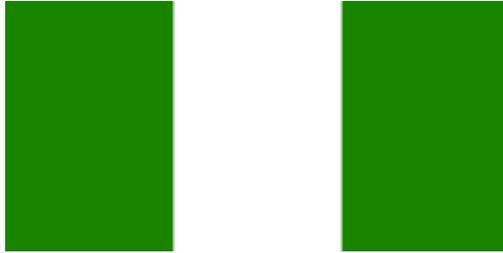


Republic of Nigeria



Fiscal federalism and local Government finance in Nigeria

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1. Abstract

The most severe problem facing public institutions in Nigeria is the fiscal one, particularly in local government. This problem has been provoked by a number of factors, including 'over dependence' on statutory allocations from both the state and federal governments, deliberate tax evasion by the local citizenry, creation of nonviable local government areas, differences in the status of local governments in terms of the rural-urban dimension, and inadequate revenue and restricted fiscal jurisdiction. This article examines these factors and their attendant problems, implications and effects within the context of the fiscal federalism established by the 1999 constitution of the Federal Republic of Nigeria.

For financially healthy local governments to exist, responsibilities and functions must be allocated in accordance with their taxing power and ability to generate funds internally. The constitutional provision that recognizes local governments' power in this regard must give them full freedom to operate and this must be well guaranteed and adequately protected. These measures, coupled with a review of the revenue-sharing formula, the granting of fiscal autonomy and fiscal discipline as well as making local government responsive, responsible and accountable to the people will set local governments free from the fiscal stress promoted and strengthened by the 1999 constitution.

2. Introduction

This article deals with fiscal federalism and local government finance in Nigeria. It focuses on the twin issues of the revenue rights and fiscal jurisdiction of the local government councils within the Nigerian body politic, particularly in the context of the 1999 constitution of the Federal Republic of Nigeria.

Without any doubt the twin issues of revenue rights and fiscal jurisdiction have remained the most dominant and contentious in the relationship between local governments, as the third-tier of government, and the other two tiers - the federal government and the states - within the parameters of Nigerian federalism. In the 1976 Local Government Reform, which drew heavily from the 'Brazilian experience' and which took firm root in Nigeria, local government was included in the mainstream of the country's intergovernmental fiscal relations, with a defined share of the federation account, among other statutory provisions and administrative arrangements.

The reform, which referred to as 'great and a real breakthrough', gave prominence to local government making it possible for them to have legal entities which in turn entitled them to perform certain functions that have since been contained in the 1979, 1989 and 1999 Federal Republic of Nigeria's Constitutions.' Even though the reform clearly articulated the idea of a three-tiered federation in Nigeria, its consequent recognition of 'revenue sharing and administrative arrangements' has led to many problems which, according to Adamolekun can be broadly grouped into six categories: intergovernmental conflicts, structural organizational problems, financial problems, shortage of qualified manpower, the place of traditional authority in local government and political and bureaucratic corruption.

These problems largely remained unresolvable within the Nigerian political landscape even during this period of the Fourth Republic. These problems have been further compounded by the 1999 Constitution which makes the institution of local government in Nigeria (particularly its creation and control) a residual matter for state governments. However, from all of these problems faced by local government in Nigeria, it is quite clear that the most recurrent ones are finance and the sizeable mismatch between their statutory functions and responsibilities; the flow of financial resources available to them; and the constraining limits of their tax-raising powers or fiscal jurisdiction.

There is no gainsaying the fact that in Nigeria, the 'degree of decentralization of expenditure is higher than the degree of decentralization of revenue' thereby causing a 'great divergence between sources of revenue and functional expenditure obligations in the local government'. This means that there is a lack of the necessary symmetry - hence the 'problems of non-correspondence or vertical fiscal imbalance'. This incongruity and its problems for local governments within the parameter of Nigerian fiscal federalism can be deduced from Tables 1-4 in the Appendix which show the Nigerian expenditure decentralization ratio; revenue decentralization ratio and shares of revenue (in percentage) by tiers of government and Nigerian states' horizontal fiscal imbalance from 1993 to 1997.

In fact, this disturbing aspect of Nigerian fiscal federalism, among other factors, has lately led to a demand for resource control by nearly half of the Nigerian 36 states. As can be seen from Figure 1,' a preponderant majority of Nigerians in the southern part of the country fully support the idea of resource control as one of the mechanisms through which the incongruities associated with the twin issues of revenue rights and fiscal jurisdiction within the parameters of Nigerian fiscal federalism could be reduced, if not totally eliminated.

There is no doubt that dissatisfaction with the existing revenue allocation formula (shown in Table 5 in the Appendix) has clearly influenced the trend of support for the states' quest for resource control which has manifested itself at the local level of Nigerian federalism. In fact, as Anyanwu once noted:

There has been an increasing wave of discordant voices from state and local government over revenue allocations in recent times. This suggests that an appropriate balance is yet to be struck in the use of revenue allocation to correct the imbalance between responsibilities and revenue power at the lower levels of government. The state governments are seriously questioning the diminution in their share of the federation account from 30 percent to 24 percent. Equally, the local governments are complaining that the hikes in their share of the federation accounts from 10 percent to 15 percent and later to 20 percent have not kept pace with the additional responsibilities assigned to them, especially with regards to primary education and primary health care [delivery]. (Anyanwu, 1999-5)

3. *Intergovernmental Fiscal relations (fiscal federalism)*

Over the years the concept of intergovernmental fiscal relations has been examined by various scholars and practitioners of repute within most polities of the world by ways of scholarship and policy initiatives. In fact, the nitty-gritty of intergovernmental fiscal relations (IGFR) is concretely located within the definitional elucidation of the concept of federalism though with economic blending. Thus, along this line, federalism could be taken to mean a system of government where revenue and expenditure functions are divided among the tiers/levels of government.

This division is usually done to enhance the government's effective provision of public goods and services at different levels to the citizens. It has been generally opined that revenue-generating and spending responsibilities, intergovernmental transfer and the administrative aspects of fiscal decentralization are, in fact, the real issues involved in intergovernmental fiscal relations' or fiscal federalism as it is usually known.

Fiscal federalism refers to the allocation of tax-raising powers and expenditure responsibilities between levels of governments" According to Sewell and Wallich" and Latvack and Wallich.¹² the objectives of fiscal relations among

units in a federation are:

1. to ensure correspondence between sub-national expenditure responsibilities and their financial resources (including transfers from central government) so that functions assigned to sub-national governments can be effectively carried out;
2. to increase that autonomy of sub-national government by incorporating incentives for them to mobilize revenues of their own;
3. to ensure that the macroeconomic management policies of central government are not undermined or compromised;
4. to give expenditure discretion to sub-national government in appropriate areas in order to increase the efficiency of public spending and improve the accountability of sub-national officials to their constituents in the provision of sub-national services;
5. to incorporate intergovernmental transfers that are administratively simple, transparent and based on objective, stable, non-negotiated criteria;
6. to minimize administrative costs and, thereby, economize on scarce criteria;
7. to provide 'equalization' payments to offset the differences in fiscal capacity among states and among local governments so as to ensure that poorer sub-national governments can offer a sufficient amount of key public services;
8. to incorporate mechanisms to support public infrastructure development and its appropriate financing;
9. to support the emergence of a governmental role that is consistent with market-oriented reform; and
10. to be consistent with nationally agreed income distribution goals.

Specifically, Nigerian fiscal federalism structure involves the allocation of expenditure and tax-raising powers among the federal, state and local government. According to Tella," fiscal federalism is deeply rooted in apolitical arrangement called federalism'. As the financial relationship between and among existing tiers of governments, fiscal federalism deals with the system of transfer or grants through which the federal government shares its revenue with state and local government.

In Nigeria, local government expenditure has constantly surpassed the potential for revenue sources owing to the great gulf between their needs and their fiscal capacity. This has largely been caused by the incongruous nature of their revenue rights and fiscal jurisdiction with the duties and functions constitutionally allocated to them. in other words, the nature and scope of Nigerian fiscal system or federalism with reference to tax jurisdiction and revenue allocation are progenies of the constitutional and political developments of the country per se. There is no gainsaying the fact that 'fiscal laws in Nigeria clearly give more tax powers to the federal government than the remaining two lower tiers of government'.

Given this core Of IGFR, there appears to be a scholarly unanimity on the benefits a country like Nigeria could derive from fiscal decentralism because the negative multiplier effects of fiscal centralism are enormous and, above all, incompatible with the demands of federalism. This is so because federalism requires a diffusion of powers to accelerate growth rates within the polity. Not only this, fiscal decentralization has been argued to be statistically and positively significant for economic growth. Thus, as OateSI4 once noted:

There are surely strong reasons, in principle, to believe that policies formulated for the provision of infrastructure and even human capital that are sensitive to national or local conditions are likely to be more effective in encouraging economic development than centrally determined policies that ignore these geographical differences.

It has been argued that 'decentralization of spending responsibilities to lower levels of government will ensure improved and efficient allocation of resources for the provision of local public goods and services which mostly represent the aspirations of people at that level' (quote from Note 19).¹⁵ 19 Notwithstanding this argument for the positive multiplier effects of fiscal decentralization, the tendency in most federations including Nigeria has been to give fiscal centralism pride of place in the conduct of governmental business. In other words, according to the literature:", 19 'In most federations, the tendency is for the federal government to retain responsibility for strategic sectors, including research and development.'" Thus, the need for fiscal decentralization has continued to gain momentum within most federated polities.", 1 For example, in Nigeria, almost every constitution-making process has sought information on what principles to utilize for the distribution of the national income. This has been the case in Nigeria, since the period of colonial administration and the introduction of the Richard Constitution in 1946, the Phillipson Commission of 1946, the 1951 Macpherson Constitution, the 1951 Hicks-Phillipson Commission, the 1953 Chick's Commission, the 1958 Raisman Commission, the 1964 Binns

4. *Since Commission and the 1963 Dina Committee*

These were followed in 1967, 1970, 1971 and 1975 by decrees on the same subject. Despite these major achievements, the period between 1977 and 1984 saw incessant demands for more equitable distributional methods or formulas. Different revenue allocation efforts have emerged as exemplified by the Aboyade Commission of 1977, the 1980 Okigbo Commission, the Allocation of Revenue Act of 1981 and the 1984 Allocation of Revenue amendment decree.

this time, the citizenry in Nigeria has become increasingly discontent with the unitarization of fiscal relations and the existing revenue allocation formula despite the changes that took place in this field in 1991 and 1992.

The call for a review of the revenue allocation formula and more equitable fiscal federalism has gained even more momentum since the commencement of the fourth Democratic Republic. In fact, the new lease of life given to the newly Constituted Revenue Mobilization, Allocation and Fiscal Commission is largely derived from the people's disenchantment with the alienating fiscal centrality of Nigerian intergovernmental relations particularly as it affects revenue rights; the principles of derivation, tax-raising powers and the citizenry in general.

Possible ways out of this apparent dilemma and internal contradictions of Nigerian federalism without dismantling the latter, while simultaneously enabling the people to derive the benefits of federation without parasitic symbiosis form part of the core of our analysis in this study.

5. *Federalism and functional allocation*

One of the primary features of a federal system of government is the assignment of functions between the various components of government. This also forms the basis for the determination of revenue rights and the delimitation of tax-raising powers, which constitute the genesis of IGFR. Most constitutional arrangements in federal systems classify the powers and responsibilities into exclusive, concurrent and residual legislative lists, as is the case in Nigeria. The basis of this classification can be historical, political or economic, among other considerations. Thus, it is generally accepted that the assignment of functions among federating units should be organized in the following ways:

1. Functions which can be more efficiently performed by the federal government than lower levels of government should be assigned to the former (i.e. be placed in the exclusive legislative list). These include national defence, external relations (including borrowing and external trade), banking, currency, nuclear energy, etc.
2. Functions whose benefits are more local than national but with the possibility of spill over effects should be placed in the concurrent list. Such functions include industrial, commercial or agricultural development, post primary institutions, health care, etc.
3. Functions which are purely local in character, in the sense that the benefits accrue, in the main, to limited geographic areas within the country, are usually assigned to local authorities. Such functions would include the establishment and maintenance of markets, car parks and public conveniences, refuse disposal, primary education and the construction and maintenance of local roads and streets.

It should immediately be pointed out, however, that it could be difficult, if not impossible, to put most of these functions into watertight departments. This fact underlies the principle of cooperation within federating units in the performance of a number of functions.

6. *Allocations of tax-raising powers*

Two factors have been determined to constitute the major basis for allocating tax-raising powers among the component levels of government in any federal system. These are administrative efficiency and fiscal independence. The efficiency criterion demands that a tax be assigned to the level of government that will administer it efficiently at minimum cost; while fiscal independence requires

that each level of government should, as far as possible, raise adequate resources from the revenue sources assigned to it to meet its needs and responsibilities. Experience in many countries strongly indicates that there is often a conflict between the two determining criteria: the efficiency criterion tends to conflict with the principle of fiscal independence. While the former would call for a great deal of concentration of tax-raising powers at the higher levels of government due, in large measure, to the limited administrative capacity of lower level governments, the latter would demand the devolution of more tax-raising powers to lower units of government to match the functions assigned to them.

7. *Revenue rights*

Revenue rights are essentially the product of the statutory arrangements relating to the assignment of functions and allocation of tax powers. Quite often, because the conflict between the two major criteria - administrative efficiency and fiscal independence - which we noted earlier, often tends to result in over concentration of tax-raising powers with the centre, it has been found necessary to make statutory provisions for revenue-sharing. This arrangement makes it possible to allocate centrally collected revenues on the basis of given principles or criteria between the different levels of government (i.e. vertically) and within the same levels (i.e. horizontally). In most countries operating a federal system of government, the responsibility for revenue-sharing, including the determination of appropriate criteria to be employed, can be handled by high-powered fiscal commissions, established on an ad hoc basis, as was the case in Nigeria between 1946 and 1990, by a permanent body, as in the case of the national revenue mobilization and fiscal commission in Nigeria, or even semi-permanent as in the case of the fiscal commissions in India.

In the exercise of revenue-sharing or revenue allocation, each level of government is guaranteed a percentage from the central pool. In Nigeria, this pool is known as the Federation Account. Furthermore, the allocation of tax-raising powers often results in giving legal authority for a certain tax, while its collection could be entrusted to another level of government. More often than not this arrangement results in the sharing of the yield of revenue from the particular tax head between the level of government having the legal authority for the tax and the level entrusted with its collection. Thus, whether the revenues of a level of government accrue from sharing the proceeds of the central pool, or from the latter arrangement discussed, or, indeed, any other arrangement statutorily authorized, these revenue sources become the revenue rights of that level of government. In addition, all statutorily designated local taxes become the revenue right of the local government and so on.

8. *Functional and tax-raising power allocation in Nigeria*

Functional allocation

The allocation of functions among the component units of the Nigerian federal system (i.e. federal, state and local government) is spelt out in Section 4 Second Schedule of the 1999 Constitution of the Federal Republic of Nigeria. The section specifies three main categories of legislative functions: the exclusive legislative list, which contains some 68 functions upon which only the federal government can legislate; the concurrent legislative list, which consists of about eight functions upon which both federal and state governments can legislate; the remaining functions are on the residual legislative list which is not a list as such but consists of those functions neither specifically mentioned nor included in the exclusive or concurrent list.

In addition to these provisions, Section 7 of the same constitution provides for the establishment of local governments, which are made creatures of the state governments, and whose functions are spelt out in the fourth schedule. These functions are classified into two categories: the first category consists of those functions to be solely performed by the local governments, while the second consists of those to be performed concurrently or in 'participation' with their respective state governments.

It is instructive to note that the structure of the functions outlined here for all levels of government have remained, by and large, unchanged throughout the constitutional changes since

the 1979 Constitution. It is also important to note that the assignment of functions included in the specific legislative lists, and in the fourth schedule (for local governments) include both expenditure functions (functions which involve incurring expenses) and revenue functions (functions which involve the raising of revenue).

9. *Allocation of tax-raising powers*

The allocation of tax-raising powers or determining fiscal jurisdiction is essentially a legislative function. Indeed, even during the years of military rule in Nigeria, the allocation of tax-raising powers was issued through the instrument of a decree. An important point to note about the allocation of tax-raising powers in Nigeria is the relative long-term stability of the system as there has been no major change in this structure over the last three decades. Most of the discussion and controversies over the structure of fiscal federalism and the accompanying dynamics Of IGFR have centred more on revenue-sharing than on sharing the responsibility and authority for raising the revenues that go into the Federation Account.

The prevailing distribution of tax-raising powers in Nigeria is presented in Table 7 in the Appendix. This table shows the type of tax, the level of government with the legal authority to legislate on the tax and the level that administers and collects the tax. From Table 7 we can see that the major tax heads including duties, rents and royalties, petroleum profit tax, company income tax, etc. are not only under the federal government's jurisdiction, they are also administered and collected directly by the federal government through its various agencies.

The items, listed (1)-(9), account for between 85 and 90 percent of all federal revenues going into the Federation Account. Nothing in our discussion so far should suggest that because a level of government has legal authority over a tax head, or groups of tax heads, as well as administrative responsibility for collection, it will collect and appropriate the total amounts collected to itself. Indeed, the bulk of those revenues collected by the federal government goes into the Federation Account which is shared between it (the federal government) and the other levels of government. So too are the proceeds of Value Added Tax (VAT), which was introduced in 1993, shared among the three levels of government.

10. *Local governments' tax-raising powers and revenue rights: the main issues*

The main issues surrounding the tax-raising powers of local government centre around the inadequacy, in terms of coverage, and the non-buoyancy/inelasticity of those tax or revenue heads that fall under the jurisdiction of local government. Again, from Table 7, we can see that only four tax heads fall within their legal and administrative jurisdiction - these are: licences and fees on television and wireless radio; market and trading licences and fees; car park duties; and advertising fees. In practice, only one tax head or source, (i.e. markets, etc.) is exploited by local governments. Interestingly, even the tax head that is universally considered a local tax, (i.e. property taxes and rating) is, in reality, under the legal jurisdiction of the state as evidenced from the 1999 Constitution which provides that tenement rates or private property can be assessed by local governments but the levying of the rates will have to be prescribed by the state house of assembly. (See Fourth Schedule of the 1999 Constitution, Item j.)

The residual legislative powers of local governments to raise revenue are generally codified under the following local government revenue heads: 1001 (taxes); 1002 (rates); 1003 (local licences, fees and fines); 1004 (earnings from commercial undertakings); 1005 (rent on local government property); and 1006 (interest payments and dividends). The first three heads (i.e.

1001-1003) can be said to constitute the mainstay of local governments' 'own' or internal revenues. The important characteristic of all these sources, however, is their low revenue yield. Head 1003, for instance, covers an extensive range of items or subheads, 101 in all. Interestingly however, revenues from these internal sources amount to a less than significant portion of local governments total recurrent revenue.

The inability of local governments to raise substantial portions of their total recurrent revenue requirements from internal sources which, according to Adamolekun' 'undermined the autonomy that is implicit in the idea of a third tier government', has, of course, become common-place knowledge. The reasons for this have ranged from the very narrow revenue base imposed on local government by the statutory distribution of tax-raising powers to the continuous infringement of their revenue rights by state governments in particular.

Generally, 'studies on fiscal federalism in Nigeria, have shown a high degree of centralization' (quote from Note 19).',",²⁴ The expenditure requirements of each tier of Nigerian government (particularly local government) have been treated with contempt by the federal government in its allocation of revenue. As a result of this, while other tiers remain pauperised, the federal government has largely remained a surplus-spending unit as can be seen from Table 8.

This lopsidedness is without regard (by the federal government) to the fact that almost 80 percent of Nigerians live in rural areas which rightly fall within the governmental aegis of local government. In fact as can be seen from Table 7, it is clear that all major sources of revenue - petroleum, profit tax, import duties, mining rents and royalties, and company income tax - fall within the jurisdiction of the Nigerian federal government while the remaining two tiers of government, particularly local government, have jurisdiction over minor and poor-yielding revenue sources. Hence, the problems of non-correspondence or incongruity highlighted earlier. Concretely, the extent of this fiscal imbalance or incongruity both in revenue generation by the tiers of government in Nigeria occasioned by the fiscal centralism or control of public sector revenue generation and expenditure allocation by the federal government in Nigeria is shown in Table 9 in the Appendix.

The issues that emerge from our discussion can be split into two: the substantial mismatch between functions assigned to local government, on the one hand, and the tax-raising powers assigned to them, on the other. Coupled with this, is, of course, the infringement of their revenue rights by state government. Both situations pose very serious questions as to the ability of local government to 'govern at the local level', in line with the stipulated expectations of the 1976 reforms.

Why post-reform local government in Nigeria should face this severe fiscal stress is particularly difficult to understand when we take cognisance of the fact that there were conscious and coordinated efforts by the erstwhile regional governments to adequately fund pre-reform local authorities through a comprehensive system of grants-in-aid consisting of general grants, specific and matching grants in addition to the assignment of tax-raising powers to the authorities by the regions. Now, with a more autonomous system of local government and substantial improvements in the fiscal and financial positions of government one wonders why it has become difficult to fund local government adequately.

11. Recommended solutions

Given the foregoing, the need to examine ways and means of constitutionally strengthening Nigerian local governments to enable them to perform their numerous functions most effectively becomes compelling particularly at this point in the nation's history. The following are considered crucial among other things to be done in order to empower Nigerian local government.

1. A complete review of the functions of each level of government will be very necessary. Such a review should take cognisance of the respective capabilities of each level of government to perform services assigned to it most effectively and efficiently. In this regard functions that are grassroots-based, like primary education, primary health care and agricultural production, should be wholly assigned to local government. Not only this, there is a need for collective determination of the aggregate revenues required by the three tiers of Nigerian federalism as well as the oil and other mineral-producing communities of Nigeria. In other words, a balanced, fair, transparent and consensus-based framework for intergovernmental fiscal relations must be established. To complement this effort, a new revenue allocation formula which will drastically reduce the current enormous powers of the federal government must be adopted. In doing this, the 68 items currently under the control of the federal government through the exclusive legislative list should be critically re-examined. However, in pursuing this goal, the pitfalls of confederacy must be structurally and strategically avoided. In other words, 'the federal government' in the process, 'should not be too emasculated as to become unable to carry out its functions of uniting the people'. Instead, 'there should be an admixture of distributive or co-operative federalism with an adequate compensation for those who provide the "common wealth"'. Within this context, the National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC) as a permanent body and one of the policy instruments in Nigeria for the achievement of national objectives must meaningfully undertake, on a continuous basis, its functions regarding the fiscal relationship between the various levels of government to minimize the existing political pressures and enhance the achievement of national, economic and growth objectives.
2. With respect to the reassignment of tax powers, among other possible areas of reassignment we identify the following as requiring immediate attention. In the first place, property tax and rating should be made entirely a local tax - in terms not only of assessment but also of fixing rates and collection. A preliminary positive step in this direction is to motivate the tenement rate-payers into seeing the benefits and importance they can derive from paying the rate. This is necessary because it is our view that, in spite of the importance attributed to the tenement rate by the Tenement Rate Edict, Dasuki Report and the Nigerian Federal Constitution, it has not achieved its objectives in many local government areas in Nigeria due to some inhibiting factors like low rates, lack of adequate supervision or publicity and the absence of assessment based on proper valuation. This low collection of the tenement rate in Nigeria can be overcome if the rate is made low and proceeds from it are used for the provision of services (e.g. tarring of surroundings roads, refuse collection etc.) which the rate-payers can easily discern or identify. The other area to consider is the personal income tax - (PIT) - (i.e. Payee) and direct assessment. Local governments should be empowered not just to collect taxes within their areas of jurisdiction but also to retain the entire proceeds.
3. In the light of the proposed realignment of functions, there will be a need to give local governments a larger share of the federation account, something in the region of 35 to 40 percent. Local governments must be given some degree of financial autonomy through

the restructuring of the taxation powers. In other words, expenditure needs must be matched with revenue rights and fiscal jurisdiction, i.e. revenue and expenditure decentralization must support the fiscal profile of the local governments. This means that decentralization of functions should be matched by decentralization of revenue collection. In other words, the infringement of the revenue rights of local governments particularly by the states should be checked. One of the ways through which this can be done is for state government to give back to local government certain sources of internal funds like liquor licensing fees, water rates and other internal generating sources already snatched by them. The internal revenue generation and the financial viability of the local governments in Nigeria would greatly improve if the functions of the Town Planning Division of the Ministry of Works, Lands and Housing were to be given to the respective local government. If each local government is allowed to make bye-laws about its town planning affairs (e.g. charging and receiving fees on and from building plans approvals; collection of lay-out fees etc.) the financial viability of local government would be enhanced in the sense that revenue accruing from such sources would go a long way to boosting their economies. In the first place, any transfers, from states to local governments, statutorily determined should be enforced. Equally, all revenues accruing to local governments should be transferred directly to them. In other words, the provision of Section 162(5) of the constitution should be reviewed.

4. The power to raise revenue and incur expenditure, as appropriate, independent of the close supervision and control of another body is paramount in any democratic dispensation. Local governments should, therefore, be allowed not just to collect revenues from their assigned sources but also prepare, discuss and approve their annual budgets. The state control of such process facilitated by Section 7(i) of the constitution should be reviewed. This review should allocate more resources to local government, given their closeness to the people compared to the remoteness of federal and state government.
5. Rights are, of course, necessarily accompanied by responsibilities, thus, fiscal discipline in terms of enhancement of local governments' revenue efforts and the enforcement of efficiency standards in spending by each level of the three tiers will be very necessary. Added to this, responsibility and accountability should be the guiding principles and operational mechanism of those charged with the management of local government affairs. In addition, for local governments to succeed in these regards, they need to adopt certain decision rules which among others should include:
 - payment of attention to the conditions of the present plants - e.g. bridges, streets, street lights and other infrastructural facilities) - in the local government areas;
 - a cautious orientation towards capital spending;
 - maintenance of close ties with other levels of government;
 - cautious management of capital maintenance; and
 - investment with future expectation.

12. Conclusion

There cannot be a virile and dynamic local government system without ensuring that functions assigned to local governments are properly aligned with tax-raising powers or fiscal jurisdiction, and that designated revenue rights are guaranteed and adequately protected. Local government councils in Nigeria are charged with a number of responsibilities most of which touch on the welfare and living standards of large segments of the country's population particularly those living in the rural areas. Since the 1976 reforms, however, the councils have been grappling with

a plethora of problems, relating, in large measure, to the delimitation of their fiscal jurisdiction and protection of their revenue rights. There has also been a severe erosion of their fiscal autonomy. These, combined with other institutional and structural problems, have rendered them functionally impotent in the areas of revenue generation and effective service delivery. Unfortunately, the 1999 Constitution of the Federal Republic of Nigeria appears to contain provisions which are likely to worsen the hitherto shaky existence of local government councils.

Taking these developments into consideration, we would contend that the previously recommended solutions need proper evocation through the institutionalisation of workable mechanisms which would structurally emancipate Nigerian local government councils from the manacled claws of constitutional strangulation and its accompanying operational dilemmas with which they have staggered into the 21st century.

Structurally, the existing 774 local government councils should be maintained for some time to come, possibly for the next decade or so. This position may sound unimpressive to agitators for the creation of more local government councils within the Nigerian federation. It would be detrimental to the Nigerian Federation if the mushrooming of local government areas is not kept in check in view of the current problem ties of tax-raising powers and collection effectiveness which continue to defy solutions due principally among others, to the shrinking of revenue space that usually accompanies such an exercise. Instead of creating ineffective and non-feasible local government councils amidst the states' constant and ever-increasing usurpation of the revenue rights and fiscal jurisdiction of local government, the intergovernmental character of the Nigerian federation should be enhanced through relevant and effective policy instruments directed at resolving some of the potential and present conflicts and inherent economic tensions within the Nigerian federation.

There is a need for the establishment of a national commission to enhance intergovernmental understanding and cooperation in ways conducive to dialogue between federal, state and local government actors. This commission, to be named the National Commission for Intergovernmental Relations and Federalism (NCIRF), as a complement to the Local Government Service Commission (LGSC), which has long been constitutionally recognized in Nigeria as an agency of intergovernmental relations, should be responsible for midwiving the Nigerian Intergovernmental Relations. The Dasuki Committee once recommended such a body as appropriate for coping with the problematic of Nigerian intergovernmental relations but it was rejected by the Buhari Military Administration.' However, in 1992 a body called the National Council on Intergovernmental Relations (NCIR) was created in recognition of the need for effective intergovernmental relations. This body, too, was unfortunately abolished

As stated earlier, the NCIRF should be created to henceforth ensure the intergovernmental character of Nigerian local government. With this, we are calling for the abandonment of the provision of the Nigeria's Fourth Republic (1999).

Constitution which makes the local government a residual matter (i.e. a primary responsibility of the state government).

Principally, the mission of the NCIRF, when created, should, among others, aim:

1. to closely monitor the operation of the federal system giving continuing attention to intergovernmental relations in the Nigerian federal system;
2. to study, conduct research and maintain data on intergovernmental relations;

3. to recommend solutions to problems of intergovernmental relations and provide necessary forms of improvement;
4. to play a mediatory role towards resolving conflicts between federal, state and local government; and
5. to establish contacts with other organizations with similar objectives.²¹

Within the context of the stated aims of this mission, its mandate must include:

1. monitoring the operation of the Nigerian federal system and recommending necessary improvements;
2. studying such problem areas that would create or are likely to create stress for the federal system, making appropriate recommendations to the various arms of government and relevant institutions;
3. appraising the various dimensions of intergovernmental relations and making recommendations on how:
 - to improve efficiency in the administration of the federation;
 - to improve taxation and ensure equitable allocation of resources; and
 - to enhance cooperation among the different component units at all levels of government.
4. studying and evaluating the functions and powers of the various tiers of government in the light of changes in the federal system and making recommendations for adequate legislative and administrative actions aimed at effecting necessary adjustments;
5. playing mediatory roles towards resolution of conflicts;
6. publishing its findings and recommendations for general information after the deliberations by the Council's Board; and
7. liaison and involvement with the activities of institutions whose functions border on intergovernmental relations at federal, state and local government levels.

This commission will enhance the capacity for intergovernmental relations and, the practical attainment of the principles of true federalism which implies power-sharing, abandoning the notion of any one group (or institution) dominating all others, not succession but building interdependence. It will also encourage both the 'governors' and the 'governed' at the local level to recognize the need to make financial contributions for the maintenance and provision of government services to the people, thus reducing the high level of financial dependence on the federal government. However, this should be accompanied by the determination of the functionaries at the local government level to abandon a 'psychology of dependence' and an orientation towards 'how to spend money and not how to generate it.

Finally, we are prescribing that the NCIRF as a body should be created without delay to start performing its duty of fostering the expected intergovernmental understanding and cooperation within Nigeria's three-tiered federal administration, the principles of which can now be optimally applied within the context of the nation's current democratic framework.