

NATIONAL OPEN UNIVERSITY OF NIGERIA
91, Cadastral Zone, University Village Jabi, Abuja

Course Code: PAD 301

Course Title: INTERGOVERNMENTAL RELATIONS

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INTRODUCTION

PAD 301: Intergovernmental Relations is a course to be undertaken by students that are undergoing Doctor of Philosophy Degree Programme in Public Administration. It will be available for all students offering Post-graduate studies in Public Administration and Management.

This course will expose you to understanding of many of the concepts and theories in Intergovernmental Relations as they affect Public Sector organizations in Nigeria. It will assist you to be able to apply these concepts and theories to the task and roles that you perform as an Administrator, Policy Analyst and Programme Manager in the Public Sector setting.

The course consists of 15 units, which include course guide, evolution of federalism, meaning and nature of federalism, models of federalism rationale for federalism, theoretical/ideological perspectives of federalism, models of intergovernmental relations, structures and patterns of intergovernmental relations, allocation of jurisdictional powers, federal-state-local government relations, comparative intergovernmental relations using Nigeria, America, Brazil, India and Canada as case studies.

This course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully.

It also gives you some guidance on your tutor-marked assignments, which will be made available in the assignment files. There are regular tutorial classes that are linked to the course. You are advised to attend these sessions.

WHAT YOU WILL LEARN I THIS COURSE

PAD 301 Intergovernmental relations introduces you to various techniques, guides, principles, practices, etc. relating to Performance measurement and management in Public organizations.

COURSE AIM

The aim of the course can be summarized as follows:

This course aims to give you an understanding of the meaning of intergovernmental relations and management, what they are and how they can be applied in everyday public activities. It also aims to help you develop skills in the intergovernmental relations and management. You can also apply the principles to your job as public sector managers, top management of corporate organizations in both the private and public enterprises. All these will be achieved by aiming to:

COURSE OBJECTIVES

To achieve the aims set out, the course sets overall objectives. Each unit also has specific objectives. The unit objectives are always included at the beginning of a unit; you should read them before you start working through the unit. You may want to refer to them during your study of the unit to check on your progress.

You should always look at the unit objectives after completing a unit. In doing so, you will be sure that you have followed the instructions in the unit.

Below are the wider objectives of the course as a whole. By meeting these objectives, you should have achieved the aims of the course as a whole. On successful completion of the course, you should be able to:

- (1) Explain the evolution of federalism
- (2) Understand the meaning and nature of federalism
- (3) Understand the models of federalism
- (4) Understand the rationale for federalism
- (5) Understand the theoretical/ideological perspectives of federalism
- (6) Understand the models of intergovernmental relations
- (7) Understand the structures and patterns of intergovernmental relations
- (8) Understand the allocation of jurisdictional powers
- (9) Understand the Federal-State-Local government relations
- (10) Understand the institutions for managing intergovernmental relations
- (10) Understand the fiscal relations in Nigeria
- (11) Understand intergovernmental relations in America
- (12) Understand intergovernmental relations in Brazil
- (13) Understand the intergovernmental relations in India
- (14) Understand how to understand intergovernmental relations in Canada

WORKING THROUGH THIS COURSE

To complete this course, you are required to read the study units, read set books and read other materials provided by the National Open University of Nigeria (NOUN). Each unit contains self-assessment exercises, and at a point in the course, you are required to submit assignments for assessment purposes. At the end of the course, is a final examination. The course should take you about 16 - 17 weeks in total to complete.

Below you will find listed all the components of the course, what you have to do, and how you should allocate your time to each unit in order to complete the course successfully on time.

Below are the lists of all the components of the course:

COURSE MATERIALS

Major components of the course are:

- Course Guide
- Study Units
- References
- Assignment
- Presentation Schedule

STUDY UNITS

The study units in this course are as follows:

Module 1

Unit 1 Evolution of Federalism

- Unit 2 Meaning and nature of federalism
- Unit 3 Models of federalism
- Unit 4 Rationale for Federalism
- Unit 5 Theoretical/ideological perspectives of federalism

Module 2

- Unit 1 Models of Intergovernmental Relations
- Unit 2 Structures and Patterns of Intergovernmental Relations
- Unit 3 Allocation of Jurisdictional powers
- Unit 4 Federal-State-Local government Relations
- Unit 5 Institutions for managing intergovernmental Relations

Module 3

- Unit 1 Intergovernmental fiscal Relations in Nigeria
- Unit 2 Intergovernmental Relations in America
- Unit 3 Intergovernmental Relations in Brazil
- Unit 4 Intergovernmental Relations in India
- Unit 5 Intergovernmental Relations in Canada

The first two units explain the evolution, meaning and nature of intergovernmental relations. The next three units give insight in the context of models, rationale and theory of intergovernmental relations.

The next units explain the dynamic, structures, patterns, allocation of jurisdictional powers and institutions for managing intergovernmental relations.

This is followed by five other units, which tend to compare intergovernmental relations in Nigeria, America, Brazil, India and Canada

ASSIGNMENT FILES

There are fifteen assignments in this course. The fifteen-course assignment which cover all the topics in the course material are there to guide you to have proper understanding and grasp of the course.

PRESENTATION SCHEDULE

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marked assignments and attending tutorials. Remember, you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

ASSESSMENT

There are three aspects to the assessment of the course: first is self-assessment exercises; second, is the tutor-marked assignments; and third, there is a written examination.

In tackling the assignments, you are advised to be sincere in attempting the exercises; you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal assessment in accordance with the deadlines stated in the Presentation Schedule and the Assignment File. The work you

submit to your tutor for assessment will count for 50% of your total Course mark.

At the end of the course, you will need to sit for a final written examination of 'three hours' duration. This examination will also count for 50% of your total course mark.

TUTOR-MARKED ASSIGNMENT (TMAs)

There are nine tutor-marked assignments in this course. You only need to submit five of the eight assignments. You are encouraged, however, to submit all eight assignments in which case the highest five of the eight marks will be counted. Each assignment counts 10% towards your total course mark.

Assignment questions for the units in this course are contained in the Assignment File. You will be able to complete your assignment from the information and materials contained in your reading, references and study units- However, it is desirable in all degree level education to demonstrate that you have read and researched more widely than the required minimum. Using other references will give you a broader viewpoint and may provide a deeper understanding of the subject.

When you have completed each assignment, send it together with a TMA (tutor marked assignment) form, to your tutor. Make sure that each assignment reaches your tutor on or before the deadline given in the Presentation Schedule and Assignment File. If for any reason, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an

extension. Extensions will not be granted after the due date unless there are exceptional circumstances.

FINAL EXAMINATION AND GRADING

The final examination PAD 301 will be of three hours' duration and have a value of 50% of the total course grade. The examination will consist of question, which reflect the types of self-testing, practice exercise and tutor-marked problems you have previously encountered. All areas of the course will be assessed.

Spend the time between finishing the last unit and sitting for the examination to revise the entire course work. You might find it useful to review the self-tests, tutor-marked assignments and comments on them before the examination. The final examination covers information from all parts of the course.

COURSE MARKING SCHEME

Total Course Marking Scheme

ASSESSMENT	MARKS
Assignment 1-9	Nine assignments, best six marks of the nine count @ 5% each = 30% of course marks
Final Examination	70% of overall course marks
Total	100% of course marks

COURSE OVERVIEW

This table brings together the units, the number of weeks you should take to complete them and the assignments that follow them.

Unit	Title of Work	Weeks Activity	Assessment (end of unit)
	Course Guide		
	Module 1		
1	Evolution of Federalism of federalism	1	Assignment 1
2	Meaning and nature of federalism	1	
3	Models of federalism	1	Assignment 2
4	Rationale for Federalism	1	Assignment 3
5	Theoretical/ideological perspectives of federalism	1	

Module 2			
1	Models of intergovernmental relations	1	Assignment 4
2	Structures and Patterns of intergovernmental relations	1	
3	Allocation of jurisdictional powers	1	
4	Federal-State-Local government relations	1	Assignment 5
5	Institutions for Managing intergovernmental relations	1	Assignment 6
Module 3			
1	IGR Fiscal relations in Nigeria	1	
2	IGR in America	1	Assignment 7
3	IGR in Brazil	1	Assignment 8
4	IGR in India		Assignment 9
5	IGR in Canada	1	
	Total	15	9

HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the university lecturer. This is one of the great advantages of distance learning. You can read and work through specially designed study materials at your own pace, and at a time and place that suits you best. Think of it as reading the lecture that a lecturer might

set you some reading to do, the study unit will tell you when to read your other materials. Just as a lecturer might give you an in-class exercise, your study units provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole.

Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will significantly improve your chances of passing the course.

The main body of the unit guides you through the required reading from other sources. This will usually be either from a Reading Section of some other sources.

Self-tests are interspersed throughout the end of units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should do each self-test as you come to it in the study unit. There will also be numerous examples given in the study units, work through these when you come to them too.

The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor. Remember that your tutor's job is to help you. When you need help, do not hesitate to call and ask your tutor to provide it.

- (1) Read this course guide thoroughly.
- (2) Organize a study schedule. Refer to the course overview for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information e.g. details of your tutorials, and the date of the first day of the semester will be made available. You need to gather all this information in one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.
- (3) Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their coursework. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- (4) Turn to unit I and read the introduction and the objectives for the unit.
- (5) Assemble the study materials. Information about what you need for a unit is given in the 'Overview' at the beginning of each unit. You will always need both the study unit you are working on and one of your references, on your desk at the same time.

- (6) Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the units, you will be instructed to read sections from your other sources. Use the unit to guide your reading.
- (7) Well before the relevant due date, check your Assignment File and make sure you attend to the next required assignment. Keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the exam. Submit all assignments not later than the due date.
- (8) Review of the objectives for each study unit confirms that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
- (9) When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to face your study so that you keep yourself on schedule.
- (10) When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignments are returned to you, pay particular attention to your tutor's comments, both on the tutor-marked assignments form and

also written on the assignment. Consult your tutor as soon as possible if you have any questions or problems.

- (11) After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the Course Guide).

FACILITATORS/TUTORS AND TUTORIALS

There are 17 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the names and phone numbers of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter and provide assistance to you during the course- You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

CONTACT YOUR TUTOR IF:

- You do not understand any part of the study units or the assigned readings.
- You have difficulty with the self-test or exercise.

- You have a question or problem with an assignment with your tutor's comment on an assignment or with the grading of an assignment

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will learn a lot from participating in discussions actively.

As earlier stated above, this course PAD 301, Intergovernmental Relations analyzes issues in the public sector. It makes in-depth analysis of the Intergovernmental Relations in the public sector for understanding of the practices and principles governing intergovernmental relations and management among levels of government.

We hope you enjoy your acquaintances with the National Open University of Nigeria (NOUN). We wish you every success in the future.



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MODULE 1

CONCEPTS, MODELS AND THEORIES OF FEDERALISM

UNIT 1 EVOLUTION OF FEDERALISM

UNIT 2 MEANING AND NATURE OF FEDERALISM

UNIT 3 MODELS OF FEDERALISM

UNIT 4 RATIONALE FOR FEDERALISM

UNIT 5 THEORETICAL/IDEOLOGICAL PERSPECTIVES OF FEDERALISM

UNIT 1

EVOLUTION OF FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Alliances and Confederations
 - 3.2 Federal-Decentralized System
 - 3.3 Central-Decentralized System
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 Reference/Further Readings

1.0 INTRODUCTION

Federalism is derived from Latin word “Foedus” which means treaty or agreement. It denotes when a sovereign and independent states, either because they are too weak to resist foreign aggression individually or because they remain economically backward by standing alone. Hence, they voluntarily agree to unite. In this unit, we shall examine how federalism emerged as a system of government.

2.0 OBJECTIVES

At the end of the unit, students would be able to.

- Understand how different forms of federalism emerged; and
- Understand the dynamics of sharing powers to different levels of government.

3.0 MAIN CONTENTS

3.1 ALLIANCES AND CONFEDERATIONS

In the beginning, there was Alliance – a coalition of states agreeing to help each other in the event of war or crises. Alliances do not only involve cooperation and aggregation of capabilities, they are generally directed toward an actual or

potential enemy and the actual or potential use of force. The agreement on which an alliance is based is often embodied formally in a treaty, but it can also be based on a tacit or informal understanding. Alliances can be between states that are relatively equal in power and involve mutual security guarantees, or they can be between unequal states – in which case the more powerful state generally extends a unilateral guarantee to the less powerful one. This is always a dangerous situation for the weaker state. Too often a willingness to protect and preserve has turned into a desire to take over and annex. Then came the confederation, a group of independent states that delegate powers on selected issues to a central government. In a confederation, the central government is deliberately limited, designed to be inherently weak, and has few independent powers (Shafritz et. Al., 2011).

3.2 FEDERAL DECENTRALIZED SYSTEM

History indicates clearly that the principal factor in the formation of federal system of government has been a common external threat. “Tribes, villages, cities, colonies or states have joined together in voluntary unions to defend themselves” (Shafritz, Russell and Borick, 2011:134)

Every federal state has a devised system of emergence. In some cases, a new state is created to which the hitherto sovereign states surrender their sovereignty and agree to become its component parts. Some countries call the federation that emerged as state as in case of United States of America, Nigeria, Austria, India and so on. In the case of Canada and Pakistan they are referred to as provinces; cantons in the Switzerland; Union Republics in the former Soviet Union and Lander in German Federal Republic. The central governments which come into existence as a result of that federation is entrusted with powers of general character such as: defense, currency, foreign affairs, military etc, while the constituent units are empowered with certain issues within their jurisdiction as spelt out by the constitution. Sovereignty lies on the state against external control (Ugoh, 2011:23).

3.3 CENTRAL – DECENTRALIZED SYSTEM

In this system, a federation may also come into existence when a unitary state with a large area which needs unity out of its diversity; divides its power into two sets of government and grants constitutional autonomy to its units. The system formed in this way is known as centrifugal type of federalism. The new apparatus of government comes to be the central government,

which retains only those subjects of national importance, such as: currency, defense, security and transfers to rest or to the justification of component units. Both the central and component units constitute part and parcel of one governmental system and their relationships are one of partnership and collaboration in a single organization, possessing one common, alternate purposes and integrated system of institution for that purpose. The relation between the central and local authorities is not that of an omnipotent controlling authority and its agents, but of partners in an enterprise – the carrying on of efficient administration. These features can be found in Norway and Sweden (Eneanya, 2012: 252)

4.0 CONCLUSION

In this unit, we have discussed factors leading to the evolution of federalism. it could be a new state created to which other regions or states or province surrender their sovereignties and agree to become its component parts. Another pattern in which a federal system can also emerge could be when a unitary state with a large area which needs unity out of its diversity divides its power into two sets of government and grants constitutional autonomy to its component units.

5.0 SUMMARY

Federalism is practiced by many countries. It could emerge as a result of states agreeing to surrender their sovereignties, and remaining part of the federation unit. As a political system, federalism is adopted to cater for diversities and heterogeneity of these societies. According to Wheare (1964), it is a method of dividing powers so that general and regional governments are each within a sphere, coordinate and independent.

Generally, the central government controls the subjects of national importance, while state or regional or provincial governments control subjects within their jurisdictions as allotted by the constitution of the state. The federally – decentralized and centralized – decentralized patterns are the basis of the formation of federal system of governments in various countries of the world.

6.0 TUTOR – MARKED ASSIGNMENT

1. Explain the factors that led to the emergence of federalism in Nigeria?
2. What was the factor that brought about the federal system in USA?

7.0 REFERENCES/FURTHER READING

Eneanya, A. N. (2012). *Local Government Administration in Nigeria: A Comparative Perspective*. Lagos: University of Lagos Press Ltd.

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UNIT 2

UNIT THE MEANING AND NATURE OF FEDERALISM

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3,1 Meaning of Federalism
 - 3.2 Nature of Federalism
 - 3.3 Types of federalism
 - 3.3.1 Dual Federalism
 - 3.3.2 Cooperative Federalism
 - 3.3.3 Creative Federalism
 - 3.3.4 Competitive Federalism
 - 3.3.5 Fiscal Federalism
 - 3.3.6 Centrifugal Federalism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Some scholars on federalism argue that governments within federal system have not been independent of each other but have in practice been inter-dependent and interacted with each other

in a relationship of both cooperation and rivalry. Others argue that federalism involves cooperation, bargaining and conflict. Thus, there has always been a measure of cooperation between two levels of government. In this unit, we shall examine the meaning and nature of federalism.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Understand the meaning of federalism
- Explain the nature of federalism

3.0 MAIN OBJECTIVES

3.1 MEANING OF FEDERALISM

Federalism has been defined differently by many scholars. Wheare (1963: 10) defines federalism as “a system where there is more than one tier of government with the tiers each within a sphere, coordinate and independent Friedrich (1963) views it as “a process by which a number of separate political organizations, be they states or any kind of association enter into agreements for working-out solutions, adopting joint policies and making decisions on joint problems....” Ramphal (1979) describes federalism as a situation, where “communities accept to live and works together nationally on a limited number of matters and for those matters only; but are determined, at the same time, to preserve their separate identities and to remain competent authority in their own territories for the regulation of other matters”.

According to Katz (1984:20) federalism “is a form of political organization designed to promote both effectiveness and liberty in which separate politicizes (or nationalities) are united within an over-arching framework in such a way that all maintain their fundamental integrity”. Federalism contrasts with a unitary system of government where there is one predominant central government, which assumes full powers and responsibility for all government functions and may delegate some of its power and functions to the local authority that it has created (Oates, 1972: 3 – 20).

On the other hand, federalism is sometimes confused with pluralism. Although, they share certain similarities, they are in no way identical. Federalism operates within an entity that is composed of territorially defined groups, while pluralism is not characterized by any well-defined territory. Pluralist system is a social system of politics where the state which is a gathering of private group’s organizations and individuals interest represented by such associations enjoy the distribution of power. Nevertheless, these groups of interest have no territorially defined

boundaries. Every pluralist society represents a multitude of diverse social interests with organized representation in political decision-making.

Thus, federalism represents a principle for the organization of decision-making in an association of groups of people within a nation – state. It possesses a relative autonomy that is constitutionally recognized. The federal system recognizes and respects the co-existence of concurrent governments as against the unitary form of government.

3.2 NATURE OF FEDERALISM

Federalism is a political system adopted to cater for diversities and heterogeneity of societies. It is designed to address the twin issues of maintaining unity, while preserving diversity. To Wheare (1963) it is a method of dividing powers to that general and regional governments are each within a sphere, coordinate and practiced. Federalism is practiced by many countries of the world, such as: Nigeria, Australia, Canada, United States of America etc. A federal system of government is one in which powers are distributed between the centre and the states.

The constitution of a federal state is always written because it clearly spells out the powers and functions of both the central government and the state governments: the essence is to avoid conflict and controller by that may arise between these governments.

3.3 TYPES OF FEDERALISM

There are different types of federalism, namely:

- a) Dual federalism
- b) Cooperative federalism
- c) Creative federalism
- d) Competitive federalism
- e) Fiscal federalism
- f) Centrifugal federalism

3.3.1 DUAL FEDERALISM

The concept of dual federalism is set against the background of classical thinking. It represents the classical theory of federalism. Dual federalism is based on the conception of the autonomy of the various levels of government within a federation. This is considered the basis for the existence of true federalism.

3.3.2 COOPERATIVE FEDERALISM

Cooperative federalism is a compromise of dual federalism or true federalism. The emphasis here is on cooperation between the levels of government in a federation. Such cooperation is

necessary for the proper functioning of the overlapping functions and responsibilities of these governments. As such, in cooperation federalism, the various units of government have interdependent relationship among themselves despite the constitutional division of powers and the provisions for independence and autonomy.

3.3.3 CREATIVE FEDERALISM

Creative federalism sought to foster the development of a singular “Great Society” by integrating the poor into mainstream America. Its expansive efforts were marked by the rapid development of categorical grant programmes to state and local governments and direct federal grants to cities, frequently bypassing state governments entirely.

3.3.4 COMPETITIVE FEDERALISM

Competitive federalism is characterized by regular conflicting patterns of relationship among the various government units: This is an undesirable situation since it does not promote peace and unit and is likely to slow the pace of development and self-reliance.

3.3.5 FISCAL FEDERALISM

Fiscal federalism implies the allocation of tax powers and expenditure responsibilities among various tiers of government, while fiscal decentralization takes place when sub-national governments are given statutory powers to raise some taxes and carryout spending activities within some specified legal criteria. This also involves the allocation of centrally – generated revenue to lower tiers of government through some revenue sharing formula (Ekpo, 1999). In Nigeria, this involves three tiers of government – federal, state and local. Here, fiscal federalism exists mainly as revenue allocation directed by award of special grants from federation account. To avoid conflict revenue commissions are often established to work out the best acceptable formula for revenue allocation from federation account.

3.3.6 CENTRIFUGAL FEDERALISM

A federalism may also come into existence when a military state with a large area which needs unity out of its diversity, divides its power into two sets of government and grants constitutional autonomy to its units. The system formed in this way is known as centrifugal type of federalism. The new apparatus of government comes to be the central government “which retains only those subjects of national importance (such as currency, defence, railway, security, and transfer the rest to the jurisdiction of the units” (Ugoh, 2011: 24). In other words, inter-government

relations also exist in a unitary system of government. As Graves (1974) and Ayoado (1980) pointed out, that there are at least three levels of inter-governmental relations in a unitary system, namely: national – local relations inter-local relations and federal centre relations.

SELF – ASSESSMENT EXERCISE

What do you understand by the concept of federalism?

4.0 CONCLUSION

In this unit, we have discussed the meaning, nature, features and types of a federal system. Federalism as option of government has a strong appeal for communities that desire to unite for limited purposes, while retaining a large measure of autonomy. Basically, a federal system seeks to unite in a general government system several diverse component units that desire some degree of unity without sacrificing their own identity or autonomy in local affairs.

5.0 SUMMARY

Federalism is a form of political organization designed to promote both effectiveness and liberty in which separate politics (or nationalities) are united within an overarching framework in such a way that all maintain their fundamental integrity (Katz, 1984). It seeks to unite several diverse component units that desire some degree of unity in diversity.

There are different types of federalism, namely: dual, cooperative competitive and fiscal federalism, fiscal federalism is an off-shoot of federalism, it refers to the statutorily defined financial transaction between the different tiers of government within a federation. It could also be seen as the existence, in one nation-state, of more than one level of government, having responsibility for both taxation and expenditure (Okigbo, 1965 and Anyanwu, 1995). Within a fiscally federated state a citizen can be subjected to the influence of fiscal operation of different levels of government.

Federal, state and local governments, the principles of federalism and its concurrent concept, fiscal federalism have been accepted in Nigeria since 1946. In this different levels of government have been allotted their functions within their

- 6.0 (i)** Describe the features of federalism
- (ii)** Explains different types of federalism

7.0 REFERENCES/FURTHER READINGS

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UNIT 3

MODELS OF FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Devolution Model
 - 3.2 Aggregation Model
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Federalism is a political system in which two level of government – federal and state exist side by side, with each possessing certain assigned functions. The fundamental character of this system is that it is a political system characterized by the central and component governments with distinctively recognized autonomous in its own sphere but interact with each other cooperatively. In this unit, we shall examine the forms or models in which federalism evolved.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Explain how federalism evolved through development process.

- Explain how federalism evolved through bargaining or aggregation process.

3.0 MAIN CONTENTS

There are two forms or processed federalism evolved, namely (Ogbuise 2007:7 – 8).

- Devolution model or process,
- Aggregation model or process.

3.1 DEVOLUTION MODEL OR PROCESSES

An analysis of the evolution of federalism in Nigeria would show that Nigeria existed as a unitary state before it decide to reconstitute itself by devolution governmental legislative power to other levels of government, such that these levels of government become coordinates with the central government and enjoying autonomy in the exercise of legislative, executive and administrative powers allotted by the constitution of that country.

In Nigeria, for example, federalism originated form an entirely unitary set-up prior to the coming into force of the Richards Constitution in 1946; which also created regional councils. This marked the beginning of decentralization in Nigeria. The reason for devolution is because of the presence of strong and continuous demand for autonomy over certain local issues, especially in multinational societies with high socio-cultural diversities. Another example of a country which formerly was unitary but devolved into federation is Canada.

3.2 AGGREGATION MODEL OR PROCESS

This model is characterized by a bargain or agreement made among previously sovereign polities, such that each agrees to give up part of its sovereignty in order to pool its resources with the others and thereby increase the security, prestige and economic potential of the federated state as a whole. At the end of the day, a common central government is formed to take charge of certain issues of common interest to all of them. The component units, however, retain autonomy over certain issues and functional areas, especially matters of relative local government examples of federal states that have emerged through this process include the United States of America, Switzerland and Australia.

SELF-ASSESSMENT EXERCISE

Describe the process in which a country emerged through devolution?

4.0 CONCLUSION

In this unit, we have examined the conceptual models of federalism. This defines the mode and character of inter-

governmental relations in a federal state. The models determine the inter-relationship among the states as well as between the states and the federal government. The constitutional provisions made it possible for powers to be distributed, which would allow all the entities to work separately, while still working together as a nation.

5.0 SUMMARY

This unit has discussed the processes of the emergence of federalism. The conceptual models are vital for the understanding of inter-governmental relations. Federalism as a political system binds group of states into a larger, non-centralized and superior state. Federalism can be classified into two major models based on their formation and existence. The models are the devolution and aggregation models.

The devolution model describes the situation, where a state which has existed over a period of time as a unitary state decides to reconstitute itself by devolving governmental legislative power to other levels of government in the country. Nigeria and Canada are examples of countries that emerged as federal states through this model.

On the other hand, the aggregation model is characterized by a bargain or agreement, made among previously sovereign polities, such that each agrees to give up part of its sovereignty, in order to pool its resources with the others and increase economic development of the federated state as a whole.

6.0 TUTOR – MARKED ASSIGNMENTS

1. Describe the devolution model that characterized federal system in Nigeria
2. Describe the aggregation model that characterizes federal system in United States of America.

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UNIT 4

RATIONALE OF FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Economic factor
 - 3.2 Political factor
 - 3.3 Institutional factor
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

The rationale for federalism continues to be relevant because not all government systems are federal. Federalism is about partial decentralization of government systems. Therefore in this unit there is need to examine the justification for federalism.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Understand the economic justification of federalism,
- Understand the political justification of federalism, and
- Explain the institutional bases for operating a federal system

3.0 MAIN CONTENTS

3.1 ECONOMIC FACTOR

The economic argument for decentralization has been partitioned into two categories, namely: the ex-ante (or theoretical) argument and the practical argument (Cremer et al, 1994) can be traced to the work of Buchanan, (1950), Musgrave (1961) and Oates (1972). The theoretical economic argument for decentralization is as follows: tastes and preferences (hereafter referred to as tastes)

for some public goods vary from one locality to another. Such variations in tastes can be as a result of historical and socio-economic factors. The scenario is therefore, one wherein, for some goods, there is an identical taste within each locality and variations in tastes across localities.

Simultaneously, we have a situation wherein public goods differ in their spatial characteristics, particularly in terms of the spatial incidence of the benefits enjoyed. At the extreme, we have national public goods whose consumption is collective nationally. For example, national defence; and local public goods whose consumption is collective, locally, for instance, street lighting.

If the central government provides a local public good, one possibility is for this tier of government to seek information on each locality's preferences and then respond to it. Such information, however, would be costly and the central government may be reluctant to use it. The tendency, therefore, is for the central government to provide a uniform level of the good for all localities, in spite of the observed variations in tastes. The uniform provision of the local public will, in different degrees, make some localities to over consume, and others to under-consume, the public good. If we have more than one public good, the uniform provision of each and every good to all localities could adversely affect not only the level but also the bundle of the goods that are consumed.

In order to improve the efficiency of government systems, a system has to evolve that would differentiate the provision of local public goods according to local tastes and circumstances (Woller and Phillips, 1998: 139 – 140). This requirement is met by a decentralized system of government. According to Groenewegen,(1987: 366), decentralization permits better matching of public goods, supply to local tastes. This theoretical case for federalism has now been made since we have at least one function that is better performed by sub-national governments, and at least one other function that is better performed by the central government. Thus, the economic argument is that decentralization could enhance experimentation and innovation because some jurisdictions will want to explore better ways of providing their services.

3.2 POLITICAL FACTOR

Turning to political argument, decentralization can enhance political cohesion in countries with regional, ethnic, racial, linguistic or cultural diversity like Nigeria (Tanzi, 199: 301 – 302). Decentralization can also provide the opportunity for local governments to serve as training grounds for democracy. It has also been argued that stronger local or regional governments can

service as an instrument for curtailing the natural tendency for the central government to become too powerful.

3.3 INSTITUTIONAL FACTOR

There is institutional argument for decentralization. Provisioning at the grass roots level is not likely to be for only one good. It is likely to be for a bundle of public goods. There is then the need for effective coordination of this bundle of goods. Given their closeness to the grassroots, local governments are in a better position to achieve the desired level of coordination of local public goods than the central government (Taiwo, 2004:39)

4.0 CONCLUSION

In this unit, we have discussed the rationale of operating a federal system. Federalism entails power devolution to different geographical levels within a nation. Federalism allows for a great degree of decentralization. Federalism, therefore, can be justified on the ground of decentralization of economic, political and institutional benefits.

5.0 SUMMARY

The unit has described the justification for operating federal system. The exercise is useful not only for the countries that have deviated from the norms of the federal system of government, but also for those that are fine tuning their systems or are in transition from other government systems to federal one. The economic justification for operating a federal system stems from the logic that decentralized system of govern could enhance competition among jurisdictions or tiers of government and enhance better ways of providing goods and services. On political argument, it can enhance cohesion in countries with regional, ethnic racial linguistics or cultural diversity.

Finally, the justification for operating federal system could be on the ground of the institutional factors. Provision of public goods can better be achieved by local governments or units.

6.0 TUTOR - MARKED ASSIGNMENTS

1. Explain the economic justification of operating a federal system.
2. Describe the political and institutional justification for operating a federal system.

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UNIT 5
THEORETICAL AND IDEOLOGICAL PERSPECTIVES
ON FEDERALISM

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Theoretical Perspectives
 - 3.1.1 Federalist School
 - 3.1.2 Decentralization School
 - 3.2 Ideology of Federalism
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Federalism is a device for dividing decisions and functions of government. It contrasts with unitary system where there is one predominant central government that assumes full power and responsibility for all government functions but may delegate some of its powers to the local authority. Federalism is different form political and fiscal. Whereas, political federalism deals with the allocation, usually through the instrumentality of the constitution, of powers and authority to tiers of government, fiscal federalism, on the other hand, is essentially about the allocation of government spending and resource to tiers of government (Oates, 1972: 16 – 20; Asobie, 1998:15). In this unit, we shall examine the conceptual and theoretical issues in federalism.

2.0 OBJECTIVES

At the end of the unit, students would be able to

- Explain the theoretical perspectives in federal system.
- Understand the ideology of federalism.

3.0 MAIN CONTENTS

3.1 THEORETICAL PERSPECTIVES OF FEDERALISM

It is helpful at this point to examine some of the theoretical perspectives that have been used by experts in the field to analyze explain and predict inter-governmental events. However, it will be helpful to define what is meant by theory. A theory is a coherent set of statements describing and explaining the relationships and underlying principles of some aspect of the world. A useful (although somewhat oversimplified distinction may be made between two kinds of theory: normative theory, which offers explanations and predictions for how some part of the world actually is or ought to be.

And empirical theory, which offers explanations and predictions for how some part of the world, actually is or will be. These two types are directed at quite different goals. However in the field of intergovernmental relations efforts to explain an intergovernmental system are simultaneously bound up with attempts to persuade others that certain forms of intergovernmental relations are preferable.

In other words, many intergovernmental theories have been both normative and empirical.

3.1.1 FEDERALIST SCHOOL

Moreover, federalism is seen either as alliance or decentralization (Gibson, 2004: 4 – 6). The Alliance or federalist school argues that federalism allows for the surrender of power to the centre and gives allowance for self-government. In other words, inherent in the federal armament is generalized rule and particularistic rule. Federalist school is concerned with the combination of “self-rule and shared rule”. The logic is that a process of “defederation” begins when the centre gets so powerful to the extent that it erodes the powers of the other component units of the federation to run its own affairs within the constitutionally quarantined him it, without reference to the central authority. The form are victims of circumstances of federation are regarded as alliance.

3.1.2 DECENTRALIZATION SCHOOL

Decentralization school view federalism as entailing power devolution to different geographical levels within a nation. This school argues that mere decentralization of power is more important to whether it is a “particular political or constitutional order”. Thus, federalism allows for a great degree of decentralization. The logical is that political exigencies might make federalism desirable but power calculation and domination may make decentralization the empirical reality of powers organization.

3.2 IDEOLOGY OF FEDERALISM

The ideologists of federalism do not, of course, utter arguments justifying the benefits that accrue to these beneficiaries. To do so would be to admit that not everyone gets something out the institution of federalism. Yet it is the nature of ideology to be a claim of universal benefit...the ideology of federalism consists of a claim that everyone gets such and such a benefit from it. Since we know, however, from the examination of beneficiaries just completed, that in fact, some people often a majority do not benefit at all, it is easy enough to spot an ideology because it is presented as a claim that everyone gets something good from the

institutions of federalism (Riker, 1985:70). Let us look at the argument of the ideologists:

1. That federalism promotes democratic polity. It should be abundantly clear, just from looking at the list of federal governments, that not all of them are democracies or even pretend to be democracies, although their claim to be federations is indisputable,. Examples are: Mexico, Yugoslavia and Nigeria.
2. That federalism promotes democracy by promoting an interest in state government. However, studies conducted by Deye (1966); Jacob and Lipsky (1968) generally support the proposition that state governments are more influenced in their actions by the state of their economics than by the demands of their citizens.
Jennings and Ziegler (1970) have shown on the basis of survey research that citizens simply do not follow state politics very well. And when people do not know what a government is doing, they cannot hold it responsible. And if they cannot hold it responsible, it can hardly be particularly democratic, especially by comparison with national and local governments, which are more visible. A general, one would expected that the greatest interest of the citizens would be centred on that level of government that does the most important things. Thus, in a centralized federation one would expect interest to centre on the national government, while in a “peripheral” federation, one would expected the interest to focus on the constituent governments for example, in Nigeria allegiance was on regional governments.
3. That federalism maintains individual freedom. This is by far the most decentralization in the organization of power. From discussion shown so far, the claim of ideologists of federalism that federal system strengthens freedom is false. Sometimes, federalism reduces freedom.

4.0 CONCLUSION

In this unit, we have discussed the theoretical perspectives and ideology of federalism. Two major schools of thought view federalism in two perspectives. The first school, the federalist school is concerned with the principle of self-rule and shared rule”. The school views federalism as an alliance. On the other hand, decentralization school argues that federalism entails power devolution to different geographical levels within a nation. However, in practice federalism is a mixture of centralization and decentralization. Every nation embraces a creative proportionality of centralization and popular of the ideological arguments in favour of federalism. Freedom is the right to make rules as one

chooses. Rules in turn impose constraints on all those who would not by preference have made exactly those rules. The ideal of freedom is then to minimize the external costs suffered by some persons in the society. In aristocratic society one minimizes the external costs of the well – born; but in the equalitarian society of today, presumably one minimizes the external costs of some representative citizen's chosen at random from the whole. The best way to minimize costs for such a citizen is to have policing made by the largest relevant unit of government. For all issues of national concern, then, maximum, freedom is attained when policy is made nationally. Conversely, for all issues of local concern, maximum freedom is attained when policy is made locally. So the claim by ideologists of federalism that the system strengthens freedom is thus false. Indeed, federalism weakens freedom (Riker, 1985:71).

5.0 SUMMARY

Federalism allows for the surrender of power to the centre while allowing self-governments. Given human nature, power serves as instrument of state craft. Those with power allow different centres of power to perform certain responsibilities in order to accommodate heterogeneous nature of the state. Inherent of such constitutional arrangement is to make way for nation-building.

Beyond the potentials for managing diversities and conflicting relations, there is also an economic imperative of federalism. This calls for the decentralization of decisions-making and the distribution of state powers between governmental levels. Necessitating this is the different nature of public goods, which warrants the handling of their production and distribution in multidimensional ways.

A concurrence to the conceptualization and theories is the idea of federalism as a national polity with dual or multiple level of government, exercising exclusive authority over constitutionally determined policy areas, but in which only one level of government – the central government is sovereign before international communities (Gibson, 2004).

In general, therefore in any federal system, but especially in asymmetrical ones, like Nigeria or United States, federalism weakens freedoms. So, the claim of the ideologists of federalism that the system strengthens freedom is thus false. Indeed, federalism weakens freedom.

6.0 TUTOR – MARKED ASSIGNMENTS

1. Describe the theoretical perspectives of federalism?
2. Explain the ideology of federalism?

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MODULE 2

DYNAMICS OF INTER-GOVERNMENTAL RELATIONS

UNIT 1 MODELS OF INTERGOVERNMENTAL RELATIONS

UNIT 2 STRUCTURES AND PATTERNS OF INTERGOVERNMENTAL RELATIONS

UNIT 3 ALLOCATION OF JURISDICTIONAL POWERS

UNIT 4 FEDERAL-STATE-LOCAL GOVERNMENT RELATIONS

UNIT 5 INSTITUTIONS FOR MANAGING INTER-GOVERNMENTAL RELATIONS

UNIT 1

MODELS OF INTER-GOVERNMENTAL RELATIONS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Coordinate-authority Model
 - 3.2 Inclusive-authority Model
 - 3.3 Overlapping-authority Model
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

In inter-government relations, it is important we examine how a group of states are bound into a larger, non-centralized and superior state. The inter-governmental relations may be classified into three conceptual models. We can formulate some simplified models of authority relationships among national, state and local jurisdiction. In this unit, we shall examine the features of intergovernmental relations arrangement.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

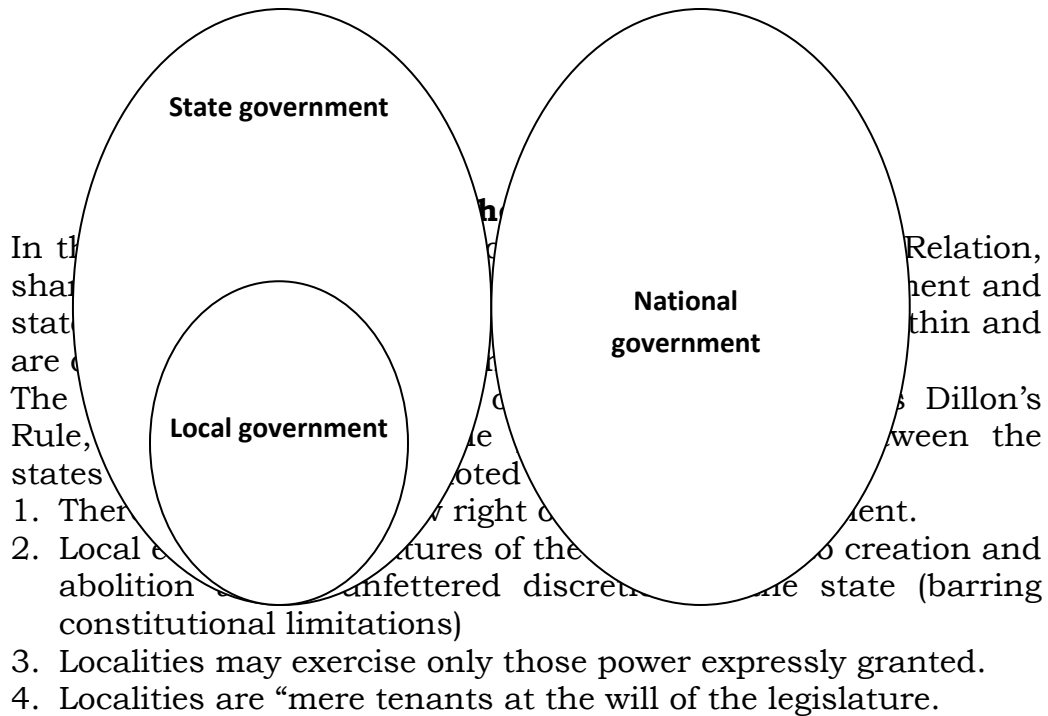
- Understand the authority relationships that exist between political entities;
- Understand how the models can be used to formulate hypotheses;
- Understand that by testing these hypotheses, we can discover which model best fits predictions of inter-governmental relations policies.

3.0 MAIN CONTENTS

There are three models that express visually the three generic types of authority relationship that can exist between political entities namely: coordinate – Authority model; inclusive authority

model. (Wright 1985: 58 – 65) overlapping – Authority model. Each model concentrates on the essential features of a possible Intergovernmental Relation arrangement and guides us in formulating hypotheses. Testing these hypotheses we can discover which model best fits the political system being operated(Wright, 1985:59):

3.1 THE COORDINATE – AUTHORITY MODEL



This, coordinate – authority model, therefore, implies that the two types of entities are independent and autonomous. They are linked only tangentially.

However, when the respective spheres of action put the national government and the state in conflict, they ceased to be tangential and clashed directly. In such case, the Supreme Court becomes the arbiter of national/state relations.

3.2 THE INCLUSIVE – AUTHORITY MODEL

This model is represented in fig. 2 by concentric circles diminishing in size from national to state to local government(Wright, 1985:59):

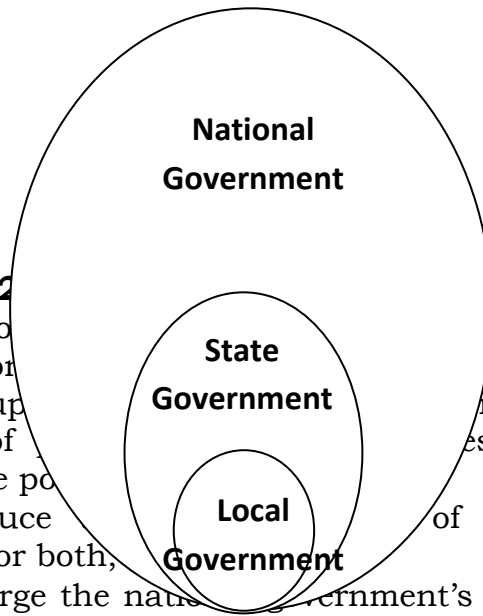


Fig. 2 Let us suppose that each circle represents the proportion of jurisdiction with respect to others. Suppose that it wants to expand its proportion of jurisdiction over states and localities. Two strategies are possible:

- One, reduce the jurisdiction of either the states or localities or both,
- Two, enlarge the national government's circle with or without enlarging the state and/or local circles.

Both strategies can be understood by means of game theory: a systematic way of studying behavior in decision making situations.

The theory assumes that all participants strive to optimize their behaviour – each trying to maximize gains and minimize losses within the limits of allowed behavior (hence the analogy with games). The outcome is seen to depend not only on the behavior of any one participant but on the responses of other participants as well.

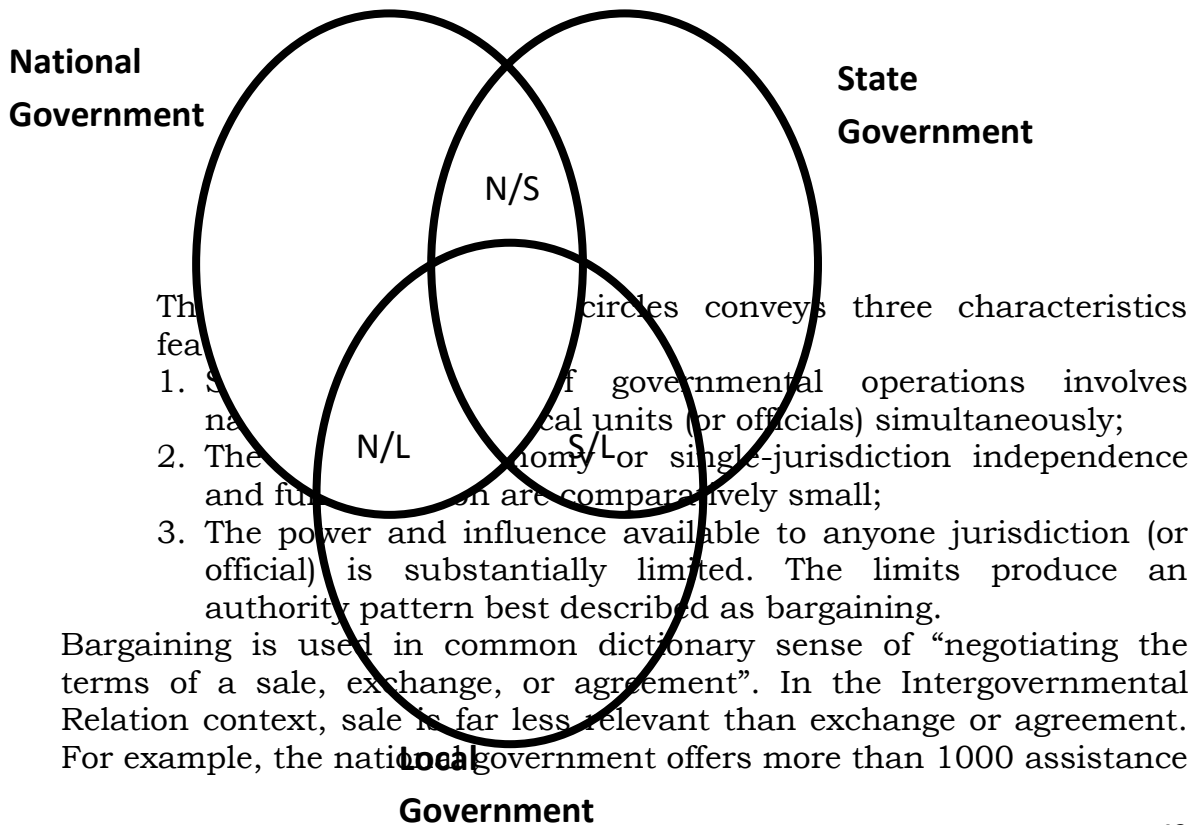
In the first strategy, is the classic case of a three – person, zero – sum game? The sum of the player's winnings equals the sum of their losing. An illustration of this in the Intergovernmental Relation contexts is the usury case in USA and the legislation requiring state and local units to meet minimum wage and maximum hour requirements. The national government attempted to exercise (expand) its power at the expense of state/local powers. The gain in national power equaled the power or discretion lost by state and local units. Thus, the national gains equaled state/local losses.

In game theory, the second strategy is called a “non-constant – sum game. All participants in this type of game can “win” or make gains. Perhaps the best Intergovernmental Relation illustration of the second strategy is fiscal: the conditional grant – in – aid. The national sector can expand by raising more money to offer and grants to states and local governments. The funds can be offered with conditions (“losses”) imposed on the recipients. But the benefits (winnings) are so attractive that they appear to outweigh the attached constraints. From these examples of the two strategies, we would expect national Intergovernmental Relation policies to lean far more toward the

strategy – such as grants in aid. The strategy assumes that the total resources (“winnings”) can be expanded. However, the inclusive – authority model serves other uses besides allowing predictions of Intergovernmental Relation policies. The model also conveys the essential hierarchical nature of authority. The dependency relationships imply powers patterns that are similar to Dillon’s rule for state/local relations. That is, states and localities would be mere minions of the national government with insignificant or incidental impact on American politics and public policy. To the question of who governs, this model provides an unequivocal answer – the national government.

3.3 THE OVERLAPPING – AUTHORITY MODEL

The overlapping – Authority Model of Intergovernmental Relation comes from the early 1970s and from efforts by the Nixon administration to innovate and decentralized decision – Making in categorical grant – in – aid programmes (Wright, 1985:59): Overlapping – authority model is illustrated in Fig. 3 as below:



programmes to states and localities in exchange for their agreement to implement a programme; carryout a project, or pursue anyone of a wide variety of activities. Of-course, as part of the bargain, the recipient of assistance must usually agree to conditions, such as; the providing of matching funds and the satisfaction of accounting, reporting, auditing and performance requirements.

In sum, the chief characteristics of the overlapping – authority models are:

- Limited and dispersed power
- Interdependence
- Limited areas of autonomy
- Bargaining – exchange relationships
- Cooperation and competition

Contacts and exchanges between national, state, and local officials may be cooperative or competitive; the determining factors include: the policy issue or problem, the status of the officials, the partisan leanings of participants, and the constituency being represented.

4.0 CONCLUSION

In this unit, we have examined the coordinate – authority model; inclusive – authority model and overlapping – authority model. In the coordinate – authority model is sharp, distinct boundaries which separate the national government and state government. In this model, there is autonomy in authority pattern and the relationship is independent.

The inclusive – authority model allows for predictions of inter-governmental relations policies. The model conveys the essential hierarchical nature of authority. The relationship is dependent on power patterns between the federal and state/local relations. That is, states and localities are mere minions of the federal government with insignificant impact on politics and public policy. The over-lapping authority model depicts that substantial areas of governmental operations involves national, state and local units (or officials) simultaneously. In this model, relationship is interdependent and authority pattern involves bargaining. Bargaining in wide areas of Intergovernmental Relations involves exchanges or agreements.

However, each model, by concentrating on the essential features of a possible Intergovernmental Relations arrangement guides us in formulating hypotheses of-course; no two models will generate identical sets of hypotheses. However, by testing these hypotheses, we can discover which model best guides the Intergovernmental Relations policies.

5.0 SUMMARY

Fiscal Federalism is essentially about the allocations of government spending and resources to the various tiers of

government. From a theoretical perspective, the nature and character of Intergovernmental Relations could be conceptualized in terms of three dominant models: separated authority, overlapping authority and inclusive authority models (Ozumba, et al (eds.); 1999).

The separated authority model expects peripheral linkages between component parts, while inclusive authority model postulate close federal supervision and control to assure that national purpose is served. The overlapping model is often considered more realistic because federalism is a system of government where all the laws passed by all the theirs of government affect all the people depending on the state and local government area in which they live.

6.0 TUTOR – MARKED ASSIGNMENTS

- i) Describe the relevance of overlapping authority model of intergovernmental relations in Nigerian federal system?
- ii) Explain how inclusive – authority models can be applied in intergovernmental relations in Nigeria?

7.0 REFERENCES/FURTHER READINGS

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UNIT 2 STRUCTURES OFFEDERAL AND INTER-GOVERNMENTAL RELATIONS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Federal Structure
 - 3.1.1 Features of Federal System
 - 3.2 Intergovernmental Structure
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Federalism is practiced by many countries of the world. As a political system, it was adopted to cater for diversities and heterogeneity of these societies. Federalism simply refers to a division of power between national, state and local governments. In this unit, we shall examine the structure and patterns of federal system.

2.0 OBJECTIVES

At the end of the unit, students should be able to patterns

- Explain the structure and of federal system
- Relate the structures and patterns that are operative in Nigeria federal system

3.0 MAIN CONTENT

3.1 FEDERAL SRUCTURE

The federal structure of governmental offers the more defined platform for the operations of inter-governmental relations. In federal system, Elekwa (1995) in Ikejana – Clark and Okoli (eds.) identify six levels of inter-governmental relations namely:

- i. Federal – state relations
- ii. Federal – state – local relations
- iii. Federal- local relations
- iv. State – local relations
- v. State – state relations and
- vi. Local – local relations

The levels of enumerated above represent both vertical and horizontal Ayoade, (1980) also defines inter-governmental relations as comprising nine patterns:

- i. Federal – state
- ii. Federal – local
- iii. Federal – civic groups
- iv. State – state
- v. State – local
- vi. State – civic groups
- vii. Local – local
- viii. Local – civic groups, and
- ix. Inter-civic groups.

From this pattern, it could be seen that four new levels have been added to former structure, namely; federal – civic groups, state – civic groups, local - civic groups, and inter - civic groups (civic – civic). This structure excluded “federal – state – local relations”. Despite these differences, the core levels of inter – governmental relations present within a federal structure are represented (Ogbuishi, 2007).

3.1.1 FEATURES OF A FEDERAL SYSTEM

A federal system of movement is one in which powers are distributed between the centre and the states. The constitution of a federal state is always written and spells out the power and functions of central, state and local governments. The essence is to avoid conflict and controversy that may arise between these levels of government. Thus, a federal system is characterized by the following:

- i. Division of powers – separation of powers between the federal, state and local governments. The constitution provides for the distribution of powers between these levels of governments.
- ii. Supremacy of the constitution – the constitution is supreme and any laws from the state or local governments that are inconsistent with the constitution are null and void.
- iii. Bicameral legislature – the federal system legislature is often patterned according to bicameral system. That is, the federal systems consist of two houses – the upper house and the lower House.
- iv. Written and rigid constitution – the federal constitutions of most states are often written and rigid. It means that the constitution cannot be altered with a simple majority vote.
- v. Greater central control – superiority of the centre in practice.

3.2 INTERGOVERNMENTAL STRUCTURE

Intergovernmental relations structures are almost always designed to accommodate differing communities of interest – social, ethnic, and political- as the boundaries of governments often possess, or soon acquire, symbolic meanings for communities that identify with them. Sometimes, a community is so dominated by one ethnic group that this impacts their relations – their intergovernmental relations – with other levels of government. Thus, the people of Quebec, because of their strong French cultural identity, have been able to get special advantages from the Canadian national government. Alternatively, ethnically dominated communities in other countries have complained that they get fewer resources from their national government because of their minority status

4 CONCLUSION

In this unit we have examined the structure; pattern and features a federal system. The structure and patterns are such that the central government is entrusted with powers of general character, which concern the nation as a whole. The other levels of governments, state local governments are given powers within

their jurisdictions, as spelt out by the constitution. Neither of the two can encroach upon the jurisdiction of the centre.

SELF – ASSESSMENT EXERCISE

Describe the structure and pattern of federal system in Nigeria.

5 SUMMARY

We have noted the structures and patterns of political systems offers more defined platform for the operations of inter-governments relations.

The unitary structure and pattern could take the form of nation – local relations or inter-local relations. The federal structure and pattern could be: federal – state, federal – local, federal – state – local, state – state, state – local, local - local. These patterns represent both vertical and horizontal dimensions.

However, the federal, state – level patterns reflect Nigeria federal system. The pattern is cooperative, coordinative and mutually beneficial to different levels of government.

6 TUTOR – MARKED ASSIGNMENT

1. Describe the structure and pattern of inter-government relations in a federal system.
2. Explain the structures and patterns that are operative in Nigeria federal system.

7 REFERENCES/FURTHER READINGS

- Ayoade, J. A. (1980). “Inter-governmental relations in Nigeria”. Quarterly journal of administration, Vol. xiv. No. 2.
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UNIT 3 ALLOCATION OF JURISDICTIONAL POWERS AMONG LEVELS OF GOVERNMENT

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Exclusive Functions
 - 3.2 Concurrent Functions
 - 3.3 Residual Functions
 - 3.4 Local government Functions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

Federalism as a political system is meant to cater for diversities and heterogeneity of societies. According to Wheare, (1965), Federalism is a method of dividing powers so that general and regional governments are each within a sphere, coordinate and independent. In this unit, we shall examine the distribution of jurisdictional powers among each level of government in a federal system.

2.0 OBJECTIVES

At the end of the unit, students should be able to:

- Explain the legislative powers of the central government in a federal system.
- Explain the legislative powers of states in a federal system.
- Describe the functions allotted to local government in the 1999 constitution

3.0 MAIN CONTENTS

3.1 EXCLUSIVE FUNCTIONS

The 1999 constitution provides for exclusive jurisdictional powers to the federal government. The exclusive list contains issues on which the federal government only can legislate, such as: the currency, foreign affairs, policy, army, prisons, immigration, customs and exercise duties, and so on. The constitution of the federal republic of Nigeria vests legislative powers in the National Assembly, which consist of the senate and House of Representatives. Part 1 of the second schedule of the 1999 constitution of the federal republic sets out all matters contained in the Exclusive list. It follows, therefore, that by the use of the term “exclusive” only the federal government has jurisdiction to make laws and/or policies on matters contained therein.

3.2 CONCURRENT FUNCTIONS

This list contains matters where both the federal and state governments possess constitutional jurisdiction. Thus, the concurrent list defines the extent of federal and state legislative powers. Part II of the second schedule to the 1999 constitution of the Federal Republic of Nigeria sets out details of the concurrent list. Although, both federal and state levels may exercise legislative jurisdiction on matters set out in the concurrent on matters set out in the concurrent list it must be understood that in the event of any conflict between the federal and state laws in respect of any matter, the federal government laws supersede. This is contained in section 4(5) of the 1999 constitution. This no doubt presents the federal legislations as superior within the federal system. Subjects contained in the concurrent list that both federal states can legislate concurrently include: health, education, industry agriculture, collection of taxes, etc.

3.3 RESIDUAL FUNCTIONS

The Residual List contains subjects which only the states can legislate. They include: functioning of local government, customary laws, rural development, social welfare and so on.

3.4 LOCAL GOVERNMENT FUNCTIONS

The foregoing, no doubt, shows that the actual constitutional distribution of jurisdictional powers seemed not to have reckoned with the third tier of government – the local government. This is in consonant with traditional perception of local government as exclusive concern of the state and provincial government (Agi 2002).

In spite of this perception, with the introduction of presidential system of government the constitution of 1979 recognized local government as the third- tier of government of federal system in Nigeria. The of 1999 constitution that succeeded 1979 also contains the function of local government in the fourth schedule of the constitutions. The provisions of this schedule contain the functions of local government councils such as: participation with the state in economic planning and development; establishment and maintenance of cemeteries maintenance and regulation of slaughter houses, street lightings, parks, sewage and refusal disposal, collection of rates etc.

4.0 CONCLUSION

Powers among level of government this unit, we have discussed distribution of jurisdictional. Thus, the distribution of jurisdictional powers among the three levels of government, federal – state and local governments.

SELF – ASSESSMENT EXERCISE

Explain the term “Exclusive list” and the powers allotted to the federal government of Nigeria.

5.0 SUMMARY

The inclusive of the three legislative lists in the constitution is to maintain separation of powers in the federal system of Nigeria. Moreover, it is mean to each level of government maintains its political authority and responsibilities. Nevertheless, the critical point to emphasize in discussing the allocation of jurisdictional powers is the inevitability of overlapping and its it the effort to achieve some degree of coordination that accounts in part for the inter-governmental interactions.

6.0 TUTOR – MARKED ASSIGNMENTS

1. Describe the powers contained in the “Exclusive list” in federal structure of Nigeria?
2. What do you understand by “concurrent list” and is conflict explain what happens when there federal and state laws?

7.0 REFERENCES/FURTHER READINGS

- Wheare, K. C. (1963). *Federal Government*. London: Oxford University Press.
- Agi, S. P. I. (2002). “*Local Government as a Third – Tier of government: Theoretical Problems*”. Nigerian Journal of Public Administration and Local Government, vol. 11(1). Lagos: Concept Publications Ltd.
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UNIT 5

FEDERAL – STATE - LOCAL GOVERNMENT RELATIONS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Federal-State and Local Government Relations
 - 3.2 Collection of Taxes
 - 3.3 Mechanism for Managing Federal-State and Local government Relations
- 4.0 Conclusion
- 5.0 Summary

- 6.0 Tutor – Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

In most federal countries, there exists a strong centre, while preserving the diversity reflected in individual states. In Nigeria, federal and state governments exist side by side, with each possessing certain assigned functions. In this unit, we shall discuss federal – state – local government relations.

2.0 OBJECTIVES

At the end of the unit, students should be able to explain:

- The powers of federal state and local governments and
- How conflicts between the two levels of government are resolved.

3.0 MAIN CONTENTS

In federal systems, devolution of power between the central and component units is to design issues that concern the federal and others of common interest. Presently, Nigeria is highly centralized as the central government had enormous powers conferred on it by section 4, sub-section 5 of 1999 constitution. By this, the federal government is constitutionally granted two sets of legislative powers, namely: those contained in the exclusive list and those contained in the concurrent list. Besides, laws made by states can be overridden by federal laws of there is conflict. The federal government exercises statutory responsibility creation of new local governments.

3.1 FEDERAL - STATE AND LOCAL GOVERNMENT RELATIONS

Finance is the most critical policy issues in intergovernmental fiscal relations. The issues concerning fiscal relations among the constitutional units of the Nigerian federation that remain mostly unresolved are the divergence between assigned functions and tax powers; the principle of horizontal and vertical revenue allocation; dependence of state and local governments on the federal sources of funding; the tendency towards concentration and federal presence in the state (Mbanefo, 1998).

As the federal – state and local governments have powers under the concurrent list on collection of taxes, there were overlaps in tax and levy collection by various tiers of government necessitating a new schedule of taxes being published for all tiers of government.

3.2 COLLECTION OF TAXES

According to the new schedule of 1999 constitution, the federal government is empowered to collect the following taxes (Eneanya, 2009: 254):

- Company income tax
- Petroleum profit tax;
- VAT
- Education tax;
- Capital gains tax;
- Stamp duties of corporate entities ;
- Personnel income tax of armed forces;
- Foreign affairs;
- Police;
- Residents of the federal capital territory of Abuja.

State governments are empowered to collect the following taxes;

- Personal income tax;
- Withholding and capital gains tax
- Stamp duties from individuals;
- Road taxes;
- Development levy; and
- Business premises and registration level

Local governments are to collect the following taxes;

- Levy on shops and kiosks;
- Slaughter fees;
- Marriage, birth and death fees;
- Motor park fees;
- Cattle tax;
- Radio and television tax; and
- Advertisement tax.

There was another fiscal amendment in 1999 arising from the 1994 – 95 constitutional conference as a prelude to the 1999 constitution, which increased the list of items on the exclusive list from 66 in 1979 to 68 in 1999 and not less than 13% of proceeds from natural resources (offshore production proceeds commenced in March 2000).

4.0 CONCLUSION

In this unit, we have been able to discuss the inter-governmental relationship. Evidently, the principle underlying the devolution of power in federal systems is to design matters of common interest and concern to the federal government. Basically, certain matters are contained in the exclusive list, such as: foreign affairs defence, external trade, interior, etc. the state and local governments are assigned to perform matters in the concurrent and residual lists, respectively.

However, crisis often arise especially in financial relationships. A number of administrative mechanisms are often devised to manage inter-governmental relations. Through, the relationships

often face some hiccups, more efforts should be made to allow true federalism emerge.

SELF – ASSESSMENT EXERCISE

Describe the fiscal relationships between the federal, state and local governments

5.0 SUMMARY

Evidently, intergovernmental relations between the federal, state and local governments have witnessed the introduction of administrative mechanism for managing conflicts; there has been a lot yet to be achieved in fiscal relationships. In the area of fiscal relations, the federal government levies and collects variety of taxes on behalf of the entire country which goes into a pool called the federation account. The lower tiers, states and local governments are responsible for taxes that are inelastic. Though, revenue allocation formulas were adopted, the high degree of centralizing federal collected revenues and this constituting 90 percent, has created room of agitation for the review by state and local governments. There is an urgent need therefore, for an overhaul of the revenue allocation formula for peaceful relationships between federal, state and local governments.

The federal – state – local government transactions are adjudged cooperative and mutually beneficial when higher levels respect the constitutional prescriptions outlining their respective jurisdictions and functional areas.

On the other hand, conflicting inter-governmental transaction are likely to arise when higher levels of government employ their superior position to interfere in their affairs of lower levels of government. However, there is the possibility that a lower level of governmental unit could initiate conflict situations by venturing into areas outside their jurisdictional allocations.

6.0 TUTOR – MARKED ASSIGNMENTS (TMAS)

1. Describe the mechanism for managing federal, state and local relations
2. Mention five areas of collecting taxes by federal, state and local governments?

7.0 REFERENCES /FURTHER READINGS

Eneanya, A. N. (2012). *Policy Research Analysis and Effective Local Government*. Lagos: Concept Publications Ltd.

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UNIT 5
INSTITUTIONS FOR MANAGING INTER-GOVERNMENTAL
RELATIONS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Role of RMAFC
 - 3.2 Conflict Resolution Machinery
 - 3.3 Tax Jurisdiction Machinery
 - 3.4 Resource control Machinery
 - 3.5 Other Mechanisms
 - 3.5.1 National Planning Commission
 - 3.5.2 Federal Account Allocation Committee (FAAC)
 - 3.5.3 Central Bank
 - 3.5.4 Meetings of Federal and State Accountant-Generals
 - 3.5.5 Debt Management Office
 - 3.5.6 Joint Tax Board
 - 3.5.7 State and Local government Affairs Office *(SLGAO)
 - 3.5.8 State-Local government Joint Account Committee
 - 3.5.9 Other miscellaneous institutions
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor – Marked Assignments
- 7.0 References/Further Readings

1.0 INTRODUCTION

The nature of fiscal relations in any federal system is crucial to the survival of the country. Conflicts in inter-governmental relations have often centred on the issue of obtaining adequate financial resources to discharge essential political and constitutional responsibilities. To manage inter-governmental relations in Nigeria various administrative institutions were established. In this unit, we shall examine the institutions established by the 1999 constitution of the federal republic of Nigeria, the revenue mobilization allocation and fiscal commission (RMAFC).

2.0 OBJECTIVES

At the end of the unit, students would be able to:

- Under the causes of conflict in inter-government relations.

- Understand the role of revenue mobilization allocation and fiscal commission
- Understand the role of other bodies in coordinating inter-governmental relations management.

3.0 MAIN CONTENTS

3.1 REVENUE MOBILIZATION ALLOCATION AND FISCAL COMMISSION (RMAFC) MACHINERY

In a bid to reduce inconsistencies associated with the management of inter-governmental relations through ad-hoc approaches, the 1999 constitution of Nigeria provided for the establishment of a revenue mobilization allocation and fiscal commission. The commission consists of chairman and one member from each state of the federation and the FCT, Abuja. The commission has the following as its major objectives and powers:

- i. Monitor the accruals and disbursement of revenue from the federation accounts.
- ii. Review from time to time, the revenue allocation formula and principles in operation to ensure conformity with changing realities for oil producing communities. It took the supreme court in April 5, 2002 to decide the case between the federal and state governments to determine the conflict. All the states of the federation were joined in the suit filed on the issue 13% derivation for oil producing states. Some leaders, especially from the North have called for review of that revenue sharing formula.

The revenue allocation formula is another area of conflict, especially, the Arewa Consultative Forum (ACF). The forum has urged the north to agitate for the review of the present revenue sharing formula, which stands as: federal 52.68%; state governments 26.72%; and local governments 20.6%. While 13% is given to oil producing states as derivation. The body claims that this formula has created wide disparity between the north and south. The Niger Delta leaders have reacted to this line of argument from the North, claiming that the 13% derivation is not even enough to address the environmental degradation caused by oil exploration. Beside this there has been rancorous bickering between state – local governments over state – local government joint account and sharing of 10% internally generated state revenue, which the states have not been able to fulfill.

3.2 CONFLICT RESOLUTION MACHINERY

The nature of conflicts in inter-governmental relations is basically jurisdiction. Conflicts of jurisdiction can arise in areas, such as; tax jurisdiction road construction jurisdiction legislative

jurisdiction, states security and federal jurisdiction on the use of political and so on. Conflicts in these areas are often over which level of government has constitutional jurisdiction over certain powers as enshrined in the 1999 constitution.

3.3 TAX JURISDICTION MACHINERY

This refers to conflicts arising from which level of government should collect what revenue over a particular area. Most cases there is incursion into exclusive list by states and states also meddle in the revenue collection areas of local governments, causing conflict in their relations.

3.4 RESOURCE CONTROL MACHINERY

Conflict on resource control often result on which tier of governments; federal or state has possession of off-shore mineral resources and 13% of

- i) Accept revenue formula by an act of the National Assembly, which shall remain in force for a period of not less than five years from the date of commencement of the Act.
- ii) To advise the federal and state governments on fiscal efficiency and methods by which their revenue can be increased.
- iii) To determine the salaries of political office holders, including the president, vice – president, Governors, Deputy Governors, ministers, commissioners, special advisers, legislator etc.
- iv) Discharge such other functions as may be conferred on the commission by the constitution or any Act of the Assembly (part, items 31 of the third schedule of the 1999 constitution).

These functions, no doubt were aimed to evolve a generally acceptable revenue allocation formula for the nation, in view of number of review commissions/committees set upon since independence to manage resources/revenue sharing and allocation.

3.5 OTHER BODIES COORDINATING INTER-GOVERNMENTAL RELATIONS

Other bodies established to coordinate inter-governmental relations are (Eneanya, 2009, 263):

3.5.1 NATIONAL PLANNING COMMISSION

National Planning Commission has considerable influence on fiscal policy coordination in Nigeria.

3.5.2 THE FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) – which comprises the minister and commissioners of finance, the RMAFC, the Central Bank of Nigeria, the National Planning Commission and the Federal Inland Revenue Service;

3.5.3 THE CENTRAL BANK OF NIGERIA

3.5.4 THE MEETINGS OF THE FEDERAL; AND STATE ACCOUNTANT – GENERALS.

Its main brief is to standardize and harmonize fiscal data reporting. Timelines of accounts and regular reporting of such data, the minimum reporting codes and the financial monitoring of spending, are areas that have engaged the attention of this body. The body has, however, in large part, been unable to force compliance of its recommendations on federal and state authorities because of the absence of statutory endorsement.

3.5.5 THE DEBT MANAGEMENT OFFICE (DMO)

The principal mandate of the DMO is to coordinate borrowing. The DMO was set up to bring order to excessive borrowing by states.

3.5.6 THE JOINT TAX BOARD – The Joint Tax Board is charged with the responsibility of coordinating tax principles and policies among the three tiers of government. In particular, the board ensures uniformity in tax principles, policies and practices across state and local government boundaries and mediates when disputes arise over tax jurisdiction.

3.5.7 STATE AND LOCAL GOVERNMENT AFFAIRS OFFICES (SLGAO)

3.5.8 STATE – LOCAL GOVERNMENT JOINT ACCOUNT COMMITTEE

3.5.9 Others, such as: The National Council of State ;National economic Council ;National Council on Establishments ;National Council on Trade ;National Councils on Agriculture; and the judiciary

These institutionalized administrative bodies provide convenient for a consultations and negotiation on behalf of the federal, states and local governments in the management and resolution of conflicts in inter-governmental relations.

4 CONCLUSION

In this unit, we have discussed the role of RMAFC in inter-governmental relations. Although, most of these bodies were set up to promote harmonious fiscal relations, due to lack of an enabling “legislative instruments” to provide the framework for intergovernmental fiscal relations as well as lack of fiscal discipline, fiscal policy coordination became problematic in Nigeria.

SELF – ASSESSMENT EXERCISE

5 Describe the objective and powers of revenue mobilization, allocation and fiscal commission (RMAFAC)

6 SUMMARY

The issue concerning fiscal relations among constitutional units of Nigeria remains mostly unresolved. Revenue is shared between

and within tiers of governmental ultimately to promote inter-jurisdictional equity, enhance the efficiency of the public sector and minimize the cost of administering the tax system. The decision as to what parentage of centrally generated revenue that would be retained among the three – tier of government have always been a problems. In a bid to reduce these problems associated with revenue allocation, through review commissions and adhoc approaches, the 1999 comment of a revenue mobilization, allocation and fiscal commission. One of the functions of the commission is to advise the federal and state governments on fiscal efficiency and methods by which their revenue can be increased. Section 162, sub-section 2 of the 1999 constitutions says that “the president, upon receipt of advice fro the Revenue Mobilization Allocation and fiscal commission shall table before the national assembly proposals for revenue allocation from the federal account and in determining the formula, the National Assembly shall take into account, the allocation principle, especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density.

Besides, there are other bodies empowered to participate in the coordination of inter-governmental fiscal relations, namely; National Planning Commission, Federation Account Committee, Central Bank, Meetings of Federal and State accountant – Generals, Debt Management Office, Joint Tax Board, State and Local government Affairs offices, and State – Local Government Joint Account Committee.

All these bodies are established to promote harmonious fiscal inter-governmental relations.

7 TUTOR – MARKED ASSIGNMENTS

- i. Describe the functions of revenue mobilization allocation and fiscal commission (RMAFC) in inter-governmental relations in Nigeria.
- ii. Explain the role of other institutions established to manage inter-governmental fiscal relations in Nigeria.

8 REFERENCES /FURTHER READINGS

- Eneanya, A. N. (2009). *Policy Research Analysis and Effective Policy-Making in Nigeria*. Lagos: Concept Publications Ltd.
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MODULE 3

COMPARATIVE INTERGOVERNMENTAL RELATIONS

UNIT 1: FISCAL RELATIONS IN NIGERIA

UNIT 2: INTERGOVERNMENTAL RELATIONS IN AMERICA

UNIT 3: INTERGOVERNMENTAL RELATIONS IN BRAZIL

UNIT 4: INTERGOVERNMENTAL RELATIONS IN INDIA

UNIT 5: INTERGOVERNMENTAL RELATIONS IN CANADA

UNIT 1

INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main contents
 - 3.1 Objectives of Intergovernmental Fiscal Relations
 - 3.2 Expenditure Assignment
 - 3.3 Tax Assignment
 - 3.3.1 Tax Assignment at Federal Level
 - 3.3.2 Tax Assignment at State level
 - 3.3.3 Tax Assignment at Local government level
 - 3.4 Revenue Allocation
 - 3.4.1 Revenue Allocation: A Case Study of Nigeria's Current Experience
- 4 Conclusion
- 5 Summary
- 6 Tutor – Marked Assignment
- 7 References/Further Reading

1.0 INTRODUCTION

There are two major forms of federalism, namely; political and fiscal federalism (Hommes, 1995: 332). Political federalism deals with how to divide powers and allocate authorities. In contrast, fiscal federalism deals with the allocation of government spending and resources to the various tiers of government, so that each one can perform its responsibilities. For each major forms centralization decentralization framework, we have devolution of responsibilities. This involves the transfer of functions formally

performed by the central government to autonomous localities with popular representation and participation: Second there is deconcentration of powers. This involves the delegation of powers formerly held by the central government to localities, with the central government still having the responsibility for decision – making. Lastly, the central government could transfer some of its specific functions to semi-autonomous bodies such as parastatals. In this unit, we shall focus on fiscal federalism of the devolution type.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Understand the objectives of intergovernmental relations;
- Explain how responsibilities or expenditure is assigned;
- Understand the allocation of independent sources of revenue or revenue assignment; and
- Explain the principle of revenue sharing aspect of fiscal federalism.

3.0 MAIN CONTENTS

3.1 OBJECTIVES OF INTERGOVERNMENTAL FISCAL RELATIONS

According to Litrack and Wallich, (1993) and Sewell and Wallich, (1994), the system of intergovernmental fiscal relations should be designed in such a way as to:

- i. Ensure that both the macroeconomic management and income distribution goals of the government are not compromised;
- ii. Improve the efficiency of public spending and minimize administrative costs;
- iii. Match the expenditure profile of each tiers of government with its revenue profile;
- iv. Encourage sub-national governments to generate revenue internally, and enhance accountability and transparency in public sector management.

These requirements will guide subsequent discussions as outlined in our objectives.

3.2 EXPENDITURE ASSIGNMENT

Here an attempt is made to address the question; which government functions should be decentralized or how should government functions be shared among various tiers of government? This question can only be addressed by knowing the set of functions that are to be performed. However, government functions can be determined theoretically or empirically. The theoretical approach is largely based on public finance literature (Musgrave, 1989: 3 – 14), which presumes three economic objectives, or functions for the government, namely; allocation, distribution and stabilization functions. For allocation of

functions the rationale for decentralisation indicates that it would be potentially more efficient to leave the provision of national public goods to the central government and the provision of local public goods to sub-national governments. For the distribution function, the main issue is whether a sub-national government can sustain any programme of redistribution (income) better. The third function of the government is economic stabilization. This stabilization programme can take the form of employment generation, price stabilization or export promotion. The argument is that the benefits of the programme, no matter how it is financed is likely to suffer from severe leakages to other localities. This is the case as long as goods or people or some other resources are mobile between jurisdictions.

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

- a) The central government should be responsible for the provision of national public goods, such as; defense, regulation of the economy and redistribution of income and wealth; and
- b) Sub-national governments should be responsible for the provision of local public goods such as feeder roads and street lighting.

However, this allocation does not cover the provision of private goods that may be provided by the public sector. It also does not cover the provision of quasi-social goods, such as: education and health.

These goods are more difficult to allocate because of the need for supportive empirical information.

3.3 TAX ASSIGNMENT

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

The problem of tax assignment is whether it should be completely centralized or partially decentralized or completely decentralized. If tax assignment should be decentralized, then the question is should which tax bases should be assigned to sub-national governments and which should be retained by the central government? It is relatively difficult to tackle issues in tax assignment because of the several dimensions to a tax. The dimensions include the power to choose the tax base, define the

tax base, set the tax rates, administer the tax, and the right to revenue. Of these dimensions, the most important is the power to set the tax rates (McHure Jr. 1995: 317).

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

This leads us to ask which tax bases should be decentralized. Shah, 1991 and Norregaard, (1997) suggest the following guidelines for determining whether or not tax powers should be shared or not:

- i. Progressive redistributive taxes, such as personal income tax and estate duties should be centralized;
- ii. Taxes suitable for economic stabilization, such as progressive income tax, should be centralized;
- iii. Taxes whose bases are distributed highly unequally across jurisdictions, such as natural resource taxes, should subject to political considerations, be centralized;
- iv. Taxes on bases that are geographically mobile, such as; the corporate income tax, should be centralized;
- v. Taxes that need to be made uniform across jurisdictions, such as; the value added tax, should be centralized;
- vi. Taxes that can be centrally collected at relatively low administrative cost, such as import and export duties, should be centralized;
- vii. Benefit taxes or user charges could be levied at all levels;
- viii. Residence – based taxes, such as excise duties, should be decentralized; and
- ix. Taxes on highly immobile factors such as taxes on real property should be decentralized.

In Nigeria, the task of articulating on appropriate fiscal relationship among the different tiers of government is delegated to the Revenue Mobilization, Allocation and fiscal commission. Contemporary experience in Nigeria shows the gradual relaxation of the imitations on state and local government finances. Presently, the state and local governments can now borrow to acquire the required fiscal resources for the execution of government programmes and services, especially as it has been appreciated.

Moreover, tax powers jurisdiction among different levels of government have been provided by part 1 of the second schedule of 1999 constitution (state- collectable revenue and fourth schedule of 1999 constitution (local government collectable revenue).

3.3.1 TAX ASSIGNMENT AT FEDERAL LEVEL.

The federal government controls the most inscriptive sources of revenue in Nigeria. Part 1 of the Second schedule to the constitution of the Federal Republic of Nigeria, 1999 contains the Exclusive Legislative List. A number of other sources of revenue for the federal government are:-

- (i) Export duties
- (ii) Company tax
- (iii) Maritime and navigation activities
- (iv) &&& and minerals (including oil fields, oil mining and natural gas)
- (v) National parks and Tourist
- (vi) Partents, trade marks, and industrial designs, etc.
- (vii) Stamp duties
- (viii) Posts, telephones and telephones
- (ix) Railways
- (x) Taxation of incomes, profits and capital gains
- (xi) Trade and commerce

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

3.3.2 TAX ASSIGNMENT AT STATE LEVEL

The major source of revenue to states in Nigeria appears to be the statutory allocations from “the Federation Account”. Section 152 (3) of the 1999 constitution provides for the mandatory allocation of revenues among the three tiers of government in Nigeria. The following are sources of revenue for the states:-

- (i) Statutory allocations (from Federal Account)
- (ii) Federal grants (of all sorts)
- (iii) Personal income tax or duty
- (iv) Capital grants and profit tax (of persons other than, companies)
- (v) Industrial, commercial or agricultural activities
- (vi) Loan
- (vii) Trade and commercial activities

3.3.3 TAX ASSIGNMENT AT LOCAL GOVERNMENT LEVEL

Like the states, the local government's major sources of revenue in Nigeria are from both the federal and state governments). Other sources of revenue generated internally are:

- (i) Rent from market stalls
- (ii) Charges from business premises
- (iii) Gate-taking from motor parks
- (iv) Proceeds from mass transit buses operating in their areas of Jurisdiction
- (v) Poll tax
- (vi) Rates, etc

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

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

In reality, the weight of the two criteria has always tilted in favour of the efficiency criterion, and that is why the Federation Account of most federations, like Nigeria, has a domineering effect on their fiscal federalism. However, whatever the fiscal relationships between the different tiers of government in a federation and the volume of funds available to the political leadership within , their success can only be measured by their efficiency and effectiveness in promoting the citizenry, which is the essence of governance (Bello, Imam, 2004:24).

3.4 REVENUE ALLOCATION

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

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

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

A grant may be general or selective. General grants are usually more suitable for fiscal equalization and for making the revenue from central taxes available to sub-national governments. In contrast, specific grants are generally more suitable for the provision of merit goods and correction of externalities (Taiwo, 2004:44 – 6).

Furthermore, it should be noted that central collection of taxes could lead to the criterion of derivation. So, revenue sharing should be made to supplement the internally generated revenue of sub-national governments.

3.4.1 REVENUE ALLOCATION: CASE STUDY OF NIGERIA'S CURRENT EXPERIENCE

Finance is the most critical policy issue in intergovernmental fiscal relations. In the area of fiscal relations between the federal, state and local governments, certain principles or criteria have often been adopted. There are levies and taxes that are centrally collected on behalf of all federating units. These revenues go into a pool called the federation account. The sharing of revenue from the federal account is based on the federal revenue allocation formula, managed by Revenue Mobilization Allocation Commission (RMAFC). Since its establishment in 1992, RMAFC shared revenue as follows:

Federal government = 48.5%

State governments	=	24%
Local Government	=	20% (5% for the transfer of primary education)
Special funds	=	7.5%

Decree 23 of 1992 setting up the RMAFC abolished on shore and off shore dichotomy in revenue. The federal government also an additional source of revenue in 1994. The formula for the distribution of VAT has been reversed several times. As at 1998, it was 25 percent to the federal government, 45 percent to the state governments and 30 percent to the local governments (Eneayan 2009:253).

Since 2005, revenue has been shared as follows:-

Federal Government	=	52.7%
State governments	=	26.7%
Local governments	=	20.6%

Besides, there has been calls for changes to the rules governing the allocation of revenue between the three – tiers of governments, highlighting recurring tensions within the federation. The 13 per cent derivation formula for oil – producing states applied each month by the Federation Account Committee (FAAC) before its standard distribution of available resources to all states.

When the forum of wealthier states, governors queried why the oil – producing states enjoyed the revenues from offshore production from the continental shelf, they were reminded that derivation had been 50% under the first republic and advise not to revise the sensitive terrain of the “ on shore offshore dichotomy.

The derivation principle controversy has continued to rage. It explains the court case between Akwa Ibom and Cross River states over 76 disputed oil wells and equally the heated response to the official designation of Anambra as oil producing state and reaction from Kogi State of being the owner of the areas.

From revenue allocation debates, states are purchasing for more powers and more resources, they have strong argument in their favour in view of financial burden of 2011 National minimum wage from N7,500 to 18,00 per month and poor internally generated revenue average of 15%. Equally, the federal government advance reason for the revenue to be distributed in the favour because of many matters of national interest within their jurisdiction. This debates and court cases are part of conflict in inter-governmental relations.

4.0 CONCLUSION

This unit has stated and described the principles of multilevel government. We have discussed a major issue in fiscal federalism. It is the principles of intergovernmental relations, especially the fiscal aspect of federalism. The unit has shown that

among other things, that the allocation of responsibilities to the various tiers of government central government is responsible for the provision of national public goods and pursuit of equity and stabilization goals of government. Sub-national governments should then be responsible for the provision of local public goods. The sharing of government revenue among the various tiers of government should also complement the sharing of government functions and taxes that are geared towards the pursuit of central government functions should be centrally collected.

5.0 SUMMARY

In this unit, we have discussed fiscal federalism. There are at least four dimensions to fiscal aspect of federalism. They are the objective, of intergovernmental fiscal relations, the allocation of responsibilities or expenditure assignment tax assignment and revenue sharing.

The objectives should be made to enhance accountability and transparency in fiscal federal relations. The allocation of government functions by tier system must be accompanied by an appropriate mechanism for sharing the resources of the public sector, so that each and every tier of government would be able to effectively perform its assigned responsibilities. If we revenue is generated solely form taxes, then the assignment of revenue sources boils down to the assignment of tax powers. If this is the case, revenue can be mobilized for a tier of government by assigning revenue sources to the tier of government or by a system of inter-government transfers (grants – in – aids) or is generally a complex exercise, as it involves both equity and efficiency issues and the value judgment of the government, there is need to supplement internally – generated revenue of sub-national governments.

6.0 TUTOR – MARKED ASSIGNMENT

1. Describe the objectives of fiscal intergovernmental relations.
2. Explain at least three dimensions of fiscal federalism

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UNIT 2

INTER-GOVERNMENTAL RELATIONS IN AMERICA

CONTENT

- 1.0 Introduction**
- 2.0 Objectives**
- 3.0 Main Content**
 - 3.1 Meaning of IGR**
 - 3.2 Issues in IGR**
 - 3.3 Participants in IGR**
 - 3.4 Political aspects of IGR**
 - 3.5 Fiscal aspects of IGR**
- 4.0 Conclusion**
- 5.0 Summary**
- 6.0 Tutor-Marked Assignment**
- 7.0 References/Further Reading**

1.0 INTRODUCTION

The political system in United States is based in part on a separation of responsibilities among different units of government. The federal system established by the United States constitution ensured that there would be much flexibility in the way that governmental units interacted with one another and the fact that a federal system was created ensured the need for interactions. In this unit, we shall examine the relationships between the national government, on one hand, and the states and local governments, on the other.

2.0 OBJECTIVES

At the end of this unit, students will be able to:

- Explain the meaning of intergovernmental relations
- Describe the issues and participants in intergovernmental relations and
- Describe the political and Fiscal aspects of intergovernmental relations

3.0 **MAIN CONTENT**

3.1 **MEANING OF INTERGOVERNMENTAL RELATIONS**

The term “intergovernmental relations” is sometimes used interchangeably with federalism, but the two really do not mean the same thing. Federalism refers to the formal, legal structure of the political system, whereas intergovernmental relations refer to all the interactions of governmental units within the political system (CoChran, et al. 1986:121).

In other words, intergovernmental relations refer to the relationships among governmental jurisdictions. For our purpose, the term “inter-governmental relations mean the relationships between the national government, on one hand, and the states and local governments, on the other hand. Interactions between and among states and local governments are also part of the concept.

3.2 **ISSUES IN INTER-GOVERNMENTAL RELATIONS**

Inter-governmental policy is a natural outgrowth of the federal system, in which government responsibilities are loosely distributed between the national government and the states. Because the United States constitution is not always clear on what exactly the division of responsibility should be, the principal issue is what role each level of government should assume. The authors of the constitution were many of too strong a central government and cognizant of the problems of too weak a one. They felt that it was necessary to have a national government that could reasonably coordinate the actions of the states, but they also wanted to give the states the autonomy to deal with their own concerns.

3.3 **PARTICIPANTS IN INTERGOVERNMENTAL RELATIONS**

There are numerous groups or special interests that also affect intergovernmental policies. Congress and the Executive branch interact in the politics of developing inter-governmental policies at the national level. The national government’s actions are affected by the concern of state and local governmental officials. The Mayors and Governors through their conferences and organizations make pronouncements on those national government policies that affect them within their own parties they also attempt to influence the direction of national leaders on relevant issues. Governmental agency officials, especially national government administrators of intergovernmental programmes, also have considerable influence in policies. They give legislators their recommendations, and in the policy’s implementation, their interpretation or action gives real meaning to the policy. Many of the complaints of state and local officials are directed at federal government administrators. State and local administrators also make their concerns known to policy makers at all levels of government.

3.4 **POLITICAL ASPECTS OF INTERGOVERNMENTAL RELATIONS**

The American intergovernmental network is fundamentally a political system or a complex of political systems. Until the twentieth century, the national government was not closely involved in domestic policy, which was seen as the realm of state and local governments.

The twentieth century particularly marked the era of escalating intergovernmental programs. During the 1930s, many national government programmes were created to help the nation out of the depression, and those programs signaled a strong national involvement in social and economic policies. Until the 1970s, the national government increased its involvement through many grant programs and the responsibility for the nation's general welfare.

Thus, the major legacy of the 1960s and 1970s was the development of project grants, such as Community Development Block grants, which required application for funds by the state and/or local government. The national government funding agency would then have to approach the grant. In doing so, the project or program as the agency wanted. Thus, the discretion of state and local units was further lessened.

During the 1970s and 1980s, there was the trend towards reducing the influence of the national government, and increasing the state governments' power. To do this, categorical grants were de-emphasized, and block grant funding was favoured. To do this, categorical grants were de-emphasized, and block grant funding was favoured. Categorical grants fund a specific project subject to federal government rules and regulations. Block grants fund general program areas such as education and permit the states to determine how the money will be spent within the area. General revenue sharing of funds in which the state and local government receive money with no strings from the federal government persisted. The money is then spent as the state or local government decides.

Tax reform suggestions also affect the revenues of state and local governments. By allowing tax payers to deduct state and local taxes on federal income tax forms, there is an indirect taxes are also more acceptable if they can be deducted on national taxes.

Current intergovernmental policy is a mixture of the current administration's emphasis on reducing national government prominence in public affairs and the historical development of national government responsibility in many areas of public concern. Since the "New Deal", the emphasis has been on creating programs and policies to cope with society's problems.

3.5 **FISCAL ASPECTS OF INTERGOVERNMENTAL RELATIONS**

Another feature of the intergovernmental system is the financial relationship between and among units. Because of the national government increased the number of funded programs during the mid-twentieth century, intergovernmental transfers of funds became significant. The problem with providing federal funds lies in who controls the use of those funds. With

categorical grants, the national government clearly established criteria for using the money. With block grants and general revenue sharing the expectation was that the national government would loosen its control.

During Reagan's administration, the purpose of domestic policy was to loosen restrictions couple with cuts in domestic spending.

With grants, the state and local levels are never certain what amount of money is going to be available from year to year.

Another aspect of federal grants for the recipient units is the maintenance of effort requirement, which means that state and local governments cannot use federal money to replace their own spending on the affected program. The receiving governments are locked into spending patterns of they wish to receive the grants with such requirements. For example, Community Development Block, Grants could not be used to reduce the amount of money that the local government spent on redevelopment. Instead, a government would be required to continue to spend at the level it did in the past, or it could not continue to receive Community Development Funds.

The fiscal aspects of the intergovernmental system also reflect the characteristics of complexity and interdependence. Grants emerge from as well as create bargaining contests across levels of government and between specialist and generalist. Although, the politics and administration of the various fiscal instruments can differ greatly, the grant system in general appears resistant to change. This can be observed from the efforts to shrink the federal role or to reassign program responsibilities. However, modern inter-governmental relations still clearly preserve a network of cooperation and a forum for bargaining about issue-specific disputes among governments that possess both significant autonomy and numerous ties to other forms of intergovernmental interaction.

In addition to the financial relationships among the national government, there are many national programs, and requirements that affect states and local activities. National government legislation on health and safety, environmental protection, consumer protection, civil rights, regulation on non-discrimination requirements in the state and local units' personnel actions, cooperative efforts in law enforcement, cooperation in tax enforcement and other issues that require or encourage state and local entities to take or refrain from particular action.

SELF-ASSESSMENT EXERCISE

Describe the political aspects of intergovernmental relations

4.0 CONCLUSION

In this unit, we have examined inter-governmental relations in America. Today, a formidable set of inter-governmental issues and problems stretches before us, yet it is important to realize that both the achievements and dilemmas of the contemporary scene are bound up with the choices made at the nation's federal system. However, while the intergovernmental system has changed tremendously from the earliest decades, the basic framework created by the

founders continues to play a part in the perpetuation of vigorous inter-government relations. Historically and contemporary imperatives toward cooperation across governmental lines notwithstanding, the inter-governmental relations framework has allowed and even encouraged the rise of today's pattern, one of conflict and bargaining in a complex and interdependent system.

5.0 SUMMARY

Intergovernmental Relations is the management and coordination of the relationships among governments for the purpose of achieving specific policies. Relations among American governments are extraordinarily complex. However, how these thousands of American governments act and react to each other is based on broad rules of the game set by the Constitution and Court decisions. The Constitution is instrumental in making distinctions between state and national responsibilities. It also deals with establishing and maintaining the separate identities between state and nation. The Constitution also deals with the integration of the national and State governments, primarily by providing for cooperation among them in the performance of certain functions. These three major features of the relations between the State governments and the national government – boundary settlement, separate identities, and national and State integration – were refined by the courts over time.

6.0 TUTOR-MARKED ASSIGNMENTS

- (i) Describe the political aspect of intergovernmental relations in America
- (ii) Describe the Fiscal aspects of intergovernmental relations in America

7.0 REFERENCES/ FURTHER READING

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UNIT 3
INTERGOVERNMENTAL FISCAL RELATION IN BRAZIL

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 IGR in Brazil

3.2 Tax Assignment

3.3 Expenditure Assignment

3.4 Debt Regulation

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

1.0 INTRODUCTION

Towards consolidating democracy after military rule of 1980s, Brazil has gone through a period of remarkable decentralization in both fiscal and political term. In this Unit, we shall examine the features of intergovernmental relations in Brazil.

2.0 OBJECTIVES

At the end of unit, students should be able to:

- Explain fiscal relations in Brazil
- Describe expenditure assignment in Brazil and
- Explain debt regulation aspects of intergovernmental relations

3.0 MAIN CONTENT

3.1 INTERGOVERNMENTAL FISCAL RELATIONS IN BRAZIL

The Brazilian federation encompasses three levels of government; the federal government, 27 states (including the Federal District) and 5,509 municipalities. The states are divided into five geographical regions. The South is formed by the states of Parana; Santa Caterina and Rio Grande do sul, Espirito Santo, Minas Gerais, Rio de Janeiro and Sao Paulo are the states on the southeast region. The sparsely population Midwest region comprises the states of Goias, Mato, Grosso, Mato Grosso da sul and the Federal District. The north consists of Acre, Amapa, Amazonas, Para, Rondonia, Roraima and Tocantins. Finally, the Northeast includes the states of Alagoas, Bahia, Ceara, Maranhao, Paraiba, Pernambuco, Piaui, Rio Grande do Norte and Sergipe.

Major disparities exist among the five regions. The states in the south and southeast regions accounted in 1997 for about 58 percent of the country's population and some 76 percent of the national GDP. Per Capita income ranged from about R\$1,400-1,600 a year in Maranhao and Piaui, in the poorest Northeast region, to almost R \$9,000 in Sao Paulo and more than R\$10,000 a year in the District Federal. At the regional level per capita income in the southeast region is about three times the per capita income of the Northeast.

3.1.1 TAX ASSIGNMENT

During the last decades, inter-governmental fiscal relations in Brazil have been regulated by the 1967 and 1988 Tax Reforms, which differ fundamentally with respect to the degree of decentralization promoted. The 1967 Reforms, enacted under the military regime concentrated the assignment of revenue sources at the federal level and introduced a system of revenue transfers to states and municipalities that was designed to correct major disparities among the regions. Conversely, the 1988 Reform extended the assignment of revenue sources to states and municipalities, at the expense of the federal government, and strengthened the system of intergovernmental transfers. Under the current system the federal government is assigned federal and corporate income taxes (IR), a value-added type of tax on industrial products (IPI), a tax on rural property (ITR), social contributions levied on payroll or turnover of enterprises, taxes on foreign trade and taxes on financial transactions both the IR and the IPI are shared with states and municipalities through the state participation fund (FPE) and Municipal Participation Fund (FPM). The ITR is shared only with the municipalities. The states are assigned a broad-based value-added tax (ICMS), a motor vehicle registration tax (IPVA) and inheritance and gift taxes. The ICMS and the IPVA are shared with the municipalities. Finally, the municipalities are assigned a tax on services (ISS), an urban property tax (IPTU) and a tax on property transfers. Revenue sharing agreements have been established by the 1988 constitution with co-efficient that are primarily based on redistributive criteria. A major result of the 1988 reform was the increase in the revenues at the disposal of all government levels. The relative importance of this increase was higher for subnational government than for the federal government.

3.1.2 EXPENDITURE ASSIGNMENT

The 1988 constitution identifies three separate levels of government in the Brazilian federation (federal, state and municipal) and describes their responsibilities. The federal government is exclusively responsible for only a few conventional functions, such as: defense, foreign affairs immigration issues, and regulation of international trade and financial matters. For most functions, the responsibility is assigned to more than one level of government, leading to problems in service delivery. In education, for example, the federal government has the responsibility for setting national guidelines, while state governments are responsible for the delivery of the services. Pre-school and elementary education, however, are the responsibility of municipal

governments. In practice the federal government still follows a pre-1988 constitution tradition and continues to have direct involvement in the delivery of education services at different levels.

3.1.3 DEBT REGULATION

With the 1967 constitution, the senate has the authority to regulate all public-sector borrowing in Brazil. It sets guidelines for subnational borrowing based on the amounts of existing debt, revenues and debt service. However, it has the power to grant exceptions to these guidelines. The Central Bank imposes a number of regulations on the access of states to different credit sources. External borrowing by the states is subject to regulation only when it requires a federal guarantee. Under the 1988 constitution, any legislation on debt renegotiation or financial rescue of subnational government can only be initiated by the President. After the initiative is taken, a financial rescue operation such as a debt bailout can only be implemented if it has been authorized by the Senate. Under the Brazilian constitution, the control of public sector borrowing is assigned to the senate, which has always shown a remarkable degree of tolerance with regard to increases in state indebtedness.

SELF-ASSESSMENT EXERCISE

Describe the fiscal aspect of intergovernmental relations

4.0 CONCLUSION

In this unit, we have been able to explain the fiscal aspect, expenditure assignment and debt regulation aspects of intergovernmental relations. Under the 1988 Constitution, revenue sharing agreements was based on redistributive criteria. Any legislation on debt renegotiation or financial rescue of subnational government can only be initiated by the President. On expenditure assignment, the federal government is exclusively responsible for only a few conventional functions, such as: defense, foreign affairs immigration issues, and regulation of international trade and financial matters, while state governments are responsible for the delivery of the services. Pre-school and elementary education, however, are the responsibility of municipal governments.

5.0 SUMMARY

Under the 1988 Constitution in Brazil, responsibilities are assigned to federal, States and municipalities in intergovernmental relations. A major result of the 1988 reform was the increase in the revenues at the disposal of all government levels. The relative importance of this increase was higher for subnational government than for the federal government. On expenditure assignment, the federal government is exclusively responsible for only a few conventional functions, such as: defense, foreign affairs immigration issues, and regulation of international trade and financial matters, while state governments are responsible for the delivery of the services. Pre-school and elementary education, however, are the responsibility of municipal governments. Under the 1988 constitution, any legislation on debt renegotiation or financial rescue of subnational government can only be initiated by the President. After the

initiative is taken, a financial rescue operation such as a debt bailout can only be implemented if it has been authorized by the Senate. Under the Brazilian constitution, the control of public sector borrowing is assigned to the senate, which has always shown a remarkable degree of tolerance with regard to increases in state indebtedness.

6.0 TUTOR-MARKED ASSIGNMENT

- (i) Describe the tax assignment in intergovernmental relations under Brazilian Constitution of 1988
- (ii) Explain the expenditure assignment in intergovernmental relations under Brazilian Constitution of 1988

7.0 REFERENCES/FURTHER READINGS

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UNIT 4

INTERGOVERNMENTAL RELATIONS IN INDIA

CONTENT

- 1.0 Introduction**
- 2.0 Objectives**
- 3.0 Main Content**
 - 3.1 Intergovernmental Fiscal Relations**
 - 3.2 Expenditure Tax Assignment**
 - 3.3 Institutional Developments and Reforms**
- 4.0 Conclusion**
- 5.0 Summary**
- 6.0 Tutor-Marked Assignment**
- 7.0 References/Further Reading**
- 1.0 INTRODUCTION**

India has witnessed constitutional democracy since 1950. India now comprises 28 states, six “Union Territories” (UTs) and a National Capital Territory (NCT), Delhi. The NCT and the UT of Pondicherry have their own elected legislatures, whereas the other UTs are governed directed by appointed of the centre. All the states have elected legislatures, with Chief Ministers in the executive role. Each state has a Governor, nominally appointed by the President, but effectively an agent of the Prime-Minister. The primary expression of statutory constitutional authority in India comes through the directly elected parliamentary –style governments at the national and state level, as well as nascent directly elected government bodies at various local levels. In this unit, we shall examine the intergovernmental relations in India.

2.0 OBJECTIVES

At the end of this unit, students will be able to:

- Explain intergovernmental fiscal relations in India
- Describe the expenditure and tax assignment in intergovernmental relations
- Examine the institutional developments and reforms

3.0 MAIN CONTENT

3.1 INTER-GOVERNMENTAL FISCAL RELATIONS

India has developed explicit as well as implicit channels for managing IGFR, and for making vertical transfers, particularly from the centre to the states and UTs. This section reviews constitutional tax and expenditure assignments, the role of the Finance Commissions, Planning Commissions, and Central Ministries in making inter-governmental fiscal transfers, and the nature and associated problems of sub-national borrowing. It will be seen that India’s intergovernmental fiscal transfers system is complicated by the existence of multiple channels, particularly the Planning Commission, which is charged with drawing up and implementing five-year economic development plans.

Furthermore, while the bulk of transfers are general-purposes formulaic transfers, there is also a complex mix of specific purpose transfers, sometimes with adhoc matching requirements and often determined through political bargaining.

3.2 EXPENDITURE AND TAX ASSIGNMENTS

The Indian Constitution, in its seventh schedule assigns the powers and functions of the centre and the states. The schedule specifies the exclusive power of the centre in the union list; exclusive powers of the states in the state list and those falling under the joint jurisdiction are placed in the concurrent list.

All residuary powers are assigned to the centre. The nature of the assignment of expenditure functions is fairly typical of federal nations and broadly fits with economists, economic rational.

The functions of the central government are those required to maintain macro-economic stability, international trade and relations, and those having implications for more than one state. The major subjects assigned to the states comprise public order, public health, agriculture, irrigation land rights, fisheries and industries and minor minerals. The states also assume a significant role for subjects in the current list such as, education and transportation, social security and social insurance.

The tax assignment powers in India is based on a principle of separation, that is, tax categories are exclusively assigned either to the centre or to the states. Most broad-based (in principle though not in practice) taxes have been assigned to the centre, including taxes on income and wealth from non-agricultural sources, corporation taxes on production (excluding those on alcoholic liquors) and customs duty. A long list of taxes is assigned to the states. However, only the tax on the sale and purchase of goods has been significant for state revenues. This narrow effective tax base is largely a result of political economy factors that have eroded or prevented the use of taxes on agricultural land or incomes by state governments. The centre has also been assigned all residual powers, so that taxes not mentioned in any of the lists automatically fall into its domain.

The constitution specified certain categories of centrally collected taxes that were to be shared with the states according to criteria to be determined by the finance commission. In particular, personal income taxes were a major component of tax transfers from the centre to the states which received 87.5 percent of such tax revenues.

3.3 INSTITUTIONAL DEVELOPMENTS AND REFORMS

Several institutional developments and policy imperatives stand out in a review of India's IGFR system, and represent new opportunities and challenges. India has taken major strides in decentralizing government by creating a tier of local government that has constitutional status and that requires another layer of intergovernmental transfers. Previous transfer was ad hoc and discretionary based on control of local bodies by state governments.

Local government reform has changed the nature of tax and expenditure assignments to local governments and instituted a system of formal state-local transfers modeled on the component of the existing centre-state system that is governed by the Finance Commission.

In 2004, the central government proposed transferring money directly to local governments. In the past, the states have received unconditional financial commission transfers earmarked for local governments, but have retained control of these monies. They have controlled planning commission and central ministry conditional transfers that have ostensibly been targeted at district or block level rural government authorities. With local government now enjoying constitutional status, the states are reluctant to permit new transfers direct to rural local government, fearing direct to rural local government to lead to reductions in their own transfer receipts.

SELF-ASSESSMENT EXERCISE

Describe intergovernmental fiscal relations in India

4.0 CONCLUSION

In India, many features of its Intergovernmental Fiscal relations (IGFR) were a product of colonial rule and the immediate post-independence environment. Improvement in its IGFR system, therefore, included reforming the system of tax and expenditure assignments as well as the intergovernmental transfer system. In 2004, the central government proposed transferring money directly to local governments. Local government reform has changed the nature of tax and expenditure assignments to

local governments and instituted a system of formal state-local transfers modeled on the component of the existing centre-state system that is governed by the Finance Commission.

5.0 SUMMARY

India has developed explicit as well as implicit channels for managing Intergovernmental fiscal relations, and for making vertical transfers, particularly from the centre to the states and Union Territories. India's intergovernmental fiscal transfers system is complicated by the existence of multiple channels, particularly the Planning Commission. In the past, the states have received unconditional financial commission transfers earmarked for local governments, but have retained control of these monies. They have controlled planning commission and central ministry conditional transfers that have ostensibly been targeted at district or block level rural government authorities. With local government now enjoying constitutional status, the states are reluctant to permit new transfers direct to rural local government, fearing direct to rural local government to lead to reductions in their own transfer receipts.

6.0 TUTOR-MARKED ASSIGNMENT

- (i) Describe intergovernmental fiscal relations in India
- (ii) Explain the expenditure and tax assignment in India's intergovernmental relations

7.0 REFERENCES/FURTHER READINGS

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UNIT 5

INTER-GOVERNMENTAL FISCAL RELATIONS IN CANADA

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Divisions of Powers

3.2 Expenditure Assignment

3.3 Tax Assignment

3.4 Inter-governmental Transfer System

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

Canada is operates a federal system. With a population of 28.1 million (1994 Census) and a total area of 9.9 million square kilometers, Canada represents the second

largest country but one with the lowest population density in the world. Canada is a federation of the provinces (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario Quebec, New Brunswick, Nova-Scotia, Prince Edward Island and New found land and two territories –Northwest Territories and Yukon. In this unit, we shall examine the intergovernmental relations in Canada.

2.0 OBJECTIVES

At the end of the unit, we shall be able to:

- Explain division of powers in Canada
- Describe Expenditure assignment in Canada
- Describe tax assignment and intergovernmental transfer system

3.0 MAIN CONTENTS

3.1 DIVISION OF POWERS

Division of powers in Canada was guided by the British North America Act of 1867 until 1982, when the Canadian constitution Act vested the power to amend the constitution with the Canadian Parliament. Under the Constitution Act of 1982, the Queen of England remains the sovereign and is represented by her appointee (appointed on the advice of the Prime Minister of Canada) the governor-general of Canada.

The Parliament has two houses: Senate of 104 members appointed for life and a House of Commons of 295 members apportioned by provincial population and elected at least every five years. The leader of the majority party or one having a trust of a majority of members in the house, assumes the office of the prime minister, laws must be passed by both houses of parliament and signed by the governor-general in the queen's name.

The ten provincial governments are normally headed by lieutenant governors appointed by the governor-general, but the executive powers are vested in the provincial cabinet headed by the premier. Members of provincial legislative assemblies are elected for a four-year term.

The Judicial system consists of the supreme courts of Canada provincial supreme courts, and country courts. The governor-general in council appoints judges to these courts.

Thus, Canada has a two-tiered system, highly decentralized system. It can be characterized as a model of dual federalism with coordinate authority. Whereas, federal and provincial governments are co-equal partners in the federation, local governments do not enjoy independent constitutional status and are simply the handmaidens of the provinces.

3.2 EXPENDITURE ASSIGNMENT

Expenditure assignment is transparent money, banking, trade airlines, railways, foreign affairs, defense and unemployment insurance are federal responsibilities. Pension, immigration, agriculture and industry are shared by federal and provincial governments. Educational, health, social welfare, police, natural resources, and highways are provincial matters. Provincial –local governments account for 50 percent of consolidated public expenditures, including debt charges and 59 percent of direct

programme spending. Percentage of total programme spending between federal and provincial levels are:

Program:	Federal (Percent)	Provincial (Percent)
Transport	27	73
Health	3	97
Education	3	97
Social Services	65	35
Debt Services	58	42

Source: Departments of Finance, Government of Canada, Ottawa, Unpublished data.

3.3 TAX ASSIGNMENT

The British North-America Act of 1867 restricted provincial access to ‘direct’ taxes and charges only. The Supreme Court of Canada broadened this jurisdiction considerably by interpreting sales taxes as “direct” taxes. The constitution Act of 1982 further extended provincial powers to include resources taxes as well. Thus, provincial governments today enjoy overlapping taxing responsibilities with the federal government in all areas except customs, unemployment insurance premiums and contributions to the Canadian Pension.

In terms of VAT, Canada presents an interesting case study in implementing a VAT in federal country. The Canadian constitution restricts to provincial government access only to “direct” taxes, but Canadian courts have interpreted a retail sales tax to be a direct tax. Before 1991, Canada had a manufacturers’ sales tax at the federal level and a retail sales taxes in nine of the ten provinces. The federal government tried but failed to win support for a combined federal-provincial VAT. It then acted alone and introduced a VAT, the “goods and service tax” (GST) at 7 percent in 1991. Under this tax, basic groceries, prescription drugs, and medical devices are rated zero, and residential rents, health services, aid services, legal aid, educational services and financial institutions are exempt from taxation. The GST at the present time is not harmonized with provincial retail sales taxes except in the province of Quebec. Quebec has announced that its sales tax would be “substantially harmonized with the GST, subject to certain Quebec characteristics”. A substantially harmonized multistage sales tax (QST) was introduced by Quebec in July 1992 at 8 percent. Exports are zero rated. The most notable exception of GST is that financial institutions are zero-rated by Quebec. Quebec has also sought to administer the GST within its boundaries, and discussions are under way to formalize Quebec administration of GST and QST.

Newfoundland and Prince Edward Island began a process of full harmonization with GST in 1992, but later halted this process. Pressure from business groups for harmonization of federal and provincial taxes continue to mount. In the long run, the federal tax should be fully harmonized with provincial sales taxes in some provinces. Zero rating of provincial exports adopted by Quebec appears to offer a simple alternative for such harmonization. Federal-Provincial fiscal arrangements in Canada encompass three broad areas: (a) tax harmonization (b) fiscal transfers, (c) fiscal and

economic policy coordination through periodic first ministers' conferences, meetings of finance minister and various inter-governmental committees of officials.

3.4 INTERGOVERNMENTAL TRANSFER SYSTEM

The federal government in Canada pursues a number of objectives through the use of its spending power. It transfers revenues to provincial and territorial governments. The overriding objective of the transfer is to secure economic union by maintaining minimum national standards in provincial, local and public services across the nation. Three major programmes of federal transfer to the province are:

- (a) the Established Programs Financial (EPF): conditional block (per capita) transfers for health and education with federal conditions on accessibility and standards of service;
- (b) the Canada Assistance Plan (CAP): conditional matching transfers for welfare assistance, and
- (c) the Canadian Fiscal Equalization Programme: a constitutionally mandated unconditional block transfer programme to support reasonably comparable levels of service at reasonably comparable levels of taxation.

In many case EPF and CAP account for a majority of federal conditional transfers.

SELF-ASSESSMENT EXERCISE

Describe how powers are divided in Canadian intergovernmental relations

4.0 CONCLUSION

In this unit, we have provided brief overview of Canadian federal system. We have examined the expenditure assignment, tax assignment and inter-government transfers. Canada has a two-tiered system, highly decentralized system. It can be characterized as a model of dual federalism with coordinate authority. Whereas, federal and provincial governments are co-equal partners in the federation, local governments do not enjoy independent constitutional status and are simply the handmaidens of the provinces.

5.0 SUMMARY

Canada is operates a federal system. Canada has a two-tiered system, highly decentralized system. Whereas, the federal and provincial governments are co-equal partners in the federation, local governments do not enjoy independent constitutional status and are simply the handmaidens of the provinces. The federal government in Canada pursues a number of objectives through the use of its spending power. It transfers revenues to provincial and territorial governments. In terms of VAT, the Canadian constitution restricts to provincial government access only to "direct" taxes, but Canadian courts have interpreted a retail sales tax to be a direct tax. Finally, the Federal-Provincial fiscal arrangements in Canada encompass three broad areas: tax harmonization, fiscal transfers and economic policy coordination through periodic first Ministers' Conferences, Meetings of Finance Minister and various inter-governmental Committees of officials.

6.0 TUTOR-MARKED ASSIGNMENT

- (i) Explain the expenditure assignment in Canadian intergovernmental relations

- (ii) Describe tax assignment and intergovernmental transfer system in Canadian intergovernmental relations

7.0 REFERENCES/FURTHER READINGS

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