



# **NIGERIA GOVERNORS' FORUM**

**(SECRETARIAT)**

## ***Peer Review Preliminary Report on Internally Generated Revenue (IGR) (Adamawa State, Nigeria)***

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**NIGERIA GOVERNORS' FORUM  
PEER REVIEW ON ADAMAWA STATE, NIGERIA  
GOVERNOR: HIS EXCELLENCY, ADMIRAL MURTALA H. NYAKO**

**Document Control: NGF -PR - 23/Adamawa State /North East /Nigeria**

<b>Title:</b>	<b>Nigeria Governors' Forum: - Peer Review Preliminary Report on IGR</b>
<b>Client:</b>	<b>Adamawa State Government</b>
<b>Date:</b>	<b>21<sup>st</sup> – 24<sup>th</sup> March, 2010</b>
<b>Duration:</b>	<b>4 Days</b>
<b>Classifications:</b>	<b>Public Revenue Management, Law and Public Policy</b>
<b>Environmental Risks:</b>	<b>Category "C" no significant direct impact on indigenous people in accordance with United Nations Convention</b>

**SYNOPSIS**

The total value of the world's financial assets—including equities, private and government debt securities, and bank deposits—was about \$170 trillion in 2008 – (*IMF & World Bank Reconciled Figures*).

2008 Global Comparative Indices				
Description	2008 GDP(\$)	Global GDP (%)	% Africa GDP	% Nigeria
Global	60.9 Trillion	100%		
G20	59.5 Trillion	85%		
Africa	1.2 Trillion	2%		
Nigeria	207 Billion	0.3%	16%	
Adamawa State	4.58bn		0.38%	2.2%

Recession is a Reality?:- Declining Distributable Revenue from FAAC	
FAAC	Months
• N746 bn	May 2008
• N285 bn	February 2009
• N386 bn	January, 2010
• Exchange Rate: From N117 to N147.55 [official] to N150 + [Unofficial] as at January 2010.	
• Global Oil Price: From \$45 to <\$74.47 as at January 2010.	



FISCAL DEPENDENCY COMPARATIVE ANALYSIS - 2008 vs 2009				
Description	2008	2009	2008	2009
<b>IGR</b>	2.56	3.81	0	0
<b>Population</b>	3,600,000	3,600,000	NGN 711	NGN 1,058
<b>FAAC</b>	54.93	44.11	21	12
<b>Budget</b>	43.54	53.99	17	14
<b>Capital</b>	22.80	27.21	9	7
<b>Recurrent</b>	20.74	26.77	8	7
<b>Personnel Cost</b>	9.56	9.72	4	3
<b>Overhead Cost</b>	7.45	8.64	3	2
<b>Consolidate Revenue Fund (CRF)</b>	3.72	8.41	1.5	2.2

Adamawa State is dependent on federal allocations compared to IGR, this has taken into consideration; Budget and Population indices.

### BENCHMARKS & LEARNING POINTS FOR OTHER STATES

- ✓ *Significant Revenue Growth from 1.8bn in 2007 to 3.8bn by 2009 (since the inception of this administration).*
- ✓ *Robust Revenue Enhancement Strategy*
- ✓ *Lands Reforms and Revenue Generation*
- ✓ *Autonomy of the Board of Internal Revenue*
- ✓ *Motivation of staff and Good Office Infrastructures*
- ✓ *Good Technology Deployment for Tax Administration Systems*
- ✓ *Adequate Logistical Support for Tax Administration*
- ✓ *Centralization of Revenue Account & Oversight function BIRS over MDAs*

**GAP ANALYSIS:**  
**Helping Adamawa State Government in Closing the Gap: “Quick Wins”**

- 1) **Integration of the Informal Sector into the Taxpayers Data Base:** *The aggregate financial and business activity that operates outside government control or the organized private sector contributing neither in taxes nor part of the state’s Gross Domestic Product (GDP) is larger than those under the purview of formal control in Adamawa State. This includes everything from small scale farming, backyard employment and self-help finance to street vending and unregulated craftsmanship and small scale manufacturing which makes up the informal sector. Therefore , Adamawa State needs to immediately deploy proactive measures/interventions built on community/grassroots foundations through Strategic Community Involvement Partnership (SCIP); Formation of Adamawa Trade Council; Development of SOPs for the informal sector.*
  
- 2) **Harness the huge untapped IGR potentials from Land; Housing & Urban Development related revenue sources e.g.**
  - 1) *Undertake a comprehensive property audit e.g. Lagos where 46,000 properties were identified;*
  - 2) *Introduction of Geographic Information Management System (GIMS) in the Bureau for Lands, Housing & Urban Development; e.g. FCT, Lagos, Ogun, Cross Rivers.*
  - 3) *Scale down processing duration for the issuance of certificates and grants to the irreducible minimum lead-time ;*
  - 4) *Service-Based Revenue Enhancement Strategy: Intensify Collection of all revenue channels and sources in Lands & Urban planning.*
  
- 3) **Introduction of Indirect Taxes/Revenues instead of the application of direct taxes:** *(1) State Hotel Occupancy, Restaurants and Events Centres Consumption Tax Law, 2009 (the Lagos State Consumption Tax). The Law imposes a five per cent (5%) tax*



on all goods and services consumed in Hotels, Restaurants and Events Centres (situated within the territory of Lagos State). Typically, the Lagos State Consumption Tax is targeted and imposed on those who can afford to stay in hotels; eat in restaurants or those that can afford even a bottle of drink or beer in bars, invariably the middle-class and the upper middle-class people within the society are the primary targets. There is no significant direct impact on this new tax regime on prices of food stuffs in the market. (2) Telecommunication User fees charged by telecom operations.

- 4) **Harnessing hidden Revenue Channels by Reviewing both the Current & Future Fiscal Statutes (Federal & States)** – e.g. Third Party Insurance on Motor Vehicles and Accident Emergency Response Scheme; Warehouse Receipt Bill.

**ADAMAWA STATE IGR: LOOKING TO THE FUTURE**

S/No	Description	Comments/Observations
1	<b>Adamawa State Potentials)</b>	<ul style="list-style-type: none"> <li>❖ Adamawa State needs to take advantage of the over 15million livestock endowment covering cattle, goats, sheep, poultry and pigs. If these resources are properly hooked to local industries, the multiplier effects of the outcome can significantly change the poverty equation in the state thereby imparting IGR.</li> </ul>
2	<b>Fiscal Autonomy &amp; Dependency</b>	<ul style="list-style-type: none"> <li>❖ Currently Nigeria is a slave to its oil-rich resources because within the last 50 years since independence, the country has failed to change from a typical petro-dollar and mono-product economy into a diversified industrial economy despite its huge potentials in human capital and other natural resources.</li> <li>❖ Learning from history, it's pertinent to note that the then Northern Region contributed over 65% of the total national revenue between 1914 to 1926 which was purely an agricultural economy. <b>Therefore Adamawa State needs to embrace Revenue</b></li> </ul>

		<p><b>Substitution Strategy (RSS): The first intervention would be replacing Oil Revenue with Livestock Revenue; Replacing Oil Revenue with Groundnuts Revenue; Replacing Oil Revenue with Maize Revenue.</b></p> <ul style="list-style-type: none"> <li>❖ Refocusing on IGR in Adamawa State would mean taking the following steps to sustain the current economic policies; <ul style="list-style-type: none"> <li>✓ <i>Re-emergency of the Grazing Reserves that would have significant private participation and involvement. (Gangoshi, Nassarawo Jada, Jibiro, Sorau and Chekelek Grazing Reserves).</i></li> <li>✓ <i>Generating the critical-mass matrix of grassroots and commercial scale farmers in terms of “volume &amp; scale” as it is currently being pursued by SPPU and AADIL alongside the formation of Industrial Clusters by leveraging on Agricultural incentives. e.g. Bauchi &amp; Ogun</i></li> <li>✓ <i>The construction of the inter-state Rail Way System from Calabar to Maiduguri will accelerate exports and facilitates the development of ICDs, Satellite Container Depots and easy road congestion.</i></li> </ul> </li> </ul>
3	<b>Africa: Comparative Ranking of Adamawa State</b>	<ul style="list-style-type: none"> <li>❖ <b>Adamawa State’s GDP several African countries</b> (These countries are: Lesotho 3times; Burundi – 4times; Liberia – 5times; The Gambia -6times; Comoros – 8time; Guinea-Bissau – 10times and Sao Tome &amp; Principe – 26times).</li> </ul>