

# Tax and Grant for Sub-National Government: Realities, Challenges and Policy Options

by

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## Abstract

*This paper examined the realities and challenges facing the subnational governments with a view of offering policy options that will strengthen them in line with modern realities. It also examined the management and utilization of federal government allocations -grant and tax revenue – and service delivery in selected states in Niger-Delta within the period of 1999 to 2017. The tax collection and practices of subnational government were also investigated in order to proffer alternative strategic and efficient best practices. Revisiting the tax assignment to the various tiers of government is of utmost necessity in order to achieve visible and all-encompassing sustainable development in Nigeria. It was recommended that subnational government should monitor the remittance of subnational taxes in order to curb leakages, diversion and financial misappropriation. The practice of compensating and assigning the collection of levies to some microscopic few as election compensation and support to the detriment of both the states and local government respectively should be seriously frowned at and criminalized. Finally, the 13% derivation fund of the Federation Account Allocation Committee (FAAC) to states should be geared up as obtainable in the 1960s where the proportion of derived revenue retained by the regions was 50%. This is necessary given the fact that the livelihoods of the people in oil producing areas have been eroded following the degradation of the environment and in line with the principle of resource control as obtainable in developed nations.*

**Key Words:** Sub-national Government, Fiscal Decentralization, Derivation Fund, and Restructuring.

**JEL codes:** D63, E61, E62, H27, H71, H83