INTERGOVERNMENTAL RELATIONS IN NIGERIA: AN ANALYSIS OF FINANCIAL RELATIONSHIPS BETWEEN PLATEAU STATE, ITS LOCAL GOVERNMENTS AND THE FEDERAL GOVERNMENT

BY

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Dedicated to my Mother and The

Memory of my late Father

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This research project is the outcome of a study for the Higher Degree of Master in Public Administration (M.P.A.) of the Ahmadu Bello University, Zaria. The study makes a critical analysis of intergovernmental financial relations between federal, state and local governments in Nigeria with particular reference to Plateau State. The study assesses and analyses the evolution of intergovernmental relations in Nigeria with special attention to financial relationship since the creation of Plateau State as a basis for comperative analysis of the trends and patterns of the relationship between these levels of governments.

Previously, the study and discussions on federal finance in Nigeria concentrated on the financial relationship of the Federal and regional/state governments. No mention was ever made of the third tier of government, the local government authorities. They were left at the mercy of the regional/ state governments. In fact, it was in 1976 that the federal Military Government appreciated the need to allow local governments benefit, directly, from the share of the federal government oil bonanza. The actual constitutional involvement of the local governments in the revenue sharing came out clearly with the inception of the present civilian administration as a result of the new constitution of the Federal Republic of Nigeria, 1979.

It is a fact that there would be no meaningful discussion of fiscal federalism without touching, adequately, on the

the comprehensive functional role of each level of government in a federation. In fact, one of the problems which face every level of government to that effect is the non-correspondence between fiscal resources and functional responsibility. This study, therefore, assesses and analyses the problems and see how far the intergovernmental fiscal relations in Nigeria has been smooth and self-propelling, and if it has been otherwise, what are the factors responsible for the stresses and strains.

However, for a research project such as this to be a complete success, the wealth of experience, knowledge and the rich expertise of others have to be utilised. It is for this reason that I have inevitably become indebted to more people than I can conveniently remember or name here. In any case, my first and deepest sense of gratitude and appreciation is to my Research Supervisor, Professor P.C.A. Daudu, who encouraged my interest through his critical but favourable scrutiny of the draft which resulted in the production of the project. I have benefited immensely from his knowledge of Public Administration, especially Public Financial Management.

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A B S T R A C T

While intergovernmental relations is the pivot of Federal system of government the World over, intergovernmental financial relations is the crux of the relationship in any federal arrangement. In fact, it is this financial relationship that this research project is all about, and it focuses attention to the period 1976/81.

In addition to tracing the evolution and analyses of intergovernmental relation in Nigeria, this study also assesses and analyses the nature of functional relations, tax jurisdiction, fiscal policies and revenue allocation as they affect the three levels of government during the period under review. The study also surveys and analyses the evolution of financial and administrative control measures between the federal,-state and local governments with a view to providing useful suggestions for future improvement.

For the purposes of statistical analysis, the figures for the fiscal years 1976/81 have been chosen at random and provided for both the federal, state and local governments. This includes their respective revenue sources both internal and external as well as expenditures for the period under review. Brief comparative analysis of intergovernmental fiscal federalism of the U.S.A. Dominion of Canada and the Commonwealth of Australia is made with a view to deriving lessons for Nigeria.

The paper is divided into five chapters. Chapter one introduces the theme of the study which is intergovernmental relations in Nigeria while chapter two reviewed the related literature on the subject matter of intergovernmental financial relations. Chapter three deals with the evolution of

Intergovernmental relations in Nigeria with particular reference to the nature of functional relations, and the fourth chapter considers the question of Tax Jurisdiction, revenue allocation and the evolution of financial and administrative control measures between the levels of governments in the country. Lastly, chapter five deals with conclusions and recommendations which consider the future prospects for intergovernmental financial relations in Nigeria,,

Finally, I hope that the study will be found useful and interesting to the elementary understanding of the subject matter.

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INTRODUCTION

I.1 Purpose and Scope of the Study

The purpose and concern of this study are to discuss and analyse, comprehensively, intergovernmental financial relations between Federal, Plateau State and Local Governments in that state since the inception of the state in 1976[1] as an autonomous component State within the Federal Republic of Nigeria. The study has also put forward some useful and workable suggestions for future possible improvements in this vital area of intergovernmental financial relations. The period of study is therefore from the fiscal year 1976 to 1981. To achieve these objectives of the study, the researcher has:-

1) Traced the evolution of intergovernmental relations in Nigeria as well as given brief history of the State since its inception on February 3, 1976.

2) Reviewed some existing and related literature on the subject matter of intergovernmental financial relations for possible comparison.

3) Examined, briefly, the existing policy on tax jurisdiction and tax administration between the three levels of government.

4) Identified and critically anaysed the impact of financial and administrative control machanism available within the prevailing relationship and formulate measures for improving it.

5) Finally, considered the future development and prospects of intergovernmental financial relations between the three levels of government.

Intergovernmental relations as a pattern of behaviour characteristic of complex political system originated from the United State of America in 1930s. Although the levels of intergovernmental relations are more in a federal arrangement, at least three levels of intergovernmental relations can be identified in a unitary state. These are; National/

Local relations, Inter/Local relations and External relations. On the other hand, we can identify six levels of intergovernmental relations in a federal system of government: These are; National-State relations, National-State-Local relations, National-Local relations, Inter-State relations, State-Local relations, and Inter-Local relations. It is the financial aspect of these relationships that this study sets to examine, and at the same time analysed their effectiveness or otherwise.

The concept of intergovernmental relations has been defined as "an important body of activities or interactions occuring between governmental units of all types and levels within the federal systems".[2] Hence from their beginning to the present day, intergovernmental relations have been concerned with the effects of tiers of government on one another in their delivery of public goods and services. It is therefore the primary objective of the concept to achieve maximum cooperation and effective coordination between the levels of government in a federation in order to bring about rapid economic growth and stable social development to the entire federation.

I.2 BACK-GROUND

To widen the scope and the usage of the concept of intergovernmental relations, the United States Congresss Created a Temporary Commission on intergovernmental relations in 1953 commonly known as Kestubaum Commission.[3] In 1959, the Congress created, yet, another permanet Advisory Commission on intergovernmental relations. This Commission produced dozens of research studies and hundreds of policy recommendations on intergovernmental relations. The Dominion of Canada made similar effort by establishing a Permanent

Royal Commission on Dominion-Provincial Relations in 1940 to monitor all aspects of its intergovernmental relations.[4] The importance of intergovernmental relations has also been recogn recognized by the commonwealth of Australia as a result of which it established a commission in 1931 known as the Commonwealth Grants Commission to look into claims of the States for Common-wealth grants.[5] In fact the various Indian Finance Commissions are no exception to the realisation and appreciation of the importance of the intergovernmental relations in any federal set up.

The appointments and establishments of these Permanent Commissions by these Federations have shown the importance attached to the decisive roles played by the intergovernmental relations concept in promoting unity, und rstanding and balanced development in any federation. Nigeria, in fact, could learn a lot of lessions from the experience of these older federations.

Given the division of functions between the levels of government in a federation; federal. State and Local, financial relationships revolve around two related problems. The first has to do with which level of government should impose what tax, whilst the second deals with which governments takes what shares of the revenues raised by the various governments. In trying to solve these two problems of tax jurisdiction and revenue allocation, the objective should be to achieve equity and efficiency. While there is need to ensure some fiscal independence for the states and Local governments there is also need to ensure that federal financial system is not such as to hamper the economic growth and equilibrium of the whole federation.

Taxing powers should be vested in that level of

government most likely to administer the taxes efficiently and without prejudice to the overall national economic interest. Revenues should also be shared so as to guarantee the adequancy and stability of resources available to the governments, particularly the States and Local Governments. It seems, however, that there is no clear-cut solution to the problems of effective and fixed division of functions and taxing powers between the centre and the units government in a federation. Experience of the few federations mentioned above indicates that the most important consideration should be the flexibility of the sharing process, taking into account, the prevailing circumstances at that material time.

Federal finance, in contrast with unitary finance, is a triple division of resources between the federal, states and local governments. It is therefore a triple financial relationships.[6] However, experience has shown that there are inherent implications to this fiscal arrangement. These implications always arise over concentration of heavy financial resources to the central government leaving the other layers of government at the mercy of the centre.[7] It is therefore desirable that in a federal set up, the unit governments should enjoy exclusive independent sources of revenue rather than to heavily depend on the federal authority. In Nigeria, for instance, until of recent, this important principle of federal finance has not been appreciated. This was because local governments were completely left out in the revenue sharing exercise. It is the present civilian administration that has taken the pain to streamline the problem as a result of the provisions of the new constitution of the Federal Republic of Nigeria, 1979.[8]

Excessive dependence of the states on the federal

government tends to produce irresponsibility and operational inefficiency on the part of the States.

This type of relationship does not allow sufficient place to the points of views of the States and their respective local governments. It is important, therefore, that the degree of financial dependence of the states on federal government should be reduced to the minimum, because that minimum would be adequate from the point of view of giving the federal government controlling power in the context of ensuring national unity and integration. In Nigeria today, because of the heavy dependence of the states on federal government, state governments have no control over their capital Development Programmes. The execution of these programmes are unpredictable because the federal government has to guarantee the loan finances with which these projects are to be financed.

In a federal system of government, the federal government should, however, be the ultimate guarantor of the financial stability of all governments in the federation. It should always be in a position to assist any state and local government in financial difficulties.

I.3 BRIEF HISTORY

Plateau State of Nigeria is one of the seven new states created on 3 February, 1976 by the defunct Military Administration which brought the number of states in the country to nineteen.[9]

Geographically, the state is situated on that part of the Northern Plateau which is about 1,800 metres above sea level, and Jos is the capital city of the state. The height endows the State with a fine semi-temperature weather so attractive to tourists.

Plateau State shares common boundaries with five of the nineteen ----------

States in the Federation and with the new Federal Capital Territory, Abuja. On the east it is bounded by Bauchi State; on the West by Kwara State; on the North by Kaduna State and on the South by Benue State. On the South-east it shares boundaries with Gongola State while on the North-West by the new Federal Capital Territory, Abuja.

With a population of 3,160,868 (by 1981) the State has an area of 58,030 square kilometres and fourteen Local Governments at its inception. However, as a result of the local government reforms by the present civilian administration, the state has been divided into twenty one local government councils. Four additional ones are to take-off as soon as the Governor ot the State, Mr. Solomon D. Lar assents to the Bill creating them. These local governments are; Jos, Bassa, Barakin Ladi, Mangu, Bokkos, Pankshin, Kanam, Langtang, Wase and Shendam. Others are; Pan, Awe, Obi, Doma, Lafia, Akun, Akwanga, Keffi, Uke, Nasarawa and Toto. The other four that are coming up soon are; Keana, Riyom, Federe[10] and Jing respectively.

Agriculture is the main occupation of the people of the State. More than 80 percent of the population are engaged in agricultural production. While the major cash crops in the state are yams, rice, benniseed, cotton and ground-nut the main food crops are rice, yams, acha, irish potatoes, guinea-corn, millet, maize, cassava and many types of fruits and vegetables. In fact, it is becoming so difficult nowadays to clearly differentiate between what constitute cash and food crops respectively. The State is also blessed with the production of mineral resources, and the most notable ones being columbite and tin, for which Nigeria ranks first and fifth respectively in the world. Other minerals in the State include zinc, lead, silver, limestone, coal and salt.

The State has made a significant progress in education since its inception. There are many primary schools, post-Primary Institutions, an Advanced Teachers College, a School of Preliminary Studies, one College of Education and a Polytechnic. The Univeristy of Jos is located in the State Headquarters. Table I.1 below depicts the actual position as at 1 October, 1979 when the present Civilian Administration assumed office.

TABLE I.1
Education Institutions in Plateau State
As At 1 October, 1979 11

Institution	Number		Enrolment	
	1975/76	1978/79	1975/76	1978/79
Primary School	700	1,611	335,856	455,500
Post-Primary,etc.	20	33	21,903	36,444

TABLE 1.2

Map of Plateau State of Nigeria showing the Geographical Locations of its Local Government [12].

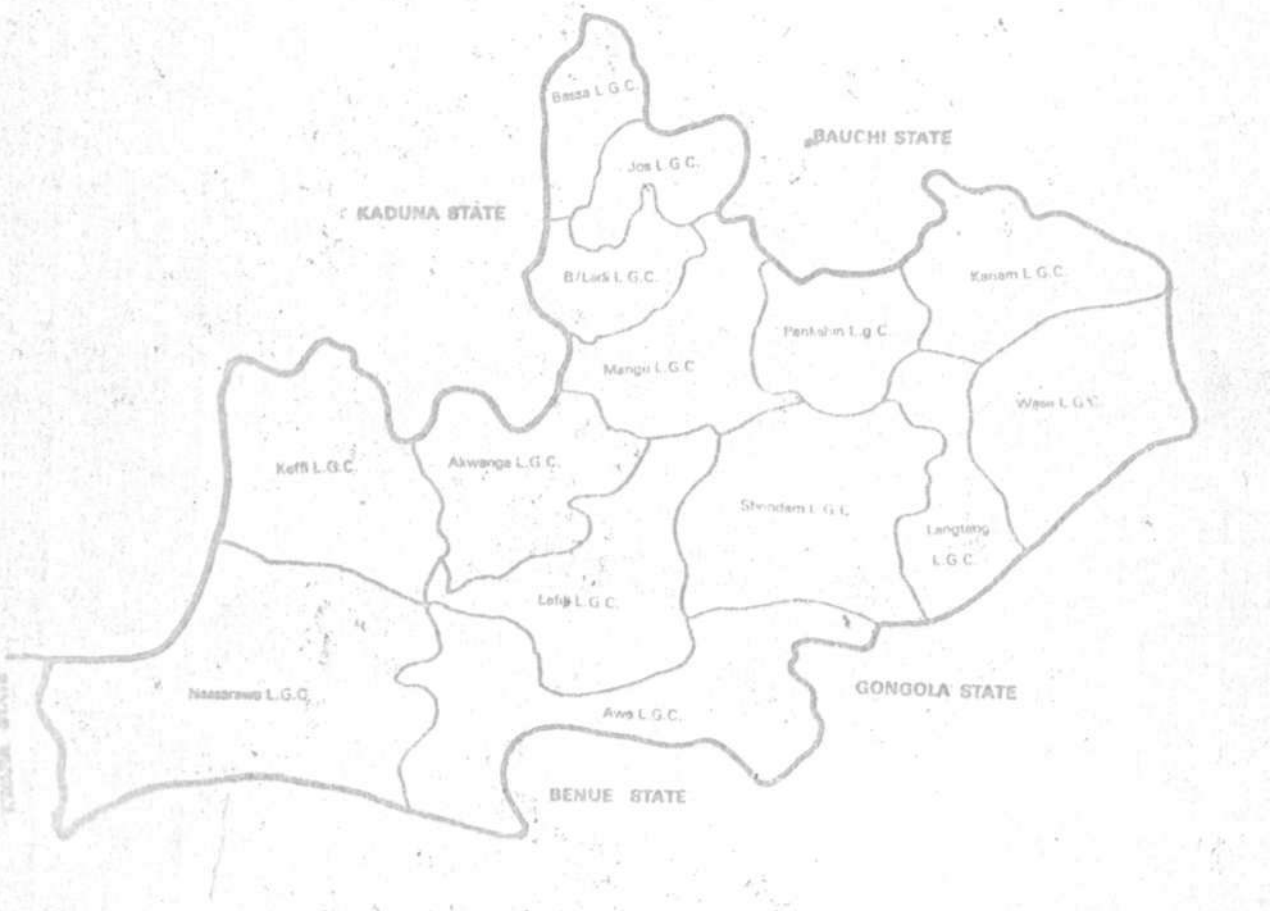


TABLE 1.3

Map of Nigeria showing the Geographical Location of Plateau State*



*The shaded area shows the location of Plateau State. At the time of writing, creation of more states out of the existing Nineteen is being contemplated all over the country.

I.4 BASIC ASSUMPTION

This study is based on the following basic assumption;

1) That given adequate and equitable financial autonomy, there will be balanced development in the country;

2) That the root cause of friction between states in the country is inadequate financial provisions to the various levels of government, particularly the states and local government;

3) That edequate and equitable distribution of federally collected revenue is the sure way of unity and stability of the country, and

4) That a realistic and balanced federation requires a realistic and balanced development which can only be possible through equitable and balanced revenue sharing formula.

I.5 HYPOTHESES

The hypotheses under which this study is set to prove or disporve are;

(a) As a result of the prevailing fiscal arrangement in Nigeria, States and Local Governments are now left with inadequate tax sources and

(b) Adequate and elastic financial resources have not been made available to lower levels of government in Nigeria to meet the need and responsibilities of their respective government.

I.6 METHODOLOGY

Apart from going through written sources to obtain reliable information, a comprehensive questionaire is designed. The questionaire is for the senior Officers of both the Federal, Plateau State and Local Governments concerned with administration of

intergovernmental financial relations. Because of the inherent problems associated with the completion and return of questionaires by the respondents, I decided to go round personally with the help of my Research Assistants to administer the questionaire and at the same time conducted my oral interview.

Formal and informal discussions were held with the Officials of the Federal Ministry of Finance, Accountat-General of the Federation, the Plateau State Ministry of Finance and the Accountant-General of the State. Other officials interviewed and held discussions with are those of the Plateau State Ministry for Local Government and Community Development, the Director of Internal Revenue, Ministry of Education as well as those of the various Local Governments in the State.

Detailed examination of official records and documents were conducted in those Government Offices as well as those of the Local Governments. Other relevant records and documents in the President Kennedy Library of the Institute of Administration, Ahmadu Bello University, Zaria, the Departmental Library of the Department of Public Administration of the Ahmadu Bello University, Zaria were consulted. Official records and documents in the Library of the Ministry for Local Government and Community Development and the House of Assembly Library of the Plateau State House of Assembly were highly utilised.

In addition to the forgoing methods, **is** an extensive use of **articles** in the national dailies, especially, public debates on Revenue Allocation, 1980/81.[13]

FOOTNOTES TO CHAPTER I

1) The Plateau State of Nigeria came into being on 3 Feburary, 1976 as a result of creation of seven more states in addition to former 12, bringing the total to 19.

2) The definition has been provided by Professor William Anderson.

3) This Commission conducted the first official broad-ranging review of national-State-Local relationships since the adoption of the U.S. Constitution.

4) The Commission made a thorough and extensive enquiry and submitted a comprehensive report in May, 1940 covering almost all aspects of intergovernmental relations.

5) Ever since, the Commonwealth Grants Commission (C.G.C.) has been submitting its annual reports and recommendations to the Parliament. By 1974, the latest report available was the 36th made in 1969, and the Commission's terms of office is of three years period subject to renewal.

6) Adebayo Adedeji: Nigerian Federal Finance, its Development, Problems and Prospects, Published by Hutchinson Educational, 1969, p. 6.

7) The prevailing situation in Nigeria is a practical example.

8) Section 7 subsection (6) (a) and (b) stipulate that both the National and State Assemblies shall make provisions for statutory allocation of public of Revenue to Local Government Councils.

9) Twelve States were created out of the former four regions on May, 27, 1967 by the Military Administration of Gowon regime. On February 3, 1976, nineteen States were created by the Murtala Administration. As of now, steps are being taken to create more out of the existing nineteen.

10) There is heated controversy over the creation of Federe Local Government out of the present Jos Local Government.

11) See Handing-Over Notes from the Military Administrator of Plateau State Col.J.U. Anaja, P.S.C., to the Governor - Elect of Plateau State, Mr. S. D. Lar, Printed by Reprographic Section, Educational Services Unit, Ministry of Education, Jos, September, 1979, PP. 47 - 76.

12) As a result of the creation of 25 Local Government Areas out of the existing 14, Jos is now divided into 2, Pankshin into 2, Shendam into 2, Awe into 3, Lafia into 2, Akwanga into 2, Keffi into 2 and Nasarawa into 2 respectively. At the time of writing, a House of Assembly Committee on the creation of more Local Governments is investigating the possibility of creating more out of the 25.

13) For example, the New Nigerian issues of 4 - 8 November, 1980 13 - 2[illegible] February, 1981, 27 - 28 March, 1981 and 27 May, 1981 respectively.

II

A REVIEW OF RELATED LITERATURE

The fundamental concept of intergovernmental relations which is relatively recent in origin and not extensively understood is of major and increasing significance to practitioners and operators of federal system of government the World over. The concept originated in the 1930 with the advent of the New Deal, the United States Federal Government's massive effort to combat the Great Depression and its economic and social havoc.

II.I DEFINITION

The experiences, activities and ideas of some eminent scholars, citizens and officials in the United States Federal system contributed, in no small way, to the set of activities that have come to be known as "Intergovernmental Relations". One of these eminent scholars, Professor William Anderson, has defined the concept as "an important body of activities or interactions occuring between governmental units of all types and levels within the federal systems".[1] The distinctive features of the concept of intergovernmental relations can be analysed as;

(a) All governmental units-Federal, States and Local Governments;

(b) Officials actions and attitude, purposeful behaviour and perceptions of other participants;

(c) Regular interactions among Officials, day-to-day contacts and practical working relationships;

(d) All public officials - legislatures, executives, appointed officials and other staff personnel and

(e) Policy issues centred on finances, loans, grants-in aids and revenue sharing.

It is therefore clear that, as far as this particular topic is concerned, it can be rightly argued that there are a number of significant and relevant published works on the subject matter. Intergovernmental financial relations in Nigeria in particular and the World in general has attracted the attention of eminent scholars, economists, financial analysts, experts on public financial management, theorists on federal finance and scholars in other disciplines. In Nigeria, for example, there are a few of publications on intergovernment relations. The authors include among others, Adedeji (1969)[2] and Okigbo (1965)[3]. There is also a journal, the Quarterly Journal of Administration, which has a special Issue, on Intergovernmental Relations in Nigeria[4], reports of various Fiscal Commissions of Inquiry and a host of other specific and specialised publications to that effect also exist. There are also a few published works of similar nature by some eminent scholars in America and other countres of the world.

Adedeji has discussed to an appreciable extent the subject of intergovernmental fiscal relations in Nigeria. He traced the back-ground to federal finance in Nigeria as far back as the inception of Nigeria as a political entity on 1 January, 1914[5]. He analysed the fiscal arrangements under the various constitutions that were evolved up to 1967 when twelve States were created out of the former regions. He touched all the important areas of tax jurisdictions, sources of revenue available to all the levels of governments and how they could be improved for an

effective economic and social benefits of the entire people of the country.

Adebayo Adedeji traced the origin of the fiscal problem in Nigeria back to 1906 when the colony and protectorate of Southern Nigeria were created. He remarked that trade in spirit earned considerable revenue to the government of Southern Nigeria at that time. By the time of amalgamation, Southern Nigeria had reserves of over one million pounds sterling. On the other hand, the government of the protectorate of Northern Nigeria was unable to balance its budgets, and therefore dependent on annual grants from the British Government. Before amalgamation, the imperial government grants to the protectorate of Northern Nigeria was to the tune of £136,00 (₦272,000.00) and was raised to £314,500 (₦629,000.00) immediately after the amalgamation. Even with these grants, the Northern goveernment could balance its budget only with tight economic measures.

According to Adedeji, before amalgamation, the level of revenue of the Southern Nigeria government had been to the tune of £2.5 million (₦5.0 million) while that of the Northern Nigeria government stood at £0.5 million (₦1.0 million). As a result of the new fiscal system, however, the revenue of the Southern Nigeria government came down to a little over £0.2 million (₦0.4 million) in 1914. At that time, all that was required was that the aggregate budget of all the governments should balance. There was no question of each government meeting its total fiscal adequacy. This unification of the fiscal system remained unchanged until the reintroduction of regional estimates

in 1948/49 when the unification exercise proved an unfortunate source of friction between the Northern and Southern Nigeria governments.

It is therefore quite clear to see why the arbitrary division of the Country by the imperial powers into the colony and two protectorates of Southern and Northern Nigeria respectively has been the main factor responsible for the prevailing financial problem. This resulted in unequal distribution of financial resources among the unit governments in the federation.

There is no doubt that this inequality in the financial resources at the disposal of each government has aggrevated the existing unbalanced development in the Country. However, while amalgamation was the only solution to the then prevailing situation, according to Adebayo Adedeji, I see the creation of more States in the country and the successive revenue sharing formulae as the practical ways to minimize developmental imbalance in the country.

In his own case, Okigbo, though attempted more or less the same analysis with that of Adedeji however came out with two different emphases. Firstly, his emphasis was in Public Finance generally rather than Federal Finance specifically. And secondly he started his study right from the time the administration of Nigeria became the responsibility of the United Kingdom Government in 1900. In his own analysis, however, he raised an important issue on the origin and definition of the fiscal relationship between the centre and the Local Authorities. This was first tried and developed in Northern Nigeria around 1904

when Sir Frederick (later Lord) Lugard[6] issued the Native Revenue proclamation No.4 of 1904 and reaffirmed it in 1906. These proclamations allowed the Emirs and Chiefs to retain substantial administrative and financial responsibilities, and at the same time shared the tax receipts with the central government but permitted them to have complete freedom in the disbursement of their own share of 50%.

The interesting thing was that by then all tax receipts were first paid into the government treasury and later grants were then paid to the Native Administrations equivalent to their shares. Around 1913, the Native Authorities were allowed for the first time, to retain 50% as their own share and paid the 50% government share to the Treasury. The power to raise tax revenues was placed with the government but the rights to a portion of the r venues so raised were assigned to the Native Authorities.

The purpose and objectives of intergovernmental financial relations in Nigeria would have been achieved if the stages of its development as analysed by Okigbo were allowed to grow with a view to minimizing inequality in the sharing process. It should be noted that inequality in the sharing process has been the major factor responsible for the development of one section of the country at the expense of the other which breed interregional misunderstanding and frictions. This problem contributed in no small way to the prevailing fiscal arrangement in Nigeria.

One American writer, Wright (1978)[7] analysed Local

Government finances, taxes and intergovernmental revenue, revenue variations and general revenue sharing impacts between central, States and Local governments in the United States of America.

In a general comment to emphasize the unique position of all types of local governments in the American systems of intergovernmental fiscal relations, the author confirmed beyond reasonable doubt that "all types of local units have become more dependent on external sources of revenues. Although most local jurisdictions, especially, cities and counties have greatly increased their own tax efforts, they have done so at a slower rate than the one at which their reliance on central (resources) government has expended[8]. This, in fact, has got to show that the phenomenon of interdependence of States and local governments on the federal government is not peculiar to Nigeria alone. It is a World-wide phenomenon.

According to Wright, the main reasons for the crisis of local government finances in the United States could be attributed to the following factors; inflation, energy, and environmental problems. He goes on further to include public policies of intergovernmental nature, some of which have deliberately or unwittingly produced results that are discriminatory and unwise. He cited, for instance, Welfare responsibilities lodged at the local level, which resulted in governmental regidities, balkanization and chaos caused by the small, inefficient size of government units in both urban and rural areas.

Also, localities have failed to produce or acquire persons with the political leadership, the policy management skills,

and the administrative abilities to cope with the societal needs and public service demands placed on Cities, Counties and other local jurisdictions. From Wrights exposition, it can be seen that the United States political system, has in this century, shown significant shifts in national-states-local relations. The entire financial system has become increasingly interdependent, and the states and local governments depend more than ever before on external intergovernmental sources of revenue.

In the American system, over one quarter of all states general revenues come from the federal government, and more than 40 percent of local government revenues are secured from States and federal governments. In the fiscal year 1969/70, the extent of the federal government aid to States on education, highways and Welfare services was to the tune of ₦17.1 billion while total expenditure on these services by the States government by the States Government was ₦33.0 billion. In this case, federal government has contributed about 52% of the expenditure. On the other hand, during the same fiscal year, federal and States aid to local governments on the same services was ₦28.0 billion and actual expenditure stood at ₦51.1 billion. Percentage of federal and States contributions was to the tune of 55%.

Although the position could be said to be better than what obtains in Nigeria, but they are of comparative position as far as interdependent relations are concerned.

In fact, the analysis of Wright has direct bearing, and relevance to the Nigeria situation. In the defunct

Westtern Nigeri, for instance, more than 400 local government councils[9] were merged into bigger local administration units in 1972/73 as a result of local government reform carried out in that year. This was the time the Council Manager system was introduced for the first time. The reasons for the merger were that the smaller councils were not big enough to provide the minimum standard of Welfare services required of them. Before the merger, most of the councils have no financial resources. In fact some of them could not employ staff or pay the existing staff salary. The same exercise was carried out in the East Central State where Development Councils were created. In the Northern States, the Units of local governments were big enough in both size, population and financial resources before 1970. They were therefore viable enough as to provide a minimum standard of services.[10] But with the balkanization of the local governments into smaller units, inflation, crisis of expectations of the people, international demonstration effect, deteriorating financial position and complete absence of tax efforts, the newly created local government units are finding it difficult to pay their staff salaries not to talk of the provision of essential services to the masses.

Generally, both the state and local governments in Nigeria are depending to a larger extent on the federal government for bulk of their financial resources. Even staff salaries could not be paid until the monthly revenue allocation is received from the federal government.

Another issue discussed among others by an Indian writer, Nanjudappa (1974), is the need for equity between

the central government and the unit governments. Writing under fiscal federalism, he emphasized his point as follows:-

> "When independent sources of revenue are assigned to the federal government and the units which are autonomous within their own sphere, each will tax in its own sphere according to the principle of least aggregate sacrifice. However, in the event of States being placed at different stages of economic growth, inter-state equality of marginal benefits as well as sacrifice cannot be ensured. Under such circumstances of different sacrifice/benefits level in different states, federal disequilibrium should be set right by way of resource transfer in the interest of national integrity, equity and maximum Welfare ".11.

SOME INTERNATIONA COMPARISON:

II.2 The United States of America

When the federation of the United States was formed in 1987 as the oldest of the modern federations, the following is the general principle guiding the division of powers between the three levels of government. That the national government should act only where states would be incompetent to act or where states action would hit the harmony of the nation. The American federal system in fact relies on an active and effective partnership among all the three levels of government. Ingergovernmental tax jurisdiction is one of the most important powers enumerated in the constitution, and has given the federal government extensive powers of levying and collecting of taxes, import and excise duties etc. The taxing powers of the federal government are quite extensive and are only subject to the qualification that the taxes must be uniform

throughout the country. The federal government has exclusive jurisdiction over customs while it has concurrent powers with the states over other field of taxation as set out in Table II. 1 below:

TABLE II.1
Percentage Distribution of Tax Source
Between Federal and State-Local Governments,
1963 - 64

TAX SOURCE	PERCENTAGE DISTRIBUTION	
	Federal	STATE/Local
Customs	100	-
Property	-	100
Personal/Corporate Income	93	7
Motor Vehicles Tax	-	100
General Sales Tax	-	100
Tobacco Excises	62	38
Liquour Excises	80	20
Fuel Excises	40	60
Public Utility Excises	54	46
Deaths and Gifts	78	22
Others	31	69

Source: U.S. Bureau of census, Governmental Finances, 1963 - 64 P.22

Although there are a lot of overlapping of tax jurisdiction, yet, taxes on incomes constitute two-thirds of the total federal revenue. Table II.2 below shows total receipts from various sources by federal states/local governments in 1965:

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TABLE II.2

Federal and State-Local Receipts by Source, 1965

Source	Amount in Billion		Percentage	Distribution
	Federal	State/ Local	Federal	State/ Local
Individual Income Tax Licences Fees and other	51.3	4.4	41.1	5.9
Taxes and Charges	2.9	7.4	2.3	9.8
Corporate Profits Tax	29.1	2.0	23.3	2.7
Sales and Excise Taces and Custom	15.8	15.9	12.6	21.1
Other Business Taxes	1.1	6.9	0.9	9.1
Real Estate and Business Property Taxes	-	23.1	-	30.7
Contribution to Social Insurance	24.8	4.5	19.8	5.9
Federal Grants-in-aid	-	11.2	-	14.9
TOTAL RECEIPTS	125.0	75.4	100	100

Source: Department of Commerce, Government of U.S. in Revenue sharing and its Alternatives, Vol. II C Washington, U.S. Government Printing Press, pp. 65 -.69

Due to the failure of the states and local governments to cope with the expanding social services demands, in 1948, intergovernmental transfers to states and local governments were to the tune of ₱1,771 million. By 1966, these payments swelled to ₱13,115 million, an increase of about 700 percent. The most dominant of the federal

payments in the American system has been the Grants-in-aid which constituted 93% of the total transfers in 1963[12]. By 1966, this percentage rose to 95. Most of these grants are annual amount allocated to a state as specified in accordance with a formula evolved for the purpose, taking into consideration factors like population, area, per capita income and incidence of certain calamities (such as diseases). On the other hand, there are federal grants which are based on the number of beneficiaries, and are worked out by the States concerned. Table II.3 below sets out these types of grants-in-aid:

TABLE II.3
Federal Government Grants To the States
In 1963 and 1966

Purpose	1963		1966	
	$M	%	$M	%
Public-Assistance	2,752	36	3,579	31
Highway Construction	2,981	39	3,953	34
Education	-	-	2,542	22
Administration of Employment Security	342	5	486	4
Others	1,491	20	1,104	9
TOTAL	7,566	100	11,646	100

Source: Census Bereau:
Governmental Finances, 1963/64, p.24 and
Governmental Finances, 1965/66, p.22.

In the final analysis, however, intergovernmental financial relations in the United States is based, principally, on active coorporation and participation, mutual understanding, trust, confidence and general ability to perform effectively. In Nigeria, on the other hand, it is based, basically, on general confrontation, lack of confidence and trust, and on the basis of master/servant or superior/inferior relationship. The phenonmenon was tense during the first and the second Republic. During the Military administration, due to the nature of the administration, the relationship was more of the general cooporation and ability to perform promptly and effectively too. The position by then could be regarded as of the same level of operation with that which obtains in the United States.

During the Military administration in Nigeria, for instance, state governments acted on many occasions as agents of the Federal Government in the areas where they have concurrent legislative powers. Such areas are agriculture, health services, housing, maintenance of Federal Highways and Trunk A roads, Universal Primary Education (U.P.E.) and a host of others. This healthy atmosphere of cooperation, mutual trust and understanding is non-existance with the advent of the current civilian administration which was ushered in October, 1979.

The effect of these divergent relationships between what obtains in the United States and Nigeria, is that intergovernmental financial relations in the United States lay more emphasis on intergovernmental transfers and grants-in-aid rather than federal collection and states sharing

system which is the main emphasis in Nigeria [13].

II.3 THE DOMINION OF CANADA:

British North America, as the Dominion of Canada was then known, comprised seven British colonial provinces prior to their federation in 1867. As of now, Canada is composed of ten provinces and two Territories[14].

The constitution of the confederation conferred wide and unrestricted powers of taxation to the Dominion Government while taxing power of the provinces was restricted to direct taxation in order to raise revenue for Provincial purposes. As a matter of fact, it was the intention of the Canadian constitution that the central government should possess enough revenue and carry responsibilities that were national in scope while the provinces should get sufficient revenue and be entrusted with functions of a regional and local nature.

Initially, Canada had followed a system of unconditional federal grants to the provinces, basically on political rather than economic considerations.
It was then changed to meet the requirements of fiscal needs otherwise known as national adjustment grants, and emergency grants made payable only in the event of financial difficulties.

In 1962, the grants system was changed to equalization grants whereby any province in which average provincial tax rates would yield less revenue per capita than that in Canada as a whole would be entitled to the payment. Thus the payment will be based on differences in fiscal capacity of a province rather than on the inter-provincial differences in the needs for public services.

During the fiscal year 1968/69, the Dominion Government made payments to the various provinces to the tune of $2,482 million of which $1,617 million were conditional and $865 million unconditional grants which respectively constituted 15% and 8% of the total Dominion expenditure for that year.

To a certain extent, the Canadian system is similar to that of the United States of America, though that of the United States is more specific and more generous despite the fact that in terms of population and financial resources there is no comparison between the two of them.

II.4 COMMON-WEALTH OF AUSTRALIA

The Common-wealth of Australia which came into being on 1 January, 1901, was, like Canada, given its constitution by the British Parliament through its enactment.
The common-wealth is composed of six states[15]. The problem with the Australian Federation is its financial inequality between the units.[16]

The constitution of the common-wealth conferred on the federal government exclusive power to impose customs and excise duties while on the other hand it has concurrent powers with the states in all other fields of taxation. The federal government was also required to give financial assistance to states in form of grants. In fact this (grants) aspect of the redistribution of the common wealth revenue among the states is the cardinal characteristic of intergovernmental financial relations of Australia. The commonwealth revenue is obtained in form of taxes from the people of the common-wealth and then distributed among the

states in the form of grants in lieu of taxes surrendered by them to the commnwealth.

As a result of the establishment of the commonwealth Grants Commission (G.G.C.) in 1931, a lot of improvements have been recorded in the Australian intergovernmental financial relations. In addition to the annual grants to the states, this Commission recommended various claims for special grants applied for by the States. In most cases, the commission bases its recommendation on the Principle of financial need so as to enable the claimant states to provide services of a similar standard as in other states, provided it makes a comparable revenue raising effort.
The special grants recommended by the Commission between 1967 to 1970 are shown in Table II.4 below:

TABLE II.4
Special Grants to Claimant States, 1967-70

Claimant State	In 1000 Australian Dollars		
	1967/68	1968/69	1969/70
Western Australian	15,518	582	-
Tasmania	34,407	17,392	21,900
TOTAL =	49,925	17,974	21,900

Source: Commonwealth Grants Commission (C.G.C) Report 34th p.120, 35th p.107 and 36th p.72.

The above special grants are, in addition to the general financial assistance grants and specific purposes grants, paid to states every year. Table II.5 below give the federal payments to the states in respect of these general financial assistance and specific purposes grants for the fiscial year 1965/69:

TABLE II.5

Federal Payments To and for the States, 1965/69

Type of Grants	₦'000)			
	1965/66	1966/67	1967/68	1968/69
General Revenue Grant	799,121	877,435	956,946	1,049.585
Special Purposes "	330,593	352,272	408,462	423,899
(Capital & Revenue				
TOTAL =	1,129,714	1,229,707	1,365,408	1,473,484

Source: Australian Handbook, 1970, published by Australian News and Information Bureau, p.98.

These financial assistance grants are predominantly for fevenue purposes. The federal government also provides specific purposes assistance by way of grants and loans. Some of them are to complement the revenue grants including assistance in respect of roads, education and health services. This financial assistance grants provide about one - half of states total budgetary revenue, and are determined yearly on the basis of a formula under which the grants paid to a state in the previous year are increased in its proportion to the increase in its population and in level of average wages for Australia as a whole. The distribution of these grants among states are, however, made in such a way that the wealthier states get less amount per capita than the financially Wealthier states.

In conclusion, in both the United States, Canada and the Commonwealth of Australia it could be rightly inferred that mutual turst, confidence, understanding and cooporation are the most important factors responsible for the prevailing relationships. These factors are greatly lacking in Nigeria. Without them, it would be very difficult, if not impossible to achieve the desired goals of unity and egalitarian society in the Country.

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FOOTNOTES TO CHAPTER II

1) It has been acknowledged that Professor William Anderson has contributed immensely to the development of the concept of intergovernmental relations in the United States.

2) Adebayo Adedeji, Nigerian Federal Finance, Its Development, Problems and Prospects, Hutchinson Educational Limited, 1969.

3) P.C.N. Okigbo, Nigerian Public Finance Published by the North Western University Press, Evanston, 1965.

4) The Journal is published by the University of Ife Press, January, 1980, pp. 159-197.

5) Nigeria became a political entity on 1st January, 1914 when the British Colonial Government amalgameted the Protectorate of Northern Nigeria with the Colony and Protectorate of Southern Nigeria.

6) Lord Lugard: the creator of Nigeria, was its first Governor - General between 1914 - 1946.

7) Deil S. Wright: Understanding Intergovernmental Relations, Duxbury Press North - Massachussets, 1978, pp. 99-103.

8) Ibid, pp. 67 - 68.

9) These local government units are known and called Local Councils, District Councils, Urban Councils, Divisional Councils, Provincial Councils etc.

10) Kano, Katsina, Borno Sokoto and Ilorin could even afford to run Mini-Hospitals through their financial resources. Borno Native Authority spent more than ₦0.2 million to provide modern drainage system during the first Republic.

11) D.M. Nanjudappa, Intergovernmental Financial Relations in India, Sterling Publishers Private Limited, New Delli, 1974, Chapter 1, pp. 66- 69.

12) J.N. Sharma, The Union and the States: A Study in Fiscal Federalism, Sterling Publishers (P) Limited, 1975, pp. 48 - 50

13) The current controversy on the 1981 Revenue Allocation Bill is a clear example of what I am saying. In fact there would be no new Revenue Allocation Commission in Nigeria that would not attract heated debates and controversy.

14) The Provinces are: New-found Land, Prince Edward Island, Nova-Scotia, New Brunswick, Ontario, Quebec, Manitoba, Saskatchewai, Alberta and British Columbia. The two Territories are: Yakun and North - West.

15) These states are: New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania.

16) Ever since its inception, there have been at least two of its states that are consistently poor, and other two rich states. The poorer states are Tasmania and Western Australia while Victoria and South Wales are the richer ones. The states of Queensland and South Australia come in between.

III
EVOLUTION OF INTER-GOVERNMENTAL RELATIONS IN NIGERIA

III.1 The Nature of Functional Relations Between Federal, State and Local Governments

The evolution of intergovernmental relations in Nigeria generally, and particularly the financial relationships, is a reflection of its constitutional development. In each stage of the constitutional change, a new mode of both functional and financial relationships had emerged. In fact, in some cases, the necessity for a rew pattern of relationships had warranted a change of constitution so as to give such pattern of the relationship legitimacy.

To trace the logical evolution of intergovernmental relations in Nigeria, one has to briefly survey the constitutional developments of the country. The London constitutional conference of July, 1953 in fact paved the way by accepting the principles of the Federal form of government for the country. The conference also agreed that there should be greater autonomy for the Regional Governments. This could be regarded as the starting point, although one can rightly argue that the amalgamation of the Protectorate of the Northern Nigeria with the colony and Protectorate of Southern Nigeria of 1914 was the origin of the intergovernmental relations in Nigeria.

The Lyttleton constitution of 1954 confirms the initiation of the constitution of 1953 by accepting the federal system of government for the country. Towards that end, exclusive powers were granted to the Federal and Regional Governments. Residual powers were the preserve of the regional governments. This constitution

agreed to the regionalisation of the public services, judiciary and marketing boards, and for the first time, there was direct election to the Federal House of Representatives. Revenue allocation under this arrangement remained largely on derivation and even development.

In 1957, another constitutional conference was held in London to demand for the granting of independence for Nigeria in 1959. The main problems facing Nigeria, by then, according to the colonial Secretary were the fears of minority groups, fiscal arrangement and the division of powers between the Federal and Regional governments. As a result, a Minority commission of Inquiry was appointed in 1958 by the colonial Secretary and a Fiscal Commission was also set up to review the then existing system. As regards the division of powers, the Nigerian leaders were directed to solve the problems within themselves.

The 1960 Independence constitutional conference of 1958 in Lagos resolved some important national issues facing the country. Among these issues included the establishment of a Federation with three regions, the question of division of powers between Federal and Regional Governments was resolved by assigning 45 items in the exclusive legislative list to the Federal Government, 29 items under concurrent legislative list assigned to the Regional Governments while the Federal Government also exercise powers over them.
The Residual powers were reserved for regional governments. It also confirmed the allocation of revenue on derivation and needs for development purposes.

Under the 1960 Independence constitution, Regional

governments were allowed to levy and collect income tax within their own areas of authority. All proceeds from the sale of tobacco, duties and the whole of revenue from petrol were assigned to the Regional governments. Half of excise duties on beer were distributed to Regions in proportions to consumptions, and half of the net proceeds of export duties went to the Regions of origin of the export products.

Under the 1960 Independence constitution, Federal Government was given exclusive right and control over company taxes and duties. It was agreed that the Federal Government should collect and retain all import and excise duties other than tobacco and crued oil duties[1].

Under the Republican constitution[2], as was the case with the 1960 independence constitution, Residual powers were vested in the Regional Government[3]. While Federal Government could make laws only on subjects specified in the exclusive legislative list both the Federal and Regional Governments could make laws on the subjects listed under concurrent legislative list. However, a Federal law had priority over a Regional law whereever there were conflicts on items in the concurrent list.

The period 1960-65 witnessed some excalating political distrubances in parts of Nigeria with increasing loss of faith between political parties and between political leaders themselves. This lack of confidence reached a head during elections in Western Nigeria in October, 1965.

The situation in the country deteriorated and there was a coup D'etat on 15 January, 1966[4].

Under Decree No. 1 of 1966, some provisions of the Republican constitution were suspended. Those adversely affected were those relating to the office of the President[5], the establishment of the Parliament and the office of the Prime Minister. The same thing applied to those provisions relating to Regional Governors, Premiers, the Regional executive councils and the Regional Legislatures[6].

As a result of Army mutiny on 28 July, 1966, Lieutenant Colonel Yakubu Gowon took over the great responsibility of the country on 1 August, 1966[7]. On 6 September, 1966, representatives of the four regions met in Lagos to discuss the future of the country. In his speech during the meeting Yakubu Gowon suggested that Nigeria must continue to exist as one united country[8].

Immediately after the meeting of the Military leaders at Aburi, Ghana, the Decree No. 8 of 1966 was promulgated and the country became as it was prior to 15 January, 1966. In May, 1967 a Decree was promulgated which divided the country into 12 States[9].

Before 15 January, 1966, the relationship between the Federal Government and the Regional Governmenrs in Nigeria was based on the 1963 Republican constitution. But, since the Army take-over in 1966, the trends have changed almost completely. The Rederal Government's declaration of the State of emergency throughout the country immediately following the splitting of the country into 12 states, in theory, had given legislative power to the Federal Government all over the country. To some extent, not as was the case

before 15 January, 1966.

In practice, however, the constitutional relationships between the Federal and States Governments had been based on Decree No. 1, section 3 of 17 January, 1966[10]. However, the need to meet the emergencies of the Civil War and the problems arising from the creation of States had led the Federal Military Government to make laws over certain subjects exclusively reserved for the Regional Governments prior to the Army take over.

Many Decrees had been made by the Federal Military Government to that effect since May, 1967. The first of these Decrees was Decree No. 17 of 30 May, 1967, called "the Newspapers Prohibition of Circulation" Decree, 1967. This Decree empowered the Federal Government to proscribe the circulation of any newspaper considered to be detrimental to the interest of the nation[11]. But under the Republican constitution, 1963, proscription of any newspaper within any Region was the responsibility of that Regional Government.

There was another Decree No. 18 of 31 May, 1967 called "the Administrative Council" Decree, 1967 which empowered the Federal Military Government to set up an administrative Council for the former Northern Region as a result of its split into six States. The same Decree empowered the Federal Military Government to set up similar administrative Council for the former Eastern Region. The Heads of these Councils were to be appointed directly by the Head of the Federal Military Government. Here again, we see the Federal Government extending its powers and influence over the State Governments.

In July, 1968, another Decree was promulgated. The Decree 37 of 29 July, 1968 titled "the Investigation of Assets (Public Officers and other persons)" Decree, 1968. It empowered the Federal Government to make inquiries into the assets of public officers including Ministers and the Chairmen of Boards that served from the time of independence in October, 1960 until January, 1966 Military Coup, if such inquiries were considered to be in the interest of the public. This Decree went on to say that State Military Governors could be empowered to order such inquiries by vesting the Federal Government with the powers to make such inquiries throughout the Federation. In a nut-shell, therefore, this Decree extended the powers and authority of the Federal Military Government into an area formally under the authority of the Regional/State Governments.

Further more, in April, 1968, the Federal Military Government issued another Decree to the effect that the Nigerian Produce Marketing Company, the overseas sale agent of the Nigerian Marketing Boards, should with immediate effect take directives solely from the Federal Ministry of Trade and Industries, about the sale of its export commodities. But before this Decree was promulgated, each State Government could order the Nigerian Produce Marketing Company to sell its export crops[12]. The Decree had provided for a penalty for non-compliance with the Federal Government decision. This is, again extending the powers and authority of the Federal Government over the State Governments.

But the most far-reaching Decree that has, drastically, reduced the authority of the State Governments was the

Decree No. 50 of 18 September, 1968, known as "the Central Bank of Nigeria Act Amendment No. 3" Decree, 1968. This Decree cut-across the State Governments autonomy into three ways:

1) this Decree made the Central Bank of Nigeria the only authority to grant loans and advances to the State Marketing Boards.

2) it made the Central Bank of Nigeria the only authority to decide how much each State Marketing Board would require for its operations at the beginning of each season.

3) the most critical provision of the Decree is that the State Marketing Boards must consult the Central Bank before fixing the prices to be paid to the produce farmers.

Before then State Marketing Boards were free to borrow from any commercial or Private Bank. However, the main reasons of the growth of powers and authority of the Federal Government vis-a-vis the State Governments could be attributed to two important factors. These are the creation of the twelve States in the country and the Civil War aimed at preserving the political and territorial integrity of the nation[13]. In fact, the nature of the Military administration which is comparatively a centralised system could also be regarded as another important factor responsible for the emerging relationship.

The constitutional authority of the Federal Government over the State Governments had been growing from strength to strength/
since May, 1967. It was also assuming greater responsibility than was ever thought of under the 1963 Republican Constitution. Cooporation on intergovernmental institutions between officials of the Federal Government and State Governments had become closer. The influence of the Federal Government

over the States had continued to increase in all areas of public endeavour.

Generally, aspects of intergovernmental relations in Nigeria can be conveniently divided into administrative, economic and financial relationships. The administrative relationships are formally based on intergovernmental institutions and informally based on the personal contact between the Heads of Departments and officials of Federal and State Governments respectively. For instance, in 1958, the National Council on Establishment was established[14]. The main functions of the council were to provide a platform for intergovernmental consultation on condition of service such as salaries and grading with a view to achieving uniformity, to serve all governments in the Federation as a clearing house for collecting and exchanging information on public service matters and to provide common service such as the preparation of a uniform regulations for applications in all the public services in the country[15]. Although this council had no legal power, and could not therefore authorise any Regional Government on any matter, yet, it had provided an important forum for the promotion of a cordial relationships between Federal and the Unit Governments in Nigeria. However, since the creation of twelve States in the country, the National Council on Establishment fixes the amount to be spent on establishment for each state. With the growth of powers of the Federal Government including finance, the National Council on Establishment (N.C.E) is seen to acquire powers which it never possessed.

In 1955 also, the National Economic Council was established under the Chairmanship of the Prime Minister[16].

Among the important functions of the council include the coordination of all development policies of all the governments in Federation, to lay down the development policies of the whole federation and to plan the economy of the country as a single economic unit[17]. As a result of the outbreak of the national crisis in 1966, both the National Economic Council and the Joint Planning Committee were replaced by the National Economic Planning Advisory Group (N.E.P.A.G.) in March, 1966 under the Chairmanship of Chief S.O. Adebo with Dr. P.N.C. Okigbo as his Deputy[18].

To facilitate effective intergovernmental relations in all its ramification in the country, the Federal Government has also established a conference of planners in 1968 which has become part of the planning machinery during the period. Meetings of Commissioners of Economic Planning of the Federation and other Commissioners are going at the national level. All these point to closer Federal and State collaboration and cooperation with a view to achieving cordial relationships between them on all important national endeavours.

Other areas of intergovernmental relations featured prominently immediately after independence include the establishment of the National Manpower Board, 1962, the Niger Delta Board, 1961, the Nursing Council of Nigeria and the Midwives Board all of 1964. Others are the Nigeria Medical Council, 1962, the Pharmacists Board of Nigeria, 1962 the Pilgrims Welfare Board, 1966 and a lot of other organisations with the sole purpose of fostering national cooperation between the Federal and State Governments.

According to the Independence constitution, and to some

extent the Republican constitution, Regional Governments had more power, financially, than the Federal Government. This was because they had power to raise loans from any source and from Commercial Bank or any private person. But soon after, all the Regional Governments were looking forward to the Federal Government for financial support. This made it possible for the Western Nigeria in 1965, to go to the Federal Government to accept a loan raised by the Federal Government.

FOOTNOTES TO CHAPTER III

1) These Federally collected and Regionally shared revenues were shared among the Regions on the basis of the Northern Region 42% Eastern Region 3●% and Western Region 28%

2) The Federation of Nigeria became a Federal Repblic on October 1, 1963 under the Republican constitution.

3) The Regions were Northern, Eastern, Western and Mid-Western. The Federal Territoty of Lagos is the Federal Capital, although it is now to be shifted to Abuja.

4) Major-General J.T.U. Aguỳi Ironsi, the General Officer Commanding (G.O.C.) the Nigerian Army took over the Government on 16 January, 1966.

5) Under the 1963 Republican constitution Nigeria had a ceremonial President who was not vested with any executive authority of the Federal Republic of Nigeria. He was however the Commander in-Chief of the Armed Forces of the country.

6) The intention of the Decree was to return the country into Unitary system. A system which had strong objection from some parts of the country.

7) The incidence took place at Ibadan, Abeokuta and Ikoyi units as a result of which Major-General Aguyi Ironsi and Lieutenant Colonel Fajuyi were kidnapped and assissinated.

8) He gave four alternative forms of government that Nigeria should have namely;

a) a Federal system with strong centre,

b) a Federal system with a weak centre,

c) a Confederation and

d) an entirely new polical arrangement peculiar to Nigeria.

9) These States are, Lagos, Western, Mid-Western, East-Central, Rivers, South-Eastern, Kwara, North-Central, Kano, North Eastern, Benin-Plateau and North-Western States!

10) The frist part of section 3 of this Decree empowered the Federal Government to make "Laws for the peace, order and good government of Nigeria, or any part thereof with respect to any matter whatsoever". And the latter part of section 3 of the Decree reconized the realities of the Nigerian situation by pmpowering the Regional/State Military Governor to make laws on areas previously under the Regional legislature during the civilian regime.

11) The intention of the Decree was to prevent the circulation of Ojukwu's paper "the Biafran Sun".

12) In fact this Decree was meant to override the decision of the Northern States Government which had previously authorised the Nigerian Produce Marketing Company to suspend the sale of their groundnuts.

13) These two important developments have far-reaching implications in the political and administrative developments of the country. The division of the powerful Regions into smaller units has removed once and forall, one of the major causes of disunity in the country, and the Military efforts to keep Nigeria one also marks a considerable change of attitudes in the part of most Nigerians.

14) The council has the Prime Minister as its Chairman, all the Regional Premiers as members with the Federal Permanent Secretary incharge of Establishment matters and those of the Regions as members as well.

15) By 1958, we had four separate independent public services in the Federation. These were the Federal and three Regional public services, and by 1963, the number increased to five as a result of the creation of the Mid-Western Region.

16) Other members of the council were all the Regional Premiers and Advisors on Economic and Financial

matters of the Federal and Regional Governments.

17) To facilitate the working of the National Economic Council (N.E.C.) and to ensure healthy intergovernmental economic relations, Joint Planning Committee was established in 1958. The committee had played a very significant role in the preparation of 1962 - 68 National Development Plan otherwise known as the First Nationa Development Plan, 1962 - 86.

18) During the terms of office of the N.E.P.A.G. in Lagos convention of July, 1966, the Chairman of the Group signed an agreement between Nigeria and European Common Market (E.C.M). The Group has the same functions as that of the N.E.C.

IV

INTERGOVERNMENTAL FINANCIAL RELATIONS IN NIGERIA

IV.1 Tax Jurisdiction and Fiscal Policies; Federal, State and Local Governments

The essential issue in a Federal system of government the world over is the proper division of powers between the various levels of government. Of these, however, finances are the backbone of political and economic power, hence the most crucial prerequisite of governmental system. In a Federal set up, finances assume greater importance because on financial power depends the autonomy of the governmental units. The financial relationship between the Federal, Plateau State and Local Governments in Nigeria can never be an exception.

The allocation of tax jurisdiction between the Federal and Plateau State Governments could be traced back to the Nigeria constitutional conference of 1957 when it was agreed to refer to a commission, the inherent problems of allocation of taxing powers between the Federal and Regional (now States) governments[1]. One of its terms of reference required a recommendation which could, amongst other things, secure "that the maximum possible proportion of the income of Regional/State Governments should be within the exclusive power of those governments to levy and collect"[2].

The recommendations of the commission were accepted and embodied in the constitution. As a result, the Federal Government has an exclusive jurisdiction to levy and collect company taxation, import and sales or purchase tax on commodities. In order to secure

uniform principles in taxation throughout the country, laws on personal income tax is made concurrent. However, the power to levy and collect personal income tax is vested in the Regional/State Governments. In addition, the State Governments are empowered to raise independent revenue by levying various forms of indirect taxation such as sales or purchase tax on agricultural produce, hides and skins, motor spirits and diesel oil. There are also residual tax sources which are the preserve of the State Governments such as entertainment tax, pools betting tax, casino gambling tax[3], cattle tax, road taxes and stamp duties.

Generally, intergovernmental financial relations in Nigeria lays more emphasis on revenue allocation rather than grants in-aid method as practiced in the United States of America, the Dominion of Canada or the Commonwealth of Australia. Between 1960 and 1967 we had various formula for revenue allocation in the country. On the whole, two main features of revenue allocation in the country emerged. These are the principles of derivation and the sharing of funds in the Distributable Pool Account (DPA) on the basis of certain fixed formular[4]. In 1969, therefore, all import and excise duties on tobacco were distributed among the States on the basis of proportionate consumption. Fifty percent of the revenue on mining rents and rayalties were paid to the States of origin, thirty percent to the Distributable Pool Account (DPA) and twenty percent to the Federal Government[5]. Seventy percent of other general import duties were retained by the Federal Government and thirty percent was paid into the Distributable Pool Account

(DPA). All import and excise duties on beer and spirits were retained by the Federal Government. The percentage share from the Distributable Pool Account for the year 1960 and 1963 between the former Regional Governments was as per Table IV.1 below. As a result, the former Northern Region, now split into ten States, bagged £7.94 million (₦15,88 million) as statutory payments from the Federal Government and £5.27 million (₦10.54m) as its share from the Distributable Pool Account in 1960/61 while in 1963/64 it obtained £1.22 million (₦22.44 million) and £6.65 million (₦13.30 million) as its share of statutory allocation and from the Distributable Pool Account respectively[6].

TABLE IV.1

Percentage Regional Share of Distributable Pool Account, 1960 and 1963

REGION	PERCENTAGE	
	1960 %	1963 %
Northern	42	42
Eastern	30	30
Western	28	28
Mid-Western	-	8

The new arrangement fetched the Regions/States a total of ₦141.10 million as at 31 March, 1967 out of a total federally collected revenue of ₦339.19 million leaving the Federal Government with a balance of ₦198.09 million[7]. Out of the total allocation of ₦141.10 million to all the States, the six Northern States received a total of ₦48.10 million which is about 34.09 percent of the total allocation to

to States.

Between 1946 and 1979 various basis for the formula for sharing revenue among the regions/states were used. The Phillipson proposal on revenue allocation under the Richards constitution stressed the principles of derivation, and between 1948 and 1949 the principles of "even progress" was added. The Hicks - Phillipson Commission of 1950 reocmmended additional basis of revenue allocation of "Need" and "National interest" to that of derivation. As a result, in 1952/53 and 1954/55, revenue allocation to the regions was based on 50 percent of tobacco duties, 100 percent of motor fuel duties according to consumption. Capitation grant of thirteen shillings per head, 100 percent education and Police grants as well as special equalisation grants were adopted. Following the London Constitutional Conference of July/August, 1953 and the subsequent appointment of the Chicks Commission on Revenue Allocation, the principle of fiscal autonomy was added to that of derivation.
This resulted in the 50% of tobacco duties, 50% of excise duties and 100% of motor fuel duties were allocated to the regions according to consumption. Fifty percent of other duties were distributed at the ratio of the East 30%, West 40% and North 30%. One hundred per cent of income tax (except on companies and non-Africans) was paid to the regions on the basis of residence, 100% mining rents and royalties was paid to the regions according to extraction and 50% export duties was paid to the regions according to origin. This report favoured the North and the Western regions more than the East.

In 1957/58, Raisman Commission recommended, yet again, the famous principle of derivation, fiscal autonomy and unified national policy. The basis of the allocation to the regions was changed to the consumption principle. This included the changing of import and excise duties on tobacco from 50% to 100%. Mining rents and royalties allocated according to the region of origin were reduce from 100% to 50%. This commission discriminated against the regions with mining activities by increasing revenue to be derived by retions on the basis of consumption of tobacco and production of export crops. Before then, however, the allocation of the import duties on motor fuel was 100% on the basis of derivation.

The Raisman recommendations were accepted and included in the Federal Constitution which became operative on October, 1960. Distributable Pool Account was establsihed and shared among the regions on the basis of the North 40%, West 24%, East 31% and Southern Cameroons 5% respectively. In 1961, however, the Southern Cameroons opted out of Nigeria and the percentage share of each region in the D.P.A. was based on 95 denomination. The Mid-West Region was created on 9th August, 1963 and the Western Regional share of 24/95 was divided between it and the Mid-West in the ratio of 3:1 on the basis of population.

The first Revenue Commission after Independence was appointed in June, 1964 with Mr. J.K. Binns, C.M.G. as Sole Commission. By that time, the North and Western Regions were the agitators of derivation principle because they saw a lot of prospects as a result of their being the

producers of the major exports[8]. The Eastern region derived very little revenue from export duties because its palm produce was mainly consumed locally.

With the emergence of mineral oil in large commercial quantity between 1964 and 1967, Eastern Region became more bouyant than the North or West compared with the position in 1950's. Consequently, the West Region which used to be one of the protagonists of derivation principle changed attitude to that of "need" and minimum responsibility. On the other hand, the East which was against the principles of derivation pressed for hundred percent application of the principle. It should be noted that the East was in favour of the principle of needs in the 1950's when that of derivation did not favour it.

However, the Binns Fiscal Commission did not make any significant change from that of Raisman Commission. Instead, it increased the Distributable Poll Account (D.P.A) at the expense of the Federal Government. It was shared on the basis of the North 42%, East 30%, West 20% and Mid-West 8% respectively. As from April, 1966, the sharing of the D.P.A. was based on the principles of financial comparability of the regions.

With the creation of 12 states on 27 May, 1967 out of the four Regions and the Federal Territory of Laogs, the share of each region from the D.P.A. was shared among the states created from it as per Table Iv.2 below:

TABLE IV.2
States Percentage Share of Distributable Pool Account, 1967

TABLE IV.2

States Percentage Share of Distributable Pool Account, 1967

STATE	% SHARE
Benue/Plateau	7
Kano	7
North Central	7
North West	7
North East	7
Kwara	7
East Central	17½
South Eastern	17½
Rivers	5
Lagos	2
Western	18
Mid-Western	8

The basis of sharing the D.P.A. for the states in the East and West was population while that of the North was equality of states under Decree No. 15 of 1967. On the other hand, Mid-West retained its 8%. By 1970, the basis of sharing the D.P.A. under Decree No. 13 of 1970 was 50 per cent equality and 50 per cent population. The share of Bendel (Mid-West) state was reduced to 6.4 per cent as against 8%.

The 1978/79 Aboyade Technical Committee rejected the principle of derivation in revenue allocation. This line of action was unfair to the oil producing states because it drastically reduced their shares of revenue allocation.

Over the years, the allocation of tax jurisdiction has been relatively stable in the country. However, important

changes have taken place in the areas of allocation of tax jurisdiction and that of revenue allocation. The most frequent changes have been in respect of the allocation of revenue since the emergence of the Nigeria's revenue allocation system in 1948/49. Since then, the revenue allocation formula has been changed on several occasions. As regards tax jurisdiction, the only major changes concerned the jurisdiction for Personal Income Tax which was recognized as within the powers of the Regional/State Governments in 1958. Each Region/State was empowered to enact and administer its own different personal income tax system. In 1975, the position was partially reviewed. The tax rates and allowances were made uniform all over the country, but the administrations of the tax was still with the State Governments. Apart from this change, the existing allocation of tax jurisdiction, as set out in Table IV.3 below for the major taxes, has remained unchanged for many years. As discussed elsewhere, State Governments were also empowered to raise additonal revenue through residual tax sources.

TABLE IV.3

Percentage Distribution of Tax Sources Between Federal and Regional/State Governments, 1960 - 1967

TABLE IV.3

Percentage Distribution of Tax Sources Between Federal and Regional/State Governments, 1960 - 1967

TAX SOURCE	FEDERAL		REGIONAL/STATE	
	%	% SHARE	%	% SHARE AMONG STATE
Import Duty on Tobacco	-	-	100	Proportionate to consumption
Import Duty on Motor Vehicles	-	-	100	-do-
Other General Import Duties	70	70	30	Through DPA
Import Duties on Beer/Spirits	100	100	-	
Export Duties on All Produce	-	-	100	Derivation
Excise Duties on Tobacco	-	-	100	Consumption
Excise Duties on Beer	100	100		
Produce Sales Tax	-	-	100	Derivation
Tax on motor Vehicles Fuel	-	-	100	Consumption
General Sales Tax	100	100	-	
Company Tax	100	100	-	
Mining Rents/Royalties	20	20	80	Proportionate/ Extraction[10]

Source: Quarterly Journal of Administration: Special Issue On Intergovernmental Relations In Nigeria, 1980, p. 161.

Under the residual tax jurisdiction, for instance, the Plateau State Government has realised a total of ₦7,544.513 from 1976/77 to 1979/80 fiscal years as can be seen under table IV.4 below. The total collection was against an estimated amount of ₦12,320,000 which revealed a short fall of about 39 percent. If the figures for the fiscal year 1976/77 is compared with that of the fiscal 1975/76 which was ₦1,467,542 under the defunct Benue Plateau State, one would have no alternative other than to commend the Plateau State Government for its effective tax effort within one year of its inception. However, between

these four years of independent taxing authority, the collection of revenue under these residual tax sources was rather constant but relatively inelastic. Considering the population of the eligible tax payers and the number of tax payers under direct assessment, and indeed, the prosperity of the entire people of the State, one would have thought that something more than this should have been realised. The population of the taxpayers despite tax evation were to the tune of 4,889, 8,930, 14,320 and 25,951 for the fiscal years 1976/77, 1977/78, 1978/79 and 1979/80 respectively.

TABLE IV.4

Revenue Collection From the Allocated
Tax and Residual Tax Sources, 1976-80[11] (in ₦)

DETAILS	1976/77		1977/78		1978/79		1979/80	
	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL
P.A.Y.E.	2,000,000	2,104,588	2,000,000	3,369,095	3,000,000	3,432.712	4,000,000	3,452,656
Direct Assessment	1,000,000	155,393	1,000,000	965,076	1,000,000	878,732	1,000,000	1,551,891
Non-Residual	3,000,000	2,259,981	3,000,000	4,334,171	4,000,000	4,311,444	5,000,000	5,004,547
Road Trafic Fees	2,500,000	1,529,035	2,500,000	1,595,021	2,800,000	1,589,359	3,000,000	1,569,323
Enterainment Tax	60,000	139,936	100,000	185,305	150,000	226,393	260,000	268,890
Stamp Duties	300,000	61,086	100,000	97,150	150,000	43,470	200,000	69,786
Poll Betting Tax	60,000	58,655	70,000	50,605	70,000	60,499	-	-
3-6 Residual Taxes	2,920,000	1,788,712	2,770,000	1,928,081	3,170,000	1,919,721	3,460,000	1,907,999
Contract Fees	-	-	-	-	-	34,000	-	69,000
Court Fees, etc	804,000	804,000	1,710,000	1,710,000	1,710,000	512,931	1,735,000	807,146
Agric. Produce Tax etc) Forest Resources etc)	487,000)	264,250)	602,290)	601,030)	1,480,000)	953,386	2,356,520	1,050,955
TOTAL	7,211,000	5,116,943	8,082,290	8,573,282	10,360,000	7,731,482	1,255,152	8,839,647

To ensure economy and efficiency in the administration of the tax sources allocated to the State Governments, Federal Government is empowered to collect some items of the tax revenues on behalf of the State Governments. These items of tax revenues include among others, import duties on tobacco, motor spirits, diesel oil and export duties on agricultural produce. Others are excise duties on tobacco, motor spirits and diesel oil. The proceeds of these revenues are returned, in full, to the States on the basis of State consumption or produce of the commodities. This is an important area of intergovernmental cooperation in tax administration in Nigeria, and it has been relatively stable for quite some time.

The allocation of the revenues to the States are based upon the monthly declarations of the proceeds of these duties made by the Board of Customs and Excise or the Central Bank. However, one obvious problem with this arrangement is that the States have no means with which to verify the accuracy of, or authenticate the monthly declaration of proceeds before they are shared among them. This is because they cannot provide the necessary personnel to undertake the verification exercise. Most importantly, it would amount to duplication of efforts, uneconomical and an act of bad faith on the part of the State Governments. This arrangement of the State Governments depending upon the Federal Government for the collection of the bulk of their tax revenues could be regarded as classical example of intergovernmental relations in tax administration. It calls for complete reliance by the States in the ability of the Federal Government to pay each State its due share of the

taxes. But to my mind, one could rightly argue that this is one of the factors responsible for the lukewarm attitude of most of the State Governments on internal tax efforts in the country. The States are made so lazy and so reluctant so much so that they could not effectively collect what is expected to be collected locally. They heavily relied on the Federal Government.

However, the Plateau State Government deserves commendation in this direction. In the financial year 1976/77, for instance, the State Government was able to collect ₦155,393.00 under direct assessment as against ₦65,206.00 for the previous financial year 1975/76 under the defunct Benue-Plateau State[12]. This shows an increase of more than one hundred percent. In the financial year 1976/77, about ₦139,939.00 was realised as entertainment tax against ₦94,263.00 for the year 1975/76. In the financial year 1976/77 also, ₦61,086.00 was collected as revenue from stamp duties against ₦13,674.00 for the year 1975/76. As a matter of fact, there was a lot of enthusiasm by the State Government to be financially self-sufficient when it was created in 1976. This fact has been clearly demonstrated through the exhaustive efforts of the State Government to collect local revenue as can be seen in table IV.5 below

Although one can rightly attribute this tremendous tax efforts to the fact that everybody in the State was in the mode of jubilation as a result of the creation of the State, yet, they thought it worthwhile ot contribute their own quota to the development of the new State. By so

doing, they have responded, willingly, to the demand for any form of tax payment.

TABLE IV.5

Statement of Revenue Collection, 1976/77

DETAILS &&	ESTIMATE ₦	ACTUAL ₦	OVER/UNDER % OF 1
Military Governor's Office	21,220	13,965	-34.19
Judicial Department	804,000	565,604	-29.27
M.O. Finance	6,337,000	6,218,354	- 1.87
M.O.W. Lands/ Surveys	535,230	169,543	-68.32
M.O. Agric. & N. Resources	757,710	540,339	-28.68
M.O. Education	22,101,310	13,729,130	-42.40
M.O. Health	200,240	62,057	-68.01
M.L.G. and Social Dev.	231,400	2,038,867	+781.10
M.O. Information	521,710	73,815	-87 .85
M.O. Trade and Industries	1,503,030	581,773	-61.29
Interest on Investments	1,204,110	802,915	-33.31
Recurrent Interest on Loans	115,030	1,291,733	+1,022.19
Revenue from Federal Gov't.	76,308,450	55,079,171	-27.82
Common Services	10	146,238	+1,462,277.60
TOTAL	120,769,081	83,122,216	

Source: Handing-Over-Notes from the Military Administrator of Plateau State, Col. J.U. Anaja, P.S.C., To the Governor-Elect of Plateau State, Mr. S.D. Lar, Printed by Reprographic Section, Education, 1979, pp. 42 - 43.

To improve its financial position, Plateau State has been struggling to find ways and means of increasing its tax effort since its inception. Among the actions taken

before 1 October, 1979 include the organisation of a seminar in 1978 with a view to benefiting from the wealth of experience of the participants. The result of the seminar was the logical evolution and subsequent introduction of a 3% tax deduction on all payments for contracts and supplies in the State. Coupled with the revenue accruable from the Federal Government, the State has, however, started on a sound financial footing. Tables IV.6 and IV.7 below show the financial position of the State as at 1 October, 1979 and external revenue sources and actual collection in respect of the fiscal year 1979/80 respectively. On the other hand, Table IV.8 shows the State's monthly cash position during the fiscal year 1979/80

TABLE IV.6

Plateau State Internal Revenue Sources and Collection, 1976-79[13]

TABLE IV.6

Plateau State Internal Revenue
Sources and Collection, 1976-79[13]

SOURCE	1976/77		1977/78		1978/79	
	ESTIMATED ₦	ACTUAL ₦	ESTIMATED ₦	ACTUAL ₦	ESTIMATED ₦	ACTUAL ₦
Pay As You Earn	2,000,000	2,104,587	2,000,000	3,369,094	3,000,000	3,432,712
Direct Assessment and 3% Contract Tax Deduction	1,000,000	155,393	1,000,000	965,076	1,000,000	878,732
Entertainment Tax	60,000	139,935	1,000,000	185,304	150,000	226,393
Road Traffic Tax	2,500,000	1,529,035	2,500,000	1,595,020	2,800,000	1,589,350
Stamp Duty Tax	300,000	61,086	100,000	97,149	150,000	43,470
Pools Betting Tax	60,000	58,655	70,000	50,605	70,000	60,499
Uniform Income Tax	1,000,000	1,000,000	-	-	700,000	475,248
	6,920,000	4,048,691	5,770,000	6,262,248	7,870,000	6,706,412

On the whole, there is a total shortfall of over ₦3,542,649.00 within the past three years as revealed by table IV.6. As regards direct assessment, the amount outstanding in the tax arrears list todate for all the years amount to ₦908,000.00. About 194 cases of tax defaulters were recorded during the period of three years totalling about ₦41,824.00 realised from the cases[14].

TABLE IV.7

Plateau State External Revenue Sources and Actual Collection from Federal Government 1979/80

DETAILS OF REVENUE	AMOUNT IN ₦		
	ESTIMATED	ACTUAL	OVER/UNDER
Lapsed AIE - UPE	2,000,000	1,000,000	-1,000,000
UPE Recurrent/Capital Grants	29,965,287	14,982,642	-14,982,644
Vacational and Citizenship Training Centres Grants	210,526	210,526	-
Students Loand and Bursaries Grants	50,000	50,000	-
Secondary Education Refund Tuition Fees	499,280	499,280	-
Grants to Local Govts.	14,080,000	7,040,000	7,040,000
Statutory Revenue Allocation	98,452,000	49,226,000	-49,226,000
Development Loan Stock	26,589,174	26,589.474	-
Basic Health Services Grants	1,054,350	1,054,350	-
TOTAL	172,900,917	100,652,273	72,248,644

Source: Handing Over Notes From the Military Administrator, Plateau State Col. J.U. Anaja, P.S.C. To the Government-Elect of Plateau State, Mr. S.D. Lar, P. 88.

Generally, all States of the Federation depend largely on Federally collected revenues to meet their obligations. Although our revenue, generally, has been on the increase, States commitments have so much outgrown it that their financial constraints contimue to bite hard.

Statutory revenue allocations has been the largest single source of revenue to all the State Governments in the country which contributes greatly to meeting

both recurrent and capital development expenditure of the State Governments. The Plateau State Government's share of the revenue for the fiscal year 1979/80 as shown on table IV.7 amounts to ₦98,452,000.00 while grants to Local Governments in the State stands at ₦14,080,000.00[15]. Of the State Government's share of the Statutory allocation, Federal Government deducts ₦8.8 million in repayments of the State internal and external loans. A balance of approximately ₦89 million was left which was being remitted to the State in a monthly instalments of ₦7,469,654.00 as table IV.8 below reveals.

According to the State Government budget for the fiscal year 1979/80, the estimated revenue for the year was ₦157,646,780.00 as against an estimated recurrent expenditure of ₦121,373,480.00. There would be a surplus of ₦36,142,300.00 which was to be transferred to capital Development expenditure other things being equal.

TABLE IV.8

Plateau State monthly Cash Position, 1979/80

TABLE IV.8

Plateau State monthly Cash Position, 1979/80

DETAILS OF RECEIPTS AND EXPENDITURE	AMOUNT IN ₦		
	TOTAL RECEIPTS	TOTAL EXP.	BALANCE
Statutory Allocation	7,469,654		
Grants for U.P.E.	2,497,107		
Pension Reimbursement	110,000		
Remittances to Sub-Treasuries for Salaries Wages, etc.		5,950,000	
Subventions to Parastatals for Recurrent Exp.		1,382,610	
Subventions to Institutions and other Functionaries		1,530,000	
Balance for Capital and other unforeseen Exp. for the month			1,214,151
TOTAL	10,076,761	8,862,610	1,214,151

Source: Handing Over Notes From the Military Administrator, Plateau State Col. J.U. Anaja, P.S.C. To the Governor - Elect of Plateau State, Mr. S. D. Lar, p. 89.

The Sum of ₦98,452,000.00 was expected from the Federal Government while the remaining ₦59,194,780.00 was to come from the State's internal revenue sources. Against this arrangement, however, the actual receipts from the Federal Government amounts to ₦49,226,000.00, fifty percent of the amount envisaged. Internally, the actual collection stood at ₦6,231,164.00 as against ₦59,194,780.00. This is about eleven percent of the amount expected to be collected internally. In actual fact, the situation calls for grave concern. The state's internal revenue effort is about 13% of external revenue.

Frankly speaking, this is really an unhealthy situation and could no doubt place the State Government in a very serious embarassing position. This is a clear indication that the State cannot even pay salaries and wages from the internally collected revenue. There is need for the State Government to try and maintain its 1976/77 tax effort. It is a serious situation which calls for a complete reorganisation and general overhaul of the revenue collection machinery and general revenue administration in the State.

As is the case with the State Governments in the country, Local Governments in Plateau State depend to a large extent on the State and Federal Government for bulk of their financial resources. In fact their dependency is to the level of 70-80 percent of their total revenue. In a nut-shell, the general problem of the revenue collection machinery of the Local Government in the State evolves around shortages of manpower both in quality and quantity. This accounts for the fact that a lot of the potential sources of revenue for the Local Governments have for long remained untapped. Also, the general attitudes in the Local Governments to revenue collection leave many things to be desired partly because, as I have mentioned above, much of their programmes are made to depend on government subvention. Another cause of the revenue problem is due to unrealistic high rates at which Local Government services and facilities such as market stalls are fixed.

The unnecessary delays caused by the Ministry of Justice

in drafting Local Government Bye-Laws contributes in no small measure to the inability of the Local Governments in the State to tap some revenue sources and at the same time to make effective collection of the existing revenue sources. For instance, a circular was issued to all Local Governments in the State conveying approval of the revised rates and charges on Local Government revenue items for implementation[16], table IV.9 shows items included in the circular. Paragraph 2 of the circular requested the Local Governments to send amendments to their existing bye-laws, or as implies, to send proposals for new bye-laws immediately for the Ministry for Local Government's necessary action to contact the Ministry of Justice for necessary legal draftsmanship. Most of the Local Governments have submitted the amendments along with the proposals for new bye-laws. But to the Local Governments dismay, nothing has been done about them up till now. The only excuse from the Ministry of Justice is always of shortage of legal draftsmen. Nobody knows for how long this situation would last.

Under this situation, one could easily see why it is not possible to have effective tax efforts at the Local Government levels. You cannot collect revenue without legal backing. This is more so in case of resitence from the prospective payers. Most of the items included in table IV.9 have no bye-laws to back them. Even those that have the bye-laws to back them are still using the old rates. So, virtually, all these laudable revisions are of no effect at all. Besides, some of the charges are exorbitantly high

so much so that people could not effort to pay, and there is nothing the authority could do since there is no bye-laws to back its action. The next course of action taken by the Plateau State Government on the matter was to adopt an administrative attitude of "let sleeping dogs lie and to ignore those that are awake as much as possible". In this respect, the State Government through / the ineffectiveness of the Ministry of Local Government and Community Development by failing to appreciate the importance of these bye-laws to the revenue efforts of the Local Governments, coupled with the politics of abolishing community and cattle taxes in the State, Local Governments are left with no reliable source of internal revenue. With the current wave of dependency of the Local Governments on both the State and Federal Governments for bulk of their financial resources, and with both the State and Federal Governments depending on the oil money, one wonders what would be the position of the Local Governments in the State, and indeed, the whole country, as a result of the current oil glut.

TABLE IV.9

Approved Revised Rates and Charges
on Local Government Revenue Items,
1978.

TABLE IV.9

Approved Revised Rates and Charges and Local Government Revenue Items, 1978

DETAILS OF REVENUE SOURCE	OLD RATES	REVISED RATES	REMARKS
Advertisment Fees			
Petty Trade		₦5.00 p.a.	To be applicable
Commercial		₦50.00 p.a.	throughout the State
Radio/TV Mechanics Licences		₦10.00 p.a.	- do -
Bake-House Licences		₦10.00 p.a.	"
Begger Ministrel Licences		₦ 5.00 p.a.	"
Druming Fees		₦10.00 p.a.	"
Bicycle Hire Permits	₦0.50p.a	₦ 5.00 p.a.	"
Births Registration Fees	₦.20p.a	₦0.50each	"
Bicycle Licences	₦0.70p.a	₦1.00 p.a.	"
Death Registration Fees.	₦-	₦0.10each	"
Palm Wine Licences:			
(a) Manufacturer	₦10.00p.a	₦55.00 p.a.	"
(b) Dealer Licences	₦ 5.00p.a	₦30.00 p.a.	"
Stone Crushing Licences:			
(a) Machine	₦10.00p.a	₦200.00p.a.	"
(b) Hand	₦10.00p.a	₦ 20.00 p.a.	"
Corn Mill Licences	₦10.00p.a	₦ 20.00 p.a.	"
Bricks Making Licences:			
(a) Machine	₦50.00p.a	₦200.00 p.a.	"
(b) Hand	₦50.00p.a	₦100.00 p.a.	"
Material Fees	₦-	₦1.00 each	"
Cart Licence	₦.50pa	₦1.00 p.a.	"
Cattle Material Trade	₦5.00p.a	₦15. p.a	"
Dane Gun Licences	₦1.00p.a	₦ 5.00 p.a	"
Dried Meat Fees	₦1.00p.a	₦ 5.00 p.a	"
Dog Licences	₦50.00p.a	₦ 5.00 pa.	"
Fishing Licences	₦50.00pa	₦ 1.00 pa	"
Forestry and Fuel Exploitation Fees	₦1.00p.a	₦ 1.00 pa	"
Gold Smith Licences	₦20.00pa	₦ 1.00 pa	"

DETAILS OF REVENUE SOURCE	OLD RATES	REVISED RATES	REMARKS
Hides and Skins Buyers Licences	₦5.00 pa	₦100.00 p.a	Through the State.
Hawkers Permits	₦.20 p.m	₦ 1.00 p.m	"
Eating Places Licences	₦50.00 p.a	₦100.00p.m	Jos
	₦10.00p.a	₦50.00p.a	Akwanga, Lafia, Mangu, Shendam, Keffi Pankshin, Langtang, and Nasarawa.
	₦5.00p.a	₦35.00 p.a	Wase, B/Ladi, Bassa, Awe and Kanam.
Hunting Licences	₦.50p.a	₦20.00p.a	Through the State
Marriage Registration Fees	₦.50each	₦10.00each	
Pit Sewing Licences	₦1.00 "	₦5.00 "	-do-
Rent and Plot Fees:			
(a) Residential	₦4.00each	₦80.00each	"
(b) Commercial	₦10.00 "	₦80.00 "	"
(c) Rental Residential.	₦4.00each	₦800.00each	"
Sand Collection Licences	₦5.00 each	₦20.00p.a	"

DETAILS OF REVENUE SOURCE	OLD RATES	REVISED RATES	REMARKS
Slaughter Fees:			"
(a) Cows	₦.30 "	₦1.00 "	"
(b) Pgs	₦.30 "	₦1.00 "	"
(c) Goats/Sheeps	₦.10	₦.50 "	(
(c) Butchers Licences	₦ -	₦30.00 p.a.	Other L.G.C.
	₦ -	₦20.00 p.a.	Wase, Kanam and Awe
Native Liquor Liences			
(a) To Manufacture	₦5.00	₦50.00 p.a.	Throughout
(b) To sale (To Sell)	₦5.00	₦50.00 p.a.	-do -
Mansions Licence	₦ -	₦30.00 p.a.	Jos, Mangu, Keffi, Akwanga, Shendam, Panksbin, Lafia, Nasarawa and Awe etc.
Bicycle Repairs Licence	₦.50 pa.	₦5.00 p.a.	Throughout
Petent Medicine Licence	₦ -	₦100.00 p.a.	- do -
		₦50.00 p.a.	Renewal
Charcoal Licences:			
(a) Licence to produce	₦ -	₦5.00 p.a.	Throughout
(b) Licence to sale	₦ -	₦10.00 p.a.	"
Motor Park Charges:			
(a) Lorries	₦.50k	₦1.50daily	"
(b) Taxi and Buses	₦.20k	₦1.00 "	"
(c) Passengers Platform Tickets	₦.10k	₦.50 "	"
(d) Potter Permits	₦.50k	₦1.00 p.m.	"

DETAILS OF REVENUE SOURCES	OLD RATES	REVISED RATES	REMARKS
Motor Vehicle Mechanic Licence	₦10.00 p.a	₦50.00 p.a	Jos, Lafia, Akwanga, Mangu, Keffi Pankshin, Shendam and Langtang
	₦10.00 p.a	₦30.00 p.a	B/Ladi, Bassa, Awe, Wase, Nasarawa and Kanam.
Market Fees and Charges:			
(a) Lock-up Stalls	₦.50p.m.	₦50.00p.m.	Jos, Lafia, Keffi, Mangu, Shendam, Akwanga, Nasarawa, Pankshin, Bassa, Wase, Awe, and B/Ladi.
(a) Open Stalls	₦1.00p.m.	₦25.00p.a	Jos
	₦.30p.m.	₦20.00p.a	As in (a) (i) above
	₦.20 p.m.	₦15.00	As in (a) (ii) above.
(b) Daily Attendance	₦.10k	₦.10	Throughout.

IV.2 Revenue Allocation and Federal Finance: Federal, Plateau State and Local Government

Intergovernmental fiscal relations in a Federation are a function of constitutional constraints and tradition set in the context of socio-economic and historical bases. It is, thus worthwhile comparing and contrasting the past and the present positions, and indeed, the future prospects of the relationships. In Nigeria today, section 149 of the 1979 constitution of the Federal Republic of Nigeria has provided that all revenue collected by the Federal Government, with the exception of the proceeds from the personal income tax of the personnel of the armed forces, the Police, Ministry of External Affairs and residents of Abuja, the new Federal Capital Territory, should be paid into the Federation Account. It has also directed that the account should be distributed among the Federal and State Governments as well as the Local Government Councils in each State as determined by the National Assembly. In fact, one could rightly argue that this was one of the motivating factors that prompted the President, Alhaji Shehu Shagari to set up the Okigbo Commission immediately he (Mr President) assumed office in 1979.

On the other hand, the Nigeria's revenue allocation system could be traced back to 1948/49 when the Phillipson Commission was appointed to work out the details of the financial arrangements as a result of the 1946 constitution, otherwise known as the Richards Constitution[17]. Since then, however, the revenue sharing formula has been changed on several occasions from 1952 to 1975. The most recent change is the current controversial Okigbo Commission's report[18]. Up to 1966, and particularly between 1954 and 1959, the

famous principle of derivation was the most important criterion of revenue allocation among the Regions/States. The only significant improvement achieved in the allocation formula between 1960s to the first five years of Military administration was the one introduced in 1975[19]. That was the year the famous principle of derivation was eliminated. Before then, for instance, a hundred percent of export duties on tobacco and motor fuel are distributed among the Regions/ States according to the proportion of consumptions. In the 1975 formula, however, fifty percent of export duties on any commodity are shared between them through the Distributable Pool Account (DPA). This also applies to excise duties on tobacco and motor fuel.

In the 1975 formula, again, a hundred percent of import duties on the same commodities, tobacco and motor fuel, are distributed among the States through the Distributable Pool Account as against a hundred percent shared between them on the basis of proportionate consumption which has been in operation between 1966 to 1974. The changes which have taken place in the Nigeria's revenue allocation system since 1966 are set out on table IV.10 for ease of reference[20]. The history of revenue allocation system in Nigeria shows a lot of shirfts between principles and criteria on the prevailing political and financial developments of the country.

Due to the principle of derivation used in 1974/75, for instance, Bendel and Rivers States got the lion share of the allocated revenue. They bagged 23.7% and 17.1% of the declared statutory revenue of the country in that fiscal year. But as a result of the new revenue allocation

formula introduced in 1975 and the creation of more States in the country in 1976, Bendel and Reviers States received 11.1 percent and 8.1 percent in 1976/79 and 8.9 percent and 8.1 percent in 1978/79 respectively. Plateau and Benue States bagged 4.0 percent and 4.2 percent in 1976/77, 4.1 percent and 4.3 percent in 1978/79 respectively as against 5.1 percent for the former Benue/Plateau State in 1974/75 fiscal year[21].

In the fiscal year 1977/78, Plateau State received a total of ₦72,343,223.00 as its share of statutory allocation. This figure represents about 4 percent of all States / share of statutory revenue which was ₦1,806,332,052.00.

TABLE IV.10 (Cont.)
NIGERIA'S REVENUE ALLOCATION SYSTEM, 1966-75

YEAR OF INTRO-DUCTION	IMPORT DUTIES		EXPORT DUTIES		EXCISE DUTIES		MINING RENTS/ ROYALTIES		DISTRIBUTABLE POOL ACCOUNT (DPA) DISTRIBUTED AMONG REGION/STATES
	FEDERAL SHARE	STATE SHARE	FEDERAL SHARE	STATE SHARE	FEDERAL SHARE	STATE SHARE	FEDERAL SHARE	STATE SHARE	
1971	As Above	As Above	As Above	As Above	As Above	As Above	1.100% of in-share Rents/ Royalties 2. 5%of Off-share Rents/ Royalties	1.45% of-share Rents/ Royalties via DPA (c)	1. Composition: (a) + (b) + (c) 2. Shares: 50% Equality 50% on population
1975	As Above	100% on tobacco/ motor fuel via DPA (d)	As Above	100% on any comm -dity via DPA (e)	50% on any COMMODITY	50% on any commodity via DPA (f)		1.20 of in-share Royalties on extra -ction 2. 80% of in-share Royalties 3. 100% of off-share via DPA (g)	1. Composition: (a)+(b)+(c)+(d)+(e) +(f)+(g) 1. Shares: 50% Equality 50% on population

TABLE IV.10
NIGERIA'S REVENUE ALLOCATION SYSTEM, 1966-75

YEAR OF PRODUCTION	IMPORT DUTIES		EXPORT DUTIES		EXCISE DUTIES		MINING RENTS/ ROYALTIES		DISTRIBUTABLE POOL ACCOUNT (DPA) DISTRIBUTED AMONG REGION/ STATES
	FEDERAL SHARE	STATE SHARE	FEDERAL SHARE	STATE SHARE	FEDERAL SHARE	STATE SHARE	FEDERAL SHARE	STATE SHARE	
1966	1. 100% on Wines/ Spirits 2.65% on other Commodities exc -ept tobacco and motor fuel	1. 100% on tobacco/ Motor Fuel on the basis of consumption 2.35% on other commodity through DPA (a)	None	100% on any coom. on the basis of derivation	100% on any coom odity except tobacco and Motor fuel	100% on tobacco and Motor fuel on the basis of consumption	15%	1.50% on derivation 2. 85% via DPA (b)	1.Composition: (a) + (b) 2. Shares: Eastern Region 30% Western " 30% M-Western " 8% Northern " 42%
1967	As Above	As Above	As Above	As Above	As Above	As Above	As Above	As Above	1. Composition: As above 2. Shares: Northern States each " 7% Western " 13% Lagos " 2% M-Western " 8% E-Central "17.5% South East 7.5% Rivers 5%
1968	As Above	As Above	As Above	As Above	As Above	As Above	As Above	As Above	

The revenue sharing formula left behind by the defunct Military regime gave Federal Government 76.2%, State Governments 21.5% and the Local Governments 2.3% respectively. The allocation among the State Governments is 50% on equality and the remaining 50% on population. The same principles apply to allocation among the Local Governments. However, for the Local Governments share, the Federal Government, out of its own share of the revenue, used its discretion in allocating the 2.3% as grants to Local Government Councils. In fact the allocation varies from year to year. In 1976/77, for instance, ₦100 million was allocated to them while ₦250 million was for the fiscal year 1977/78. In the fiscal year 1978/79 and 1979/80 ₦150 million and ₦300 million were allocated to the Local Governments respectively.

Generally, there are a lot of factors responsible for so many changes and reforms in the revenue allocation system of Nigeria over such a comparatively short period of twenty one years after independence. These include political and constitutional changes, economic and financial development of the country. This phenomenon is not peculiar to Nigeria alone. Other Federations such as the United States of America, the Dominion of Canada and the Commonwealth of Australia have followed the same path. In Nigeria, however, under the guise of the provision of adequate revenue sources to States for development purposes, any change must generate considerable public political discussions and controversy. This is because the change has to be acceptable to the political authorities. Although the controversy used to be serious during the first Republic, the debates and heated controversy was more serious on the nullified Revenue

Allocation Act, 1981.

Throughout the past twenty one years of our experience with revenue sharing after independence, the sources of Federally - collected revenues that formed the subject of revenue allocation have remained unchanged. These sources include import duties, excise taxes, export duties, mining rents and royalties. However, the problem centred around not who should raise the taxes but how to share the proceeds. Consequently, the primary motivation for revenue sharing in other Federations such as the United States of America, the Dominion of Canada and the Commonwealth of Australia is economic. That is to assist the financially and fiscally weak States with Federally - collected revenues. In these Federations, the revenues to be so shared represent only a small fraction of the States total revenues. Revenue sharing is thus regarded as merely a supplementary rather than a primary source of States resources. In Nigeria, for example, the reverse is the case because Federally - collected revenue is regarded as a primary source of State resources.

In Plateau State, for instance, Federally-collected revenue forms more than 60 percent of the total State revenue in the financial year 1976/77 as can be seen under Table IV.11 below. The problem is no better either with the Local Governments in the State as reveals by Table IV.12 below. In fact it is a universal phenomenon throughout the country. Local Governments in the State intend to spend about ₦79,394,470 in the financial year 1981. The amount represents the total expected revenue of ₦80,444,470 for the twenty one Local Governments. Out of this amount, about

₦73,397,015 is expected from the Federal and State Governments as statutory allocations and grants respectively. The external revenue, therefore, forms more than 80 percent of the total revenue of the Local Governments in the State. The picture of the financial position of the State Government in the fiscal year 1981 is no better either with what obtains in its Local Government areas.

TABLE IV.11
Plateau State Revenue Sources (In ₦)
1976/81

FISCAL YEAR	FROM FEDERAL GOVERNMENT (EXTERNAL)			INTERNAL	TOTAL
	STATUTORY	GRANTS	LOANS		
1976/77	76,308,450	42,616,310	43,500,000	34,095,230	195,519,990
1977/78	71,897,310	15,673,860	17,808,316	51,468,160	156,874,646
1978/79	66,581,900	7,728,267	17,808,316	39,654,770	131,773,253
1980	100,698,000	2,600,000	65,254,736	62,210,980	230,754,716
1981	184,140,000	2,500,000	113,254,736	92,846,720	392,741,456
TOTAL	509,627,660	71,118,437	257,626,104	280,266,860	1108627061

Source: Approved Estimates of Recurrent and Capital Expenditure of the Government of Plateau State, 1976 - 1981.

TABLVE IV.12
Plateau State Local Government Revenue
Sources (In ₦) 1976/81

TABLE IV.12

Plateau State Local Government Revenue

Sources (In ₦) 1976/81

FISCAL YEAR	EXTERNAL				INTERNAL	TOTAL
	FEDERAL	STATE	GRANTS.	LOAN		
1976/77	2,427,202	1,169,338	188,370	-	6,096,116	10,216,026
1978/78	10,000,436	6,096,000	200,000	-	4,623,000	20,919,436
1978/79	12,405,371	7,400,000	334,225	-	3,959,256	23,998,852
1979/80	14,080,000	10,500,000	23,952,125	-	4,069,934	52,542,059
1981	59,500,000	12,847,455	1,050,000	-	7,047,015	80,444,470
TOTAL	98,383,009	38,462,793	25,554,720	-	25,735,321	188,165,843

Source: Approved Local Government Estimates Recurrent and Capital Expenditure, 1976 - 81.

For instance, out of the total State Government revenue of ₦392,741,456 statutory allocation, Federal Government grants and loans took the lion share of about ₦299,894,736 which represents more than 75 percent of the State's total revenue.

The problem of revenue allocation and Federal finance in Nigeria, generally, and in Plateau State in particular centred around how effective States and Local Governments are in their tax efforts and exploitation of more sources of internal revenues, Experience has shown that it is no longer possible for the States and Local Governments to be hundred percent dependable on the Central Government. At least it would not work now, because of the current crisis of high expectation of the three tiers of Government in the country. Because of the tendency of the lower tiers of government depending heavily on the higher tier of government for financial resources, States and Local Governments were not only rendered lazy and ineffective in their tax efforts but were made hopeless in their plans excution.

While a lot of the existing resources were left unexploited to their full capacities there are other areas whereby Plateau State and Local Governments could generate more revenue in the State. Another problem which has not been given serious consideration is the weaknesses and dishonesty of the revenue collection machinery at both the State and Local Government levels. There is also the problem of lack of experienced, dedicated and adequate crew of personnel in the revenue collection machinery.

In an effort to raise the financial position of the State and Local Governments, the Plateau State Government had appointed three separate panels to examine and review the revenue sources of both the State and Local Governments between 1976 and 1981[22]. These panels have, however, made good recommendations to the State Government for consideration and possible implementation. For instance, the High-Powered Committee on Review of Revenue Sources made twelve recommendations under the Ministry of Finance (Revenue Division). The first recommendation to be implemented was the appointment of the Director of Internal Revenue. Other recommendations are yet to be implemented[23].

IV.3 Evolution of Financial and Administrative Control Measures Between Federal, State and Local Governments

In the real world of intergovernmental relations, the focus of which is always on the nature of federalism which is the basis of those relations, it may be argued that the question of financial and administrative control measures by one level of government over the other may not be necessary. This therefore implies that the Central Government and State Governments must act directly on the same people, though of different geographical locations. There must be a constitutional demarcation of powers and functions between these levels of government as well as Local Governments. The area of authority of each level of government must be specified in a written constitution.

However, in a democratic government such as the one we are operating today, financial and administrative control measures are not only necessary, for public accountability, but are very desirable. These measures have specific aims and objectives, unless and until they are strictly observed and adhered to, there is bound to be lack of public confidence in the government which may definitely breed economic and social chaos.

At this point, it is possible to identify certain aims of financial controls. In the first place, the constitution of the Federal Republic of Nigeria, 1979 stipulates powers and responsibilities of each of the three levels of government in the country. At the same time, it makes provision for the sharing of the nation's revenue between them in order to make them financially viable. This is necessary because there is little sense in allocating

adequate and comprehensive powers and responsibilities to a level of government when it is unlikely that this government will find enough money to undertake its functions.

Another aim of financial control is to facilitate routine accountability on the part of both the State and Local Governments. The objective here is to maintain purity in financial administration and management. It is therefore imperative to ensure that responsibilities are clearly defined, that financial duties are properly distributed, that expenditure is properly sanctioned, that outlays are wisely made, that collection of revenue is carried out with deligence and honesty, that precautions for the custody of cash and the protection of financial interests are not overlooked.

In fact, this aspect of controls must ensure regularity and enforce accountability. Experience has, however, shown that States and Local Governments in the country have not shown sufficient sense of responsibilities and maturity to justify the relaxation of these financial controls.

Maintenance of long-term accountability and perspective financial planning could be regarded as another means of financial control measures. Both Plateau State and Local Governments are not only concerned with routine financial management but engage in long-term revenue and expenditure planning for capital development. Planning is the back-borne of socio-economic development all over the world today, especially in the developing nations. As such, central governments actively engage in this type of planning which necessitate the control of dynamic workings of various sectors of the economy. As the total spending of Plateau

State and Local Governments as a proportion of total public spending in the country is on the increase, the need to direct and control their revenue and investment spending can never be over-enphasized.

Again, all the three levels of government in the country draw up long-term capital development plans for their respective areas of jurisdictions. Since it is necessary to avoid conflicts and duplication of efforts, planning at the lower levels of government needs to be supervised and controlled to ensure that they are in harmony with the national development goals and objectives.

Unfortunately, these important aspects of the financial and administrative control measures are either deliberately ignored due to the materialistic tendencies of the bureaucrats and the politicians alike or are not patriotically appreciated by all and sundry in the country.

The problem of financial control in Nigeria in general and Plateau State in particular could simply by termed as "efficient management of fiscal and human resources". This implies the raising of revenue and the spending of the revenue raised. How efficient is the tax system of the State and Local Government? It is far from satisfactory.

The reasons for this assertion are easilly identified. Most of the tax officials of the Revenue Division of the Ministry of Finance and those of the Revenue Departments of the Local Governments are either incompetent and untrained for their jobs or are not doing their work as is expected of them. In the State, for instance, only the Civil Servants pay their tax liabilities hundred percent. This is because they pay under the Pay As You Earn (P.A.Y.E.)

system.

On the other hand, those wealthy businessmen and women who are supposed to pay under direct assessment do not pay their tax liabilities in full. They easily evade taxation with immunity leaving only those whose taxes are deducted at source to bear a disproportionate burden of taxation. In fact Civil Servants have no way of evading taxation since the introduction of the P.A.Y.E. system. This is clearly revealed by table IV.6.

In the financial year 1978/79, the sum of ₦3,000,000.00 was expected to be collected under the P.A.Y.E. scheme but the actual collection stood at ₦3,432,712.00. During the same period, a total of ₦226,393.00 was collected as against the estimated amount of ₦150,000.00 for Entertainment Tax. On the other hand, in the same fiscal year, the sum of ₦878,732.00 was collected under Direct Assessment and 3% contract Tax Deduction as against an estimated amount of ₦1,000,000.00 revealing a short fall of about ₦121.268.00.

Other problems facing the State in its management of Local fiscal resources are the appalling lack of data about the incomes of the tax payers, and most of the potential taxpayers are either under-assessed or not assessed at all while a few are over-assessed. In fact some of them are not known at all.

Also, due to lack of patriotism in the part of some tax-payers, the spirit of compliance is lacking with the result that people have to be chased about by tax/revenue collectors. Evasion is quite rampant particularly with the wealthy people, businessmen and women. Above all, tax administration has become highly politicised under the present civilian

administration[24].

On the expenditure side, the Traditional Budgetary System along with the calibre of staff handling the budget preparations at both State and Local Government levels and their integrity affect their ability to minimize wasteful expenditure. There is no built-insystem of keeping the pattern of expenditure under close and constant review as is the case with the Programme Planning and Budgetting System (PPBS) or Programme and Performance Budgeting (PPB). The State Government has neither the organisation and methods Unit (O&M) nor Management By Objective (MBO) System, and it doesn't undertake management auditing.

In actual fact, the traditional way of auditing (post-auditing) doesn't help either in the financial and administrative control measures in the intergovernmental financial relations in the State. This is a serious problem which calls for urgent review of Audit Law in the State in particular and the country in general.

The State Director of Audit, for instance, submitted his report on the accounts of the Government for the year ended 31 March, 1977 on 4 June, 1981[25]. Under the provision of section 11 of the Audit Law of the State (Cap. 11 of the Laws of Northern Nigeria, Volume I), the Accountant General of the State is required to submit his financial statements within eight months of the close of the financial year or su such longer period as the former Military Governor or Administrator or the present Speaker of the State House of Assembly may, by direction, allow, Without such directives, the financial statements of the financial year ended 31 March, 1977 which were supposed to be submitted on November, 1978

were only closed and submitted on 27 March, 1980[26] and 4 April, 1981 respectively. That is to say, the accounts were submitted for audit purposes more than two years in arrears! Under the prevailing circumstances, therefore, how is it possible to control, avoid or minimize wasteful expenditure?

Due to lack ot efficient financial management in the financial year 1976/77 there were losses of public funds and stores amounting to ₦699,330.00 with unauthorised excess expenditure of ₦35,121,323.03[27]. Besides, there were various financial irregularities ranging from fictitious payments, fraud, forgery and cheating to shortage of funds and over payments[28]. All these entail lack of effective financial and mamagement control measures.

Factors responsible for this unhealthly situation are numerous. Amongst them are deffective and outdated Audit Laws, non-challant attitude of the accounting officers in spending government money and assigning heavy financial responsibility to unexperienced and comparatively junior officers[29].

It is therefore imperative to see the need to review the Audit Law, as a matter of urgency, as well as Financial Instructions in the State to conform with the current requirements of financial accountability and responsiveness. The Local Government Financial Memoranda is no exception to this phenomenon. In actual fact, the case for improving efficient management of financial resources in the State can never be overemphasized[30].

FOOTNOTES TO CHAPTER IV

1) As a result of this decision, the Raisman Fiscal Commission was appointed in 1957/58.

2) The outcome of the report of the commission and its subsequent acceptance is the logical evolution of the present allocation of tax jursidction formula, and indeed the fiscal policies, between the Federal and Plateau State Governments. The Plateau State Government inherited the formular from the successive regional/ State Governments respectively.

3) The casino gambling and Pools Betting have now been banned in Plateau State with effect from 1979/80 fiscal year.

4) These were the principles of Derivation and per capita distribution (i.e. principle of balanced development).

5) Since that year, Distributable Pool Account (DPA) has been distributed such that 30% of the revenue in this account is shared equally among States while the remaining 50% is shared on the basis of population.

6) Adebayo Adedeji: Nigerian Federal Finance, Its Development, problems and prospects, Hutchinson Educational Limited, 1969, pp. 138 - 139.

7) The Bureaucrat, Vol. 8 No. 2 of April - June, 1980, Published by the Bendel Newspapers Corporation Benin City pp. 6-7.

8) The major exports were ground-nuts, cotton, hides and skins and tin from the North, Cocoa from the West and palm produce from the East respectively.

9) For example, as a result of the change, the statutory allocation to Bendel State in 1974/75 fell from ₦204.15 million to ₦116.40 million in 1975/76. This gave a reduction of about 57.58%.

10) Out of the 80% share of the Regions/ States, 50% is paid to the region/ state of origin and 30% to the D.P.A.

11) Report of the High-Powered Commission on Revenue Sources in Plateau State, 1980, pp. 11-12.

12) Ibid, p. 11

13) Handing-Over Notes from the Military Administrator of Plateau State, Col. J.U. Anaja, P.S.C; To the Governor-Elect of Plateau State, Mr. S.D. Lar, printed by Reprographic Section, Education, Jos, September, 1979, pp. 85-86.

14) Ibid, p. 85.

15) It should be noted that up to the time of the enactment of the Revenue Allocation Act, 1981 which was later declared Null and Void by the Supreme Court, Local Governments in the country benefit from the Federal Government grants system only and not revenue sharing device.

16) MLG circular Ref: No. MLG/S/OFF/ 146/Vol.I/46 of 24 August, 1978.

17) Adebayo Adedeji: Op. cit., pp. 48-50.

18) The basis of the controversy was that the sharing formulae recommended by the commission was wrongly enacted into law. That is to say, from the Joint Conference Committee the Bills went straight to Mr. President for his assent instead of going through the two houses of the Assembly. It was therefore declared Null and Void by the Supreme Court.

19) The Federal Military Government Decree (Now Act) No.6 of 1975 de-emphasized the famous principle of Derivation.

20) Adedotun O. Phillips: Three Decades of Intergovernmental Financial Relationship in the Federation of Nigeria. Quarterly Journal of Administration; Special Issue on Intergovernmental Relations in Nigeria, January, 1980, pp. 160-161.

21) Ibid, pp. 166-167.

22) The Revenue Review Panel, Under the Chairmanship of Mr. R.M. Lang and The Report of The High-Powered

Committee on Review of Revenue Sources in Plateau State, under the Chairmanship of Professor U.D. Gomwalk, 1980 respectively. The third panel, under the chairmanship of Alhaji U.A. Sulaiman, was solely responsible for the Local Government finances.

23) The Report of the High-Powered Committee on the Review of Revenue sources in Plateau State, September, 1980 pp. 98-100.

24) Immediately the present Civilian administration came into being, particularly in the Northern States, community and cattle taxes were abolished while other revenue collections are very difficult to pursue in order not to annoy a supporter of the government party. In fact, due to political patronage, most of the government and Local Government contracts nowadays are awarded without invitation to Tender which used to fetch the government substantial amount of money through the payment of unrefundable Deposits.

25) The Report of the Director of Audit on the Account of the Government of Plateau State of Nigeria For the Year Ended 31 March, 1977, Printed By The Government Printer, Jos.

26) The Plateau State Gazette No 11 Volume 5 of 27 March, 1980. p. 6.

27) The Report of the Director of Audit on the Accounts of the Government of Plateau State of Nigeria For the Year Ended 31 March, 1977, pp. 2-9.

28) In October, 1979 fictitious payments of about ₦85,000.00 were made at the Sub-Treasury Akwanga while in Pankshin Sub-Treasury there was a suspected fraud of ₦80,000.00 between November and December, 1979.

29) The cases at Akwanga and Pankshin Sub-Treasuries (28 above) for example, involved officers on Grade Level 04, 05 or at most 06!

30) This is evidenced by the reports of the several Tribunals of Inquiries into the administrations of various State and Local Governments in many parts of the country including some Federal Government functioneries over the Years. There are also many reported and unreported cases of embezzlements, misappropriation and losses of public funds as revealed by Audit reports all over the country.

V
CONCLUSIONS AND RECOMMENDATIONS

V.1 CONCLUSIONS:

Several features directly or indrectly associated with intergovernmental relations in Nigeria occupied the attention of Nigeria as a federation before the army took over the administration of the country in 1966. These included the allocation of powers and revenue. The direct impact of intergovernmental relations also came to light during the Military administration. The thirteen years of the Military rule had a profound impact on the theory and practice of intergovernmental relations in the country. This has created a situation in which the Federal Government had to assume unconditional leadership role in the management of the nation's affairs quite countrary to the prevailing situation before 1966.

While the general principle guiding the allocation of powers and responsibilities amongst the levels of government in the United States of America had been the capacity to perform, active participation and effective partnership, the reverse is probably the case in the Nigeria situation. In Nigeria for instance, it is a serious struggle for power, survival and identification. Each level, especially the federal and state government, is trying to exact its power and authority over the other. Consequently, rivalry, lack of confidence and trust, and above all, confrontation and lack of faith has emerged.

Obviously, it is difficult to make meaningful comparative analysis of intergovernmental relations in Nigeria between the three successive regimes of pre-military, Military and

post-military administrations in the country. Many factors are responsible for the situation. During the first republic, the most important problem facing the country has been the task of state building since her attainment of political independence in 1960. This has been followed by the consolidation of national authority, transformation of the national economy, establishment of productive institutions, and above all, defining of patterns of relationships between the federal, state and local government authorities. This phenomenon resulted in strong regional governments with weak central government.

The pre-military Nigeria was dominated by centrifugal forces which wielded much power and authority. In many ways, the regional governments acted as independent countries within a nation and thereby eroded the authority of the Federal Government. Under the circumstances, the Federal Government found it very difficult, if not impossible, to exercise leadership role and control of the nation's affairs. In a nut-shell, until the advent of the military administration, the country had an unbalanced federal structure with stronger constituent state (regional) governments in terms of both financial and human resources[1].

With the edvent of the Military administration in 1966, Nigeria had witnessed a complete centralised federal system of government which made it possible for the emergence of intergovernmental relations that allowed states to undertake some services for and on behalf of the federal government. While intergovernmental relations in the United States of America has developed along with the democratic process that of Nigeria had experienced the nature of the

Military structure which is purely of unitary nature. The experience had, however, helped in no small way, at least, superficially, for the survival, unity and stability of the country which was on the verge of collapse as a result of the hostility it had found itself. It had also ensured the consolidation of the national authority, and most importantly, the federal government was able to gradually and firmly establish federal authority in all parts of the federation. This was accomplished through the enactment of various decrees which suspended some aspects of the Republican constitution that limited the federal authority previously.

The major commanding factor that has greatly helped to shape the emerging intergovernmental relations in Nigeria is the substantial increase in financial resources available to the Federal Government. This was due to the increase in the quantity and price of Nigerian oil[2]. The Federal Government retains most of the proceeds from oil sector making the state governments more financially dependent on the Federal Government, not only to supplement their recurrent expenditure but to finance their capital development programmes[3]. This financial dependence more than anything else has altered, drastically, the balance of power between the Federal and State Governments in favour of the former.

Actually, the constitutional development of the United States of America, the Dominion of Canada and the Commonwealth of Australia have confirmed this assertion. In these federations, the trend in recent years is toward increased dependency of the States on the Central Government for the

bulk of their financial resources. As the cost of running the government increased, states have been compelled to approach the central government for specific and non-specific grants. This is so because these grants have usually been accompanied by one federal control or the other. This can be true of the prevailing situation in Nigeria. For example, before federal government grant on state government Technical College is released, the college must be equipped with trained teachers and well-equipped workshop and laboratory. On the other hand, before now in Plateau State, any local government who employed a holder of Diploma in Local Government would be entitled to hundred percent staff grant while the Intermediate holder attracted 50%.

However, the major source of financial control over the state governments in Nigera, generally and Plateau State in particular is through the public Account Committee and Audit inspection reports. Both the committee and the Audit Department are directly responsible to the individual State House of Assembly. The most unfortunate thing with this arrangement is that the system is not effective in that their reports used to come up many years in arrears. This medicine after death sort of arrangement needs to be changed to a more positive system which will be capable of avoiding, checking or minimizing wasteful spending of public funds.

It is rather very difficult, if not impossible, for the federal government to exercise effective control of the state government finances. This is because it does not approve state budgets or supervise the implementation of the state governments programmes. For example, how does the federal government assess the tax efforts of a state

government? Constitutionally, states are not the creation of the federal government but that of the constitution. As such, it cannot, and in fact it should not exercise direct control over the state's financial affairs because it would be tantamount to encroachment on the state constitutional rights and responsibilities.

On the other hand, it is much easier and practicable for the Plateau State Government to exercise direct financial control over the Local Governments in the State. This, of course, applies to other states in the federation vis-a-vis the local governments under them. The Local Government Law of the state, otherwise known as the Local Government Edict No. 19 of 1976 as well as the Local Government Financial Memoranda (F.M.) provide for the State Government financial control over local government finances in the state. The organs of the state control are the Ministry for Local Government (MLG) and the State Audit Department. These controls are of different categories. Budgetory control is, however, the most important financial control exercised by the State Government over the local governments. For instance, both the Local Government Law and the Financial Memoranda require local governments in the state to prepare annual budget (estimates) of their proposed revenues and expenditure for the following financial year and to submit same for the government's approval. Usually, government directives enumerating guidelines for the preparation and submission of the local budgets are provided by the Ministry for Local Government. After the approval, no alteration would normally be entertained without prior approval of the approving authority.

The second category of control is through the grant-in-aid system. Most of the grants to local governments are given not only as contributions to local revenue but for the promotion of certain local services to desired standards. The extent to which grants are used as means of financial control over local governments depends largely on the types of grants, and local revenues and whether particular conditions were attached to the spending of the money granted.

Various types of grants have been made available to local governments in the state, and are still being made available in form of block, unit and percentage grants. There is also general purposes grants which are not made for specific services. General purposes grants, for example, should be properly used for the interest of the common man while percentage grants are paid to encourage the maintenance of minimum standard of services to which the grants are paid. However, general purposes grants are withheld when there is an established case of wasteful and unreasonable spending.

Another form of financial control over local governments is through the routine accountancy control and government directives. Local Governments in Plateau State, like their counterparts in other states of the federation, are required to follow financial directives and instructions issued by the State Government through the Ministry for Local Government. Local Government Inspectors from the Ministry for Local Government and Audit staff from the State Audit Department do inspect and report on the management and operations of the local government finances. In fact, the state government financial controls over local governments in Plateau State are so extensive and detailed to a larger extent.

Generally speaking, intergovernment relations in Nigeria is seriously handicapped by poor financial position of all the state governments. Most of the states are virtually poor in every respect. There is also the problem of poor financial management in the parts of the states as well as local governments under them. Another problem adversely affecting intergovernmental relations in Nigeria is lack of confidence between the Federal and State Governments, rivalry, struggle for power and identification, and above all too much reliance on the provisions of the constitution as they affect the divisions of powers and responsibilities between them. These detractors of healthy intergovernmental relations are, however, more pronounced with the present administration as against the defunct military era which was virtually of a unitary nature.

With the findings and observations so far, my hyptheses (a)-(b) have, therefore, been proved beyond reasonable doubt, It is a fact that State and Local Governments in the country have now been left with inadequate financial resources to meet the need and responsibilities of their respective Governments. As of now, some of them could not even pay [illegible] staff salary not to talk of the provision of social services.

V.2 RECOMMENDATIONS:

If the autonomy of the states in Nigeria is to be real in every sense of the term, they should be provided with adequate financial resources to discharge their constitional responsibilities. As we are all aware, 'want of money is the root of all evil' is true for human beings as well as governments. The scope of governmental powers is seriously limited by the financial resources available to it. In fact,

in a federation such as ours, if the central government and the units gove·nment are to be truly coordinate in authority it is imperative that each should have control over its own financial resources. If the state governments cannot carry out their constitutional duties and respomsibilities without approaching the central government for aid, then their autonomy is in complete jeopardy.

The future of intergovernmental financial relations in Nigeria, generally and in Plateau State in particular, depends largely on how serious and important the socio-economic development of the country is viewed by both the federal and state governments. Unless there is this understanding, national consciousness and sense of patriotism on the part of political and administrative functionaries of these levels of government, one can hardly talk of a sound, healthy, stable and balanced federation capable of taking the country into self and sustained economic and industrial take-off. To have a successful and coordinated national and international policies in this country, both the central and unit governments must live in confidence and harmony with one another. They must be seen as partners in progress and development of the country.

This important goal can be achieved through a dynamic p♦l♦cy in the allocation of functions, duties and responsibilities which can subsequently be followed by a sound revenue sharing formula devoid of frictions, rivalry and subjugation of one level of government to the other. There is no doubt that the United States of America has achieved much through this approach to intergovernmental relations. Distribution of duties and responsibilities between the federal and state

governments and indeed the local government units is always based on which level of government is in the best position to undertake which duty and responsibility. When this is done, the financial allocation is then made either through specific or general pruposes grants or through direct revenue or through direct revenue allocation system. In fact the allocation of tax powers could as well be based on the level of duties and responsibilities assigned to each level of government.

It can be recalled that during the defunct military administration a lot of Federal Government functions and responsibilities were handled by the state governments acting as Federal Government agencies. Adequate financial grants were made available to the state governments for effective implementation of these services. These services include among others the maintenance of Trunk B roads, the operation Feed the Nation (OFN) programme, construction and maintenance of the Federal Government housing programme and a host of other services. The Federal Government then was convinced beyond reasonable doubt that State Governments, being the governments closer to the masses, were in the better position to handle the services effectively. This approach to intergovernmental relations falls on the same line with the philosophy of intergovernmental relations in the United States of America.

Unfortunately, this laudable approach has been abandoned immediately the present administration assumed office on 1 October, 1979. It is obvious, however, that this line of action has to be taken by the party controlling the Federal Government because it does'nt control some of the states of the federation. Naturally, the party controlling the federal

government would like to see its impact felt at the grassroots level. It therefore thought that if those State Governments controlled by different political parties are allowed to handle some functions on behalf of the federal government as was the case with the defunct military administration, these states would be relectant to tell their people that they were acting for and on behalf of the federal government in handing the functions, hence the present federal government commitment to go right through to the grassroots level. Toward that end, federal government took over all the responsibilities that were hitherto being carried out for it and on its behalf by the State Governments. Frankly speaking, the fears expressed was that these state governments would use their agency positions to gain political popularity thereby giving them great advantages over the party in power at the centre. With this self-centred attitude toward the development of intergovernmental relations in Nigeria, it will be very difficult if not impossible to evoke effective approach in Nigeria.

Although the present administration has abandoned some important functions hitherto being undertaken by the state governments on behalf of the federal government, a most striking feature of intergovernmental relations under the military administration which has beem maintained by the present administration since 1979 is the idea of regular meetings involving political leaders and administrative officials. There is no doubt that these meeting and conferences have expanded in scope. Virtually, every aspect of governmental activity is covered by either federal - state or inter-state conferences or a combination of the two. Such meetings and conferences were held in 1980 and 1981 at

an annual average of 200 at both federal-state and inter-state levels. Under these conferences, the importance of the bi-annual conference of Commissioners for Local Governments by the present civilian administration with a unit of the Executive Officer of the President serving as the Secretariat can never be overemphasized.

The National Conference of Commissioners of Finance, Meeting of Secretaries to the State Governments of the Federation, National Conference of Commissioners of Works, Meeting of the Civil Service Commissioners of Oyo, Ondo, Ogun, Lagos and Bendel State are the examples of inter-state conferences. The example of inter-local conference is the annual conference of Chairmen of Local Governments of the Federation. With the proposal by the Federal Government to establish a department of intergovernmental relations in Nigeria, there is every hope that a healthy and sound intergovernmental inter-actions in Nigeria would be established.

The functions of the various levels of government are clearly stated in the constitution of the Federal Republic of Nigeria and can only be amended from time to time by the act of the National Assembly. It is therefore out of the scope of any body on intergovernmental fiscal relations to do anything about it but it is essential in determing the amount of revenue that should be made available to each level of government.

The existing pattern of fiscal relations between the Federal and Plateau State Governments in particular and the whole states of the federation generally needs some modification. While the new revenue sharing formula of 55%, 35% and 10% respectively to the federal, state and local governments could be said to be the modest arrangement in the development

of the revenue sharing system in Nigeria in recent years but it cannot be regarded as the most efficient and adequate arrangement to guarantee sufficient financial resources to the state and Local Governments in the country. The required modification should be such that there is total elimination of the discretionary powers enjoyed by the Federal Government who is responsible for revenue sharing, and revenue sharing is related to the budgetry and developmental functions of various level of government. In addition, each levels of government, especially State and Local Governments, is empowered to raise substantial revenue locally. This is very necessary in view of the fact that the only major source of revenue available to the whole nation can no longer be relied on. The current oil glut is a clear indication of the fact that the oil revenue in the country cannot be regarded as buoyant.

Considering the financial commitment of the Plateau State Government and those of the Local Governments in the State coupled with the ineffectiveness of the revenue collection machinery, one cannot but recommend a complete review of the existing intergovernmental financial relations between the Federal, State and Local Governments. The present constitutional responsibilities of both the State and the Local Governments in the country call for additional financial resources to these levels of government. Local Governments responsibility toward the Universal Primary Education (UPE) alone calls for adequate financial provisions to the Local Governments in the State. The new 10% revenue allocation cannot be adequate to take care of the increasing responsibilities of the Local Government including the UPE scheme.

Although State Governments have kicked against grants in favour of increased share through the revenue allocation system during the Okigbo Revenue Commission, I see the transfer of funds in terms of specific and or general grants system in addition to the share from the revenue allocation process is the sure way of making adequate financial resources to State and Local Governments in the State, and indeed the entire nation. The State Governments' opposition to the grants system emanated from the past experience of these grants arrangement. They experienced a lot of uncertainties surrounding the system, irregularity in the disbursements, vagaries of their timing and the frequency and, sometimes abruptness in the change of the Federal Governments priorities. These resulted, on several occasions, to their being forced to abandon some contractual commitments entered into in anticipation of the promised grants.

In my view, the grants system should be seriously restructured with a view to allowing it continue as was the case during the defunct Military administration. In fact, it should be allowed to go side-by-side with the statutory revenue allocation system. The conditions governing the system of grants should be clear and certain. They should be more flexible than a single fixed formula and not arbitrary as has been the case in the recent past.

The grants should be based on those responsibilities under the concurrent legislative lists. These should include among others; Secondary and Primary Education, Post-Secondary Education, Vocational Training, implementation of agricultural development programmes, implementation of the national health services scheme, construction and maintenance of Trunk A roads and the construction and maintenance of the national housing

programmes. In this case, State and Local Governments, being the levels of government closer and respectively to the grassroots should be mandated to handle the functions with the Federal Government providing the necessary policy guidelines and national standard required of each responsibility. Failure to achieve the required national standard and the targets set could be one of the conditions for the withdrawal of the grants along with the specific responsibility attracting the grant. The United States of America, for instance, has succeeded in this direction by giving grants to states for public housing, agriculture, welfare services, Highwyas, urban renewal, libraries and hospitals[5]. Certainly, grants system should not be seen, and never to be taken, to be an instrument of political favour, intimidation or discrimination whatsoever.

Consequent upon the problems analysed on the internal tax efforts of both the Plateau State and Local Governments, there is need to review the tax and revenue collection system and machinery in the State. It is highly desirable to introduce a positive policy which will ensure effective, efficient and honest identification of taxpayers, correct assessment and collection of revenue in the State. It is my candid view that personal income tax assessment and collection be vested in the Local Government authorities in the State. This will ensure efficient and honest assessment and collection notwithstanding that the tax is directly under the jurisdiction of the State Government. For easy identification of the prospective taxpayers, effective assessment and collection Local Governments could be made agents of the State Government in that respect. After all, Federal Government which is an authority far away from the State Governments is acting on

their behalf in the assessment and collection of certain taxes, including the personal Income Tax in the country[6].

Needless to stress that Local Governments in the State are not only the authorities at the grassroots but are the lowest level of governments closest to the masses. They know each and every resident in their respective localities, and know the financial positions of their people including the people's prospects and problems more than any central authority who always deal with the masses through these Local Government authorities. Since Local Governments in the State are to get 10% of the locally collected revenue of the state government under the provisions of the constitution of the Federal Republic of Nigeria, I do not see why these Local Governments would not be required to actively participate in its collection.

Another problem that require urgent attention is the honesty and intergrity of the tax and revenue collection machinery in the State. This can be achieved by assigning only the senior officers, who are properly trained and with adequate experience to undertake the exercise. Their positions should be dignifying ones, and be given adequate power and authority to undertake this novel responsibility without hindrance. Of course, there should be positive system of feed-back from the officers in form of weekly, monthly or quarterly report as to the problems and prospects of the exercise. This will no doubt given ample opportunity for the review and reorientation of the system in operation with a view to achieving greater productivity. It may also necessitate the revision of relevant laws and bye-laws including the review of the rates and charges depending on the prosperity of the entire population and the

economic prosperity of the State generally at a particular period in time.

Generally, it is my ardent belief and hope that Federal and State Governments in the country should see the need and desirability for the establishment of an institution responsible for intergovernmental relations in Nigeria. This could be in form of a commission, Board, Council or Authority. The United States of America and the Commonwealth of Australia have already given a lead in this regard by establishing some institutions for intergovernment relations in 1953/1956 and 1931 respectively. These institutions were established with the sole purpose of continuous study and monitoring of intergovernmental relations and cooperation.

In fact the defunct military administration had placed Nigeria on the right path immediately it took over the administration of the country in 1966. All we require now is to institutionalise the machinery by the National Assembly. The establishment of various national councils on intergovernmental relations in the country, such as the National Council on Establishments, National Conference of Commissioners for Local Governments and the National Economic Council, to mention but a few, are the right steps in the right direction. Other important developments to the institutionalisation of intergovernmental relations machinery in the country are the establishment of the Federal Secretariat in each of the nineteen States Headquarters with the controversial Presidential Liason Officer (P.L.O.) heading each secretariat, and the setting up of Liason Offices by the State Governments in the Federal Capital, Lagos. These state offices are also headed by senior administrative officers, sometimes of Permanent

Secretary's rank.

Fortunately, it has been mooted that Federal Government has the intention of establishing a Department of Intergovernmental Relations in the country. It is to be located in the Executive Office of the President. It is therefore hoped that the State Governments will decide to take similar decision. There is no doubt that Nigerian Universities, especially the Ahmadu Bello University and the University of Ife which are known to be, and regarded as, professional universities in Public Administration, have important and crucial part to play in the development of a sound and effective intergovernmental relations in Nigeria. In fact their roles in the initiation, organisation and the conduct of the National Conferences on Local Government and seminars on Public Administration in the country since 1969 is fresh in our memories.

It must be stressed here that when it is finally established, this important agency will be made autonomous organisation at the service of both the national and state assemblies. The services should also be extended to each of the three levels of government in the country. This arrangement would be the only way to detach the would-be-agency from political manipulation and manoeuvre as well as the current inter-party relations which has been characterised by intense partisanship bordering on hostility and confrontation which is adversely affecting the development of intergovernmental relations in the country.

FOOTNOTES TO CHAPTER V

1) Until 1967, the Northern region was greater in size and population than all other regions put together. Moreover, the regions had enough independent financial and human resources. The regional civil service attracted experienced and talented public servants.

2) While the gross proceeds from the oil sector were to the tune of ₦66 million in 1964, the gross proceeds from the sector in 1975 stood at ₦5,320 million.

3) For instance, out of the Federal Governments' gross revenue of ₦5,252 million for the 1975/76 financial year, a total sum of ₦1,300 million was only earmarked for statutory and non-statutory appropriations to the States.

4) See Part II Section 4 of the constitution of the Federal Republic of Nigeria, 1979.

5) See Deil S. Wright - Intergovernmental Relations in the 1980's: A New Phase of IGR, Department of Political Science and Institute for Research in Social Science University of North Carolina, Chapel Hill, September, 1981, pp. 6 - 8.

6) Federal Government Collects personal income Tax of the personnel of the Ministry of External Affairs on behalf of the State Governments.

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APPENDIX I

THE QUESTIONAIRE DISTRIBUTED TO
FEDERAL, PLATEAU STATE & LOCAL GOVERNMENT
SENIOR OFFICERS CONCERNED WITH ADMINISTRATION OF
INTER-GOVERNMENTAL FINANCIAL RELATIONS

1. PARTICULARS OF OFFICER:

(a) Name:

(b) Present Rank:

(c) Federal/State/Local Government:

(d) Length of service in the Organisation:

B - FINANCIAL RELATIONS

2. How many sources of external revenue are available to Plateau State and Local Governments, and what are these sources? (TICK AS APPROPRIATE).

	STATE	LOCAL
(a) Statutory Allocation from Federation Account.		
(b) Non-Statutory Allocation from Federal Government.		
(c) Grants from Federal Government.		
(d) Statutory Allocation from State.		
(e) Grants from State Government.		
(f) External Loans.		
(g) Internal Loans.		
(h) Grants from Other States.		
(i) Grants from other Local Governmtns.		
(j) Interest on Investments.		

3. How are Statutory Allocation, Non-Statutory Allocation and Grants from Federal and State Governments are paid? (TICK AS APPROPRIATE).

(a) Through direct contact to the paying authority in Lagos and Jos.

(b) Waiting until the paying authority from Lagos or Jos pays at its own pleasure irrespective of Cash flow or other

difficulties facing receipients (State and Local Government) Authority.

(c) It is paid:-
- (i) Annually.
- (ii) Quarterly.
- (iii) Monthly.
- (iv) At the pleasure of the paying Authority.
- (v) Depending on the pressure of the receiving Authority.

(d) It is paid:-
- (i) In advance
- (ii) In arrears.
- (iii) At the pleasure of the paying Authority.
- (iv) Depending on when the receipient Authority goes to collect its share.

(e) Grants to State and Local Governments are paid on:-
- (i) Developmental needs.
- (ii) Speical occasions.
- (iii) To equalize revenue sources.
- (iv) Lost revenue sources (Tax and Cattle).
- (v) Backwardness.
- (vi) Unforseen natural disasters.

4. In your experience, were the payments of Statutory Allocation and Grants to State and Local Governments 100% or otherwise during 1976 - 1981? (Insert as appropriate).

		STATE	LOCAL GOVERNMENT
(a)	1976/77 0-35%, 0-50%, 0-100%		
(b)	1977/78 0-35%, 0-50%, 0-100%		
(c)	1978/79 0-35%. 0-50%, 0-100%		
(d)	1979/80 0-35%, 0-50%, 0-100%		
(e)	1980 0-35%, 0-50%, 0-100%		

5. What are the Five most serious problems facing the inter-governmental financial relations between the Federal, Plateau State and Local Governments? (TICK AS APPROPRIATE).

(a) Lack of access to the actual collection and records at the Federal level.

lack of State participation in the sharing process

(c) Lack of reliable data.

(d) Underpayment of State and Local Governments share.

(e) Underpayment of non-payment of the Local Gove nments share by the State Government.

(f) Lack of co-operation by the officials concerned with the relationship at:-

(i) The Federal Level.

(ii) The State Level.

(iii) The Local Governments Level.

(g) Lack of clear-cut tax jurisdiction between:-

(i) Federal and State.

(ii) State and Local Governments.

6. What measures would you reocmmend to solve the above problems once and for all, or at least to minimize the problems? (Tick 3 or more as appropriate);-

(a) Establishment of a joint Revenue Allocation Committee at the Federal Level with all the States full represented as is the case with the State Joint Account Committee of the Local Governments.

(b) Clear-cut tax jurisdiction between Federal, State and Local Governments.

(c) Payment of State and Local Government shares on quarterly basis and in advance (1st week of January, 1st wekk of April, 1st week of July and 1st week of October of every year).

(d) There should be complete co-operation between the officers responsible for the administration of this relationship at the Federal, State and Local Government, and they should be meeting from time to time under the Chairmanship of the Federal Government Officer concerned.

7. Community and Cattle Taxes were abolished in the State. What advantages or otherwise do you think the exercise has on the Revenue sources of the Local Governments? (Tick 3 of more):-

(a) The exercise has raised the financial position of the Local Governments in the State as a result of payment of compensation by the Federal Government in lieu of the lost taxes.

(b) It has put the Local Governments in the financial difficulties.

(c) The exercise relieved the Local Governments of the heavy overhead costs of collection.

(d) The masses of the State were relieved of the victimization of the tax collectors.

(e) The exercise rendered Local Governments in the State incapable of providing the required minimum standard of services as a result of failures of the Federal Government to continue with the payment compensation as promised.

(f) Please State any other suggestion.

8. How would you rank the contribution of the following revenue sources to the overall revenue sources of the State and Local Governments? (Tick as appropriate).

(a) STATE SOURCES:

Federation Account — Higher Medium Low.
Internal Revenue. — High Medium Low.

(b) LOCAL GOVERNMENT SOURCES:

Federation & State A/C. — Higher Medium Low.
Internal Revenue. — High Medium Low.

9. Considering your experience on the financial commitments of running primary education in the State do you believe Local Governments could cope up with the problems within the scope of 10% share of the Federal revenue on the one hand and 10% share of the State's unstable revenue on the other?

10. If you think they could not cope up, what is your recommendation with a view to improving the situation: (Tick one):-

(a) Special grants from Federal Government to augument the commitments.

(b) Federal Government to be responsible for Teacher's salary and allowances, State Government to take care of Capital expenses while Local Governments to take charge of maintenance and other running costs.

(c) The three tiers of governments to share the expenses on the following bases:-

(i) Federal 50%
(ii) State 30%
(iii) Local 20%

(d) Please suggest any other measures.

(c) - NATURE OF FUNCTIONAL RELATIONS:

12. Comment briefly on the following statement:-

(a) Do you believe the divisions of responsibility between the Federal, State and Local Governments are satisfactory? (Tick one) Yes or No.

(b) Why?

(c) Are there areas of overlapping responsibility between the three tiers of governments?

(d) Which areas?

(e) How do we remedy the overlapping situation?

(g) What are the factors responsible for the present concentration of powers (if any) at the centre quite contrary to the prevailing situation in the first Republic? (Tick one or two):-

(i) The Nigerian Civil War.
(ii) The desire for a strong Federal Government (Centre).
(iii) The nature of the then Military administration.
(iv) Lack of clear-cut tax jurisdiction.
(v) Fear of domination of one State over the other.
(vi) Fear of cessation.
(vii) Lack of effective tax-efforts in the part of the units government.

13. Is the present functional and financial relations between the Federal, State and Local Governments satisfactory for the unity and good government in the country? (Tick one). YES or NO _____

(b) Please state your reason?

14. What is your comment, generally, on the inter-governmental financial relations between Federal, Plateau State and Local Governments? (Tick one):-

(a) (i) Highly satisfactory.
(ii) Satisfactory
(iii) Unsatisfactory.

(b) If the answer is unsatisfactory, how do we improve the situation?

THANKS FOR RESPONDING.

/ A N A W A /