly alternative sources of energy such as generators.

In all, there are economies of scale by the public provision of communication, utilities and social services from which private firms obtain much benefit. However, non-availability of these services increases the cost of production to the private producers as well as forcing firms to allocate scarce resources away from productive investment. Thus, public investment spending that provides public services and reduce costs of production to the private sector does enhance private investment and profitability. And non-infrastructure public investment usually crowds out private investment (Easterly and Schmidt-Hebbel 1993; Chhibber and Dailami, 1990).

3.0 SOURCES AND STRUCTURE OF GOVERNMENT REVENUE

3.1 Sources of Government Revenue

3.1.1 Tax

Primarily, government revenue is classified as tax and non-tax revenue. Taxes refer to compulsory, nonreturnable contribution (of money or occasionally of goods and services) from private individuals, institutions or groups to the government (Anyanwu, 1993). It could also mean non-voluntary or compulsory payment made to government by her citizens, institutions, companies etc as returns for the costs incurred in the provision of goods and services as well as for administrative purposes. Mbanefor (1990) argued that the basic premise behind tax is that the burden of providing governmental goods and services must be borne by those who enjoy them.

Tax is the most important sources of government income and compulsorily imposed by government, irrespective of the exact amount of services rendered to the taxpayer in return. Since, it is compulsory in nature, a person who is qualified to pay tax and refuses to do so is liable to punishment. It is a payment made by the taxpayers and is used by the government for the benefit of all the citizens. The government uses revenue generated from tax for providing infrastructure; hospitals, schools, public utilities etc. It is, however, not levied in return for any specific service rendered by the government to the taxpayer. Taxes are generally classified into both direct and indirect groups. The classification is done considering the following criteria; income and expenditure, production and expenditure and burden, which could be transferable or not. Tax is classified as follows;

(i) Direct Tax

The direct tax is the commonest type of tax in Nigeria and constitutes the most prominent source of revenue to the government. They are levied directly on the income and property of individuals and companies. It varies

with the status of taxpayer and the burden is usually borne directly by the taxpayer. It includes, Personal Income Tax (PIT), Company Income Tax (CIT) and PetroLeum Profit Tax (PPT), etc.

(ii) Indirect Tax

Apart from the direct tax, the indirect tax is another major source of government revenue. They are taxes levied upon persons or groups whom they are not intended should bear the burden or incidence, but who will shift them to other people. They are normally levied on commodities or services and hence their incidence does not fall directly on the final payers. It includes, Import duties (and fees), Excise duties, Export duties, Value Added Tax (VAT), etc.

(iii) Other Tax Revenues

This includes interest and repayment, mainly, mining (rents, royalties and NNPC earnings as well as miscellaneous. The miscellaneous items are licenses, fees, earnings from sales and rent of government property.

3.1.2 Non-Tax

Non-tax revenue, classified into administrative revenues, commercial receipts and grants are non-compulsory payments for the reason that the individual has the discretion to either avail himself of the services or not, but chosen to do so, payment becomes compulsory. Administrative revenue refers to licenses, fees, etc, while commercial receipts are monies collected as payment for government produced goods and services; charges for the use of services, for example, education levies, water rates. Grants refer to contribution made by one level of government to another, especially for specific reasons, such as education, health care delivery, maintenance of roads etc. (Ibid).

3.2 Structure of Government Revenue

Nigeria operates a federal structure with three tiers of government exercising different rights of revenue administration and collection. For an adequate understanding of the nature and structure of government revenue in Nigeria, the following shall be considered;

(i) Federally-Collected Revenue

These are revenues, which fall within the Federal Government jurisdiction of administration and collection. The Federal Government does not have exclusive right over the federally-collected revenue; it shares some of it with other components of the federating units. The revenue shared among the three tiers of government is pooled into the federation account, which was formerly, the Distributable Pool Account (DPA). The bulk of federally-collected revenue comes from the oil revenue item. Prior to the emergent of oil as the major source of federally-collected revenue from the 1970s, the non-oil revenue, which was dominated by agriculture, was the largest source. For example, in 1970, the oil revenue constitutes about 26.0 per cent of the total federally-collected revenue, while the non-oil revenue constitutes was 74.0 per cent.

However, by 2008, the oil revenue constitutes 83.0 per cent of the total federally-collected revenue, while the non-oil was 17.0 per cent. The total federally-collected revenue was N634.0 million in 1970 and by 2008, it has risen to N7,866,590.10 million. The implication of the continued oil

dominance of the total federally-collected revenue is that fluctuations in the international oil prices would impact on the government's ability to spend on goods and services, especially, where government did not resort to either domestic or external borrowing to bridge the fiscal deficit gap.

(ii) Federation Account

Section (162)(1) of the 1999 Constitution of Federal Republic of Nigeria provides as follows; "the Federation shall maintain a special account to be called "the Federation Account" into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of armed forces of the Federation, the Nigerian Police, the Ministry or department of government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja"

What is pooled into the federation account is distributed monthly among the federal government and the other federating units through the Federation Accounts Allocation Committee (FAAC). The FAAC meets

once or twice in a month on a very exceptional case to disburse funds among the three tiers of government from the federation account. It occasionally shares funds from the excess crude account among the three tiers of government. The manner of fund sharing from the federation account is determined by the prevailing revenue allocation formula.

Presently, the sharing formula vested the federal government with 52.68 per cent of funds, while the state and local government have 26.72 per cent and 20.60 per cent, respectively.

On the horizontal allocation formula for the states of the Federation, the Section 162(2) of the 1999 Constitution of Federal Republic of Nigeria empowers the National Assembly to use the following principles; population, equality of states, internal revenue generation, land mass terrain and population density as factors to be considered in sharing revenue from the Federation Account. Below are the existing criteria or principles of revenue allocation that have remained contentious. There is no general agreement on the relative weight to be attached to the principles.

Table 1
Verical Allocation of Nigerian Government Revenues Among The Three Tiers of Government

Period	Percentage (%) of Federation Account			
	Federal Government	State Government	Local Government	Special Funds
1981 *	55	35	10	-
1989	50	30	15	5
1993	48.5	24	20	7.5
1994	48.5	24	20	7.5
1992-1999	48.5	24	20	7.5
May-02	56	24	20	-
March 2004 to date	**52.68	26.72	20.6	-
Current Bill under consideration at the National Assembly	53.69	31.1	15.21	-
*Revenue Act of 1981				
**Prior to Supreme Court Judgment of April, 2002 on Resources Control Suit, the provision of Special Funds was nullified in abny given Revenue Allocation Formula				
Source: Revenue Mobilisation and Fiscal Commission, Ministry of Finance				

Table 2
Horizontal Revenue Allocation

	Principles	Weight (%)
(i)	Equality of States	40.00
(ii)	Population	30.00
(iii)	Population Density	
(iv)	Landmass and Terrain	10.00
(v)	Social Development Factor	10.00
(vi)	Internal Revenue Effort	2.50
(vii)	Equality of States in revenue generation	7.50
	Total	100.00

Source: Revenue Mobilisation and Fiscal Commission, Ministry of Finance

(i) Independent Revenue of Government

These are revenues collected by the Federal Government, and it has exclusive right over it. They are not subject to sharing by the three tiers of government and it does not find itself into the Federation Account. Among these are interest payments, rents on government properties, personal income of armed forces, the police, external

affairs officers and residents of the Federal Capital Territory (CBN 1995:59).

(ii) Federal Government Retained Revenue

This constitutes the sum of Federal Government direct share of the Federation Account, which is based on the prevailing revenue sharing formula existing among the three tiers of government and other revenues

(independent revenue earnings), it has exclusive right to administer and collect. The government retained revenue is largely dependent on the quantum of the total Federally-Collected Revenue, other revenue sources and the prevailing revenue sharing formula of FAAC funds. Its value is usually high, when compared with the state and local governments' value.

Table 3:
Structure of Government Revenue from 1970 -2008

Year	Total Federally Collected Revenue (N'Million)	Federation Account (N'Million)	Federal Govt. Retained Revenue (N'Million)	Revenue Sources (N'Million)		Percentage Distribution (%)	
				Oil	Non-Oil	Oil	Non-Oil
1970	634.00	582.40	448.80	166.60	467.40	26.28	73.72
1971	1,168.80	1,068.60	1,168.80	510.10	658.70	43.64	56.36
1972	1,405.10	1,325.80	1,404.80	764.30	640.80	54.39	45.61
1973	1,695.30	1,613.00	1,695.30	1,016.00	679.30	59.93	40.07
1974	4,537.40	4,371.10	4,537.00	3,724.00	813.40	82.07	17.93
1975	5,514.70	5,294.10	5,514.70	4,271.50	1,243.20	77.46	22.54
1976	6,765.90	6,470.10	6,765.90	5,365.20	1,400.70	79.30	20.70
1977	8,042.40	7,703.10	8,042.10	1,749.80	1,961.80	21.76	24.39
1978	7,371.00	6,781.40	5,178.10	4,555.80	2,815.20	61.81	38.19
1979	10,912.40	8,868.40	10,599.80	8,880.80	2,031.60	81.38	18.62
1980	15,233.50	14,746.50	12,993.30	12,353.30	2,880.20	81.09	18.91
1981	13,290.50	10,182.80	7,511.60	8,564.40	4,726.10	64.44	35.56
1982	11,433.70	9,884.90	5,819.10	7,814.90	3,618.80	68.35	31.65
1983	10,508.70	9,798.60	6,272.99	7,253.00	3,255.70	69.02	30.98
1984	11,253.30	10,672.40	7,267.20	8,269.20	2,984.10	73.48	26.52
1985	15,050.40	13,750.20	10,001.40	10,923.70	4,126.70	72.58	27.42
1986	12,595.80	11,868.30	7,969.40	8,107.30	4,488.50	64.37	35.63
1987	25,380.60	24,692.20	16,129.00	19,027.00	6,353.60	74.97	25.03
1988	27,596.70	26,770.30	15,588.60	19,831.70	7,765.00	71.86	28.14
1989	53,870.40	46,860.30	25,893.60	39,130.50	14,739.90	72.64	27.36
1990	98,102.40	68,064.20	38,152.10	71,887.10	26,215.30	73.28	26.72
1991	100,991.60	54,000.00	38,152.10	82,666.40	18,325.20	81.85	18.15
1992	190,453.20	77,800.00	53,264.90	164,078.10	26,375.10	86.15	13.85
1993	192,769.40	106,799.40	126,071.20	162,102.40	30,667.00	84.09	15.91
1994	201,910.80	110,461.00	90,622.60	160,192.40	41,718.40	79.34	20.66
1995	459,987.30	161,988.90	249,768.10	324,547.60	135,439.70	70.56	29.44
1996	523,597.00	179,000.00	325,144.00	408,783.00	114,814.00	78.07	21.93
1997	582,811.10	208,000.00	3,251,262.30	416,811.10	166,000.00	71.52	28.48
1998	463,608.80	257,331.40	353,724.10	324,311.20	139,297.60	69.95	30.05
1999	949,187.90	576,801.40	662,585.30	724,422.50	224,765.40	76.32	23.68
2000	1,906,159.70	1,262,468.30	597,282.10	1,591,675.80	314,483.90	83.50	16.50
2001	2,231,600.00	1,427,432.40	796,976.70	1,707,562.80	903,462.30	76.52	40.48
2002	17,321,837.50	1,606,119.70	716,754.20	1,230,851.20	500,986.30	7.11	2.89
2003	2,575,095.90	2,011,585.60	1,023,242.20	2,074,280.60	500,815.30	80.55	19.45
2004	3,920,500.00	2,657,200.00	1,253,600.00	3,354,800.00	565,700.00	85.57	14.43
2005	5,547,500.00	3,033,900.00	1,660,700.00	4,762,400.00	785,100.00	85.85	14.15
2006	5,965,101.90	3,219,099.10	1,836,605.00	5,287,566.90	677,535.00	88.64	11.36
2007	5,715,600.00	3,878,500.00	2,333,659.60	4,462,910.00	1,200,800.00	78.08	21.01
2008	7,866,590.10	4,552,835.00	3,193,440.00	6,530,630.10	1,335,960.00	83.02	16.98

Source: Central Bank of Nigeria Statistical Bulletin (50 years special anniversary edition)

(i) Consolidated Revenue Fund

Funds in this account are not distributed among the three tiers of government, but solely for the Federal Government. The sources include; share from Federation Account, direct taxes, licenses, fees and other internal revenue, earnings and sales, rent on government property, etc. All recurrent expenditure including consolidated salaries of Auditor-General, Chief Justice, President etc. are charged to it.

Development Fund And Contingency Fund

Development Fund is a capital projects account where all revenue meant for capital projects are paid into, while the contingency fund is meant for unforeseen circumstances like the recent flooding in some parts of the northern states, Ogun and Lagos States. Funds are often transferred from the Consolidated Revenue Fund to each of them.

4.0 TREND IN GOVERNMENT REVENUE AND PUBLIC SECTOR EXPENDITURE**4.1 Government Revenue**

Broadly speaking, revenue provides government with the finance to execute her expenditure. This, however, is not always the case. There are occasions when government revenue falls short of her expectations, yet, it may want to maintain the same level of expenditure or increase it. Under this circumstance, government would require either domestic or external borrowing to finance the shortfall in her revenue gap. Such finance, depending on its source, nature and size has the potential of affecting government debt stock as well as money supply, inflation and interest rates.

Government revenue comprises of oil and non-oil components. The percentage of the non-oil component of government revenue became reduced as the sale of crude oil gained prominent since the 1970s. In 1970, non-oil revenue constitutes about 74.0 per cent of the federally-collected revenue, while the oil revenue was about 26.0 per cent. In the same year, the government retained revenue rose from N448.80

million to N5, 514.70 million in 1975, indicating a growth rate of 1,129 per cent. During this period, the contribution of the non-oil revenue to the federally-collected revenue increased from N467.40 million to N1,243.20 million, while the oil revenue contribution increased from N166.40 million to N4,271.50 million. In terms of contribution to the federally-collected revenue, the non-oil revenue component dropped from 74.0 per cent in 1970 to 23.0 per cent in 1975, while the oil revenue component increased from 26.0 per cent to 77.0 per cent during the same period.

From 1980, the federally-collected revenue dropped from N12,993.30 million to N7,969.40 million in 1986, during which the Federal Government introduced the Structural Adjustment Programme (SAP). Before the SAP of 1986, there were efforts to solve the country's economic problems and these led to the introduction of various rounds of budget-tightening austerity measures (1980 - 1985). During this period, the government retained revenue dropped from N12,993.30 million to N6,272.0 million between 1980 and 1983, respectively.

There was, however, a tremendous improvement in the government

retained revenue between 1990 and 2000. The period witnessed the Gulf war crisis that attributed in pushing up the oil prices, thereby, increasing the oil revenue component of the federally-collected revenue from N71,887.10 million in 1990 to N1,591,675.80 million in 2000 and further to N6,530,630.10 million in 2008. The non-oil component grew from N26,215.30 million in 1990 to N314,483.90 million in 2000, and further to N1,335,960.00 million in 2008. By 2008, the non-oil contribution to the federally-collected revenue was 17.0 per cent, while the oil contribution was 83.0 per cent. Thus, the government retained revenue rose from N38,152.10 million to N597,282.10 million between 1990 and 2000 and further to N3,193,440.00 million in 2008.

4.2 Government Expenditure

Generally, public expenditure is classified into two categories, namely, recurrent and capital expenditures and these are expenses on consumption and investment. Recurrent expenditures are consumption items; salaries and wages, while capital expenditures include expenses that contribute to long-term development; social and economic infrastructures. In order to avoid the complexities in

Table 4: Trends in Government Revenue and Expenditure from 1970 - 2008

Year	Retained Revenue (N'M)	Recurrent Expenditure (N'M)	Capital Expenditure (N'M)	Total Expenditure (N'M)	Fiscal Deficit (N'M)	Recurrent/Total Expenditure (%)	Capital/Total Expenditure (%)
1970	448.80	716.10	187.80	903.90	(455.10)	79.22	20.78
1971	1,168.80	823.60	173.60	997.20	171.60	82.59	17.41
1972	1,404.80	1,012.30	451.3	1,463.60	(58.80)	69.17	30.83
1973	1,695.30	963.50	565.70	1,529.20	166.10	63.01	36.99
1974	4,537.40	1,517.10	1,223.50	2,740.60	1,796.80	55.36	44.64
1975	5,514.70	2,734.90	3,207.70	5,942.60	(427.90)	46.02	53.98
1976	6,765.90	3,815.40	4,041.30	7,856.70	(1,090.80)	48.56	51.44
1977	8,042.40	3,819.20	5,004.60	8,823.80	(781.40)	43.28	56.72
1978	5,178.10	2,800.00	5,200.00	8,000.00	(2,821.90)	35.00	65.00
1979	8,868.40	3,187.20	4,219.50	7,406.70	1,461.70	43.03	56.97
1980	12,993.30	4,805.20	10,163.40	14,968.50	(1,975.20)	32.10	67.90
1981	7,511.60	4,846.70	6,567.00	11,413.70	(3,902.10)	42.46	57.54
1982	5,819.10	5,506.00	6,417.20	11,923.20	(6,104.10)	46.18	53.82
1983	6,272.00	4,750.80	4,885.70	9,636.50	(3,364.50)	49.30	50.70
1984	7,267.20	5,827.50	4,100.10	9,927.60	(2,660.40)	58.70	41.30
1985	10,001.40	7,576.40	5,464.70	13,041.10	(3,039.70)	58.10	41.90
1986	7,969.40	7,696.90	8,526.80	16,223.70	(8,254.30)	47.44	52.56
1987	16,129.00	15,646.20	6,372.50	22,018.70	(5,889.70)	71.06	28.94
1988	15,588.60	19,409.40	8,340.10	27,749.50	(12,160.90)	69.95	30.05
1989	25,893.60	25,994.20	15,034.10	41,028.30	(15,134.70)	63.36	36.64
1990	38,152.10	36,219.60	24,048.60	60,268.20	(22,116.10)	60.10	39.90
1991	30,829.20	38,243.50	28,340.90	66,584.40	(35,755.20)	57.44	42.56
1992	53,264.90	53,034.10	39,763.30	92,797.40	(39,532.50)	57.15	42.85
1993	126,071.20	136,727.10	54,501.80	191,228.90	(65,157.70)	71.50	28.50
1994	90,622.60	98,974.90	70,918.30	160,893.20	(70,270.60)	55.92	44.08
1995	249,768.10	127,629.80	121,138.30	248,768.10	1,000.00	51.30	48.70
1996	325,144.00	124,491.30	212,926.30	337,217.60	(12,073.60)	36.92	63.14
1997	456,366.30	158,563.50	269,651.70	428,215.20	28,151.10	37.03	62.97
1998	573,627.00	178,097.80	309,015.60	487,113.40	86,513.60	36.56	63.44
1999	690,887.70	449,662.40	498,027.60	947,690.00	(256,802.30)	47.45	52.55
2000	808,148.40	461,600.00	239,450.90	701,059.40	107,089.00	65.84	34.16
2001	925,409.10	579,300.00	438,696.50	1,018,025.60	(92,616.50)	56.90	43.09
2002	1,042,669.80	696,800.00	321,378.10	1,018,155.80	24,514.00	68.44	31.56
2003	1,159,930.50	984,300.00	241,688.30	1,225,965.90	(66,035.40)	80.29	19.71
2004	1,277,191.20	1,032,700.00	351,300.00	1,426,200.00	(149,008.80)	72.41	24.63
2005	1,660,700.00	1,223,700.00	519,500.00	1,822,100.00	(161,400.00)	67.16	28.51
2006	1,836,605.00	1,290,201.90	552,385.80	1,938,002.50	(101,397.50)	66.57	28.50
2007	2,333,659.60	1,589,270.00	759,323.00	2,450,896.70	(117,237.10)	64.84	30.98
2008	3,193,440.00	2,117,362.00	1,123,458.00	3,240,820.00	(47,380.00)	65.33	34.67

Source: Central Bank of Nigeria Statistical Bulletin (50 years special anniversary edition)

distinguishing between recurrent and capital expenditures, government expenditure could be classified according to the actual purpose of government expenditures transport, education, health defense, etc as in budget planning. In Nigeria, public expenditure is also classified according to function: General Administration; Defence, Internal Security, National Assembly; Social and Community Services; Education, Health and other Social and Community Services; Economic Services; Agriculture, Construction, Transportation and Communication and Other Economic Services; and Transfers; Public Debt Servicing, Pensions and Gratuities, Contingencies/Subventions and Other/CFR Charges.

A cursory look at the profile of government expenditure shows that greater percentage of government expenditure was spent on the capital item from 1970 to 1980. Within this period, the total capital expenditure constitutes 57.0 per cent of total government expenditure, while the total recurrent expenditure was 43.0 per cent. Meanwhile, the government retained revenue was N56,617.90 million, while the expenditure was N60,632.80 million, resulting in deficit financing of N4,014.90 million during the period. The period was remarkable in Nigeria's socio-economic development, apart from the establishment of many public enterprises, it witnessed the nationalization of several privately-owned companies and the execution of Second and Third National Development Plans between 1970-1974 and 1975-80, respectively.

However, the drop in the government retained revenue from N47,362.80 million to N44,840.70 million between the period 1975 to 1980 and 1981 to 1986, respectively, did not deter its expenses. In fact, between 1981 to 1986 (Oil revenue amounted to more than US\$300 billion during 1970-2001, whereas per capita Gross Domestic Product (GDP) declined from US\$264 to US\$254 over the same period), government expenditure went up to N72,165.80 million, exceeding N60,632.80 million spent from 1970 to 1980. The increased government expenditure at the dwindling government retained

revenue resulted in enormous fiscal deficit of N27,325.10 million during the period. The massive public expenditure from 1970 - 1990 was bedeviled with lack of achieving self sustaining growth and other socio-economic objectives of government, as a greater part of government expenditure was channeled into projects that were neither properly conceived nor properly managed (Adubi, et al, 1995). The situation was succinctly captured in Ibe (2000) in the excerpt below;

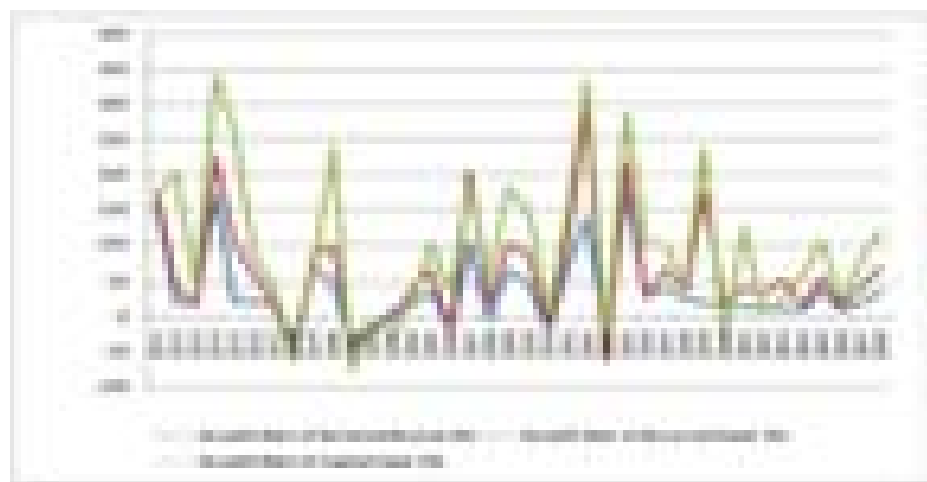
“...Nigeria appears to provide a textbook example of what can go wrong when the government gets directly into the business of producing goods and services. Between 1973 and 1990, the Nigeria public sector invested US\$115 billion just about \$1,000 for every citizen. Yet there is no growth to show for this investment. Why? Most of the investment was greatly overpriced for “non-commercial” reasons. In addition, most public sector assets are operating at capacity utilization of less 40 per cent. This is not to mention the US\$3billion Ajaokuta Steel complex, which after another US\$1billion to complete will then lose money even on a sunk cost basis”.

Between 1990 to 1995 (The large growth witnessed in the government retained revenue could be attributed to the impact of the Gulf War crisis on the international crude oil prices. This has come to be known as the Gulf War Oil Windfall), government retained

revenue grew to N588,708.10 million when compared to N44,840.70 million for the period, 1981 to 1986. Despite the large government retained revenue of N588,708.10 million, it incurred a fiscal deficit of N231,832.10 million after spending N820,540.20 million during the period. With soaring government expenditure, the size of its recurrent expenditure continued to increase unabated. The recurrent expenditure was N481,829.00 million, while the capital expenditure was N338,711.20 million during the period, 1990 1995 when compared with the 1981 to 1986 modest figures of N36,204.30 million and N35,961.50 million, respectively.

The period, 1996-2001 was remarkable in government expenditure profile. The period witnessed the capital expenditure exceeding the recurrent expenditure. The capital expenditure was N1,529,072.10 million, while the recurrent expenditure was N1,372,415.00 million. Though, government expenditure exceeded revenue during the period by N47,122.20 million, the increased capital expenditure is expected to impact positively on the level of infrastructural development. However, this fit could not be maintained by government in the period, 2006 2007. The recurrent expenditure rose from its previous period figure of N1,372,415.00 million to N10,886,048.90 million resulting in 693.2 per cent growth rate, while the capital expenditure increased from N1,529,072.10 million to N5,836,801.80 million during the same period, indicating 281.7 per

Figure 1: Government Retained Revenue, Recurrent and Capital Expenditure Growth Rate



cent growth rate. In 2008, the dominance of the recurrent expenditure over capital expenditure continued, with government spending N2,117,362.0 million on the former, while N1,123,458.00 million was on the latter.

In all, the growth rate of government expenditure profile (both recurrent and capital) and retained government revenue during the period, 1970 - 2008 depicts high level of volatility as shown in the Figure 1. The volatility could be attributed to fluctuations in the major source of financing (revenue) the expenditure as well as signs of manifest inconsistency in government programme and policies. The oil dominance of the Nigeria's revenue at the detriment of other sectors has haunted its overall economic development, provoking thoughts about the resource-curse hypothesis. However, it may not be entirely adequate to anchor the challenges on the socio-economic and infrastructural development to fluctuations or reduction in the government revenue. Relating drop in government retained revenue as the major cause of decay in infrastructure may be a far cry to the challenges confronting socio-economic and infrastructural development in Nigeria.

4.3 Socio-Economic and Infrastructural Development

Government plays a very vital role in the socio-economic and infrastructural development of any nation. Because of its nature and size, government involvement in the provision is inevitable. In Nigeria, socio-economic and infrastructural development has been at the fore front of governments' policies. Despite, the important position of infrastructure in the development of nations, its dearth, especially electricity, road, water supply, health etc in Nigeria, has impeded the much needed growth for socio-economic transformation. The poor infrastructure in the country has crippled Nigeria's corporate development. It reduces productivity and competitiveness by adding to firm costs and reducing competition. Companies generate their own power and provide their own infrastructure, thus adding about 20 per cent to firm

costs (UNDP Report, 2009). The paper considers some of the infrastructures, such as electricity, water and sanitation, road and health.

(i) Electricity

Electricity infrastructure comprises of five thermal stations, three hydro-power stations, 19,330KV transmission lines, 69,132KV transmission lines and 92 bulk stations with a combined capacity of 5,800MW, which is much below the capacity in an average European city (MAN, 2004). Total electricity installed capacity has risen from mere 804.70MW/hr to 926.20MW/hr between 1970 and 1975, while the average capacity utilization was 34.13 per cent during the period. The average total generation during the period was 267.27MW/hr, out of which 142.37MW/hr was for industrial consumption and 83.48MW/hr for residential consumption, the average capacity utilization was 36.96 per cent. However, from 1990 to 1995, the average total generation rose to 1,681.05MW/hr, out of which 236.42MW/hr was for industrial consumption, 534.95MW/hr for residential consumption and 285.95MW/hr for commercial and street lighting.

Furthermore, from 2000 to 2005, the average total electricity generation was 2,252.15MW/hr, out of which 272.67MW/hr was for industrial consumption and 782.40 MW/hr for residential consumption and 396.93MW/hr for commercial and street lighting, while the capacity utilization was 42.10 per cent. By 2008, the total generation was 2,403.20MW/hr, out of which 421.6MW/hr was for industrial consumption and 1,165.72MW/hr for residential consumption and 520.68MW/hr for commercial and street lighting, the capacity utilization was 34.27 per cent.

The trend in average total electricity generation indicates that industrial power consumption has been dropping relative to the residential consumption, probably revealing the less reliance of the industrial sector on the electricity generation of the Power Holding Company of Nigeria (PHCN). According to the World Development Report (1988; Pp. 144) in the excerpt;

"...frequent power outages and fluctuations in voltage affect almost every industrial enterprise in the country. To avoid production losses as well as damages to machinery and equipment, firms invest in generators.... One large textile manufacturing enterprise estimates the depreciated capital value of its electricity supply investment as USS\$400 per worker.... Typically, as much as 20 per cent of the initial capital investment for new plants financed by the NIDB is spent on electric generators and boreholes"

The current status of electricity supply in Nigeria reflects that of an electricity supply crisis in which industrial growth and socio-economic development paces are kept below what is attainable by the economy (FRN, 1975; World Bank, 1991; Ayodele, 1992 and 1999). There is, no gainsaying on the sorry state of power sector in Nigeria, and if nothing is urgently done to rescue the sector from its deplorable state, the country's ambition of being among the productive League of Nations by the year, 2020 may be an exercise in futility. It is hope that the present plan by the Central Bank of Nigeria to invest about N500.0 billion into the sector, real sector etc. on what looks like the Nigerian equivalent of the European Marshal plan would salvage the sector.

(ii) Water Supply and Sanitation

Provision of adequate water supply is very important for human life existence. Unfortunately this has eluded many developing countries including Nigeria. Notwithstanding, government efforts at implementing the Millennium Development Goals (MDGs), which includes provision of portable water supply as one of its aims, a lot of Nigerians depend on well water and streams/ponds as their major source of water supply. Statistics has it that about 71 per cent of those living in rural communities do not have access to safe water supply or adequate sanitation, while for the urban and semi-urban population only about 42 per cent of the population have access to safe water supplies and adequate sanitation (NWSSP, 2000). The National Water

Table 5: Electricity Generation and Consumption in Nigeria from 1970 - 2008

Year	Generation			Consumption (MW/hr)							Proportion of Total Generation Consumed (%)
	Installed Capacity (MW)	Total Generation (MW/hr.)	Capacity Utilised (%)	Industrial Consumption	% of Total Consumption	Commercial and Street	% of Total Consumption	Residential	% of Total Consumption	Total Consumption	
1970	804.70	176.60	21.95	91.40	62.90	-	-	53.90	37.10	145.30	82.30
1971	804.70	215.40	26.77	114.90	63.50	-	-	66.20	36.50	181.10	84.00
1972	786.70	255.40	32.46	138.20	65.50	-	-	72.90	34.50	211.10	82.60
1973	670.60	299.70	44.69	146.10	62.80	-	-	86.60	37.20	232.70	77.60
1974	721.00	261.10	36.21	163.20	61.30	-	-	103.00	38.70	266.20	100.00
1975	926.20	395.40	42.69	200.40	62.90	-	-	118.30	37.10	318.70	80.60
1976	1,125.20	468.70	41.65	214.60	58.00	-	-	155.20	42.00	369.80	78.90
1977	1,114.20	538.00	48.29	253.00	58.10	-	-	182.70	41.90	435.70	81.00
1978	1,793.70	522.70	29.14	157.70	31.30	93.50	18.50	253.20	77.90	504.40	96.50
1979	2,230.60	710.70	31.86	160.30	34.80	77.90	16.90	221.90	8.20	460.10	64.70
1980	2,230.50	815.10	36.54	199.70	37.20	74.10	17.50	243.10	45.30	536.90	65.90
1981	2,240.00	887.70	39.63	121.00	30.20	21.30	21.30	193.60	48.50	355.90	65.10
1982	2,902.10	973.90	33.56	260.00	38.40	79.10	11.60	344.50	50.60	685.60	70.00
1983	2,856.80	994.60	34.82	254.40	36.50	84.30	12.10	358.00	51.40	696.70	70.00
1984	3,178.00	1,025.50	32.27	217.20	34.70	81.70	13.10	326.60	52.20	625.50	61.00
1985	3,695.50	1,166.80	31.57	259.80	36.20	85.60	11.90	372.00	51.90	717.40	61.50
1986	4,016.00	1,228.90	30.60	280.50	33.30	84.70	10.10	476.60	56.60	841.80	68.50
1987	4,548.00	1,286.00	28.28	294.10	34.50	90.20	10.60	468.60	54.90	852.90	66.30
1988	4,548.00	1,330.40	29.25	291.10	34.10	118.60	13.90	443.80	52.00	853.50	64.20
1989	4,548.00	1,462.70	32.16	257.90	26.40	195.30	20.00	523.60	53.80	976.80	66.80
1990	4,548.00	1,536.90	33.79	230.10	25.60	217.60	24.20	550.80	50.20	898.80	58.50
1991	4,548.00	1,617.20	35.56	253.70	26.80	254.10	26.80	459.30	48.50	946.60	58.50
1992	4,548.00	1,693.40	37.23	245.30	24.70	266.10	26.80	481.60	48.50	993.00	58.60
1993	4,548.60	1,655.80	36.40	237.40	20.80	311.60	27.30	590.40	51.90	1,141.40	68.90
1994	4,548.60	1,772.90	38.98	233.30	21.30	386.70	28.00	575.00	52.50	1,115.00	61.80
1995	4,548.60	1,810.10	39.79	218.70	20.30	279.60	26.00	552.60	51.30	1,050.90	59.50
1996	4,548.60	1,854.20	40.76	235.30	22.80	280.00	27.10	518.00	50.10	1,033.30	55.70
1997	4,548.60	1,839.80	40.45	236.80	23.50	264.50	26.20	508.30	50.30	1,009.60	54.90
1998	4,548.60	1,724.90	37.92	218.90	22.50	253.90	26.10	500.00	51.40	972.80	56.40
1999	4,548.60	1,859.80	40.89	191.80	21.70	236.80	26.90	455.10	51.50	883.70	47.50
2000	4,548.60	1,738.30	38.22	223.80	22.00	274.70	27.00	518.80	51.00	1,017.30	58.50
2001	4,548.60	1,689.90	37.15	241.90	21.90	298.30	27.00	564.50	51.10	1,104.70	65.40
2002	4,548.60	2,237.30	49.19	146.20	11.50	372.60	29.30	752.80	59.20	1,271.60	56.80
2003	6,130.00	2,396.70	39.10	196.00	12.90	417.90	27.50	905.60	56.80	1,519.50	63.40
2004	6,130.00	2,763.60	45.08	398.00	21.80	489.30	26.80	938.50	51.40	1,825.80	66.10
2005	6,130.00	2,687.10	43.84	430.14	21.80	528.79	26.80	1,014.17	51.40	1,973.10	73.43
2006	7,011.60	2,638.10	37.62	383.44	22.00	465.35	26.70	894.11	51.30	1,742.90	66.07
2007	7,011.60	2,623.10	37.41	494.01	22.00	599.55	26.70	1,151.94	51.30	2,245.50	85.60
2008	7,011.60	2,403.20	34.27	421.60	20.00	520.68	24.70	1,165.72	55.30	2,108.00	87.72

Source: Central Bank of Nigeria (CBN) Bulletin of Statistics (2004), CBN Annual Report and Statement of Account of Various Years and Author's Computation

Sanitation Policy (NWSP) objective is for all Nigerians to have access to adequate, affordable and sustainable sanitation through the active participation of federal, state and local governments, Non-governmental organizations, development partners, private sector, communities, households, and individuals (NWSP; 2004). However, this laudable objective is far from being achieved.

Table 6 indicates a decline in the percentage of the population that enjoys pipe-borne water from 15.8 per cent in 2003 to 10.4 per cent in 2007, while those enjoying the well water increased from 27.8 per cent in 2003 to 33.3 per cent in 2007, revealing the deplorable state of pipe-borne water in Nigeria. This is against the backdrop of the National Water Supply and Sanitation Programme covering urban and small towns, rural areas, and water resource

management and sanitation, that partners with the stakeholders to improve water supply, with target of 60.0 per cent rural coverage by 2007.

(iii) Road

The road transport is the most prominent means of transport in Nigeria, others include; railway, air

and sea. In recent time, the major reform aimed at revamping the ugly roads situation was the establishment of the Federal Roads Maintenance Agency (FERMA), whose performance has been subject to criticism (AIAE Report, 2006). The roads are in deplorable state, and this adversely affects the socio-economic

Table 6: PERCENTAGE DISTRIBUTION OF DWELLING UNITS BY TYPE OF WATER SUPPLY, 2003 - 2007

Type of Water	2003	2004	2005	2006	2007
Pipe-borne Water	15.8	14.5	16.2	15.4	10.4
Bore-hole Water	22.0	17.6	24.0	20.8	26.8
Well Water	27.8	36.0	25.1	30.6	33.3
Streams/Ponds	33.0	31.5	33.5	32.5	24.4
Tanker/Truck/Van	1.4	0.4	1.2	0.8	4.1
	-	-	-	-	1.0
Total	100.0	100.0	100.0	100.0	100.0

Source: National Bureau of Statistics - General Households Survey

activities in the country. It is estimated that Nigeria has a road to population ratio of 1.5 compared with 11.6 and 6.3 for Botswana and Kenya, respectively. Furthermore, it was estimated that 51, 58.3 and 61 per cent of federal, state and local governments paved roads, respectively are in disrepair (MAN, 2004a), while between 2005 and 2006, the total federal government roads in the states; asphaltic concrete, surfaced dressed, gravel or earth remained at 34,341.25 kilometers. Yet, government expenditure on roads and construction has continued to soar, from N34,403.60 million in 2003, except slightly in 2006, when it dropped to N92,600.00 million to N224,100.00 million in 2008.

(iv) Health

The government expenditure on the health sector has been growing tremendously. It witnessed a steady growth from 2003 to 2008. Between 2003 - 2008, the expenditure on the sector moved from N39,685.50 million to N195,400.00 million, indicating a growth rate of 392.37 per cent. Nigeria has embarked on reforming the health sector for over the past decade, the establishment of the National Health Insurance Scheme (NHIS) was adjudged by many as good policy. Nigeria's health sector reform programme is aimed at improving the quality of health service and availability to her teeming population.

However, health sector performance indicators were dismal. Nigeria ranks 100th in health and survival out of 128 countries, indicating that there are still much to be desired in the country's healthcare system. Life expectancy, which had increased till 1990, fell to 43.7 for men and 44 years for women in 2005, before moving up to 54 in 2007. With a high fertility rate, low family planning usage (15 per cent) and relatively poor access to healthcare, Nigeria has a maternal mortality ratio of 800 deaths per 100,000 live births. The estimated annual maternal deaths figure of 37,000 means that Nigeria bears the second highest maternal burden in the world (UNDP Report, 2009).

Table 7: LENGTH OF FEDERAL GOVERNMENT ROADS IN THE STATES, 2005 - 2006

STATE	Kilometres							
	Asphaltic Concrete		Surface Dressed		Gravel or Earth		Total Length	
	2005	2006	2005	2006	2005	2006	2005	2006
Abia	373	373	226	226	8	8	607	607
Adamawa	691	691	214	214	411	411	1,316	1,316
Akwa Ibom	348.9	348.9	213	213	40	40	601.9	601.9
Anambra	400.4	400.4	122	122	32	32	554.4	554.4
Bauchi	814	814	240	240	226	226	1,280	1,280
Bayelsa	67	67	-	-	100.8	100.8	167.8	167.8
Benue	1237	1237	87	87	287	287	1,611	1,611
Borno	1,040	1,040	379	379	788	788	2,207	2,207
Cross-River	807.35	807.35	163.8	163.8	104.04	104.04	1,075.19	1,075.19
Delta	657.5	657.5	37	37	38	38	732.5	732.5
Ebonyi	176	176	222.8	222.8	104	104	502.8	502.8
Edo	781.5	781.5	135	135	-	-	916.5	916.5
Ekiti	114	114	253.2	253.2	-	-	367.2	367.2
Enugu	533	533	300	300	25	25	858	858
Gombe	437	437	18	18	44	44	499	499
Imo	473	473	126.5	126.5	-	-	599.5	599.5
Jigawa	591	591	80	80	80	80	751	751
Kaduna	1,530	1,530	150	150	8	8	1,688	1,688
Kano	743.5	743.5	165	165	-	-	908.5	908.5
Katsina	495	495	292	292	55	55	842	842
Kebbi	248.4	248.4	273	273	341	341	862.4	862.4
Kogi	500	500	401	401	232	232	1,133	1,133
Kwara	421	421	236	236	387	387	1,044	1,044
Lagos	675.86	675.86	-	-	-	-	675.86	675.86
Nassarawa	522	522	123	123	242	242	887	887
Niger	969.2	969.2	807	807	401	401	2,177.2	2,177.2
Ogun	1,001.8	1,001.8	70	70	-	-	1,071.8	1,071.8
Ondo	577.4	577.4	147	147	-	-	724.4	724.4
Osun	438.9	438.9	185	185	4.6	4.6	628.5	628.5
Oyo	440.3	440.3	409.2	409.2	211	211	1,060.5	1,060.5
Plateau	401.8	401.8	264	264	313.5	313.5	979.3	979.3
Rivers	417.8	417.8	157	157	82.2	82.2	657	657
Sokoto	153	153	346	346	83	83	582	582
Taraba	566	566	357	357	701	701	1,624.0	1,624.0
Yobe	378	378	347.4	347.4	152	152	877.4	877.4
Zamfara	273	273	454	454	308	308	1,035	1,035
FCT, Abuja	158	158	-	-	78.6	78.6	236.6	236.6
Total	20,452.61	20,452.61	8,000.90	8,000.90	5,887.74	5,887.74	34,341.25	34,341.25

Source: Federal Ministry of Works

FIGURE 2: GOVERNMENT RETAINED REVENUE, HEALTH AND ROAD AND CONSTRUCTION EXPENDITURES

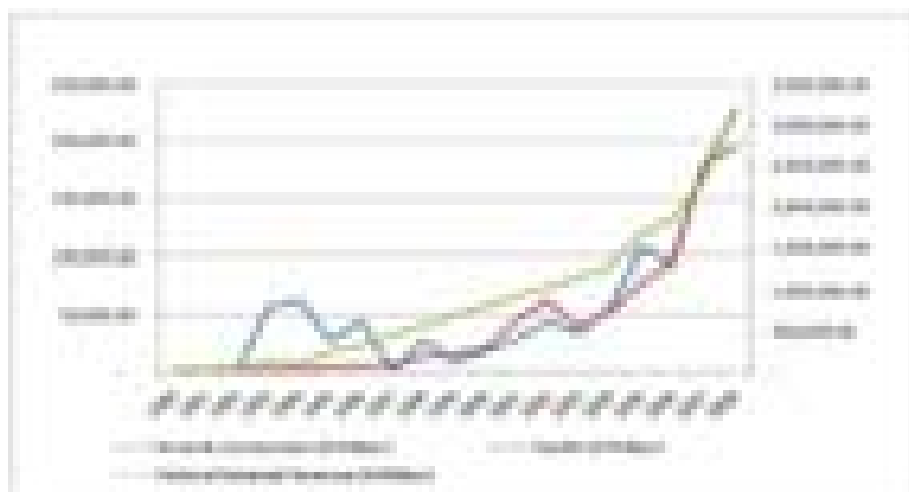


TABLE 8: SOME HEALTH SECTOR PERFORMANCE INDICATOR

Health Sector Indicator	1990	2000	2004	2005	2007	Progress
Fed Retained Revenue (N'Million)	38,152.10	808,148.40	1,277,191.20	1,660,700.00	2,333,659.60	
Fed. Expenditure on Health (N'Million)	823.20	20,445.20	52,400.00	77,500.00	178,800.00	
Health Capital Expenditure (N'Million)	322.50	8,865.60	18,200.00	21,800.00	96,900.00	
Health Current Expenditure (N'Million)	500.70	11,579.60	34,200.00	55,700.00	81,900.00	
Health/Fed. Retained Revenue (%)	2.16	2.53	4.10	4.67	7.66	Improving
Basic Health Indicators						
Infant Mortality/1000 Births (%)	91	81.38	100	110	86	Slow
Under-five Mortality/1000 Births (%)	191	183.75	197	201	138	Slow
Maternal Mortality/100,000 Births	-	704a	800b	800	800c	Worsening
Underweight Children (%)	35.7	31b	30	30c	25	Improving
Life Expectancy Male (Yrs.)				43.7		

Source: Adopted from UND Report, 2009 and computation by the author (Life Expectancy for 2007 is 54, courtesy; CBN Annual Reports and Statement of Account, 2008)

5.0 CHALLENGES OF REVENUE GENERATION AND UTILIZATION FOR SOCIO-ECONOMIC AND INFRASTRUCTURAL DEVELOPMENT AND RECOMMENDATION

5.1 CHALLENGES OF REVENUE GENERATION AND UTILIZATION FOR SOCIO-ECONOMIC AND INFRASTRUCTURAL DEVELOPMENT

(i) The level of Tax Structure

As the economy expands, the tax structure grows and this reduces the level of indirect tax revenue generated, while the direct tax element increases. The level of indirect tax grows in an economy with heavy presence of informal sector. The theory of tax structure development suggests that at the early stages of economic development, the economic structure imposes severe limitations on the structure of the tax system and this affects the level of revenue generation from taxation.

(ii) Bribery and Corruption

Bribery and corrupt practices among those involved in the collection and disbursement of government revenue as well as those in the execution of infrastructural projects has endangered the success of most government projects, thereby denying the country the much needed infrastructural development required for her economic transformation. The level of infrastructural decay in Nigeria is high and this raises question of whether government revenue meant for infrastructural development is really channeled to it, while Nigeria

has continued to occupy the list of the most corrupt countries in the world (Transparency International, 2009).

(iii) Mono-cultured Economy

The nature of the economic structure is very important in assessing the level of revenue generation capacity of any government. In Nigeria, over reliance in the oil revenue as government's major source of revenue at the detriment of developing other sectors of the economy is not in her economic interest. Notwithstanding, the enviable position of the oil sector in the Nigeria's revenue generation over the past three decades, the agricultural sector could be another major source of revenue generation for the government if genuine effort is made at developing the sector. It has remained the largest and arguably the most important sector of the economy (Obiechina, 2007). Agriculture's contribution to the Gross Domestic Product (GDP) has remained stable at between 30.0 and 42.0 per cent, and employs 65.0 per cent of the labour force in Nigeria (Aigbokhan, 2001). It is estimated to be the largest contributor to non-oil foreign exchange earnings. This means that it holds abundant potentials for enhancing and sustaining the country's foreign exchange - revenue.

(iv) Low level of Infrastructural Development

Provision of adequate infrastructure has been adjudged to be complementary to private sector investment, and hence, economic growth. Longer-term infrastructural expenditures have shown to be more productive in developing countries than short-term public investment.

Infrastructural gap in the country imposes significant extra costs on business and reduces competitiveness.

(v) Poor maintenance culture and obsolete equipment

Investing heavily in infrastructures is very important, but equally necessary is making adequate provision for their maintenance and replacement of obsolete ones. One of the challenges of infrastructural facilities in Nigeria is lack of maintenance culture. Maintaining and extending the life span of infrastructure requires the commitment of enormous resources and the patriotic zeal to ensure that resources meant facilities maintenance are not diverted. In infrastructure management, poor maintenance culture and obsolete equipment has often being identified as central to the dearth of infrastructural development.

5.2 RECOMMENDATION

(i) Tax Structure

Increasing the level of tax structure in an economy would increase the level of government revenue generation, and as government revenue increases, it is expected that government investment in socio-economic and infrastructural development increases too. This, however, may not always be the case in a developing country, where there could exist wastages in the revenue infrastructure development nexus. Government might increase its tax structure by broadening the tax base and improving tax administration.

(ii) Diversifying the Economy

The continued reliance on the oil revenue as the major source of revenue for the government has affected the revenue generation capacity of economy as well as the financing ability of government. Government programme are abandoned due to inadequate revenue to finance them. The mono-cultured nature of the Nigerian economy predisposes government revenue and expenditure to oil price volatility. There is the need to diversify and develop other sectors of the economy that have the potentials of generating revenue for the government.

(iii) Budget Tracking

There is need for government revenue and expenditure tracking. The public should be able to know how much is budgeted for a particular infrastructural project, where it is cited or located and the various stages of the project development, funds disbursements as well as the completion period. It will also assist in knowing whether government is really disbursing funds, and applying such disbursement to a project it is tied.

Budget tracking could be achieved through community broadcasting. Community broadcasting provides avenue for information dissemination and interaction among the public. It is an advocacy instrument that could be used to sensitize its audience on government expenditure on any project in a particular area. Through community radio broadcasting, people should be able to monitor and report the progress made on existing infrastructural project in their area. Thereby, providing check against project abandonment by both some unscrupulous contractors and their government cohorts.

(iv) Institutional Development

There is need for the development of government agencies and parastatals vested with the responsibility of collecting and administering revenues on behalf of the government. This includes; manpower development and provision of relevant work tools that would facilitate their work. Institutional

development includes reforms that would meet the challenges of time.

(v) Transparency and Accountability

One of the greatest obstacles to socio-economic development in Nigeria is bribery and corruption. This has permeated the system that most infrastructural projects suffer from allegations of lack of transparency and accountability in its award and execution. Even when finances tied to projects are provided, they are not adequately made available to contractors.

(vi) Quality of Leadership

The quality of leadership in any organization is very important in determining the success rate of achieving organizational goals and objectives. Nigeria is in urgent need of a dedicated and selfless leader, who would drive the country's entire process of socio-economic transformation. A quality leader that has transcended beyond ethnic and political proclivity is what Nigeria needs.

(vii) Improvement In Infrastructural

Improving infrastructural facilities is necessary for economic development of any country. Apart from reducing the cost of doing business, it provides a country with platform for socio-economic development as well as enhanced potentials for reduced competitiveness. Considering the

enormous resources involved in infrastructural development and sustainability, prioritizing critical infrastructure could be a major step in the right direction and needs to be given a push by increased Public Private Partnership (PPP) arrangements and effective monitoring mechanism.

5.3 CONCLUSION

Government retained revenue forms the major source of finance for Nigeria's expenditure socio-economic and infrastructural development. Government revenue has grown remarkably over the years, while her expenditure had equally grown, at times above the revenue, resulting in deficit financing. The increasing growth of government revenue is expected to impact positively on the level of infrastructural development in the country. This has not really been the situation, thus invoking the publics' agitation against the falling standard of living or level of infrastructural decay as well as raising doubts to the effective use of government revenue earmarked for addressing the challenges of socio-economic and infrastructural development. While a lot of reasons had been provided for the decay in infrastructural development vis-à-vis the availability of government revenue, it is believed that as the level of government revenue increases, so would be increase in socio-economic and infrastructural development.

REFERENCES

- Adubi, A. A., Fajingbesi, A. A and Obioma, E. C. (1999) "Public Expenditure Programming and Management under the Current Economic Dispensation" In Obadan, M. I. and Ogiogio, G. O. (eds) Planning and Budgeting in Nigeria: Institutional and Policy Reforms. Ibadan: NCEMA
- Aigbokhan, B. E. (1999) "Evaluating Investment on Basic Infrastructure in Nigeria" Published in the CBN Proceedings of the Eight Annual Conference of the Zonal Research Units.
- AIAE (2006) "Budget and Public Expenditure Across Nigerian States" BECANS Working Paper 3, (eds.) Eboh, E., Amakom, U. and Oduh, M., Publication of African Institute for Applied Economist, Enugu.
- Aigbokhan B.E. (2001) "Resuscitating Agricultural Production (Cocoa, Cotton, Groundnuts, Palm Oil, Rubber, etc) for Exports". In CBN Proceedings of the 10th Annual Conference of the Zonal Research Units, 2001.
- Ajakaiye, O. (2002) "Infrastructure Development and Economic Growth In Nigeria" paper presented at the Eleventh Annual Conference of the Zonal Research Units, Research Department, Central Bank of Nigeria, June 3 7.
- Akpan, A. H. (1999) "Public Expenditure and Economic In A PetroLeum- Based Economy: Nigeria 1960-1992" SAJEMS NS 2(3)

- Alogoskoufis, G. and S. Kalyvitis. 1996. "Public investment and endogenous growth in a Small Open Economy". Discussion Paper Series No 1479, Center For Economic Research. London.
- Anyanwu, J. C (1993) Monetary Economics: Theory, Policy and Institutions, Onitsha-Nigeria: Hybrid Publishers Ltd.
- Ayodele, A. S. (1992) "Public Enterprises Institutional Reform, the NEPA and Electricity Development in Nigeria: An Economic Analysis" A Commissioned Paper, NEPA District Commercial Managers Workshop, Calabar, Cross Rivers State, April 8 10, 1992
- Ayodele, A. S. (1998) "Energy Crisis in Nigeria: The Case of Electric Energy Market: Bullion Publication of CBN. Vol. 22, No. 4
- Ayodele, A. S. (1999) "Illegitimate Energy Market Activities in the Nigerian Energy Industry: The Cases of Electricity and PetroLeum Products" Working Paper No. 2 DPC, Ibadan, Nigeria
- Baunsgaard, T. (2003) "Fiscal Policy In Nigeria: Any Role For Rules? IMF Woking Paper (WP/03/155, Washington, D.C
- Blejer, M. I. and Khan, M. S. (1984) "Government Policy and Private Investment in Developing Countries" IMF Staff Papers, 31: 379-403
- Brown, C. V. and Jackson, R. M. (1990) Public Sector Economics, Oxford: Martin Robertson.
- Central Bank of Nigeria (1995) Various Years Annual Reports and Statement of Accounts
- Chhibber, A. and Dailami, M (1990) "Fiscal Policy and Private Investment in Developing Countries: Recent Evidence On Key Selected Issues" Ricerche Economiche, Vol. 91, Pp. 651-662.
- Easterly, W. and K. Schmidt-Hebbel. 1993. "Fiscal deficits and macroeconomic performance in developing countries". World Bank Research Observer, Vol. 8, No 2. Washington, D.C.
- Evans, P. and Karass, G. (1994) "Are Government Activities Productive? Evidence from A Panel of US States" The Review of Economics and Statistics LXXVI(1), February
- Fajingbesi, A. A. and Odusola, A. F. (1999) "Public Expenditure and Growth" In Fiscal Policy Planning and Management in Nigeria (eds) O. S. Komolafe, Jalilian, H. and Hiley, M. An NCEMA Publication
- FRN (1975) The Third National Development Plan: 1975 - 1980
- Gbayesola, T. O. and Uga, E. O (1995) "Sources and Structure of Government Revenue" in Komolafe, O. S., Jalilian, H. and Hiley, Mark, eds, Fiscal Policy Planning and Management in Nigeria, Ibadan: NCEMA
- Goldstein, M. and Khan, M. (1982) "The Effects of Slow in Industrial Countries On growth in Non-Oil Developing Countries" IMF Occasional Paper 12, Washington D.C
- Hemming, R. (1991) "Public Expenditure, Stabilization and Structural Adjustment" In Public Expenditure Handbook: A Guide to Public Policy in Developing Countries. Keyoyoung Chu and Richard Hemming, (eds) Washington DC. IMF
- Ibe, A. C. (2000) "The Politics of Economic Policy Reform In Nigeria" Anambra Nigeria: J'Goshen Prints
- Ihimodu, I. I. (1995) "Resource Mobilization Under the Current Reform Programme in Nigeria" in M. I. Obadan and G. O. Ogiogio, eds, Planning and Budgeting in Nigeria, Ibadan: NCEMA
- Ilori, B. (2002) "The Role of Government in the Development of Basic Infrastructure" paper presented at the Eleventh Annual Conference of the Zonal Research Units, Research Department, Central Bank of Nigeria, June 3 7.
- MAN Manufactures Association of Nigeria (2004) "Progress Report 1 of the Energy Infrastructural Study in Nigeria. Lagos: Manufacturers Association of Nigeria.
- MAN Manufactures Association of Nigeria (2004a) "Progress Report On the Transportation Infrastructural Research Project. Lagos: Manufacturers Association of Nigeria.
- Mbanefoh, G. F. (1990) "Aspects of Nigerian Public Finance" In E.C. Ndekwu and O. A. Adeyemo, (eds) Public Expenditure Programmement, Ibadan: NCEMA
- Musgrave, R. A. (1969) The Theory of Public Finance, New-York: McGraw Hill Book Coy.

- National Economic Empowerment Development Strategy (NEEDS), (2003), National Planning Commission
- National Water Supply and Sanitation Policy (2000), Federal Ministry of Water Resources, Federal Capital Territory (FCT)
- National Water Sanitation Policy (2004), Federal Ministry of Water Resources, Federal Capital Territory (FCT)
- Obiechina, M.E. (2007) "Improving the Agricultural Sector toward Economic Development and Poverty Reduction In Nigeria" Central Bank of Nigeria (CBN) Bullion, Vol. 31, No. 4, October December.
- Ogigio, G. O. (1995) "Government Expenditure and Economic Growth in Nigeria" Journal of Economic Management 2(1), October
- United Nations Development Programme Report on Nigeria (UNDP) Human Development Report Nigeria 2008 2009
- World Bank (1991) World Development Report.
- World Bank (1988) World Development Report.
- Rubinson, R. (1977) "Dependence, Government Revenue, and Economic Growth, 1955-1970", Studies in Comparative International Development, XII (2): 3-28
- Stolper, W (1966) Planning Without Facts: Lessons in Resource Allocation from Nigeria's Development. Harward University Press, Cambridge
- 1999 Constitution of Federal Republic of Nigeria, FGN Press, Ministry of Information and Communication