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COURSE TITLE: INTERGOVERNMENTAL RELATIONS

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NATIONAL OPEN UNIVERSITY OF NIGERIA

MODULE 1

CONCEPTS, MODELS AND THEORIES OF FEDERALISM -

UNIT 1 EVOLUTION OF FEDERALISM

UNIT 2 MEANING AND NATURE OF FEDERALISM

UNIT 3 MODELS OF FEDERALISM

UNIT 4 RATIONALE FOR FEDERALISM

UNIT 5 THEORETICAL/IDEOLOGICAL PERSPECTIVES OF FEDERALISM

UNIT 1

EVOLUTION OF FEDERALISM

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2.0 Objectives

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3.2 Federal-Decentralized System

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1.0 INTRODUCTION

Federalism is derived from Latin word "Foedus" which means treaty or agreement. It denotes when a sovereign and independent states, either because they are too weak to resist foreign aggression individually or because they remain economically backward by standing alone. Hence, they voluntarily agree to unite. In this unit, we shall examine how federalism emerged as a system of government.

2.0 OBJECTIVES

At the end of the unit, students would be able to.

- Understand how different forms of federalism emerged; and
- Understand the dynamics of sharing powers to different levels of government.

3.0 MAIN CONTENTS

3.1 ALLIANCES AND CONFEDERATIONS

In the beginning, there was Alliance - a coalition of states agreeing to help each other in the event of war or crises. Alliances do not only involve cooperation and aggregation of capabilities, they are generally directed toward an actual or potential enemy and the actual or potential use of force. The agreement on which an alliance is based is often embodied formally in a treaty, but it can also be based on a tacit or informal understanding. Alliances can be between states that are

turned into a desire to take over and annex. Then came the confederation, a group of independent states that delegate powers on selected issues to a central government. In a confederation, the central government is deliberately limited, designed to be inherently weak, and has few independent powers(Shafritz et. Al., 2011).

3.2 FEDERAL DECENTRALIZED SYSTEM

History indicates clearly that the principal factor in the formation of federal system of government has been a common external threat. "Tribes, villages, cities, colonies or states have joined together in voluntary unions to defend themselves"(Shafritz, Russell and Bo rick, 2011:134)

Every federal state has a devised system of emergence. In some cases, in new state is created to which the hitherto sovereign states surrender their sovereignty and agree to become its component parts. Some countries call the federation that emerged as state an in case of United States of America, Nigeria, Austria, India and so on. In the case of Canada and Pakistan they are referred to as provinces; cantons in the Switzerland; Union Republics in the former Soviet Union and Lander in German Federal Republic. The central governments which come into existence as a result of that federation is entrusted with powers of general character such as: defense, currency, foreign affairs, military etc, while the constituent units are empowered with certain issues within their jurisdiction as spelt out by the constitution. Sovereignty lies on the state against external control (Ugoh, 2011:23).

3.3 CENTRAL - DECENTRALIZED SYSTEM

In this system, a federation may also come into existence when a unitary state with a large area which needs unity out of its diversity; divides its power into two sets of government and grants constitutional autonomy to its units. The system formed in this way is known as centrifugal type of federalism. The new apparatus of government comes to be the central government, which retains only those subjects of national importance, such as: currency, defense, security and transfers to rest or to the justification of component units. Both the central and component units constitute part and parcel of one governmental system and their relationships are one of partnership and collaboration in a single organization, possessing one common, alternate purposes and integrated system of institution for that purpose. The relation between the central and local authorities is not that of an omnipotent controlling authority and its agents, but of partners in an enterprise - the carrying on of efficient administration. These features can be found in Norway and Sweden (Eneanya, 2012: 252)

4.0 CONCLUSION

In this unit, we have discussed factors leading to the evolution of federalism, it could be a new state created to which other regions or states or province surrender their sovereignties and agree to become its component parts. Another pattern in which a federal system can also emerge could be when a unitary state with a large area which needs unity out of its diversity divides its power

into two sets of government and grants constitutional autonomy to its component units.

5.0 SUMMARY

Federalism is practiced by many countries. It could emerge as a result of states agreeing to surrender their sovereignties, and remaining part of the federation unit. As a political system, federalism is adopted to cater for diversities and heterogeneity of these societies. According to Wheare (1964), it is a method of dividing powers so that general and regional governments are each within a sphere, coordinate and independent.

Generally, the central government controls the subjects of national importance, while state or regional or provincial governments control subjects within their jurisdictions as allotted by the constitution of the state. The federally - decentralized and centralized - decentralized patterns are the basis of the formation of federal system of governments in various countries of the world.

6.0 TUTOR - MARKED ASSIGNMENT

1. Explain the factors that led to the emergence of federalism in Nigeria?
2. What was the factor that brought about the federal system in USA?

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MODULE 1

UNIT 2 THE MEANING AND NATURE OF FEDERALISM

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Meaning of Federalism
 - 3.2 Nature of Federalism
 - 3.3 Types of federalism
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 - 3.3.2 Cooperative Federalism
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 - 3.3.6 Centrifugal Federalism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Some scholars on federalism argue that governments within federal system have not been independent of each other but have in practice been inter-dependent and interacted with each other in a relationship of both cooperation and rivalry. Others argue that federalism involves cooperation, bargaining and conflict.

Thus, there has always been a measure of cooperation between two levels of government. In this unit, we shall examine the meaning and nature of federalism.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Understand the meaning of federalism.
- Explain the nature of federalism.

3.0 MAIN OBJECTIVES

3.1 MEANING OF FEDERALISM

Federalism has been defined differently by many scholars. Wheare (1963: 10) defines federalism as "a system where there is more than one tier of government with the tiers each within a sphere, coordinate and independent while Friedrich (1963) views it as "a process by which a number of separate political organizations, be they states or any kind of association enter into agreements for working-out solutions, adopting joint policies and making decisions on joint problems...." Ramphal (1979) describes federalism as a situation where "communities accept to live and Work together nationally on a limited number of matters and for those matters only; but are determined, at the same time, to preserve their separate identities and to remain competent authority in their own territories for the regulation of other matters".

According to Katz (1984:20) federalism "is a form of political organization designed to promote both effectiveness and liberty in which separate group (or nationalities) are united within an

Over-arching framework in such a way that all maintain their fundamental integrity". Federalism contrasts with a unitary system of government where there is one predominant central government, which assumes full powers and responsibility for all government functions and may delegate some of its power and functions to the local authority that it has created (Oates, 1972: 3 - 20).

On the other hand, federalism is sometimes confused with pluralism. Although, they share certain similarities, they are in no way identical. Federalism operates within an entity that is composed of territorially defined groups, while pluralism is not characterized by any well-defined territory. Pluralist system is a social system of politics where the state which is a gathering of private group's organizations and individuals interest represented by such associations enjoy the distribution of power. Nevertheless, these groups of interest have no territorially defined boundaries. Every pluralist society represents a multitude of diverse social interests with organized representation in political decision-making.

Thus, federalism represents a principle for the organization of decision-making in an association of groups of people within a nation - state. It possesses a relative autonomy that is constitutionally recognized. The federal system recognizes and respects the co-existence of concurrent governments as against the unitary form of government.

3.2 NATURE OF FEDERALISM

Federalism is a political system adopted to cater for diversities and heterogeneity of societies. It is designed to address the twin issues of maintaining unity, while preserving diversity.

To Wheare (1963) it is a method of dividing powers so that general and regional governments are each within a sphere, coordinate and practiced. Federalism is practiced by many countries of the world, such as: Nigeria, Australia, Canada, United States of America etc. A federal system of government is one in which powers are distributed between the centre and the states.

The constitution of a federal state is always written because it clearly spells out the powers and functions of both the central government and the state governments: the essence is to avoid conflict and control by that which may arise between these governments.

3.3 TYPES OF FEDERALISM

There are different types of federalism, namely:

- a) Dual federalism
- b) Cooperative federalism
- c) Creative federalism
- d) Competitive federalism
- e) Fiscal federalism
- f) Centrifugal federalism

3.3.1 DUAL FEDERALISM

The concept of dual federalism is set against the background of classical thinking. It represents the classical theory of federalism.

Dual federalism is based on the conception of the autonomy of

the various levels of government within a federation. This is considered the basis for the existence of true federalism.

3.3.2 COOPERATIVE FEDERALISM

Cooperative federalism is a compromise of dual federalism or true federalism. The emphasis here is on cooperation between the levels of government in a federation. Such cooperation is necessary for the proper functioning of the overlapping functions and responsibilities of these governments. As such, in cooperation federalism, the various units of government have interdependent relationship among themselves despite the constitutional division of powers and the provisions for independence and autonomy.

3.3.3 CREATIVE FEDERALISM

Creative federalism sought to foster the development of a singular "Great Society" by integrating the poor into mainstream America. Its expansive efforts were marked by the rapid development of categorical grant programmes to state and local governments and direct federal grants to cities, frequently bypassing state governments entirely.

3.3.4 COMPETITIVE FEDERALISM

Competitive federalism is characterized by regular conflictual patterns of relationship among the various government units: This is an undesirable situation since it does not promote peace and unity and is likely to slow the pace of development and self-reliance.

3.3.5 FISCAL FEDERALISM

Fiscal federalism implies the allocation of tax powers and expenditure responsibilities among various tiers of government, while fiscal decentralization takes place when sub-national governments are given statutory powers to raise some taxes and carryout spending activities within some specified legal criteria. This also involves the allocation of centrally - generated revenue to lower tiers of government through some revenue sharing formula (Ekpo, 1999). In Nigeria, this involves three tiers of government - federal, state and local. Here, fiscal federalism exists mainly as revenue allocation directed by award of special grants from federation account. To avoid conflict, revenue commissions are often established to work out the best acceptable formula for revenue allocation from federation Account.

3.3.6 CENTRIFUGAL FEDERALISM

A federalism may also come into existence when a military state with a large area which needs unity out of its diversity, divides its power into two sets of government and therefore grants constitutional autonomy to its units. The system formed in this way is known as centrifugal type of federalism. The new apparatus of government comes to be the central government "which retains only those subjects of national importance (such as currency, defense, railway, security, and transfer the rest to the jurisdiction of the other units" (Ugoh, 2011: 24). In other words, inter-government relations also exist in a unitary system of government. As Graves (1974) and Ayoade (1980) pointed out, that there are at least three levels of inter-governmental relations in a unitary system,

namely: national - local relations inter-local relations and federal centre relations.

SELF - ASSESSMENT EXERCISE

What do you understand by the concept of federalism?

ANSWER.

This is the inter relationship between the different levels
of government.

4.0 CONCLUSION

In this unit, we have discussed the meaning, nature, features and types of a federal system. Federalism as option of government has a strong appeal for communities that desire to unite for limited purposes, while retaining a large measure of autonomy. Basically, a federal system seeks to unite in a general government system with several diverse component units that desire some degree of unity without sacrificing their own identity or autonomy in local affairs.

Federal, state and local governments, the principles of federalism and its concurrent concept, fiscal federalism have been accepted in Nigeria since 1946. In this different levels of government have been allotted their functions within their jurisdiction.

6.0 TUTOR MARKED ASSIGNMENT.

(1) Describe the features of federalism.

(ii) Explains different types of federalism.

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MODULE 1: UNIT 3

MODELS OF FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Devolution Model
 - 3.2 Aggregation Model
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Federalism is a political system in which two level of government - federal and state exist side by side, with each possessing certain assigned functions. The fundamental character of this system is that it is a political system characterized by the central and component governments with distinctively recognized autonomous in its own sphere but interact with each other cooperatively. In this unit, we shall examine the forms or models in which federalism evolved.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Explain how federalism evolved through development process.

- Explain how federalism evolved through bargaining or aggregation process.

3.0 MAIN CONTENTS

There are two forms or processed federalism evolved, namely

- Devolution model or process,
- Aggregation model or process.

3.1 DEVOLUTION MODEL OR PROCESSES

An analysis of the evolution of federalism in Nigeria would show that Nigeria existed as a unitary state before it decided to reconstitute itself by devolution of governmental legislative power to other levels of government, such that these levels of government become coordinates with the central government and enjoying autonomy in the exercise of legislative, executive and administrative powers allotted by the constitution of that Country.

In Nigeria, for example, federalism originated from an entirely unitary set-up prior to the coming into force of the Richards Constitution in 1946; which also created regional councils. This marked the beginning of decentralization in Nigeria. The reason for devolution is because of the presence of strong and continuous demand for autonomy over certain local issues, especially in multinational societies with high socio-cultural

diversities. Another example of a country that was formerly unitary but devolved into a federation is Canada.

3.2 AGGREGATION MODEL OR PROCESS

This model is characterized by a bargain or agreement made among previously sovereign polities, such that each agrees to give up part of its sovereignty in order to pool its resources with the others and thereby increase the security, prestige and economic potential of the federated state as a whole. At the end of the day, a common central government is formed to take charge of certain issues of common interest to all of them. The component units, however, retain autonomy over certain issues and functional areas, especially matters relative to local government. Examples of federal- states that have emerged through this process include the United States of America, Switzerland and Australia.

SELF-ASSESSMENT EXERCISE

Describe the process in which a country emerged through devolution?

4.0 CONCLUSION

In this unit, we have examined the conceptual models of federalism. This defines the mode and character of inter-governmental relations in a federal state. The models determine the inter-relationship among the states as well as between the states and the federal government. The constitutional provisions made it possible for powers to be distributed, which would allow the entities to work separately, while still working together as a nation.

5.0 SUMMARY

This unit has discussed the processes of the emergence of federalism. The conceptual models are vital for the understanding of inter-governmental relations. Federalism as a political system binds group of states into a larger, non-centralized and superior state. Federalism can be classified into two major models based on their formation and existence. The models are the devolution and aggregation models.

The devolution model describes the situation, where a state which has existed over a period of time as a unitary state decides to reconstitute itself by devolving governmental legislative power to other levels of government in the country. Nigeria and Canada are examples of countries that emerged as a federal states through this model.

On the other hand, the aggregation model is characterized by a bargain or agreement, made among previously sovereign polities, such that each agrees to give up part of its sovereignty, in order to pool its resources with the others and increase economic development of the federated state as a whole.

6.0 TUTOR - MARKED ASSIGNMENTS

1. Describe the devolution model that characterized federal system in Nigeria.

2 . Describe the aggregation model that characterizes federal system in the United States of America.

7.0 REFERENCES

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MODULE 1: UNIT 4

RATIONALE OF FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Economic factor
 - 3.2 Political factor
 - 3.3 Institutional factor
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

The rationale for federalism continues to be relevant because not all government systems are federal. Federalism is about partial decentralization of governmental systems. Therefore in this unit there is need to examine the justification for federalism.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Understand the economic justification of federalism,
- Understand the political justification of federalism, and
- Explain the institutional bases for operating a federal system of government.

3.0 MAIN CONTENTS

3.1 ECONOMICFACTORS

The economic argument for decentralization has been partitioned into two categories, namely: the ex-ante (or theoretical) argument and the exposé (or practical) argument (Cremer et al, 1994) the extant argument can be traced to the work of Buchanan, (1950), Musgrave (1961) and Oates (1972). The theoretical economic argument for decentralization is as follows: tastes and preferences (hereafter referred to as tastes) for some public goods vary from one locality to another. Such variations in tastes can be as a result of historical and socio-economic factors. The scenario is therefore, one wherein, for some goods, there is an identical taste within each locality and variations in tastes across localities.

Simultaneously, we have a situation where in public goods differ in their spatial characteristics, particularly in terms of the spatial incidence of the benefits enjoyed. At the extreme, we have national public goods whose consumption is collective nationally. For example, national defense; and local public goods whose consumption is collective, locally, for instance, street lighting.

If the central government provides a local public good, one possibility is for this tier of government to seek information on each locality's preferences and then respond to it. Such information, however, would be costly and the central government may be reluctant to use it. The tendency, therefore, is for the central government to provide a uniform level of the good for all localities, in spite of the observed variations in tastes. The uniform provision of the local public will, in different degrees,

make some localities to over- consume, and others to under-consume the public good. If we have more than one public good, the uniform provision of each and every good to all localities could adversely affect not only the level but also the bundle of the goods that are consumed.

In order to improve the efficiency of government systems, a system has to evolve that would differentiate the provision of local public goods according to local tastes and circumstances (Woller and Phillips, 1998: 139 - 140). This requirement is met by a decentralized system of government. According to Groenewegen (1987: 366), decentralization permits better matching of public goods, supply to local tastes. This theoretical case for federalism has now been made since we have at least one function that is better performed by sub-national governments, and at least one other function that is better performed by the central government. Thus, the economic argument is that decentralization could enhance experimentation and innovation because some jurisdictions will want to explore better ways of providing their services.

3.2 POLITICAL FACTOR

Turning to political argument, decentralization can enhance political cohesion in countries with regional, ethnic, racial, linguistic or cultural diversity like Nigeria (Tanzi, 199: 301 - 302). Decentralization can also provide the opportunity for local governments to serve as training grounds for democracy. It has also been argued that stronger local or regional governments can service as an instrument for curtailing the natural tendency for the central government to become too powerful.

3.3 INSTITUTIONAL FACTOR

There is institutional argument for decentralization. Positioning at the grass roots level is not likely to be for only one good. It is likely to be for a bundle of public goods. There is then the need for effective coordination of this bundle of goods. Given their closeness to the grassroots, local governments are in a better position to achieve the desired level of coordination of local public goods than the central government (Taiwo, 2004:39)

4.0 CONCLUSION

In this unit, we have discussed the rationale of operating a federal system. Federalism entails power devolution to different geographical levels within a nation. Federalism allows for a great degree of decentralization. Federalism, therefore, can be justified on the ground of decentralization of economic, political and Institutional benefits.

5.0 SUMMARY

The unit has described the justification for operating federal system. The exercise is useful not only for the countries that have deviated from the norms of the federal system of government, but also for those that are fine turning their systems or are in transition from other government systems to federal one. The economic justification for operating a federal system stems from the logic that decentralized system of govern could enhance competition among jurisdictions or tiers of government and

enhance better ways of providing goods and services. On political argument, it can enhance cohesion in countries with regional, ethnic racial linguistics or cultural diversity.

Finally, the justification for operating federal system could be on the ground of the institutional factors. Provision of public goods can better be achieved by local governments or units.

6.0 TUTOR - MARKED ASSIGNMENTS

1. Explain the economic justification of operating a federal system.
2. Describe the political and institutional justification for operating a federal system.

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MODULE 1: UNIT 5

THEORETICAL AND IDEOLOGICAL PERSPECTIVES ON FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Theoretical Perspectives
 - 3.1.1 Federalist School
 - 3.1.2 Decentralization School
 - 3.2 Ideology of Federalism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 Reference s / Further Readings

1.0 INTRODUCTION

Federalism is a device for dividing decisions and functions of government. It contrasts with unitary system where there is one predominant central government that assumes full power and responsibility for all government functions but may delegate some of its powers to the local authority. Federalism is different from political and fiscal federalism. Whereas, political federalism deals with the allocation, usually through the instrumentality of the constitution, of powers and authority to tiers of government, fiscal federalism, on the other hand, is essentially about the allocation of government spending and resource to tiers of government.

2.0 OBJECTIVES

At the end of the unit, students would be able to

- Explain the theoretical perspectives in federal system.
- Understand the ideology the concept of federalism.

- **3.0 MAIN CONTENTS**

3.1 THEORETICAL PERSPECTIVES OF FEDERALISM

It is helpful at this point to examine some of the theoretical perspectives that have been used by experts in the field to analyze explain and predict inter-governmental events. However, it will be helpful to define what is meant by theory. A theory is a coherent set of statements describing and explaining the relationships and underlying principles of some aspect of the world. A useful (although somewhat oversimplified distinction may be made between two kinds of theory: normative theory, which offers explanations and predictions for how some part of the world actually is or ought to be.

And empirical theory, offers explanations and predictions for how some part of the world, actually is or will be. These two types are directed at quite different goals. However in the field of intergovernmental relations efforts to explain an inter-governmental system are simultaneously bound up with attempts to persuade others that certain forms of intergovernmental relations are preferable.

In other words, many intergovernmental theories have been both normative and empirical.

3.1.1 FEDERALIST SCHOOL

Moreover, federalism is seen either as alliance or decentralization (Gibson, 2004: 4 - 6). The Alliance or federalist school argues that federalism allows for the surrender of power to the centre and gives allowance for self-government. In other words, inherent in the federal armament is generalized rule and particularistic rule. Federalist school is concerned with the combination of "self-rule and shared rule". The logic is that a process of "defederation" begins when the centre gets so powerful to the extent that it erodes the powers of the other component units of the federation to run its own affairs within the constitutionally quarantined unit, without reference to the central authority. These types of federation are seen as alliance.

3.1.2 DECENTRALIZATION SCHOOL

Decentralization school view federalism as entailing power devolution to different geographical levels within a nation. This school argues that mere decentralization of power is more important to whether it is a "particular political or constitutional order". Thus, federalism allows for a great degree of decentralization. The logic is that political exigencies might make federalism desirable but power calculation and domination may make decentralization the empirical reality of powers of organization.

3.2 IDEOLOGY OF FEDERALISM

The ideologists of federalism do not, of course, utter arguments justifying the benefits that accrue to these beneficiaries. To do so would be to admit that not everyone gets something out the institution of federalism. Yet it is the nature of ideology to be a claim of universal benefit, the ideology of federalism consists of a claim that everyone gets such and such a benefit from it. Since we know, however, from the examination of beneficiaries just completed, that in fact, some people often the majority do not benefit at all, it is easy enough to spot an ideology because it is presented as a claim that everyone gets something good from the institutions of federalism (Riker, 1985:70). Let us look at some of these claims:

1. That federalism promotes democratic polity. It should be abundantly clear, just from looking at the list of federal governments, that not all of them are democracies or even pretend to be democracies, although their claim to be federations is indisputable,. Examples are: Mexico, Yugoslavia and Nigeria.
2. That federalism promotes democracy by promoting an interest in state government. However, studies conducted by Dey (1966); Jacob and Lipsky (1968) generally support the proposition that state governments are more influenced in their actions by the state of their economics than by the demands of their citizens.

Jennings and Ziegler (1970) have shown on the basis of survey research that citizens simply do not follow state politics very well. And when people do not know what a government is

doing, they cannot hold it responsible. And if they cannot hold it responsible, it can hardly be particularly democratic, especially by comparison with national and local governments, which are more visible. A general, one would expect that the greatest interest of the citizens would be centered on that level of government that does the most important things. Thus, in a centralized federation one would expect interest to centre on the national government, while in a true federation one would expect the interest to focus on the constituent governments for example, in Nigeria allegiance was on regional Governments and not the central governments.

3. That federalism maintains individual freedom. From discussion shown so far, the claim of ideologists of federalism that federal system strengthens freedom is false. Sometimes, federalism reduces freedom.

4.0 CONCLUSION

In this unit, we have discussed the theoretical perspectives and ideology of federalism. Two major schools of thought view federalism in two perspectives. The first school, the federalist school is concerned with the principle of self-rule and shared rule". The school views federalism as an alliance. On the other hand, decentralization school argues that federalism entails power devolution to different geographical levels within a nation. However, in practice federalism is a mixture of centralization and decentralization. Every nation embraces a creative proportionality of centralization and the arguments is in favour of federalism. Freedom is the right to make rules as one chooses. Rules in turn impose constraints on all those who would

Not by preference have made exactly those rules. The ideal of freedom is then to minimize the external costs suffered by some persons in the society. In aristocratic society one minimizes the external costs of the well - born; but in the equalitarian society of today, presumably one minimizes the external costs of some representative or citizen's chosen at random from the whole. The best way to minimize costs for such a citizen is to have policies made by the largest relevant unit of government. For all issues of national concern, then, maximum, freedom is attained when policy is made nationally. Conversely, for all issues of local concern, maximum freedom is attained when policy is made locally. So the claim by ideologists of federalism that the system strengthens freedom is thus false. Indeed federalism weakens freedom (Riker, 1985:71).

5.0 SUMMARY

Federalism allows for the surrender of power to the centre while allowing self-governments. Given to human nature, power serves as instrument of state craft. Those with power allow different centers of power to perform certain responsibilities in order to accommodate heterogeneous nature of the state. Inherent of such constitutional arrangement is to make way for nation-building.

Beyond the potentials for managing diversities and conflictual relations, there is also an economic imperative of federalism. This calls for the decentralization of decisions-making and the distribution of state powers between governmental levels. Necessitating this is the different nature of public goods, which warrants the handling of their production and distribution.

A concurrence to the conceptualization and theories is the idea of federalism as a national polity with dual or multiple level of government, exercising exclusive authority over constitutionally determined policy areas, but in which only one level of government - the central government is sovereign before international community's (Gibson, 2004).

In general, therefore in any federal system, but especially in asymmetrical ones, like Nigeria or United States, federalism weakens freedoms. So, the claim of the ideologists of federalism that the system strengthens freedom is thus false.

6.0 TUTOR - MARKED ASSIGNMENTS

1. Describe the theoretical perspectives of federalism?
2. Explain the ideology of federalism?

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MODULE 2:

DYNAMICS OF INTER-GOVERNMENTAL RELATIONS

UNIT 6 MODELS OF INTERGOVERNMENTAL RELATIONS

**UNIT 7 STRUCTURES AND PATTERNS OF INTERGOVERNMENTAL
RELATIONS**

UNIT 8 FEDERAL-STATE-LOCAL GOVERNMENT RELATIONS

UNIT 9 STATE-LOCAL GOVERNMENT RELATIONS

UNIT 10 CONFLICT IN INTERGOVERNMENTAL RELATIONS

UNIT 6

MODELS OF INTER-GOVERNMENTAL RELATIONS

1.0 Introduction

2.0 Objectives

3.0 Main contents

3.1 Coordinate-authority Model

3.2 Inclusive-authority Model

3.3 Overlapping-authority Model

4.0 Conclusion

5.0 Summary

6.0 Tutor - Marked Assignments

7.0 References/further Readings.

1.0 INTRODUCTION

In inter-government relations, it is important we examine how a group of states are bound into a larger, non-centralized and superior state. The inter-governmental relations may be classified into three conceptual models. We can formulate some simplified models of authority relationships among national, state and local jurisdiction. In this unit, we shall examine the features of intergovernmental relations arrangement.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Understand the authority relationships that exist between political entities;
- Understand how the models can be used to formulate hypotheses;
- Understand that by testing these hypotheses, we can discover which model best fits predictions of inter-governmental relations policies.

3.0 MAIN CONTENTS

There are three models that express visually the three generic types of authority relationship that can exist between political entities namely: coordinate - Authority model; inclusive authority model. (Wright 1985: 58 - 65) overlapping - Authority model. Each model concentrates on the essential features of a possible Intergovernmental Relation arrangement and guides us in formulating hypotheses. Testing these hypotheses we can

discover which model best fits the political system being operated(Wright, 1985:59):

3.1 THE COORDINATE - AUTHORITY MODEL

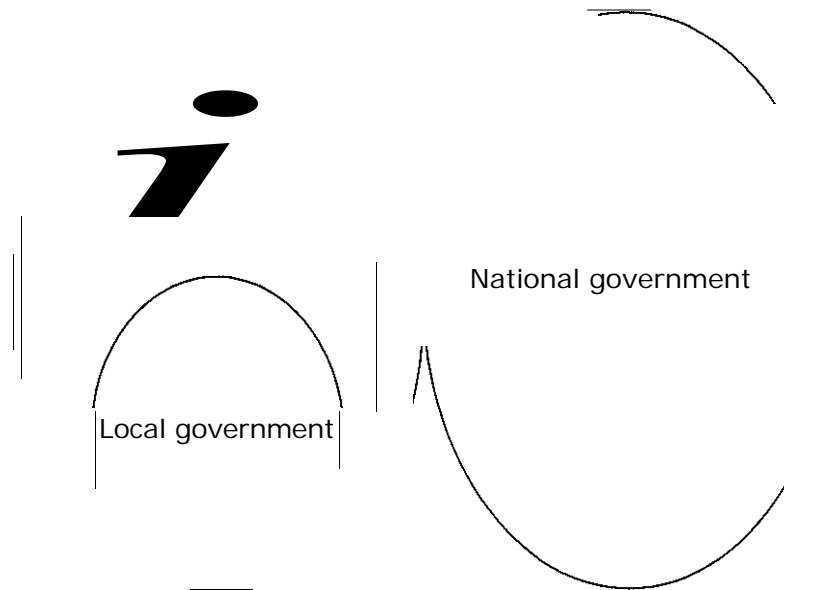


Fig. 1: Coordinate Authority Model

In the coordinate-authority model of Intergovernmental Relation, sharp, distinct boundaries separate the national government and state governments. Local units, however, are included within and are dependent on state governments.

The most classic expression of state/local relations is Dillon's Rule, which summarizes the power relationship between the states and their localities quoted in (Otole, 1985:58):

1. There is no common-law right of local self-government.
2. Local entities are creatures of the state subject to creation and abolition at the unfettered discretion of the state (barring constitutional limitations)
3. Localities may exercise only those power expressly granted.
4. Localities are "mere" tenants at the will of the legislature.

This, coordinate - authority model, therefore, implies that the two types of entities are independent and autonomous. They are linked only tangentially.

However, when the respective spheres of action put the national government and the state in conflict, they ceased to be tangential and clashed directly. In such case, the Supreme Court becomes the arbiter of national/ state relations.

3.2 THE INCLUSIVE - AUTHORITY MODEL

This model is represented in fig. 2 by concentric circles diminishing in size from national to state to local government(Wright, 1985:59):

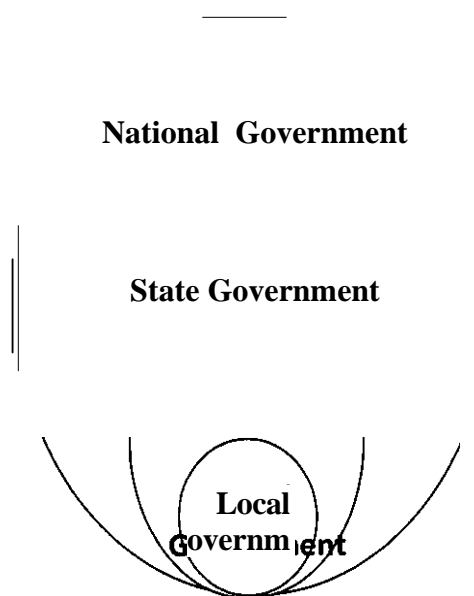


Fig. 2: Inclusive - Authority Model

Let us suppose that the area covered by each circle represents the proportion of power exercised by that jurisdiction with respect to others. Suppose the national government wants to expand its proportion of power in relation to states and localities, two 'strategies are possible;

- One, reduce the various powers of either the states or localities or both; or
- Two, enlarge the national government's circle with or without enlarging the state and/or local circles.

Both strategies can be understood by means of game theory: a systematic way of studying behavior in decision making situations.

The theory assumes that all participants strive to optimize their behavior - each trying to maximize gains and minimize losses within the limits of allowed behavior (hence the analogy with games). The outcome is seen to depend not only on the behavior of any one participant but on the responses of other participants as well.

In the first strategy, is the classic case of a three - person, zero - sum game? The sum of the player's winnings equals the sum of their losing. An illustration of this in the Intergovernmental Relation contexts is the usury case in USA and the legislation requiring state and local units to meet minimum wage and maximum hour requirements. The national government attempted to exercise (expand) its power at the expense of

state/local powers. The gain in national power equaled the power or discretion lost by state and local units. Thus, the national gains equaled state/local losses.

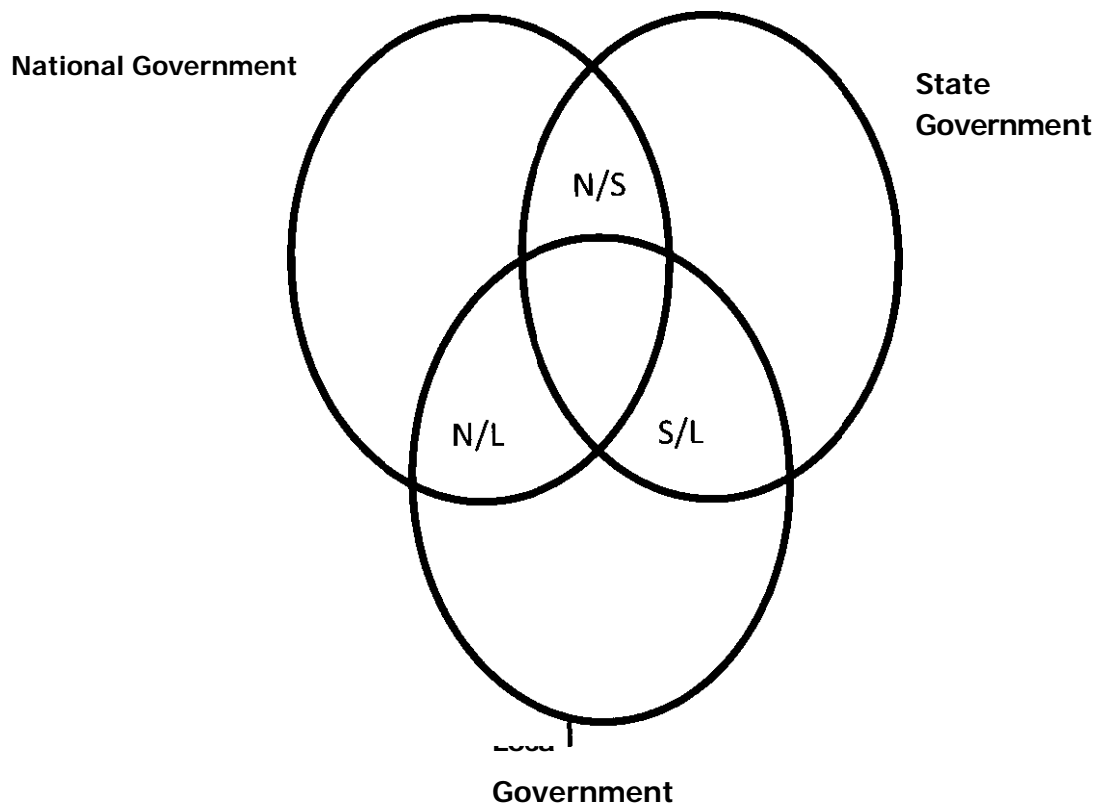
In game theory, the second strategy is called a "non-constant - sum game. All participants in this type of game can "win" or make gains. Perhaps the best Intergovernmental Relation illustration of the second strategy is fiscal: the conditional grant - in - aid. The national sector can expand by raising more money to offer and grants to states and local governments. The funds can be offered with conditions ("losses") imposed on the recipients. But the benefits (winnings) are so attractive that they appear to outweigh the attached constraints. From these examples of the two strategies, we would expect national Intergovernmental Relation policies to lean far more toward the strategy - such as grants in aid. The strategy assumes that the total resources ("winnings") can be expanded.

However, the inclusive - authority model serves other uses besides allowing predictions of Intergovernmental Relation policies. The model also conveys the essential hierarchical nature of authority. The dependency relationships imply powers patterns that are similar to Dillon's rule for state/local relations. That is, states and localities would be mere minions of the national government with insignificant or incidental impact on American politics and public policy. To the question of who governs, this model provides an unequivocal answer - the national government.

3.3 THE OVERLAPPING - AUTHORITY MODEL

The overlapping - Authority Model of Intergovernmental Relation comes from the early 1970s and from efforts by the Nixon administration to innovate and decentralized decision - Making in categorical grant - in - aid programmes (Wright, 1985:59):

Overlapping - authority model is illustrated in Fig. 3 as below:



The overlay among the circles conveys three characteristics features of the model:

1. Substantial areas of governmental operations involve national, state and local units (or officials) simultaneously;

2. The areas of autonomy or single-jurisdiction independence and full discretion are comparatively small;
3. The power and influence available to anyone's jurisdiction (or official) is substantially limited. The limits produce an authority pattern best described as bargaining.

Bargaining is used in common dictionary sense of "negotiating the terms of a sale, exchange, or agreement". In the Intergovernmental Relation context, sale is far less relevant than exchange or agreement. For example, the national government offers more than 1000 assistance programmes to states and localities in exchange for their agreement to implement a programme; carryout a project, or pursue anyone of a wide variety of activities. Off-course, as part of the bargain, the recipient of assistance must usually agree to conditions, such as; the providing of matching funds and the satisfaction of accounting, reporting, auditing and performance requirements.

In sum, the chief characteristics of the overlapping - authority models are:

- Limited, dispersed power
- Interdependence
- Limited areas of autonomy
- Bargaining - exchange relationships
- Cooperation and competition

Contacts and exchanges between national, state, and local officials may be cooperative or competitive; the determining factors include: the policy issue or problem, the status of the officials, the partisan leanings of participants, and the constituency being represented.

4.0 CONCLUSION

In this unit, we have examined the coordinate - authority model; inclusive - authority model and overlapping - authority model. In the coordinate - authority model is sharp, distinct boundaries which separate the national government and state government. In this model, there is autonomy in authority pattern and the relationship is independent.

The inclusive - authority model allows for predictions of inter-governmental relations policies. The model conveys the essential hierarchical nature of authority. The relationship is dependent on power patterns between the federal and state/local relations. That is, states and localities are mere minions of the federal government with insignificant impact on politics and public policy. The over-lapping authority model depicts that substantial areas of governmental operations involves national, state and local units (or officials) simultaneously. In this model, relationships are interdependent and authority pattern involves bargaining.

Bargaining in wide areas of Intergovernmental Relations involves exchanges or agreements.

However, each model, by concentrating on the essential features of a possible Intergovernmental Relations arrangement guides us in formulating hypotheses of-course; no two models will generate identical sets of hypotheses. However, by testing these hypotheses, we can discover which model best guides the Intergovernmental Relations policies.

5.0 SUMMARY

Fiscal Federalism is essentially about the allocations of government spending and resources to the various tiers of government. From a theoretical perspective, the nature and character of Intergovernmental Relations could be conceptualized in terms of three dominant models: separated authority, overlapping authority and inclusive authority models (Ozumba, et al (eds.); 1999).

The separated authority model expects peripheral linkages between component parts, while inclusive authority model postulate close federal supervision and control to assure that national purpose is served. The overlapping model is often considered more realistic because federalism is a system of government where all the laws passed by all the tiers of government affect all the people depending on the state and local government area in which they live.

6.0 TUTOR - MARKED ASSIGNMENTS

- i) Describe the relevance of overlapping authority model of intergovernmental relations in Nigerian federal system?
- ii) Explain how inclusive - authority models can be applied in intergovernmental relations in Nigeria?

7.0 REFERENCES/FURTHER READINGS

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UNIT 7

STRUCTURES OF FEDERAL AND INTER-GOVERNMENTAL RELATIONS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Federal Structure
 - 3.1.1 Features of Federal System
 - 3.2 Intergovernmental Structure
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Federalism is practiced by many countries of the world. As a political system, it was adopted to cater for diversities and heterogeneity of these societies. Federalism simply refers to a division of power between national, state and local governments. In this unit, we shall examine the structure and patterns of Federal system.

2.0 OBJECTIVES

At the end of the unit, students should be able to ;

- Explain the structure and of federal system

- Relate the structures and patterns that are operative in the Nigeria federal system

3.0 MAIN CONTENT

3.1 FEDERAL STRUCTURE

The federal structure of governmental offers the more defined platform for the operations of inter-governmental relations. In federal system, Elekwa (1995) in Ikejana - Clark and Okoli (eds.) identify six levels of inter-governmental relations namely:

- 1 Federal - state relations
 - i Federal - state - local relations
 - Federal local relations
 - iv. State - local relations
 - v. State - state relations and
 - vi. Local - local relations

The levels of enumerated above represent both vertical and horizontal relations. Ayoade (1980) also defines inter-governmental relations as comprising nine patterns;

- i Federal - state
 - Federal - local
 - Federal - civic groups
- iv. State - state
- v. State - local
- vi. State - civic groups
- vii. Local - local
- viii. Local - civic groups, and
- ix. Inter-civic groups.

From this pattern, it could be seen that four new levels have been added to former structure, namely; federal - civic groups, state - civic groups, local - civic groups, and inter - civic groups (civic - civic). This structure excluded "federal - state - local relations". Despite these differences, the core levels of inter - governmental relations present within a federal structure are represented (Ogbuishu, 2007).

3.1.1 FEATURES OF A FEDERAL SYSTEM

A federal system of movement is one in which powers are distributed between the centre and the states. The constitution of a federal state is always written and spells out the power and functions of central, state and local governments. The essence in to avoid conflict and controversy that may arise between these levels of government. Thus, federal system is characterized by the following:

- i Division of powers - separation of powers between the federal, state and local governments. The constitution provides for the distribution of powers between these levels of governments.
 - Supremacy of the constitution - the constitution is supreme and any laws from the state or local governments that are inconsistent with the constitution are null and void.
 - Bicameral legislature - the federal system legislature is often patterned according to bicameral system. That is, the federal systems consist of two houses - the upper house and the lower House.

- iv. Written and rigid constitution - the federal constitutions of most states are often written and rigid. It means that the constitution cannot be altered with a simple majority vote.
- v. Greater central control - superiority of the centre in practice.

3.2 INTERGOVERNMENTAL STRUCTURE

Intergovernmental relations structures are almost always designed to accommodate differing communities of interest - social, ethnic, and political- as the boundaries of governments often possess, or soon acquire, symbolic meanings for communities that identify with them. Sometimes, a community is so dominated by one ethnic group that this impacts their intergovernmental relations - with other levels of government. Thus, the people of Quebec, because of their strong French cultural identity, have been able to get special advantages from the Canadian national government. Alternatively, ethnically dominated communities in other countries have complained that they get fewer resources from their national government because of their minority status

4 CONCLUSION

In this unit we have examined the structure; pattern and features a federal system. The structure and patterns are such that the central government is entrusted with powers of general character, which concern the nation as a whole. The other levels of governments, state local governments are given powers within their jurisdictions, as spelt out by the constitution. Neither of the two can encroach upon the jurisdiction of the centre.

SELF - ASSESSMENT EXERCISE

Describe the structure and pattern of federal system in Nigeria.

5 SUMMARY

We have noted the structures and patterns of political systems offers more defined platform for the operations of inter-governments relations.

The unitary structure and pattern could take the form of nation - local relations or inter-local relations. The federal structure and pattern could be: federal - state, federal - local, federal - state - local, state - state, state - local, local - local. These patterns represent both vertical and horizontal dimensions.

However, the federal, state - level patterns reflect Nigeria federal system. The pattern is cooperative, coordinative and mutually beneficial to different levels of government.

6 TUTORS - MARKED ASSIGNMENT

1. Describe the structure and pattern of inter-government relations in a federal system.
2. Explain the structures and patterns that are operative in Nigeria federal system.

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MODULE 2: UNIT 8

FEDERAL - STATE - LOCAL GOVERNMENT RELATIONS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Federal-State and Local Government Relations
 - 3.2 Collection of Taxes
 - 3.3 Mechanism for Managing Federal-State and Local Government Relations
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

In most federal countries, there exists a strong centre, while preserving the diversity reflected in individual states. In Nigeria, federal and state governments exist side by side, with each possessing certain assigned functions. In this unit, we shall discuss federal - state - local government relations.

2.0 OBJECTIVES

At the end of the unit, students should be able to explain:

- The powers of federal state and local governments and
- How conflicts between the two levels of government are resolved.

3.0 MAIN CONTENTS

In federal systems, devolution of power between the central and component units is to design issues that concern the federal and others of common interest. Presently, Nigeria is highly centralized as the central government had enormous powers conferred on it by section 4, sub-section 5 of 1999 constitution. By this, the federal government is constitutionally granted two sets of legislative powers, namely: those contained in the exclusive list and those contained in the concurrent list. Besides, laws made by states can be overridden by federal laws if there is a conflict. The federal government exercises statutory responsibility by the creation of new local governments.

3.1 FEDERAL - STATE AND LOCAL GOVERNMENT RELATIONS

Finance is the most critical policy issues in intergovernmental fiscal relations. The issues concerning fiscal relations among the constitutional units of the Nigerian federation that remain mostly unresolved are the divergence between assigned functions and tax powers; the principle of horizontal and vertical revenue allocation; dependence of state and local governments on the federal sources of funding; the tendency towards concentration and federal presence in the state (Mbanefo, 1998).

As the federal - state and local governments have powers under the concurrent list on collection of taxes, there were overlaps in tax and levy collection by various tiers of government necessitating a new schedule of taxes being published for all tiers Of government.

3.2 COLLECTION OF TAXES

According to the new schedule of 1999 constitution, the federal government is empowered to collect the following taxes (Eneanya, 2009: 254):

- Company income tax
- Petroleum profit tax;
- VAT
- Education tax•
- Capital gains tax;
- Stamp duties of corporate entities ;
- Personnel income tax of armed forces;
- Foreign affairs;
- Police;
- Residents of the federal capital territory of Abuja.

State governments are empowered to collect the following taxes;

- Personal income tax;
- Withholding and capital gains tax
- Stamp duties from individuals;
- Road taxes;
- Development levy; and
- Business premises and registration

Local governments are to collect the following taxes;

- Levy on shops and kiosks;

- Slaughter fees;
- Marriage, birth and death fees;
- Motor park fees;
- Cattle tax;
- Radio and television tax; and
- Advertisement tax.

There was another fiscal amendment in 1999 arising from the 1994 - 95 constitutional conference as a prelude to the 1999 constitution, which increased the list of items on the exclusive list from 66 in 1979 to 68 in 1999 and not less than 13% of proceeds from natural resources (offshore production proceeds commenced in March 2000).

3.3 MECHANISM FOR MANAGING FEDERAL STATE AND LOCAL GOVERNMENT RELATIONS

However, under the federal system, a number of administrative mechanisms are often devised to manage intergovernmental relations. In Nigeria, a number of meetings and conferences with administrative standing committees, constitutional boards, council or commissions have been associated with federal, state, local or interstate constitutions (Eneanya, 2009: 255).

With the emergence of democratic governance, since 1979, management of inter-governmental relations has followed these dimensions (Eneanya, 2009: 256 - 7):

- i The use of national economic council and national council Of states;

- li Crucial role of courts in resolving inter-governmental disputes of supreme court ruling mollifying the revenue allocation act of 1981 and the dispute at the supreme court between the Lagos State government and the federal government over creation of new local councils.
- iii. The role of national and state assemblies in their inter-Governmental relations, example, the assembly of speakers and the position of the national assembly in resolving Federal - state - local governments' revenue sharing formula;
- iv. The impact of political parties' competition in the Management of inter-governmental relations. Elected officials of various parties now align to resolve inter-governmental conflicts.
- v. The reactions of citizens to the activities of public officials who operate at different levels of government, especially the support given to officials on inter-governmental conflicts.

All these conferences and meetings were aimed at managing inter-governmental relations in order to minimize areas of conflict.

4.0 CONCLUSION

In this unit, we have been able to discuss the inter-governmental relationship. Evidently, the principle underlying the devolution of power in federal systems is to design matters of common interest and concern to the federal government. Basically, certain matters are contained in the exclusive list, such as: foreign affairs defense, external trade, interior, etc. the state and local

governments are assigned to perform matters in the concurrent and residual lists, respectively.

However, crisis often arise especially in financial relationships. A number of administrative mechanisms are often devised to manage inter-governmental relations. Through, the relationships often face some hiccups, more efforts should be made to allow true federalism emerge.

SELF - ASSESSMENT EXERCISE

Describe the fiscal relationships between the federal, state and local governments

5.0 SUMMARY

Evidently, intergovernmental relations between the federal, state and local governments have witnessed the introduction of administrative mechanism for managing conflicts; there has been a lot yet to be achieved in fiscal relationships. In the area of fiscal relations, the federal government levies and collects variety of taxes on behalf of the entire country which goes into a pool called the federation account. The lower tiers, states and local governments are responsible for taxes that are inelastic. Though, revenue allocation formulas were adopted, the high degree of centralizing federal collected revenues and this constituting 90 percent, has created room of agitation for the review by state and local governments. There is an urgent need therefore, for an overhaul of the revenue allocation formula for peaceful relationships between federal, state and local governments.

The federal - state - local government transactions are adjudged cooperative and mutually beneficial when higher levels respect the constitutional prescriptions outlining their respective Jurisdictions and functional areas.

On the other hand, conflictual inter-governmental transaction are likely to arise when higher levels of government employ their superior position to interfere in their affairs of lower levels of government. However the possibility that a lower level governmental unit could initiate conflictual situations by Venturing into areas outside their jurisdictional allocations.

6.0 TUTOR - MARKED ASSIGNMENTS (TMAS)

1. Describe the mechanism for *managing* federal, state and local relations
2. Mention five areas of collecting taxes by federal, state and local governments?

7.0 REFERENCES /FURTHER READINGS

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MODULE 2: UNIT 9

CONTENTS STATE - LOCAL GOVERNMENT RELATIONS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Administrative Relationships
 - 3.2 Fiscal Relationship between State and Local governments
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/ Further Readings

1.0 INTRODUCTION

State - local government relations may not necessarily be a constitutional matter in a federal system, yet such relations may provide the evidence of a working federalism. In this unit, students would examine the relationship between the state and local governments.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Describe administrative, financial legislature, political and judicial relationships between states and local governments.
- Understand areas of constant conflicts between states and local governments

3.0 MAIN CONTENTS

3.1 ADMINISTRATIVE RELATIONSHIPS

State - local government relations may not be a constitutional matter in a federal system. Over the years before 1976, local government units are treated as part of state governments. State governments created by bye-laws and have effective control on their administration.

However, the nationwide local government reform of 1976 brought local government units into constitutional, especially with the entrenchment of the functions of local government functions entrenched in the fourth schedule of 1979, modified significantly state - local government relations.

This is significant because the local government units were assigned a role to play in management of primary school education and primary Healthcare services. These roles created a forum for the state and local government to interact as they are beneficiaries of revenue allocation. This constitutional provision in Nigeria helped to establish a formal role for the federal government in local government affairs.

A formal state - local government relations was now created in the process, as state - local government joint account became inevitable to share revenue allocated to local councils from the federal account. When it was even realized that state governments were "short - changing' the local government units from the state - local government units' joint accounts,

the national assembly approved an executive bill to enable the federal government allocate revenue directly to the local council units. It was even attached with a clause that should a state government short-change a local government on funds allocated to them, such state government would be surcharged with equivalent amount the council was short changed. As expected, many state governments protested on this, and called for its abrogation.

However, these provisions for the functions of local government units are encouraging political developments they are yet to be resolved as constitutional accepted state - local government relations. In spite of this, it is an evidence of a working federalism.

3.2 FISCAL RELATIONSHIP BETWEEN STATE AND LOCAL GOVERNMENTS

Financial relationships also exist between the states and local governments. The annual budgets of local government require the approval of the state government before they can be executed. In fact, the state government sets out guidelines for the preparation of such annual budgets. Expenditures above certain limits require approval.

Moreover, local government autonomy is not absolute. The third tier of government retains functional and fiscal relations with the higher tiers of government. Therefore the state government is to:

- i Allocate 10% of its internally generated revenue to the local governments within the state;
- ii Enact through the state House of Assembly, a law providing for the structure composition, revenue, expenditure and other matters, such as staffing meetings and other relevant matters provided such laws are not in conflict with the constitution or any existing federal legislation
- iii Establish a joint planning Board, through a law enacted by the state House of Assembly; to require each local government within the state to participate in the economic planning and development of the local government area.
- Iv Establish the office of the state Auditor - General for local governments for enhanced public probity and accountability at the local government level through the regular auditing of the accounts of all the local governments within the state;
- liv Offer advice, assistance and guidance (but not control), as and when necessary, to local governments in the state.

4.0 CONCLUSION

In this unit, we have examined the relationship between the state and local governments. Local government bye-laws operate strictly within the laws of Nigeria. Any bye-law passed by a local government shall void to the extent of its inconsistency with law validly passed by the state.

Even the executive powers of the chairman of local government

the assets or investments of the government of the federation or the state.

However, the state - local government reactions would continue to witness crises, especially on the issues of "joint account" Until, federal allocated funds are paid directly to local governments; their autonomy is mere "widow-dressing".

SELF - ASSESSMENT EXERCISE

- Describe the administrative relationships between states and Local governments.

5.0 SUMMARY

In all democracies, state or central government exercise some relationships, such as; fiscal relations – giving grants - in - aid, maintain joint account; and approval of budgets by the House of Assembly. The state also relates to the local government administratively, such as: making rules and regulations that serve as guidelines of performance; approval of contract award and projects; borrowing, audit of accounts, statutory consultations, making periodic inspections on programmes and projects, confirmation of bye-laws and staffing matters. In spite of local government autonomy as guaranteed in the fourth schedule of 1979/1999 constitutions, it still operates strictly within the laws of Nigeria. Any bye-law passed by a local government shall be void to the extent of its inconsistency with state and federal laws as enshrined in the 1999 constitution.

6.0 TUTOR MARKED ASSIGNMENT.

- 1 Describe the fiscal relationship between state and local government?
- 2 Explain the administrative relationship between the state and local government

7.0 REFERENCE/FURTHER READINGS

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MODULE 2

UNIT 10

CONFLICT IN INTER-GOVERNMENTAL RELATIONS

CONTENTS

1.0 Introduction

2.0 Objectives

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1.0 INTRODUCTION

The incidence of conflict in inter-governmental relations could arise as a result of serious disagreements or arguments between one level of government and the other. Such a conflict could

- Know the meaning and nature of conflict ; and
- Explain the causes of conflict in inter-governmental relations.

3.0 MAIN CONTENTS

3.1 MEANING AND NATURE OF CONFLICT

Conflict in inter-governmental relations means manifestations of serious disagreements or arguments between one level of government and the other. It can also emanate from any form of inter-relationship, ranging from interpersonal, inter-group, and inter-governmental to international relations (Ogbuishi, 2011:93). The incidence of such conflicts as well as severity determines the stability of inter-governmental relations. However, in most relationships, conflict is undesirable but inevitable. In inter-governmental relations, conflict arises because of certain causative factors.

3.2 CAUSES OF CONFLICT IN INTER-GOVERNMENTAL RELATIONS

There are many issues that create conflict in inter-governmental relations. Among other causes are:

3.2.1 EXCESSIVE POWER AT THE CENTRE

There is likelihood that conflict will arise when the central government concentrates too much powers and functions at the centre to the detriment of federating units. To avoid conflict, there is need to devolve and "deconcentrate" power or functions to other component units of the state as prescribed by the principle of federalism.

A situation where the central government controls many issues, including the construction of roads and housing in every part of the country; secondary education in every part of Nigeria is not a reflection of "true" federalism. In Nigeria, the federal government has power to legislate on sixty eight matters. In the concurrent list, the federal government still has power to legislate on thirty subject matters and where there is a conflict on areas state governments have power to legislate with that of the federal government, the states' legislation will be null and void. Besides, fewer powers are allotted to local governments in the 4th schedule of 1999 Constitution. The concentration of too much powers to the Federal government has been a source of conflict, leading to the struggle to control power at the centre by different ethnic groups, This has created crisis of confidence and suspicion in Nigerian political system.

3.2.2 REVENUE ALLOCATION --ORIENTED CONFLICT

Most federal systems often experience the challenge of evolving an acceptable revenue allocation principle. Disputes often arise over what should form the bases for revenue sharing among the various units of the federalism. In Nigeria, the question of revenue allocation has remained a stormy issue and has defied solution. The 1999 constitution of the Federal Republic of Nigeria recognizes the Revenue Mobilization and Fiscal Commission (RMFC), to establish a durable revenue allocation formula for the federating units. Moreover, the constitution recognizes the principles of population; equality of states; internal revenue generation; landmass terrain as well as population density upon which allocation to state and local units should be made. The constitution also provides expressly that "the principle of derivation" shall be constantly reflected in any approved formula as being not less than thirteen (13) per cent of the revenue accruing to the federation account directly from any natural resources. This

Clarification, notwithstanding, the issue of revenue allocation cases have continued to rage, especially over which tier of government has possession over off-shore mineral resources. Derivation principle of 13% to oil producing states and constitutional review on "State-local governments" joint account issue. These cases have even reached Supreme Court for adjudication. The intervention of Supreme court, especially its ruling of April 5, 2002 is an evidence of conflict in revenue Allocation issue.

3.2.3 ENCROACHMENT OF LOCAL GOVERNMENT FUNCTIONS

The State governments have continued to encroach upon what would normally have been the exclusive preserve of the local government. In short, state governments have not allowed local governments to enjoy autonomy and initiatives, especially in the determination of the contents of annual budgets. Instead of posturing as advisers, the state governments interfere in the articulation of estimates of the local Governments.

3.2.4 SECURITY-ORIENTED CONFLICTS

The position of Nigerian police in the security of the country has often brought conflict between the federal and the state governments. The Governors at the state level are the chief security officers of the state. But, when orders are given to state Commissioners of police, they are ignored and act on orders from Inspector-General of Police at the federal level. As a result, state governors have been demanding for a review of the constitution to enable the states establish their own police. In fact, it has been suggested that the Nigerian Police should be centralized in order to allow the zonal commands to be more responsive to local situations (Ugeh, 2011).

3.2.5 CONSTITUTIONAL-ORIENTED CONFLICTS

There are distortions in the practice of federalism, especially in Nigeria. The military hurriedly packaged the 1999 constitution without proper consultation with other major stakeholders in Nigeria. Major areas of conflict and concern is contained in 1999 constitution, include:

- The federal character principle, which encourages discrimination of Nigerians in employment, educational admission and political appointments in their own country should be reviewed as it is a source of conflict;
- Secularity issues in terms of religious rights of every Nigerian to be respected. Many Christians have been killed in certain parts of Nigeria, for example, on account of their religion;
- Fiscal federalism or resource control. Each of the three-tiers of government should be given power by the constitution to collect taxes, controls its resources derived from the area and pay taxes or royalties to the federal government. This is another source of conflict.
- Labour laws in the federal system. Federal government legislates on labour laws on behalf of states, and local governments. Crisis has often arises as a result of super-imposed National minimum wage established by federal government of Nigeria.

All these areas have constituted points of conflict in inter-governmental relations.

3.2.6 JURISDICTIONAL ALLOCATION OF POWERS CONFLICT

Conflict of diverse dimensions often arise from inter-jurisdictional transactions in a federal system. Interference in the jurisdictional preserve of one level of government by another could lead to serious

conflict. For instance, the concurrent legislative list in Nigeria as provided for by the 1999 constitution of the Federal Republic contains functional jurisdictional areas where both the Federal and state tiers may exercise control. Such joint power sharing arrangements present a likely platform for conflicts.)(Ogbuishi, 2007).

4.0 CONCLUSION

In this unit, we have discussed the nature and causes of conflict in inter-governmental relations. The incidence of conflict is inevitable, especially when it bothers on relationship between the central government and federating units. Conflict between one level of government and the other may result in temporary stalling the machinery of government or create instability in the federal system.

5.0 SUMMARY

Conflict in inter-governmental relations is inevitable in any form of inter-relationships. Many causes of such conflict could be excessive power at the centre; constitutional issues; jurisdictional allocation of powers; revenue allocation; resource control; status of state's security and security issues. There are distortions in the practice of federalism, for example, as contained in 1999 Nigerian constitution. Others issues that have brought tension in federal-state-local government relations is federal character principle and fiscal federalism. These issues need to be reviewed and amended in the 1999 constitution in order to uphold the tenets of "true" federalism as suggested by Wheare (1964). Only this line of approach would guarantee peaceful and harmonious inter-governmental relations among and between tiers of government.

6.0 TUTOR-MARKED ASSIGNMENTS

- (1) Explain the meaning and nature of conflict in inter-governmental relations?

(2) Explain the causes of conflict in inter-governmental relations in Nigeria?

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MODULE 3:

INTER-GOVERNMENTAL FISCAL RELATIONS

UNIT 11 FISCAL INTERGOVERNMENTAL RELATIONS THEORY

**UNIT 12 ALLOCATION OF JURISDICTIONAL POWERS AMONG
LEVELS OF GOVERNMENT**

UNIT 13 INTERGOVERNMENTAL FISCAL RELATIONS

**UNIT 14 INSTITUTIONS FOR MANAGING INTERGOVERNMENTAL
RELATIONS**

UNIT 11

FISCAL INTER-GOVERNMENTAL RELATION THEORY

1.0 Introduction

2.0 Objectives

3.0 Main

contents

3.1 Conceptualization of Fiscal Federalism

3.2 Theories of Fiscal Federalism

3.3 Public Choice Theory

4.0 Conclusion

5.0 Summary

6.0 Tutor - Marked Assignments

7.0 References/Further Readings

1.0 INTRODUCTION

Federalism is a form of political organization designed to promote both effectiveness and liberty in which separate polities (nationalities) are united within an over-arching framework in such a way that all maintain their fundamental integrity. In another sense, federalism can be seen as fundamental principle of social organization that has to do with human relationships in the economics, religious, cultural as well as the political spheres. For fiscal federalism, it is the off-shoot of federalism and refers to the statutorily defined transaction between the different tiers of government within a federation. In this unit we shall examine the theories of fiscal federalism.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Explain the concept of fiscal federalism
- Understand the theory of inter-jurisdictional cooperation; and
- The theory of multi-jurisdictional community

3.0 MAIN CONTENT

3.1 CONCEPTUALIZATION OF FISCAL FEDERALISM

The word "fiscal" is derived from the Latin word "fiscus", which means a basket or purse, and pertains to the public treasury or revenue generation. A fiscal system is, the arrangement of how sovereignty manages the public treasury - revenue generation

and spending. Fiscal federalism, therefore, refers to the fiscal (financial) relationships that exist between and among units of government in a federal system. It defines statutory structure within which government functions, such as allocation of resources distribution of income and stabilization are carried out in a multi-level government structure (national, regional state or province and council or district). The fiscal relationships so defined are usually founded upon mutual agreement. The sub-national governments, while independent in local affairs, pool their common resources together for the provision of national public goods and improved economic welfare within their jurisdiction. Thus, in a way, fiscal federalism is concerned with revenue generation and allocation between various levels of government (Tayzi, 1999; Alade 1999, Taiwo, 1999 and Tella 1999).

3.2 THEORIES OF FISCAL FEDERALISM

Fiscal federalism is based on four fundamental theories. First, is the theory of fiscal location, which is concerned with the functions to be performed by each level of government? Then, there is the theory of inter-jurisdictional cooperation, which refers to areas of shared responsibility by the central state and local governments. Finally, there is the theory of multi-jurisdictional community, which posits that each jurisdiction provides services whose benefits accrued to the people within its boundaries and so uses only the resources that internalize such costs.

The theory of fiscal federalism or multi-unit governmental finance addresses the question of the optimal design of governments in a multilevel (or federal) governmental system.

The public sector has three principal economic problems to solve:

- i. The attainment of the most equitable distribution of income
- ii. The maintenance of high employment with stable prices
- iii. The establishment of an efficient pattern of resources allocation(Shafritz, et. al., 2011: 154).

The theory of fiscal federalism postulates that a federal form of government can be especially effective in solving these problems because of the flexibility it has in dealing with some problems at the national or central levels and some at the local or regional levels. It argues that, for a variety of reason, the first two problems, equitable distribution of income and maintenance of high employment with stables prices are problems that the national level of government is best equipped to handle. However, according to the theory, the decentralized regional or local units of government can more efficiently deal with the third problems, allocation of recourse because such units of government are more familiar than the central or national government with local needs and the desires of citizens for public services.

Even so, grants in - aid from the national level of government to local levels may be needed to stimulate local government spending for national purposes, to provide for uniform or minimum service levels (as in education), or to compensate citizens of one area for benefits form services they finance that spill over to residents of another areas. Spillover benefits are

especially frequent in such programmes as clean water and air pollution control, health and education.

In theory, an accountable government should involve representatives voting only for programs for which they have allocated the taxes. The representatives would be accountable to the voters, who could directly assess whether the "purchases" of services and programmes they had they wanted and whether they got good value for their tax money. But in a large nation, need for services can vary greatly between communities and the capacity to pay taxes also varies greatly between communities and the capacity to pay taxes also varies greatly among the categories of those who are taxes. This issues focuses attention on several of the central problems of the federal concept: the difficult notion of two or more governments overlaid on the same geographical territory; the difficulty of persuading voters that they need to pay their taxes twice (or money to different levels of taxing authority; and the difficulty of persuading tax payers that it is fair that some of their taxes should produce no direct benefit to them but be used to assist some other community or some ill-defined goal dear to an official in a remote office in another city.

Attitudes toward these issues illustrate the level of confidence citizens have in a democratic federation. If confidence is high, and a sense of common national purpose is high citizens are more prepared to trust politicians and bureaucrats to redistribute taxes to promote national goads elsewhere. If, however, confidence in politicians and the bureaucracy is low, citizens may well take some convincing that spending programmes are fair and necessary. A confident, successful federal democracy that has confidence in its political leaders and

has honest and efficient bureaucrats and well-articulated national aspirations will be one in which there is more room for redistributive programmes - an admirable goal to strive for - or perhaps not.

3.3 PUBLIC CHOICE THEORY

Public choice theory advocates argues in favour of placing governmental action (and expenditure) at the lowest possible levels that is, at the local government level. The feeling here is that local government would provide more experimentation, true competition and innovation. At the local level, citizens have access to appropriate information. They would be able to readily compare the levels of taxation to the quality of services they received. They could then reject inefficient or unresponsive governments by voting down budgets, by voting out big spenders, or even by moving elsewhere - or not moving in at all. Thus, the solution to evolution offered by the public choice advocate is to increase the discretion in the hands of the individual voter by maximizing "user - pay system" (whether for trash collection or through fees at state park

Camping grounds) and by placing vouchers (for schools or Housing) for spending in the hands of recipients rather than Compelling them to use particular government services or Institutions.

4.0 CONCLUSION

In this unit, we have examined the theory of fiscal federalism. It refers to the financial relationship that exists between units of government in a federal system. The theory addresses the

question of the optimize design of governments in a multilevel (or federal) governmental system. It postulates that a federal form of government can solve the problems of equitable distribution of income pattern of resource allocation and maintenance of high employment with stable prices.

According to the theory, the decentralized regional (state) or local units of government can more efficiently deal with the problem of establishment of an efficient pattern of resources allocation. Thus, fiscal federalism is based on these theories.

5.0 SUMMARY

The theory of fiscal federalism is based on the following theories. First, is the theory of fiscal location, to be performed by each level of government? Second is the theory of inter-jurisdiction cooperation, which refers to areas of shared responsibility by the central and local government. Thirdly, there is the theory of multi-jurisdictional community, which posits that each jurisdiction provides services whose benefits accrue to the people within its boundaries and so uses only the resources that internalize such cost. Finally, there is the theory of public choice, which argued in the favour of placing governmental action (and expenditures) at the lowest possible levels, that is, at the local government level. Thus, all these theories address the question of the optimal design of governments in a federal government system.

6.0 TUTOR — MARKED ASSIGNMENTS

1. Explains the theories of fiscal federalism?
2. Describe the public choice theory of fiscal federalism

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MODULE 3: UNIT 12

ALLOCATION OF JURISDICTIONAL POWERS AMONG LEVELS OF GOVERNMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Exclusive Functions
 - 3.2 Concurrent Functions
 - 3.3 Residual Functions
 - 3.4 Local government Functions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - Marked Assignments
- 7.0 References/ Further Readings

1.0 INTRODUCTION

Federalism as a political system is meant to cater for diversities and heterogeneity of societies. According to Wheare, (1965), Federalisms is a method of dividing powers so that general and regional governments are each within a sphere, coordinate and independent. In this unit, we shall examine the distribution of

Jurisdictional powers among each level of government in a federal system.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Explain the legislative powers of the central government in a federal system.
- Explain the legislative powers of states in a federal system.
- Describe the functions allotted to local government in the 1999 constitution

3.0 MAIN CONTENTS

3.1 EXCLUSIVE FUNCTIONS

The 1999 constitution provides for exclusive jurisdictional Powers to the federal government. The exclusive list contains issues on which the federal government only can legislate, such as: the currency, foreign affairs, policy, army, prisons, immigration, customs and exercise duties, and so on. The constitution of the federal republic of Nigeria vests legislative powers in the National Assembly, which consist of the senate and House of Representatives. Part 1 of the second schedule of the 1999 constitution of the federal republic sets out all matters contained in the Exclusive list. It follows therefore the use of

3.2 CONCURRENT LIST.

This list contains matters where both the federal and state governments possess constitutional jurisdiction. Thus, the concurrent list defines the extent of federal and state legislative powers. Part II of the second schedule to the 1999 constitution of the Federal Republic of Nigeria sets out details of the concurrent list. Although, both federal and state levels may exercise legislative jurisdiction on matters set out in the concurrent on matters set out in the concurrent list it must be understood that in the event of any conflict between the federal and state laws in respect of any matter, the federal government laws supersede. This is contained in section 4(5) of the 1999 constitution. This no doubt presents the federal legislations as superior within the federal system. Subjects contained in the concurrent list that both federal states can legislate concurrently include: health, education, industry agriculture, collection of taxes, etc.

3.3 RESIDUAL FUNCTIONS

The Residual List contains subjects which only the states can legislate. They include: functioning of local government, customary laws, rural development, and social welfare and so on.

3.4 LOCAL GOVERNMENT FUNCTIONS

The foregoing, no doubt, shows that the actual constitutional distribution of jurisdictional powers seemed not to have reckoned with the third tier of government - the local government. This is in consonant with traditional perception of local government as exclusive concern of the state and provincial government (Agi 2002).

In spite of this perception, with the introduction of presidential system of government the constitution of 1979 recognized local government as the third- tier of government of federal system in Nigeria. The 1999 constitution also contains the function of local government in the fourth schedule of the constitution. The provisions of this schedule contains the functions of local government councils such as: participation with the state in economic planning and development; establishment and maintenance of cemeteries, maintenance and regulation of slaughter houses, street lightings, parks, sewage and refuse disposal, collection of rates etc.

4.0 CONCLUSION

Powers among levels of government was discussed in this unit, and also the distribution of jurisdictional powers into exclusive, concurrent and residual lists.

SELF - ASSESSMENT EXERCISE

Explain the term "Exclusive list" and the powers allotted to the federal government of Nigeria.

5.0 SUMMARY

The inclusion of the three legislative lists in the constitution is to maintain separation of powers in the federal system of Nigeria. Moreover, each level of government maintains its political authority and responsibilities. Nevertheless, the critical point to emphasize is the allocation of jurisdictional powers.

The overlapping function of the lists is in its effort to achieve some degree of coordination that accounts in part for the inter-governmental interactions.

6.0 TUTOR - MARKED ASSIGNMENTS

1. Describe the powers contained in the "Exclusive list" in federal structure of Nigeria?
2. What do you understand by "concurrent list" .Explain what happens when there is a conflict between the federal and state laws?

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MODULE 3: UNIT 13

INTERGOVERNMENTAL FISCAL RELATIONS

1.0 Introduction

2.0 Objectives

3.0 Main contents

3.1 Objectives of Intergovernmental Fiscal Relations

3.2 Expenditure Assignment

3.3 Tax Assignment.

3.3.1 Tax Assignment at Federal Level

3.3.2 Tax Assignment at State level

3.3.3 Tax Assignment at Local government level

3.4 Revenue Allocation

3.4.1 Revenue Allocation: A Case Study of Nigeria's Current Experience

4 Conclusion

5 Summary

6 Tutor - Marked Assignments

7 References/Further Readings

1.0 INTRODUCTION

There are two major forms of federalism, namely; political and fiscal federalism (Homes, 1995: 332). Political federalism deals with how to divide powers and allocate authorities. In contrast, fiscal federalism deals with the allocation of government spending and resources to the various tiers of government, so that each one can perform its responsibilities. For each major forms

centralization decentralization framework, we have devolution of responsibilities. This involves the transfer of functions formally performed by the central government to autonomous localities with popular representation and participation: Second there is deconcentration of powers. This involves the delegation of powers formerly held by the central government to localities, with the central government still having the responsibility for decision - making. Lastly, the central government could transfer some of its specific functions to semi-autonomous bodies such as parastatals. In this unit, we shall focus on fiscal federalism of the devolution type.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Understand the objectives of intergovernmental relations;
- Explain how responsibilities or expenditure are assigned;
- Understand the allocation of independent sources of revenue or revenue assignment; and
- Explain the principle of revenue sharing aspect of fiscal federalism.

3.0 MAIN CONTENTS

3.1 OBJECTIVES OF INTERGOVERNMENTAL FISCAL RELATIONS

According to Litrack and Wallich, (1993) and Sewell and Wallich, (1994), the system of intergovernmental fiscal relations should

- i Ensure that both the macroeconomic management and Income distribution goals of the government are not compromised;
- li Improve the efficiency of public spending and minimize administrative costs;
- lii Match the expenditure profile of each tiers of government with its revenue profile;
- iv. Encourage sub-national governments to generate revenue internally, and enhance accountability and transparency in public sector management.

These requirements will guide subsequent discussions as outlined in our objectives.

3.2 EXPENDITURE ASSIGNMENT

Here an attempt is made to address the question; which government functions should be decentralized or how should government functions be shared among various tiers of government? This question can only be addressed by knowing the set of functions that are to be performed. However, government functions can be determined theoretically or empirically. The theoretical approach is largely based on public finance literature (Musgrave, 1989: 3 - 14), which presumes three economic objectives, or functions for the government, namely; allocation, distribution and stabilization functions. For allocation of functions the rationale for decentralisation indicates that it would be potentially more efficient to leave the provision of national public goods to the central government and the provision of the location of public goods to sub-national governments. For the distribution function, the main issue is whether a sub-

national government can sustain any programme of redistribution (income) better. The third function of the government is economic stabilization. This stabilization programme can take the form of employment generation, price stabilization or export promotion. The argument is that the benefits of the programme, no matter how it is financed is likely to suffer from several leakages to other localities. This is the case as long as goods or people or some other resources are mobile between jurisdictions.

Thus, allocation, distribution and stabilization functions should be distributed as follows (Taiwo, 2004:42);

- b) The central government should be responsible for the provision of national public goods, such as; defense, regulation of the economy and redistribution of income and wealth; and
- c) Sub-national governments should be responsible for the provision of local public goods such as feeder roads and street lighting.

However, this allocation does not cover the provision of private goods that may be provided by the public sector. It also does not cover the provision of quasi-social goods, such as: education and health.

These goods are more difficult to allocate because of the need for supportive empirical information.

3.3 TAX ASSIGNMENT

For tax assignment to be meaningful by tier, it must be accompanied by an appropriate mechanism for sharing the resources of the public sector, so that each and every tier of government would be able to effectively perform its assigned responsibilities. In the public sector, resources are monetized as revenue, it can be mobilized for a tier of government by assigning revenue sources to the tier of government, or by a system of intergovernmental transfer, or both.

The problem of tax assignment is whether it should be completely centralized or partially decentralized or completely decentralized. If tax assignment should be decentralized, then the question is, which tax bases should be assigned to sub-national governments and which should be retained by the central government? It is relatively difficult to tackle issues in tax assignment because of the several dimensions to a tax. The dimensions include the power to choose the tax base, define the tax base, set the tax rates, administer the tax, and the right to revenue. Of these dimensions, the most important is the power to set the tax rates (McHure Jr. 1995: 317).

To address the question, whether tax powers should be shared or not, decentralized system is generally favored when the objective of tax policy is the provision of local public goods and where sub-national governments need to be fiscally autonomous, accountable and responsible and in tax competition with one another. To make the best of complete centralization and complete decentralization of tax powers, it is expedient that tax collection should be shared by the various tiers of government. This, in effect, implies that partial decentralization of government

functions should be matched by partial decentralization of tax powers.

This leads us to ask which tax bases should be decentralized. Shah, 1991 and Norregaard, (1997) suggests the following guidelines for determining whether or not tax powers should be shared or not:

- i. Progressive redistributive taxes, such as personal income tax and estate duties should be centralized;
Taxes suitable for economic stabilization, such as progressive income tax, should be centralized;
Taxes whose bases are distributed highly unequally across jurisdictions, such as natural resource taxes, should be subject to political considerations and be centralized;
- iv. Taxes on bases that are geographically mobile, such as; the corporate income tax, should be centralized;
- v. Taxes that need to be made uniform across jurisdictions, such as; the value added tax, should be centralized;
- vi. Taxes that can be centrally collected at relatively low administrative cost, such as import and export duties, should be centralized;
- vii. Benefit taxes or user charges could be levied at all levels;
- viii. Residence - based taxes, such as excise duties, should be decentralized; and

Taxes on highly immobile factors such as taxes on real property should be decentralized.

In Nigeria, the task of articulating on appropriate fiscal relationship among the different tiers of government is delegated to the Revenue Mobilization, Allocation and fiscal commission. Contemporary experience

in Nigeria shows the gradual relaxation of the imitations on state and local government finances. Presently, the state and local governments can now borrow to acquire the required fiscal resources for the execution of government programmes and services, especially as it has been appreciated.

Moreover, tax powers jurisdiction among different levels of government have been provided by part 1 of the second schedule of 1999 constitution (state- collectable revenue and fourth schedule of 1999 constitution (local government collectable revenue).

3.3.1 TAX ASSIGNMENT AT FEDERAL LEVEL.

The federal government controls the most inscriptive sources of revenue in Nigeria. Part 1 of the Second schedule to the constitution of the Federal Republic of Nigeria, 1999 contains the Exclusive Legislative List. A number of other sources of revenue for the federal government are:-

- (i) Export duties
- (ii) Company tax
- (iii) Maritime and navigation activities
- (iv) and minerals (including oil fields, oil mining and natural gas)
- (v) National parks and Tourist
- (vi) Patents, trademarks, and industrial designs, etc.
- (vii) Stamp duties
- (viii) Posts, telephones and telephones
- (ix) Railways
- (x) Taxation of incomes, profits and capital gains
- (xi) Trade and commerce

The collection of sundry fees and other payments related to the activities above by the federal government forms the basis for itemizing these functional areas as sources of revenue collected by the federal government which are first paid into the Federation Account before they are disbursed according to laid down principles and criteria.

3.3.2 TAX ASSIGNMENT AT THE STATE LEVEL

The major source of revenue to states in Nigeria appears to be the statutory allocations from "the Federation Account". Section 152 (3) of the 1999 constitution provides for the mandatory allocation of revenues among the three tiers of Government in Nigeria. The following are sources of revenue for the state s: -

- (ii) Statutory allocations (from Federal Account)
- (iii) Federal grants (of all sorts)
- (iv) Personal income tax or duty
- (v) Capital grants and profit tax (of persons other than, companies)
- (vi) Industrial, commercial or agricultural activities
- (vii) L o a n
- (viii) Trade and commercial activities

3.3.3 TAX ASSIGNMENT AT LOCAL GOVERNMENT LEVEL

Like the states, the local government's major source of revenue in Nigeria are both the federal and state governments). Other sources of revenue generated internally are:

- (i) Rent from market stalls
- (ii) Charges from business premises
- (iii) Gate- takings from motor parks
- (iv) Proceeds from mass transit buses operating in their areas of Jurisdiction.
- (v) Poll tax
- (vi) Rates, etc

However, these jurisdictional tax powers among different levels of governments determined by a number of factors, namely: administrative efficiency and fiscal independence. The efficiency criterion demands that a tax s assigned to that level of government that will administer it efficiently at minimum cost, while the fiscal independence criterion requires that each level of government is permitted, as much as possible, to raise adequate resources from the revenue sources assigned to it to meet its needs and responsibilities. (Bello-Imarn, 1999:255).

In reality, however, the efficiency criterion tends to conflict with the principle of fiscal independence. This is because whereas the efficiency criterion calls for a great deal of concentration of tax powers at the highest tier of government due to limited administrative capacity of the lower tiers of government. On the other hand, fiscal independence criterion demands the devolution of more tax powers to the lower units of government to match the functions, assigned to them.

In reality, the weight of the two criteria has always tilted in favour of the efficiency criterion, and that is why the Federation Account of most federations, like Nigeria, has a domineering effect on their fiscal federalism. However, whatever the fiscal relationships

between the different tiers of government in a federation and the volume of funds available to the political leadership within , their success can only be measured by their efficiency and effectiveness in promoting the citizenry, which is the essence of governance (Bello, Imam, 2004:24).

3.4 REVENUE ALLOCATION

Revenue is allocated between and within tiers of government ultimately to promote inter-jurisdictional equity, enhance the efficiency of the public sector and minimize the cost of administering the tax system. In any federation, a minimal level of inter-jurisdictional fiscal equalization is desired. The equalization can be vertical if it refers to different levels of government or, horizontal, if it refers to the same level of government.

Accordingly, the efficiency argument that the central government may set and impose standards of some public services on sub-national governments, Such services may have to be financed by the central government partly because sub-national governments may be unable or unwilling to do so, and partly because the implied financial burden may vary across jurisdictions. The problem can be resolved by bargaining and regulations. However, when these strategies fail, the central government may have to adopt a compensatory tax subsidy scheme through revenue sharing. Lastly, we have the administration cost argument, where some taxes are centrally collected (partially or fully) on behalf of sub-national governments, because it is cheaper to do so, and the yield should be shared within these governments.

However, once the objectives of intergovernmental transfers are known, the appropriate criteria for revenue sharing have to be determined or set. It is very unlikely that a single criterion will be able to satisfy more than one policy objective. A set of criteria will therefore, most likely emerge. Even on each policy objective, several options are likely to be opened and determined, preferably after some analysis has been conducted. For example, to measure fiscal strength, per capita income of the locality can be determined. Grants may be given to those localities whose per capita incomes fall below the national average.

A grant may be general or selective. General grants are usually more suitable for fiscal equalization and for making the revenue from central taxes available to sub-national governments. In contrast, specific grants are generally more suitable for the provision of merit goods and correction of externalities (Taiwo, 2004:44 — 6).

Furthermore, it should be noted that central collection of taxes could lead to the criterion of derivation. So, revenue sharing should be made to supplement the internally generated revenue of sub-national governments.

3.4.1

REVENUE ALLOCATION: CASE STUDY OF NIGERIA'S CURRENT EXPERIENCE

Finance is the most critical policy issues in intergovernmental fiscal relations. In the area of fiscal relations between the federal, state and local governments, certain principles or criteria have often been adopted. There are levies and taxes that are centrally

In a pool called the federation account. The sharing of revenue from the federal account is based on the federal revenue allocation formulae, managed by Revenue Mobilization Allocation Commission (RMAFC). Since its establishment in 1992, RMAFC shared revenue as follows:

Federal government	=	48.5%
State governments	=	24%
Local Government	=	20% (5% for the transfer of primary education)
Special funds		7.5%

Decree 23 of 1992 setting up the RMAFC abolished on shore and off shore dichotomy in revenue. The federal government also had an additional source of revenue in 1994. The formula for the distribution of VAT has been reversed several times. As at 1998, it was 25 percent to the federal government, 45 percent to the state governments and 30 percent to the local governments (Eneayan 2009:253).

Since 2005, revenue has been shared as follows:-

Federal Government	=	52.7%
State governments	=	26.7%
Local governments	=	20.6%

Besides, there have been calls for changes to the rules governing the allocation of revenue between the three tiers of governments, highlighting recurring tensions within the federation. The 13 per cent derivation formulae for oil-producing states is applied each month by the Federation Account Committee (FAAC) before its standard distribution of available resources to all states.

When the forum of northern states governors queried why the oil-producing states enjoyed the revenues from offshore production from the continental shelf, they were reminded that derivation had been 50% under the first republic and advise not to revise the sensitive terrain of the "on shore offshore dichotomy.

The derivation principle controversy has continued to rage. It explains the court case between AkwaIbom and Cross River states over 76 disputed oil wells and equally the heated response to the official designation of Anambra as oil producing state instead of Kogi state.

From revenue allocation debates, states are agitating for more powers and more resources and they have strong argument in their favour in view of the financial burden of 2011 National minimum wage from N7,500 to 18,00 per month and poor internally generated revenue average of 15%. Equally, the federal government advanced reason for the revenue to be distributed in their favour because of many matters of national interest within their jurisdiction. This debates and court cases are part of conflict in inter-governmental relations.

4.0 CONCLUSION

This unit has stated and described the principles of multilevel government. We have discussed a major issue in fiscal federalism. It is the principles of intergovernmental relations, especially the fiscal aspect of federalism. The unit has shown that among other things, that the allocation of responsibilities to the various tiers of government the central government is responsible for the provision of national public goods and pursuit of equity and stabilization goals of government. Sub-national governments should then be responsible for the provision of local public goods. The sharing of government revenue among the various tiers of government should also complement the sharing of government functions and taxes that are geared towards the pursuit of central government functions should be centrally collected.

5.0 SUMMARY

In this unit, we have discussed fiscal federalism. There are at least four dimensions to fiscal aspect of federalism. They are the objective of intergovernmental fiscal relations, the allocation of responsibilities or expenditure assignment tax assignment and revenue sharing.

The objectives should be made to enhance accountability and transparency in fiscal federal relations. The allocation of government functions by tier system must be accompanied by an appropriate mechanism for sharing the resources of the public sector, so that each and every tier of government would be able to effectively perform its assigned responsibilities. If the revenue is generated solely from taxes, then the assignment of revenue sources boils down to the assignment of tax powers. If this is the case, revenue can be mobilized for a tier of government by

assigning revenue sources to the tier of government or by a system of inter-government transfers (grants - in - aids) or is generally a complex exercise, as it involves both equity and efficiency issues and the value judgment of the government, there is need to supplement internally - generated revenue of sub-national governments.

6.0 TUTOR - MARKED ASSIGNMENT

1. Describe the objectives of fiscal intergovernmental relations.
2. Explain at least three dimensions of fiscal federalism

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IMF.

UNIT 14 THE BUREAUCRACY

CONTENTS

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
 - 3.1 Bureaucracy: Meaning and Definition of Concept
 - 3.2 Characteristics of Max Webber’s Bureaucracy
 - 3.3 Max Webber’s Ideal Types of Authority
 - 3.4 Criticism of Bureaucracy
 - 3.5 Evaluation of Bureaucracy in the Public Sector of Nigeria
 - 3.6 Solutions to Problems of Bureaucracy in Nigeria
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 INTRODUCTION

This Unit attempts to define the term “bureaucracy,” evaluate bureaucracy in the Nigerian public sector and the solutions to the problems of democracy in Nigeria.

2.0 OBJECTIVES

(i)

UNIT 14

INSTITUTIONS FOR MANAGING INTER-GOVERNMENTAL RELATIONS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main contents

3.1 Role of RMAFC

- 3.2 ConflictResolutionMachinery
- 3.3 TaxJurisdictionMachinery
- 3.4 Resource control Machinery
- 3.5 OtherMechanisms
 - 3.5. 1 NationalPlanningCommission
 - 3.5.2 Federal Account Allocation Committee (FAAC)
 - 3.5.3 Central Bank
 - 3.5.4 Meetings of Federal and State Accountant-Generals
 - 3.5.5 Debt Management Office
 - 3.5.6 Joint Tax Board
 - 3.5.7 State and Local government Affairs Office *(SLGA0)
 - 3.5.8 State-Local government Joint Account Committee
 - 3.5.9 Other miscellaneous institutions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor - MarkedAssignments
- 7.0 References/ FurtherReadings

1.0 INTRODUCTION

The nature of fiscal relations in any federal system is crucial to the survival of the country. Conflicts in inter-governmental relations have often centred on the issue of obtaining adequate financial resources to discharge essential political and constitutional responsibilities. To manage inter-governmental relations in Nigeria various administrative institutions were established. In this unit, we shall examine the institutions

established by the 1999 constitution of the federal republic of Nigeria, the revenue mobilization allocation and fiscal commission (RMAFC).

2.0 OBJECTIVES

At the end of the unit, students would be able to:

- Under the causes of conflict in inter-government relations.
- Understand the role of revenue mobilization allocation and fiscal commission
- Understand the role of other bodies in coordinating inter-governmental relations management.

3.0 MAIN CONTENTS

3.1 REVENUE MOBILIZATION ALLOCATION AND FISCAL COMMISSION (RMAFC) MACHINERY

In a bid to reduce inconsistencies associated with the management of inter-governmental relations through ad-hoc approaches, the 1999 constitution of Nigeria provided for the establishment of a revenue mobilization allocation and fiscal commission. The commission consists of chairman and one member from each state of the federation and the FCT, Abuja. The commission has the following as its major objectives and powers:

- i Monitor the accruals and disbursement of revenue from the federation accounts.

Review from time to time, the revenue allocation formula and principles in operation to ensure conformity with changing realities for oil producing communities. It took

the supreme court in April 5, 2002 to decide the case between the federal and state governments to determine the conflict. All the states of the federation were joined in the suit filed on the issue 13% derivation for oil producing states. Some leaders, especially from the North have called for review of that revenue sharing formula.

The revenue allocation formula is another area of conflict, especially, the Arewa Consultative Forum (ACF). The forum has urged the north to agitate for the review of the present revenue sharing formula, which stands as: federal 52.68%; state governments 26.72%; and local governments 20.6%. While 13% is given to oil producing states as derivation. The body claims that this formula has created wide disparity between the north and south. The Niger Delta leaders have reacted to this line of argument from the North, claiming that the 13% derivation is not even enough to address the environmental degradation caused by oil exploration. Besides this there has been rancorous bickering between state - local governments over state - local government joint account and sharing of 10% internally generated state revenue, which the states have not been able to fulfill.

3.2 CONFLICT RESOLUTION MACHINERY

The nature of conflicts in inter-governmental relations is basically jurisdiction. Conflicts of jurisdiction can arise in areas, such as; tax jurisdiction road construction jurisdiction legislative jurisdiction, states security and federal jurisdiction on the use of political and so on. Conflicts in these areas are often over which level of government has constitutional jurisdiction over certain

powers as enshrined in the 1999 constitution. Certain factors may

be identified:

3.3 TAX JURISDICTION MACHINERY

This refers to conflicts arising from which level of government should collect what revenue over a particular area. Most cases there is incursion into exclusive list by states and states also meddle in the revenue collection areas of local governments, causing conflict in their relations.

3.4 RESOURCE CONTROL MACHINERY

Conflict on resource control often result on which tier of governments; federal or state has possession of off-shore mineral resources and 13% of

- i) Accept revenue formula by an act of the National Assembly, which shall remain in force for a period of not less than five years from the date of commencement of the Act.
- ii) To advise the federal and state governments on fiscal efficiency and methods by which their revenue can be increased.
- iii) To determine the salaries of political office holders, including the president, vice - president, Governors, Deputy Governors, ministers, commissioners, special advisers, legislator etc.
- iv) Discharge such other functions as may be conferred on the commission by the constitution or any Act of the Assembly (part, items 31 of the third schedule of the 1999 constitution).

These functions, no doubt were aimed to evolve a generally acceptable revenue allocation formula for the nation, in view of number of review commissions/committees set upon since independence to manage resources/revenue sharing and allocation.

3.5 OTHER BODIES COORDINATING INTER-GOVERNMENTAL RELATIONS

Other bodies established to coordinate inter-governmental relations are (Eneanya, 2009, 263):

3.5.1 NATIONAL PLANNING COMMISSION

Weilds considerable influence in fiscal policy coordination.

3.5.2 THE FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) - which comprises the minister and commissioners of finance, the RMAFC, the Central Bank of Nigeria, the National Planning Commission and the Federal Inland Revenue Service;

3.5.3 THE CENTRAL BANK OF NIGERIA

3.5.4 THE MEETINGS OF THE FEDERAL; AND STATE ACCOUNTANT - GENERALS.

It mains brief is to standardize and harmonize fiscal data reporting. Timelines of accounts and regular reporting of such data, the minimum reporting codes and the financial monitoring of spending, are areas that have engaged the attention of this body. The body has, however, in large part, been unable to force compliance of its recommendations on federal and state authorities because of the absence of statutory endorsement.

3.5.5 THE DEBT MANAGEMENT OFFICE (DMO)

The principal mandate of the DMO is to coordinate borrowing. The DMO was set up to bring order to excessive borrowing by states.

3.5.6 THE JOINT TAX BOARD - which is charged with the responsibility of coordinating tax principles and policies among the three tiers of government. In particular, the board ensure uniformity in tax principles, policies and practices across state and local government boundaries and mediates when disputes arise over tax jurisdiction.

3.5.7 STATE AND LOCAL GOVERNMENT AFFAIRS OFFICES (SLGAO)

3.5.8 STATE - LOCAL GOVERNMENT JOINT ACCOUNT COMMITTEE

3.5.9 Others, such as: The National Council of State ;National economic Council ;National Council on Establishments ;National Council on Trade ;National Councils on Agriculture; and the judiciary

These institutionalized administrative bodies provide convenient for a consultations and negotiation on behalf of the federal, states and local governments in the management and resolution of conflicts in inter-governmental relations.

4.0 CONCLUSION

In this unit, we have discussed the role of RMAFC in inter-governmental relations. Although, most of these bodies were set up to promote harmonious fiscal relations, due to lack of an enabling "legislative instruments" to provide the framework for

intergovernmental fiscal relations as well as lack of fiscal discipline, fiscal policy coordination became problematic in Nigeria.

SELF - ASSESSMENT EXERCISE

5.0 Describe the objective and powers of revenue mobilization, allocation and fiscal commission (RMAFAC)

6.0 SUMMARY

The issue concerning fiscal relations among constitutional units of Nigeria remains mostly unresolved. Revenue is shared between and within tiers of government ultimately to promote inter-jurisdictional equity, enhance the efficiency of the public sector and minimize the cost of administering the tax system. The decision as to what percentage of centrally generated revenue that would be retained among the three - tier of government have always been a problems. In a bid to reduce these problems associated with revenue allocation, through review commissions and adhoc approaches, the 1999 commission of a revenue mobilization, allocation and fiscal commission. One of the functions of the commission is to advise the federal and state governments on fiscal efficiency and methods by which their revenue can be increased. Section 162, sub-section 2 of the 1999 constitution says that "the president, upon receipt of advice from the Revenue Mobilization Allocation and fiscal commission shall table before the national assembly proposals for revenue allocation from the federal account and in determining the formula, the National Assembly shall take into account, the allocation principle, especially those of population, equality of

states, internal revenue generation, land mass, terrain as well as population density.

Besides, there are other bodies empowered to participate in the coordination of inter-governmental fiscal relations, namely; National Planning Commission, Federation Account Committee, Central Bank, Meetings of Federal and State accountants - Generals, Debt Management Office, Joint Tax Board, State and Local government Affairs offices, and State - Local Government Joint Account Committee.

All these bodies are established to promote harmonious fiscal inter-governmental relations.

7.0 TUTOR - MARKED ASSIGNMENTS

- i Describe the functions of revenue mobilization allocation and fiscal commission (RMAFC) in inter-governmental^{al} relations in Nigeria.
Explain the role of other institutions established to manage inter-governmental fiscal relations in Nigeria.

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