Article

Fiscal Federalism and Local Government Autonomy in Nigeria

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Abstract

The paper attempts to interrogate the problem of fiscal federalism and local government autonomy in Nigeria. It examines the nature, conceptual and theoretical perspectives of fiscal federalism and local government autonomy; the fiscal jurisdiction and revenue rights accorded to local governments; the central-local fiscal relations and its implications for local government autonomy. In addressing the subject matter, the paper critically examines the issues from secondary sources (textbooks, journals, the internet, archives, and so on), using qualitative and documentary analyses as methodological approaches. Findings from the paper reveal that certain provisions in the 1999 constitution limits local government autonomy, especially Clause 15, section 162, that deals with direct payment from federation account to local governments' accounts., Again, there is inadequacy of fiscal jurisdiction and revenue rights that could guarantee local government autonomy. Furthermore, the state governments usurp the role of local governments and manipulate the Joint State-Local government account to their favour. The paper, therefore, argues that "fiscal decentralism" should be embraced as a way of accelerating socio-economic development, improving local government autonomy, and ensuring efficient service delivery to the people at the local level.

Keywords

Fiscal federalism, decentralization and local government autonomy, inter-governmental relations.

Introduction

Federalism is a form of political organization designed to promote both effectiveness and liberty in which separate polities (nationalities) are united within an over-arching framework in such a way that all maintain their fundamental integrity. In another sense, federalism can be seen as fundamental principle of social organization that has to do with human relationships in the economic, religious, cultural as well as the political spheres. Fiscal federalism is the off-shoot of federalism and refers to the statutorily defined transaction between the different tiers of government within a federation. It is essentially about the "allocation of government spending and resource to tiers of government" (Gates, 1972:16-20; Asobie, 1998:15).

The purpose of this paper is to examine the conceptual and theoretical perspectives of fiscal federalism in Nigeria and local government autonomy; interrogate the fiscal jurisdiction and revenue rights accorded local governments; the central-local fiscal relations and its implications in local government autonomy; and suggest the way forward. Secondary data analysis would be used as methodological approach. The paper is, therefore, structured into four sections. Section one examines the introduction, conceptual and theoretical perspectives. Section two appraises the jurisdictional powers of federal, state and local government in terms of revenue and expenditure responsibilities. Section three discusses findings of Federal-state-local fiscal relations and its implications on local government autonomy. Finally, section four suggests the way forward for local government autonomy.

Conceptualization and Theory of Fiscal Federalism

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Wheare (1963: 13) defines federalism as a "system in which neither the central nor the regional (State) governments are subordinate to each other, but rather, the various levels of government are coordinate and interdependent". In other words, in federal system of government, each level of government should have adequate resources to perform its constitutional functions without appealing to the other levels of government for financial assistance. Federalism deals with the allocation of powers and authority through the instrumentality of the constitution to States and local government.

The term "fiscal" is derived from the Latin word fiscus, which means a basket or purse, and pertains to the public treasury or revenue generation. A fiscal system is the arrangement of how sovereignty manages the public treasury revenue generation and spending. Fiscal federalism, therefore, refers to the fiscal (financial) relationships that exist between and among units of government in a federal system. It defines the statutory structure within which government functions, (such as: allocation of resources, distribution of income and stabilization) are carried out in a multi-level government structure (national, regional state or province and council or district). The fiscal relationships so defined are usually founded upon mutual agreement. The local governments, while independent in local affairs, pool their common resources together for the provision of national public goods and improved economic welfare within their jurisdictions. Being independent in local affairs in this context means autonomous in fiscal policy, but interact, cooperate and collaborate with other levels of government (Federal and States). Thus, in a way, fiscal federalism is concerned with revenue generation and allocation between various levels of government (Tanzi, 1999; Alade 1999, Taiwo, 1999 and Tella 1999).

Fiscal Federalism

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

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

Even so, grants in-aid from the national level of government to local levels may be needed to stimulate local government spending for national purposes, to provide for uniform or minimum service levels (as in education), or to compensate citizens of one area for benefits from services they finance that spill over to residents of another area. Spill-over benefits are especially frequent in such programmes as: clean water and air pollution control, health and education.

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

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

Public Choice Theory

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

Concept of Intergovernmental Relations

Intergovernmental relations refer to the interactions that exist among various levels/tiers of government within a state and eventually the state in question have to be associated with a federal system. Revenue is allocated between and within tiers of government ultimately to promote inter-jurisdictional equity, enhances the efficiency of the public sector and minimizes the cost of administering the tax system. In this area of fiscal relations between the federal, state and local governments, certain principles or criteria are adopted. While the federal government exercises exclusive powers and is superior to both the state and local governments, the state governments interfere with the autonomy of local government.

Concept of Local Government Autonomy

Local government autonomy is perceived as local self-government or grassroots democracy. This grassroot democracy is primarily aimed at giving the vast majority of the people the fullest opportunity to participate in determining their own destiny. However, it is obvious that we cannot have complete autonomy or complete local self-government within a sovereign state. If local governments are completely autonomous, they would be sovereign states.

Nevertheless, the creation of local government as the third tier of government is of great importance in the sense that for there to be rapid development in the country, local government should be empowered to run its administration free from external influences of federal and state governments. The fact that local government sustain itself based on revenue from federation account and grants from state governments make local governments susceptible to undue interference.

To ensure that local governments complement the efforts of both federal and state governments in Nigeria, "each government should be allowed to enjoy separate existence and independence from the control of the other governments" (Wheare, 1963:13). In other words, there should be effective devolution of powers that requires the creation of independent local government outside the control of the central government. Effective devolution implies the transfer of responsibility for specified local services to autonomous local government units that are elected by the local population and are granted the power to raise their own revenues and to decide policy decision. They are not directly accountable to central government, although, they have to work within status and rules set by it. as practiced in Britain, South Africa and to a large extent "Municipal autonomy" in Brazil. So, local government autonomy is primarily concerned with the question of being allowed to exercise its constitutional responsibilities, generate its resources, disburse its tax assignments within the limits laid down by the law.

All these theories and conceptual clarifications address the question of the optimal design of governments in a federal government system. Though, the autonomy of local governments is not absolute, they should be allowed to maintain independent fiscal relations with states and federal government.

Jurisdictional Powers Between Federal, States and Local Governments: An Appraisal

(1) Allocation of Expenditure and Tax Raising Powers

Expenditure Assignment

Here an attempt is made to address the question, which government functions should be decentralized or how should government functions be shared among various tiers of government? This question can only be addressed by knowing the set of functions that are to be performed. However, government functions can be determined theoretically or empirically. The theoretical approach is largely based on public finance literature (Musgrave, 1989: 3 14), which presumes three economic objectives, or functions for the government, namely; allocation, distribution and stabilization functions. For allocation functions the rationale for decentralization indicates that it would be potentially more efficient to leave the provision of national public goods to the central government and the provision of public goods to sub-national governments. For the distribution function, the main issue is whether a sub-national government can sustain any programme of redistribution (income) better. The third function of the government is economic stabilization. This stabilization programme can take the form of employment generation, price stabilization or export promotion. The argument is that the benefits of the programme, no matter how it is financed is likely to suffer from severe leakages to other localities. This is the case as long as goods or people or some other resources are mobile between jurisdictions.

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

(a) The central government should be responsible for the provision of national public goods, such as; defence, regulation of the economy and redistribution of income and wealth; and

(b) Sub-national governments should be responsible for the provision of local public goods such as feeder roads and street lighting.

However, this allocation does not cover the provision of private goods that may be provided by the public sector. It also does not cover the provision of quasi-social goods, such as: education and health. These goods are more difficult to allocate because of the need for supportive empirical information.

Tax Assignment

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

The problem of tax assignment is whether it should be completely centralized or partially decentralized or completely decentralized. If tax assignment should be decentralized, then the question is should tax bases be assigned to sub-national governments and which should be retained by the central government?

It is relatively difficult to tackle issues in tax assignment because of the several dimensions to a tax. The dimensions include the power to choose the tax base, define the tax base, set the tax rates, administer the tax. and the right to revenue. Of these dimensions, the most important is the power to set the tax rates.

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

In Nigeria, the task of articulating on appropriate fiscal relationship among the different tiers of government is delegated to the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). Contemporary experience in Nigeria shows the gradual relaxation of the imitations on state and local government finances. Presently, the state and local governments can now borrow to acquire the required fiscal resources for the execution of government programmes and services, especially as it has been appreciated. Moreover, tax powers jurisdiction among different levels of government have been provided by part 1 of the second schedule of 1999 constitution (state- collectable revenue) and fourth schedule of 1999 constitution.

Tax Assignment at Federal Level.

The federal government controls the most inscriptive sources of revenue in Nigeria. Part 1 of the Second schedule to the constitution of the Federal Republic of Nigeria, 1999 contains the Exclusive Legislative List. A number of other sources of revenue for the federal government are: -Export duties, Company tax. Maritime and navigation activities; and minerals (including oil fields: oil mining and natural gas: National parks and Tourism; Patents, trademarks, and industrial designs. Stamp duties: Posts, telephones and telephones; Railways; Taxation of incomes, profits and capital gains; Trade and commerce, etc.

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

Tax Assignment at State Level

The major source of revenue to states in Nigeria appears to be the statutory allocations from, “the Federation Account". Section 152 (3) of the 1999 constitution provides for the mandatory allocation of revenues among the three tiers of government in Nigeria. The following are sources 6f revenue for the states: Statutory allocations (from Federal Account); Federal grants (of all sorts); Personal income tax or duty; Capital grants and profit tax (of persons other than, companies); Industrial, commercial or agricultural activities; Loan; Trade and commercial activities, and so on.

Tax Assignment at Local Government Level

Like the states, the local government's major source of revenue in Nigeria comes from both the federal and state governments. Funds are allocated from federation account and grant-in-aid of 10 per cent from the State internally generated revenue. Other sources of revenue generated internally are: Rent from market stalls; Charges from business premises; Gate-taking from motor parks; Proceeds from mass transit buses operating in their areas of Jurisdiction; Poll tax; Rates, and so on.

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

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

In reality, the weight of the two criteria has always tilted in favour of the efficiency criterion, and that is why the Federation Account of most federations, like Nigeria, has a domineering effect on their fiscal federalism. However, whatever the fiscal relationships between the different tiers of government in a federation and the volume of funds available to the political leadership within, their success can only be measured by their efficiency and effectiveness in promoting service delivery to the citizenry, which is the essence of governance.

(2) Revenue Allocation

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

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

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

A grant may be general or selective. General grants are usually more suitable for fiscal equalization and for making the revenue from central taxes available to sub-national governments. In contrast, specific grants are generally more suitable for the provision of merit goods and correction of externalities (Taiwo, 2004:44 6). Furthermore, it should be noted that central collection of taxes could lead to the criterion of derivation. So, revenue sharing should be made to supplement the internally generated revenue of sub-national governments.

Finance is the most critical policy issue in intergovernmental fiscal relations. In the area of fiscal relations between the federal, State and local governments, certain principles or criteria have often been adopted. There are levies and taxes that are centrally collected on behalf of all federating units. These revenues go into a pool called the federation account. The sharing of revenue from the federal account is based on the federal revenue allocation formula, managed by Revenue Mobilization Allocation Commission (RMAFC). Since its establishment in 1992, RMAFC shared revenue as follows: Federal government =48.5%; State governments =24%; Local Government= 20% (5% for the transfer of primary education); Special funds =7.5%(RMAFC,2005).

Decree 23 of 1992 setting up the RMAFC abolished on-shore and off-shore dichotomy in revenue. The federal government also included an additional source of revenue in 1994. The formula for the distribution of VAT has also been reversed several times. As at 1998, it was 25 percent to the federal government, 45 percent to the state governments and 50 percent to the local governments (Eneanya 2009: 255).

Since 2005, revenue has been shared as follows: federal government = 52.7%; State governments = 26.7%; Local Government =20.6. Besides, there has been call 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.

From revenue allocation debates, states are still asking for more powers and more resources. Of-course, they have strong argument in their favour in view of financial burden of 2011 National minimum wage from N7,500 to N18,000 per month and poor internally- generated revenue average of 15%. Equally, the federal government is advancing reasons for the revenue to be distributed in the favour of many issues of national interest within their jurisdiction. These debates and court cases are part of conflict in inter-governmental relations.

(3) Centre-Local Government Relations

Local Government is the third tier of Government in Nigeria and shall enjoy the freedom of action to enable it perform its constitutional functions unfettered and energize sustainable national development from the grassroots. Local Government autonomy is not absolute. The third tier of government retains functional and fiscal relations with the higher tiers of Government. The State Government relates with local government in the following ways:

(a) Allocate 10% of its internally-generated revenue to the Local Governments within the State

(b) Enact through the State House of Assembly, a law providing for the structure, composition, revenue, expenditure and other financial matters, staff, meeting and other relevant matters for the Local Government in the State, provided such a law is not in conflict with the provisions of the constitution or any existing federal legislation.

(c) Establish a Joint Planning Board through a law enacted by the State House of Assembly, 10-require each Local Government within the State to participate in the economic planning and development of the Local Government Area.

(d) Establish the office of the State Auditor-general for Local Governments for enhanced public probity and accountability at the Local Government level through the regular auditing of the accounts of all the Local Governments within the State and

(e) Offer advice, assistance and guidance (but not control), as and when necessary, to Local Governments in the State.

The Federal Government shall exercise constitutional and/or statutory responsibility over the following matters:

a) Creation of new local government

b) Statutory allocation of revenue to the local governments in the federation

c) Account to State-Local Government Account.

d) Establishment of the National Electoral Commission for the purpose of "organizing democratic elections at all levels-federal, State and Local

e) Establishment of the Code of Conduct Bureau and the Code of Conduct Tribunal, as a watchdog over the activities of public officers; and exercising through laws passed by the National Assembly, and assented to by the president of the Federal Republic of Nigeria: unfettered powers to make laws for the federation or any part thereof.

Local Government autonomy shall operate strictly within the laws of Nigeria. Any bye-law passed by a Local Government shall be void to the extent of its inconsistency with any Edict validly enacted by the State in which it is situated just as any State Edict shall be void to the extent of its inconsistency with any law validly made by the government of the Federation.

The executive powers of a Chairman of Local Government shall be so exercised as not to impede or prejudice the exercise of the executive powers of the federation or of a State in which the Local Government Area concerned is situated or to endanger the assets or investments of the Government of the federation or of the State Government in the Local Government Area. However, these provisions for the functions of local government units are encouraging political development, yet the local government functions in certain areas have been usurped by the state governments. Until certain constitutional issues such as: who is responsible for creating local government? And can local government statutory allocation from Federation Account be remitted directly to local government, as they are often short-changed with the so-called "State-local government Joint Account" management? The resolution of these constitutional issues would make local government autonomy real.

Discussion of Findings

Based on qualitative and documentary analysis of data from secondary sources, the following findings were revealed:

- The nature and scope of Nigerian fiscal system with reference to tax jurisdiction and revenue allocation are inadequate for local autonomy. Fiscal laws in Nigeria clearly give more tax powers to the Federal government and State governments than local governments. Only four tax heads fall into the jurisdiction of local government, namely: licenses and fees; television and wireless radio; market and trading licenses and fees; car park duties and advertising fees. These sources are narrow-and inadequate in terms of coverage and buoyancy to the needs of local government;

- State governments infringe on the revenue rights of local governments. For instance, property tax and rating creates ambiguity in its implementation. The Constitution of 1Q9Q provides that tenement rates or property can be assessed by local governments but the levying of the rates will have to be prescribed by the State House of Assembly (See Fourth Schedule of the 1999 Constitution, Item J);

- Revenue Allocation of 20.6 per cent to local governments that have about 80 per cent of rural population is inadequate. This reduces the spending power for socio-economic development for the people at the local levels;

- The constitutional provision for a Joint State-Local government account through which funds are released from the federation account erodes local government autonomy. This is because state governments have manipulated the account to their favour in such relationships;

- Most local governments could not meet their constitutional responsibilities because of the heavy costs of implementing separation of powers in the Presidential system of government super-imposed upon them since 1979;

- The continuous over-bearing role exercised by the states has tremendous threat to the autonomy of local government. This is revealed within the realm of various contradictory rules, instructions, supervisory powers passed down to the local councils, some of which are outside the constitutional jurisdictions of the local government. Such unbudgeted expenses from such instructions include: National Orientation Agency's activities, National Population Commission, National Electoral Commission, Poverty Alleviation Programmes, Security Agency's activities, and so on; State governments usurp the functions and revenue sources of local governments. More often than not, parallel revenue Boards are established by State governments. Such Boards include: market, motor parks, building plan approvals and forest royalties collection fund, etc. This usurpation of functions erodes local government autonomy;

- Lastly, the political instability that manifested in the polity eroded local government autonomy. This is due to the changing and swinging of political pendulum that oscillates between Sole-Administrative system to Caretaker Committee System and the elected government. All these factors conspired to erode the autonomy of local government in Nigeria.

Conclusion

Based on Wheare's (1963) classical theory, it could be argued that financial subordination of one level of government to the other portends serious danger to "true" federalism, no matter how careful the legal forms may be. According to him, in federal system of government, each level of government should have adequate resources to perform its constitutional functions without appealing to the other levels of government for financial assistance. It means that the Federal, state and local governments in their inter-relationships must be given powers and control to their respective financial resources. Local government autonomy under this dispensation is imperative. Though, there can never be an absolute autonomy because of the interdependence of the three levels of government. However, when one talks of local government autonomy in Nigerian's polity, we are talking about the relative independence of local government control by both the State and federal government. I mean the nature and structure of transactions or interactions between the three levels of government that reveals the degree of local government autonomy.

The Way Forward

In view of the distortions in the practice of federalism, the following suggestions would move Nigeria forward:

There is urgent need to review the constitution.

The military hurriedly packaged the 1999 constitution, without proper consultation with major stakeholders in Nigeria. Major areas of concern in the 1999 constitution include:

- Fiscal federalism or resource control Each of the three tiers of government should be given power by the constitution to collect taxes, control its resources derived from the area and pay taxes or royalties to the federal government.

- Local government administration State governments should be empowered to create and manage local governments. State governments are yet to allocate the 13% to their local governments based on derivation principle. So, just as the federal government has an unfairly large share of the national revenue vis-a-vis the states, so also the states are oppressing the local governments in the control and use of revenue. It is, however, gratifying to note that some of the oil producing states are already setting up committees to manage the 13 per cent derivation fund.

Direct payment of allocation Clause 15, Section 162 of 1999 Constitution, should be reviewed in favour of direct payment of allocation from Federation Account to Local governments, though with checks and balances of other arms of government at the local level. This would nullify the Joint State-Local Government Account currently being exploited by State governments for their own gains.

Need to devolve and “deconcentrate” power

There is need to devolve and “deconcentrate” power to other component units of the state as prescribed by the principle of federalism. A situation where the central government controls everything, including the construction of roads, housing in every part of the country, secondary education in every part of Nigeria, and so on, is not acceptable in a "true", federalism. In the Exclusive list, the federal government of Nigeria has the power to legislate on 68 subject matters. In the concurrent list, the federal government still shares in the legislation of 30 subject matters allotted to the state governments. This is absurd as too much power has been concentrated on the centre. To this end, more powers should be devolved to the local governments that are closer to the people at the grass-roots. This is because federalism requires a diffusion of powers to accelerate and complement the efforts of both federal and state governments to boost socio-economic development (Gates, 1972). Decentralization of spending responsibilities to lower levels of government, as argued by decentralization school will ensure improved and efficient allocation of goods and services to people at the local level. The unending cries of marginalization, zoning or rotational presidency, resource control. power struggle laden with violence, are outflow of the monopolization of power and inequitable resource allocation master-minded at the centre. Therefore, there is need to increase the functions of lower levels of government and their resources with proper checks and balances on transparency and accountability.

Land reforms to reflect “true” federalism

There should be land reforms to reflect "true" federalism. A situation where the federal government owns land in states and local governments without paying compensation does not reflect the practice of "true" federalism portends great danger.

Revenue in the form of tenement rates

Revenue in the form of tenement rates would have enhanced revenue generation capacity of local governments. State governments usurped this statutory function of local authorities.

Fiscal independence rather than administrative efficiency

Allocation of tax-raising powers should be determined by fiscal independence rather than administrative efficiency. While the former demands the devolution of more tax-raising powers to the lower units of government to match the functions assigned to them, the latter calls for a great deal of concentration of tax-raising powers at the higher levels of government. This presumes that local government must possess the power to take decisions independent of external control within the limits laid down by the law. Put differently, local government autonomy is the freedom of independence in clearly defined issue.

There is need for decentralized fiscal system

Finally, there is need for decentralized fiscal system in Nigeria that is characterized by extreme plurality. It is only a decentralized system that can re-establish competition and probably help break the myth of perpetual dependence on the federal government as the sole source of revenue for the sub-national governments. The move towards “fiscal decentralism” will definitely not be an easy task, as it would be difficult to break the long-standing tradition of the “federal might”. This is because greater decentralization will involve a progressive reduction of the powers of the federal government to raise revenue and keep the highest proportion of it to itself. Constitutionally changes are definitely required to give support to a decentralized fiscal system. Resistance from groups who think that they might lose from such an arrangement is no doubt expected. However, some fundamental principles would, however, guide the move towards decentralization. One issue in this regard has to do with redefining the functions of the different levels of government since the amount of resources each tier controls should largely depend on its constitutional functions. Once these functions and roles are properly defined and demarcated, then it is possible to define new and appropriate bounds for tax-jurisdictions. The principle of derivation stands as a more equitable criterion for the sharing of revenue (either at the vertical or horizontal level), for resources that are collectively owned or which require distribution from the central and State governments to the local government units.

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