

Towards Effective Management of Government Revenue in Nigeria

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I. Introduction

Government revenue can be seen as all monies accruing to government which increase the funds over which the Treasury has control without a comparable increase in debt obligations (Taylor, 1953). There are both tax revenues and non-tax revenues. The tax revenues include taxes on income and expenditure (personal income tax and company income tax); taxes on property and capital transactions (wealth tax, estate duty, gift tax, and land revenue and stamps and registration fees); and taxes on commodities and services such as customs (import duties, export duties), excise duties, sales taxes, and other miscellaneous receipts such as taxes on foreign travel.

Non-tax revenues include grants and gifts, administrative revenues (fees, licences, fines, forfeitures, special assessments), and commercial revenues (user charges/fees on goods and services).

On the other hand, management involves the process of using resources in order to achieve stated objectives (see Anyanwu, 1989). Effectiveness in management is the degree to which stated objectives are being achieved.

Thus, effective revenue management refers to full implementation of revenue programmes and proposals aimed at efficient assessment, collection, and enforcement of revenues legally due, without unjustified cost to the government or the revenue payer in terms of money, time, and convenience. It also involves devising efficient machinery for revenue collection and optimal or judicious utilization of collected revenue. It implies revenue policy-making and execution - planning, organization, commanding, coordination, and control (Dale, 1965). Thus, the purpose of revenue management is to fully implement revenue programmes and proposals and efficiently or use optimally such revenue. In the long-run, this means collecting and utilizing all the legislated revenue with the minimum cost and maximum benefit to the citizens. In the short run, it implies optimizing the revenue collectible with the resources the government makes available to the revenue administrator. In this sense, the issues of revenue management relate to: the institutional arrangement for revenue administration, including inter-agency cooperation; the designing of an optimal revenue structure; the assessment, collection and enforcement procedures; personnel and staffing matters; compliance and fraudulent practices; and revenue maximization/availability and utilization.

The experience of Nigeria in the last decade has helped dramatize the importance of effective revenue management for sustaining growth and development and adjusting to

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unfavourable external shocks. The external shocks of the period showed up the structural weaknesses and the limited flexibility in the Nigerian economy - factors that often stemmed from her own economic policies. In essence, the last ten years or so have been critical for Nigeria in terms of both current economic conditions and prospects for future growth and development. During the 1960s and 1970s, when trade opportunities expanded and external financing was readily available, Nigeria achieved fairly high rates of growth without revenue worries. However, such growth occurred despite major policy structural weaknesses. In fact, distorted domestic prices encouraged inefficient investment decisions while large fiscal deficits led to persistently high inflation and balance of payments crises - and saddled the economy with heavy external debt.

These weaknesses became evident in the early 1980s, with the advent of a series of adverse developments in the international economy, including falling prices for primary commodities, the global oil glut and nose-diving of oil prices on the international market, rising international interest rates, slower growth in the advanced economies, and sharp reductions in the availability of external financing to the country.

The combined effect of these two sets of factors - ineffective domestic policies plus negative international economic trends - halted, or seriously eroded development. To survive, Nigeria had to design and implement the IMF backed stabilization policy, and a World Bank-supported Structural Adjustment Programme (SAP) to restore sustainable growth and development. With the introduction of SAP, effective revenue management has come to the fore and has, in fact, assumed a very significant dimension in the overall management of resources at all levels of government in the country. The aim is to increase the efficiency and effectiveness of the system both for revenue maximization and as allocative mechanism.

This paper, therefore, aims at examining and analyzing revenue management in Nigeria with a view to proffering innovative policy recommendations. The remaining plan of the paper is as follows. Section II presents the revenue structure and performance in Nigeria. Section III examines revenue management in Nigeria while section IV discusses problems encountered therein. Section V concludes the paper with some policy recommendations.

II Revenue Structure and Performance in Nigeria

From the literature of "historical", "evolutionary", "historical-evolutionary", and "empirical" approaches to revenue structure development, one discerns that revenue structure at a given time and place is dependent on: the set of available (administratively feasible) revenue bases; the level of development reached, as indicated by such factors as the degree of monetization and per capita income; social and political factors as well as cultural styles of the revenue-collecting government; the degree of urbanization; and the prevailing political interest groups and philosophies.

As table 2 shows, the taxes indicated in items 1-6 in table 1 have, over the period (1970-1988), been responsible for 80% of total government (federal and states) revenue annually. Before 1974, import duty (and hence, indirect taxes) constituted the single most important revenue source - accounting annually for an average of between 40 and 50% of total

Table 1: Nigeria's Major Taxes, 1990, Jurisdiction and Right to Revenue

Type of Tax	Jurisdiction ¹		Right to Revenue
	Law	Administration and Collection	
1. Import Duties	Federal	Federal	Federation Account
2. Excise Duties	Federal	Federal	Federation Account
3. Export Duties*	Federal	Federal	Federation Account
4. Mining Rents and Royalties	Federal	Federal	Federation Account
5. Petroleum Profit Tax	Federal	Federal	Federation Account
6. Companies Income Tax	Federal	Federal	Federation Account
7. Capital Gains Tax	Federal	Federal/States	States
8. Personal Income Tax (other than those listed in 9)	Federal	States	States
9. Personal Income Tax: Armed Forces, External Affairs Officers, Non-Residents, Residents of the Federal Capital Territory and Nigerian Police Force	Federal	Federal	Federal
10. Licences Fees on Television	Federal	Local	Local
11. Stamp Duties	Federal	Federal/States	States
12. Capital Transfer Tax (CTT)	Federal	States	States
13. Sales Tax	Federal	States	States
14. Pools Betting and Other Betting Taxes	States	States	States
15. Motor Vehicles and Drivers' Licences	States	States	States
16. Entertainment Tax	States	States	States
17. Land Registration and Survey Fees	States	States	States/Local
18. Property Taxes & Rating	States	Local	Local
19. Market and Trading Licence and Fees	States	Local	Local

¹ The peculiar status of the Federal Capital Territory has not been taken into consideration in respect of this table.

* Listed, but no longer imposed.

Source: Constitution of the Federal Republic of Nigeri and other legislations to date.

Table 1 shows the distribution of jurisdiction for the major taxes in the Nigerian tax system by 192. Items 1-8 in the table constitute the principal taxes in terms of revenue and revenue management. However, all but two of these eight taxes are under the full jurisdiction of the federal level of government which enacts the relevant tax laws as well as administers and collects the taxes. The principal tax under shared jurisdiction is the personal income tax, with the federal government being responsible for enacting the law, while each state government administers and collects the tax from residents in its territory.

government revenue. From 1974, owing to sharply increased crude oil production activity, rents and royalties and the petroleum profits tax supplanted import duties as the most important revenue sources. During this period these two oil-based taxes accounted annually for an average of about 70% of total government revenue.

Source: General Bank of Nigeria Nigeria's Principal Economic and Financial Indicators 1970-1987 1970-1990: and Economic and Financial Review (Various Years).

Type/Source	1980	1981	1982	1983	1984	1985	1986	1987	1988
1. Direct Taxes	9,161.1	6,827.3	5,608.0	4,330.9	5,581.0	7,798.8	5,880.9	13,776.1	14,090.5
a) Personal Income Tax	4.0	3.9	12.5	4.5	13.3	15.1	11.1	11.3	16.5
b) Company Income Tax	579.2	483.0	734.0	561.5	787.2	1,004.3	1,019.3	1,235.2	1,572.4
c) Petroleum Profit Tax	8,564.3	6,325.8	4,846.4	3,746.9	4,761.4	6,711.0	4,811.1	12,504.0	12,496.5
d) Other taxes (Capital Gains, Stamp Duties, etc.)	13.6	14.6	15.1	18.0	19.1	59.4	39.4	24.6	5.1
2. Indirect Taxes	1,813.5	2,535.5	2,482.7	1,985.2	1,616.0	2,183.5	2,346.9	3,540.8	4,264.1
a) Import Duties	1,407.2	1,880.9	1,801.7	1,116.8	924.0	1,199.0	1,298.7	2,722.9	3,360.1
b) Export Duties	0.1	0.3	0.3	1.1	1.0	5.6	6.8	3.5	12.8
c) Excise Duties	406.2	654.6	608.7	869.3	690.8	978.9	1,041.4	814.4	931.2
4. Less Statutory Transfers to State Revenue	3,095.3	4,670.4	4,264.4	4,274.6	4,195.2	4,965.8	4,332.6	8,970.2	11,722.2
5. Federally Retained Revenue	12,138.7	7,509.8	7,500.0	6,234.1	6,996.0	7,969.4	16,129.0	15,588.6	

Table 2 Cont'd

Table 2: Current revenue of the Federal Government (nm)

Type/Source	1961	1961	1962	1963	1964	1965	1966	1967	1968
1. Direct Taxes	144.9	451.1	624.4	852.9	3,032.5	2,966.2	3,852.4	4,263.8	5,753.7
a) Personal Income Tax	8.0	2.0	0.0	1.2	1.1	6.5	5.3	5.3	6.9
b) Company Income Tax	45.8	79.5	80.4	80.8	148.8	291.9	222.2	476.8	575.1
c) Petroleum Profit Tax	76.7	1,383.1	540.5	2,697.2	1,078.1	2,707.5	3,629.4	4,330.7	5,191.5
d) Other taxes (Capital Gains, Stamp Duties, etc.)	0.3	0.3	3.5	1.7	2.5	4.9	1.8	28.2	91.1
2. Indirect Taxes	369.3	491.0	481.1	516.2	498.3	790.7	882.8	1,142.4	1,143.9
a) Import Duties	215.5	284.8	274.4	307.9	328.3	629.4	724.3	902.2	870.6
b) Export Duties	41.2	37.7	26.9	12.3	5.6	5.8	1.9	4.2	0.2
c) Excise Duties	112.6	168.5	879.1	196.0	164.4	125.5	152.4	236.0	1,273.1
3. Other Tax Revenue	119.4	226.7	166.1	326.2	1,006.9	1,793.8	2,030.8	2,057.0	4,104.8
4. Less Statutory Transfers to States	267.9	330.8	331.0	307.3	1,643.1	1,040.0	1,142.8	1,572.5	2,044.0
5. Federally Retained Revenue	365.7	836.0	1,074.1	1,388.0	3,864.3	4,474.7	5,623.1	5,996.5	8,868.4

Table 3 Structural Changes in Federal Tax Sources, 1970-1989 (Percent)

Year	Oil			Non-Oil				Total
	PPT	Others	Total	CIT	Duties	Others	Total	
1970	18.9	-	18.9	8.9	71.9	0.3	81.1	100.0
1971	40.7	-	40.7	6.7	52.1	0.5	59.3	100.0
1972	49.9	-	49.9	7.3	42.3	0.5	50.1	100.0
1973	56.9	-	56.9	4.8	37.6	0.7	43.1	100.0
1974	80.7	-	80.7	4.5	14.4	0.4	19.3	100.0
1975	72.3	-	72.3	6.9	20.3	0.5	27.7	100.0
1976	75.6	-	75.6	5.7	18.6	0.1	24.4	100.0
1977	72.4	-	72.4	7.9	19.1	0.6	27.6	100.0
1978	60.3	-	60.3	9.3	30.0	0.4	39.7	100.0
1979	74.7	-	74.7	8.4	16.6	0.3	25.3	100.0
1980	78.0	-	78.0	5.3	16.5	0.2	22.0	100.0
1981	68.8	-	68.8	5.5	25.3	0.4	31.2	100.0
1982	66.1	-	66.1	1.6	32.0	0.3	33.9	100.0
1983	59.7	-	59.7	8.9	31.0	0.4	40.3	100.0
1984	67.0	-	67.0	8.4	24.3	0.3	33.0	100.0
1985	45.9	28.8	74.7	7.2	14.1	4.0	25.3	100.0
1986	36.8	36.8	75.9	9.0	14.0	1.1	24.1	100.0
1987	49.8	26.0	75.8	5.0	14.1	5.1	24.2	100.0
1988	45.8	30.9	76.7	5.8	15.6	1.9	23.3	100.0
1989	48.1	34.1	82.2	4.0	11.8	2.0	17.8	100.0

Source: Derived from Central Bank of Nigeria, *Annual Report and Statement of Accounts*, Various Years.

In fact, as table 3 indicates, within the structure of the federal tax, total indirect taxes declined in important from 71.9% in 1970 to a mere 11.8% in 1989. This was largely explained by the fall in import duties which declined from 41.8% in 1970 to 7.04% in 1989 (see also Ndekwa, 1991). However, the relative and hence indirect taxes was compensated by the rising relative importance of petroleum profits tax (PPT) which emerged in the 1970s as the dominant tax source. Its relative contribution to the revenue increased steadily from 18.9% in 1970 to 78% in 1980 but to 48.1% in 1989. The sharp fall in the importance of the petroleum profits tax occurred in 1985 when the petroleum profits tax law was amended to "net in" the earnings of the Nigerian National Petroleum Corporation (NNPC) and rent and royalties. The impact of that amendment was a rise in the relative share of oil revenue sources which hitherto was experiencing a declining trend. Consequently, oil revenue sources increased in relative importance to 82.2% in 1989. This structural shift from indirect to direct taxes at the federal level resulted in the cyclical decline of non-oil sources from 81.1% in 1970 to 17.8% in 1989 (see table 3). Indeed, in 1991, oil revenue's share of federal revenue was 78.1% while the non-oil source was 21.9%.

It is important to note that personal income tax is the least important source of revenue

among the eight major taxes mentioned earlier. In the two decades between 1970 and 1990, there was no single year when personal income tax revenue was up to 1% of total federal and state revenue - it was 0.2% in 1970, reaching the highest of 0.4% in 1975, thereafter its contribution has been very insignificant being less than 0.1%. The slow growth and development of the Nigerian economy since the 1980s, and the adverse consequences on incomes, largely account for the continued lack of importance of the personal income tax. Incidentally, this tax should ordinarily constitute the major vehicle for significantly internalizing the incidence of the tax system (Phillips, 1991).

When viewed from the standpoint of tax versus non-tax revenues, we discover that while the percentage share of direct tax revenue rose from 22.83% in 1970 to 45.32% in 1990 while that of indirect tax fell from 58.33% to 13.04%. On the other hand, the percentage share of non-tax revenue in total revenue rose from 18.84% in 1970 to 41.64% in 1990 (see table 4).

Table 4 Percentage Contribution of Direct, Indirect and Non-tax Revenue to Total Revenue of the Federal Government of Nigeria, 1961-1990

Year	% Share of Direct Tax Revenue	% Share of Indirect Tax Revenue	% Share of Non-Tax Revenue
1970	22.83	58.33	18.84
1971	38.61	42.03	19.32
1972	44.44	34.24	21.32
1973	50.31	30.45	19.24
1974	66.83	10.982	2.19
1975	54.22	13.79	31.99
1976	56.94	13.05	30.01
1977	60.20	14.21	25.59
1978	53.75	23.04	23.21
1979	52.73	10.48	36.79
1980	60.14	11.90	27.96
1981	56.02	20.92	23.06
1982	47.67	21.10	31.23
1983	41.21	18.89	39.90
1984	49.87	14.44	35.69
1985	53.39	14.95	31.66
1986	47.80	19.08	33.12
1987	54.74	14.10	31.16
1988	51.51	15.61	32.87
1989	52.00	11.84	36.17
1990	45.32	13.04	41.64

Source: (i) Central Bank of Nigeria, *Nigeria's Principal Economic and Financial Indicators 1970-1990*, 1990, Lagos.
(ii) Central Bank of Nigeria, *Annual Report and Statement of Accounts, Various Issues*, Lagos.

Another feature of the Nigerian tax structure (apart from the dominance of direct taxation), is that by 1989 total tax revenue of federal and state governments accounted close to one-third (33.1%) of the nation's GDP, a characteristic approximate to the situation in advanced economies such as the United States of America and the United Kingdom.

Five other interrelated features of the Nigerian revenue system can be observed from the foregoing analysis. Firstly, revenue sources have always been heavily skewed, concentrated as they are on just one or two taxes, over the past two decades. Though the locus of concentration has changed over time (from foreign trade taxation, especially import duty, to oil-based taxes), but the heavily skewed nature remains.

Secondly, the tax revenue sources have always been largely based on foreign activity - in the period after independence to 1974, tax revenues were based principally on imports, and since the mid-1970s, they have been based largely on crude oil activity, the bulk of which (annually over 90%) is export-oriented. Thus, the effective incidence of the nation's tax system is largely external rather than internal. As Phillips (1991) noted, a tax system with such an external incidence pattern is hardly one to compel fiscal responsibility and prudence on the part of government, nor encourage the citizens to keep a watchful eye on the level and pattern of government expenditure. The result is that the nation's tax system is a rather "soft" system for both the government and the citizenry.

Thirdly, the Nigerian tax system is highly unstable, dependent as it is largely on one resource: oil. It is not, therefore, surprising that the nation's economic and financial stability have suffered over the years. Such instability has operated in both directions, with sharply increased revenues and export earnings during the 1970s (owing to the oil boom of those years) and sharply reduced revenues and export earnings since the early 1980s (owing to the depression in the oil market).

Fourthly, the bulk of government revenue is collected by the federal government, making both state and local governments relatively insignificant revenue collectors. In 1990, for instance, the federal government accounted for about 86% of total government revenue collection, while the state and local governments accounted for about 11% and 3%, respectively. In fact, in every year of the period from 1970 to 1990, the federal government accounted for more than 80% of total collected revenue. Such a highly skewed pattern of revenue collection means that the principles of fiscal responsibility (that is, a government spending only revenue it has largely raised by itself) is of little practical significance in Nigeria. Only the federal level of government is in a position to raise adequate revenue within its areas of tax revenue jurisdiction for the purposes of governance - the pattern of allocation of tax powers shown in table 1 ensures this.

Fifthly, there is the deceptively advanced structure of the Nigerian tax system as reflected by the predominance of direct tax revenue and the high tax/GDP ratio. This deception is clearly exposed by the first three features discussed above. If indeed the nation's tax structure approximates those in the advanced economies, it would not be so unstable and

its effective incidence would not be so external, as it has been for many of these past years.

III Revenue Management in Nigeria

Section 27 of the Income Tax Management Act, 1961 and schedule I Sections 2(4) (6) and 78 of the Companies Incomes Tax Act, 1979 constituted the Joint Tax Board (JTB) which is vested with the administration of income tax in Nigeria. The Board's duties include:

- (a) giving advice to the Federal Government in respect of double taxation arrangements concluded or under consideration with any other country;
- (b) giving advice to the Federal Government in respect of rates of capital allowances and other taxation matters having any effect throughout Nigeria and in respect of any amendment to Income Tax Management Act;
- (c) considering and approving pension and retirement benefit schemes;
- (d) promoting uniformity both in the application of Income Tax Management Act and in the incidence of tax on individuals throughout the Federation;
- (e) exercising any other power conferred on it by the provisions of ITMA, and
- (f) performing the functions such as may be referred to it by the Federal Ministry of Finance and Economic Development in connection with the functions conferred on the FBIR in relation to companies' income tax.

The JTB also has been serving as a clearing house for tax disputes and as a forum for Heads of Inland Revenue Departments for the exchange of views.

The JTB has nothing to do with the day-to-day assessment and collection of income tax. The functions connected with the assessment and collection of tax rest with the state tax authorities.

In addition, at the federal level, the Board of Customs and Excise is the tax authority for customs and excise duties. The Board was constituted by the Customs and Excise Management Ordinance, 1958 (and its amendments). The powers and duties of the Board include the following:

- (a) The Board shall, subject to the general control of the Minister of Finance and Economic Development, be charged with the duty of controlling and managing the administration of the customs and excise laws and shall collect the revenues of customs and excise and account for them in such manner as may be directed by the Minister.
- (b) In the exercise of the powers conferred upon it, the Board shall be subject to the authority, direction and control of the Minister and any written direction, order or instruction given by him after consultation with the Chairman (of the Board); provided that the Minister shall not give any direction, order or instruction in respect of any particular person which would have the effect of requiring the Board to increase

or decrease any assessment of duty made or to be made or any relief given or to be given or to defer the collection of any duty or judgement debt due, at which would have the effect of initiating, forbidding the initiation of, withdrawing or altering the normal course of any proceedings whether civil or criminal relating either to the recovery of any duty or to any offence under the customs and excise laws.

- (c) For the purpose of carrying out or enforcing the provisions of the customs and excise laws all officers shall have the same powers, authority and privileges as are given by law to police officers.

In the exercise of its powers, the Board of Customs and Excise delegates its duties in respect of customs and excise to the Department of Customs and Excise. To carry out its functions, the Department is divided into divisions, branches, and units manned by various categories of staff.

The Import Duty Monitoring Committee works to eliminate fraud perpetrated by unpat-riotic importers some of whom have been found to lodge forged cheques and bank drafts with the Central Bank of Nigeria for payment of import duty. The Committee makes efforts to ensure optimum benefit from the new system of Import Duty Report while trying to establish a linkage between the import duty collected and the actual amount paid to the Import Duty Account in the Central Bank of Nigeria for payment of import duty. It also ascertains the perfection of import entries on the basis of import duty report issued by the pre-shipment inspectors.

The Duty Drawback Committee sees to the effective and efficient implementation of the Duty Drawback Scheme designed to encourage export of locally produced non-oil commodities.

Various other agencies are involved in tax policy and administration in the country. At the Federal level some of these agencies include, the Federal Board of Inland Revenue (FBIR), Federal Inland Revenue Department (FIRD), Federal Tariff Review Board (FTRB), Federal Ministry of Finance and Economic Development, Federal Ministry of Industries, Industrial Development Co-ordination Committee (IDCC), etc. At the state level, there are the State Board of Internal Revenue (SBIR), State Internal Revenue Departments (SIRD) and the Planning and Budget Departments. At the local level, apart from the existence of internal revenue offices, there are also tax collecting agents and local government secretaries who act also as tax authorities. At the federal level, the FBIR administers the Petroleum Tax (PPT), Companies Income Tax (CIT), Capital Gains Tax (CGT) on companies and non-residents, the Personal Income Tax (PIT) on the armed forces personnel, officers in Nigeria's foreign service and persons outside Nigeria who derive income or profits from Nigeria.

According to Companies Income Tax Act 1961 (and 1979 amendment) the duty of the Board is to raise and collect tax and account for all taxes collected in the manner prescribed by the Minister. It deals with the claims, objections and appeals of taxpayers. It assesses

all taxes within its jurisdiction while imposing penalties for unpaid taxes. It might dispose of property taken as security in satisfaction of any such tax or penalty. With the consent of the Minister, it may authorize the Joint Tax Board to exercise its powers, and might by notice in the Gazette or in writing authorize any person in or outside Nigeria to exercise its power (other than to the JTB).

The exercise of the powers of the Board, the duties to examine accounts, raise tax assessment and enforce the collection of CIT, PPT and CGT on companies and non-resident persons, are delegated to the Federal Department of Inland Revenue (FDIR). To carry out its functions, the Department is divided into divisions, branches, and units manned by various categories of staff (Omorogiuwa, 1988).

At the state level, the functions and organizational structure of the State Department of Inland Revenue (SDIR) are similar to that of the FDIR, though the type of taxes handled may not be the same. Usually, the SDIR is divided into the following sections: direct assessment, administration and accounts, collection, investigation and information, training and statistics, motor licencing, stamp duties, sales tax, capital gains tax and other revenue. The tax authority at the state level is the State Tax Board (STB) which administers all the state taxes. The composition and functions are similar in the States where it exists. In some states, the State's tax authority uses the Local Government Secretaries operating through the district and village heads to obtain tax information, serve assessment notice and collect PIT from self-employed individuals. For sales taxes, hotels or inns, and wholesalers of affected commodities, are designated collecting agents. In order to facilitate monitoring, such collecting agents are required to register with the state board of internal revenue which is empowered under the various sales tax laws to administer the tax.

In 1988, a Tariff Review Board, with strong private sector representation, was set up. The Board is responsible for considering complaints on tariffs. It is meant to serve the interest of local manufacturers in the area of protection against dumping and unfair competition. It is also meant to provide incentives for further industrial expansion into areas that are not yet known in Nigeria. The Board makes proposals to the President or adjustments in tariffs as and when necessary. In carrying out its duties, the Board, in theory, ensures that industries pass on to consumers the benefits of tariff concessions in the form of reduced prices, increased capacity utilization and creation of increased employment opportunities.

The Federal Ministry of Finance and Economic Development has responsibilities for fiscal and budgetary matters; Customs and Excise; royalties; companies income tax; Petroleum Profits Tax; statutory duties on companies; capital gains tax; personal income tax on armed forces personnel, external affairs officers, non-resident persons and the Federal Capital Territory; revenue allocation arrangements, Ministry of Finance Incorporated, Financial Incentives Approved status, Approved Users Schemes, etc.

The Federal Ministry of Industries on the other hand, is charged with the responsibilities for industrial planning research, industrial promotion, project evaluation and development, permission to establish business, incentives administration, investment management and standards.

The Industrial Co-ordinating Committee (IDCC) of the Federal Ministry of Industries, among other things, advises on policy review proposals of tariffs, excise duties, various incentive schemes and commodity pricing, as they relate to industrial development.

There is also the National Revenue Mobilization Allocation and Fiscal Commission, established by Decree No. 49 of 1989, as a permanent body charged with the following duties and responsibilities:

- (a) systematic design and effective mobilization of all sources of public sector revenues;
- (b) periodic review of the revenue allocation principles and formulae such that would minimize short-term political pressure;
- (c) prescription and application of revenue allocation formulae after due approval by the Federal Government for the purpose of sharing the Federation Account between the Federal, State and Local Governments;
- (d) monitoring the accruals and disbursement of revenue from the Federation Account, the State Joint Account, the Local Government Joint Account, the various Special Purposes Accounts and such other Accounts that may from time to time be established or designated by the Commission with the approval of the Federal Government;
- (e) ensure full compliance with established revenue sharing arrangements as well as full public accountability for all funds so allocated to various governments and/or agencies involved in the disposition of the Federation Account;
- (f) liaison with the National Planning commission and similar statutory bodies in the orderly fiscal development of each tier of government;
- (g) collaboration with all layers of government as well as their ministries, departments, agencies, and extraministerial units in the prompt, regular, and faithful production of public financial statistics;
- (h) determination of the remuneration which it may deem appropriate for political office holders such as members of the executive and legislative branches of government outside the Consolidated Account;
- (i) commissioning, undertaking or sponsoring studies, analyses and deliberations on subjects which may bear directly or impinge significantly on the policy and operation domains of federal fiscal system and inter-governmental financial relations;
- (j) making whatsoever general or specific recommendations as the commission may consider necessary for more effective mobilization, collection, allocation and distribution of federal, state and local government revenues, as well as providing guidelines for their efficient implementation; and
- (k) submitting regular and timely annual reports to the Federal Govern-

ment on its general activities over and beyond its specific recommendations or *ad hoc* submissions on particular subjects, with such annual reports also incorporating the Commission's audited accounts.

However, so far the commission has concentrated on revenue allocation functions (see Anyanwu, 1992) to the utter neglect of other functions assigned to it.

IV Problems of Revenue Management in Nigeria

One way to assess the magnitude of revenue management problems in Nigeria is to see to what extent Nigeria has satisfied the six conditions which Goode (1952) regards as essential for effective and efficient revenue management. These are: high monetization; mass literacy; the keeping of reliable and honest accounts; high voluntary compliance; favourable political climate to facilitate revenue policy measures; and an effective administrative competence and honesty. With the exception of, perhaps, the first condition (high monetization), Nigeria cannot lay any claim to a high score with respect to any of these conditions (see Mbanefoh, 1992).

The above is akin to what Kaldor (1970) referred to as the requisites to successful tax management. To him, any tax, to be administered successfully, must be appropriate to the economic, governmental, and cultural institutions of the jurisdiction in which the tax is imposed. Thus, successful administration depends upon the following requisites:

- (a) Acceptance by a large majority of the taxpayers otherwise the tax will soon degenerate into an erratic system of collecting tribute from the less powerful part of the community. There will, of course, always be a minority who are reluctant and defiant about paying taxes, and who must be dealt with and if necessary, penalized. But no government machinery can search out and penalize more than a small fraction of the community, and if tax avoidance is wholesale, government machinery must of necessity breakdown;
- (b) A body of workable concepts beginning with the definition of what is to be taxed;
- (c) Manpower - a body of personnel capable of understanding and interpreting the tax to the taxpayers, and enforcing it without fear or favour; and
- (d) Adequate administrative tools including records, maps, machines, etc. (Organization of American States et al, 1965).

It is against this background that criticisms of the Nigerian practice have focussed on two main aspects, viz: the tax structure and its administration. At the structural level, it has been argued that the tax provisions do not adequately reflect the peculiar socio-economic character, goals and problems of the nation. On the other hand, at the administrative level, it is also argued that the machinery and procedures followed in implementing the tax system are inadequate, and hence, account for the consistent low yields of some taxes and inter-group inequities (Anao, 1988).

Specifically, in spite, of recent reforms following the recommendations of the Task Force

on Tax administration in Nigeria, one is still dismayed by the fact that the number of tax agencies in the country depends largely on our colonial heritage. For instance, customs and excise duties are administered by a separate agency - the Board of Customs and Excise while income taxes are entrusted to another agency - the FBIR. Other revenues - for example, motor vehicle licences/taxes, land taxes, etc. - are left to the attention of other authorities that collect those charges as a subsidiary function. This practice calls for proper rationalization as we shall see in the next section.

In terms of assessment and collection of taxes, which are undertaken together by the appropriate agencies, one must say that it promotes co-ordination between the agencies involved, thus eliminating massive tax arrears. However, its main weakness lies in the fact that it encourages dishonesty and/or corruption. This implies that some methods should be used to encourage officials to be honest.

Confusion and lack of uniformity have resulted from the proliferation of taxes and tax laws. This proliferation of taxes - which are imposed at different or supplementary rates and involve different tax bases, different times of payment, separate returns, and separate administrative and judicial procedures - has created a pressing need in the country for a single code of tax laws and regulations that contains all the required information.

Currently, the recruitment and retention of qualified staff members constitutes serious problems in Nigeria. Low salaries, lack of training and understaffing of many categories of staff have been major factors in creating this situation. In some cases, staff turnover is high, and vacancy rates sometimes reach alarming proportions. According to findings (Ndekwa, 1988) vacancies account for about 35-40% of approved establishments of tax authorities and available evidence indicated that existing tax officials are unduly overstretched. None of the tax authorities has a comprehensive training programme on a continuing basis for the tax personnel at all levels. Also, apart from the poor conditions of service and poor prospects of advancement, the salary scale is inadequate (especially under present conditions of galloping inflation or triple digit inflation) to attract highly qualified and relevant tax personnel. Thus, vacancies continue to occur as a result of resignation arising largely from frustration and lack of job satisfaction and motivation.

Physical facilities in Nigeria are inadequate and not conducive to efficient working conditions, staff morale, or taxpayers' respect for the tax service. In addition, equipment is often not readily available, and shortages of calculators, motor vehicles, and stationery have created frequent delays in operations. It is not therefore surprising that it was found that tax departments which provide about 90% of the recurrent revenue to finance government services and some surplus for development projects and programmes are grossly ill-equipped for their operations, not only in terms of the number and quality of the tax personnel employed but also in terms of accommodation, furnishing, budgetary allocations, equipment and vehicles.

There are severe difficulties in identifying and locating individual taxpayers in Nigeria. In most cases, there are considerable differences between the number of taxpayers registered by the tax departments and the number of persons with business licences issued by other public agencies.

The existence of tax arrears is also a sure sign of the ineffectiveness of tax management. Non-compliance of public enterprises, for instance, has been widely tolerated and has often been justified by the existence of unpaid government debts. This situation calls for appropriate offsetting procedures.

The tax clearance certificates demanded by the authorities on certain occasions, though helpful in some respects, have the demerit that taxpayers are forced to experience inordinate delays and inconvenience in obtaining them, owing to the inability of the tax administration to perform the necessary checks within a reasonable time, quite apart from encouraging and institutionalizing corruption and forgeries. This situation should be avoided at all cost since it tends to generate considerable ill-will on the taxpayers' part.

In Nigeria, the litigation system is not always organized for an effective and speedy disposal of tax cases. The administrative review process is not properly developed. Furthermore, defective drafting of tax laws is often conducive to frivolous objections by taxpayers, which they file only to delay payment. Also mixed membership in appeal cases (Appeal Commissioners) which has been justified on grounds that it provides protection for taxpayers against arbitrary administration, creates an unwieldy system because it lends itself to local prejudices and domination by local cliques.

It is recognized that tax statistics provide basic data for the formulation of economic and fiscal policies. They are also an important tool for managing the revenue departments. However, in Nigeria, the statistics collected, both at the local, state and national levels, are generally inadequate, and in many cases unreliable and inconsistent. They are also not fully utilized when they are available. In addition, such statistics are not conceived - together with research, planning, programming, and budgeting activities - as an integral part of the process of supervising and improving the operations of the tax department. While the collection process is usually rather slow, it is not reviewed frequently with a view to deciding whether changes are needed.

On the question of tax payer education, the low level of literacy, the technical nature of tax procedures, and the lack of trained staff constitute major difficulties in establishing the desired level of communication between taxpayers and the tax administration in Nigeria.

Corruption and dishonesty have been a danger to tax departments in Nigeria. Low pay scales, lack of adequate internal auditing, close supervision, and disciplinary sanctions are principal factors in this current state of affairs.

It needs pointing out that tax policy to-date in Nigeria, has been used largely to generate maximum revenue for the government hence its use to either optimally allocate resources or redistribute income is yet to be emphasized. It is not surprising, therefore, that each tax authority in the country has concentrated on the manipulation of the rates and tax base than on the improvement of tax management in spite of the several recommendations of statutory bodies and economists on the matter.

There is abundant evidence to show the existence of large-scale tax evasion arising from weak tax administration in the country. Such tax evasion takes the form of income under-declaration, refusal to complete tax return forms, illegal bunkering, smuggling, fraud,

inflation of deductible expenses, etc. Also, the failure of the government to pass necessary tax legislation tends to encourage tax avoidance.

Weak administration of personal income tax has made worse the problems of imbalance in the relative tax burdens borne by the PAYE individuals and the self-employed contrary to the principles of "horizontal equity".

There are also some employers of labour who make PAYE deductions from the salaries of their employees but fail to pay the amounts into the treasury, contrary to the tax law. The same can be said of other withholding taxes.

There is currently no adequate machinery for effectively monitoring the remittance of dividends and rents to the relevant tax authority especially as the exercise involves numerous persons in each of the thirty states of the Federation.

The concentration of the responsibility of tax assessment and its revision on the same tax official exposes him to the risk of abuse of office and corruption thus rendering tax administration ineffective.

One cannot fail to mention the fact that there is a multi-dimensional lopsidedness in Nigeria's revenue structure. Firstly, the Federal Government alone accounts for about 80% of the annual recurrent revenue of all three levels of government. Secondly, about 78% of Federal revenues are now derived from crude oil taxes (the proportion was as high as 90% annually during the middle to late 1970s).

Thirdly, the bulk (about 80% annually) of revenue from oil is derived from only two levies - Petroleum Profits Tax and Mining Royalty. In addition, the state governments derive 90% of their annual revenues from the Federal source alone under the revenue allocation system which currently gives 24% of Federal revenues to the states. The local governments are almost totally dependent on revenues from the Federal sources for under the current revenue allocation system, 20% of Federal revenues go to them. One can thus say that "state and local governments are hooked tightly for revenue purposes to the Federal Government which is itself hooked to oil revenues".

Furthermore, the about 22% of its revenue which the Federal Government currently derives from non-oil sources are also lopsided for only two levies account for the bulk of that 22% viz: import duties and excise duties. Also, these two levies have narrow commodity coverage since import duty revenues accrue mainly from vehicles, electrical equipment, machinery and mechanical appliances while excise duty revenue comes mainly from beer, petroleum oil and motor spirits.

V Towards Effective Management of Government Revenue in Nigeria

From the foregoing, it is abundantly clear that revenue management should receive far greater attention than it has received in the past if the nation's revenue policy goals are to be attained. This is more so because it would be futile to try to close budgetary gaps by

raising additional revenue without making co-ordinated efforts to strengthen the revenue management. In this concluding part of the paper, we make the following proposals:

- (a) There should be a rationalization of the structure of revenue agencies based on analysis of the interrelationship among the tasks to be performed in administering the various taxes in order to permit pooling of certain services at reasonable cost, provide efficient co-ordination of assessment and collection activities, and ensure convenience for taxpayers. The designation of an undersecretary, reporting directly to the Minister and supervising all revenue departments, may be one of the best organizational arrangements to implement this objective.

Excise and related taxes need not be administered by the Customs and Excise Department, though the rationale for doing so had been that these levies are mostly collected on imports. However, as domestic production becomes more diversified, integration of the administration of income taxes with that of excises and customs duties may prove useful. An integration of this form does not mean or imply that the Customs and Excise Department should not continue to act as a collection agent for excise and customs duties for it is a task that it can perform better than any other office in the government. However, this does not preclude an internal revenue department from being entrusted with the administration - in a much broader sense than collection of these taxes, in recognition of the probable future broadening of their domestic base.

- (b) To fight excessive centralization, greater delegation of authority and decentralization are proposed. The head office of the revenue management service/authority should engage in such activities as planning, budgeting, research, statistics, internal audit, recruitment, training, legal and technical advice, appellate functions, and field audit. On the other hand, field offices should be charged with the day-to-day operations of the service/authority, viz: revenue assessment and collection. In order to improve the quality of work, and reduce the temptation to be corrupted, we recommend that the head office engages in monthly inspection visits to the field offices while requiring them to make monthly reports.
- (c) As earlier indicated, the proliferation of taxes in the country calls for an urgent need for a single code of tax laws and regulations that contains all the required information.

In addition, we propose the preparation of procedure manuals, which should contain detailed instructions and guidelines for the performance of routine tax functions. Such standards will help facilitate uniformity in the daily work of tax offices.

- (d) With respect to the staffing issue two alternative methods can be used to solve the salary problem:

- (i) Upgrading the revenue positions if salary scales must be kept uniform because of strict provisions regarding the civil service. Here, also, pay increase to selected officials and frequent upgrading of positions in line with increased responsibilities are suggested; and (ii) making the revenue department a close unit, with its own schemes of service and salary scales, on the basis that the resulting increase in the efficiency of tax officials will produce increased tax revenue.

In addition, revenue/tax schools, customs schools, financial management institutes, accounting schools and existing traditional tertiary institutions can be effectively used for training purposes. Apart from formal training programmes opportunities exist for on-the-job training for both newly recruited staff and senior officials. Such training programmes should be systematized to provide tax officials with a better understanding of the operation of the revenue/tax department as a whole, the relation of their specific jobs to the work of the department, and the requirements of their jobs.

- (e) Revenue offices should be conveniently located and provided with adequate space for efficient conduct of operations. Revenue services in a given area should be consolidated in one building or should at least be reasonably close together not only for ease of internal communications but also for the convenience of taxpayers.

Files should also be stripped of outdated material so that active files remain manageable and in good order, while old documents are moved to archives and, in due course, discarded.

- (f) To remedy the difficulty of identifying or locating individual taxpayers, general and specific surveys are proposed - for example, door-to-door canvassing and combing public and nonpublic registers, property rolls, records of new construction, membership lists of trade, merchants, and professional associations and clubs, and vehicle registrations. Exchange of information between the revenue department and other government agencies should be a routine procedure and master files established for this purpose should be kept current, on the basis of information obtained continuously from all available sources. We also propose the numbering of taxpayers at a centralized level in order to avoid duplicate numbers in identifying the same taxpayer in different areas of the country or for different taxes.
- (g) Auditing of revenue returns must be instituted and taken seriously. Due to the current inadequate number of staff, we propose an integrated auditing for closely related issues, such as company income tax, business licences, the general sales tax, and personal income taxes.
- (h) Revenue withheld on any form of activity should be remitted as

frequently as possible. Interest penalties should always be applied from the due date of the tax, making it clear to taxpayers that an "involuntary loan" from the government is not free. Given the deregulation of interest rates in the country, interest rate charged has to be the prevailing market rate. Adequate sanctions structure including civil monetary penalties and criminal penalties to deter non-compliance and fraudulent conduct of taxpayers must be strictly implemented by tax inspectors. The revenue department should collect delinquent accounts through imposition of liens on real property and garnishment of wages and salaries and similar actions, apart from distraint of property.

- (i) There is a need for an efficient appellate system not only to ensure their fair treatment for taxpayers but also to avoid backlogs that can clog revenue management. This calls for redesigning appeal procedures to satisfy these two basic principles of fairness and expediency.
- (j) Taxpayer education should be given top priority since the taxpayer should be convinced that the revenue system is being administered fairly; that the money collected is being spent wisely; and that the enforcement is adequate to deter delinquency. We recommend here, the publication of booklets explaining tax procedures, tax withholding tables, book-keeping, and requirements for filing returns. In addition, notices in newspapers and on radio and television are proposed, quite apart from providing assistance to taxpayers in meeting their filing requirements.
- (k) It is suggested that apart from having data banks, careful studies should be conducted to determine how to set up specialized units to compile statistics (apart from the shoddy job of the Federal Office of Statistics) to indicate what their location should be in the organizational structure, and to specify what type of information they should gather.
- (l) It is also suggested that an internal audit unit is an effective deterrent to collusion, bribery, and corruption. Its activities should include frequent inspections and investigations which are supported whenever needed, by severe sanctions.
- (m) Given that crude oil activity is at the root of the multi-dimensional skewness of Nigeria's revenue structure, the way out is realistic and meaningful expansion of non-oil activities and hence the diversification of the revenue base.
- (n) Nigeria's tax system should shift significantly towards indirect taxation at the Federal and State levels. In this direction, the institution of Turnover Tax on businesses should be accelerated and widened. This Turnover Tax should be made an alternative to the Companies Income Tax, in order to ensure that all companies pay some minimum tax regardless of losses or exemptions.

We should note, however, that more efficient management of existing taxes, would be instrumental in providing a considerable part of the needed additional revenue and could make unnecessary, or at least reduce the proliferation of taxes. This is because the introduction of new taxes may place such strain on an already weak administration that the quality of its enforcement activities would be further endangered. Moreover, adoption of new taxes is likely to distort the internal balance of the whole system since the rationale of the structure could soon be lost in a complex maze of taxes (Aguirre et al, 1981).

- (o) We propose that given the problems posed so far by the Tax Clearance Certificate Scheme, it should be abolished such that henceforth reliance would be placed on annual Tax Receipts which should continue to be issued automatically, as a matter of routine, immediately following the payment of personal income tax.
- (p) As a further step towards reducing tax evasion, there should be continuous effort to keep the law clear and realistic while efforts at computerization of assessment and collection are commendable though internal sabotage must be guarded against since there might be cases of feeding in the wrong information (since the output of a computerized system is never more reliable than the information fed into it) and/or destruction.
- (q) For increased taxpayer awareness, taxpayer information should be disseminated through all media while the language has to be adapted to the group of taxpayers addressed. Greater international co-operation through international exchange of information between tax authorities should be encouraged.
- (r) There is no gain-saying the fact that voluntary compliance of taxpayers will be enhanced if they see in concrete terms what the government is doing with their money. In this direction, the Government should be more prudent in its expenditure such that it can show the taxpayers the projects and services funded with their money. Thus, whenever practicable, the benefit principle of taxation should be applied as judiciously as possible.
- (s) Given the recent separation of the National Planning Commission from the Budget Office, there appears to be little room for proper co-ordination between revenue policy planning and development planning, thus negating the desire to ensure that capital allocations in the annual budget conform to the capital programmes of the plan thus facilitating plan implementation, monitoring and discipline. Given that there is no central unit for revenue policy planning in the country, we strongly recommend the setting up of a Revenue Analysis Unit, outside of the civil service structure, to constantly monitor and review the existing revenue system and revenue structure in line with the changing structure

of the economy and the overall national objectives. This will ensure continuity in revenue policy planning and forward revenue policy planning possible. Members of the group should be appointed on their individual merit, must be qualified to analyze and interpret economic development and develop and recommend to the President, revenue policies designed to achieve the overall national objectives.

The above suggestion is important since administrative apparatus is a key device for the achievement of harmonization and co-ordination of revenue policy planning and development planning. If organization and administration are not properly arranged and managed, then no matter how closely related are the objectives, strategies, policies and techniques of revenue policy planning and development planning that harmonization will not be realized. Thus, there should be greater involvement of revenue authorities in the formulation of macro-development plan so that a bold but realistic development plan is prepared. In order to ensure co-ordination between the revenue policy planning and development planning agencies, the revenue policy planning agency should officially participate and play its role in the development planning process together with the development planning agency. The two bodies should be able to resolve their differences in viewpoints in the process of development planning and incorporate their agreed strategy on revenue to better serve development planning objectives. This would help minimize the chances of deviation from strategy laid down in the development plan in the course of administrative implementation of revenue plans by the revenue planning body.

- (t) It is our view that the Revenue Mobilization, Allocation and Fiscal Commission has placed undue emphasis on revenue allocation and little or none on the revenue mobilization or generation aspect. As a permanent body, then, nothing prevents the government from integrating the proposed revenue department with this commission with an independent status such that it can effectively monitor revenue generation and have a more accurate basis for recommending revenue allocation formulae/principles.

In conclusion, one would say that effective implementation of the above recommended measures would ensure the formulation and implementation of an efficient and effective revenue management strategy consistent with national socio-economic objectives.

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Continuity and Change in Cameroon's Foreign Policy in the Post-Ahidjo Era

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Effective presence", "active participation", "open door", "diplomacy of active presence", "co-operation without frontiers" and "diplomacy of development". These are some of the terms that have been used in describing Cameroon's foreign policy since the accession of Paul Biya to the presidency on November 6, 1982.

In a world that was still mired in Cold War rivalries and ideological differences between East and West, it seemed clear from these characterizations that the President's strategy was not only aimed at continuing with the non-aligned policy of his predecessor, but perhaps more importantly, it was intended as a signal that he would be more aggressive in expanding and strengthening Cameroon's diplomatic and economic relations beyond France and the Western industrialized nations to wherever Cameroonian interests may be served and promoted.¹ In a speech to members of the National Assembly during his taking of the oath of office on November 6, 1982, the new President outlined one of his foreign policy goals in this manner: "At the world level, they are peace among nations, non-alignment* I mean authentic non-alignment* and co-operation, a new kind of co-operation which would usher in a more just and stable new world economic order."²

For that reason, therefore, Ejedepang-Koge sees the establishment of the first Cameroonian Embassy in South America (in Brazil) as evidence of the new policy.³ Despite the proposed high-profile, aggressive approach which was in sharp contrast to what some have described as his predecessor's low-key "behind-the-scenes" style,⁴ there is a consensus among scholars and observers of the Cameroon political scene that there has been no significant ideological shift in Cameroon's foreign policy. For example, William Eteki Mboumoua, the former Secretary General of the Organization of African Unity (OAU) and Biya's foreign minister from July 1984 to January 1987, remarked in 1985, that even though there was a change in style under President Biya, there had been no change in Cameroon's foreign policy since the days of Ahidjo.⁵ Ngoh agrees, noting that Biya's foreign policy has been more or less a continuation of Ahidjo's policy of "cautious diplomacy"⁶ Along the same line, Kubam and Nyamboli argue that Biya's foreign policy was essentially the product of over two decades of evolution, and a harmonious blend of continuity and change.⁷

While these statements are generally correct, however, it is important to point out that there have been some significant changes under President Biya. The main objective of this paper is to examine the extent to which President Biya has continued with or deviated from the policies of his predecessor. In so doing, we will focus on five areas: (1) Relations with France; (2) Relations with other Western Industrialized nations; (3) Relations with China and the former states of Eastern Europe; (4) Relations with Israel and the Arab countries

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