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Local Government and Intergovernmental Fiscal Relations in Nigeria and Brazil: A Comparative Study

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There are striking similarities between two developing countries, Brazil and Nigeria, not only in terms of political and economic institutions but also in terms of their attempts to reform the structure and management of their respective local government systems. There are indications of recent attempts by the Nigerian federal government to borrow from its Brazilian counterpart in order to bring about reforms of its local government structure and operations. The effects of these reforms were appraised in terms of the management of intergovernmental relations. Finally, the two countries' local government systems are examined and suggestions are given by which they can mutually benefit from each other's experience.

Introduction

The administration of new states is generally known to borrow copiously from advanced and especially mother colonial countries. While many of these new nations are getting disillusioned with their borrowed administrative apparatus, it is interesting to note two developing countries of considerable physical, political, and economic importance in their respective continents borrowing administrative institutions from each other with the hope of reforming their local government systems. These two countries are Brazil and Nigeria. The purpose of this paper, therefore, is to compare the Brazilian constitutional and local government reforms of 1946-1967 with the Nigerian local government and constitutional reforms of 1976-1979 with the aim of suggesting solutions to selected very serious intergovernmental relations problems that have been raised in both countries.

The choice of the Latin American republic is neither accidental nor fortuitous. It is not even due to the fact that it carried out a reform of its local government in recent times. The task of analyzing its reform effort has been ably dealt with in recent studies, including the United Nation's Department of Economic and Social Affairs' cross-national survey of the local government reform experience in selected countries which included

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Brazil.[1] The choice was made because of the close similarities between Brazil and Nigeria in terms of their history and their present-day economic, social, and political circumstances.

Both in its pre-colonial and colonial phase, Brazil was a confederacy of tribes. Such regional particularism persisted long after independence until the nine-year period dating from 1937 when attempts were made by military and pseudo-military dictatorships to impose a more superordinate federal institution of government on the loose federation. The Constitution of 1946, the fifth since independence, was, therefore, seen by observers as a liberal gesture towards a decentralized administrative machinery after nine years of strong central governance.[2]

This is strikingly similar to Nigerian pre- and post-colonial experiences. Nigeria was administered as two separate protectorates comprising the scattered communities of the "Oil River States" to the east and south-east of the Niger, the Yuruba Kingdom, and the colony of Lagos to the south; and the Northern protectorates until 1914. Between this period and 1979 there had been seven constitutions, one civilian and four separate military administrations. The nationwide reform of local government was conceived, even by its authors, as a first step towards the return to democratic civilian government and a decentralized administrative machinery. The similarities between the content of the Brazilian and the Nigerian local government reforms of 1946 and 1976, respectively, are, therefore, rather close.

Brazil today has a federal republican constitution, 21 constituent states, and four federal territories including Brasilia, the new national capital, and a total population of 94.5 million (as of 1970), constituting 38 percent of the whole Latin-American population. It has a mineral-rich and hydroelectric power-based economy under a political regime punctuated by several military and quasi-military dictatorships. Similarly, Nigeria returned to civil rule in 1979 with a new federal, presidential constitution in a federation comprising 19 states and a new separate federal capital (Abuja). The estimated population of Nigeria is about 80 million, the largest in Africa. The major source of revenue since the early 1970s has been from oil royalties which has enabled the federal government to embark on major social and economic projects, such as universal primary education, basic health services schemes, an agricultural revolution, and the creation of many new agricultural river basins and educational institutions (including seven new universities). Moreover, both Brazil and Nigeria can be categorized as "developing" in terms of their respective level of economic development, although the

[1]The countries included for the study were Brazil, Egypt, Ghana, India, Indonesia, Nigeria, Pakistan, Philippines, Romania, the Sudan, and Yugoslavia. United Nations, *Local Government Reform: Analysis of Experience In Selected Countries* (New York: Department of Economic and Social Affairs, 1975).

[2]Most of the historical data and general information were extracted from T.L. Smith, *Brazil: People and Institutions* (Baton Rogue: Louisiana State University Press, 1972), especially pp. 558-589; *Brazil: Resources and Possibilities* (Brasilia: Ministry of External Relations, 1976); and L. Richardson, *Urban Government for Rio de Janeiro* (New York: Praeger, 1973).

former is more advanced in its stage of development.[3]

The Brazilian Constitutional and Local Government Reform of 1946

The reform of 1946 was a constitutional one. Its main emphasis was to ensure greater municipal autonomy; hence, it was classified as a "municipalist" Constitution.[4] The detailed stipulations in the Constitution were, in many respects, also very similar to the Nigerian local government and Constitutional reforms of 1976 and 1979, respectively. The 1946 Brazilian Constitution attempted to create a three-tiered federal local government structure in which each tier possessed a considerable degree of independence — jurisdictionally, functionally, and financially. Article 28 of the Constitution specifically states that:

> the autonomy of the *municipio* (the Brazilian equivalent for local government) shall be assured: by the *election* of (1) the prefect (mayor) and the *vereadores* (councilors); (2) by its own administration of that which concerns its particular interests and especially:
> (a) the establishment and collection of the taxes it is authorized to levy and the disbursement of its funds; and
> (b) the organization of local public services.[5]

Article 23 guarantees that:

> States shall not intervene in the *municipios* except to regulate their finances when: (1) it is proven that there is lack of punctuality in the payment of interest on a loan that is guaranteed by the State; and (2) a *municipio* fails to meet for two consecutive years the payment of its bonded debt.[6]

Furthermore, the Constitution also stipulates that the federal government might intervene in the states in order to ensure (among other principles) the "autonomy of the municipios." The Constitution further stipulates that a share of federally-collected taxes were to be made available to all local governments with the exception of some 50 municipios that are federal, state or territorial capitals or which possess hydro-mineral projects developed by the state or federal government.

The whole country (8,519,650 square kilometers — about nine times the size of Nigeria) was subdivided into municipalities which were the only units of government recognized below the states.[7] The municipios (or municipalities)[8] embraced both urban and rural areas but the headquarters were normally in the city. With the exception of the special cities (noted above), both the council

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[3]Whereas according to Rostow's Development Model, Nigeria will be at the early stage of a "take-off" while Brazil can be located at a much later phase of the same stage. See R.M. Schneider, *Brazil: Foreign Policy of a Future World Power* (Boulder: West-View Press, 1976), pp. 15-24.

[4]Diogo Lordello de Melo, *Local Government in Brazil* (The Hague, Netherlands: International Union of Local Administrators, no date).

[5]Cited extensively in Smith, *Brazil: People and Institutions*, p. 568.

[6]*Ibid.*

[7]A local government may subdivide itself into districts *(distritos)* but it is merely a nominal unit without any real function or vitality.

[8]*Municipio* is the Brazilian equivalent of "local government." It is distinguishable from the British municipality which is found in urban areas. However, the terms municipio, municipality, and local government are used interchangeably in this paper.

and the mayor were separately but popularly elected under a strong-mayor administrative system of the American type. Moreover, all councilors received pay.[9]

Since the financial arrangements were crucial to the success or failure of the reform, a brief discussion of this would be useful. According to the 1946 Constitution, all funds secured by taxes on urban real estate, licenses, public amusements, and services (over which they had authority) were to go to the municipalities. Besides, half of the proceeds from state taxes on industries and professions, ten percent of the federal excise tax (the most revenue-generating tax), fifteen percent of federal income tax and twelve percent of the federal tax on oil and electrical energy were to be distributed equally among the municipalities through the state governments. Substantial autonomy was also given to the local governments in the realm of budget-making and expenditure. Nevertheless, federal and state (mostly federal) revenues represented 70-80 percent of the incomes for about a half of the 4,300 municipalities.

It has been suggested that this condition was largely responsible for the failure of the municipal reform to bring about lasting and meaningful grassroots participation in the nation's local government system.[10] How?

First, Brazil faced hard times economically from the late sixties into the early seventies. Many state governments defaulted in the revenue-sharing arrangements with their local governments and even the federal government experienced great hardship in fulfilling its financial obligations promptly to the municipalities. When they did, the states refused to hand over such federal funds to the local governments.[11]

Secondly, most states, especially the poor ones, encouraged the breaking up of municipalities into smaller units since this meant more allocated revenues from federal sources. Whereas the number of local units were 2,763 by January 1, 1960, the number had risen to almost double (4,300) by 1970.[12] Finally, the rural areas were neglected in favor of the headquarter cities of the local governments, even though the constitution had stipulated that 50 percent of allocated revenues must be spent for the rural areas.

Hence, during another constitutional review undertaken in 1967, the federal government with the consent of the states, established minimum population size and income standards for all municipalities. Only in municipalities with over 100,000 population were councilors entitled to full-time pay. The revenue-sharing arrangements were also reviewed. The municipal share of the excise tax was reduced

[9]de Melo, *Local Government in Brazil.*

[10]The Brazilian experiment is generally pronounced unsuccessful by both its internal and external assessors. See for instance, de Melo, *Local Government in Brazil,* and Frank P. Sherwood, *Institutionalizing the Grassroots in Brazil: A Study In Comparative Local Government* (San Francisco: Chandler Publishing Co., 1967).

[11]Richardson, *Urban Government for Rio de Janeiro.*

[12]Smith, *Brazil: People and Institutions* for 1960 figures and Ministry of External Relations for 1970 figures.

from 10 to 8 percent; the federal income tax from 15 to 8 percent; and the municipal share of 12 percent in the taxes on oil and electrical energy was reduced to 5 percent. These shared revenues were no longer to be "free money." The federal government specified the purpose for which they must be expended namely, improving the highway, electric, and mining systems. The old stipulation that 50 percent of all shared revenues should be spent for rural areas was amended (due to general default). Instead, this was now to be expended for capital improvements. The share of the municipalities in federal revenue was no longer to be based on equity but on coefficients based on relative population and per capita income in each municipality calculated by a special funding agency similar to the State and Federal District Agency[13] and disbursed by the Bank of Brazil directly to the municipalities. Although the new formula penalized the more developed states and municipalities, the capital cities were now included in the revenue sharing. However, the lucrative industry and business taxes were transferred to the federal government.

An American political scientist who studied the reform thirty years after its inception concluded that "Brazilians are (still) alienated from their local governments" and that "the official commitment to the institution of the grassroots has very considerably exceeded the supports provided."[14]

Intergovernment Fiscal Relations and the Nigerian Local Government

The nationwide reform of local government which was carried out in 1976 was the most comprehensive and far-reaching reform in the Nigerian field administration system. Basing its assumptions on the findings of the nationwide research into the activities of local government which was commissioned by the Federal Public Review Commission in 1974, the federal military government invited comments from the states and other interested parties on the draft guidelines for the reform of local government through the Federation.[15] A year later, it came out with its blueprint for reform titled, *Guidelines for Local Government Reform.* The reform document outlined the rationale for local government and while conceding minor, cultural or geographic peculiarities in the determination of the size of local governments (minimum of 150,000 population),

[13]The State and Federal District Agency is very similar to the Nigerian Distributable Pool Account into which money meant for the states are paid by the federal government.

[14]Sherwood, *Institutionalizing the Grassroots in Brazil,* pp. 161-165. For more information on the Brazilian reforms see C.A.B. Olowu, "Urban Government and Local Government Reform: A Lagos State Case Study 1968-78" (unpublished Ph.D. dissertation, University of Ife, 1979).

[15]The Federal Public Service Review Commission had a special task force on local government which carried out elaborate research on that institution on a nationwide basis. The resultant draft document was Federal Republic of Nigeria, *Suggested Framework for a National System of Local Government* (Lagos: Ministry of Information, 1976).

it came out with detailed policy statements on the responsibilities, finances, personnel, political leadership of the new local governments and their relationship with traditional institutions, the state and federal governments.[16] In particular, with respect to finance, it provided for statutory grants by federal and state governments to local governments to enable them to carry out their new responsibilities. The federal government undertook to underwrite all local government debts, made a grant of ₦ 100 million available for all local governments in the first financial year and directed the states to determine their own statutory contribution to local governments under their jurisdiction. (This amount came to 5 percent of federal and 10 percent of state total revenues in subsequent years.) Besides, the local governments themselves were encouraged to embark on revenue-yielding projects, and especially in urban areas, the taxation of urban real estate, which could augment other internal sources of revenue.[17]

It is useful to note that the similarity between the fiscal aspects of the local government reform strategies in both countries is not accidental. After launching the local government reform in 1976 and issuing *Guidelines* to state governments to establish the newly recommended local government institutions, the Federal Ministry Government appointed a committee based in the Cabinet office to examine and make recommendations on federal and state contributions to local governments in the country. Although the committee's findings were never made public, there is enough evidence in the report indicating that they benefited from the Brazilian experience. The committee sent a delegation to two countries, Brazil and Netherlands. Furthermore, in its report, the committee noted its support for a system of local government finance similar to that of the Netherlands and Brazil "where local government derived 91.7 percent and 80-90 percent respectively of its total revenues from grants."[18] Although the federal government refused to accept the criteria suggested by the committee for distributing federal grants to local governments there is no doubt that the government accepted the main recommendations concerning the fiscal system.[19] The Aboyade Technical Committee on Revenue Allocation added its support for a fiscal system in which the federal and state governments made statutory

[16] See Federal Republic of Nigeria, *Guidelines for Local Government Reform* (Kaduna: Federal Government Printer, 1976) for an elaborate discussion of the different themes of the reform. See also O. Adamolekun and L. Rowland (eds.), *The New Local Government System: Problems and Prospects for Implementation* (Ibadan: Heinneman, 1979).

[17] *Guidelines*, para. 45-58, pp. 13-14.

[18] Federal Republic of Nigeria, *Report of the Committee on the Federal and State Governments' Financial Contribution to Local Governments* (Lagos: Government Printer, 1977), p. 53.

[19] The government afterwards accepted to pay 5 percent of its retained revenue as grants to local governments and encouraged each of the states to allocate 10 percent of its total recurrent revenue to its local governments. See G. Oka Orewa, "Government Grants to Local Government in Comparative Perspective" in Adamolekun and Rowland (eds.), *The New Local Government System*, pp. 53-66.

allocation to their local governments.[20]

It also needs to be pointed out that this is an innovation to Nigerian constitutional experience. Hitherto, local government had been treated as a residual constitutional matter over which the federal government had no say. However, two important factors changed the situation.[21] The first is the military interregnum which lasted thirteen years. During this period, and in keeping with the military command structure, the federation was run as a unitary state with the head of state empowered to "assign" or reassign military governors to the states and to make any amendments to the Constitution.[22] This latter development enabled the federal government to transfer certain functions from the concurrent to the exclusive list. Furthermore, the fiscal system was reorganized in such a way that the most bouyant revenue sources became the exclusive preserves of the federal government, a substantial portion of which was retained, that is, not allocated to the states. These administrative and fiscal changes in the federal structure ensured that the states were heavily dependent financially on the federal governments. The states in turn, incapacitated from fighting back or making any case against a "superior" government, naturally resorted to eroding the functional and financial powers of their local governments.[23] This was the background to the reform of 1976. The Constitution of 1976 was in agreement both with the philosophy and administrative arrangements intended by the fomulators of the *Guidelines*. Hence, Section 7 (i) of the Constitution stipulates that:

> The system of local government by democratically elected local government councils is under this constitution guaranteed; and accordingly, the Government of every State shall

[20]Federal Republic of Nigeria, *Report of the Technical Committee on Revenue Allocation*, Vol. I (Lagos: Government Printer, 1978).

[21]For a more detailed study of intergovvernmental relations in Nigeria, see E.O.S. Oyovbaire, "The Politics of Revenue Allocation," in Keith Panter-Brick (ed.) *Soldiers and Oil: The Political Transformation of Nigeria* (London: Frank Cass and Co. Ltd., 1978), pp. 234-336; Special issue of the *Quarterly Journal of Administration* on "Aspects of Intergovernmental Relations in Nigeria," Vol. XIV, No. 2 (January 1980); a collection of papers from a National Workshop held at Ile-Ife in 1978 most especially papers by Adedokun Phillips, "Three Decades of Intergovernmental Financial Relations in the Federation of Nigeria," and A. Oyewole, "State-Local Government Relations." See also R.O.F. Ola, "The Recent Local Government Reform: Advent of New Federal-State-Local Government Relations" and the "Aboyade Panel's Report" in Adamolekun and Rowland (eds.), *The New Local Government System*, pp. 15-23.

[22]The Constitutional basis for this was laid by the enactment of Decree No. 1 of 1966 which suspended the Constitution and conferred absolute powers on the Federal Government to make laws for the peace and good government of Nigeria. This was strengthened, even after the war, with Decree No. 28 of 1970 which empowered the Federal Government to take unilateral decision even in matters relating to the States. See E.O. Olowu, "The Legislative Process Under The Military: The Nigerian Experience," *Quarterly Journal of Administration*, Vol. XI, No. 2 (January 1977) and O. Adamolekun, "Postcript: Notes on Developments In Nigerian Administration," in D.J. Murray (ed.), *Studies In Nigerian Administration* (London: Hutchinson, 1978), pp. 310-315.

[23]Federal Republic of Nigeria, *Report of the Technical Committe on Revenue Allocation*, Vol. 1.

> ensure their existence under a Law which provides for the establishment, structures, composition, finance and functions of such councils.[24]

Yet Section 149 (2) stipulates that:

> Any amount standing to the credit of the Federal account shall be distributed among the Federal and State Government, and the local government councils in each State, on such terms and in such manner as may be prescribed by the National Assembly.

And Section 149 (7) states that:

> The amount standing to the credit of the local government councils of a State shall be distributed among the local government councils of that state on such terms and in such manner as may be prescribed by the House of Assembly of the State.

It is, therefore, clear that by 1979, the Nigerian federal system had evolved from a simple relationship between two distinct levels of government into a mesh of complex intergovernmental relationships between three levels of governmental authority. Given such a situation, different patterns of relationships are possible.[25] A leading student of the American intergovernmental relation dynamics, Professor Deil S. Wright has argued that there are three dominant types of intergovernmental relations (IGR): separated, overlapping, or inclusive.[26] In a system of separated intergovernmental relations, the state governments are independent (within constitutional limitations) of the federal government although the local governments are subordinated to the states. In an overlapping authority model, on the other hand, power is dispersed among the three levels of authority, hence there is some measure of autonomy enjoyed by all three levels of government but not such as would make any governmental tier capable of independent action. What results therefore is interdependence, bargaining, exchange relationships and cooperation and/or competition among the governmental units. Finally, in the inclusive authority model, the local and state governments are mere appendages of the national government although there is nominal or centralized federalism.

Clearly, the situation within the Nigerian polity during the military era tended towards the inclusive authority model, but we may ask, what have been the effects of the 1976 arrangements on local government and local government finances? Secondly, how could anomalies within the system be corrected during the civilian era?

Financial Dependence of Nigerian Local Governments

Central-Local Relations

The most apparent effect is that large sums of money have suddenly been made available to the new local governments. Table 1 shows a 1,200

[24]Federal Republic of Nigeria, *The Constitution of the Federal Republic of Nigeria, 1979* (Lagos: Federal Ministry of Information, 1979).

[25]At least nine diarchical transactional patterns of intergovernmental relations are possible in a Federal State. See S.O. Olugbemi, "A Systems Approach to Intergovernmental Relations," in *Quarterly Journal of Administration,* Vol. XIV, No. 2 (January 1980), pp. 111-118.

[26]Deil S. Wright, *Understanding Intergovernmental Relations* (Massachussets: Duxbury Press, 1978), p. 20.

Table 1. Estimated Revenues of Local Government in Bendel State: 1970-1977 and 1977-1978

Sources	1970-1977	1977-1978
Internal Revenue	₦2,833,412	₦ 8,528,475
%	97	22
Grants	₦90,360	₦ 29,509,752
%	3	78
Total	₦2,923,772	₦38,038,227

Source: Ministry of Local Government, Benin-City (1980)

percent increase in local government revenues in Bendel State between 1970 and 1977. This has enabled them to make their impact better felt in the community and especially to embark on major capital projects of economic or social value to their respective communities.

However, it must be noted as a corollary that most of the expenditures were made outside of the local government. It is common knowledge that there cannot be a meaningful autonomy where there is no control over funds. "He who pays the piper dictates the tune." It has been argued elsewhere that a local government cannot be quite rightly styled "government" if it does not control between 40-60 percent of its own recurrent expenditure.[27]

While the need for increasing central government support for local government is clearly recognized in the literature and practice of local government finance, the transfer of funds on a percentage basis is not the only means of achieving this goal. It has been demonstrated in countries which, like Brazil, have attempted to support their local government through direct monetary transfers, that during hard and inflationary times neither the national nor state governments could be relied upon to honor their financial obligations to their local governments. The non-predictability of availability of funds limits the capacity of the local governments to plan their operations and projects. This encourages dependency on the part of local governments and at the same time blunts the lines of fiscal responsibility and responsiveness.[28]

[27]William A. Robson's dictum that "where the ratio of grants to local taxes is greater than 40:60 the local authority is in a position of dangerous subordination," *Local Government In Crisis* (London: George Allen and Unwin, 1968), p. 162. See also Dele Olowu, "The Structure of Nigerian Local Government and Implications for Community Development," Paper presented at National Conference on *The Role of Local Governments In Social, Economic and Political Development in Nigeria,* A.B.U. Zaria, April 1980.

[28]See Frank Layfield and A.H. Marshall, *Local Government Finance: Report of the Committee of Enquiry* (London: H.M.S.O., 1976); L. Rowland, "Is an Independent Source of Tax Revenue Essential for Nigerian Local Government? " in A.A. Adedeji and L. Rowland (eds.), *Local Government Finance In Nigeria: Problems and Prospects* (Ile-Ife: University of Ife Press, 1973), pp. 73-76; and C.A.B. Olowu, "*Urban Government and Local Government Reform,*" pp. 258-260.

Table 2. Sources of Local Government Revenues in Selected States,1978-1979

State	Grants (Federal/State) %	Local Sources %
Ondo	94.12	5.88
Bauchi	92.05	7.95
Bendel	81.60	18.40
Lagos	53.07	46.93
Ogun	67.37	32.63
Oyo	60.53	39.49
Average	74.79	25.21

Source: Various Ministries of Local Government (1979)

All these symptoms have been noted in the performance of Nigerian local governments in the past four years. The situation is reinforced by the crude indices utilized in distributing the grants (75 percent by 1963 census population and 25 percent by equal distribution) and the manner of disbursement to the local governments. The issues raised above will now be substantiated with reference to specific examples. These issues include: the increasing subordination of local governments to state's whims and caprices, the adverse consequences for planning and project implementation at the local levels, the creation of a dependency mentality among officials of local governments and the general citizenry and the blunting of the lines of fiscal responsibility and responsiveness at the local levels.

The local governments are, today, still heavily dependent on (mostly) federal revenue sources. Very little effort has been made to tap their own revenue sources, especially the flat rates and property taxes.[29] Rather than encourage them, their state governments tend to be doing otherwise. This explains why local governments in Ondo, Bauchi, Bendel, Ogun and Oyo, and Lagos States have generated locally only an average of 6.0 percent, 8.0 percent, 18.4 percent, 32.6 percent, 39.5 percent, and 46.9 percent of their total revenue, respectively, in the 1978-79 financial year (Table 2). The situation has not changed radically since then. Some

[29]Federal Republic of Nigeria, *The Report of the Committee on the Physical and Financial Performance of the Local Governments in the Federation 1978/79* which was commissioned by the Commissioners for Local Government throughout the Federation. Unfortunately, the report was not comprehensive enough to be accepted. Nevertheless one of its findings was that "the performance of local governments in revenue collection can be considered as still being very low." Of a sample of 189 local governments only 84 local governments were able to generate above 30 percent of their revenues from local sources during the 1978-79 financial year. Only 32 could generate 50 percent from internal sources.

Table 3. Local Government Finance, 1978-79, (Selected States Actual).

State	Federal	State	Local	Total
Bauchi	67.5	23.0	9.5	100
Anambra	42.3	25.0	32.7	100
Ogun	40.0	28.5	31.5	100

Source: Field work, Ministries of Local Government (1979), Aliyu and Koehn, *op. cit.*

Note: Bauchi, Anambra and Ogun States are selected as representatives of the Northern, South-Eastern, and South-Western parts of Nigeria, respectively.

state governments have ordered their local governments not to collect education levies, maternity fees, flat rate taxes and in some places, property taxes.[30] These are taxes which should have formed the bases of local government financial autonomy.

In addition, it must be noted that neither the federal nor the state government has respected their obligation to make available five percent and ten percent of their respective revenues to the local governments. In the current (1980) financial year, the federal government gave ₦ 273.00 million to all local governments which represent three percent of the total federally-retained revenue of ₦ 9040 million.[31]

Table 3 shows the respective roles played by federal and state governments in local government finance in recent times. Generally, state governments contribute less than a third of local government revenues in all the three states while the federal government is responsible for 40 to 60 percent of total local government revenues. Together, federal state contributions exceed 60 percent of total local revenues.

It is thus easier to perceive the precarious conditions of the local governments since federal funds are normally disbursed through the states. The states often have respectable reasons for not disbursing all the money meant for local governments directly to them in cash.[32] Some

[30] Cross-river, Kano, Kaduna, and Ogun States have abolished the flat rates. Maternity fees are not collected in any of the five states controlled by the Unity Party of Nigeria (UPN). There is no urban property taxation in any of the northern states. While these attempts might be laudable as part of the political programs of the different parties, the fact that no special reimbursements are made to local governments increases their financial hardships.

[31] See *New Nigerian* (March 20, 1980), Full Text of President Shagari's address. The percentage was 3.4 percent in 1979-1980 fiscal year. David O. Oke, "Shehu's Budget Branches the Constitution," in *Daily Sketch* (April 28, 1980).

[32] Cases of states diverting federal grants meant for local governments were cited by local government councils to the Presidential Commission on Revenue Allocation. See Federal Republic of Nigeria, *Report of the Presidential Commission on Revenue Allocation: Main Report*, Vol. I (Lagos: Federal Government Printer, 1980), paras. 293-295.

prefer to pay their local governments in kind by assisting them in the execution of some special tasks or by providing personnel. In many other instances, the only reason is that the states cannot meet up with their own obligations.

In some instances, funds withheld from local governments are returned to them at the end of the financial year as surpluses even though such local governments lacked funds with which to execute urgently needed projects during the year.[33] The establishment of State Joint Local Government Funds in many states has not solved this problem since the Fund is usually controlled by the state government.[34] Moreover, the entire budget process in the local government is subordinated to the state governments and its two very powerful agencies: the Ministry of Local Government and the Inspectorate Division.

Vagaries in Federal Grant Allocation

Besides the issue of non-payment and delay, the fact that the federal government's financial assistance to local governments is unilaterally determined and subjected to substantial yearly variations has caused a lot of frustration at the local level.

Table 4 shows the federal contribution, since 1976, per state. In 1976, the total allocation was ₦100 million; it rose to ₦ 250 million in 1977 but fell to ₦150 million in 1978 and rose again to ₦ 300 million in 1979 to fall to ₦ 273 million in 1980. The incidence of this at the state level can be seen from Table 4 while the effect at the local level can only be imagined, especially since this forms up to about 70 percent of total local government revenues in some states. The unpredictable nature of state assistance further compounds the problem.

Local Government and Democracy

It is generally agreed that much of the demand for the creation of more local governments is based on the premise that it is the only means

[33]This was the case in Bauchi and Ogun States at the end of the 1978-79 financial year. See A.Y. Aliyu and P.H. Koehn, "Intergovernmental Relations and Community Autonomy In Nigeria: The Case of the Northern States In the Post-Local Government Reform Period," Paper presented at the *Seminar for Change In Rural Hausaland* held at Bagauda, February 29-March 1, 1980, pp. 74. For instance, in Bauchi State, the Ministry of Local Government promised to construct new secretariats for each of the local governments. It was communicated to these local governments that the state government would make initial payments for secretariats from their grants. It later required them (the local governments) to offset additional construction cost, without making any money available for secretariats in that year.

[34]Local Government Management Funds are usually regarded by the states as synonymous with the State Joint Local Government Account stipulated in section 149 (5) of the Nigerian Constitution. The Constitution did not spell out the governing membership of the Account. Hence, in Benue State, for instance, the Local Government Management Fund comprises the Permanent Secretary, Ministry of Local Government as chairman; the Accountant-General, two Secretaries of Local Government and an accountant from the Ministry of Local Government. In Bauchi State, no official of the local government is represented on the fund. The management committee of the Ondo State Joint Local Government Account is closer to the ideal. The Commissioner of Local Government is its chairman and its membership includes three chairmen of local councils.

Table 4. Grants Disbursed to States for Local Government (in ₦-Million), 1976-77 to 1980-81

	1976-77	1977-78	1978-79	1979-80	1980-81
Anambra	6.127	15.404	9.242	15.137	16.822
Bauchi	4.591	11.478	6.337	16.891	12.533
Bendel	4.645	11.579	6.947	14.657	12.644
Benue	4.585	11.456	6.870	18.144	12.519
Borno	5.293	13.383	8.030	15.289	14.619
Cross River	6.196	15.002	9.001	16.992	16.384
Gongola	4.885	12.063	7.238	16.598	13.173
Imo	6.241	15.660	9.396	16.356	17.010
Kaduna	6.836	17.092	10.255	16.750	18.664
Kano	9.096	22.740	13.644	21.864	24.831
Kwara	3.625	9.063	5.438	12.322	9.900
Lagos	3.161	8.152	4.891	13.382	8.900
Niger	2.924	1.313	4.381	13.342	7.976
Ogun	3.405	8.513	5.108	11.873	9.297
Ondo	4.990	2.485	7.451	14.136	13.633
Oyo	8.333	20.531	12.500	19.700	22.751
Plateau	4.046	10.117	6.070	14.080	11.047
Rivers	3.483	9.083	5.450	13.320	9.918
Sokoto	7.430	18.577	11.146	18.856	20.287
	₦100.00	₦250M	₦150M	₦300M	₦273M

Source: Office of the Executive President, 1980 Budget speech. The formula for disbursement has been based on 75 percent population and 25 percent equality. Only the two installments for 1979-1980 were based on "Aboyade Revenue Allocation" ratio.

by which the national oil revenue can be extended to the different communities comprising the Nigerian State. Certainly if local communities have had to raise up to 60 percent of their own revenues the situation would have been different. Despite the inconclusive court decisions on the right of state governments to create more local governments under the constitution, many state governments have created more local governments to satisfy the aspirations and desires of their people.[35]

[35]Lagos State has created fifteen more local governments; Plateau State, seven; Kano State, nine; and other states' legislations concerning the issue are pending.

Moreover, the reform has not brought about any drastic change in the attitude of local government officials with respect to the standard of financial probity. In fact, it has been suggested that the multiple allegations of improbity and financial mismanagement at the local level especially since the 1976 reform can be traced to the fact that the citizens do not see their councilors as embezzling their monetary contributions but those of the federal government. At a time when allegations of corrupt practices at the federal and state levels are so rife, how can anyone expect the situation to be different at the local level? Nevertheless, one of the important objectives of local government is to promote the training of the public and its officials in the democratic way of life; one can see this as a substantial failure of that institution in the Nigerian setting.[36] The situation is not helped by the fact that the grants are general rather than "specific." This blunts the only lines of responsibility that would have existed between the central and local governments in the absence of a direct fiduciary responsibility to the public.

These, then, are some of the most serious problems of intergovernmental relation as it pertains to local government financing in Nigeria. In the first place, it must be noted that the federal government itself, has indicated its preference and commitment to a *devolved* local government structured for the effective delivery of essential social services.[37] Local governments cannot, therefore, be run to advantage as mere appendages of the Ministry of Local Government.

Secondly, intergovernmental relations, like interpersonal relations, with which it has very close similarities, thrive best in an atmosphere not of subordination but in one of mutual respect, understanding, cooperation, and mutual assistance. The usefulness of each separate tier must be respected even though most of the funds might come from federal sources.[38] At least, some modicum of respect has been restored to the relations between the federal and state government since the inception of civilian administration in October 1979.[39] The same pattern of relationships must now be encouraged between the federal and local governments, on the one hand, and between the states and local governments on the other. The situation whereby the federal government allocates just any percentage of its revenue to local governments may not receive the approval of the National Assembly, and after the debate on the report of the Presidential Commission on Revenue Allocation report has been completed, the solution will probably be differ-

[36]Other observers of the Nigerian situation feel that "the incontrovertible evidence points to a drastic fall in the standard of financial probity at all levels of government — probably highest of federal, higher at state and high at the local," Discussion of the manuscript of this paper with O. Adamolekun, Professor and Dean of Administration, University of Ife. Nevertheless, the basic thesis with respect to the place of local government in democractic discipline is sustained. See also, Dele Olowu, "Urban Local Government Under the 1976 Local Government Reform: An Appraisal," Seminar Paper, University of Ife (1979).

[37]See Federal Republic of Nigeria, *Guidelines for Local Government Reform In Nigeria* (Kaduna Government Printer), p. 1 and Federal Republic of Nigeria, *The Third National Development Plan 1975-80,* Vol. 1, pp. 291-314.

[38]This is the trend of intergovernmental fiscal relations all over the world. See A.H. Marshall, *Local Government Finance,* pp. 37-40; G.O. Orewa in Adamolekun and Rowland, *The New Local Government System;* Frank Layfield, *Local Government Finance: Report of the Committee* ; and C.A.B. Olowu, "*Urban Government and Local Government Reform,*" pp. 215-225.

[39]The debate on the President's 1980 budget is still raging in the National Assembly. Most commentators query why the federal government should allocate only 25.2 percent of the federation account to the states and retain 72.4 percent. See for instance, D.O. Oke, *Daily Sketch,* April 28, 1980. The President's answer is that this is the Constitutional position until the Revenue Allocation Panel submits its report.

ent.[40] It is important, nevertheless, that the states stop taking their local governments for granted. They should see them as partners not as competitors nor branch offices of their Ministries of Local Government.

Having said all these, the final import of this discussion is that finance is the heart of all intergovernmental relationships. There cannot be a meaningful shift from an inclusive authority model to one of overlapping authority and interdependence except when there is also a wide dispersal of national fiscal resources and the control of it. The inability of the authors of the Brazilian municipal reform to ensure this spelt the failure of the exercise.

It is therefore appropriate, at this point, to summarize the lessons which may be of mutual benefit to both countries.

Conclusion

Clearly, policy formulators in both countries can still draw copiously from each other's experience to strengthen their respective local government structures. For instance, as a first step in reducing the excessive dependence of local governments on federal government grants, Nigeria could benefit from the Brazilian experience by broadening the tax base of its local governments. As advocated by the National Conference on Local Government in 1977, this can be done through the transfer of 50 percent of such income sources as radio, television, and motorcycle licenses and all fees collected on entertainment licensing; the re-introduction of a progressive local income rate; and the development of the property tax in the urban areas.[41] The Brazilian experience demonstrates quite lucidly the long-term danger inherent in a local government system which is heavily dependent on central (both state and federal) government funds. There is no guarantee, for instance, that the major revenue earner for public expenditure in Nigeria (the oil industry), will not face a similar, if not a worse,set back than what Brazil's incipient industrial economy faced in the early 1970s.[42] Moreover, even in the short-term, the experience of other nations suggests that local government systems which are heavily

[40]The President appointed a Commission on Revenue Allocation under the Chairmanship of a member of the defunct Constituent Assembly, Dr. Pius Okigbo, in November 1979 to make recommendations, among other things, as to how the federation account should be shared among the federal, state, and local governments. The Commission reported on June 30, 1980 and debates have commenced on its report in the National Assembly.

[41]"Conference Conclusions and Recommendations," In O. Adamolekun and L. Rowland (eds.), *The New Local Government System in Nigeria: Problems and Prospects for Implementation* (Ibadah: Heinemann, 1979), pp. 286-291. Since the chairman of the Federal Government's Committee on the "Financial Contributions of Federal and State Governments to Local Governments," Dr. O. Orewa read the only technical paper on local government finance at this Conference, there is no doubt that even the recommendation of this Conference must have been influenced by the Brazilian experience.

[42]The oil industry provides 90.2 percent of Nigerian export earnings. Oil is a wasting resource and there are speculations that Nigeria oil resources may be exhausted by the turn of the century. Submissions at the Crude Oil Sales Tribunal Inquiry. See also, "The Oil Boomerang," *West Africa*, No. 3302 (March 11, 1980), p. 2159; and *Daily Times*, May 9, 1980.

dependent on grants to finance their operations do not necessarily make a greater contribution to public or national expenditure (compare Japan with Sudan and the Netherlands on Table 5). Table 6, in addition, suggests that although the Nigerian local governments derive as much as 80 percent of their revenues from federal and state sources they are only responsible for about three percent of total national public expenditure.

Secondly, the experience of Brazil and Nigeria points to the need to recognize that local government is no longer an exclusive preserve of state governments, both from constitutional and administrative points of view. Local governments have become part of a three-centered pattern of relationships: federal-local, federal-state, state-local, state-state, and local-local. There is, therefore, a need to strengthen, in both countries, institutions for mediating intergovernmental relationships, the principal one being an intergovernmental advisory body whose composition could be similar to the American Advisory Commis-

Table 5. Aspects of Local Government Finance in Selected Countries, 1967

	Local Authority as % of Total Public Authority	Local Authority as % of Total National Expenditures	Taxes	Grants	All other Income
Netherlands	52.5	15.9	7	85	8
Sudan	27.8	5	26	42	32
Belgium	21.2	7	30	41	29
Korea	22.7	5.2	32	10	58
South Africa	31.8	7	34	11	55
Spain	14.0	2.5	35	31	34
Great Britain	34.1	15.2	38	41	21
Germany	28.9	12.5	40	24	36
Israel	17.8	8	40	28	32
Denmark	50.0	16	43	53	4
U.S.A.	42.4	12.8	58	13	29
Japan	66.3	16.9	65	31	4
Austria	16.5	9.4	72	5	23
Canada	24.8	7.7	74	17	9
Average	32.2	10.1	42.4	30.9	26.7

Source: A.H. Marshall *Local Government Finance* (The Hague: I.U.L.A., 1969, pp. 40-41.

Notes: (1) No particular revenue source had a dominant influence on the role of local government in the national fiscal system.

(2) High correlation between low tax revenues and high grant sources (r = 0.51); and

(3) Data limited to 1969.

Table 6. Actual Expenditures and Percentage by the Three Levels of Government in Nigeria 1976-1979 (in ₦ Million)

Year	Level of Government			Total
	Federal	State	Local	
1976	6,146	4,367	209	10,722
	(57.3)	(40.7)	(2.0)	(100.00)
1977	9,647	4,980	501	15,128
	(63.8)	(32.9)	(3.3)	(100.00)
1978	7,463	3,729	439	11,631
	(64.2)	(32.1)	(3.7)	(100.00)
1979	7,804	5,275	495	13,574
	(57.5)	(38.9)	(3.6)	(100.00)
Average %	60.8	35.9	3.2	100.00

Source: Federal Republic of Nigeria, *Report of the Presidential Commission On Revenue Allocation*,Vol. I, Main Report (Lagos: Government Press, 1980), p. 81.

sion on Intergovernmental Relations (ACIR).[43] Clearly, the role of the federal government in initiating legislation and ensuring the financial strength of the local government system implies that both federations have moved far from classic dualistic federalism to a tripartite one.

One financial institution which would be an asset to the development of the local government system in both countries is the municipal bank. The 1971 National Conference on Local Government, already referred to above, advocated the creation of such a body for the Nigerian local government system. There is no doubt that a similar body could service Brazilian local authorities to advantage. Such a bank will not only assist the local governments in processing loans for their capital development (rather than relying on state governments exclusively), it will also greatly assist whatever institutions already exist for the disbursement of federal and state grants to local government in both countries.[44]

One final lesson that can be borrowed from the Brazilian setting for the Nigerian local government system is in respect of the indices used for distributing grants to local govern-

[43] Also suggested at a "National Workshop on Intergovernmental Relations in Nigeria" held recently at the University of Ife. See the special issue of *Quarterly Journal of Administration* on "Aspects of Intergovernmental Relations In Nigeria." The Advisory Commission on Intergovernmental Relations comprises 26 members: 3 senators, 3 representatives, 3 federal officials, 3 private citizens, 4 governors, 3 state legislators, 4 mayors, and 3 elected country officials. George S. Blair, *Government at the Grass-Roots* (California: Palisades Publishers, 1977), p. 45.

[44] As noted earlier, the disbursement agency in Brazil is the Bank of Brazil whereas, the Nigerian Constitution provides for the establishment of a State-Joint Local Government Account to receive and disburse all grants to local governments.

ments. As hinted earlier, the criteria for distributing federal (and also state) grants to local governments in Nigeria are: equal distribution (25 percent) and population (75 percent). However, given the additional sources of revenues (latent or potential) derivable by urban local governments from their immediate environment, recognizing that population figures especially in Nigeria as in most other developing countries are badly deficient and outdated, and also recognizing that most of the population in such countries reside in the rural areas, there is the need to tie these grants to more realistic conditions.[45] This happened in Brazil in 1967, as was discussed in the opening paragraphs. The following indices have been suggested for sharing federal revenues to local governments:

Population (based on present calculation until local governments furnish a population list or the next population census) . . . 40%

Tax performance (tax per capita) 40%

Equal distribution (except for local governments in national or state capitals 20%

The major strengths of such a proposal are its simplicity and ability to maintain the necessary balance between needs and incentives.[46]

The Brazilian local government reform experience has indeed provided considerable inspiration for its Nigerian counterpart. What remains to be done is to show how the two countries can benefit further from each other's experience to sustain their attempts to institutionalize their respective local government systems. Indeed, if success is achieved at this level, the way might be paved for other developing countries to utilize one another's experience when thinking of administrative reforms at higher levels.[47]

[45]The 1963 population Census is still the most current data on the Nigerian population. The results of the 1973 Census were cancelled because they were politically unacceptable. The 1963 Census itself, besides being dated, is not very reliable. More than 75 percent of Nigerians still reside in rural areas. See I.I. Ekanem, *The Nigerian 1963 Census* (Benin-City: Ethiope Publishing Co., 1970).

[46]See C.A.B. Olowu, *"Urban Government and Local Government Reform,"* pp. 252-261. The Presidential Commission Report on Revenue Allocation and the Government White Paper is currently being debated at the National Assembly. The Commission's recommendation as against the federal government's in respect of revenue allocation and criteria for distribution among governments are set out below:

Level of Government	*Commission's Recommendation*	*Federal Government's*
Federal	53%	55%
State	30%	30%
Local	10%	8%
Special Fund	7%	7%

Proposals for sharing among states and local governments (Commission's and Federal Government's)

Minimum Responsiblity (Equality) 40%
Population 40%
Social Development Factor (Primary School Enrollment) . . .15%
Internal Revenue Effort 2%

[47]It is interesting to note that the Republic of Gambia sent a ministerial delegation to Nigeria in March 1980 to study the Nigerian local government reforms with intent to reforming her own local government system.