FISCAL FEDERALISM, PUBLIC BUDGETING AND INEQUALITY IN NIGERIA

Omadachi Oklobia & Umar Elems Mahmud
Department of Public Administration, Nasarawa State University, Keffi
omadachi@nsuk.edu.ng

Abstract

This study examines the interplay between public budgeting, fiscal federalism, and inequality in Nigeria, proposing a theoretical framework to address systemic disparities in resource allocation and development. Using a descriptive qualitative research design, the study draws on secondary data from academic literature, government reports, and international organisations' publications to analyse the challenges and opportunities of fiscal policy reforms in Nigeria. The framework integrates three key components: fiscal decentralisation, equitable revenue sharing, andparticipatory budgeting, each aimed at promoting equity, efficiency, and accountability in public financial management. The application of this framework to Nigeria highlights the potential for reducing inequality through targeted fiscal reforms, despite challenges such as weak institutional capacity, corruption, and political economy constraints. The findings underscore the importance of aligning fiscal policies with principles of equity and accountability to achieve sustainable development and social justice. The study contributes to the broader discourse on public budgeting in developing countries, offering insights for policymakers and stakeholders seeking to address inequality in federal systems. Recommendations include strengthening fiscal capacity, reforming revenue allocation mechanisms, and promoting citizen participation in budgeting processes.

Keywords: public budgeting, fiscal federalism, inequality, Nigeria, participatory budgeting

Introduction

Public budgeting and fiscal federalism are central to the governance and economic stability of any nation, particularly in federal systems where the distribution of resources and responsibilities are tiers of government is inherently complex. In Nigeria, Africa's most populous nation and largest economy, the interplay between public budgeting and fiscal federalism has profound implications for economic development, social equity, and political stability. Despite its vast natural resources and economic potential, Nigeria continues to grapple with pervasive inequality, regional disparities, and inefficient public financial management. These challenges are exacerbated by a federal structure that often struggles to balance the competing demands of centralised authority and subnational autonomy. This paper seeks to explore the relationship between public budgeting and fiscal federalism in Nigeria, proposing a theoretical framework for addressing the entrenched inequality that undermines the nation's development.

Nigeria's fiscal federalism is rooted in its colonial history and post-independence political evolution, which have shaped a system characterised by revenue sharing, intergovernmental transfers, and varying degrees of fiscal autonomy among its 36 states and 774 local governments. The country's public budgeting process, however, has been criticised for inefficiency, lack of transparency, and inadequate allocation of resources to critical sectors such as health, education, and infrastructure. These shortcomings are further compounded by the unequal distribution of wealth and opportunities, which disproportionately affect marginalised regions and populations. While fiscal federalism is intended to promote equitable resource distribution and local development, its implementation in Nigeria has often fallen short of these ideals, raising questions about the effectiveness of existing frameworks and policies.

The issue of inequality in Nigeria is multifaceted, encompassing economic, social, and political dimensions. Economically, the concentration of wealth in urban centres and oil-producing regions contrasts sharply with the poverty and underdevelopment prevalent in rural areas and the northern regions. Socially, disparities in access to education, healthcare, and basic services perpetuate cycles of poverty and exclusion. Politically, the allocation of resources and fiscal responsibilities has frequently been a source of tension between the federal government and subnational entities, often leading to conflicts and inefficiencies. Addressing these inequalities requires a holistic approach that integrates public budgeting and fiscal federalism into a cohesive framework capable of promoting fairness, accountability, and sustainable development.

Existing literature on public budgeting and fiscal federalism in Nigeria has largely focused on the structural and institutional challenges of revenue allocation, intergovernmental relations, and fiscal discipline. However, there remains a gap in understanding how these processes can be leveraged to address inequality systematically. This paper aims to fill this gap by proposing a theoretical framework that links public budgeting and fiscal federalism to the reduction of inequality. Drawing on theories of fiscal decentralisation, resource allocation, and social equity, the framework provides a structured approach to analysing and reforming Nigeria's public financial management systems. It emphasises the importance of transparency, participatory budgeting, and equitable revenue sharing as key mechanisms for promoting inclusive growth and reducing disparities.

The significance of this study lies in its potential to inform policy and practice in Nigeria and other federal systems facing similar challenges. By examining the interplay between public budgeting and fiscal federalism, the paper offers insights into how fiscal policies can be designed and implemented to achieve greater equity and development. Furthermore, it contributes to the broader discourse on governance and public finance in developing countries, highlighting the need for context-specific solutions that address the unique challenges of federal systems.

This paper explores the relationship between public budgeting and fiscal federalism in Nigeria, with a focus on addressing inequality. It proposes a theoretical framework that integrates these concepts, offering a pathway towards more equitable and effective public financial management. The findings and recommendations presented herein have implications not only for Nigeria but also for other federal systems grappling with similar issues of inequality and fiscal governance. Through this analysis, the paper seeks to advance understanding and stimulate dialogue on the role of public budgeting and fiscal federalism in promoting social justice and sustainable development.

Literature Review: Existing Theories and Studies on Fiscal Federalism, Public Budgeting, and Inequality

Fiscal federalism, public budgeting, and inequality are interconnected concepts that have been extensively studied in the fields of economics, political science, and public administration. Fiscal federalism refers to the division of fiscal responsibilities and resources between different levels of government within a federal system (Oates, 1972). It is designed to promote efficiency, equity, and accountability in the allocation of public resources. However, the effectiveness of fiscal federalism in achieving these goals depends on the design and implementation of public budgeting processes, which determine how resources are collected, allocated, and spent (Musgrave, 1959).

Public budgeting, on the other hand, is the process by which governments plan, allocate, and manage financial resources to achieve policy objectives (Wildavsky, 1984). It involves a series of decisions about revenue generation, expenditure priorities, and debt management, which are influenced by political, economic, and social factors. In federal systems, public budgeting is particularly complex due to the need to coordinate fiscal policies across multiple levels of government and ensure that resources are distributed equitably among regions and populations (Rodden, 2003).

Inequality, in this context, refers to disparities in income, wealth, and access to public services among different groups within a society. Inequality can be exacerbated by inefficient or inequitable public budgeting and fiscal federalism arrangements, which may favour certain regions or groups at the expense of others (Stiglitz, 2012). Addressing inequality requires a comprehensive approach that integrates fiscal policies with social and economic development strategies.

Several theories have been proposed to explain the relationship between fiscal federalism, public budgeting, and inequality. The theory of fiscal decentralisation, for example, suggests that decentralising fiscal responsibilities to subnational governments can improve the efficiency and responsiveness of public services, thereby reducing inequality (Oates, 1972). However, this theory also highlights the potential challenges of fiscal decentralisation, such as disparities in fiscal capacity among subnational governments and the risk of fiscal irresponsibility (Rodden, 2003).

Another relevant theory is the theory of fiscal federalism and public goods provision, which argues that the provision of public goods should be assigned to the level of government that can most efficiently deliver them (Musgrave, 1959). This theory emphasises the importance of matching fiscal responsibilities with the preferences and needs of local populations, which can help to reduce inequality by ensuring that public services are tailored to the specific needs of different regions and groups.

Empirical studies on fiscal federalism and public budgeting in developing countries have provided mixed evidence on their impact on inequality. In Nigeria, for example, studies have shown that the country's fiscal federalism arrangements have contributed to regional disparities in development and access to public services (Adejugbe, 2010). The concentration of oil revenues in the federal government has led to a reliance on centralised revenue allocation, which has often been criticised for being inequitable and inefficient (Egwaikhide, 2012). Similarly, studies on public budgeting in Nigeria have highlighted the challenges of corruption, lack of transparency, and inadequate allocation of resources to critical sectors such as health and education (Okonjo-Iweala, 2012).

In contrast, some studies have found that fiscal decentralisation can have positive effects on inequality, particularly when it is accompanied by strong institutions and effective public financial management (Bardhan, 2002). For example, a study by Faguet (2004) on Bolivia found that fiscal decentralisation led to significant improvements in the provision of public services and reductions in inequality. However, the success of fiscal decentralisation in reducing inequality depends on a range of factors, including the design of fiscal transfer mechanisms, the capacity of subnational governments, and the political will to address inequality (Bardhan, 2002).

Overall, the literature suggests that the relationship between fiscal federalism, public budgeting, and inequality is complex and context-specific. While fiscal federalism and public budgeting have the potential to reduce inequality, their effectiveness depends on the design and implementation of fiscal policies, as well as the broader political and institutional context. The following section develops a theoretical framework that links public budgeting and fiscal federalism to inequality, drawing on the theories and empirical evidence discussed above.

Theoretical Framework: Development of a Framework Linking Public Budgeting and Fiscal Federalism to Inequality

The theoretical framework employed in this paper seeks to explain how public budgeting and fiscal federalism can be strategically designed and effectively implemented to reduce inequality. Grounded in the principles ofequity, efficiency, and accountability, the framework emphasises the need for fiscal policies that are not only responsive to the diverse needs of populations but also transparent and inclusive in their design and execution. By embedding these principles into the core of fiscal federalism and public budgeting processes, the framework aims to create a more equitable distribution of resources and opportunities, particularly in federal systems like Nigeria, where inequality remains a persistent challenge.

The framework is built around three interconnected and mutually reinforcing components: (1) fiscal decentralisation, (2) equitable revenue sharing, and (3) participatory budgeting. Each component addresses a critical dimension of fiscal policy and governance, working together to provide a holistic approach to tackling inequality. Together, these components form a comprehensive framework that not only addresses the symptoms of inequality but also tackles its root causes through systemic fiscal reforms. The framework provides a roadmap for policymakers and stakeholders to design and implement fiscal policies that promote equity, efficiency, and accountability, ultimately contributing to more inclusive and sustainable development.

Fiscal Decentralisation

Fiscal decentralisation refers to the transfer of fiscal responsibilities and resources from the central government to subnational governments. The rationale for fiscal decentralisation is that subnational governments are better placed to understand and respond to the needs and preferences of local populations, which can lead to more efficient and equitable provision of public services (Oates, 1972). However, the success of fiscal decentralisation in reducing inequality depends on several factors, including the design of fiscal transfer mechanisms, the capacity of subnational governments, and the political will to address inequality (Bardhan, 2002).

In the context of Nigeria, fiscal decentralisation could help to address regional disparities in development and access to public services by empowering state and local governments to take greater responsibility for public service delivery. However, this would require reforms to the current revenue allocation system, which is heavily centralised and often criticised for being inequitable (Egwaikhide, 2012). Specifically, there is a need to increase the fiscal autonomy of subnational governments by allowing them to generate more of their own revenues and reducing their dependence on federal transfers.

Fiscal decentralisation focuses on devolving fiscal responsibilities and resources to subnational governments, enabling them to tailor public services to local needs and priorities. This component recognises that decentralised governance can enhance efficiency and responsiveness, particularly in addressing the unique challenges faced by marginalised communities. However, it also highlights the importance of strengthening the institutional and administrative capacity of subnational governments to ensure effective implementation.

Equitable Revenue Sharing

Equitable revenue sharing is a critical component of the framework, as it ensures that resources are distributed fairly among different regions and populations. In federal systems, revenue sharing is typically achieved through intergovernmental transfers, which are designed to compensate for disparities in fiscal capacity among subnational governments (Rodden, 2003). However, the design of these transfer mechanisms is crucial to their effectiveness in reducing inequality.

Equitable revenue sharing ensures that resources are distributed fairly across regions and populations, addressing disparities in fiscal capacity and development. By reforming revenue allocation mechanisms to account for factors such as population size, poverty levels, and the cost of service delivery, this component seeks to promote a more balanced and just distribution of resources. This is particularly critical in Nigeria, where the current centralised revenue system has exacerbated regional inequalities.

In Nigeria, the current revenue sharing formula has been criticised for favouring the federal government at the expense of state and local governments, which has contributed to regional disparities in development (Adejugbe, 2010). To address this, the framework proposes a more equitable revenue sharing formula that takes into account factors such as population size, poverty levels, and the cost of providing public services. This would help to ensure that resources are allocated in a way that promotes equity and reduces inequality.

Participatory Budgeting

Participatory budgeting is a process that involves citizens in the decision-making process for public budgeting. It is based on the principle that citizens should have a say in how public resources are allocated and spent, which can lead to more equitable and responsive public services (Wampler, 2007). Participatory budgeting has been successfully implemented in several countries, including Brazil, where it has been credited with reducing inequality and improving public service delivery (Sintomer, Herzberg and Röcke, 2008).

Participatory budgeting introduces a democratic dimension to public financial management by involving citizens in the budgeting process. This component fosters transparency, accountability, and inclusivity, ensuring that public resources are allocated in ways that reflect the priorities and needs of local communities. By empowering citizens to engage in decision-making, participatory budgeting helps to build trust between governments and the people they serve, while also reducing the risk of corruption and elite capture.

In Nigeria, the adoption ofparticipatory budgetingcould serve as a transformative mechanism to address the pervasive challenges of corruption and lack of transparency in public budgeting. By actively involving citizens in the decision-making process, participatory budgeting empowers communities to directly influence how public resources are allocated and spent, fostering a culture of accountability and inclusivity. This approach not only enhances the transparency of fiscal decisions but also ensures that public funds are directed toward projects and services that align with the genuine needs and priorities of local populations. The framework proposed advocates for the introduction of participatory budgeting at both thestate and localgovernment levels, with a particular emphasis on engaging marginalised and disadvantaged communities. These groups, often excluded from traditional decision-making processes, stand to benefit significantly from a system that amplifies their voices and addresses their unique challenges. By prioritising the inclusion of these communities, participatory budgeting can help to bridge gaps in service delivery, reduce inequality, and build trust between citizens and government institutions. Ultimately, this approach represents a practical and inclusive strategy for improving governance, enhancing public service outcomes, and promoting equitable development across Nigeria.

Case Study/Data Analysis: Application of the Framework to Nigeria

To illustrate the application of the theoretical framework, this section presents a case study of Nigeria, focusing on the challenges of public budgeting and fiscal federalism in the country and how the framework could be used to address these challenges.

Public Budgeting in Nigeria

Public budgeting in Nigeria is characterised by a number of challenges, including corruption, lack of transparency, and inadequate allocation of resources to critical sectors such as health and education (Okonjo-Iweala, 2012). The budgeting process is often dominated by the executive branch, with limited input from the legislature and civil society. This has led to a lack of accountability and a tendency for public resources to be allocated in a way that benefits the political elite rather than the general population.

In addition, the budgeting process is frequently hindered bya lack of reliable data and weak institutional capacity, which significantly impedes the planning and implementation of effective fiscal policies. The absence of accurate and up-to-date data on critical indicators, such as poverty levels, population demographics, and public service delivery outcomes, creates substantial challenges in identifying and targeting the most vulnerable populations (World Bank, 2018). For instance, without precise information on where poverty is most concentrated or which communities lack access to essential services, policymakers struggle to allocate resources efficiently and equitably. Furthermore, weak institutional capacity exacerbates these issues, as government agencies often lack the technical expertise, infrastructure, and coordination needed to collect, analyse, and utilise data effectively. These shortcomings not only undermine the transparency and accountability of the budgeting process but also limit the ability of fiscal policies to achieve their intended social and economic objectives. Addressing these gaps through investments in data systems, capacity building, and institutional reforms is essential for enhancing the effectiveness of public budgeting and ensuring that resources reach those who need them most.

Fiscal Federalism in Nigeria

Nigeria's fiscal federalism arrangements have also been criticised for contributing to regional disparities in development and access to public services. The country's revenue allocation system is heavily centralised, with the federal government controlling the majority of oil revenues and distributing them to state and local governments through a complex system of intergovernmental transfers (Egwaikhide, 2012). This has led to a reliance on federal transfers, which are often unpredictable and inequitable, and has limited the fiscal autonomy of sub-national governments.

The concentration of oil revenues in the federal government has fostered the emergence of a rentier state, where public spending is predominantly financed through oil revenues rather than taxation. This reliance on resource wealth has significantly weakened the social contract between the government and its citizens, as the absence of a robust tax system diminishes citizens' incentives to demand accountability for the use of public resources (Lewis, 2007). In such a system, the government's financial independence from taxpayer contributions reduces its responsiveness to public needs and undermines mechanisms for civic engagement and oversight. Consequently, this dynamic perpetuates a cycle of limited transparency and accountability, further entrenching governance challenges and hindering efforts to promote equitable development and citizen empowerment.

Application of the Framework

The theoretical framework proposed in this paper could be used to address these challenges by promoting fiscal decentralisation, equitable revenue sharing, and participatory budgeting in Nigeria. For example, fiscal decentralisation could be achieved by increasing the fiscal autonomy of state and local governments, allowing them to generate more of their own revenues and reducing their dependence on federal transfers. This could be done by expanding the tax base at the subnational level and introducing new sources of revenue, such as property taxes and user fees. Equitable revenue sharing could be achieved by reforming the current revenue allocation formula to incorporate critical factors such aspopulation size, poverty levels, and the cost of providing public services. Also, important in this regard is the question of devolving and decoupling the exclusive list of the federal government.These reforms would ensure that resources are distributed in a manner that reflects the actual needs and challenges of different regions and populations, thereby promoting fairness and reducing inequality. For instance, states with larger populations or higher poverty rates would receive a proportionally larger share of resources to address their greater demand for public services, while regions facing higher costs of service delivery—due to geographic or infrastructural challenges—would be adequately compensated. By aligning revenue allocation with these equity-driven criteria, the reform would not only address existing disparities but also foster a more inclusive and balanced approach to development, ensuring that no region or group is left behind in the pursuit of national progress. This approach would strengthen the principles of fiscal justice and enhance the effectiveness of public spending in achieving sustainable development goals.

Finally, participatory budgeting could be introduced at the state and local government levels to improve the transparency and accountability of public budgeting. This could be done by involving citizens in the budgeting process through public consultations, citizen assemblies, and other participatory mechanisms. This would not only improve the accountability of public officials but also ensure that public resources are allocated in a way that reflects the needs and priorities of local populations.

Methodology

This study adopts adescriptive qualitative research designto explore the relationship between public budgeting, fiscal federalism, and inequality in Nigeria. Descriptive qualitative research is particularly suited to this study as it seeks to provide a detailed and nuanced understanding of complex social phenomena, such as fiscal policies and their impact on inequality, within a specific context (Creswell and Poth, 2018). This approach allows for an in-depth examination of the theoretical and practical dimensions of public budgeting and fiscal federalism, while also capturing the perspectives and experiences of stakeholders involved in these processes.

Research Design

The descriptive qualitative methodology is used to systematically describe the characteristics, patterns, and dynamics of public budgeting and fiscal federalism in Nigeria, with a focus on their implications for inequality. This design is appropriate because it enables the researcher to explore the "how" and "why" of fiscal policies, rather than merely quantifying their outcomes (Neuman, 2014). By focusing on descriptive analysis, the study aims to provide a comprehensive understanding of the challenges and opportunities associated with addressing inequality through fiscal policy reforms.

Data Collection

Data for this study is collected fromsecondary sources, including academic journals, government reports, policy documents, and reputable international organisations' publications. Secondary data is particularly valuable for this study as it provides a wealth of existing information on Nigeria's fiscal federalism, public budgeting processes, and inequality trends. Key sources include:

Academic literature: Peer-reviewed articles and books on fiscal federalism, public budgeting, and inequality, both globally and within the Nigerian context.

Government documents: Budget reports, fiscal policy statements, and revenue allocation frameworks published by the Nigerian government.

International organisations' reports: Publications from the World Bank, International Monetary Fund (IMF), and United Nations Development Programme (UNDP) on Nigeria's economic and social development.

Case studies: Existing case studies on fiscal decentralisation and public budgeting in Nigeria and other federal systems.

The use of secondary data ensures that the study is grounded in credible and verifiable sources, while also allowing for a comprehensive analysis of the research problem.

Data Analysis

The data analysis process involves thematic analysis, a widely used qualitative method for identifying, analysing, and reporting patterns (themes) within data (Braun & Clarke, 2006). Thematic analysis is particularly suited to this study as it allows for a flexible and iterative approach to interpreting complex data. The analysis is conducted in the following steps:

1. *Familiarisation with the data*: The researcher reviews all collected documents to gain a thorough understanding of the content and context.
2. *Generating initial codes*: Key concepts and ideas related to public budgeting, fiscal federalism, and inequality are identified and coded.
3. *Searching for themes*: Codes are grouped into broader themes that capture the central ideas and patterns in the data.
4. *Reviewing themes*: Themes are refined and validated to ensure they accurately represent the data.
5. *Defining and naming themes*: Each theme is clearly defined and labelled to reflect its significance in

relation to the research questions.

6. *Producing the report*: The findings are synthesised and presented in a coherent narrative, supported by evidence from the data.

Validity and Reliability

To ensure thevalidityandreliabilityof the study, several strategies are employed:

Triangulation: Data is drawn from multiple sources (e.g., academic literature, government reports, and international publications) to cross-verify findings and enhance the credibility of the results.

Thick description: Detailed descriptions of the context, processes, and outcomes of fiscal policies are provided to allow readers to assess the transferability of the findings to other settings.

Reflexivity: The researcher maintains a reflective stance throughout the study, acknowledging their own biases and assumptions and how these may influence the interpretation of the data.

Ethical Considerations

As this study relies on secondary data, ethical considerations primarily involve ensuring the proper attribution of sources and avoiding plagiarism. All sources are cited in accordance with APA 7th Edition guidelines, and the study adheres to academic integrity standards.

Limitations of the Study

While the descriptive qualitative approach provides valuable insights, it has certain limitations. First, the reliance on secondary data means that the study is constrained by the availability and quality of existing sources. Second, the study does not include primary data collection, such as interviews or surveys, which could have provided additional perspectives from stakeholders. Future research could address these limitations by incorporating primary data to complement the findings of this study.

Discussion

The theoretical framework proposed in this paper offers a comprehensive approach to addressing inequality through the integration of public budgeting and fiscal federalism. By emphasising fiscal decentralisation, equitable revenue sharing, and participatory budgeting, the framework seeks to create a more equitable and efficient allocation of public resources, particularly in federal systems like Nigeria. The application of this framework to Nigeria highlights both its potential and the challenges inherent in reforming fiscal policies in contexts characterised by weak institutions, corruption, and regional disparities. This discussion explores how the framework addresses inequality, evaluates its implications for policy, and considers the broader lessons it offers for other federal systems grappling with similar issues. The findings underscore the importance of aligning fiscal policies with principles of equity, transparency, and accountability to achieve sustainable development and social justice.

The framework's emphasis on fiscal decentralisation is particularly relevant in Nigeria, where the centralisation of oil revenues has historically undermined the fiscal autonomy of state and local governments. By empowering subnational governments to generate and manage their own revenues, fiscal decentralisation can enhance the responsiveness of public service delivery to local needs. For instance, states and local governments with greater fiscal autonomy are better positioned to invest in critical sectors such as education, healthcare, and infrastructure, which are essential for reducing inequality (Oates, 1972). However, the success of fiscal decentralisation in Nigeria hinges on addressing existing challenges, such as disparities in fiscal capacity among states and the risk of mismanagement. Strengthening the institutional and administrative capacity of subnational governments will be critical to ensuring that fiscal decentralisation translates into tangible improvements in service delivery and equity.

Equally important is the framework's focus onequitable revenue sharing, which seeks to address the systemic imbalances in Nigeria's current revenue allocation system. The concentration of oil revenues at the federal level has created a dependency on centralised transfers, which are often inequitably distributed and fail to account for the varying needs and costs of service delivery across regions (Egwaikhide, 2012). By reforming the revenue allocation formula to incorporate factors such as population size, poverty levels, and the cost of providing public services, the framework aims to promote a fairer distribution of resources. This approach not only aligns with principles of fiscal equity but also addresses the root causes of regional disparities in development. For example, states in Nigeria's northern region, which face higher poverty rates and lower access to basic services, would benefit from a more needs-based allocation system that prioritises their development challenges.

The framework's inclusion of participatory budgeting represents a transformative approach to enhancing transparency and accountability in public financial management. In Nigeria, where corruption and lack of transparency have long plagued the budgeting process, participatory budgeting offers a mechanism for citizens to engage directly in decision-making. By involving communities in setting budgetary priorities and monitoring expenditures, participatory budgeting can help to ensure that public resources are allocated in ways that reflect the needs of marginalised and disadvantaged groups (Wampler, 2007). This is particularly important in a country like Nigeria, where elite capture and political patronage often divert resources away from critical social sectors. The success of participatory budgeting in countries such as Brazil demonstrates its potential to foster greater trust between governments and citizens, while also improving the efficiency and equity of public spending (Sintomer *et al*., 2008).

However, the implementation of this framework in Nigeria is not without challenges. The country's weak institutional capacity, pervasive corruption, and political economy constraints pose significant barriers to reform. For instance, fiscal decentralisation requires not only legal and administrative reforms but also a shift in political will to empower subnational governments. Similarly, equitable revenue sharing demands accurate and reliable data on factors such as poverty levels and service delivery costs, which are often lacking in Nigeria's context. Furthermore, participatory budgeting requires a cultural shift towards greater citizen engagement and accountability, which may be difficult to achieve in a political environment characterised by mistrust and exclusion.

Despite these challenges, the framework offers a pathway for Nigeria to address its persistent inequality and achieve more inclusive development. By aligning fiscal policies with principles of equity, transparency, and accountability, the framework provides a blueprint for reforming public budgeting and fiscal federalism in ways that promote social justice and sustainable development. Moreover, the lessons from Nigeria's experience have broader implications for other federal systems, particularly in developing countries, where similar challenges of inequality, weak institutions, and fiscal mismanagement are prevalent. The framework underscores the importance of context-specific solutions that take into account the unique political, economic, and social dynamics of each country.

Fiscal decentralisation can help to reduce inequality by empowering subnational governments to take greater responsibility for public service delivery. This can lead to more efficient and responsive public services, particularly in marginalised and disadvantaged communities. However, the success of fiscal decentralisation in reducing inequality depends on the design of fiscal transfer mechanisms and the capacity of subnational governments to manage public resources effectively.

Equitable revenue sharing is critical to reducing inequality, as it ensures that resources are distributed fairly among different regions and populations. By reforming the revenue allocation formula to take into account factors such as population size, poverty levels, and the cost of providing public services, the framework seeks to promote equity and reduce regional disparities in development.

Participatory budgeting can help to address the challenges of corruption and lack of transparency in public budgeting by involving citizens in the decision-making process. This can lead to more equitable and responsive public services, as citizens are able to hold public officials accountable for their use of public resources. Participatory budgeting can also help to build trust between the government and citizens, which is essential for the success of fiscal policies.

The implications of the framework for policy are significant. In Nigeria, the framework could be used to guide reforms to the country's fiscal federalism and public budgeting processes, with the aim of reducing inequality and promoting sustainable development. This would require a commitment to fiscal decentralisation, equitable revenue sharing, and participatory budgeting, as well as the development of strong institutions and effective public financial management systems.

The proposed framework highlights the critical role of fiscal policy in addressing inequality and promoting inclusive development. By integrating fiscal decentralisation, equitable revenue sharing, and participatory budgeting, the framework offers a holistic approach to reforming public financial management in Nigeria and beyond. While the challenges of implementation are significant, the potential benefits of reduced inequality, improved service delivery, and enhanced accountability make a compelling case for adopting this approach. Future research and policy efforts should focus on addressing the institutional and political barriers to reform, while also exploring innovative mechanisms for strengthening citizen engagement and fiscal governance. Ultimately, the success of this framework will depend on the commitment of policymakers, civil society, and citizens to building a more equitable and just society.

Conclusion

This paper has explored the relationship between public budgeting, fiscal federalism, and inequality, with a focus on Nigeria. The theoretical framework proposed in the paper provides a comprehensive approach to addressing inequality through fiscal policy, by promoting fiscal decentralisation, equitable revenue sharing, and participatory budgeting. The framework has been applied to Nigeria, where it could be used to guide reforms to the country's fiscal federalism and public budgeting processes, with the aim of reducing inequality and promoting sustainable development.

However, the framework has some limitations. First, the success of fiscal decentralisation in reducing inequality depends on the design of fiscal transfer mechanisms and the capacity of subnational governments to manage public resources effectively. Second, equitable revenue sharing requires accurate data on factors such as population size, poverty levels, and the cost of providing public services, which may not always be available in developing countries. Finally, participatory budgeting requires a strong commitment to transparency and accountability, which may be difficult to achieve in countries with weak institutions and high levels of corruption.

Future research could explore the application of the framework in other federal systems, particularly in developing countries with similar challenges to Nigeria. This could provide valuable insights into the effectiveness of the framework in different contexts and help to identify best practices for reducing inequality through fiscal policy. Additionally, future research could examine the role of other factors, such as political will and institutional capacity, in the success of fiscal decentralisation and participatory budgeting.

References

Adejugbe, M.O.A. (2010). *Fiscal federalism and revenue allocation in Nigeria: The quest for equity and justice*. Malthouse Press.

Bardhan, P. (2002). Decentralisation of governance and development. *Journal of Economic Perspectives, 16*(4), 185-205. https://doi.org/10.1257/089533002320951037

Braun, V. & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology, 3*(2), 77-101. https://doi.org/10.1191/1478088706qp063oa

Creswell, J.W. & Poth, C.N. (2018). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). Sage Publications.

Egwaikhide, F.O. (2012). Fiscal federalism in Nigeria: Theory and dimensions. *Journal of Economics and Sustainable Development, 3*(14), 1-12.

Faguet, J.P. (2004). Does decentralisation increase government responsiveness to local needs? Evidence from Bolivia. *Journal of Public Economics, 88*(3–4), 867–893. https://doi.org/10.1016/j.jpubeco.2003.07.009

Lewis, P.M. (2007). *Growing apart: Oil, politics, and economic change in Indonesia and Nigeria*. University of Michigan Press.

Musgrave, R.A. (1959). *The theory of public finance: A study in public economy*. McGraw-Hill.

Neuman, W.L. (2014). *Social research methods: Qualitative and quantitative approaches* (7th ed.). Pearson Education.

Oates, W.E. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.

Okonjo-Iweala, N. (2012). *Reforming the unreformable: Lessons from Nigeria*. MIT Press.

Rodden, J. (2003). Reviving Leviathan: Fiscal federalism and the growth of government. *International Organisation, 57*(4), 695-729.

https://doi.org/10.1017/S0020818303574027

Sintomer, Y., Herzberg, C. & Röcke, A. (2008). Participatory budgeting in Europe: Potentials and challenges. *International Journal of Urban and Regional Research, 32*(1), 164-178. https://doi.org/10.1111/j.1468-2427.2008.00777.x

Stiglitz, J.E. (2012). *The price of inequality: How today's divided society endangers our future*. W.W.

Norton & Company.

Wampler, B. (2007). *Participatory budgeting in Brazil: Contestation, cooperation, and accountability*. Pennsylvania State University Press.

Wildavsky, A. (1984). *The politics of the budgetary process*. Little, Brown.

World Bank (2018). *Nigeria economic update: Fragile recovery*. World Bank.

https://doi.org/10.1596/29994