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INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA

Fatile Jacob Olufemi *and* Adejuwon, Kehinde David
Department of Public Administration
Lagos State University, Ojo, Lagos State, Nigeria

ABSTRACT

The old question in politics of who gets what, when, where and how is no where more evident than in the fiscal federalism. The paper examines the nature of intergovernmental fiscal relations in Nigeria. The focus on fiscal relations is necessitated by the fact that revenue allocation is an integral aspect of intergovernmental fiscal relations in all federation, it is a conflict generating issue, and the management of which is very crucial to the survival of any federal state. The paper observes that in virtually all the federations the world over, there is hardly any congruence between the functions and responsibilities assigned to the levels of government and a financial resources available to execute them. Consequently, the apparently weaker tiers of government within such federation end up depending on the stronger tier(s) for their financial sustenance. The paper noted that the agitations over resource control and revenue allocation over-heated the polity. The article also examine the fact that fiscal federalism in Nigeria since the discovery of oil has gone through several convulsions which culminated in the tightening of the grip of federal power over the entire process; with the concomitant increase in the struggle for access to, and control over, federal power. It also observes that the ongoing crises in the Niger Delta region between federal government law enforcement agents and youths in the oil producing communities is nothing but a struggle over control of oil revenue inherently rooted in the class character of Nigerian politics. The paper concludes that Nigeria must quickly returned to full fledge federal arrangement where every level of government will be free within the ambit of the constitution to do its own thing in its own way and at its own pace.

INTRODUCTION

The issue of federalism and intergovernmental relations in Nigeria is interwoven and complex. It is an issue that deals with the political arrangement as well as the finance to sustain the polity. The nature and conditions of the financial relations in any federal system of government is crucial to the survival of such a system. Thus, in most if not all countries, one of the most constant sources of intergovernmental wrangles centres on the problem of securing adequate financial resources on the part of the lower levels of government to discharge essential political and constitutional responsibilities (Olaloku, 1979:109). In most federal system, the relationship between levels/units of government is problematic. This is so because of the general tendency of federal states becoming centralized. This has been partly so because of the varieties of interests that cut across the various units, coupled with the usual multi-ethnic character of most federal states (Benjamin, 2004: 56). One of the essential ingredients of federalism is the existence of fiscal arrangement, which details the tax jurisdiction and the functional responsibilities between the various levels of government. In Nigeria's federalism for instance, there exists a three tier levels of government which place the federal government as the pivot while the state and local governments followed correspondingly (Teidi, 2003:75). Three critical issues are the central focus of intergovernmental fiscal relations. These are, first, what taxes and other related revenue should be collected by each of the levels of government. The second is how whatever is collected is shard among the different levels of government within the nation-state. The third and final issue is what criteria should guide the sharing of whatever revenue is collected among the sub-national entities. Revenue sharing has become a highly contentious issue. In Nigeria, thee exist two basic sharing arrangements. These are vertical and horizontal transfers. Vertical transfer is the transfer of funds from the centre to all levels of government within a nation, while horizontal transfer is the sharing of centrally allocated funds amongst the various equal levels of government with a nation-state (Bello-Imam, 1999:258, Teidi, 2003:83). In Nigeria, the massive transfer of oil wealth from the southern minority states to the other parts of the federation had over the years heightened intergovernmental relations conflicts in Nigeria. This in turn often derives from the nature of the assignment or allocation of function and powers between the component states/units of government. Adamolekun (1989:58) therefore noted that a central question in the study of federalism is the formal allocation of jurisdictional powers between the federal and state levels. This subject is thus regarded as a major issue in the analysis of any IGR system. In fact, this disturbing aspect of Nigerian fiscal federalism, among other factors has lately led to a demand for resource control by nearly half of the Nigerian 36 states. There is no doubt that dissatisfaction with the existing revenue allocation formula has clearly influenced the trend of support for the states quest for resource control which has manifested itself at the local level of Nigerian federalism. In fact, as Anyanwu once noted. There has been an increasing wave of discordant voices from state and local governments over revenue allocations in recent times. This suggested that an appropriate balance is yet to be struck in the use of revenue allocation to correct the imbalance between responsibilities and revenue power at the local levels of government. The state governments are seriously questioning the administration in their share of the federation account. Equally, the local government are complaining their share of the federation account that it have not kept pace with the additional responsibilities assigned to them, especially with regards to primary education and primary health care delivery (quoted in Akindele and Olopade, 2002:4*)* Since the return of civil rule, Nigeria has witnesses several inter-governmental conflicts over jurisdictional power. This is occurring not only between the states and local governments, but also between the state government and federal government. The federal structure has come under attack in these conflicts as the state governments challenge the national government's actions in channeling the revenue directly to the local government in making first-line deductions from the federation account and in making unilateral decisions on proceeds from privatization and excess crude oil sales and so on (Aiyede, 2005: 220). No wonder Aiyede argued further that: Indeed, the return to civil rule has expose the irrational underbelly of the decentralization programmes in Nigeria under the Military, especially as they have arrested and distorted the development of a strong intergovernmental framework for the Nigeria federation. This has thrown up issues regarding the viability of Nigeria federation and the consequences of political restructuring for the efforts towards making government more responsive and accountable to the populace. Finance, therefore has emerged as the most critical policy issue in IGR in Nigeria federalism. Almost without exception, the financial resources available to the central government have exceeded considerably those available to the other levels of government.

FISCAL FEDERALISM: CONCEPTUAL AND THEORETICAL ISSUES

An avalanche of literature exists on Nigeria's fiscal federalism. However, before any meaningful discussion can be made, it is imperative to dwell on the concept of federalism, intergovernmental relations and fiscal relations. Thereafter we shall match the concept to get what we mean when we talk about the concept of intergovernmental fiscal relations or fiscal federalism. The nitty-gritty of intergovernmental fiscal relation is concretely located within the definitional elucidation of the concept of federalism through with economic blending. Thus, along this line federalism could be taken to mean a system of government where revenue and expenditure functions are divided among the tiers/levels of government (Akindele and Olopade, 2002:4). Oyovbaire (1979:78) sees federalism as a government type, a product of political order, and the shifting interplay of societal conflict and consensus over available resources. This division is usually done to enhance governments' effective provision of public goods and services at different levels of the citizens.

Intergovernmental relation is a term intended to designate an important body of activities or interaction occurring between government units of all types and levels with the federal system (Anderson, 1998). It refers to the structure and process of transactions among levels of government in a political system. Intergovernmental relation can also be conceptualizde as:

> *Intergovernmental negotiation, in which the parties are negotiating in dead earnest for power, money and problem solving responsibility. In virtually ever major public policy issue, the element of power, money and responsibility are on the bargaining table (Pritchard, 1972:12)*

It is therefore appropriates to describe IGR as an interaction that takes place among the different levels of government within a state. It refers to the structure and process of transactions among the levels of government in a political system. It is an interaction that take places among different levels of government within a state, in particular, within the institutional arrangement where such interaction can occur at the federal, state and local government levels. The above analysis is further underscored by Ayoade (1980:124) who emphatically stressed that IGR exclude the relationship between two sovereign states because the emphasis is on domestic rather than diplomatic relations. Fiscal relation relates to how various levels of government especially in a federal system constitutionally relates with one another both vertically and horizontally in sharing the financial resources of the country and in distribution of responsibilities. Intergovernmental fiscal relations therefore entails the provision of certain goods and services at different levels, what is justified on the existence of public good which may be consumed nationwide or whose benefits are restricted to a particular geographical area (Anderson, 1973:225). To Teidi (2003:40), intergovernmental fiscal relation means how the various levels of government in a federal system constitutionally relates both vertically and horizontally in the sharing of the financial resources of the country and the distribution of the whole idea of intergovernmental fiscal relation hinges on what is often referred to as "statutory allocation" or more popular and better known as "Revenue allocation". Fiscal federalism refers to the allocation of tax raising powers and expenditure responsibilities between levels of governments. Intergovernmental fiscal relation is anchored on the premise that uneven geographical distribution of resources manifest in most countries. Therefore in order to harness and distribute these resource equitably call for intergovernmental fiscal relation, therefore, are modalities for the transfer of purchasing power from the richer to the poorer states in order to reduce inequality in the provision of quality services in all localities, and to ensure equity and social cohesion in a country (Ebajemito and Abudu, 1999:215), Teidi (2003:76), therefore observes that in Nigeria, fiscal federalism relates to a tripartite arrangement consisting of federal, state and local governments. In fiscal federalism, an individual is subject to the influence of the fiscal operations of different levels of government. Public finance in a federal state usually involves the sharing of fiscal resources between three different layers of government - federal, state and local. It also has some other peculiarities of its own which are not present in unitary state. One of such peculiarity is the considerable imbalance between functions and resources due to widely varying revenue raising capacities of the various levels of governments. Because of these peculiarities, the need arises for the development of a somewhat theoretical framework for the analysis of fiscal problems in a federation. According to Olaloku (1979:109), three reasons are usually given for the transfer of revenue resources from higher to lower levels of government in a federation. The first is what Graham (1964:8) described as deficiency transfer or balancing. According to him, it relates to the nature of the functions and revenue resources of the three levels of government. Since the functions and revenues of these three tiers of government are determined by either the constitution or from the administrative point of view, an imbalance may develop between revenue and responsibilities (Olaloku, 1979). When this happens, it is the responsibility of the higher level of government to make good the imbalance. The second is equalization transfers; it means that in order to eliminate the heavier tax burden on the lower levels of government, the higher level of government makes transfers of resources to them as a result of variations in the revenue raising capacities of the lower level of government. The above two transfers (i.e. deficiency/balancing and equalization transfers) are commonly referred to as unconditional intergovernmental grants-in-aid, whose function according to Break (1967:108) is ideally suited to offsetting or balancing any general fiscal deficiencies to which state or local governments may be subject. The third reason for transfer of resources is that there are certain resources transfers which are designed primarily to encourage particular state or local activities. This type of transfer as opined by Olaluko (1979:110) is variously known as "stimulation", "incentive", or "promotional" transfers. One important characteristic of resource transfer in this category in the view of Break (1967:153) is their use in optimizing resource allocation to public spending on activities that generate externalities at lower levels of government. Existing literature on theory of public finance in federal states suggest the existence of two major themes of fiscal federalism. The first school of thought according to Awofeso (2000:110) holds that the levels of government on a federalism should be financial autonomous in their sphere of jurisdiction. That is, the component units that make up the federalism must be economically viable to generate resources within for their administration and development purpose without necessarily depending financially on the national government or any of its component units. This in effect, means that independence sources of revenue must be assigned to the federal and state governments with each using the proceed for its internal administrative and developmental purpose without appealing to others for financial assistance. This theory is anchored on the classical motion of federalism as espoused by K.C Wheare. The second school of thought from the viewpoint of Adedeji (1969:9) stems from the idea of co-operative federalism and stands at the extreme polar end of the first, with a view contrary to financial autonomy advocated by classical theory of federalism. This school of thought emphasized the need for resources mobilization and distribution on the basis of horizontal equity of the components units within a federation with the central government assuming the role of a coordinator to induce overall equilibrium. It is therefore argued that in order to ensure equitable development among the regime that makes up a federation and in the face of financial disparity among them, a "redistribution of revenue from the more favoured to the less fortunate members of the union is required. Awofeso (2000:112) therefore observed that apart from the quest for horizontal equity among the component units, there is also the urgent desire from efficient generation and allocation of resources for optimum utilization throughout the country. This principle however runs antithetical to the principle of fiscal autonomy of the classical federalism.

HISTORIOGRAPHY OF INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA

The existence of Nigeria as a single federal entity is the result of the constitutional conference of 1953. At this conference, it was decided, inter alia, that a federal system of government in which residual powers would be vested in the regional governments be established, and that legislative powers should be shared between the federal, state and federating units. As observed by Olaloku (1979; 115), the development of finance in Nigeria is nothing but the history of the various attempts made to contain the financial consequences that accompanied all the constitutional changes which took place in the country. For instance, the granting of internal autonomy to the regions under the Richards constitution of 1946 and the consequent sharing of responsibilities between the federal and regional governments provided the starting point for revenue allocation exercise in Nigeria (Philips, 1980). Since then, several ad hoc Revenue Allocation Commissions have been set up to examine the issue of revenue sharing in Nigeria. The development of revenue allocation can be grouped into three periods. These are:

- Revenue allocation before the seventies
- Revenue allocation in the seventies
- Revenue allocation after the seventies.

Revenue allocation commission before seventies includes Sydney Philipson Commission (1946), Hick Philipson (1951), Chick commission (1953), Raisman Commission (1958), Binn Commission (1964) and Dinna Commission (1968). The Philipson Commission of 1946 recommended principle of derivation, even progress and population. Hicks - Philipson of 1951, emphasized derivation, needs and national interest. The Binns Commission of 1964 recommended basic needs, financial comparability, and even development, while Dinna Commission of 1968 recommended basic needs, minimum national standard balance development and derivation. The second phase is the revenue allocation in the seventies. This is the era of decrees. For instance in 1970, the formula for sharing the revenue among the states was radically changed as follows:

- 50 percent of the Distributable Pool Account (DPA) fund to go to the states in the basis of equality of states; and
- 50 percent to be shared on the basis of population.

In 1972, Decree No 51 was promulgated which directed that tax paid by members of the armed forces, external affairs officers and pensioners overseas was to be channeled to DPA. However, in 1975 the Revenue Allocation Decree was a promulgated which reflects some departure from the heavy reliance on the derivation principle. Also, in 1977, Aboyade Technical Committee recommended equality of access to development opportunities, national minimum standards, absorptive capacity, independent revenue, tax effort and fiscal efficiency (Bello-Imam 1999:260). While Okigbo committees of 1979 recommended minimum responsibility of government, population, social development and internal revenue effort.

The third phase is the post seventies revenue allocation. As a result of the chequered and crisis-ridden history of the previous ad-hoc revenue allocation commissions. General Ibrahim Babangida in 1988 decided that a permanent revenue allocation commissioned called The National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC) be established by Decree No 49 of 1989. After going through the recommendation of the commission, the federal government in January, 1990 approved a vertical revenue sharing formula for the federation account as follows.

Federal government	-	50%
State government	-	30%
Local government	-	15%
Special fund	-	5%

The main advantage of NRMAFC over the past ad-hoc commissions is that it is a permanent, independent and autonomous body. It constitutes a structured attempt to discontinue the ad hoc approaches to the unending dynamic problems of revenue allocation in Nigeria.

AN APPRAISAL OF INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA

Finance has emerged as the most critical policy issue in IGR in every federal administration system like Nigeria. The intergovernmental fiscal relations have been a dynamic one and have kept on changing with the passage of time. Prior to the re-establishment of the Derivation Account in 1999, oil revenue were paid into the federal treasury and redistributed to the various tiers of government following the payment of first charges for Nigeria debt payment and debt service as well as for various special projects" directed by the federal government following the persistent advocacy of the oil producing states, 13 percents of Nigeria's oil revenue were paid into a joint account for distribution to the oil producing states. Obi (2004:265) observes that under oil, fiscal federalism in Nigeria and the revenue allocation system has gone through several convulsions which culminated on the frightening of the grip of federal power over the entire process, with the concomitant increase in the struggle for access to, and control over, federal power. The biggest challenges in recent time with regards to intergovernmental fiscal relation is the belief of oil producing states that the 13 percents accruing to them should be 13 percent of all oil revenue. The federal government, on the other hand, maintains that it should be 13 percent of oil produced "on-shore" along the Derivation Account. Philips (1980) therefore observes that the prevailing arrangements governing the sharing of national revenue in Nigeria's federal system have far reaching implications for the harmonious co-existence of the political units and hence the durability of the system as a geopolitical entity. Vertical and horizontal revenue allocations remain the centre piece of intergovernmental fiscal relations in Nigeria, and this controversy in the various attempts to establish a generally acceptable revenue allocation arrangement for the nation (Danjuma, 1994:89). The central issue in intergovernmental fiscal relations as enshrined in the 1999 constitution of federal republic of Nigeria concerns with four basic patterns of fiscal relationship between the tiers of government in Nigeria. These are taxing responsibilities, spending responsibilities, intergovernmental transfers and administrative responsibilities. Fiscal federalism relates to issues of intergovernmental fiscal relations and how these relations impinge on macro economic management. Oladeji (2006:284) claims that essentially, primary issues of concern in fiscal federalism include (a) rationale for adopting a federal structure; (b) rules for the assignment of functions and sources of revenues to tiers of government; and (c) the role of intergovernmental resource transfers and their most desirable form in a federal system.

THE DILEMMA OF INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA

The issue of conflicts in intergovernmental fiscal relation has been a recurring and perplexing phenomenon in Nigeria federalism. The intensity of the controversy is so fierce that it tends to render the stability of the polity unresolved. The constraint of intergovernmental fiscal relations in Nigeria, is, by no means, merely a financial problem; its proper study requires the knowledge of the political, social and economic circumstances which gave it the special local character it has assumed in the literature of fiscal federalism. The issue of how to share national wealth among the component units that make up the Nigerian federation in a manner generally acceptable to all has been problematic. Over four decades after independence and over 50 years of federal practice (Since 1954), Nigeria is still searching for an acceptable, enduring revenue allocation formula. Various principles have been tried, vide the numerous ad hoc revenue allocation commissions set up, but all of them seem not to have yielded the desired result as the contemporary situation in the country indicate (Oladeji 2006:283). The Nigerian situation as experience has shown, shows that its fiscal federalism is unique, peculiar and different from what is commonly found in other normal federations. In the view of Teidi (2003:88), it is those factors that make the operation of Nigerian federalism unique and consequently impinges on the nature of the fiscal arrangement among the tiers of the government; that actually constitute the constraints on intergovernmental relations in the country. The inherent instability in the country's federal finance is even more revealing when one considers the principles on which horizontal intergovernmental transfers are based in the federating units since late 1960s. This explains why the country in its quest to achieve fiscal equity and efficiency had through different commissions intermittently recommended a number of principles collectively referred to as revenue allocation formula at one time or the other. as the basis on which resource allocation be made. Teidi (2003) itemized the principles that had been adopted in Nigeria for revenue allocation.

The principles are:

- Derivation
- Even development
- Independent revenue
- Need
- National interest
- Continuity
- Minimum responsibility
- Population
- Financial comparability

- Landmass; and
- Social development

He stated further that these principles had been adopted in Nigeria with shifting tribal and ethnic political attitudes, therefore since it is this carry over mentality of tribal politics and ethnicity that had guided our political life, it had been very difficult to evolve a sound fiscal federalism for Nigeria. The major areas of concern in Nigeria fiscal federalism are the inherent inequalities, and imbalances in the interplay of inter-jurisdictional forces, and the inability of the current fiscal approach to contribute significantly to socio-political and economic development. The centralization of control over the nation's wealth, inequitable appropriation of national revenues as well as instability in the revenue allocation criteria and its attendant squabbles raise the question of restructuring of the fiscal arrangement (Olomola, 1999:477). Apart from the problem associated with the formulation of revenue allocation in Nigeria, Oladeji (2006:284) observes that there are also problems with the formulation of revenue allocation formula. There continues to be growing allegation of financial recklessness against the federal government which is severally accused of making illicit deductions from the federation accounts before the balance is distributed among tiers of government on the basis of federally formulated revenue allocation formula. For instance, the Supreme Court judgment of April 5, 2002 on Onshore - Offshore dichotomy and sundry issues in Nigeria, remains a landmark judgment and vindication of position of states and localities over federal recklessness and the underpayment of the federation account in Nigeria. One should hasten to make some pertinent observations on the revenue pattern of the three tiers of government that constitute the Nigerian nation-state, it is rather unfortunate that all the tiers of government virtually depend on oil revenue, which is passed through the instrumentality of statutory allocation to all of them. This suggests that if oil revenue is removed from the total revenue of the entire country, all the levels of government in Nigeria would hardly exist. If they do, they would find it extremely difficult, if not impossible, to operate effectively and efficiently (Bello-Imam, 1999: 256 - 257). He observes further that one disturbing aspect of Nigeria's fiscal federalism is that whenever new taxes are introduced, the federal government has always assumed jurisdiction over such taxes, e.g., the education tax, and Value Added Tax (VAT). Unfortunately, the subnational entities (both state and local governments) have never really been free to introduce new taxes, whereas they have lost tax jurisdiction over time. The loss of Pay As You Earn (PAYE), VAT and the education tax to the federal government is a good example.
From the above analysis, it shows that intergovernmental fiscal relations conflicts in Nigeria could be viewed from the following perspectives:

- **Concentration Of Fiscal Power/Strong Federal Control:-** It has to do with reconciling state fiscal autonomy with strong federal control under the tripartite arrangement consisting of federal, state and local governments. This concentration of power has its inter-connectedness with the fiscal imbalances in Nigeria and has been one of the major areas of concern in Nigeria fiscal federation.
- **Problems of revenue raising capacity and fiscal dependence syndrome:-** It has been problematic to match the responsibilities with resources at every level of government because the roles, responsibilities and rights of such government are constitutionally determined and the fiscal arrangement follow automatically (Olowononi, 1999:192). This tendency has therefore necessitated the frequent reviews of the revenue allocation formula in order to meet the changing economic and political circumstances.
- **Fiscal deficit:-** It is a glaring fact that in virtually all the states in Nigeria, expenditures tended to have surpassed the potentials of their revenue sources, thus creating a wide gap between their needs and fiscal capacity. This phenomenon in the opinion of Teidi (2003:108) has its direct linkage with the budgetary crisis and rising level of deficit between federal and state governments. While revenue has declined, the demand for government services has continue to grow (Alade. 1999:154).
- **Resource control:** - Resource control was a response to the fiscal imbalances that manifest in the distribution and allocation of oil funds. The agitation especially in the oil rich Niger Delta zones ranged on the benefits and the wealth accruing from the crude oil fund in their backyard were not controlled and enjoyed by them.
- **Erosion of fiscal autonomy of other tiers of government:** - The pattern of distribution of revenue among the states and local governments has been equality of states and local governments. The implication of this in the fiscal relationship among tiers of government is what Vincent (2002:20) termed as the deduction made for "first changes". These include external debt service and dedicated accounts.

The "first changes" has its effect on the revenue accruable to other tiers of government.
Intergovernmental fiscal relations encompass a myriad of complex issues that would continue to generate tension between federating units. This position according to Odozi (2001:7) requires a framework for

ventilating concerns, articulating the issue and evolving a broad national consensus and how to reinvest the Nigerian federation to make it more viable and sustainable.

INTERGOVERNMENTAL FISCAL CONFLICTS IN NIGERIA: THE PANACEA

Under federal system, fiscal relations between the centre and the component units have always presented an important problem area requiring both human scheming and a political to overcome. This problem becomes essentially topical in developing federal systems where a number of factors combine to obfuscate the concept of fiscal justice as a crucial intergovernmental fiscal policy (Oladeji, 2006: 287). There has been an increasing disaffection and acrimony over revenue allocation from states and local governments. This suggests that an appropriate measure needs to be taken to arrest the imbalances associated with intergovernmental fiscal relations in Nigeria. In view of the amalgam of contradictions and tensions between the three tiers of government and the multifarious problems facing intergovernmental fiscal relations in Nigeria, we cannot but suggest measures for balancing the phenomena. In order to eradicate islands of affluence, and in some cases, island of poverty in Nigeria, the revenue allocation formula should incorporate a judicious system of specific matching grants to stimulate uniform development across the country. Also, the frustration disenchantment as well as the persistent encroachment of the constitution fiscal power of state and local governments which was a carry over of military rule can only be put to rest through restructuring of the federation. A complete review of the functions of each level of government will be very necessary. Not only that, there is a need for collective determination of the aggregate revenues required by the three tiers of Nigerian federation as well as the oil and other mineral producing communities of Nigeria. In other words, a balanced, fair, transparent and consensus-based framework for intergovernmental fiscal relations must be established. To complement this effort, a new revenue allocation formula which will drastically reduce the current enormous powers of the federal government must be adopted. There is an urgent need for greater co-ordination and harmonization in the management policy interdependence among all tiers of government in order to ensure that the national interest is protected at all times while accommodating state or local interests. The federal government should provide leadership in this regard by carrying along other tiers of government in its policy initiatives. The federal government should adhere to financial discipline, transparency and legality to give it the moral high ground to call errant states and local governments to order. If allocation of revenue amongst the contending tiers of government in the country is to be fair and just, politics must give way to other parameters enumerated in section 162(2) of the 1999 Constitution of Federal Republic of Nigeria. Nigeria must quickly return to full fledge federalism where every level of government will be free within the ambit of the constitution to do its own thing in its own way and its own pace. There is also need for intergovernmental fiscal reform which will take cognizance of the federation experiences. More fiscal powers need to be assigned to states and local governments and decentralization of sharing of revenue done equitably.

CONCLUDING REMARKS

This study focused on some important aspects of intergovernmental fiscal relations in Nigeria. The specific issues examined include the features, inter-tier revenue allocation and the problem of intergovernmental fiscal conflict, which intensified with the return to civil rule. The states and local governments are questioning the constitutionality, or otherwise of the present revenue arrangement. Thus, the clamour for more acceptable principle for intergovernmental revenue sharing. The study has been able to establish the fact that there is both vertical and horizontal fiscal imbalance in Nigeria. The entire country depends on the revenue accruing from oil which incidentally is gotten from the southern minorities. Hence, agitations over resource control and revenue allocation over-heated the polity. It was noted that federalism is characterized by the political power struggle between the different interest groups; and the issue of revenue allocation remains the life-blood of federalism. No wonder Oladeji (2006:298) concludes that Nigeria's journey and search for an acceptable and enduring vertical revenue allocation formula have not really produced a good result. More importantly is the fact that Nigeria is still very far from achieving results in producing generally acceptable principles for allocation of national revenues, particularly a formula that tends to achieve a sustainable national development and increasing social cohesion. Indeed, the center's hegemonic control over fiscal related matters appears antithetical to an ever-increasing need for effective social cohesion and or national integration. Thus all revenue allocation formulae, including the recently released proposal by the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) have merely maintained the established trend of central financial hegemony, without any resource responsibility analysis.

The present intergovernmental fiscal conflicts portend a bad omen for the survival of Nigeria federalism. Fiscal federalism in Nigeria will survive if the centre employs adequate political engineering to tackle the seemingly intractable debacle. Also, the aggrieved units of the federation must imbibe the spirit of "give and take" which will go a long way in stabilizing the Nigerian federation. Hence, the paper submits that if Nigeria hopes to become a prosperous country by 2020, the fundamental steps that have been enumerated above must be taken. Then, Nigerian can become a truly, federal, stable, peace and prosperous country.

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