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PERSISTING DISCOURSE ON FEDERALISM AND LOCAL GOVERNMENT AUTONOMY IN NIGERIA

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Abstract

Federalism which is usually precipitated by diversity of the peoples that makeup a country as well as size is essentially about the division of a nation between and among the tiers of government in the performance of government functions. Key in any federal system is the arrangement on how the revenue of the state will be shared among the component parts. The politics of revenue allocation and resource control have been a ding-dung affair for a very long time in Nigeria. This is seen in varying agitations by different peoples of Nigeria as well as the number of various commissions and committees that have been setup to handle revenue matters since the colonial days. Local governments are essentially set up to effect delivery of basic social services to the grassroots among the geo-political entities. These services are articulated in the local government reforms of 1976 and listed in the Fourth Schedule of both 1979 and 1999 Nigerian Constitution. Unfortunately, it seemed that provisions of routine reforms (the revenue allocation formula, for example) and, especially, states' practice with regards to relationship with the local governments over the years, have tended to substantially relegate local governments to the background. This is accentuated even in the current revenue sharing formula which gives federal government 52.68%, leaving states and local governments with 26.72 and 20.60% respectively. At some point, the position of the Local Government was even being contested as a federating unit. To critically analyze the subject, this paper made use of basically secondary data. The study recommends amongst others that in order to strike a balance among the actors in the Nigerian fiscal sphere, there is need to reorganize the constitution to incorporate local governments into the federating units.

Keywords: Fiscal Federalism, Local Governments, Revenue Sharing, Financial autonomy, Nigeria.

Introduction

Federalism is essentially about the division of a nation between and among the tiers, rather than within a particular level of government in the performance of government functions. In this sense, federalism involves political, administrative and fiscal decentralization. Put simply, political decentralization entails transfer of decision-making powers to officials at the state and local levels; administrative decentralization requires the assignment of administrative functions and responsibilities to sub-federal levels of government; while fiscal decentralization involves the devolution of the state's financial resources giving the sub federal units the fiscal capacity to administer expenditure responsibilities assigned to them (Bird 2003).

It must be emphasized that the centralization of the Nigerian state was initially alluded to as one of the gravitating reasons for the failure of the first republic and one of the justifying factors of the Kaduna Nzeogwu's coup that brought in Aguiyi Ironsi as Nigeria's head of state. Though political commentators argued that the Military junta of Aguiyi Ironsi that rode on the back of decentralization of power to assume office did the exact opposite in structuring the political landscape of that period. Centralization of power no doubt was a major style of the military regimes that held sway in Nigeria's politics for over three decades. Nonetheless, Since Nigeria's renewed attempt at democratic polity 1999 (and) with enthusiasm comparable to the mood in the country on the eve of national independence in 1960 (Aina 2004), the issue of a balanced federal structure that guarantees atmosphere for the full realization of the diverse potentials of the federating units, has dominated political discourses. Nonetheless, the current federal structure seems to lack the capacity to place some control on the local governments which consequently make our federalism too limiting and constricting to the federating states.

In line with the above, this work employs the theory of power-sharing, which is justifiably employed here owe to the sharp divisions precipitated by Nigeria's pluralism, while focusing on a very significant aspect of federalism – Local Government – to affirm that Nigeria's Federalism is a pretentious façade of confused unitarism.

Fiscal federalism is a set of guiding principles and guiding concepts that help in designing financial relations between the national and sub-national levels of government (Akpan 2011). It is apparent that each unit of government within a federation exists, not as an appendage of another government, but as an autonomous entity capable of conducting its own will free from directive by any other government. Fiscal federalism refers to the realisation of tax raising powers and expenditure responsibilities between levels of governments (Orji and Jaja, 2007). Fiscal federalism concerns the division of public sector functions and finances among different tiers of government.

Concept of Fiscal Federalism

According to Elaigwu (2007), in most federal countries, one of the most constant sources of squabbles among the tiers of government has to do with securing adequate financial resources on the part of lower levels of government to discharge their political and constitutional responsibilities. According to Sagay (2006), federalism is an arrangement whereby powers within a multi-national country are shared between a federal government and component units in such a way that each unit, including the central authority exists as a government

separately and independently from others. The unit operates directly on persons and properties within its territorial area and with a will of its apparatus for the conduct of affairs and with an authority in some matters exclusive of others. Fiscal federalism on the other hand is concerned with the division of public sector function and finance among different tiers of government (Ozo – Eson, 2005). In undertaking this division, economics emphasizes the need to focus on the necessity for improving the performance of the public sector and the provision of their services by ensuring a proper alignment of responsibilities and fiscal instrument (Akindele, 2002). Perhaps the most important issue in the fiscal federalism is revenue allocation formula, which involves the sharing of national revenue among the various tiers of government and the distribution of revenue among the states and local governments. In fact, fiscal federalism is the framework for the assignment of functions and appropriate fiscal instruments to the different levels of government for carrying out these functions (Mbanefo and Egwakhide, 2009). However, Akpan (2011) sees fiscal federalism as a set of guiding principles and guiding concepts that help in designing financial relations between the national and sub-national levels of government. It is apparent that each unit of government within a federation exists, not as an appendage of another government, but as an autonomous entity capable of conducting its own will free from directive by any other government. Fiscal federalism refers to the realisation of tax raising powers and expenditure responsibilities between levels of governments (Orji and Jaja, 2007). Fiscal federalism concerns the division of public sector functions and finances among different tiers of government.

According to Aluko (2004) the objectives of fiscal relations among units in a federation include the following; to ensure correspondence between sub-national expenditure responsibilities and their financial resources (including transfers from central government) so that functions assigned to sub-national government can be effectively carried out; to increase the autonomy of sub-national government by incorporating incentives for them to mobilize revenue of their own; to ensure that the macro-economic management policies of central government are not undermined or compromised; to give expenditure discretion to sub-national government in appropriate areas in order to increase the efficiency of public spending and improve the accountability of sub-national official to their constituents in the provision of subnational services; to incorporate intergovernmental transfers that are administratively simple, transparent and based on objectives, stable non-negotiated criteria; to provide equalization payment to offset the differences in fiscal capacity among states and among local governments to ensure that they can offer sufficient amount of key public services; to incorporate mechanism to support public infrastructural development and its appropriate financing and to be consistent with nationally agreed income distribution goals.

Theoretical Justifications of the Federal System of Government in Nigeria

There are varying factor justifying the adoption of true federalism as the only acceptable state best practice for Nigeria. Nigeria as a country is a creation of European imperialism and with inherent and sustained dilemmas of negating multiculturalism therefrom. Successive political administrations in Nigeria have been struck with the challenges of maintaining system stability using suiting political structure and forms. This is owed to the persisting dilemmas of diversity burden and the residues of history therefrom. From the fought and still raging 1967-1970 Civil war to ever persisting outcry for better deal in terms of resource control, and even to ever resurging contest of the legitimacy of the Nigerian state as presently constituted.

In essence, Nigeria falls within Arendt Lijphart's (1968) badly divided society, where loyalties to divisive lines are more pronounced than loyalty to the national body. In the exact words of Horowitz (2014), the Nigerian society members in the circle thus:

> … One in which ascriptive cleavages are highly salient in politics (more salient than alternative cleavages such as social class), a few groups contend for power at the center, and there is a history of inter-ethnic antipathy. There are many such societies in Asia, Africa, the Middle East, Eastern Europe, the former Soviet Union, and the Caribbean - the regions in which ethnic conflicts tend to be most intense. In these regions, 78 countries experienced one or more serious ethnic-conflict incidents between 1980 and 2010 (Horowitz 2014:7)

Theoretically, states with these attributes are long recommended to adopt what is referred to as "consociational democracy" – a power sharing model. In simple term, consociational democracy is an enlarged federal system with concrete arrangement on power-sharing to settle the different contending factors within the political system. Lijphart offered not only the most extensive, but the most consistent interpretation and study of power-sharing in quite a variety of countries including Holland, Belgium, Switzerland, Austria and South Africa, among others.

The concept of consociational democracy as a form of enlarge federal system has to do with managing divided societies whose divisions has a higher tendency to degenerate to conflict than otherwise. This is fitting of the Nigerian political space. While most scholars have recommended this form of federalism for post-conflict settlement(Adekanye, 2007, Adekanye 1996a, 1996b, 2007), Lewis (1965) was however the first scholar in this research tradition to insist on the principle of power sharing as a useful strategy for governing Africa's severely or badly divided societies in the immediate post-independence period. The theoretical concerns are as follows:

1. How political systems that are badly divided could be made both stable and democratic. For our purpose here, the theory is employed as utilitarian in resolving conflicts which derive from crisis of governability and gross dissents due mainly from divisions and sustaining a democratisation in such a society as well. The understanding is that cleavages and fragmentation in badly divided societies owing to religious, cultural and by extension, elite dissent is inimical to democracy, as citizens tend to be mobilised along the lines of such. Therefore, the implication is that "overarching cooperation at the elite level can be a substitute for cross-cutting affiliations at the mass level" (Lijphart, 1968a: 200).

2. When a society is badly defined by differences, mutual isolation, referred to as pillarization, can be more conductive to stable democracy than a high incidence of overlapping affiliations that inform the four basic characteristics of power sharing (Lijphart, 1985; Adekanye 2007).

    a. The first is government by a grand coalition of the political leaders of all significant segments of the plural society. This would involve a 'mixed' or shared rule for this purpose. In practice, this arrangement has been popularly

invented as government of national unity, federalism, confederalism, regionalism or other forms.

b. The second is, mutual/minority veto, entailing a guarantee of minority rights.
c. Third is, proportionality, which implies some "arithmetic formula in the distribution of the stakes of 'high politics' among segmented groups, including especially those about legislative representation, civil service jobs, composition of armed and security forces, allocation of budgetary as well as developmental resources benefits" (Adekanye 1996: 39).
d. Fourth, is a high degree of autonomy for each segment. In practice, this entails a regional autonomy for the constituent groups making up the 'consociation', with the political administrative target being devolution of powers in any workable arrangement such as local self-rule and decentralization/federalism. In theory, Nigeria navigates through these four strands through is façade of federalism, federal character, states as well as geopolitical zones and rotational presidency.

The whole essence is to retain legitimacy and sustain the loyalty of the different groups that make up the state. In the final analysis, the target is to maintain stability and successful democratisation process of a plural society anchored on the commitment of the citizenry in ascribing legitimacy to the system. In practical terms and employing one form of power-sharing or political restructuring or the other, there have been many pathways and variations of critical citizenry in variegated societies. Some have been at the level of institutional and constitutional reforms from government while others have been at the front of social movements and popular uprisings against dictatorial rule and as a combination of both factors. Latin America provides quite a rich data of the pushing of democratic form by citizens in variegated climes. Bolivia, Brazil, Ecuador, Guatemala and Peru are excellent cases of democratic survival in inauspicious and gravely unstable and intractable divisions employing restructuring through a peculiar federal form. For Bolivia, democracy had experienced great instability for most of its life as an independent state (Hagopian & Mainwaring, 2005). It was able to attain democratic stability in the 1990s. It had witnessed an uprising in the past - the National Revolution of 1952-1964 - but began a series of institutional reforms in the 1990s, which was to elicit the active participation of its ethnic and culturally diverse citizens. One of these reforms was the promulgation of the Law of Popular Participation in 1993. This law was to "widen the scope of representative democracy, [and] promoting democratic state building and citizen participation" (Mayorga, 2005: 168). It involved the devolution of powers to a municipal government according it the responsibility of rural administration which includes the administration of health, education and infrastructure. In the Nigeria's case, while the local governments are eclipsed, there is even yet a deficit in State-Federal relations to the extent that Nigeria tilts more to a unitary system than a federal system.

Drawing comparative and theoretical insights from the analyses above lies a strong theoretical justification for federalism as the core if not the only route of a united Nigeria, and as such employed in this assignment as a framework for analysis.

Fiscal Federalism in Nigeria

In any federal system, there must be an arrangement on how the revenue of the state will be shared among the component parts. The politics of revenue allocation and resource control

have been a ding-dung affair for a very long time in Nigeria. The importance of fiscal federalism in Nigeria can be seen in the number of various commissions and committees that has been setup to handle revenue matters since the colonial days, as the politics of oil revenue has really made Nigeria a polarized state. In fact, with the discovery of oil, Nigeria drifted from agro base nation to oil base nation, most agro products like ground nut, cotton, palm produce, cocoa and rubber were neglected (Okeke, 2010). The basic point has remained that in all these, fiscal arrangement that can guarantee peaceful coexistence has remained a controversial one thus resulting to the demand for resource control by the oil rich states in the country (Ekpo, 2009).The controversy inherent in Nigeria's fiscal federalism, according to Eboh and Igbokwe (2006) dates back to the origin of Nigeria hence one of the main reasons for the amalgamation of Northern and Southern Nigeria in 1914 by the colonial government was to enable the colonial government reduce its subsidy on the colony of Northern Nigeria by using up the surpluses from southern Nigeria.

However, the history of fiscal federalism in Nigeria became glaring from 1940s, such that from 1948 to date, nine commissions, six military Decrees, one Act of Parliament and two supreme court judgments have been resorted to in defining and modifying fiscal interrelationships among the component parts of the federation, Egwaikhide (2008). The federal government has always been accused of taken the "lion's share" of the vertical allocation on itself and delegating more constitutional functions to the states. The 1981 Act which was signed into law and subsequently used in allocating revenues in 1982 gave 55% to the federal government and leaving the state and local government with 35% and 10% respectively (Emenuga, 2007). Under the current sharing formula, federal government takes 52.68% leaving 26.72% and 20.60% for state and local governments respectively. Political observers believe that the lion's share of the national revenue given to the federal government runs against the gains of the current global trend in federalism. Under this arrangements, state governments cannot be regarded as coordinate units with the central government, and against this background, there is a widespread clamour for the return to "true federalism" thwarted in 1967 with the creation of twelve (12) states (Ifesinachi, 2007; Emeh, 2010). In addition, this high percentage of federal government's share of the revenue is not only the main source of injustice but also the major cause of corruption, marginalization, instability and reckless agitation for restructuring in the country, Obi (2009). The high concentration of federal wealth on the federal government has culminated into the elimination of the only true principle of federal fiscal operation-principle of derivation, because it takes much away from thepeople from whose land, these resources are derived from (Nwosu, 2010).

Nyemutu (1999) observed that the factors that guide the operation of fiscal federalism include the following; Independence responsibility:- the respective tiers of government should not only be autonomous in their resources but such resources should be enough to carry out their autonomous functions; Adequacy and Elasticity:- the principle of adequacy means that the resources of the government should be adequate so that each government can discharge its obligation. Elasticity implies the expansion of resources in response to rapidly growing needs and responsibilities of the government concerned; Accountability:- every level of government should be accountable to their respective legislature for the use of resources generated within the unit; Uniformity:- the financial system should be such that every government in the system should provide adequate level of public service without resort to

higher rates of taxation than other states and Fiscal Access:- every state should have the authority to develop their sources of revenue within their own ambit.

Implication of Fiscal Federalism on Local Government Administration and Finance

Local governments are essentially set up for effective delivery of basic social services among geo-political entities. These services articulated in the local government reforms of 1976 and listed in the Fourth Schedule of both 1979 and 1999 Nigerian Constitution.

The government, in order to ensure the attainment of those objectives, was unequivocal in its recognition as the third tier of government in Nigerian Federalism, with all the necessary paraphernalia of office, most especially a grant of local autonomy. This autonomy was recognized for the first time and subsequent administrative measures in the later years enhanced the importance of and autonomy of the local governments (Nyemutu, 1999: 254). However, it seemed that other provisions of the routine reforms (the revenue allocation formula, for example) and, especially, the practice of local governments over the years, have tended to substantially withdraw much of the institutional autonomy granted them (Roberts, 1997: 33). The degree of local autonomy that exists at any time has critical implications for the ability of the local governments to generate and utilize revenue for development purposes. The implications can be positive or negative, and are normally dependent on the existing nature and structure of local government finance. Normally, Nigerian local governments mobilize their funds from external and internal sources, but the major source is from the external. The external sources include federal and state governments‟ financial transfers to local governments (grants, statutory allocations, and their share of the value added tax (VAT) receipts). It is estimated that the external sources of revenue (federal allocation) forms over 60 per cent of the total local government revenue (Onah and Okoli 2006: 213). The internal sources include property and community rates, taxes, fees and charges of various kinds. The revenue from the internal sources appears inadequate for the local governments to carry out their functions and responsibilities. This insufficient fund creates fundamental problems for local government administrators. The most severe problem facing public institutions in Nigeria is the fiscal one, particularly in local government. This problem has been provoked by a number of factors, including 'over dependence' on statutory allocations from both the state and federal governments, deliberate tax evasion by the local citizenry, creation of nonviable local government areas, differences in the status of local governments in terms of the rural-urban dimension, and inadequate revenue, inability of the local authority to think out some possible alternative sources of revenue, and restricted fiscal jurisdiction. For financially healthy local governments to exist, responsibilities and functions must be allocated in accordance with their taxing power and ability to generate funds internally. The constitutional provision that recognizes local governments' power in this regard must give them full freedom to operate and this must be well guaranteed and adequately protected. These measures, coupled with a review of the revenue-sharing formula, the granting of fiscal autonomy and fiscal discipline as well as making local government responsive, responsible and accountable to the people will set local governments free from the fiscal stress.

In Nigeria, local government expenditure has constantly surpassed the potential for revenue sources owing to the great gulf between their needs and their fiscal capacity. This has largely been caused by the incongruous nature of their revenue rights and fiscal jurisdiction with the

duties and functions constitutionally allocated to them. In other words, the nature and scope of Nigerian fiscal system or federalism with reference to tax jurisdiction and revenue allocation are progenies of the constitutional and political developments of the country per se.

There is no gainsaying the fact that in Nigeria, the degree of decentralization of expenditure is higher than the degree of decentralization of revenue thereby causing a great divergence between sources of revenue and functional expenditure obligations in the local government (Akindele and Olaopa, 2002). This means that there is a lack of the necessary symmetry hence the problems of non-correspondence or vertical fiscal imbalance.

Conclusion

There cannot be a virile and dynamic local government system without ensuring that functions assigned to local governments are properly aligned with tax-raising powers or fiscal jurisdiction, and that designated revenue rights are guaranteed and adequately protected. Local government councils in Nigeria are charged with a number of responsibilities most of which touch on the welfare and living standards of large segments of the country's population particularly those living in the rural areas. Since the 1976 reforms, however, the councils have been grappling with a plethora of problems, relating, in large measure, to the delimitation of their fiscal jurisdiction and protection of their revenue rights. There has also been a severe erosion of their fiscal autonomy. These, combined with other institutional and structural problems, have rendered them functionally impotent in the areas of revenue generation and effective service delivery. Unfortunately, the 1999 Constitution of the Federal Republic of Nigeria appears to contain provisions which are likely to worsen the hitherto shaky existence of local government councils.

It is suffice to assert that though, Nigeria is a federal state but her fiscal federalism is more unitary than federal.

Recommendations

To assure Local Government financial autonomy in the Nigerian fiscal sphere, the Constitutional arrangement must be reorganized to incorporate Local Government into the federating units. The current state in which Local Government is under the residual powers of the State under the 1999 Constitution (As amended) cannot guarantee autonomy. The Constitution should be amended to ensure that Local Government Councils get their statutory allocation directly from the federation account and not through the State Joint Local Government Account and be allowed to take charge of their own funds. The States and Local governments should be made to exploit the natural resources in their locality and pay royalty to the federal government. This is to say that fiscal federalism should emphasize more of revenue generation than allocation. Finally, derivation should be adopted as the main principle of revenue allocation. Allocation should be strictly based on equity and justice and should serve as inducement to the federating units to achieve self-generating growth. A good revenue allocation formula induces the federating units to excel in economic growth and revenue generation, and since it is based on equity and justice, it breeds peace.

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