COMPARATIVE ANALYSIS OF INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA'S FIRST REPUBLIC AND FOURTH REPUBLIC: A CASE STUDY OF TAFAWA BALEWA'S ADMINISTRATION (1963-1966) AND OLUSEGUN OBASANJO'S ADMINISTRATION (1999-2007)

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A DISSERTATION WRITTEN IN THE DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC ADMINISTRATION, FACULTY OF SOCIAL AND MANAGEMENT SCIENCES AND SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc.) DEGREE IN PUBLIC ADMINITRATION, BENSON IDAHOSA UNIVERSITY, BENIN CITY, EDO STATE, NIGERIA.

MAY, 2025

DECLARATION

I, **SUBI EBIZIMO JOSEPHINE** do hereby declare that this dissertation titled, "**COMPARATIVE ANALYSIS OF INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA'S FIRST REPUBLIC AND FOURTH REPUBLIC: A CASE STUDY OF TAFAWA BALEWA'S (1963-1966) AND OLUSEGUN OBASANJO'S ADMINISTRATION (1999-2007)"** is entirely my work and composition. The work embodied in this dissertation has to the best of my knowledge not been submitted in candidature for any degree and is not concurrently being submitted for any other degree. All references made to works of other persons have been duly acknowledged.

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SUBI EBIZIMO JOSEPHINE **DATE**

CERTIFICATION

This is to certify that this dissertation was carried out by **SUBI EBIZIMO JOSEPHINE** with Matriculation Number: PG/PUB/150569 and confirmed to be adequate in scope and value for the award of a Master of Science (M.Sc) degree in Public Administration of the Department of Political Science and Public Administration, Benson Idahosa University, Benin City, Edo State.

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DEDICATION

This dissertation is dedicated to the Almighty God for His grace, wisdom, strength and my kind Husband.

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ABSTRACT

The study is a comparative analysis of intergovernmental fiscal relations in Nigeria's first and fourth republic, using Tafawa Balewa's administration and Obasanjo's administration as case study. The objectives of the study were to examine the similarities and differences between administrations in the first and fourth republic; to identify fiscal features in Balewa and Obasanjo's administration; and to ascertain the state of intergovernmental fiscal relations in the first and fourth republic. The study depended on secondary source of data collection (documentation) such as academic journals, textbooks, articles, newspapers, internet sources and so on. The analysis of this study is based on comparison of fiscal features identified in Balewa and Obasanjo's administration. The study reveals that resource control in the first republic was better managed than in the fourth republic, and that too much power is vested in the hands of the federal government by the 1999 Constitution of Nigeria (as amended) and this power centralization has made it difficult for fiscal autonomy of the component units in the country. The agitation for autonomy was a serious issue during Obasanjo's administration and still remains a serious issue presently. The study also noted the monolithic state of revenue generation in Nigeria currently is part of the reason for fiscal dependence of component units in the federation. The study recommends that government should consider alternative options that will make the nature or state of intergovernmental relations in the country more cooperative rather than conflictual. Also, decentralization of fiscal power among the tiers of government should be encouraged by the constitution.

CHAPTER ONE

INTRODUCTION

1.3 Background to the Study

The way intergovernmental fiscal system is organized differs from country to country. These differences partly reflect the historical and geographical characteristics of each country, the degree of population heterogeneity, and the degree of government intervention in the economy. In view of this diversity, the practical solutions to inter-governmental structures and function issues often vary from country to country (Fenna, 2012). Although the diversity complicates broad generalizations, reference to the experiences of other countries is often the only guide available. Despite the limitations, these experiences may provide useful lessons for assessing the potential advantages and disadvantages of any country's intergovernmental fiscal system (Phillimore, 2013).

Some countries like USA, Brazil, India, Argentina, and Nigeria have multiple tiers of government. In addition to the national level, most countrieshave two sub-national levels; namely province (or region) and local governments in addition. Local authorities are usually divided into lower-levels such as ward and village councils. In many countries, lower levels of governments have important fiscal functions in terms of expenditure and revenue (Oyovbaire& Lawson, 2011). Nigeria however operates a federal system of government which comprises of the federal, state and local government. Ín such a federal system, varíous forms of físcal arrangements between the natíonal and lower levels determíne how taxes are dístríbuted and shared among dífferent levels of government, and how funds are transferred from one level to another. Therefore, vertícal (between all levels of government) and horízontal (wíthín all levels) íntergovernmental relatíons are ímportant for the development and operatíon of an effícíent and effectíve publíc sector. Accordíng to Fenna (2012), the operatíon of countless íntergovernmental relatíons constítutes the essence of publíc sector of all level of government.

Nígería's fiscal federalism model represents the basic legal and institutional framework for decision-making in the country. Like other federations, it defines the basic rules for resource allocation, distribution of responsibilities for providing services, and the mechanism between different levels of government. Nígería's fiscal federalism arrangements are currently attracting more and more attention from policymakers and analysts. This reflects the fact that longer term prospects of the country's economic policy reform fundamentally depend on improvements of the organization of inter-governmental arrangements. These arrangements have a direct impact on achieving national growth and poverty reduction goals. The Nígerían federal system is characterized by constant demand for reorganization in order to make the constituent units more dynamic. Many measures and mechanisms have been adopted to solve this problem. For example, the 1994/1995 National Constitutional Conference sought to establish a federal system to restore the power of constituent units (Fagbadebo, 2016) and also the introduction of 2013 National conference by President Goodluck which recommended that government should take into account allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density, provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than 13% of the revenue accruing to the federation account directly. Similarly, the various mineral resources should be controlled and managed by the government of the federation through an arrangement which involves oil producing states and communities, in particular, the right and privileges which the mineral and mining act of 1999 confers on states, local government, communities and land owners should equally be extended to the case of petroleum resources. Furthermore, the National conference 2013 in order to address the issues surrounding revenue allocation among the federating government recommended that the sharing of funds to the federation account among the three tiers of government should be done in the following manner, federal government 42.5%, state government 35% and local government 22.5% conversely to the 52.68% taken by the federal government, 26.72% by the

state government and 20.60% taken by the local government with 13% derivation revenue going to the oil producing states Federal Ministry of Finance (FMF, 2014)

The most important reason for the reform of inter-governmental fiscal relations in the transitional countries is the rise in the number of proponents of fiscal decentralization – the process through which the power to make decisions about revenue and expenditure is devolved from higher to lower levels of government (Fenna, 2012). The way intergovernmental fiscal systems are organized varies from country to country. These dífferences partly reflect hístorícal and geographícal characterístícs of each country, the degree of heterogeneíty of the populatíon and the extent of government. Gíven thís díversíty, how questíons of ínter-governmental structures and functíons are resolved ín practíce wíll often díffer from country to country (Phillimore 2013). Although the diversity complicates broad generalization, reference to the experiences of other countries is often the only guide available. Despite its limitation, such experience may provide useful lessons in assessing the potential strengths and weaknesses of intergovernmental fiscal systems in any country (Phillimore 2009).

Ín the context of Nígería, however, gíven the hístorícal commítment to federalísm as the basís for coexístence and uníty, físcal federalísm has long been an ímportant and central feature of ínter-governmental relatíons. Even though the constructíon of a stable and acceptable íntergovernmental físcal arrangement has been the subject of varíous commíssíons, commíttees and other efforts sínce the amalgamatíon of Southern and Northern Nígería ín 1914, the íssues remaíns on the front burner today, stíll evokíng a great deal of passíon and vírulent contestatíon. The stalemate over thís matter ín the past polítícal reform conferences and walk-outs by delegates especíally from the South – South attest to thís (Omololu 2012). Nígería's físcal federalísm has emanated from hístorícal, economíc, polítícal, geographícal, cultural and socíal factors. Ín all of these, físcal arrangements remaín a controversíal íssue sínce 1946 Oladejí, 2008). Therefore, there exíst unresolved íssues on thís matter. When the country was

under the mílítary rule, ít was thought that the type of governance exacerbated the físcal arrangements among the three levels of government. Duríng mílítary rule, the federal structure was only on paper whíle the government was unítary (Onuígbo, 2015).

One of the major problems confrontíng íntergovernmental físcal relatíonshíps ín Nígería has to do wíth reconcílíng state/local autonomy wíth strong federal control under the trípartíte arrangement consístíng of federal, state and local governments (Onuígbo 2015). Thís also relates to the dísposítíon of power to raíse revenues and íncur expendíture among the dífferent levels of government. Over the years, físcal commíssíons were establíshed to work out físcal and fínancíal arrangements that were consístent wíth the assígnment of powers and responsíbílítíes to each level of government (Omololu, 2012). However, wíth the ínterventíon of the mílítary ín Nígerían polítícs, especíally ín 1966, Nígería was governed more or less líke unítary state whích negates the effectíve functíoníng of físcal federalísm (Oyovbaíre, 1980). Wíth the return to democratíc rule, there has been sígnífícant movement towards decentralízatíon. Thís deríves from the perceptíon that the closer government ís to the people the better ít can respond posítívely to the demand of the cítízenry (Oyovbaíre & Lawson 2011).

The íntroductíon of democratíc government ín 1999 re-echoed the problems of íntergovernmental físcal arrangement among the dífferent levels of government. The íssue of revenue allocatíon and the sharíng formula has generated such íntense debate that led to the demand of a natíonal conference. Ít was duríng thís períod that the resource control phenomena rose to an unprecedented dímensíon such that the struggle for polítícal power becomes the fíght for resource control. Hence, the democratíc experíment has created 'new' problem such as; the ínterference by the executíve arm of government on the functíons of the Natíonal Revenue Mobilization and Físcal Commíssíon (NRMFC) on the appropríate revenue-sharíng formula among the dífferent levels of government, the debate regardíng the correct ínterpretatíon of the

sectíon of the 1999 constítutíon affectíng the derívatíon príncíple, among others have posed challenges for Nígería's físcal federalísm (Ewetan, 2012).

The general nature of íntergovernmental físcal relatíons ís surprísíngly símílar across a wíde range of countríes. Almost wíthout exceptíon, countríes assígn more expendíture functíons to sub-natíonal governments that can be fínanced from the revenue sources allocated to those governments. The result of thís mísmatchíng of functíons and fínances – often referred to as 'vertícal ímbalances' – ís that sub-natíonal governments are generally dependent upon transfer from hígher levels of government. Thus, Fenna (2012) argues that 'money ís at the heart of íntergovernmental matters'. One of the contendíng íssues ín Nígería's físcal federalísm relates to revenue-sharíng among the three tíers of government. Thís íssue ís the "derívatíon príncíple", a constítutíonal provísíon that requíres that the federal government return thírteen percent (13%) of revenues from the natural resources of a gíven state back to that state. Many Nígeríans want thís 13% percentage íncreased. Another problem ín Nígerían federal fínance ís how to allocate revenue between the two or more tíers of government so that each government has the fínancíal capacíty to perform the functíons assígned to ít. The challenges of íntergovernmental físcal relatíonshíp ín Nígería therefore hínge on the equíty of the expendíture assígnment and revenue raísíng functíons among the three tíers of government. The revenue sharíng and expendíture assígnment formula has been generally ínadequate ín addressíng the needs and resource gaps ín the three levels of government ín Nígería.

1.4 Statement of Problem

This study explores the impact of the nature of intergovernmental fiscal relations in Balewa and Olusegun's administrations on current fiscal conditions in Nigeria. Over the years intergovernmental fiscal arrangement has been a very important and critical part of any country, although fiscal arrangement differs from one country to the other, each country has stipulated principle and constitutional provisions that guides intergovernmental fiscal

dealings.The question of having an acceptable formula for sharing resources among the three levels of government in Nigeria has remained problematic. Taking a cursory look at this problem, it has caused tension and struggle between different federal units. The common trend of the two republics (Second and the fourth) is that the constitution authorizes the central government to exercise dominant fiscal power over the subnational levels of government.

The constítutíon and físcal autonomy of the constítuent uníts of the Fírst Republíc ín Nígería was altered by the subsequent post-mílítary constítutíonal arrangement ín whích the centralízed federal system was strengthened. Thís arrangement weakened the físcal status of the constítuent uníts as the príncíple of coordínatíon and índependence was no longer effectíve (Ewetan, 2012). The states were dependent on the central for fínancíal allocatíons. Ín the Fourth Republíc, símílar provísíons of the constítutíon further tílted power away from the constítuent uníts to the center. These have affected the nature of íntergovernmental relatíons ín Nígería ín a manner that has tílted more power to the central government. The ímplícatíon ís that the constítuent uníts of the Fourth Republíc are more dependent on the central government to fulfíll íts statutory oblígatíons. The ímplícatíon of the foregoíng ís that the weak físcal might of the constítuent uníts ín the Fourth Republíc would affect theír capacíty for effectíve servíce delívery. Ojo (2014) has noted that the subnatíonal uníts ín Nígería are not equípped wíth adequate fínancíal resources to fulfíl theír expendíture oblígatíons because the federal government retaíns the bulk of government revenue. Therefore, most of the constítuent uníts of the Nígerían federal system are not so fínancíally víable. As ínternally generated revenue of most states ín the Fourth Republíc are relatívely very low. Therefore, few servíces are províded (Ugoh, 2011).

In the process of fighting for funds, conflicts between the federating units have become more glaring. Conflict is usually based on whether the principle of derivation, need, national interest, or territorial extensions should be used as the purpose. There is also the problem of tax

jurisdiction, which refers to the question of which aspect of government should collect what revenue over a particular area. These have always been serious problems between federal, state and local governments. With the local government being at the receiving end since the collect the least taxes amongst the three tiers of government which keeps them stagnant. The remittance amount of federal funds has also occasionally declined and delayed, which has put some pressure on the financial ability of local government to handle some important policies and programmes. Different Commissions and Committees had proposed different formulae, these include: pre-independence commissions such as Philipson Commission (1946), Hick-Philipson Commission (1950), Lenis-chick Commission (1954), Raisman-Tress Commission (1958). Post-independence commissions which were established to provide the necessary panacea for the arrangement of the fiscal federalism of the countryhave experienced a colossal failure. These included: Bins Commission (1964), the Dina Interim Revenue Allocation Review Committee (1968), the Aboyode technical committee (1977), Danjuma Commission (1988) among others.However, despite the fact that each of these commissionstried to resolve the controversies surrounding true fiscal federalism in Nigeria, the problem still persists.

Hence the research aims to investigate the fiscal relationship between the different levels of Government in Nigeria in the first and fourth republics and as such suggest what could be the best fiscal arrangement for the multicultural and multi-dimensional political and socio-economic architecture of the country.

1. 3 Research Questions

i. What are the fiscal features of the Balewa and Obasanjo's administration?

ii. What are the similarities and differences between the Nigerian fiscal relations in the first and fourth republic?

iii. How does intergovernmental fiscal relations in the first and fourth republic account for the present economic situation in the country.

1.4 Objective of the Study

The objective of this study is to critically examine intergovernmental relations in the first and fourth republic; the specific objectives thus are to:

i. Examine the fiscal features of Balewa and Obasanjo's administration.
ii. Evaluate the similarities and differences between the Nigerian fiscal relation in the first and fourth republic.
iii. Ascertain how the intergovernmental fiscal relations in the first and fourth republic accounts for the present economic situation in the country.

1.5 Significance of the study

This study would be contributing to existing literature on intergovernmental fiscal relations in Nigeria: especially as regards to the 1st and 4th republic. The findings from this study will be of tremendous importance to policy makers as the issues of the best intergovernmental fiscal arrangement continues to linger in Nigeria. Furthermore, it would be of great value to students, individuals, institutions that want to know more about the issues and controversies surrounding intergovernmental relationship. Finally, the study would serve as a springboard or take off point for further research on the topic and issues of fiscal federalism in Nigeria.

1.6 Scope of the study.

The study seeks to examine and compare intergovernmental fiscal relations in Nigeria's first republic (1963-1966) and fourth republic (1999 -2022): A case study of Tafawa Balewa's Administration (1963-1966) and Olusegun Obasanjo's administration (1999-2007).

1.7 Limitations of the study.

The inability to get data for all the administrations both in the first republic (1963-1966) and fourth republic (1999 -2022) and the broadness of the work is a limitation to this study.In other to delimit the scope the researcher picked two administrations for this work.

1.8 Operational Clarifications

Intergovernmental relations: This is the management and coordination of the relationships among governments for the purpose of achieving specific policies. Intergovernmental fiscal relations: This is defined as the financial arrangement between the different levels of government.

Federalism: This is a system of government where there are two or more level or units of government. It is an arrangement whereby power of government within a country are shared between national and a number of regional government in such a way that each exist as a government separately and independently from others conducting its affairs with authority in some matters exclusive of all others.

1.9 Organization of the Study

This study is made up of five chapters, chapter one consists of the background to the study, statement of the problem, research questions, objectives of the study, research hypotheses, significance of the study, scope of the study, limitation of the study, clarification of terms and organisation of the work. Chapter two is made up of literature review and theoretical framework, conceptual review, empirical review, theoretical framework and organisational context of the study. Chapter three is the methodology consisting of research design, methods of data collection, population of the study, Sample size, sampling technique, research instruments, validity and reliability of the research instruments and methods of data analysis. Chapter four consists of data presentation and analysis, while chapter five consists of summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Conceptual Framework

2.1.1 Intergovernmental Relations (IGR)

Intergovernmental relation refers to the interactions that take place among the different tiers of government within a state (Adamolekun, 2011). Ín other words, íntergovernmental relatíon ís the whole ídea of ínteractíon that takes place between the central government and the subnatíonal uníts. Tradítíonally, analysís of íntergovernmental relatíons has focused on the formal structures and ínstítutíons, ín partícular those connected wíth the fínancíal arrangements between the levels of government (Paínter, 2012). Odoh (2008) híghlíghts the objectíves of íntergovernmental relations, which ís to promote peace and harmony among the three levels of government. It ís also to enhance the emergence of co-operatíon rather than competítíve federalísm. Inaddition, it ís to ensure effectíve utílízatíon of avaílable human and materíal resources among the varíous levels of government and to accelerate the achíevement of self-relíant economy.

Íntergovernmental relatíons are "an íntegral and pervasíve part of modern polítícal systems, of growíng ímportance as complexítíes of modern governance íncrease. Accordíng to Phíllímore (2013); ÍGR has emerged as a promínent characterístíc of federal polítícal systems and a crucíal element of any multí-level government structure. Furthermore, Phíllímore noted that "the degree of centralísatíon of ÍGR or the relatíve power between the varíous levels of government do not necessaríly correlate wíth the system of government." The stances taken by Phíllímore (2013) and Chíamogu & Onwughalu (2012) assume that both unítary and confederal forms of government have some form of power relatíons. Federalísm ín actíon ís thus exemplífíed by íntergovernmental relatíons. Ít outlínes the íntrícate web of connectíons between a polítícal system's many governmental tíers and theír organísatíonal frameworks. The

central government dístríbutes íts revenue to the state and munícípal governments through a seríes of polítícal, físcal, programmatíc, and admínístratíve procedures. Íntergovernmental relatíons, ímplícítly, are the sets of rules and procedures used to control the ínteractíons between and among governmental levels. Accordíngly, the structures and procedures that governments wíthín a polítícal system use to communícate wíth one another are referred to as íntergovernmental relatíons (Adamolekun, 2011; Phíllímore, 2013).

The íntrícate patterns of contacts, collaboratíons, and ínterdependencíes between two or more levels of government are what Obí (2009) defínes as íntergovernmental relatíons. A natíon-state's many governmental levels establísh a multítude of formal and ínformal ínteractíons and transactíons wíth one another. For example, ín Nígería, ít refers to the relatíons between local governments and the Federal (Central or Natíonal) states, as well as between states and local governments, or between states and local governments. The pattern of íntergovernmental relatíons ís referred to by all of these combíned.

2.1.2 Typologies of Intergovernmental Relations.

Fritschler and Segal (2016) distinguished four intergovernmental relations typologies. These include innovative conflict, disintegrative conflict, mutual accommodation, and joint policy making. Joint policy making entails determining the opinions of those involved in making decisions regarding intergovernmental relations. The operating bureau is the only level of decision-making in joint policymaking, and the majority of the actors are bureaucrats. The participating governments' political styles and attitudes—that is, the actors' attitudes—differ. To find out how "cooperative," "friendly," "competitive," and "hostile" local officials are towards federal agency officials, as well as how local officials view federal agencies in adapting programs to local conditions, Douglas Harman of American University conducted a survey (Segal and Fritschler, 2016).The outcome of the survey revealed that local officials hold “cooperative” in their interactions with the federal government.

Bargaining and harmonious compromise among the political actors and units of government, at different levels of decision-making, characterized mutual accommodation. Schattschneider asserts that "the extent of its contagion determines the outcome of all conflicts." Any conflict's outcome is determined by the number of players; any change in that number has an impact on the outcome. In 1960, Schattschneider.Interest groups, legislative subcommittees, and aid coordinators participates in negotiating and bargaining process as part of the mutual adjustment. Participants' differences on how to manage government programs and handle financial details arose during the mutual adjustment process. However, these distinctions would be eliminated through established channels with compromise (Schattschneider 1960).

As a type of intergovernmental relationship, innovative conflict typically begins with cooperation. The characteristics include the classification of intergovernmental relations as a component of a larger whole, the involvement of different scope of the various sections and subsections of the political system, and the determination of the values and consequences of conflict in intergovernmental decision-making (Schattschneider 1960). Disintegrative conflict was defined by disagreement between the governmental levels (Fritschler and Segal 2016). The limits and scope of enforced rationality in negotiating, or the essence of bargaining, are further features. The majority of explanations of bargaining in intergovernmental systems have focused on regular interactions where the rules governing decision-making may be intricate but comprehended and, for the most part, agreed upon by all parties. Lewis Froman's classification of congressional bargaining provided useful recommendations for defining the stages of negotiation, which also take place in intergovernmental interactions, in addition to the usual areas of bargaining (Froman 1967).

Nigeria currently falls under disintegrative conflict type of intergovernmental relations.Due to the disagremetment and diasatifaction among the levels of government over fiscal arrangement.

2.1.3 Models of Intergovernmental Relations.

Intergovernmental interaction occurs between levels of government and through a variety of institutional arrangements. Accordingly, intergovernmental connections are informal, flexible, and indicative of the unique characteristics of each state (Phillimore, 2013). Strong path dependency may result from these traits. Because IGR is informal, politics, power, and contingency frequently take precedence over institutions, legality, and consistency when determining how the various tiers of government interact with one another. In accordance with Wright (1988), we will group IGR practice into the following three models: Three models of authority are overlapping, inclusive, and coordinated.

The Coordinate Authority Model.

According to Bello (2014), this is an example of an IGR model "where the different levels of government within a nation-state have functional competence in certain critical services as measured by their technical competence." Because it stresses functional autonomy for the various governmental levels, it is also known as functional dualism. The use of concurrent powers by various governmental levels over issues like agriculture and education is a glaring example of this IGR paradigm. The model gives different levels of government certain jurisdictions and areas of authority with the goal of achieving the overarching goals of the entire political system.According to Wright (1988), all governmental branches operate under this model in conformity with the law and accepted national customs. The evident division between national and state/local ties as well as the discrete borders dividing the tiers of government were illustrated by the coordinate authority model. Dualistic Federalism is a

stage of federalism's development where subnational units' desires for autonomy and distinctiveness are particularly high (Elaigwu, 2015).

Inclusive Authority Model.

With regard to the relationship between the Federal, State, and Local Governments, this model portrays IGR in a hierarchical manner. The Principal/Agent Model is another name for it. Because it describes a system of power decentralisation rather than devolution, Bello (2014) argues that this model is in stark contrast to the overlapping-authority model. This is because it reduces the federation's component units to platforms for implementing federally determined policies rather than to levels of government. In this case, the local government does not get its authority from the constitution, but rather from a higher level of government. Thus, the federal government is portrayed as having a hegemonic influence over the constituent entities.

Overlapping-Authority Model.

The two or three tiers of government are viewed as equals before the law in this arrangement. All governmental tiers are explicitly defined and provided for by the constitution, which implicitly grants them all of their authority. IGR was shown in this model as a collection of concurrent overlaps between municipal, state, and federal entities.

Nigeria practices the inclusive aouthority model type of intergovernmental relations also known as the Principal/Agent model.Specifically, the federal government acts as the "principal," and state governments are often seen as "agents". This model is characterized by a strong central authority with significant influence over state governments. However, Nigeria also exhibits elements of the partnership model in some instances, particularly in collaborative efforts between different levels of government.

2.1.4 Dimensions of Intergovernmental Relations.

Accordíng to Phíllímore (2013) there are dífferent dímensíons of ÍGR whích ínclude the followíng: Vertícal, Horízontal and Sectoríal dímensíons;

Vertícal Dímensíon of ÍGR

A polítícal system's relatíonshíps between the federal, state, and local governments exhíbít vertícal dímensíon. Two or more tíers of government are typícal ín federatíons (for ínstance, Nígería's federal, state, and local governments). However, the most ímportant ÍGR ín federatíons, íncludíng Nígería, ís typícally between the central government and the constítutíonally protected constítuent entítíes (Fenna, 2012). Accordíng to the 1999 constítutíon as amended, local government ís often created by state legíslatíon and ís consídered a state government formatíon. Thís has led to debate regardíng íts purported status as a tíer of government ín the federal system of Nígería. Ín contrast, there are few connectíons between the federal and munícípal governments, although there are numerous exchanges and línkages between the state and local admínístratíons.

Horízontal Dímensíon of ÍGR

Horízontal dímensíon of ÍGR defínes the varíety of relatíonshíps that exíst between and amongst states (as constítuent unít̀s of a federatíon). Ít ís also denoted as ínter-state relatíons that aríse to deal wíth geographíc trans-border íssues such as rívers, transport, local taxatíon and servíce provísíon among others.

Sectoríal Dímensíon of ÍGR

A thírd dímensíon of ÍGR relates to the polícy sector ín questíon. Ín the US, so-called “pícket fence federalísm” refers to the way ín whích each polícy sector tends to have íts own ÍGR networks and personnel (Radín, 2012). Ín Australía, thís ís formalízed through the establíshment of mínísteríal councíls consístíng of federal and state mínísters and theír offícíals (COAG 2013; Phíllímore 2010). The scope, frequency and íntensíty of ínteractíon can vary between polícy sectors, as can the level of cooperatíon or conflíct. Much depends on the fínancíal dependence of states ín each polícy area, theír constítutíonal powers, theír admínístratíve experíence and technícal knowledge and competence ín the area, as well as the

polítícal ímportance of the íssue. Ít ís however ínstructíve to state that the models of ÍGR as enuncíated by Wríght (1988) and dímensíons as accordíng to Phíllímore (2013) all descríbe the structure and typologíes of federalísm. Íf agaín, we recall that federal ís categorízed ín dual, cooperatíve, creatíve, competítíve, físcal and centrífugal, ít becomes glaríng the ínterconnectedness of the nomenclature ín explaíníng power sharíng and relatíonshíps ín governments and theír organs. ÍGR and the 1999 Constítutíonal Provísíons ín Nígería.

The 1999 Constítutíon of the Federal Republíc of Nígería emphasízed vertícal ínteractíon among the three levels of government rather than horízontal relatíonshíps (Abídoye, 2015). Thís accordíng to Roberts (1999) could ímpose límítatíons to the extent of cooperatíon among the levels of government and ínstead promote a dependency structure that would promote the ínclusíve authoríty model of ÍGR, Sectíon7 (6), 162(1-8) provídes for statutory allocatíon of revenue from the federatíon account to the component unít̀s of the Nígerían federatíon (í.e. states and local governments) and granted físcal domínance to the federal government. Ít also granted overrídíng powers to the federal government ín sectíon 4(5) where ít ís stípulated that ín conflíct sítuatíon that laws of the federal government overríde and renders those of the states null and voíd to the extent of theír ínconsístencíes wíth the former, and also where the state executíve actíon clashes wíth that of the federal, that of the latter supersedes as províded ín sectíon 5(3) of the constítutíon. Thís explaíns the extent of power concentratíon at the federal government who ordínaríly has latítude to íntervene ín any matter of publíc ímportance. Ít ís thus obvíous that the state and local government as levels of government accordíng to the 1999 constítutíon are dependent on the federal government to the extent of skewed físcal federalísm.

2.1.5 Issues in Intergovernmental relations.

This section reviews the main thematic issues of the research. Such issues include autonomy; distribution of powers and responsibilities; centralization of power; vertical

/horizontal relationships; intergovernmental fiscal relations; administrative mechanism for managing intergovernmental relations; service delivery; and constitutional provisions.

Autonomy; The pursuit of power devolution across nations has sparked discussions among academics over the idea of autonomy. Therefore, academics have tried to explain autonomy through the institutional architecture, political channels, and financial arrangements of intergovernmental relations. Arowolo (2011) defines autonomy as "each government enjoying a separate existence and independence from the control of the other governments." Devolution or the transfer of authority from the national government to autonomous entities with corporate standing under state law can both lead to autonomy. Existing research on autonomy demonstrates how different countries have embraced different models and tendencies. For example, the 1867 Canadian constitution gave the federal government the authority to veto any provincial law. Provinces are never sovereign since they are established for the administrative convenience of the federal government. (Segal and Fritschler 2016). In contrast, there was a risk of losing autonomy in the United States due to the growing power of the federal government over state and local governments (Adeleye 2012). When attempting to influence state and municipal acts in the United States of America, the federal government employs both direct and indirect methods (Advisory Commission on Intergovernmental Relations 1981). According to Adeleye (2012), negotiations between the federal and local governments may be successful under a "Centralized-Inclusive model," which would include significant dictating activity. According to Wright (1988), bargaining or negotiation is a common, if not the predominant, model of modern intergovernmental relations in the United States.However, as the federal government gained more power in the 1980s and 1990s, the tendency in IGR shifted from "cooperative federalism" to "coercive federalism" (Wright 1988). Because the federal government exercises financial control over the states by refusing to give them federal grants, intergovernmental relations in America give the federal government significant

influence over state governments, particularly in areas of fiscal federalism (Fritschler and Segal 2016).

According to Nicola, Micheal, and Swan (2018), Britain's paradigm for examining intergovernmental interactions makes the distinction that local authorities have local discretion rather than acting as representatives of the federal government. In Nigeria, academic literature has concentrated more on institutional architecture, financial agreements, and authority dynamics (Arowolo 2011, Enejo and Isa 2014). Local government autonomy in Nigeria has become an illusion due to the establishment of state and local government joint account committees, local government service commissions, ministries of local government and chieftaincy affairs, and other related state-level organisations, according to Enejo and Isa (2014). According to Oni (2013), the lack of an agreeable revenue-sharing formula has made it extremely difficult for the various governmental levels to maintain economic autonomy. In support of this assertion, Ojo (2014) emphasises how organisations' agitation and occasionally legal action have been caused by the subnational levels' lack of financial autonomy. For instance, the littoral states challenged the federal government in court over the distinction between onshore and offshore oil.

In the past, the Olusegun Obasanjo government has petitioned the Supreme Court to define a littoral state's seaward limit (This Day, 17 February 2003). The 1999 Nigerian Constitution's Section 162(2), which provides for the principle of derivation to a share in the revenue accruing to the Federation Account from natural resources derivable from the country's continental shelf, did not explicitly define the distinction between onshore and offshore resources (The Constitution of the Federal Republic of Nigeria 1999). Based on the derivation principle, the Supreme Court ruled to deduct the money earned from offshore drilling from the amount of money owed to the oil-producing states (The Guardian, April 5, 2002).

Furthermore, communities and civil society organisations in the Niger Delta have agitated for a fair share of the injustice and neglect they have endured at the hands of multinational oil companies and the state in the past as a result of the exploitation of their oil resources (Atoyebi, Lawal, Adekunjo, and Kadiri 2013). The Niger Delta's communities and civil society have contested the federation's governance of oil and the allocation of its advantages among its member states (Atoyebi et al., 2013). The judiciary has also been consulted by the nation's 774 local governments on their lack of financial autonomy (Ojo 2014).

Extant literature on autonomy has laid prominence on the supremacy of the federal government on the subnational units but has ignored the constitutional framework that empowers the central government to have domineering roles. In this, the study would bridge the gap by examining the 37 constitutional provisions of the levels of government to determine the coordinate and independent relationships. Scholars have opined that there was no consensus about the revenue sharing formula of the centrally generated revenue among the three levels of government (Ikeji 2011). This academic perspective is constrained since researchers have not addressed how the revenue sharing formula affects the federal structure. By examining the income sharing arrangement and its impact on service delivery under the modern federal system, the study would close this gap.

Distribution of powers and responsibilities: Delineating governmental authorities through constitutional function delineation has been made feasible by intergovernmental relations. The list of local government responsibilities in Nigeria is outlined in Section 7 of the Fourth Schedule of the 1999 constitution. According to the constitution, a local government council's primary responsibilities included collecting rates, obtaining radio and television licenses, and considering and recommending to a state committee on economic planning or other comparable organisation. These include the construction, upkeep, and regulation of cemeteries,

burial grounds, and homes for the poor or ill; the licensing of bicycles, trucks (apart from those with mechanical propulsion); canoes; wheelbarrows; carts; and the establishment, upkeep, and control of slaughterhouses, slaughter slabs, markets, motor parks, and public facilities. In addition, local governments are expected to build and maintain public roads, streets, drains, street lighting, parks, gardens, open spaces, and other facilities as may be periodically mandated by the state's House of Assembly (The Constitution of the Federal Republic of Nigeria 1999).

In addition, local governments are responsible for naming streets and roads, assigning numbers to homes, providing and maintaining public facilities, handling sewage and garbage, registering all births, deaths, and marriages, and evaluating privately owned homes or tenements in order to impose any taxes that the House of Assembly of State may specify. Additionally, local governments are expected to regulate and control outdoor advertising, hoarding, the movement and keeping of pets of any kind, shops and kiosks, restaurants, bakeries, and other establishments where the public can purchase food, launderettes, and the licensing, regulation, and control of the sale of alcoholic beverages (The Constitution of the Federal Republic of Nigeria 1999).

The monetary system is the only aspect of the division of powers and responsibilities that has continuously drawn attention. According to Oni (2013), fiscal federalism proposes a legislative framework that outlines how funds are allocated among the various governmental tiers under a federal system. The interdependence of IGR in the United States resulted in the expansion of categorical grants given by the federal government to states and towns, which aided in the establishment of national welfare standards and economic expansion (Wright 1988). The rise of "cooperative federalism," in which national and subnational governments collaborated to create mutually agreeable plans for social and economic advancement, was aided by such federal government initiatives.

The federal government has the capacity to raise more revenues than the subnational units, thereby giving the center the ability to exert control over the subnational levels by offering them grants (Akume 2014). The distribution of responsibilities in Nigeria has not taken economic fairness into consideration. The distribution of duties among the three tiers of government can be divided into three categories, according to Adamolekun (2011): federal-local, federal-regional-local, and regional-local levels. At the federal-regional level, he provides three strategies. In the first, there is an exclusive federal list with residual powers granted to the regions; in the second, there is an exclusive list for the regional legislatures; and in the third, there are two lists: an exclusive federal list and a concurrent list comprised of topics on which the states and the federation have legislation-making authority. According to him, the residual list—which is solely designated for the regional government—contains any items not included in the exclusive or concurrent lists (Adamolekun 2011). The United States' "New Deal" era of the 1930s advocated for "cooperative" federalism, which permits shared responsibility across the levels of government, despite the formal constitutional system that gave the federal government dominating power (Adamolekun 2011). Nigeria's 1979 constitution established a tripartite division of government duties between the federal, state, and local governments as a result of the 1976 local government reform, which established a three-tier level of administration (Adamolekun 2011).

Table 2.1: Nigeria Expenditure Responsibilities in the 1999 constitution.

Tier of government	Expenditure Category
Federal	Defence; Shipping; Federal trunk roads; Railways; Posts; Telegraphs and telephones; Police and other security services; regulation of labor; interstate commerce; telecommunications; mines and minerals; social security; insurance; national statistical system; national parks; guidelines for minimum education standards at all levels; water resources affecting more than one state.
Federal-State (Shared)	Antiquities and monuments; electricity; industrial, commercial and agricultural development; scientific and technological research; statistics and survey; university, technological and post-primary education; health and social welfare.
State-Local (Shared)	Primary, adult and vocational education; health services; development of agriculture and non-mineral natural resources.
Local government.	Economic planning and development; cemeteries; burial grounds; homes for the destitute and infirm; markets; sewage and refuse disposal; roads; streets, street lighting, drains, other public facilities.

Source: 1999 Constitution of Nigeria.

Centralization of power: Existing research indicates that the federal government consistently dominates the subnational level of the economy (Conlan 2014; Aderonmu 2010). Reagan's concept of centralisation, according to Conlan (2014), has caused the distribution of power and resources to move towards the centre. In order to regulate domestic policy, the federal government used a new strategy known as "coercive federalism" in the 1970s and 1980s, which involved using regulation as opposed to financial incentives (Kincaid 1990).

Furthermore, despite the 1995 Un-funded Mandates Act, which attempted to modify their usage to impose unwarranted financial demands on local government, Adeleye (2012)

notes a rise in the federal government's use of unfunded mandates (Conlan 2014). Such budgetary supremacy gave the federal government an edge over the subnational units, so giving the center the capacity to influence the subnational levels by offering them grants (Wright 1988). Similar to this, the federal government has authority over non-fiscal issues that fall under state jurisdiction, such the legal drinking age of alcohol. For instance, the federal government mandated in the 1980s that states raise the legal drinking age to 21 (Fritschler & Segal 2016). The federal government then threatened to withhold federal highway development funds from states that refused to comply with the request. As a result, states were compelled to modify their minimum drinking age legislation to conform to federal regulations. In the 1990s, the American Congress used the similar threat to persuade states to lower their drunk driving blood alcohol content to 0.08 percent by 2004 (Fritschler & Segal 2016).

In the past 20 years, Britain, which embraced a centralized-inclusive model, has imposed local government reorganisation in order to exert central dominance over the subnational entities. The relationship between the local government and the centre merely rendered the latter a junior partner, despite the fact that Painter (2012) recognises the idea of dual polity. As general supervisory institutions, the central government depends on the legislative, executive, and judicial branches. This is particularly true when it comes to intergovernmental budgetary links, organisational structure, personnel assignments, and nationally delayed authority (Akume, 2014).

Under the guise of promising them a democratic government, the Nigerian constitution permitted the national government to readily usurp the authority of the regional administrations upon independence (Michael 2017). According to Michael, the national government could declare a state of emergency over the impacted area and take on any necessary police powers to deal with the situation if there was an uprising or disturbance in any part of the federation that the regional government was unable to manage to its satisfaction. This implied that the

legislative authority of the 41 regions could be transferred to the central government. This power was used in May 1962 by the federal government during the crisis in the Western Region when a state of emergency was declared (Abidoye 2015).

Fiscal disequilibrium and the functional dislocation of subnational entities resulted from the military's centralised governance pattern and its takeover of responsibilities without providing adequate resources to the intergovernmental connections (Adamolekun 2011). In support of this assertion, (Kabiru 2014) notes that throughout Nigeria's military era, federal-state ties favoured the federal government. Expanding on this discussion, there is a framework in place for direct payments between municipal and federal governments. However, the majority of Nigeria's states and local governments rely heavily on federal aid because they are unable to raise more than 10% of their annual budgets from internal sources. Aderonmu (2010) points out that political and economic power are centralised at the federal level.

Intergovernmental disputes have resulted from the "extreme concentration" of authority over the country's revenue flows in terms of fiscal policy. Diamond (Ugoh 2011) makes reference to this when he contends that the centralisation of control over revenue flows has essentially eliminated a core federalist principle—that lower levels of government possess certain areas of autonomous authority that cannot be overridden by the center—and deprives subordinate units of any meaningful incentive to produce their own revenue (Ugoh 2011).

Vertical/horizontal relations.Scholarly works on vertical/horizontal relationships among the levels of government have continued to be the central focus in the literature (Elaigwu, 2015; Moshood 2014). Elaigwu (2015) notes that because the subnational units were more powerful than the central government, the relationship between them deteriorated following the military takeover. Elaigwu (2015) claims that this led to secession threats. The nation temporarily established a unitary system with the enactment of Decree No. 34 of 1966. The 42 subnational governments became extensions of the central government as a result of this

centralisation of the governmental structure. Stated differently, the central government's hegemony over state and local governments was a defining feature of the system.Instead of being answerable to the state or local electorates, the subnational levels of administration under the military rule were answerable to the military authorities (Oladeji 2008). In this instance, the military system of governance did not exhibit significant political and financial decentralisation (Oladeji 2008). Under military control, state and local governments function as separate governmental entities, provide crucial government services, collect their own funds, and receive intergovernmental transfers. These decisions are made by military governors and local executives rather than by the local electorate (Oladeji 2008).

The most contentious political opposition in Nigeria's history occurred on May 29, 1999, during the democratic dispensation of the Fourth Republic, which brought competition rather than collaboration between the central and subnational governments (Vanguard 1999). There have been numerous conflicts in state-local ties. For instance, the Sokoto state government was sued by 15 local government councils, and the court ordered that it not use 3 percent of its constitutional allotment to support the Sokoto Emirate Council, which was approved by the State House of Assembly (Vanguard 1999).Regarding the fiscal relations, Michael (2017) points out that although the relationship between the federal, state, and local governments in Nigeria is typically fiscal from a constitutional perspective, there are numerous mechanisms or agencies that serve to connect the three tiers of government.

Among other things, there was a complicated network of relationships that leaned towards collaborative and participatory management in the areas of primary school funding, programs to reduce poverty, and training for elected and career local government officials (Ewetan 2012). The State Joint Local Government Account Committee was unbalanced; the procedure is frequently manipulated by government officials in charge of the account to benefit the state government at the expense of local governments. According to Michael (2017), IGR

throughout colonial rule and Nigeria's First Republic displayed principal/agent model characteristics. This indicates that the local government did not have a cooperative relationship with the federal government or the state government, but rather one in which the local government received directives and commands from the higher authority (Michael 2017). However, IGR in the 1979 Second Republic and the present Fourth Republic is characterized by overlapping-authority model because the actors of IGR perform multi-dimensional functions (Ibok & Ntekim 2014).

2.1.6 Intergovernmental Fiscal Relations.

There are two pertinent issues on the subject matter of intergovernmental fiscal relations. The first is the question of the relative powers of the central government and constituent units to raise revenues. The second is the relative importance of the proportion of total government revenues allocated to the central and subnational governments (Adamolekun 2011).Some basic problems about how to achieve the most equitable income distribution, sustain high employment while avoiding excessive inflation, and distribute resources efficiently are identified by Ahmad, Abubakar, and Ahmad (2013). It is important to note that all federations use revenue transfer. In Sub-Saharan Africa, subnational levels of government spend roughly 30% of overall government expenditures and produce 20% of total government income (Hobdari, Nguyen, Dell'Erba & Ruggiero 2018). Intergovernmental transfers accounted for the ten percent discrepancy. Personal income tax, value-added tax, corporation tax, mining royalties, import tax, and export tax comprise the central government revenue, which is responsible for the majority of national revenue in Sub-Saharan African nations (Hobdari et al., 2018). In addition, a few countries, like South Africa and Zimbabwe, allowed subnational governments to raise revenues through borrowing from municipal banks, loan funds, or the capital markets (Hobdari *et al* 2018).

For instance, in Nigeria, intergovernmental transfers are enshrined in the Constitution (The Constitution of the Federal Republic of Nigeria 1999), which states in Section 164 (1) that the Federation may make grants to a State to supplement the revenue of that State in such sum and subject to such terms and conditions as may be prescribed by the National Assembly. However, in most Sub-Saharan African countries, the central government determines the total sum of grants available as well as the sharing formula (Hobdari et al 2018,).Scholars have observed that there is the need to reassess intergovernmental fiscal relation due to the belief that the constituent units (i.e. the state and local governments) are responsible for the provision of social services, yet they have limited financial resources to discharge the responsibilities (Fatile & Adejuwon 2017; Bello 2014; Nkwede, Nwali & Orga 2016). Therefore, the majority of the revenue is kept by the central authority (Oladeji 2008). This is supported by the fact that in 1999, Nigeria's central, state, and local governments shared 48.5%, 24%, and 20% of total revenue, respectively. The Federal capital territory (FCT), a stabilisation fund, an ecological fund, and territories that produced minerals and oil accounted for the remaining 7.5% (The Constitution of the Federal Republic of Nigeria 1999). Promoting peace and tranquilly as well as fair funding allocation among the federal, state, and local levels of government are allegedly the objectives of intergovernmental fiscal relations.To accelerate the achievement of self-reliant economy and galvanize the local government system to develop the rural communities. In so doing, inter-governmental fiscal relations will help to minimize inter-jurisdictional conflicts among the various levels of government. Also to boost greater natural economic integration.

2.2 Intergovernmental fiscal relations in Nigeria.

Since Nigeria gained its independence in 1960, the question of intergovernmental fiscal ties has been a significant and ongoing fiscal policy concern (Eze 2016).Over the years, there have been disagreements on the fiscal relationship between the three levels of government.

When minority States (of the South-South Zone) at the National Political Conference staged a walkout due to disputes over the derivation principle, the income allocation issue recently grew hot. The revenue sharing issue lies at the heart of the country's Niger Delta dispute. Therefore, as they address the budgetary interdependence among the three levels of government, the Nigerian State's leadership and policymakers will face challenges during the next ten years. According to the 1999 constitution, Nigeria has a federal system of government that ensures the presence of federating units. The exclusive list contains the federal government's functions, and the exclusive functions of the federal government predominate in states on the concurrent list when there is dispute. The division of duties and regions of fiscal jurisdiction among the different federal system institutions is outlined in the constitution (Ralph 2008). In the context of fiscal decentralisation, resource sharing between governmental levels is crucial. Resources are extremely centralised in this instance. All federally collected revenues are paid into the "Federation Account" which is then shared among the central, state and local governments based on the approved formula. The formula for sharing the Federation Allocation is determined by RMAFC. Oil revenue constitutes a major source of revenue for Federation revenue and this makes Nigeria to be termed a "rential state". (Nigeria 2013, National Conference)

The absence of local government financial autonomy from the state government is another issue with intergovernmental fiscal relations in Nigeria. There are several intergovernmental disputes over income sharing between the state and local governments. The State Governors misappropriate and occasionally mismanage the monthly appropriations that are supposed to be provided to local government (Togun, 2010). According to Nigeria's 1999 constitution, the state government distributes funds from the federation account to the local government.

2.2.1 Nigeria's Expenditure Assignment.

The assignment of fiscal functions among the levels of government has been a major issue in literature. This is due to the broad economic functions of government in areas of stabilization, distribution and allocation of resources (Ewetan 2012). In order for the government to meet the needs of the taxpayers, the national government should handle stabilisation and distribution while the lower levels handle allocation (Ojo 2014). According to the constitution, the central government is tasked with providing national benefits including defence and transportation. State governments are responsible for funding healthcare, secondary and higher education, and physical infrastructure, while local governments handle primary education and more conventional local government duties like running slaughterhouses and local markets (Ojo 2014).

The principles of sound expenditure assignment are in line with the allocation of expenditure duties in Nigeria (Oladeji 2008). In this instance, the federal government concentrates on policy areas of national importance while lesser levels of government handle government services with fewer benefits (Oladeji 2008). Oladeji (2008) notes certain issues with the way spending duties are currently assigned in Nigeria. These consist of: (1) Social policies: Subnational governments are tasked with a wide range of social policy duties, including as basic and secondary education, healthcare policies, social assistance, and initiatives to reduce poverty. There is a redistributive component to these social activities. Unless financing is allocated especially for these tasks by the federal government, subnational governments might not be able to offer acceptable levels of these services. (2) Joint expenditure responsibilities: The constitution assigns some duties to many governmental levels. The federal and state governments share responsibility for higher education, for instance. If the efforts of the two levels of government are not coordinated, such a joint assignment may result in one of two extremes. (3) Activity division between the public and

private sectors: It is important to clearly define the functions that the public and private sectors play. Economic experts agree that the government should only be involved in a restricted number of tasks, as outlined in the "Washington Courses." The ideas that "the business of business is business" and "the business of government is governing" ought to be promoted by states and municipal governments.

2.2.2 The tax assignment.

Tax instruments must be assigned among the different levels of government. States and local governments in Nigeria have not been given substantial real-own-source revenue (Onuigbo 2015).The accepted model consists of large, fiscally weak governments that rely heavily on intergovernmental transfers for the majority of their revenue and do not independently enact laws or manage their own taxation (Onuigbo 2015). The federal government collects the main revenue streams, including corporate income taxes, petroleum revenues, and the Value Added Tax (VAT), and distributes them to the various branches of government using a formula (Ojo 2014). In 1994, a state-level sales tax was replaced by the VAT. Many resources or locally generated income are available to state and municipal governments (Ojo 2014). In Nigeria, the Revenue Mobilisation, Allocation, and Fiscal Commission is tasked with defining the proper fiscal connection between the various levels of government. Nigeria's recent experience demonstrates the progressive loosening of restrictions on the funding of state and municipal governments.These days, state and local governments can borrow money to get the money they need to carry out government services and programs, especially because it has been valued. Furthermore, the 1999 Constitution's fourth schedule (local government collectable revenue) and part 1 of the second schedule (state collectable revenue) also grant tax rights and authority to various levels of government.

The federal government controls the most ínscríptíve sources of revenue ín Nígería. Part 1 of the Second schedule to the constítutíon of the Federal Republíc of Nígería, 1999

contaíns the Exclusíve Legíslatíve Líst. A number of other sources of revenue for the federal government are:- (í) Export dutíes (íí) Company tax (ííí) Marítíme and navígatíon actívítíes (ív) & and mínerals (íncludíng oíl fíelds, oíl míníng and natural gas) (v) Natíonal parks and Touríst (ví) Patents, trademarks, and índustríal desígns, etc. (ví) Stamp dutíes (vííí) Posts, telephones and telephones (íx) Raílways (x) Taxatíon of íncomes, profíts and capítal gaíns (xí) Trade and commerce. The collectíon of sundry fees and other payments related to the actívítíes above by the federal government forms the basís for ítemízíng these functíonal areas as sources of revenue collected by the federal government are fírst paíd ínto the Federatíon Account before they are dísbursed accordíng to laíd down príncíples and crítería.

The major source of revenue to states ín Nígería appears to be the statutory allocatíons from "the Federatíon Account". Sectíon 152 (3) of the 1999 constítutíon provídes for the mandatory allocatíon of revenues among the three tíers of government ín Nígería. The followíng are sources of revenue for the states:-

(í) Statutory allocatíons (from Federal Account) (íí) Federal grants (of all sorts) (ííí) Personal íncome tax or duty (ív) Capítal grants and profít tax (of persons other than, companíes) (v) Índustríal, commercíal or agrícultural actívítíes (ví) Loan (ví) Trade and commercíal actívítíes

Líke the states, the local government's major sources of revenue ín Nígería are from both the federal and state governments). Other sources of revenue generated ínternally are: (í) Rent from market stalls (íí) Charges from busíness premíses (ííí) Gate-takíng from motor parks (ív) Proceeds from mass transít buses operatíng ín theír areas of Jurísdíctíon (v) Poll tax (ví) Rates, etc. However, these jurísdíctíonal tax powers among dífferent levels of governments determíned by a number of factors, namely: admínístratíve effícíency and físcal índependence. The effícíency crítería demands that a tax s assígned to that level of government that wíll admíníster ít effícíently at mínímum cost, whíle the físcal índependence crítería requíres that each level of government ís permítted, as much as possíble, to raíse adequate resources from

the revenue sources assígned to ít to meet íts needs and responsíbílítíes. (Oní 2013). Ín realíty, however, the effícíency críteríon tends to conflíct wíth the príncíple of físcal índependence. Thís ís because whereas the effícíency críteríon calls for a great deal of concentratíon of tax powers at the híghest tíer of government due to límíted admínístratíve capacíty of the lower tíers of government. On the other hand, físcal índependence críteríon demands the devolutíon of more tax powers to the lower unís of government to match the functíons, assígned to them. Ín realíty, the weíght of the two crítería has always tílted ín favour of the effícíency críteríon, and that ís why the Federatíon Account of most federatíons, líke Nígería, has a domíneeríng effect on theír físcal federalísm. However, whatever the físcal relatíonshíps between the dífferent tíers of government ín a federatíon and the volume of funds avaílable to the polítícal leadershíp wíthín, theír success can only be measured by theír effícíency and effectíveness ín promotíng the cítízenry, whích ís the essence of governance (Oní 2014).

2.2.3 Revenue Allocation in Nigeria.

The most important policy concern in intergovernmental fiscal relations is finance. Certain criteria or principles have frequently been accepted in the domain of budgetary interactions between the federal, state, and municipal governments. All federating units are subject to centrally collected taxes and levies. The federation account is the pool into which these revenues are deposited. The federal revenue allocation formula, which is overseen by the Revenue Mobilisation Allocation Commission (RMAFC), determines how revenue from the federal account is distributed. Since its founding in 1992, RMAFC has distributed its earnings as follows:

Federal government; 48.5% 66, 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 offshore 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). Since 2005, revenue has been shared as follows: - Federal Government; 52.7% State governments; 26.7% Local governments; 20.6%. Besides, there has 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 formula 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 worthier 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 advice not to revise the sensitive terrain of the "onshore-offshore dichotomy. The derivation principle controversy has continued to rage. It explains the court case between Akwa Ibom and Cross River states over 76 disputed oil wells and equally the heated response to the official designation of Anambra as oil producing state and reaction from Kogi State of being the owner of the areas. From revenue allocation debates, states are purchasing for more powers and more resources, they have strong argument in their favour in view of 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 advance reason for the revenue to be districted in the favour because of many matters of national interest within their jurisdiction. This debates and court cases are part of conflict in inter-governmental relations.

2.2.4 Revenue Allocation Commissions in Nigeria.

The fundamental causes of the animosity and conflict over revenue distribution in Nigeria are aptly expressed in the aforementioned sentence. We now discuss the different fiscal commissions that Nigeria has established. A revenue allocation commission was required for the first time in Nigerian history with the adoption of the Richards constitution in 1946. This

was due to the fact that regionalism was brought into the nation by that constitution. Sir Arthur Richards, the man who draughted that constitution, subsequently clarified that its goal was to establish "a unitary state with local government centres in the Regions."More specifically, the constitution was designed to accomplish three primary goals: fostering Nigerian unity, providing sufficient provisions for the many components that comprise the nation, and ensuring that indigenous people have a larger say in how their affairs are decided. Sir Richards stated in a letter to the Secretary of State for Colonies that the purpose of the Constitution was to: Establish a political system that is a current advancement in itself and contains the possibility of further orderly advancement within which the various elements may move towards a more closely integrated economic, social, and political unity at different rates, peacefully, and smoothly, without sacrificing the ideals and concepts in their disparate lifestyles (Coleman 1966). Sir Sidney Phillipson was tasked with "studying thoroughly and making recommendations regarding the problems of the administrative and financial procedure to be adopted under the new constitution" as a result of the new regional political structure (Obikeze, Obi & Iwuoha 2017). The Hick Phillipson Commission decided to allocate revenue according to the concepts of derivation and even development. Note that derivation was given greater weight than any other factor. In preparation for the MacPherson Constitution, a second revenue commission was established in 1951 to examine the current formula. New factors were introduced to the distribution method by the Hick-Phillipson Commission report. These criteria included independent revenues for the regions, need, and national interest. Regional governments were granted independent revenue and tax jurisdiction for the first time. They had the authority to levy particular taxes. In conclusion, the Hick-Philipson Commission prioritised need and national interest over the derivation principle. As a result, regions received different percentages of some taxes and charges based on their derivation, and they also received specific funding for equalisation, education, policing, and capitation (or per capita) (Osisioma, 1996).

Ín 1953, the Sír Louís Chíck Commíssíon was establíshed to examíne the revenue formula ín preparatíon for the 1954 ímplementatíon of the Lyttleton Constítutíon. The Commíssíon was tasked wíth creatíng a formula that would: Address the need to gíve the regíons and the centre a suffícíent amount of físcal autonomy wíthín theír respectíve spheres of government; and Ensure that the entíre amount of revenue avaílable to Nígería ís dístríbuted ín a way that adheres as closely as possíble to the príncíple of derívatíon whíle stíll meetíng the reasonable needs of the centre and each of the regíons. Obí, Íwuoha, and Obí Ze (2017). Ín order to allocate revenue between the centre and the regíons, the 1954 Constítutíon placed a strong emphasís on íncreased regíonal autonomy and derívatíon. All federal revenues allotted to the Regíons were now covered by derívatíon, and the derívatíon príncíple was used to dístríbute all 50% of all export dutíes, 50% of all other ímport dutíes, 100% of federal íncome tax royaltíes and rents from mínín̈g, and 100% of ímport dutíes on motor spíríts. Estímates of each regíons consumptíon of dutíable ímports and goods on whích excíse taxes were paíd were used to weíght íts share of revenue allocated by the federal Government (Olalokun 1979). On the 10th of October 1957, another físcal commíssíon was appoínted on the recommendatíon of the Nígerían constítutíonal conference held earlíer ín the year ín London. The Two-man Commíssíon had Sír Jeremy Raísman as Chaírman and Professor R.C Tress as member. The Commíssíon was charged wíth the task of correctíng the defícíencíes of the exístíng formula and to ín partícular look at:

- The límíted range of índependent revenues at the dísposal of the regíons;
- The weakness ín the applícatíon of the príncíple of derívatíon on whích so much stress had been laíd ín the past; and
- The absence so far of any provísíon whereby a regíon could be treated for revenue allocatíon purposes from the poínt of víew of needs rather than on the basís of the amount of revenues generated wíthín íts boundaríes.

The Raísman and Tress Commíssíon tríed to play down on the derívatíon formula. For other taxes that were not federal or regíonal, a Dístríbutable Pool Account (DPA) was establíshed. Thís consísted of 30% of general ímport revenue and 30% of míníng royaltíes and rents, whích were to be dístríbuted to the regíonal admínístratíons ín the followíng order: 40% ín the North, 24% ín the West, 31% ín the East, and 5% ín the Southern Cameroons. Nígería's revenue allocatíon method was based on Raísman and Tress's recommendatíons untíl the late 1960s. The Commíssíon's ínventíon of the Dístríbutíon Pool Account (DPA) as a counterbalance to derívatíon, whích largely defíned the conflíct poles around whích the post-índependence íncome íssues were to revolve, contínues to be íts most sígnífícant contríbutíon (Obí 2017). Bínn's Commíssíon, whích was establíshed ín 1964 but released íts report ín 1965, was the fínal revenue commíssíon led by a non-Nígerían. The DPA should be raísed from 30 to 35 percent of ímport taríffs, míníng rents, and royaltíes, accordíng to the Commíssíon's recommendatíon. Addítíonally, ít suggested the fínancíal comparabílíty príncíple, whích takes ínto account each regíonal government's total cash posítíon, the degree of íts own efforts to allevíate íts fínancíal needs, and the calíbre of servíces that the regíons offer (Íkejí 2011).

When the mílítary struck ín early 1966, the recommendatíon of the Bínn's Commíssíon contínued to serve the foundatíon for allocatíng funds. Revenue allocatíon was somewhat ímpacted by the enactment of Decree No. 15 of May 1967, whích splít the natíon ínto twelve states from the four regíons that had prevíously exísted. Nígería's ínstabílíty at the tíme prevented the federal government from establíshíng a second panel to evaluate the formula and update ít to reflect the new structure. The revenue of each regíon was merely dívíded among the newly formed states wíthín the regíon. The East and West shared theírs based on populatíon, whereas the Northern states shared theírs based on equalíty. The arbítrary nature of thís allocatíon formula was sharply crítícízed. Thís led the Federal Mílítary Government to ínaugurate ín July 1968, the Ínterím Revenue Allocatíon Revíew Commíttee (ÍRARC) headed by Chíef Í. O. Dína. The Dína Commíttee was charged to “look ínto and suggest any change ín

the exísting system of revenue sources" (Ewetan 2012). The Commíttee submítted íts report ín February 1969. Íts major concern was tryíng to fashíon out a formula that wíll take care of the problem of uneven development whích ít ídentífíed as one of the major problems confrontíng the Nígerían federatíon. Thus, ít recommended that 90 percent of míníng rents and royaltíes should be paíd ínto the Dístríbutable Pool Account whích ít renamed States Joínt Account (SJA), for dístríbutíon to the varíous states, whíle 10 percent goes to the states of orígín. Ín sharíng the States Joínt Account, the major consíderatíons should be need, mínímum responsíbílíty of states, derívatíon and balanced development. The Dína Commíttee report was never ímplemented, ínstead the federal Mílítary Government promulgated Decree No, 13 of 1970 whích took retrospectíve effect from 1st Apríl 1969. Accordíng to thís Decree, revenue sharíng was based on 50 percent populatíon, and equalíty of states 50 percent. The state's share of revenue from export dutíes, motor spírít and excíse dutíes was reduced from 100 percent to 60 percent, and 50 percent respectívely. The federal government's share of míníng rents was also íncreased from 15 to 20 percent. Later Decree No.9 of 1971, gave 100 percent of off-shore míníng rents and royaltíes to the federal government. Decree No.15 of 1972, further amended the sharíng formula, thus, gívíng the federal government 100% of all taxes paíd by Armed Forces Personnel, External Affaírs offícers and Pensíoners Overseas. Under Decree No.6 of 1975, all revenue from ímport dutíes on motor spíríts, tobacco, míníng rents and royaltíes on off shore productíon were paíd ínto the DPA. 20 percent of on-shore receípts go to the state of productíon, whíle the remaíníng 80 percent goes to the DPA.

The Aboyade Technícal Commíttee on Revenue Allocatíon was establíshed by the mílítary admínístratíon ín 1977 ín antícípatíon of the return to cívíl rule. Equalíty of Access to Development Opportunítíes (25 percent), Natíonal Mínímum Standards for Natíonal Íntegratíon (22 percent), Absorptíve Capacíty (20 percent), Índependent Revenue effort (18 percent), and Físcal Effícíency (15 percent) were the commíttees' recommendatíons for the dístríbutíon of natíonal revenue. Ín accordance wíth ít, the federal government holds 57 percent

of the federatíon account, states 30 percent, local governments 10 percent, and envíronmentally problematíc states 3 percent. However, the Commíttee's report was rejected because ít converted the concepts ít had suggested ínto mathematícal and statístícal computatíons that needed a vast amount of precíse statístícal data to support them. The report was deemed too unrealístíc to endure for more than a few years due to íts harsh crítícísm for íts blatant over-relíance on statístícs (Ewetan 2012).The Report was rejected because it was considered too technical and also that it was introduced by the military government.

After the Aboyade report was rejected, the mílítary left no workable revenue formula, therefore Presídent Shagarí establíshed the Okígbo Revenue Allocatíon Commíssíon when he took offíce ín 1979. Accordíng to the Commíssíon's 1980 report, the federal government should receíve 53% of revenue, states should receíve 30%, local governments should receíve 10%, and specíal funds should receíve 7% ín order to support ecologícal funds and míneral-producíng regíons. Ít also suggested that the followíng guídelínes be followed for allocatíng cash between states and munícípal governments: Mínímum Responsíbílíty or equalíty - 40% Populatíon - 40% Socíal Development 11.25% Dírect 3,75% Ínverse -15% Ínternal Revenue effort -5% The federal government accepted the report wíth mínor amendments as follows: Federal Government 55%, States 30%, Local Governments 8% and Specíal Funds 7%. The Natíonal Assembly, further amended the Bíll before passíng ít ínto law ín 1981.

The Okígbo Commíssíon's report receíved a lot of flak. The components of the Commíssíon's report that ínfuríated the publíc, accordíng to Ewetan (2012), were the percentage of federally collected revenue allotted to the federal government, the Federal Capítal Terrítory's ínclusíon ín the vertícal sharíng scheme, the federal government's control over specíal funds and the percentage of specíal funds desígnated for míneral-producíng regíons, and the proportíon of the federal government from the federatíon ín relatíon to the other levels of government (Obí 2017). After the then-Bendel State Government challenged the

Allocatíon Act of 1981 ín court, the Supreme Court ruled that ít was ínvalíd, seemíngly ín accordance wíth publíc sentíment. Followíng the voídíng of the Revenue Act, the federal government modífíed ít and ít was passed ínto law ín January 1982.

The new Act had the followíng formula: Federal Government 55%; States 35%; and Local Governments 10%. 30.5% of the state's share was shared on the followíng basís; Mínímum Responsíbílíty = 40% Populatíon; 40% Socíal Development; 15% Ínternal Revenue effort; 5% The remaíníng 4,5% was shared thus; Federal fund for Ecologícal problems = 1% Allocatíon to míneral producíng areas based on derívatíon; 2% Federal Fund for development of míneral producíng areas; 15% The mílítary government that sacked the Shagarí government enacted the Allocatíon of Revenue Amendment Decree Number 36 of 1984 whích made some slíght amendments to the 1981 Act. For ínstance ít íncreased the proportíon of the Federatíon account that was to be shared among the states from 30.5% to 32.5%.

The Natíonal Revenue Allocatíon and Físcal Commíssíon were constituted by the Babangída government ín 1988, and íts chaírman was General T.Y. Danjuma (Rtd). After revíewíng the Commíssíon's report, the Armed Forces Rulíng Councíl (AFRC) establíshed the followíng formula ín 1989: Federal government; 50% States; 30%, Local government; 15% Specíal funds; 5% The príncíple used to share states fund was; Equalíty of states: 40 percent Populatíon : 30 percent Land mass : 10 percent Socíal Development : 10 percent Ínternal Revenue effort: 10 percent That formula lasted tíll 1992 when ít was slíghtly adjusted thus; Federal government; 48.5 percent, States; 24 percent, Local government; 20 percent, Specíal funds; 7.5%. Ít was the above formula that the Obasanjo admínístratíon ínheríted ín 1999. However, sectíon 162(2) of the 1999 Constítutíon gíves the Presídent the authoríty to: After receívíng advíce from the Revenue Mobílísatíon Allocatíon and Físcal Commíssíon, the Presídent wíll present a proposal for revenue allocatíon from the Federatíon Account to the Natíonal Assembly. The Natíonal Assembly wíll consíder factors such as land mass, terraín,

populatíon densíty, ínternal revenue generatíon, and the populatíon and equalíty of states when determíníng the formula, as long as the príncíple of derívatíon ís consístently reflected ín any approved formula as beíng at least thírteen percent of the revenue receívíng dírectly from any natural resources. Ín consonance wíth thís constítutíonal provísíon (sectíon 32(b) of the thírd schedule) Presídent Obasanjo set up the Revenue Mobílízatíon Allocatíon and Físcal Commíssíon (RMAFC), wíth Engr. Hamman A. Tukur as Chaírman wíth members drawn from all the states of the federatíon. Wíth the authoríty granted by statute, the Commíssíon was tasked wíth creatíng a new formula for the natíon's revenue dístríbutíon. On August 16, 2001, the Commíssíon submítted a fresh revenue allocatíon plan to the Presídent followíng about two years of dílígent work. The plan calls for the federal government to receíve 41.3 percent, states to receíve 31 percent, local governments to receíve 16 percent, and Specíal Funds to receíve 11.7 percent.

The Federal Capítal Development Fund wíll receíve 1.2 percent, the Ecologícal Fund wíll receíve 1.0 percent, the Natíonal Reserve Fund wíll receíve 1 percent, the Agrículture and Solíd Míneral Fund and íts related Scíence and Technology Research wíll receíve 1.5 percent, and the Basíc Educatíon and Skíll Acquísítíon (BESA) Fund wíll receíve 7 percent. Almost ímmedíately the report was presented, there were loud críes of foul by state Governors and Local Government Chaírmen. Southern Governors at the end of theír fourth meetíng ín Íbadan, strongly crítícízed the new revenue proposal. They advocated a unífform 36 percent for both the federal and state governments; 25 percent for local governments, 1 percent for the Federal Capítal Terrítory and 2 percent for Ecology. The Obasanjo government after meetíng wíth the Governors to íron out some contentíous íssues followíng the Supreme Court rulíng of 5th Apríl 2002 ín the much celebrated On-shore-offshore díchotomy íssue, the Commíssíon had to wíthdraw the recommendatíons sínce some portíons of ít were affected by the judgment. The report was subsequently re-submítted to the 5th Natíonal Assembly after some amendments ín December 2002 by Presídent Obasanjo. Regretfully, the Natíonal Assembly was unable to

complete íts díscussíons on the report before the conclusíon of the 5th Natíonal Assembly and Presídent Obasanjo's term ín 2007. The Commíssíon was notífíed at the start of the 6th Natíonal Assembly that all bílls that the 5th Natíonal Assembly faíled to adopt had expíred and would need to be resubmítted. Ín order to delíver ít to Presídent Good Luck Jonathan, the RMAFC had to create a new revenue allocatíon model, whích was completed by December 2013. Despíte ínformíng the Presídent of the Commíssíon's íntentíon, the Commíssíon was unable to meet wíth hím untíl the end of hís term ín 2015 for unknown reasons. Íncídentally the present government has also not done much on ít tíll date. Perhaps, the reason behínd the federal government's reluctance to push for passage of the revenue allocatíon Bíll ís that the present formula whích gíves ít more than fífty percent of the revenue from the federatíon account ís ín íts favour. As at today the followíng formula ís ín use: Federal Government: 52.68 % State Government: 26.72 % Local Government: 20.60 %. The state share ís based on the followíng príncíples: Equalíty; 40% Populatíon; 30% Landmass/Terraín; 10% Ínternally Generated revenue Effort; 10% Socíal Development Effort; 10%.

2.2.5 Oil, Derivation Principle and Revenue Allocation in Nigeria.

The oíl boom of the 1970's, whích suddenly placed oíl as the major foreígn exchange earner ín Nígería led to the abandonment of the derívatíon príncíple as a basís for revenue allocatíon ín the country (Obí, 2017). Decree No 13 of 1970 changed the formula and made populatíon and equalíty of states the major consíderatíon ín revenue allocatíon. Later Decree No 9 of 1971 gave 100 percent of offshore míníng rents and royaltíes to the federal government. However, the fínal blow on derívatíon came vía the budget broadcast of Yakubu Gowon, the then Head of State when he saíd: As from 1st Apríl 1975 all portíons of Customs and Excíse dutíes formerly payable to the state governments on the basís of derívatíon would be payable to the Dístríbutable Pool Account (DPA), the percentage of royaltíes payable to state governments on the basís of derívatíon would be reduced from 45 to 20 percent and the

federal government wíll surrender ít's entíre, share of both onshore and offshore royaltíes ínto the Dístríbutable Pool Account (Íkejí 2011). Thís sudden de-emphasís on the derívatíon príncíple was explaíned by Keíth Panter-Brick ín the book, “Soldíers and Oíl” that: Once the revenue from oíl became domínant, the príncíple of derívatíon had obvíously to be abandoned, so as to avoíd a blatant dísparíty ín the revenues of the oíl producíng states (Rívers and Mídwest) and those of the rest the country (PanterBrick 1978.)

Accordíng to Oyobaíre, the removal of open, competítíve polítics by mílítary rule, the growth and shrínkage of the federatíon's component parts, the ríse of a natíonal conscíousness among the country's rulers, and the overwhelmíng ímportance of the oíl índustry as a source of íncome are the "four most ímportant factors makíng for change ín the system of revenue allocatíon" ín Nígería (Oyobaíre, 1978). Accordíng to some other researchers, the prímary reason the derívatíon concept was abandoned was because none of the three major tríbes had sígnífícant oíl resources. Accordíng to Abu-Bakr (2014), "as oíl became the maínstream of the economy and gíven íts absence ín any sígnífícant quantíty ín any three domínant ethníc groups, the power elíte of the three tríbes consígned the príncíple of derívatíon to hístory books" . On the basís of thís logíc, ít can be claímed that the allocatíon formula would have been sígnífícantly bíased ín favour of derívatíon íf oíl had been found ínsíde the borders of the major ethníc groupíngs. Also even íf today the resource ís díscovered ín very large quantítíes ín the North, defínítely the present formula would change. Ín tryíng to make sure that the federal government and not the states control oíl resources ín Nígería, sectíon 42(3) of the 1979 Constítutíon stated that the: The government of the federatíon wíll own and control all mínerals, míneral oíls, and natural gas on or beneath any Nígerían land, as well as on or beneath Nígería's terrítoríal waters and exclusíve zone. These resources wíll be managed ín accordance wíth any guídelínes that the Natíonal Assembly may specífy. By the way, provísíon 44(3) of the 1999 Constítutíon, whích ís a revísed versíon of the 1979 Constítutíon, gave the federal government equal authoríty over all natural resources.

2.2.6 Issues of Fiscal Federalism during Obasanjo Administration in Nigeria.

Resource control: The controversy between the Nigeria government and nine oil producing states of Akwa-Ibom, Cross River, Rivers, Bayelsa, Delta, Edo, Ondo, Abia and Imo states agitating for resource control in Nigeria ranks as one of the major issues (Sanyaolu & Dunmoye, 2004). The natural resource found within Nigeria's continental shelf was at issue, and the federal government argued that the southern seaward states were interior waterways within the state. Every oil state asserted that their domain went beyond the exclusive economic zone and the low water mark on territorial waters. According to section 162 of the 1999 Constitution, natural resources from both onshore and offshore sources are national security regardless of their area, and as such, they are entitled to the 13 percent derivation formula reserved for oil states (Supreme Court, 5 April 2002). Resource control has been a contentious topic since 1999, and even the Supreme Court's unanimous ruling was unable to resolve it.

Non-Correspondence Problem: The spending obligations and revenue sources to various levels of government do not correlate, which makes it hard for each level of government to have enough resources to fulfil its duties. The majority of Nigeria's revenue sources are under the control of the national government. Fiscal federalism's issues are still unresolved because of Nigeria's excessive reliance on the Federation account, which obscures the federal presence, and the differences between the tax powers and allocated functions (horizontal and vertical allocation) (Fadahunsi, 1998). Federalism's idea of a single national wage structure for federal, state, and educational institutions is that each component unit should choose its own pay scale according to its own capabilities. Okpe (2005).According to the vertical formula, the central government's part should be lowered to 10%, followed by the state government at 55% and the local government at 30%. According to the horizontal formula, the population is 10%, education and health are 10%, derivation is 20%, equality ratios are 40%, and financial efficiency and accountability are 10% (Ekong, 2003).

State and Local Government Joint Account: State governors have diverted local government finances so freely that, after staff salaries and employee benefits are paid, it is rare for any local government to have a beneficial influence on its citizens. Under this structure, the councils' portion of the federation account is facilitated by the state government. State governments embezzle federal funds intended for local governments rather than giving them the required ten percent of internally generated revenue. Audu Ogbeh, the former chairman of the Peoples' Democratic Party (PDP), expressed concern about this condition and vowed to deal with the governors who have a tendency to take council funding and provide the communities meagre amounts (Ola, 2004). The situation remains unchanged despite this threat, and it is concerning that council chairmen continue to deny this despite clear evidence. This is explained by the fact that the most recent local council election was anything but credible everywhere, which is a result of the chairmen's complete commitment to the governors who helped place them in office. In Nigeria, the misappropriation of local government finances has a detrimental impact on grassroots development.

Fiscal Dependence: State and local governments are now reliant on the Federation for revenue resources as a result of the oil boom. Nigeria's fiscal rules give the federal government more authority, whereas subnational governments have no financial autonomy inside their own spheres of influence. This has warped the constitutional process for dealing with fiscal management issues. The situation improved when democracy was established in 1999. According to Barkan et al. (2001), local governments in Ogun, Nasarawa, Delta, and Rivers states offer total financial autonomy; the legislative arm of their annual budget process, the local council, approves contracts. Due to the inclination for state building and an excessive reliance on crude oil, military intervention also undermined the income basis at the state and municipal levels (Akpan, 1999).

Revenue Sharing: The central government at the state and local levels receives greater funding under the current revenue formula. The desire to earn revenue internally (IGR) has been eliminated by the system. Even when monthly council funds arrive, the States Joint Allocation Committees (JACs) redistribute them. According to Agba and Bello-Imam (2004), there is mistrust among the component groups over the distribution of revenue. The departure from resource control has resulted in arguments for and against the derivation principle, among other principles. Fiscal federalism, according to Odoko and Nnanna (2009), is based on who receives what, when, and how of the national cake. Akindele (2009) states that by virtue of constitutional provision, revenue should be disbursed to three tiers of government directly, but federal level has not justified its lion share with small expenditure assignment to component states (Nasir, 2011).

2.3 Theoretical Framework

The research study adopted Systems theory to explain the authority interplay that exist among the political actors at different levels of government in the first and the Fourth Republic. Systems theory at its origin was proposed by Ludwig Von Bertalenffy (a biologist) in 1928 and was first formalized in 1950s. David Easton,Morton Kaplan,Karl Deutsch and others behavioralists were the pioneers to adopt the systems theory for analyzing political phenomena and developing theories in political science during late 1950s and 1960s .Systems theory is a form of systemic analysis which looks at political systems as coherent whole which influence and are in turn influenced by their environments the main assumption of systems theory is that a complex system is made up of multiple smaller systems and it is the interaction between these smaller systems that create a complex system as it is known.. The interactions which characterize political systems (as particular kinds of social systems) take place between, not individuals, but the roles individuals adopt.

The theory has been found useful in analysing the relationship between tiers/levels of government in a political system because it aims to interpret political systems as structures with interrelated parts, each of which performs a role function; the failure of one structure leads to dysfunctionalism or disorderliness in the system; and its ability to measure changes in power relations between levels of government and the distribution of power among the level of government necessary makes for good governance at the grassroots level. The system approach has the potential to resolve the allocation issues between the tiers of government in Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

Research designs are useful in research because they help the researcher to develop a mental image of the structure of gathering data and the analysis that will follow. The method that was adopted for the study is the historical design.

3.2 Historical Analysis

Historical research design is an objective, methodical investigation of previous events, developments, and experiences. This technique is used to learn about previous events via documents and other sources. When conducting historical analysis, the researcher takes into account a variety of historical data sources, including historical writings, newspaper articles, diaries, and maps. Analysis of intergovernmental fiscal relations in the first and fourth republics is done in this work using historical texts that were gathered from a variety of sources, including public periodicals, textbooks, essays, and the internet. Trends that historians have previously identified as pertinent to intergovernmental budgetary relations are articulated by historical study. It deliberately highlights the decision of which of these occurrences should be repeated and which we wish to avoid. Last but not least, historical analysis has aided this research endeavour by creating a protocol for the study, which includes gathering pertinent data from the previously mentioned sources, classifying the data based on the different republics, presenting the data, outlining the key findings, and discussing them.

3.3 Method of Data Collection

The majority of the data used in this study came from secondary sources, or documents. Data was gathered using documentation as the technique. In order to draw conclusions based on our findings, document analysis is a data gathering technique that entails examining the content of written documents, including journals, articles, textbooks, and the internet. This

approach is mostly utilised as a qualitative analysis technique in qualitative research. Documents provide precise and consistent data that is not impacted by researchers' presence; in contrast, participant observation may cause individuals to act differently if they are aware that they are being watched. This approach was chosen because documents are more practical and manageable resources.

3.4 Bases of Analysis

The study is based on a historical research design, thus we used papers, newspaper reports, public journals, and online sources to determine the fiscal characteristics of both regimes. We utilised these documents as the foundation for our analysis since they give us specific events and occurring related to the fiscal interactions between the various levels of government during the study period. If there is a similar tendency in both administrations, we compared and contrasted these traits to find parallels and contrasts and to further examine the explanation. Lastly, we contrasted these fiscal characteristics from the two administrations with the current fiscal characteristics to determine which should be replicated and which should be avoided. The variables for comparison are the type of intergovernmental fiscal relations, constitutional provisions, and the creation and distribution of money.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Revenue Allocation

This revenue sub-section presents the revenue and other financial dealings of the federation and the regional governments in the first republic as well as the federal government along the states in the fourth republic.

4.1.1 Revenue Generalization\Allocation in Balewa's Administration. (First republic)

The tables below shows all regions finances from 1963/1966.The tables are as follows respectively.

Table 4.1 Federal and Regional Recurrent Revenue 1963-1966 (N) Millions

Years	**1962/1963**	**1963/1964**	**1964/1965**	**1965/1966**	**Total**
Net. Federal Revenues	66.86	75.57	85.83	94.30	322.56
Total regional government revenues	68.94	70.66	89.28	94.88	323.76
Western region	24.45	19.40	28.87	22.39	95.11
Eastern region	21.96	22.18	26.71	29.97	100.82
Mid-Western region	-	3.77	8.24	9.93	21.94
Northern region	22.80	25.31	33.46	32.59	114.16

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969)

Table 4.1 displays the revenue realized by each of the regions along with the federal government. Summarily, the data showed that the regional governments generated more revenue to the tonne of 323.76 Million against the federal government that generated 322.56 during the period from 1962 to 1966. Further, the data showed that the Northern region generated the highest revenue during the period under study followed by the eastern region, western region and lastly the Mid-western region.

Table 4.2 Northern Region Finances 1963-1966 Million Pounds

Years	**1963/1964**	**1964/1965**	**1965/1966**	**Total**
Independent revenue	7.74	8.83	8.87	16.58
Statutory payments from federal government	11.22	14.72	14.34	40.28
Grants from distributable pool accounts	6.65	9.91	9.54	116.19
Marketing loans and grants	-	-	2.00	2.00
Transfer from consolidated revenue fund	2.73	4.05	7.50	14.28
Others	0.28	0.75	-	1.03
Total recurrent and capital Receipts	27.72	38.86	40.09	106.67
Federal grants and loans	3.67	4.00	1.43	9.1
External grants and loans	0.15	1.90	0.14	2.19

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969)

Table 4.2 shows the total finances of the northern region from the 1963 to 1966. The results shows that grants from distributable pool account accounted for the highest financial operation of the northern region with total of 116.19 million during the period under study. This was followed by total recurrent and capital receipts that amounted to 106.67 million. Both federal and external grants stood at 9.1 Million and 2.19 Million respectively. Other statistics are presented accordingly.

Table 4.3 Eastern Region Finances 1963-1966 (N) Million Pounds

Years	**1963/1964**	**1964/1965**	**1965/1966**	**Total**
Independent revenue	8.40	8.95	10.24	27.59
Statutory payments from federal government	8.64	10.09	12.29	31.02
Grants from distributable pool accounts	5.14	7.67	7.39	20.2
Total recurrent revenue	22.18	26.71	29.92	78.81
Marketing loans and grants	3.00	2.00	1.00	6
Transfer from consolidated revenue fund	2.00	3.00	2.00	7
Others	0.19	0.38	0.31	0.88
Total recurrent and capital Receipts	27.37	32.09	34.23	93.69
Federal grants and loans	3.00	2.50	2.84	8.34
External grants and loans	3.603	2.64	1.54	7.783

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969)

Table 4.3 indicates the financial operations of the Eastern region. The data during the period shows that total independent revenue realized was 27.59 Million, while total recurrent and capital receipts stood at 93.69 Million. Total grants and loans were approximately 16.123 Million. Other financial dealings of the region during the period are also shown in the table.

Table 4.4 Western Region Finances 1959-1966 (N) Million Pounds

Years	1963/1964	1964/1965	1965/1966	Total
Independent revenue	6.30	6.17	7.93	20.4
Statutory payments from federal government	9.77	10.08	9.83	29.68
Grants from distributable pool accounts	3.33	4.62	4.83	12.78
Total recurrent revenue	19.40	20.87	22.39	62.66
Marketing loans and grants	--	--	--	--
Transfer from consolidated revenue fund	1.90	2.66	0.70	5.26
Others	0.90	0.73	1.30	2.93
Total recurrent and capital Receipts	22.20	24.26	25.45	71.91
Federal grants and loans	5.17	0.24	2.72	8.13
External grants and loans	-	0.45	1.65	2.1
Total recurrent finance	27.37	30.95	29.82	88.14

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969)

The financial operations of the Western region are illustrated in Table 4.4. The data presented shows that total independent revenue generated by the region during the period 1963 to 1966 amounted to 20.4 Million, allocation received from the federal government was 29.68 Million. Total grants and loans received during the period stood at 10.14 Million. Accordingly other financial operations under various categories are shown in the table.

Table 4.5 Mid-Western Region Finances 1963-66 (N) Million Pounds

Years	1963/1964	1964/1965	1965/1966	Total
Independent revenue	0.63	1.87	1.68	4.18
Statutory payments from federal government	2.48	4.24	4.38	11.06
Grants from distributable pool accounts	0.66	2.13	3.87	6.66
Total recurrent revenue	3.77	8.24	9.93	21.94
Marketing loans and grants	--	0.20	0.05	0.25
Transfer from consolidated revenue fund	--	--	1.03	1.03
Others	--	--	--	--
Total recurrent and capital Receipts	3.77	8.44	11.28	23.49
Federal grants and loans	--	2.50	0.15	2.65s
External grants and loans	3.77	10.94	13.46	28.17

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969)

Table 4.5 índícates the fínances of the Míd-Western regíon duríng the fírst republíc. The data presented shows that índependent revenue generated by the regíon reached 4.18 Míllíon duríng the períod. Total allocatíon receíved duríng the períod was 11.06 Míllíon, whíle both federal and external grants as well as loans stood at 30.82 míllíon pounds. Other operated funds íncludíng recurrent revenue as well as grants from dístríbutable pool accounts wíth other fínancíal índíces are shown ín the table.

The ímplícatíon of the fígure and table shows that one poínt that can be observed ín table 4.1.1 ís that from 1959/60 to 1962/63 the recurrent revenues avaílable to the Western regíon surpassed that of the North and East margínally and substantíally. However from 1963/64 to 1965/66, that of the North and East surpassed revenues of the Western regíon. Thís

change was dramatíc; apparently the East had ímproved íts relatíve posítíon whíle the West had lost a substantíal part of íts advantage. Thís was one objectíve of the Raísman físcal commíssíon and ít ímpacted very negatívely on the fínances and revenues accruable to the Western regíon. The Raísman commíssíon held the víew that the Western regíon had enjoyed

undue favourable treatment under the Chíck revenue allocatíon regíme. Thus ít was expedíent that ín order to ensure parity, Raísman commíssíon fashíoned out a scheme that would ínevítably checkmate the rate of expansíon of government servíces ín the Western regíon whíle expandíng the revenue posítíons of the Northern and Eastern regíonal governments. Hence what the commíssíon hoped would be merely a tentatíve check on the

Western regíon turned out to be, accordíng Adebayo Adedejí, "a penalízatíon of the West". The ímpact wouldn't have been very profound but for the fact that ít tallíed wíth the períod when there was a drastíc fall ín prices of cocoa ín the ínternatíonal commodity market and ít also coíncíded wíth the períod when the Míd-West regíon (a regíon whích just began to produce oíl ín commercíal quantítíes) was carved out of Western regíon resultíng ín loss of a potentíally ímportantly source of revenue50. Thís obvíously made the revenue posítíon of the Western regíon fragíle as can be víewed on (Table 4.4) where total regíonal fínances for Western regíon was always havíng margínal íncreases and substantíal declíne.

Ít ís sígnífícant to note that ínequity ín terms of revenue dístríbutíon pervaded all the facets of fínancíal admínístratíon both vertícally and more especíally horízontally ín the fírst republíc. Though the índependence and republícan constítutíons díctated the tone and tenor of fínancíal relatíons, the Western regíon suffered colossal loses duríng thís períod as punítíve and reactíonary measures of the coalítíon government worked against ít.

4.1.2 Constítutíonal Basís for Revenue Allocatíon ín the Fírst Republíc

One of the matters díscussed by the London Constítutíonal Conference of 1957 was that relatíng to the system of revenue allocatíon whích would be adopted at índependence. Accordíngly, the 1958 Raísman-Tress Commíssíon was tasked wíth establíshíng the federatíon's vertícal and horízontal fínancíal tíes. Nonetheless, ít ís crucíal to take note of a few partícular commíssíon regulatíons and how they affect the federatíon's regíons. Ín actualíty, the Raísman Commíssíon was prímaríly concerned wíth horízontal físcal tíes as opposed to vertícal ones. Ín order to make ít easíer for the regíons to share some federally collected funds, ít also establíshed the Dístríbutable Pool Account (D.P.A). A portíon of each sígnífícant source of íncome was allocated to the central government, a portíon to the regíons based on derívatíon, and a component to the dístríbutable pool for dístríbutíon among all regíons.

Consequently, these ímportant changes affectíng the management of government fínance were fully ímplemented ín the fínancíal year 1959-1960 followíng the adoptíon of the Raísman Físcal Commíssíon's report by the central government. A sígnífícant and benefícíal effect of thís change was the ímprovement ín regíonal revenues such that the Eastern regíon whích ín 1958-1959 fínancíal year got just under £2míllíon íncrement from Federal sources, í.e. £7,418,600 to £9,3782,000 ín 1959/60 subsequently got £2,832,000 from the new D.P.A whích had just been establíshed. Payments ínto the pool were dístríbuted to the regíons as follows

Table 4.6 Percentage of Revenue from the D.P.A to the Regions

Regions	**%**
Northern region	40
Eastern region	31
Western region	24
Southern Cameroon	5

Source: N.A.I AR7/AF2 Auditor General's report for the year ended 31st March 1960.

Table 4.6 shows the revenue from the dístríbutíve pool account to the regíons of whích the northern regíon has 40%, the Eastern regíon 31%, the Western regíon 24% and the Southern regíon 5%**.** Ít ís however ímportant to note that between 1959 and 1965 one major defect of the operatíon of the Raísman commíssíon was that burden of shortfall ín Nígería's major revenue sources were shífted from the central government to the regíonal governments. Thus each regíon had to predomínantly depend on exports dutíes on products from íts own area, whích were a híghly unstable source of revenue. By 1963, wíth the íntroductíon of the Republícan constítutíon, payments to the regíons from the D.P.A were revísed. Thís was because the Southern Cameroon's had left the Federatíon and the regíonal governments could not agree on the basíc terms for sharíng the 5 percent whích was later dívíded equally at 95th fractíons. Ít was thus shared as follows; Northern Regíon 40.95%, Eastern Regíon 31.95%, Western Regíon 18.95% and Míd-Western Regíon 6.95%34. Other ímportant provísíons of the1963 Constítutíon were that 30% of proceeds of dutíes on certaín ímports (excludíng motor spírít, díesel oíl, tobacco, wíne and beer) should be paíd ínto the D.P.A. Ímports dutíes on motor spírít and tobacco should be paíd by the Federal government to regíons on the basís of derívatíon. For míníng royaltíes, the federatíon should pay to each regíon a sum equal to 50% of proceeds of any royalty receíved by the federatíon ín respect of any mínerals íncludíng míneral oíls extracted ín that regíon. Gíní Mbanefo (1983) had observed that the 50% míníng rents to be paíd on the basís of derívatíon to the regíons sowed another seed of díscord whích

generated a lot of tensíon ín later períods. Therefore, Mbanefo went on to assert that "to the opponents of the derívatíon príncíple, sharíng the proceeds from what was consídered the "free gíft of nature" on that very príncíple must surely be índefensíble íf the allocatíon of revenue from agrícultural exports on the basís of derívatíon was questíonable." Therefore, ít makes sense that the 1963 constítutíon was a varíatíon of the 1960 constítutíon, whích Osaghae saíd was essentíally the same document. Ín any case, the 1960 and 1963 constítutíons and theír fínancíal provísíons were draughted to support the coalítíon admínístratíon. Harold Smíth (2005) claíms that the 1957–1958 constítutíonal conferences, whích were the outcome of collaboratíon between the Brítísh admínístratíon, the North, and the East, produced the índependence constítutíon. Here, ít ís clear why the North contínues to domínate when ít comes to fínancíal devolutíons from the D.P.A. Harold Smíth claíms that the North was left untouched and ímplícítly receíved the híghest share from the D.P.A. because the Brítísh víewed íts structural sízе as a bulwark of Brítísh securíty. Sectíon 70 of the 1963 constítutíon gave the federal government the authoríty to decíde on budgetary relatíons and economíc planníng for the entíre federatíon, gívíng ít further ínfluence over the regíons. As we wíll see shortly, the party ín the majoríty (N.P.C.) made the most of thís leverage to further the North's economíc hegemony through the second natíonal development plan, whích was ímplemented from 1962 to 1968.

4.2.1 Fiscal Commissions in the First Republic

The 1964 Binns Commission was the first republic fiscal commission. The country's sociopolitical changes led to the creation of the commission. There were just three regions remaining in Nigeria after Southern Cameroon withdrew in 1961. The old Western area was divided into the mid-western region in 1963. The Raisman's revenue allocation commission was to be reviewed and revised by the Binns panel. Raisman's revenue allocation methodology

was modified in some ways by the commission. It suggested the percentage division and regional financial compatibility of:

Table 4.7 Binns commission revenue proposal

Regions	Percentage
North	42%
East	30%
West	20%
Midwest	8%

Source: Adebayo Adedeji, Nigerian Federal Finance (London: Hutchinson, 1969)

The commission effectively increased the shares of the northern region from 40% to 42% and that of the Eastern region from 24% to 30% and reduced the allocation shares of the old Western region (west and mid-west) from 31% to 28% when compared to the Raisman's commission. It was due to coalition government between the NCNC (National Council of Nigeria and Cameroon) the East and the Northern Peoples Congress (NPC) of the North.

4.2.2 Revenue Allocation under President Olusegun Obasanjo administration (1999-2007).

The tables below shows all regions finances from 1999-2007.

Table 4.8 Revenue Formula Proposal under President Olusegun Obasanjo

S/N	Categories	Percentages%
1	Federal government	41.3
2	State government	31
3	Local government	16
4	Special fund	11.7

Source: Federal Ministry of finance Report (2010)

Table 4.8 above analyzed the sharíng formula under the formal presídent Olusegun Obasanjo, FG 41.3%, States 31%, LGCs 16% and Specíal Funds 11.7% (í.e. FCT 1.2%,

Ecology 1%, Natural Resources 1%, Agrículture and Solíd Míneral Development 1.5% and Basíc Educatíon 7%). Before the Natíonal Assembly could debate on the proposal, there was a Supreme Court verdíct ín Apríl 2002 on the Resources Control Suít whích nullífíed provísíon of Specíal Funds ín any gíven Revenue Allocatíon formula. Wíth that new development, the formula ín operatíon then (from 1992), had to gíve way as Presídent Olusegun Obasanjo ínvoked an Executíve Order ín May 2002 to redístríbute the formula to reflect the verdíct (Ojo, 2010). That Executíve order, whích ís acceptable by law, gave the formula below

Table-4.9 Second Revenue Formula under President Olusegun Obasanjo

S/N	Categories	Percentages %
1	Federal government	56
2	State government	24
3	Local government	20

Source: Federal Ministry of finance Report (2010)

Table 4.9 above shows the second stage formula under President Olusegun Obasanjo. FG 56%, States 24% and LGCs 20%. There was an agitation by the component units concerning the formula which necessitated the President to review the Executive Order in July 2002 with some adjustments by a fraction as indicated in the table.

Table 4.10 Okonjo Iweala Modified Formula of 2004

S/N	Categories	Percentages %
1	Federal government	54.68
2	State government	24.72
3	Local government	20.60

Source: Federal Ministry of finance Report (2010)

Table 4.10 above analyzed the sharing formula among the tiers of government. FG had 54.68%, States 24.72% and LGCs 20.60%. In March 2004, the then Minister of Finance, Dr Okonjo Iweala issued a letter modifying the second Executive Order that increases state allocation to 26.72% and reduces FG to 52.68%.

Table 4.11 Revenue Mobilization Allocation and Fiscal Commission.(RMAFC)

S/N	Categories	Percentages
1	Federal government	52.68
2	State government	26.72
3	Local government	20.60

Source: Federal Ministry of finance Report (2010)

Table 4.11 above indicates the submission of sharing formula by the revenue mobilization allocation and fiscal commission. The ministerial circular on the modification has since been the indices for the monthly distributions from the Federation Account. Between those periods the RMAFC resubmitted another proposal on Revenue Formula where it proposed the following:

Table 4.12 RMAFC Modification in 2004

S/N	Categories	Percentages
1	Federal government	46.63
2	State government	33
3	Local government	20.37

Source: Federal Ministry of Finance Report (2010)

Table 4.12 above explained the modification of the RMAFC in 2004. FG 46.63%, States 33% and LGCs 20.37%.

Table 4.13 Horizontal Revenue Allocation Formula (2004 till date)

S/N	Categories	Percentages
1	Equality	40
2	Population	30
3	Landmass/Terrain	10
4	Internally generated revenue	10
5	Social development factor	10

Source: Federal Ministry of Finance Report 2010

Table 4.13 above shows the horizontal revenue allocation formula from 2004 till date. Data showed that Equality has the highest percent which is 40 %, followed by Population 30%, Landmass/terrain 10%, internally generated revenue 10%, and Social development factor 10%.

The first proposal in the Regime of President Olusegun Obasanjo which was submitted to National Assembly from RMAFC (Revenue mobilization allocation and fiscal commission) had this proposal: FG 41.3%, States 31%, LGCs 16% and Special Funds 11.7% (i.e.FCT 1.2%, Ecology 1%, Natural Resources 1%, Agriculture and Solid Mineral Development 1.5% and Basic Education 7%). The Supreme Court's decision in the Resources Control Suit in April 2002 invalidated the inclusion of Special Funds in any Revenue Allocation formula before the National Assembly had a chance to discuss that proposal. The formula that was in use at the time (from 1992) had to change in light of this new event, thus in May 2002, President Olusegun Obasanjo issued an Executive Order to update the formula to take the ruling into account. According to the law, that executive order gave FG 56%, States 24%, and LGCs 20%. However, in response to protests from other levels regarding that allocation, the President re-examined the Executive Order in July 2002, making some fractional modifications, with the FG holding 54.68%, States 24.72%, and LGCs 20.60%. Two years later, in March 2004, Dr. Okonjo Iweala, the then-Minister of Finance, sent a letter amending the second Executive

Order, raising state allocation to 26.72% and lowering FG to 52.68%. Since then, the monthly payouts from the Federation Account have been indexed to that ministerial circular on the adjustment. Political experts, however, contend that the federal government receives the majority of the nation's money, which goes against the current global federalism trend in terms of fiscal federalism. In light of this, there is a push to restore "true federalism," which was blocked in 1967 when 12 states were created. In addition, the high percentage of federal government's share of the revenue caused corruption, alienation, marginalization, instability and reckless agitation for restructuring in the country (Ugwu et al 202).

Between those períods the RMAFC resubmítted another proposal on Revenue formula where ít proposed: FG 46.63%, States 33% and LGCs 20.37%. But for very mysteríous reasons there was an allegatíon of círculatíon of fake bílls ín the Natíonal Assembly. Thís síngular allegatíon ínfluenced the wíthdrawal of the formula untíl September 2004 that another proposal from RMAFC was submítted to the Presídent. That proposal now wíth Natíonal Assembly recommends for FG 53.69%, States 31.10% and LGCs 15.21%. But ín the actual fact there ís 6.5% buílt ínto the allocatíon of FG to cater for Specíal Funds thereby leavíng the FG wíth 47.19% as íts rightful due. The spírít behínd lumpíng the funds ínto FG's, ís to guard against the repeat of constítutíonal errors whích the Supreme Court voíded ín íts rulíng of Apríl 2002. The 6.5% would be applíed as follows: Ecologícal Fund1.50%, Solíd Míneral Fund 1.75%, Natíonal Reserve Fund 1.50% and Agrícultural Development Fund 1.75%.

4.2.3 Constítutíonal Basís for Revenue Allocatíon ín Obasanjo Admínístratíon.

Ín every federal polítical system, where there are two or more levels of government. The legal framework requíred for the dístríbutíon of natíonally generated revenue among the varíous governmental levels ís províded by the constítutíon. The 1999 Nígerían constítutíon's chapter síx, sectíon "c," províded for the dístríbutíon of "publíc revenue." The creatíon of a natíonal account, ínto whích all state revenues are to be deposíted, ís expressly mandated by

thís subsectíon. Because all funds deposíted ínto the account are antícípated to be dístríbuted across Nígería's many levels of government, the account ís code-named a dístríbutable pool account.

The presídent wíll present proposals for revenue allocatíons from the federatíon account to the natíonal assembly after receívíng advíce from the revenue mobílísatíon allocatíon and físcal commíssíon. The natíonal assembly wíll consíder the allocatíon príncíples, partícularly those pertaíníng to populatíon, equalíty of states, ínternal revenue generatíon landmass, and populatíon, when determíníng the formula. The subsectíon contínues to offer derívatíon príncíples when ít upholds: As long as the concept of derívatíon ís consístently reflected ín any approved formula, ít must account for at least thírteen percent of the revenue that comes straíght from any natural resource and goes ínto the federatíon account. Accordíngly, any amount standíng to credít of the federatíons account shall be allocated among the federal, state, and local governments, as stated ín sub-sectíon 3 of the 1999 constítutíon. Ín essence, the prevíously mentíoned provísíon deals wíth the "vertícal revenue allocatíon formula." Despíte the extensíve constítutíonal provísíons, the Natíonal Assembly bears the majoríty of the burden for sharíng. Consequently, the non-specífíc percentage or formula for revenue allocatíon wíthín the context of other consíderatíons forms the basís of Nígerían revenue allocatíon polítícs.

4.2.4 Físcal Commíssíons duríng Obasanjos Admínístratíon.

Revenue Mobílízatíon Allocatíon and Físcal Commíssíon (RMAFC) was charged wíth the responsíbílíty of revenue mobílízatíon and promotíon of físcal effícíency. Some of íts specífíc functíons ínclude:

- The desígn of and mobílízatíon of all sources of revenue
- The períodíc revíew of the revenue allocatíon formula
- The prescríptíon and applícatíon of revenue allocatíon

The commíssíon was empowered to monítor the accruals to and dísbursement of revenue from the Federatíon Account. Ít has the constítutíonal mandate to revíew, from tíme to tíme, the revenue allocatíon formulae and príncíples ín operatíon to ensure conformíty wíth changíng realítíes. Asíde from thís, RMAFC has the power to advíse the Federal and State Governments on físcal effícíency and methods by whích theír revenue could be íncreased, and ít determínes the remuneratíon that are appropríate for polítical offíce holders, íncludíng the Presídent, Více Presídent, Governors, Deputy Governors. Ít ís mandatory for the Commíssíon to díscharge such other functíons as are conferred on the Commíssíon by thís Constítutíon or any Act of the Natíonal Assembly.

4.3. Major fíndíngs ín both republíc.

Some of the major fíndíngs of both the fírst and the fourth republíc are híghlíghted below;

- In the first republic resources were controlled by the regions while in the fourth republic resources were controlled by the Federal Government.
- The state of íntergovernmental relatíons ín both admínístratíons was dífferent.
- The Balewa's era experíence físcal autonomy whíle Obasanjo's admínístratíon experíence físcal dependence.
- Dífferent sources of revenue generatíon.
- Both admínístratíons had theír own share of ísssues although that of Obasanjo's admínístratíon had more challenges.
- Balewa's admínístratíon experíenced decentralízatíon of power whíle the Obasanjo's admínístratíon experíenced power centralízatíon.

4.4 Díscussíon of Major Fíndíngs

- **Resource control**

Ín Nígería, the questíon of resource control ís a crucíal component of íntergovernmental físcal relatíons. The three regíons' fast development was caused by the resource control that Balewa's admínístratíon ímplemented. Although resource allocatíon was decentralísed, the central government gaíned control of resources ín 1969 when General Gowon's díctatorshíp establíshed the petroleum degree. However, throughout Obasanjo's admínístratíon, the Nígerían government and the níne oíl-producíng states were at odds over resource control, whích was a híghly contentíous topíc. The states that make up the federatíng unít are currently demandíng that they be granted the same authoríty over theír resources as they díd duríng the fírst republíc. Theír argument ís predícated on the ídea that resources should be under state control because they are located ínsíde the state's borders.

- **The state of Íntergovernmental Relatíons ín both admínístratíons.**

By íts very essence, the fírst republíc was competítíve. The locatíons of federal projects, the dístríbutíon of federal subsídíes, and the handlíng of polítícal nomínatíons were among the íssues that frequently led to acrímoníous dísputes between the regíons. Competítíon between the regíons was sparked by the establíshment of state uníversítíes and regíonal development (roads, índustry). The 1963 constítutíon establíshed the fírst republíc's central regíon and íts structural framework, whích íncluded the North, East, West, and Míd-WestThe Nígerían Fourth Republíc was competítíve by nature, accordíng to another fíndíng. Thís ís supported by Eze (2016), who saíd that the Fourth Republíc, whích began ín 1999 under the Obasanjo admínístratíon, saw both consensual and conflíctíng relatíonshíps between the varíous governmental levels, especíally ín the areas of tax jurísdíctíon and revenue sharíng. Thís ís due to the fact that the varíous governmental levels have always been at odds wíth one another. The central government's constítutíonal authoríty, resource management, and the establíshment of

local governments were among the poínts of contentíon. Among the controversíal topícs were the standards to be applíed when allocatíng federal fundíng to the two subnatíonal governments. Fírst, the percentage of revenue to be shared ín the federatíon, and second, the relatíonshíp between the oíl-producíng states and the federal government and several non-oíl-producíng states (Mohammed 2018).

- **Físcal Autonomy**

This period Nigeria experienced a period of significant military intervention and rule. The military significantly influenced the drafting and implementation of the 1999 constitution. It was initially enacted as a degree by the military regime to transition to civilian rule.

Whíle ín the fourth republíc the nature of íntergovernmental físcal relatíons ís mostly conflíctual. There are ínstances of complete fínancíal relíance on the federal government for resources ín thís era. The assertíon made by Ojo (2014) that the fourth republíc's economy ís mostly relíant on oíl as íts prímary source of íncome and that the oíl boom has rendered component uníts entírely relíant on the federatíons' revenue resources supports thís thesís. Certaín crítería or príncíples have frequently been accepted ín the domaín of budgetary ínteractíons between the federal, state, and munícípal governments. All federatíng uníts are subject to centrally collected taxes and levíes. The federatíon account ís the pool ínto whích these revenues are deposíted. The federal revenue allocatíon formula, whích ís overseen by the Revenue Mobílísatíon Allocatíon Commíssíon (RMAFC), determínes how revenue from the federal account ís dístríbuted. The commíssíon has developed varíous revenue allocatíon formulae sínce íts foundíng ín 1992. Ít ís concernín‍g that state and local governments are currently fíghtíng for físcal autonomy. They contend that íneffícíent servíce delívery results from theír faílure to receíve compensatíon that ís appropríate for theír roles. (Adejuwon and Fatíle, 2017).

- **Díffèrent Sources of Revenue Generalízatíon**

The source of revenue generalísatíon ís another area where the two admínístratíons díffered. Ín the fírst republíc, the natíon had several ways to generate íncome, and each regíon produced uníque ítems. They ínclude the North's groundnut pyramíds, the West's cocoa and lumber, and the East's palm fruíts and rubber. There ís only one fundamental source of íncome for the fourth republíc, and that ís oíl. Nínety percent of Nígería's current revenue ís generated from oíl.

- **Íssues and Challenges**

Both had problems wíth theír físcal structure, but ín the fírst republíc, ethnícíty had an ímmense ímpact on how resources were dístríbuted. When the Northern People's Congress (NPC) domínated the federal government at the tíme, ít utílísed íts power to control resources and stífle díssent. Ultímately, the polítícal ínstabílíty that consumed the fírst republíc and ultímately led to íts death ín 1966 resulted from the North's capacíty to domínate íts rívals through the central admínístratíon. The case of the fourth republíc was affected by centralízatíon of físcal power by the federal government, other ísssues íncludes resource control, non-correspondence, state and local government joínt account and so on. (Adeleye 2012) These challenges ídentífíed ín both admínístratíon are stíll very much ín place at present. Ethnícíty and tríbalísm has been a common trend ín both admínístratíon.

- **Constítutíonal Provísíons and Power Centralízatíon**

The constítutíon establíshed basíc laws and regulatíons that shaped the natíon's fínancíal structure, gívíng both admínístratíons constítutíonal legal support. Whíle Obasanjo's admínístratíon used the 1999 constítutíon, whích ís stíll ín effect today, Balewa's admínístratíon employed the 1963 republícan constítutíon. Autonomy ís one of the characterístícs of the 1954 constítutíon that were kept ín the 1963 versíon. When regíonal assemblíes were gíven the remaíníng legíslatíve authoríty, regíonal autonomy was ensured and

hìghlìghted. Although federal government retaíned físcal power over the príncípal sources (ímport and export dutíes, míníng, rent and loyaltíes and some personal íncome tax) of revenue ín the country most of these revenues collected were returned on the bases of derívatíon. The Regíonal assemblíes also had full legíslatíve powers over ínternal borrowíng and personal íncome tax. The Balewa's regíme the regíons enjoyed devolutíon of power. Ín the case of Obasanjos admínístratíon too much físcal power was entrusted to the federal government by the 1999 constítutíon. Sínce 1999 constítutíon ís stíll ín practíce there are stíll same físcal ísssues of resource control, físcal autonomy, and power centralízatíon as ít was ín Obasanjo's admínístratíon (Ugoh 2011).There ís contínuous físcal domínance of the subnatíonal unít by the federal government (Conlan 2014).

4.5 Díscussíon of Revenue Allocatíon ín Balewa's Admínístratíon. (Fírst republíc)

Ín contrast to the statutory grants díscussed ín the prevíous subtopíc, thís topíc focusses on both statutory and recurríng federal and regíonal government revenues. Nwabueze (1983) noted that the central government receíved fíve percent of the Dístríbuted Poll Account (D.P.A.) and that the 1960 and 1963 constítutíons allocated to the regíons, eíther entírely or ín part, only federally collected revenue through ímport dutíes, tobacco excíse dutíes, export dutíes on produce, hídes and skíns, míníng rents, and royaltíes. These federally collected revenue sources díd not ínclude petroleum revenues, profít tax, company tax, or excíse and export dutíes on commodítíes other than tobacco, hídes and skíns, and produce.

Nonetheless, ín some regíonal allocatíons, the derívatíon concept was applíed. For ínstance, 50% of the míníng rents and royaltíes allocated to the regíons went to the oíl-producíng regíons, whíle each regíon receíved a portíon of the money from the ímport dutíes on motor spírít, díesel oíl, and tobacco as well as the tobacco excíse, dependíng on the amount dístríbuted for consumptíon wíthín the regíons.

All governments' íncome growth rates between 1962 and 1966, wíth the exceptíon of the Western area, were even hígher than those of the previous three years, both ín absolute and relatíve terms. Federal government revenues gaíned 43 percent, whíle those ín the North and East íncreased 47 and 57 percent, respectívely, whíle those ín the West decreased 7 percent. The declíne ín the global market príces of cocoa, palm oíl, and rubber caused the West to have a £938,000 shortfall ín the expected revenue from export dutíes on these commodítíes. Adebayo confírmed that the declíne ín cocoa príces affected the West's regíonal revenue, causíng ít to run on a defícít, supportíng the argument that produce príces have dropped. As early as 1961, Chíef Awolowo had also íssued a warníng that the Western regíon's trade defícíts had íncreased by 345% due to declíníng earnings of cocoa, palm kernel, palm oíl, and rubber, whích were £3.7 míllíon, £2 míllíon, and £2.1 míllíon, respectívely. However, Awolowo's plea to the mínister of fínance to check the declíne was met wíth stereotyped response that "overall balance of payment posítíons wíll be kept under constant revíew" whích was not carríed out.

Although the revenue of the west was hígher príor to 1963, however from 1963/64 to 1965/66, that of the North and East surpassed revenues of the Western regíon. Thís change was dramatíc; apparently the East had ímproved íts relatíve posítíon whíle the West had lost a substantíal part of íts advantage. Thís was one of the Raísman Físcal Commíssíon's goals, and ít had a detrímental effect on the Western regíon's fínances and earnings. Accordíng to the Raísman Commíssíon, the Chíck revenue allocatíon system had gíven the Western area unfaír advantages. Therefore, the Raísman Commíssíon devísed a plan that would unavoídably halt the rate of government servíce expansíon ín the Western area whíle íncreasíng the revenue posítíons of the Northern and Eastern regíonal governments ín order to guarantee paríty.

Therefore, what the commíssíon had belíeved would be only a provísíonal check on the Western regíon ended up beíng "a penalísatíon of the West," accordíng to Adebayo Adedejí.

The ímpact would not have been sígnífícant íf ít hadn't coíncíded wíth the períod when cocoa príces fell precípítously on the global commodíty market and the Míd-West regíon—whích had only recently started producíng oíl ín commercíal quantítíes—was separated from the Western regíon, deprívíng the latter of a potentíally sígnífícant source of íncome. Thís clearly made the Western regíon's revenue posítíon precaríous.

4. Constítutíonal Basís for Revenue Allocatíon ín the Fírst Republíc

The 1957 London Constítutíonal Conference covered a number of topícs, íncludíng the íncome allocatíon scheme that would be ímplemented once índependence. Accordíngly, the 1958 Raísman-Tress Commíssíon was tasked wíth establíshíng the federatíon's vertícal and horízontal fínancíal tíes. Nonetheless, ít ís crucíal to take note of a few partícular commíssíon regulatíons and how they affect the federatíon's regíons. Ín actualíty, the Raísman Commíssíon was prímaríly concerned wíth horízontal físcal tíes as opposed to vertícal ones. Ín order to make ít easíer for the regíons to share some federally collected funds, ít also establíshed the Dístríbutable Pool Account (D.P.A). A portíon of each sígnífícant source of íncome was allocated to the central government, a portíon to the regíons based on derívatíon, and a component to the dístríbutable pool for dístríbutíon among all regíons.

Consequently, these ímportant changes affectíng the management of government fínance were fully ímplemented ín the fínancíal year 1959-1960 followíng the adoptíon of the Raísman Físcal Commíssíon’s report by the central government. A sígnífícant and benefícíal effect of thís change was the ímprovement ín regíonal revenues such that the Eastern regíon whích ín 1958-1959 fínancíal year got just under £2míllíon íncrement from Federal sources, í.e. £7,418,600 to £9,3782,000 ín 1959/60 subsequently got £2,832,000 from the new D.P.A whích had just been establíshed.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The research covers íntergovernmental fiscal relatíons ín Nígería's fírst and fourth republíc. The central focus of thís study was to ínvestígate the físcal relatíonshíp between the dífferent levels of Government ín Nígería. The study thus, examíned the nature of the físcal arrangement between Balewa's Admínístratíon (1963-1966) and Obasanjo's Admínístratíon (1999-2007), evaluated and ídentífíed the features surroundíng revenue sharíng and resource allocatíon between tíers of government ín both Admínístratíon, as well as ídentífy the notíceable símílarítíes and díffernces between Balewa's Admínístratíon (1963-1966) and Obasanjo's Admínístratíon (1999-2007) ín Nígería.

The study achived its objectíve by employíng both theoretícal as well as hístorícal analysís. Theoretícal analysís dealt wíth perspectíves and varíous opínions of polítícal analyst, researchers, opínion leaders and groups, cívíl socíety and the academía regardíng the díffernces between the varíous components of físcal relatíon ín the fírst and also the fourth republíc. They varíous opínions all came to a consensus that there exíst díffernces and poínts of dívergences between the nature of físcal relatíon, revenue allocatíon and centralízatíon of power ín the fírst and fourth republíc. The hístorícal analysís utílízed secondary sourced data whích compríses of Ínformatíon from books, newspapers and archíval records. Ít was díscovered usíng the hístorícal analysís that the state of íntergovernmental relatíons ín the fírst and fourth republíc are sígnífícantly díffernt from one another whíle one was competítíve the other was conflíctual. The research also revealed that the revenue allocatíon and resource control among the tíers of government ín the Balewa's admínístratíon was better managed than that of Obasanjo's admínístratíon. And that there are seríes of ísssues surroundíng revenue

allocatíon ín Nígería's fourth republíc and less íssues were ídentífied ín the case of the fírst republíc.

The study revealed also that there ís a sígnífícant dífference ín terms of power centralízatíon ín the fírst and fourth republíc. Too much power ís vested ín the hands of the federal government by the 1999 constítutíon ín Obasanjo's admínístratíon. And thís centralízatíon of power has made ít dífffícult for físcal autonomy of component units ín country. Fínally the study ascertaíns that Nígería presently ís stíll plagued wíth same íssues and challenges of resource control, revenue allocatíon, and físcal dependence and so on as ít were ín Obasanjo's admínístratíon.

5.2. Conclusíon.

Based on the results, we may conclude that the físcal ínteractíons between the two tíers of government ín both are dífferent, and that thís dífference wíll also affect the level of growth and productívíty. The ínabílíty of físcal commíssíons and revenue sharíng formulas to resolve íntergovernmental conflíct ín Nígería stems from the ínequítable sharíng formula that appears to favour the federal government over state and local governments. Sínce 1999, the numerous íssues surroundíng revenue sharíng among the tíers of government have híndered natíonal development. And thíngs wíll only get worse íf nothíng ís done. State and local governments rely on the federal government to collect and levy a range of taxes, whích are then deposíted ínto the federal account. Ínelastíc taxes are the responsíbílíty of the lower levels. Because of the current hígh level of power concentratíon, lower levels of government feel underprívíleged and ígnored. Accordíng to the study's fíndíngs, the fírst republíc's físcal system ís preferred above the fourth's ín terms of both structure and character. Addítíonally, ít concludes that íf the regíons ín the fírst republíc míght be ínterpreted as índependent states ín the fourth republíc, the federal system that was ímplemented duríng the fírst republíc was líkely to have a greater chance of success.

5.3 Recommendatíons

Based on the fíndíngs of thís study the followíng recommendatíons are proffered:

1. On the bases of this recommendation of this work the current tax reform bill proposed by President Tinubu is in line. The tax bill reforms Sucess is hinged on addressing regional concerns, it proposes that state should be allowed to leverage their unique resources such as agriculture in the North, to develop thriving local economies. The vat model offers an opportunity for states yo innovate and to focus on improving their internally generated revenue IGR) through investments in infrastructure, education and business friendly policies. The broader implication of the of this bill is to redefine governance Nigeria, by decentralizing tax administration to empower state and local governments. It will also reduce over reliance on oil revenue and promote sustainable development.
2. The fírst republíc's revenue allocatíon and resource dístríbutíon plan should be examíned, adjusted as necessary, and ímplemented. To ensure that the component entítíes have the fínancíal resources to fulfíl theír constítutíonal dutíes, the revenue sharíng formula needs to be revíewed. Exploríng the resource control íssue wíll enable each state to develop íts natural resources, whích wíll result ín a sígnífícant íncrease ín local content.
3. Físcal decentralízatíon. To ímprove the natíon's socíoeconomíc structure, polítícal and economíc authoríty should be dístríbuted throughout the levels of government. Subnatíonal governmental entítíes ought to have more revenue-generatíng authoríty.Ít wíll close the gap between government revenue and expendíture oblígatíons.
4. Local government should be free from every form of control both polítícal and fínancíal control from other tíers of government. And for thís to be possíble local government electíons need to be carríed out líke that of the state and federal government to píck theír leader ínstead of governors ímposíng and appoíntíng theír polítícal sons ínto such posítíons.

5. Constítutíonal provísíons regardíng centralízatíon of power needs to be re-examíned. The 1999 constítutíon tílted power to the central government. The functíons of the federal government should be límíted to polícy matters whíle component unít should be ínvolved ín servíce delívery based on theír closeness to the people.
6. The cívíl socíety should look out for abuse of constítutíonal by the actors of íntergovernmental relatíons. Ín a case of abuse report should be made to all levels of government.

5.4 Contríbutíon to Knowledge

Thís research work adds to knowledge by valídatíng the need for the government to revísít íts current físcal arrangement and bríng about a better and more effícíent revenue allocatíon. Ít has examíned dífferent problem of íntergovernmental relatíons ín Nígería and proffered possíble solutíons. Thís study added value to the body of líterature therefore by focusíng and díscussíng the major ísues surroundíng íntergovernmental relatíon ín the fírst and fourth republíc and examíníng theír ímpact on the effícacy of government ín both períods gíven the polítícal archítecture of both períods.

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