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The Nexus between Fiscal Federalism, Budgetary Allocation and National Security in Nigeria

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***Abstract* – This article examines the complex relationship between fiscal federalism, budgetary allocation, and national security in Nigeria. It argues that Nigeria's highly centralized fiscal federalism, characterized by revenue-sharing arrangements and limited subnational fiscal autonomy, significantly affects the country's ability to address multifaceted security challenges, including insurgency, militancy, communal violence, and criminality. Drawing from theoretical and empirical literature, the article explores how fiscal federal structures influence budgetary priorities and resource distribution across federal, state, and local governments. It highlights the implications for security provisioning, identifies gaps such as revenue volatility, misaligned incentives, and weak local capacity, and offers policy recommendations to align fiscal arrangements with Nigeria's evolving security needs. These include reforms to revenue-sharing mechanisms, enhancement of subnational fiscal autonomy, security-sensitive budgeting, and stronger oversight and coordination frameworks. The study contributes to the discourse on governance, public finance, and security in federal systems, with practical implications for Nigeria and other resource-dependent federations.**

***Keywords* – Nexus ,Fiscal Federalism, Budgetary Allocation, National Security.**

I. INTRODUCTION

Background

Nigeria operates a federal system of government comprising federal, state, and local tiers, each assigned specific roles and responsibilities. Central to this structure is the framework of fiscal federalism, which governs how financial resources are raised, shared, and allocated across government levels to deliver public services and maintain national security. Fiscal federalism theory emphasizes the importance of aligning revenue-raising powers and expenditure responsibilities to achieve efficiency, equity, and accountability (Oates, 1999). However, Nigeria's fiscal federal arrangement is characterized by heavy centralization, with the federal government controlling a significant portion of revenue, primarily from oil exports, which it redistributes through revenue-sharing formulas to states and local governments (Ajakaiye & Akinboade, 2017).

Over the past two decades, Nigeria has faced escalating security challenges, including Boko Haram insurgency in the northeast, militancy in the Niger Delta, banditry and communal conflicts in the northwest, and urban crime in major cities (International Crisis Group, 2022). These threats necessitate robust, coordinated security responses that require not only operational funding but also long-term investments in governance, development, and community resilience. Budgetary allocation decisions within Nigeria's fiscal federal framework critically influence the capacity of federal and subnational governments to prevent, manage, and recover from security threats.

Problem Statement

Despite substantial allocations to security and defense in Nigeria's budgets, insecurity remains pervasive and multifaceted, indicating potential misalignments between fiscal arrangements, budget priorities, and actual security needs. The centralization of revenue and control over resources often constrains states and local governments from effectively addressing localized security risks. Unpredictable intergovernmental transfers, weak fiscal capacity at subnational levels, and opaque budgeting processes further hinder effective security provisioning. Consequently, Nigeria faces a critical challenge: how can fiscal federalism and budgetary allocation frameworks be reformed to strengthen national security outcomes across its diverse and complex federation?

II. LITERATURE REVIEW

Conceptual Framework

This study employs a governance-fiscal security framework that links fiscal federalism, budgetary allocation, and national security outcomes through three interrelated mechanisms:

1. **Resource Availability and Allocation:** The adequacy and timeliness of funds allocated at federal and subnational levels to security operations and preventive development.
2. **Responsibility Alignment and Incentives:** The degree to which fiscal resources and mandates align to incentivize accountability and effective service delivery in security governance.
3. **Capacity and Institutional Strengthening:** The ability of governments at different levels to plan, implement, and monitor security-related programs, supported by stable fiscal arrangements.

This framework guides the analysis of Nigeria's fiscal federalism and budgetary processes to assess their impact on national security.

Theoretical Perspectives on Fiscal Federalism

Fiscal federalism theory, pioneered by Oates (1972, 1999), posits that decentralization of fiscal responsibilities promotes efficiency by tailoring public service provision to local preferences and conditions. It stresses that subnational governments should have adequate revenue sources commensurate with their expenditure responsibilities to foster accountability and effective governance (Bird & Smart, 2002). Furthermore, intergovernmental transfers, including unconditional grants and conditional funds, are tools to correct fiscal imbalances, incentivize service delivery, and ensure equity across regions.

However, fiscal federalism also recognizes challenges such as revenue volatility, coordination failures, and potential inequities (Rodden, Eskeland, & Litvack, 2003). For resource-rich federations, managing oil or mineral wealth adds complexity, often centralizing revenue to avoid subnational competition but risking alienation of resource-producing regions (Weingast, 2009).

Empirical Studies on Nigeria

Empirical research on Nigeria's fiscal federalism highlights the dominance of oil revenue in the Federation Account and the resulting revenue-sharing formula administered by the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) (Ajakaiye & Akinboade, 2017; Oke & Fagbola, 2020). Studies critique the formula's lack of transparency, politicization, and frequent disputes, which undermine predictability for states and local governments (Adegboye, 2019). These fiscal constraints are linked to underfunding of essential services, including security infrastructure at subnational levels (Uche, 2021).

On budgetary allocation, analysts observe that Nigeria devotes a significant share of its budget to defense and security personnel costs, often at the expense of capital investments in social and economic development that could mitigate root causes of insecurity (The BudgIT Foundation, 2025). Weak budget execution and corruption further reduce the effectiveness of security expenditures (Transparency International, 2023). Subnational governments, facing limited own-source revenues and dependence on federal transfers, struggle to sustain local policing and crisis response mechanisms (Omotosho & Olagunju, 2024).

Fiscal Federalism and Security Nexus

The nexus between fiscal federalism and national security is increasingly studied in the context of developing federations grappling with internal conflicts. Some scholars argue that decentralized fiscal arrangements, when well-designed, enhance localized security management and community engagement (Martinez-Vazquez & McNab, 2003). Conversely, over-centralization and revenue volatility can weaken security readiness and fuel grievances that exacerbate conflict (Brinkerhoff, 2010).

In Nigeria, the mismatch between assigned responsibilities and fiscal resources has contributed to security vacuums, requiring federal military interventions that may lack local legitimacy or contextual understanding (Onuoha, 2022). The imbalance also affects governance and accountability, as states rely on federal bailouts rather than strengthening local security institutions (Agbiboa, 2015).

III. RESEARCH METHODOLOGY

Research Design

This study adopts a qualitative research design, combining doctrinal review of legal and policy documents with secondary data analysis from budget reports, fiscal commission publications, and security assessments. A case study approach is employed to examine illustrative security challenges (Boko Haram insurgency, Niger Delta militancy, communal violence) to contextualize fiscal impacts.

Data Sources

- **Budget documents:** Federal and state budgets (2015–2025) obtained from Nigeria's Ministry of Finance and state government portals.
- **Fiscal reports:** Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) reports and Nigeria Extractive Industries Transparency Initiative (NEITI) data.
- **Security assessments:** International Crisis Group reports, Nigerian Security Tracker, and academic case studies.
- **Secondary literature:** Peer-reviewed journals, government policy papers, and think tank publications.

IV. DATA ANALYSIS

Thematic content analysis is conducted to identify patterns in fiscal federal arrangements, budgetary allocations, and their security implications. Quantitative budget data are analyzed descriptively to highlight trends and disparities. Cross-referencing with security events allows assessment of fiscal impacts on security outcomes.

Data Analysis and Findings

- **Fiscal Federalism Structure and Revenue Sharing**

Analysis of RMAFC data reveals that approximately 85% of Nigeria's government revenue derives from federally collected oil rents, allocated through a statutory formula that apportions about 52.68% to the federal government, 26.72% to states, and 20.60% to local governments (RMAFC, 2024). However, oil price volatility causes fluctuations in the Federation Account, impacting monthly transfers and planning at subnational levels (NEITI, 2023). The formula incorporates derivation-based components to compensate oil-producing states, but perceived inequities and contestations have led to calls for reform (Adegboye, 2019). Many states and local governments lack significant own-source revenues, constraining their fiscal autonomy (Omotosho & Olagunju, 2024).

Budgetary Allocation to Security

Federal budget analysis from 2015 to 2025 shows that defense and internal security expenditures constitute between 15% and 25% of total recurrent expenditures, with personnel costs absorbing over 60% of security budgets (The BudgIT Foundation, 2025). States also allocate "security votes" — discretionary funds — though these lack transparency and accountability mechanisms (Transparency International, 2023).

Despite increased security spending, key investments in community policing, intelligence gathering, and conflict prevention remain limited. Capital spending on social services that address insecurity's socio-economic drivers is often underfunded at both federal and subnational levels.

Implications for Security Outcomes

The centralized fiscal system creates dependency among states, limiting their capacity for timely and tailored security responses (Onuoha, 2022). Delays and unpredictability in transfers constrain local emergency responses and reconstruction efforts, as seen in post-conflict north eastern Nigeria (International Crisis Group, 2022). Thedisconnect between assigned security responsibilities and available resources fosters inefficiencies and fuels grievances, contributing to cycles of violence.

V. DISCUSSION

This study corroborates existing literature that Nigeria's fiscal federalism framework, characterized by centralized revenue control, volatile transfers, and limited subnational fiscal autonomy, undermines effective security provisioning (Ajakaiye & Akinboade, 2017; Omotosho & Olagunju, 2024). The imbalance between fiscal responsibilities and capacities across government tiers results in over-reliance on federal military interventions, while states and local governments struggle to invest in preventive and community-based security strategies.

Budgetary priorities skew toward personnel costs and reactive operations, leaving preventive development underfunded. Weak transparency and oversight mechanisms further diminish the efficiency and impact of security expenditures. These findings reflect the governance-fiscal security framework, where misalignment of resources and responsibilities constrains institutional capacity and security outcomes.

VI. CONCLUSION

The nexus between fiscal federalism, budgetary allocation, and national security in Nigeria is complex and consequential. Fiscal arrangements—centralized revenue control, contested revenue-sharing formulas, and unpredictable transfers—directly shape the capacity of federal and subnational governments to address Nigeria's diverse security challenges. Budgetary allocations often prioritize short-term security operations over long-term preventive investments, exacerbating vulnerabilities.

Addressing Nigeria's insecurity requires reforms that enhance fiscal federalism's responsiveness and equity, strengthen subnational fiscal capacity, and align budgetary processes with security priorities. Such reforms will improve accountability, enable localized solutions, and ultimately contribute to sustainable national security.

Summary of Findings

- Nigeria's fiscal federalism is heavily centralized with oil revenue dominating the Federation Account and federal government controlling majority shares.
- Revenue volatility and contested revenue-sharing formulas reduce predictability for states and local governments.
- Security budget allocations prioritize recurrent and personnel costs, with limited funding for preventive and developmental security measures.
- Subnational governments have limited fiscal autonomy, constraining their ability to respond to localized security threats.
- Budgetary opacity and weak oversight undermine the effectiveness of security expenditures.
- The misalignment of fiscal responsibilities and resources undermines accountability and fuels insecurity.

Policy Recommendations

1. Reform Revenue-Sharing Formulas

- Enhance transparency and stakeholder participation in periodic reviews to ensure fairness and reduce regional grievances.
- Introduce fiscal stabilization mechanisms to smooth revenue volatility and guarantee predictable transfers.

2. Enhance Subnational Fiscal Autonomy

- Invest in capacity building for states and local governments to mobilize own-source revenues through improved tax administration and diversification.
- Design conditional grants targeted at building local security infrastructure, community policing, and conflict prevention.

3. Align Responsibilities with Resources

- Clarify and fund security mandates devolved to subnational governments to prevent unfunded mandates and moral hazard.
- Establish joint federal-state security budgeting frameworks to ensure coordinated and context-specific interventions.

4. Improve Budget Transparency and Oversight

- Institutionalize security-sensitive budgeting integrating risk assessments and preventive investment priorities.
- Expand public access to budget data and strengthen audit institutions and anti-corruption agencies, with e-procurement reforms for security spending.

5. Invest in Human Security and Conflict Prevention

- Allocate sustained funding to education, health, employment, and social protection in conflict-prone areas to address root causes.

- Support local conflict resolution mechanisms and traditional institutions alongside formal security systems.

6. Strengthen Intergovernmental Coordination

- Create standing platforms for fiscal-security coordination across government tiers to harmonize efforts and share intelligence on fiscal vulnerabilities to conflict.

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