Science Arena Publications
Specialty Journal of Humanities and Cultural Science
Available online at www.sciarena.com
2016, Vol, 1 (1): 1-14

Inter-Governmental Financial Relations Problems in Nigeria

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Abstract: The general objective of this work was to find out the problems of intergovernmental fiscal relations in Nigeria. This is because reports in recent weeks have highlighted the seriousness by various stakeholders for a new revenue sharing formula. Firstly, the Revenue Mobilization Allocation and Fiscal Commission has been consulting the 36 states governors and other stakeholders on its plan to fashion a new formula for sharing the nation's revenue among the three tiers of government. Already, it has set up six teams that will visit all the states of the federation to ascertain indices for determining the new revenue allocation formula. Since the restoration of civil rule in 1999, it has been at the centre of acrimony between the federal and state governments. The 1999 Constitution is not clear on its status within the lopsided federal structure. There are 774 councils listed in the 1999 Constitution. Their functions are critical to the welfare of the local areas. But, many of them are not living up to expectation as vehicles for effective grassroots democracy and socio-economic development because they are handicapped by certain constraints which have retarded their growth and performance. Data for this study was from documentary sources. After the collection of data, the technique of content analysis was used to analyse the data in order to discovered that some of the problems o include that it has more responsibilities than the finances that comes into it, it was also discovered that the nature of State Local Government Joint Account contributes to the failure of states in carrying out its responsibilities. Based on the findings, the researchers recommended that the federal government set up a committee to investigate the current revenue/ taxing structure between the three levels of government and their responsibilities to ensure that local governments in the country have as much finances as their responsibilities. The paper concluded by positing that if these issues are not addressed, Nigeria's fiscal federalism will remain at the crossroad.
Keywords: Inter-governmental Relations, Federalism, Revenue Allocation, Fiscal Federalism, and Local Government.

Introduction

Federalism, in its modern form, has been shaped by the existing realities surrounding the concept of a market economy. Thus, the new political economy of federalism has provided refreshing ideas about federal sustenance. According to these emergent ideas, economic prosperity generated by local freedom is regard as a key factor that unites citizens on the limits of state power and also forces political actors at the national and local levels to keep within their respective spheres. This is especially so because, federalism, with its interacting levels of government, was thought to be capable of offering a way of mediating the variety of citizen preferences. The above indicates that federal relations should be considered as a reflection of economic interactions between sub federal authorities and taxpayers. Advocates of competitive federalism argue that just as economic competition produces superior benefits compared to monopolies or oligopolies, so competition between governments serving the same citizens is likely to provide citizens with better services. The mix of cooperation and competition is thus necessary, to avoid the harmful effect of conflict in areas of interdependence, and of collusive bargaining among levels of governments. The single central governments were replaced by a number of autonomous decentralized governments in different regions, individuals could then express dissatisfaction with the allocation of resources to public goods by voting with their feet: they could move to another jurisdiction offering a preferred bundle of public goods and tax liabilities.

Nevertheless, when these ideas are adapted to the practice of federalism, it could provide the best possible form of government for pluralistic societies. In retrospect, the underlying idea is that people can be different and yet beneficial to each other. Also, there are some trends pertinent to federalism and economic policy-making that are discernible and reinforce each other in a symbiotic way. These trends include, among others, the general acceptance of market economy and of federalism (at least in federal countries); global economic interdependence and integration under free-trade rules. The most crucial problem facing public institutions in Nigeria is a fiscal one, particularly the lower tiers of governments. For instance, despite the justification for the establishment of local government and its inevitable importance to the people at the grassroots level, this tier of government seems not to have justified the reasons for its existence. Over the years, the number of local governments in Nigeria has increased from what it used to be to 774 local governments. It is quite interesting to note that the proliferations in the number of local government in Nigeria and the financial control of local governments via the instrument called (state-joint local government account), has an intended consequences on social service delivery, constitutional functions, manpower training and development and the financial relationship between State Governments and local government areas; since most of the local governments are appendages of the state governments. This paper seeks to examine the problems of intergovernmental fiscal relations in Nigeria. Thus, the next section explores clarification of concepts and theoretical framework of analysis. Next are the sections exploring the sources of revenue and problems followed. The final section offered recommendation and concludes

Contextualizing Inter-Governmental Relations

Fiscal federalism belongs to one of the three theories of public finance (Ndubuisi, 2009:116). Fiscal federalism is concerned with the existence of a multilayer system of government, which necessitates corresponding division of functions and resources between different layers of tiers, such as federal, states and local governments. Akujuobi and Akujuobi (2006:16-24) assert that fiscal federalism is a function of devolution or decentralization of powers between the segments of governments. Especially in the emerging economies, where lower-tier governments are bestowed with powers under the constitution or particular laws, to raise taxes, earn income and carry out some responsibilities within clearly defined criteria (Akujuobi and Akujuobi,2006:35).

Polinsky (1970) goes beyond sheer definition of fiscal federalism to neutrality; centralized stabilization; and such other supplementary criteria as: correction of spillovers; minimum provision for essential public services; and equalization of fiscal position. Wallace Oates in Akujuobi and Akujuobi (2006:21) recommends fiscal federalism because, as he argues, not all public goods have similar spatial characteristics and preferences. In their submission, Akujuobi and Akujuobi (2006:23) maintain that true principles of fiscal federalism are not practiced in Nigeria because control of natural resources is in the hand of the central authority than within states and local governments. Eke (2007:4) corroborates the assertion and states that whereas local governments are relegated to pseudo-tier of government in Nigeria, the states and federal exercise measurable autonomous power and authority although both states and local governments are financially dependent on federation allocations.

The deplorable dangers of tokenism are much evident in the central control of resources in Nigeria under section 43; subsection 3 of the 1979 Nigerian Constitution which orders the entire property in and control of all minerals, mineral oils and natural gas in, under or upon the territorial waters and the exclusive zone of Nigeria shall rest in the government of the federation and shall be managed in such a manner as may be prescribed by the National Assembly (Constitution, 1979). To further perpetuate the odious deprivation of local assess to natural endowments and resources, the Nigerian federal government under Yakubu Gowon scrapped the derivation formula and successive administrations have tampered with it to deny the other tiers of government, equity in revenue allocation thus the continuous agitation for resource control in Nigeria.

Ejeh and Oropko(2014: 37) conceptualized intergovernmental fiscal relations as the financial relationship that exist between tiers of government. The implication of their position is that tiers of government in a federal structure enter into financial relationships which are necessary for their survival. As powers are shared among tiers of government, responsibilities are shared and thus powers regarding to the sharing of the entire wealth and utilization of the funds of the country is equally shared among the tiers of government. Ejeh and Olokpo in their work went further to state that;

Specifically, intergovernmental fiscal relation is the system of transfers or grants by which the federal government shares its revenues with states and local governments. It implies the disposition of tax powers, retention of revenue and method adopted in sharing centrally collected revenue in accordance with the constitutional responsibilities of all the levels of government (Ejeh & Olokpo, 2014:37).

They continued to posit that it covers the principles and formula for sharing the centrally collected revenue among the individual states and local governments.

According to Opeskin (1988) cited in Bello (2014: 66),the term intergovernmental relations is commonly used to refer to relations between central, regional and local governments, as well as governments between any one sphere (level) , that facilitate the attainment of common goals through co-operation. In Nigeria such relations have existed either between the federal and state government, the federal and local governments or the state and local government. According to Uche and Uche (2004:60), Fiscal federalism is essentially about the allocation of government responsibilities, as well as the sharing of revenue resources among tiers of government. Their position is based that the focus of fiscal federalism is on the sharing of the general or federal resources among the tiers of government in such a federation to enable such governmental bodies carry out their responsibilities without relying on the other tier for its functioning.

Intergovernmental fiscal relation as a concept was developed by the Americans who not only invented federalism as a system of government but as expert in the management of complexities. Anderson (1973), one of the American intellectual parents of intergovernmental relations characterized it as a term intended to designate an important body of activity or interaction, occurring between government units of all types and level within the federal system.

Oni (2013:214) in his view posited that intergovernmental fiscal relations suggest a legal arrangement describing the distribution of revenue among the different levels of government in a federal structure. In trying to strengthen his position on the subject matter, he went further to state that;

For government to fulfill its constitutional responsibilities of maintaining law and order and providing social amenities that promote citizens' well-being, governments at all levels must imperatively find a revenue base, It is the management and distribution of such revenues that forms the crux of fiscal federalism (Oni, 2013:214).

Fiscal federalism demands that each level of government should have adequate resources to perform its functions without appealing to the other levels of government for financial assistance (Wheare, 1963, cited in Ewetan, 2012:1076). The implications of Wheare's assertion is that in fiscal federalism, each level of government should possess enough resources necessary for the performance of its duties, without depending on the aid of another level of government for the performance of such duties.

Put differently, intergovernmental fiscal relations covers such issues as models, for the assignment of responsibilities and tax powers, discussions of intergovernmental spill oils and intergovernmental grants, fiscal mobility and migration, vertical fiscal imbalance and dependence macroeconomic management and fiscal decentralization.

The relationship between Nigerian central government and the States and local governments, however is federal is that it involves a decentralization (or division of power) between and among the various levels of government. Some powers are granted specifically to the national government to conduct foreign relations, to regulate inter State commerce and banking some and reserved by the states to conduct elections, to establish local government among others and some are shared held by both levels, such as to tax, to borrow money and to make laws among others. This system of governance is also referred to as "federalism".

Theoretical Framework of Analysis

Judging by the relevance of theoretical framework to empirical research, this work is principally anchored on the systems theory. This theory is imperative to this research because of its effectiveness, potency, and merit among other means for the study and understanding of social system and related phenomena.

A system may be defined as a set of social, biological, technological or material partners co-operating on a common purpose. System theory is a philosophical doctrine describing systems as abstract organizations independent of substance, type, time and space. Systems theories are connected to both ontological and epistemological views. The ontological view imply that the world consist of "systems" or "integrative levels". The epistemological view implies a holistic perspective, emphasizing the interplay between the systems and their elements in determining their respective functions. The implication of the above assertion is that every system is made up of sub-system with an integrated whole. For the system to function effectively, the sub-systems must function effectively. When any of them fails to function effectively, the entire system experiences a severe setback

The system theory assumes every organization as a system, be it financial, economical, political or religious organization having an environment. A system has goals and each part in it contributes to the goal and the parts are arranged orderly according to plan in order to achieve the goals and objective of the system.

It is interesting to note that the Systems theory was introduced by a biologist, L. Von Bertalanffy in the 1930s as a modeling devise that accommodates the interrelationships and overlap between separate disciplines. Since then, scholars like David Easton (1969) made use of the approach in his system analysis of political life, Quade in Ocheohe (1998) adopted it, Daniel Kart and Robert Khan (1966), Hicks and Qullet (1975) also used the approach in their study "The social psychology of organization". Nwankwo (1988) also adopted the systems approach in his book, "Education and Training for the public management in Nigeria". In other to be home with the subject, the study will take its leave on systems theory as pronounced by Quade in Ocheoha (1998). According to him, the interaction between a system and sub-systems within the holistic entity is seen in the interacting sub-systems. The system is the entity or the whole.

Therefore, the essence of system theory is to emphasize the fact that the various sub-systems must not only be implied in the right order and sequence, but that they must interact harmoniously and in a symbolic relationship to make the whole or the system function satisfactorily.

The system approach can be used in the diagnosis of organization and programmes. In that vein, a healthy organizational or governmental system is one in which the various sub systems interact in harmonious relationship towards the achievement of organizational objectives. An ailing or defective organization on the other hand is one in which the sub-systems are either not interacting at all or are interacting in a dysfunctional, antagonistic or antithetical relationship. Besides, if any of the sub-systems malfunctions, this has an adverse effect on the operation of the whole or entire systems, which then becomes an ailing system, because one or some of its sub-systems are defective.

The emphasizes is on the vital need for co-operation and co-ordination in the management of organization and the need for the various parts of organization to be healthy, well traced and equipped and to work in close co-operation and harmony with all its members/departments in order to achieve the desired organizational objectives and goals.

Applicability of the Theory

In relating the System's theory to our analysis or the topic under-review, states are seen here as a government/political system having local government areas as a sub-systems of which they have the public as its environment. The implication of system theory on the local government is that for there to be an effective and efficient service delivery to the people at the grass roots level, there must be a co-operation, co-ordination, healthy and a harmonious interactive financial relationship between state and local government within a federal State. If for fear, the local government begins to malfunction as a result of inadequate funding from state government; it means the essence of its establishment is defeated and the state as a political system has failed. According to the system theory, if any of the sub-system is malfunctions, this will have an adverse effect on the operation of the whole or entire systems, which then becomes an ailing system, because one or some of its sub-systems are defective. That is to say that the success of any system depends on the relationship between that system and its sub-systems.

Intergovernmental Financial Relations in Nigeria

Local government in Nigeria is a product of decentralization and is established by law. As a federal state, Nigeria has three tiers of government (federal, state and local) whose intergovernmental relations (include political, financial, judicial and administrative) are mainly established by the constitution. Each tier is required to operate within its area of jurisdiction, and any action to the contrary is null and void to the extent of its inconsistency with the law. This is meant to guarantee the autonomy of each tier. Intergovernmental relations may be defined as "the complex pattern of interactions, co- operations and inter-dependence between two or more levels of government" (Ogunna 1996: 350). According to Adamolekun (2002:60), an intergovernmental relation "is the term commonly used to describe the interactions between the different levels of government within the state." It can also be seen as "important interactions occurring between governmental institutions of all types and in all spheres" (Anderson 1960:3). It exists in all types of state but is more pronounced, complex, controversial and contentious in federal states. The level of intergovernmental relations is a determinant factor to a qualitative social-Economic development of any state.

In other to conform to the essence of inter-governmental relations so as to determine qualitative social-Economic development within the area of study, the Imo state local government edict for instance, stated that the local government councils in the State shall derive their revenue from the following sources:

- Moneys derived from development rate and any rate imposed by the local government by virtue of the provision of the edict;
- Moneys payable to a local government under the provision of any other enactment;
- Receipts derived from any public utility concern or any service or undertaking belonging to or maintained by a local government either in whole or a party;
- Moneys derived from licenses, permits, dues, charges of fees specified by any bye-law or rules made by the local government;
- Rents derived from letting or leasing of any building or land belonging to the local government;
- Statutory allocations or grant-in-aid out of the general revenue of Nigeria or the State or any other public revenue;
- Any sums of money which may be lawfully assigned to the local government;
- Interests on the investment funds of local government and so on.

As the State government has the power to specify the local government sources of revenue, it also has the power to fix amount of money charged on each item of revenue. In other words, it can reduce or increase the sources of local government revenue and the fees chargeable upon them at its pleasure.

Having outlined the main sources of the local government revenue, the State government provided a guide or a written instruction called "financial memoranda" which explains how the local government revenue would be collected and expanded. In order to control the expenditure of the local government, the State government introduced a number of measures which are biting hard on the performances of local government council in the state. Such measures include:

(1) Preparation of Annual Estimates by Local Government:

This is one of the most important instruments by which the state controls the local governments. For instance, local governments the estimates submitted to the ministry of local government in each fiscal year is always approved by the ministry at the end of that fiscal year.

The ministry of local government has the power to prune the estimates of the local government council as it pleases. In effect, some of the provisions in the estimates may be refused or reduced. This attitude of the state government was contributive factor to the failure of the local government administration in Nigeria and we must guide against a repeat performance.

(2) Allocation of Statutory Grants to Local Government:

These are allocations which the local governments receive from the federations account and as well as from the State internally generated revenue. The federal government simply remits its own allocation to the State government without caring when and how these allocations get to the local governments concerned.

Problems of Intergovernmental Fiscal Relations

The Political Bureau Inaugurated by General Ibrahim Babanida's administration in 1986, but which submitted its report in 1987, recognized the salience of the issues of the revenue allocation system in Nigeria's political life. Not only that, it acknowledges the inherent controversial nature the revenue allocation system has assumed for the past decades. In addition, it highlights the politically-driven nature of the revenue allocation system. As the Political Bureau puts it:

Revenue allocation … has been one of the most contentious and Controversial issues in the nation's political life. So contentious has the matter been that none of the formulae evolved at various times by a commission or by decree under different regimes since 1964 has gained general acceptability among the component units of the country. Indeed, the issue, like a recurring decimal, has painfully remained the first problem that nearly every incoming regime has had to grapple with since independence. In the process, as many as thirteen different attempts have been made at devising an acceptable revenue allocation formula, each of which is more remembered for the controversies it generated than issues settled (FGN, 1987:169).

Highlighting the political undercurrents of the revenue allocation system in the country, the Political Bureau notes that observations from its contributors that at the time the country's revenue was derived largely from oil palm trade, which was derived mainly from the Eastern region, the British colonial administration did not accord the principles of derivation serious consideration. When, whoever, agricultural commodities from the North and the West assumed increasing relevance, the principles of derivation was emphasized (FGN, 1986:170).

Extrapolating from this development, and further highlighting the linkage of the revenue allocation system with the hegemony in the political process, the Bureau notes that the aforementioned development underscores the linkage between regional cannot of the political and the dominant criterion for revenue allocation at any given time. It notes further:

This linkage was further underscored when, following the increasing importance of petroleum derived mainly from the Eastern States as a revenue yielding source, derivation was again de-emphasized. It was also observed from the field that the dichotomy between on shore and off-shore oil introduced at the end of the Civil War represented yet another clever political device to deprive the oil producing states of additional revenue (FGN, 1986:170).

The Political Bureau therefore notes that general "conception of revenue allocation essentially as a political rather than an economic or technical problem". It is in this context of the contestation for the control of nationally collected revenue that a significant part of the crisis in Nigerian's fiscal federalism can be properly understood. Lower levels of governments and political elites in general always capitalize on any opportunity that can enhance their share of the revenue.

From the above theses it is axiomatic to posit that the sharing of revenue among the tiers of government have continued to attract hot debates. These debates center on the issue of who gets the largest share of the revenue among the three tiers of government, hence Ndongko (1985:3) was not happy with that part of the constitution that allocates more power over finance to the government at the centre. To resolve the conflict of revenue allocation in Nigeria, Ndongko (1981:3) advocated for reduction of the power of Federal Government and decentralization in revenue sharing.

In the same vein, Sabowale (1997) argued that the Federal Government continues to hold on to the lion share of the federation account. According to Eme and Elekwa (2011), the Federal Government between 1999 and 2009 fiscal years collected a total sum of N30 trillion naira accruing to the Federation Account. According to them only 3.921trillion naira was spent on capital expenditure. Civil and Public Servants' wages gulp 8.307trillion naira. Sabowale (1997) was equally not happy with the imbalance in the sharing formula as depicted above and advised both the State and the Local Governments to intensify their drive efforts for internally generated revenue. He stated that until the two tiers become serious about this issue of revenue generation internally, the perennial trips to Aso Rock to solicit for funds will continue. He regretted that most States and Local Governments truly have very few sources of revenue hence the inequitable sharing of the funds has pushed some of these lower tiers of government to imposing illegal levies and taxes on the masses.

Egede (2002:7) shares the same view with Sabowale when he observed that the current revenue formula is characterized by obvious imbalances which placed the States and Local Governments in a disadvantaged position. According to him, some States and Local Governments do not receive enough funds to meet their monthly needs while the Federal Government has more than enough stressing more on the domination of the federal revenue by the Federal Government.

Umoh (2002:6) was equally a strong critic of the imbalance in the revenue sharing system in Nigeria. He was so disturbed that he did not mince words to describe the revenue allocation Act, cap. 16 as amended in 1990 by Decree 106, as unconstitutional. Giving reasons why the Act should be discarded, Umoh maintained that the continued reliance on the law for the purpose of sharing revenue among the federating units was a flagrant disregard of the Supreme Court Judgment on resource control and a breach of the 1999 Nigerian Constitution. Umoh said that the Revenue act was repugnant because in the past, it provided a minimum of one percent. He argued that the one percent fixed by the decree was in conflict with section 162 of the constitution. He went further to condemn the provision of Special Fund in the act because it is not provided for in the constitution. That is to say that allocation to Special Fund is unconstitutional. For Nigeria to get out of the deadlock, Umoh suggested an enactment of legislation with a new formula in accordance with section 162 of the Constitution.

In pursuance of appropriate revenue sharing formula in Nigeria, the association of Governors in Nigeria, joined in the fight against the imbalances in the allocation formula. In their own argument, the Governors, during their sixth summit in March 2001 called for a new revenue formula that would give more money to the States and Local Governments that to the Federal Government (Debo, 2002:22). In reaction to the governors' agitation, the Federal Government directed Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) to propose a new revenue formula for the country. According to Omale and Eloagu (2002:1), the Commission quietly increased States allocation to 31 percent from 24 percent while the Federal and Local Governments shares were slashed to 41.3 percent and 16 percent respectively. In response, the Governors rejected the proposed formula out-rightly and went ahead to propose one which they termed more realistic, and equitable. According to their proposal, the Federal and State Governments should receive 36 percent each, while 25 percent should go to Local Government.

The National Union of Local Government Employee (NULGE) was not left our in the pursuit for appropriate sharing formula. In their own reaction, the union nationwide condemned the proposed 16 percent allocation to Local Governments by RMAFC. They described the recommended formula as anti grass-root development (Ademola, 2002:4)

Consequently, state and local government creation and politics have for a long time become a continuation of the struggle for nationally collected revenue by other means by state governments and the political elites generally. It is in this context therefore that the most serious dimension of the crisis in Nigerian fiscal federalism can be fully understood. Specifically, the problems include but not limited to the following:

(a) The Problem of Revenue Allocation

The issue of revenue allocation has generated the most controversy in Nigeria's inter-governmental fiscal relations. The sharing of revenue among the various levels of government has remained a thorny issue, and it is perhaps, the most crucial problem confronting inter-governmental fiscal relations in Nigeria. Nwokedi (2002:56) notes accordingly; "It has been central to the socio-political tension and the bitter struggle for power between the Federal and State governments and amongst the various ethnic nationalities that constitute the Nigeria Federation".

b) Fiscal Imbalance among Various Levels of Government

We can approach this point from two perspectives. One is the fact that the federal government, as the apex, level of government controls most of the lucrative sources of revenue. It also determines the basis of the allocation of such revenue. Like Okolie and Eze (2004:34) notes: "The Federal government determines what goes to the states and the local government. This form of relationship is unequal as the federal government always allocates to itself more money than it does the other tiers".

c) Excessive Fiscal Control and Interference by Higher Levels

This is another problem of inter-governmental financial relations in Nigeria. Friction and serious tension occurs when a higher level government wields excessive fiscal control over a lower level government. For instance, state governments often tend to control the funds of local governments. The Constitution routes allocations to local governments through the states. Section 162 (5) of the 1999 Constitution spells out the modalities thus:

Any amount standing to the credit of local government councils in the Federation Account shall be allocated to the states for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly. (Nigerian Constitution, 1999:90)

Although the Constitution also mandates the states to maintain a special joint account called "State Joint Local Government Account", into which all allocations to the local government councils should be paid, state governments still exploit this constitutional provision to interfere with, and even divert local government funds for other uses. This reality is conveyed clearly by this view.

Moneys (allocations) which the states are supposed to give to the local government statutorily are not given to them and some states even divert local government allocations from state projects. This incapacitation could lead to the paralysis of economic ventures in the areas affected (Okolie and Eze, 2004:142).

Nwokedi (2002) writes that even when the Federal Government decided, at a time, to allocate funds from the Federal Account directly to the local governments in the states for the payment of primary school teachers in the states (thereby by-passing the state governments, the states went to court to challenge the action of the Federal Government. In the end, the Supreme Court ruled in the favor of the States maintaining that it was irregular for the Federal Government to allocate funds directly to the local governments. The Supreme Court insisted that such funds should be paid into the State/ Local Government Joint Account for states to disburse to their respective local governments in accordance with sub-section 5 of section 162 of the 1999 Constitution of the Federal Republic of Nigeria. The implication is that in a bid to manage State- Joint Local Government Account the state government places restrictions on the spending capacity or powers of the local governments as was witnessed in the 1988 Implementation Guide lines for Local Government Reforms. The issue know is how sincere and realistic are the states in the disbursement of funds paid into the State- Joint Local

Government Account? This seeming unhealthy financial crisis has been a cog in will progress of man-power development cum effective service delivery in local government areas.

Thus the tables below show the spending limits for local governments in Nigeria as was enshrined in the 1988 Implementation Guide lines for Local Government Reforms.

Table 1:Spending Limits for Local Government councils

Annual Internally Generated Revenue.	Limits for councils	Limits for the finance and General Purposes Committee(Subject to Governors Approval)
Below 1million	50,000	25,000
1-2 million	100.000	50,000
Above 2 million	250,000	100,000

Source: 1988 Implementation Guide lines for Local Government Reforms.

Table 2: Limits for Individual Local Government Functionaries

Annual Internally Generated Revenue.	Chairman's Limit per month.	Secretary's Limits per month.	Head of Depts.'s Limits per Month.
Below 1million	10,000	3,000	2,000
1-2 million	20,000	5,000	3,ooo
Above 2 million	50,000	10,000	5,000

Source: 1988 Implementation Guide lines for Local Government Reforms.

From table 2 above, the spending limits of either the chairman, secretary or the Head of a department will not be exceeded unless with the approval of a designated state commissioner or officer in the military Governor's office while amount above 1 million will be referred to the State Executive council for approval (Implementation Guideline 1988:8).

d) The Abysmal Operations of the State Joint Local Government Account

The state joint local governments' account first appeared in the 1976 Local Governments Reform as recommended by the commission set up for the purpose of improving and standardizing local governments' administration in Nigeria and the joint account was subsequently provided for in the 1979 Constitution. The alleged abuse of this provision by politicians in the second republic (1979-1983) was a major set-back in its use as most state governments whittled down the finances of their LGAs. It was therefore not surprising that with military take-over in the late 1983 and the suspension of the 1979 Constitution, the joint account was abolished.

The operation of the joint account later resurfaced in the 1999 Constitution and Section 162 (6) and (8) of the constitution specifically provided for it. The mode of operations of the joint account varies from one state to another and it is imperative to examine how equitable the operations are in the 36 states of the Federation.

Under the 1999 Constitution of Nigeria, the SJLGA is a special account maintained by each state government "into which shall be paid allocations to the local government councils of the state from the Federation Account and from the Government of the State" (Section162 (6), 1999 Constitution of Nigeria). The Account is meant to be a mechanism that can implement the notion of 'fiscal federalism' at the local government level in Nigeria. Section 162 of the Constitution also provides for how public revenue shall be collected and distributed among the three tiers of government in the country. The following extract outlines the key elements of section 162:

(1) The Federation shall maintain a special account to be called "the Federation Account" into which shall be paid all revenues collected by the Government of the Federation, …."

(2) The President, upon the receipt of advice from the Revenue Mobilization Allocation and Fiscal Commission, shall table before the National Assembly proposals from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density; provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the Federation Account directly from any natural resources.

(3) Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly.

(4) Any amount standing to the credit of the states in the Federation Account shall be distributed among the states on such terms and in such manner as may be prescribed by the National Assembly.

(5) The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the States for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.

(6) Each State shall maintain a special account to be called "State Joint Local Government Account" into which shall be paid all allocations to the local government councils of the state from the Federation Account and from the Government of the state.

(7) Each state shall pay to local government councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.

(8) The amount standing to the credit of local government councils of a state shall be distributed among the local government councils of that state on such terms and in such manner as may be prescribed by the House of Assembly of the state. You will quite agree with me that from 5-8 explicitly, recommends how states in Nigeria should relate with their local governments financially.

Recommendation

This paper therefore recommends that:

i. The 1999 Constitution of Federal Republic of Nigeria should be revisited, so as to make an amendment or address the sections of the constitution that ignite controversies between the states and the local government, especially the area of functions and funding of the local government. As this will be a fertile ground for inter governmental financial relations to strive.

ii. That the constitution should guarantee financial and administrative autonomy to the local government with oversight functions by the State House of Assembly. At least this will go a long way in keeping local governments abreast with the developmental projects and programmes at the grassroots level.

iii. The local governments' sources of revenue should be increased by the effort of both federal and state government to enable them carry out their constitutional responsibilities without fear or favour. local governments could help to provide rural infrastructures such as feeder roads, health centers, water and electricity, build more primary and secondary schools, establish cottage industries to mention but a few. Similarly, since it is nearer to the people, it should not be over politicized like national and state governments and therefore accountability and transparency in governance could be enthroned.

iv. The Joint State/ Local Government Accounts which is operational in most states should be expunged from the constitution due its abuse by the state government to ensure the sovereignty of local government administration in the country. The scrapping would forestall abuse of funds by state governments as allocations meant for local councils would go directly to council accounts without any interference by state governments. Because federating units or federalism in this part of the world is seen as a mere political theory to enrich the states to the detriment of good system of local government administration and grassroots development so it should be discarded.

v. Attention should be focus on equitable means of sharing public revenue to promote good governance and rapid economic development in Nigeria. If this is done, local government council will not only have enough to finance her internal projects and programs but also will remain independent of the state government.

vi. The local governments need to increase their revenue base by given more credence to internal revenue sources, particularly those areas that has not being fully and effectively exploited.

vii. The federal government should open a separate account for all the local governments in other to reach them directly with an auditor assigned to audit their accounts for purpose of checkmating financial promiscuity among the local government chairman.

Conclusion

We have so far been able to demonstrate that in Nigeria, like most of the postcolonial plural societies, federalism was introduced as an instrument of divide and rule than as a mechanism for promoting unity-in-diversity. Consequently, the debate has revolved around the central 'mobilisational orientations' of a federalist ideology in respect of whether the system has to be 'centralist', 'decentralist' or 'balanced'. This poses a major institutional design problem over the division of powers and functions at the various levels of government (federal, state, and local government). Hence the Herculean task has been how to strike a balance between opposing demands for centralization or de-centralization of power, on the one hand, and how to prevent an ethnic group or a combination of ethnic groups, or one state or a combination of states, from perpetually dominating and imposing their will on other ethnic groups.

As a result, politics, and federalism in Nigeria has become a "three-player ethnic game," between shared-rule and self-rule" where "federal principle" has become a mere rhetoric and governance, for those occupying public office not a means to serve but predominantly to enrich themselves by preserving a specific modality of "bargaining and compromise" which keeps the oil producing areas as federal market preserving areas. In other words, the contestation over federalism has fundamentally manifested itself in two principal ways—either as a quest for access and control over political power or as access to federally generated revenue. As such, federalism can perpetuate and intensify the very conflict it is designed to manage. One cannot discuss federalism outside its implications for Nigeria's socio-economic cum political development.

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