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Analysis of the Impact of Fiscal Federalism on the Third Tier Governance in Ebonyi State, Nigeria

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Abstract
The issue of revenue rights has become the most contentious issue in the relationship between local governments as the third tier of government, and the other two tiers-the federal and the states-within the parameter of Nigeria federalism. This study, therefore, analyzes the impact of fiscal federalism on the third tier of government in Ebonyi State from 1999 to 2010. The study employed a descriptive-analytical method. Thus, data collected through secondary sources were descriptively analyzed. The finding reveals that the statutory revenue allocations meant for the third tier of government during the period became a purview of the Ebonyi State Government following the loopholes and ambiguities created by the 1999 Constitution. The State and the Local Government Councils related to each other in a manner that led to unholy manipulations and diversion of local government funds to other uses. The implication is non-performance of the local government councils as they failed to achieve the principal objective of their creation which is ensuring rapid economic and rural development of their communities. It is recommended among other things, that relevant provision of the 1999 Constitution be re-visited by abolishing the State Joint Local Government Account and funding local governments directly from a Consolidated Account. The study adopts the principal/agent theoretical model as a framework of analysis derived from the writing of Bellow-Imam (1996).

Keywords: Fiscal Federalism, Governance

I. Introduction

The most severe problem facing public institutions in Nigeria is the fiscal one, particularly the local governments. This problem has been provoked by the infringement of their revenue rights by state governments. This situation poses a very serious question as to the ability of local governments to "govern at the local level", in line with the 1999 Constitution of the Federal Republic of Nigeria.

Fiscal federalism in Nigeria has its legal basis laid in the constitution. The 1999 Constitution assigns to the National and State Assemblies the responsibility for revenue allocations. The assignment automatically ignites intergovernmental relations (IGR), especially with a major innovation that local government should be accepted as having a right to a statutory share of national financial resources alongside state and federal governments. The constitution categorically spells out under the fourth schedule the functions of local governments. These functions clearly necessitate local governments' interactions with both the Federal and State Governments but with particular emphasis on state-local interaction. The framework for recognizing local government as the third tier of government was initiated by the 1976 local government reform. This was legally consolidated with the incorporation of this idea in the 1979 and 1999 constitutions respectively (Ekot, 2004). As the third tier of government, it receives certain transfers from the federal and state governments to enable it to meet part of its recurrent and capital projects.

The Nigerian federal structure and its fiscal federalism have been enmeshed in multifarious contradictions and controversies. The nature and scope of its fiscal system is a progeny of the 1999

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constitution. The structure and the relationship that exist between and among tiers of government are also determined by the constitution. In other words, the state and local governments' relation in democratic governance has legal instrument that provides for a specific relationship, which derives its powers from a constitutional provision.

Although the 1999 constitution made different and separate provisions for the existence and status of the local government in relation to the state, it has also given states an uncontrollable check and supervisory power over local governments in Nigeria. These situations have made the local governments mere cleavages, stooges and by extension mere appendages of state governments, whereas in the spirit of federalism, both are expected to be partners in progress. Constitutionally and under state law provision, the existence of local government as the third tier of government has been seriously undermined. The degree of external influence and intrusion into the revenues of local governments is worrisome.

Local government as the third tier of government in Nigeria was principally created to ensure grass-root development. It is the contention of the government that when there is even development in the rural areas, it will have a corresponding positive impact in the state. As the third tier of government, local government is strategically located to carry out those functions known fully well of its proximity to the people, responsiveness and simplicity of operation. While it is indubitable that local governments in Nigeria have failed in living up the obvious task of ensuring the transformation of the rural areas, the case of Ebonyi State is most disturbing and worrisome The United Nations Development programmes, UNDP (2002) ranked Ebonyi state as one of the poorest states in Nigeria with over 70 per cent of the population being rural farmers. In the rural areas, there is an obvious lack of basic infrastructural facilities like good roads, pipe borne water, electricity, health facilities and modern schools for the education of rural children. In line with the objectives of creating local governments, it is expected that they provide these basic amenities.

But to the chagrin of the people, officials of the local governments rather than providing these services to improve the living condition of the rural people, are faced with the issue of revenue right as the most dominant and contentious in the relationship between local governments as the third tier of government and the other tiers-the federal and the states- within the parameter of Nigerian federalism.

a. The amount standing to the credit of local government councils in the federation account shall be allocated to the states for the benefits of their local government councils on such terms and such manner as may be prescribed by the National Assembly.
b. Each State shall maintain a special account to be called "State Joint Local Government Account "into which shall be paid all allocations to the local governments of the state from the Federation Account and the government of the state.
c. The amount standing to the credit of local government councils of a state shall be distributed among the local government councils of the state on such terms and in such manner as may be prescribed by the House of Assembly of the state.

Critics and observers believe that arising from the nature and pattern of fiscal federalism (that is, intergovernmental fiscal relation) which has been entrenched in the 1999 Constitution, the revenue allocations meant for the third tier governance in Ebonyi State from 1999 to 2010 became a purview of the state government leading to the failure of the local governments to achieve the principal objective of their creation, which is ensuring rapid economic and rural development of their communities. The above problems necessitated this study. To address the above problem situation, the researcher posed the following research questions:

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i. What are the effects of federal-state-local fiscal relations on the third tier governance in Ebonyi?
ii. What are the effects of state-local fiscal relation on the third tier governance in Ebonyi State?
iii. What are the effects of federal-local fiscal relation on the third tier governance in Ebonyi state?
iv. What are the effects of the State Joint ***Lo***cal Government Account on the rural development of Ebonyi State?

II. Theoretical review

In this section, a review of related literature on fiscal federalism shall be undertaken to enable us to discover the contributions made in the area as well as identify gaps that exist. The literature review will be categorized into empirical and theoretical reviews. In this connection, concerted efforts shall be made to study, understand and explicate the concept of fiscal federalism. This is done to assess its meaning, nature and implications. This is to provide background for the study and set the theoretical base upon which it is anchored.

Fiscal Federalism on the Third Tier Governance

Anyanwu (1997:159) asserts that fiscal federalism implies the co-existence of both national and sub-national governments which perform economic functions required by the society or an association of two or more levels or tiers of government within a country. What this means is that the governments involved within a country interact and interrelate with each other on economic matters to achieve specific objectives. The method of taking collective decisions is also pre-determined.

For Ahamefule-Ofoeze (1999:138)^ fiscal federalism or simply fiscal relation addresses the question of pattern of revenue allocation and of course allocation of taxing power in a federation among components of government to ensure that each level of government possesses the financial capacity to really execute functions constitutionally assigned to it. It has been the most contentious issue and problems in many federal states as manifested in man^ revenue allocation formulae introduced at different periods in the case of Nigeria.

Apparently, Otobo (2002: 303-304) sees fiscal federalism as issues concerning the apportionment of centrally collected financial revenue and taxing powers vested in each tier of government. He notes that revenue allocation is a crucial issue because the federal government levies and collects a variety of taxes on behalf of the whole country. This revenue goes into the pool called the federation account. The sharing of the revenue from the federation account is based on what is called the federal revenue allocation formula.

Uchendu (2004:246) believes it as a politico-economic arrangement whereby the public revenue of a federation is shared among the levels of government. These levels according to him are the centre, the federating states or provinces and local governments. What this implies is that fiscal federalism is an issue in intergovernmental relations and this refers to interactions between and among levels of government in a state system. Human beings are responsible and carry out the relationships between governments, but finance is the most critical element of these interactions (Maduabum, 2008:305).

In his contribution, Egwaikhade (2004:1) argued that it involves the problem of how to allocate revenue among the three tiers of government, such that each tier can carry out its constitutionally assigned functions. This can be taken to mean a system of government where revenue and expenditure functions are divided among the tiers of government in order to perform allotted duties.

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Aluu (2006:82) defines fiscal federalism as when interactions in a federal system between the central government and sub-national governments are economic and bordering essentially on finance and or disbursement of grants. From this perspective, the old question in politics of who gets what, when and how is nowhere more evident than in the intergovernmental fiscal relation. Generally, the levels of government involved may negotiate for money, power and problem solving responsibility as those are on the bargaining table in virtually every major public issue (Benovertz, 1980:141).

The above definitions of fiscal federalism are related in one way or the other as they emphasize on sharing of economic resources and division of functions between or among different levels of government who interact in the performance of their functions within a given state. However, it can safely be stated that fiscal federalism is deeply rooted in a political arrangement called federalism. As the financial relationship between or among existing tiers of government, fiscal federalism deals with the system of transfer through which the federal government shares its revenue with the state and local governments. This is to say that it deals with intergovernmental fiscal relations or transfer as it describes the division of fiscal resources and responsibilities between or among tiers of government. On the implication of such transfers, Shah (1983), Broadw'ay (1990) and Ekpo and Ndebbio (1998) have argued that fiscal transfers provide economic, political and social justifications which include efficiency, equity and stabilization objectives.

On the contrary, scholars like Amhad, Hewitt and Ruggiero (1997) assert that reliance on transfers and grants from central government to finance sub-national government expenditure creates an incentive for sub-national government expenditure and engage in perennial negotiations with the central governments to attract mote grants and transfers. They believe that such competition among sub-national governments to secure larger portions of distributable central funds may lead to free tiding, because sub-national governments have an incentive to inflate their budgets fear of losing sharable revenues to competing jurisdiction. This could be why Obiajulu and Obi (2003:223), citing Wheare, observed that:

> It the governmental authorities in a federation are to be coordinate with each other, in actual practice as in law, it is essential that there should be available to each of them, under its unfettered control, financial resources sufficient for the performance of the functions assigned to it under the constitution... financial subordination makes an end of federalism in fact, no matter how carefully the legal forms may be preserved.

This means that governments in a federation must be financially autonomous. In other words, no level of government must be subordinated financially, to the other. In this regard, each level of government must have financial resources that are adequate to execute its functions. Put differently, no level of government must depend on the other for funding its programmes.

From the foregoing, there is a gap in the related literature on the subject matter under investigation. This gap relates to how to ensure that the federal revenue allocations meant for the third tier governance in Ebonyi State wholly get to the local governments within the state as released from the Federation Account to give room for an effective third tier governance. This will require amending the 1999 constitution especially the section that deals with intergovernmental fiscal relations between or among the tiers of government in Nigeria. This study will attempt to fill the gap in literature

III. Empirical Review

Akindelc and Olaopa (2002) carried out a study on the topic “Fiscal federalism and Local Government finance in Nigeria”. The researched examined problems facing local governments in

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Nigeria. A descriptive analytical method was used. Data collected through secondary source were descriptively analyzed. It was found that among the problems faced by local governments in Nigeria, the most recurrent ones are finance and the sizeable mismatch between the statutory function and responsibilities, and the constraining limits of tax- raising powers or fiscal jurisdiction. In their view, revenue generation and spending responsibilities, intergovernmental transfer and the administrative aspects of fiscal decentralization are, in fact, the real issues involved in inter-governmental fiscal relations or Fiscal federalism as it is usually known. They see fiscal federalism as the allocation of tax- raising powers and expenditure responsibilities between levels of governments. The researchers further asset that the nitty-gritty of inter-governmental fiscal relations (IGFR) is concretely located within the definitional elucidation of the concept of federalism, though with economic blending. Along this line, they opine that the division of revenue and expenditure functions among tiers of government is usually done to enhance the governments' effective provision of public goods and services at different levels to the citizens. The researchers recommended that a review of revenue sharing formula the granting of fiscal autonomy and fiscal discipline as well as making local government responsive, responsible and accountable to the people will set local governments free from the fiscal stress promoted and strengthened by the 1999 constitution. They further assert that most of the discussions and controversies over the structure of fiscal federalism and the accompanying dynamics of IGFR have centered more on revenue- sharing than on sharing the responsibility and the authority for raising the revenues that go into the federation account.

While we appreciate the contribution of the researchers, they however, failed to show how the statutory funds from the federation account for third tier governance would get to local government as released by the federal government without exposing such funds to arbitrary deductions. It is only when funds are available and appropriately utilized that we can talk of effective third tier governance.

In a related study, Ekpo (2004) of the University of Uyo, Akwa Ibom undertook a research work on the topic "Intergovernmental fiscal Relations: the Nigerian Experience". The researcher examined inter-governmental fiscal relation in Nigeria focusing on its evolution and challenges. Ekpo employed both historical and descriptive analytical methods in his study. Data collected through a secondary method were descriptively analyzed. First, he defined fiscal federalism as fiscal arrangement among different tiers of government in a federal structure. He asserts that fiscal federalism and intergovernmental fiscal relations are both terms that can be used interchangeably. Ekpo believes that Nigeria's fiscal federalism emanated from historical, economic, political, geographical, cultural and social factors. In all these, he argues, fiscal arrangements remain a controversial issue since 1946. His finding reveals that some of the problems facing intergovernmental fiscal relations in Nigeria include fiscal autonomy and independence, the federation account, derivation and problems of oil producing areas. He recommends that all stakeholders must be committed to fine-tuning the process in the overall interest of the country since as he puts it. Intergovernmental fiscal relation is not a smooth process. While we appreciate the contributions of the researcher, he was nevertheless silent on what .happens to revenue allocations released to the states for third-tier governance in Nigeria.

Chikwendu and Nwanegbo (2005) studied "Local Government Autonomy under true federalism in Nigeria". They assessed what federalism should be in its true model and the place of Local Government in such arrangement. The researchers also employed both historical and descriptive-analytical methods. Thus data collected through secondary sources were descriptively analyzed. The researchers noted that although federalism in Nigeria received enormous pre-eminence through the Lyttleton constitution of 1954, proper fiscal federal attributes dropped in the country following

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Raisman's commission of 1958 which not only de-emphasized derivation but also centralized resources on the federal government as well as introduced what it called "Distributable Pool Account" from where the federal government shared the nation's resources to the regions. Their finding reveals that the creation of "State Joint Local Government Account" by the 1999 constitution to be established and principally managed by states literally entrusts to the state governments, the guardianship of local government funds from the federal government and opens up an avenue for the states to have over-bearing input into local government finances. The researchers argue that for local government autonomy under Nigerian federalism to be achieved, there should be reasonable freedom for local governments to perform their basic function of grassroots development. We appreciate the contribution of the researchers. However, they failed to show how freedom can be achieved to enable local government to perform their basic functions of grass-root development.

In another development, Ugwu et al (2008) of Enugu State University of Science and Technology, Enugu studied the topic "Federal - Local government fiscal Relations in Nigeria 1999-2007. The study analyzed fiscal operations in the Nigerian local government with a concentration on the period from 1999 to 2007. Although the researchers did not specifically state the research method adopted in their study, it can be inferred from their work that they adopted a descriptive-analytical method and that the data collected through secondary sources were descriptively analyzed.

For Ugwu, et al (2008) fiscal federalism or intergovernmental fiscal transfer or relations describes the division of fiscal resources and responsibilities among various tiers of government. From this perceptive, it deals with the problems arising from the situation of divided political- jurisdictions within an economically integrated polity. It equally covers efforts to define appropriate functions and finances of the various tiers of government as efficiently and complimentarily as possible to maximize welfare of the political community. The researchers found that for most of the period of the study, the state governments did not fulfil their statutory mandates, that local governments were heavily dependent on the federal allocations in order to meet both recurrent and capital expenditures, and that some states persistently defected in paying their statutory allocations within their jurisdiction. They, therefore, recommended that fiscal decentralization should be encouraged through financial and political autonomy.

Although one acknowledges the contributions of the scholars whose works have been reviewed above, they appeared to concentrate on finance and statutory allocations and responsibilities. No prescription was made to ensure that the flow of financial resources available for the third tier governance gets to the local governments as released from the Federation Account.

IV. Theoretical framework of analysis

This study adopts Bello-Imam's principal/Agent model of intergovernmental relations. For Bellow-Imam (1996:92-93), the constitution and the parliament usually delineate and regulate the activities of all levels of government. Consequently, both the powers and responsibilities of the various tiers of government could be added to and subtracted from, over time. Bellow-lmam delineated three models of intergovernmental relations at the global level namely, partnership, principal/Agent and dual models.

According to him, the principal/Agent model presents a hierarchical view of the relationship between the central and local governments hence the local government is perceived as an agent or means for locally administering centrally determined services. Within this model too, local government is grossly limited operationally by central rules and regulations. There is an excessive check and control of the subordinate government by the higher tier as the central government sees the local government as spending its own money.

Within the model, local government has some degree of local discretion but does not have real independence of action. There are imprecise laws governing relationships between various tiers of government under this model. As a result, the central government arrogates to itself the power to issue guidance and advice to local government on the way and manner they should execute their functions. Subsequently, the central government follows up the guidelines with an inspection to ensure compliance. The overall implication is that distinction between functional spheres among the various tiers of government is tenuous.

The utility of this theoretical model is not in doubt. Intergovernmental transactions in Nigeria concerning financing flows within the levels of federal-state-local relations but with emphasis on state-local relations. The model is, therefore, analytically fruitful in that it will assist us to explain the value of power distribution supporting interaction between and among levels of government in Nigeria. It will also assist us in understanding and explaining the nature of the financial relationship between the Ebonyi State Government and the Local Governments within the state

V. Discussion

In this section, an attempt was made to discuss the strategies that resulted in accomplishing each of the stated objectives of this study. This section will also discuss the theoretical framework of analysis in terms of strengths and weaknesses as it applies to the study. Certain areas of the reviewed literature need to be highlighted for a better understanding and insight. The gap in the reviewed literature will be discussed while the result or findings and the conclusion shall be stated.

Strategies for accomplishing stated objectives

To accomplish each of the stated objectives of the study, we employed a descriptive-analytical method. Thus data collected through secondary sources were descriptively analyzed. Using content analysis as our method of evaluation, the paper critically analyzed the official documents used for this study and sifted relevant information from the rest.

Intergovernmental transaction in Nigeria concerning the subject matter under investigation flows within the levels of federal-state-local relations but with emphasis on state-local relations, flic utility of the principal/Agent theoretical model lies in the fact that it assists us to understand the nature and pattern of financial transactions between the Ebonyi State Government and the Local Government Councils in the state. The relationship involving both tiers of government is regulated by the 1999 Constitution and the Ebonyi State laws. The model is, therefore, analytically fruitful in that it seeks to explain the values of power distribution supporting the interactions between the levels of government.

The principal/Agent model appears to focus on a country with two levels of government-central and local governments whereas three tiers of government are involved in the fiscal relations in the case of Nigeria. However, this inherent weakness associated with this framework does not alter the nature of the outcome of the interaction which presents a hierarchical view of relationships between the state and the local government as an agent or means of locally administering centrally determined services. The three levels of government in Nigeria are governed by the 1999 Constitution and the various state laws. For instance, section lo2(3) of the 1999 constitution stipulates that any amount standing to the credit of the Federation Account shall be distributed among the federation and state governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly. Section 162(8) of the same constitution which provides for state-local fiscal relation, stipulates that the amount standing to the credit of the local government councils of a state shall be distributed on such terms

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and in such manner as may be prescribed by the House of Assembly of a state. The emerging structure is a hierarchy or pyramid where the federal government is at the apex, the state below and the local government at the base. However, the pyramidal structure does not reflect true federalism as the concerned levels of government in Nigeria are not co-ordinate but maintain the subordinate-super ordinate relationship. The statutory provision states that the state House of assembly may assign any function to local governments within a state that somehow subordinates local governments in Ebonyi State to the state government.

We also recall that under the principal/Agent model, local government is grossly limited operationally by central rules and regulations and that although it has some degree of local discretion under the model, it does not have any real independence of action. Similarly, local governments within Ebonyi state in particular and Nigeria, in general, are grossly limited operationally by the 1999 Constitution and although they appear to have some degree of local discretion as the third tier of governments, they do not have any real independence of action. This is because the state government can assign any function to the local government and has been interfering with its statutory funds from Federation Account. As will be seen later, the local governments in the state could not secure the full release of their statutory funds except in the manner approved by the state House of Assembly. This financial control or relationship resulted in the over-dependence of the local governments on the state. This has reduced the relative autonomy of the local governments. Based on the state law, some deductions were made from the revenue allocations meant for the third tier governance before the balance was shared with the local governments. This limited their operation and independence. The Ebonyi State Government behaved as though the statutory funds belonged to it simply because it is empowered by the constitution and the state law to distribute the revenue received for the third tier governance from Federation Account in a manner it deemed fit.

The existence of local governments in Nigeria is at the mercy of the federal and state governments. It is appreciated that without finance, no development can take place Local governments tend not to perform creditably well concerning rural development and provision of certain basic social services under the 1999 constitution. Their statutory funds as will be seen later were usurped by the Ebonyi state government in the form of a joint account, thereby reducing the extractive capability of local governments within the state.

Although there are divisions of functions among the three tiers levels of government in Nigeria's federal structure, some functions are not specifically assigned to a particular tier but are shared. Put differently, some functions of the various levels of government are not specified in some areas by the constitution. For instance, health, agriculture and education, which are three subjects, involve all the three tiers of government. It is important to note that by the provision of the Fourth Schedule of the constitution, the local governments are expected to participate in the governance of the state concerning education, agriculture and health, yet Ebonyi State Government tends to unilaterally determine the terms of participation without any consultation with local government councils. Added to the above is the statutory provision which states that the House of Assembly may assign any function to the local governments. The implication of the above is that local governments are subordinated to the state and the distinction between the functional sphere of the state and local government becomes tenuous. The overall effect is that not only public officials but also recipients of government services are uncertain of the scope and level of services to be provided for an incoming fiscal year. Thus, we have many cases of uncompleted projects in the rural areas of Ebonyi state.

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To sum up, while the 1999 constitution guarantees the existence of local government, it does not see it as an independent tier of the country's federalism since local government under the state is legally and financially tied. The nature of the state-local fiscal relations can best be captured in the interpretation of the principle/Agent model particularly to the extent that it presents a hierarchical view of the relationship between Ebonyi state and the third tier of government, hence the local governments within the state have been grossly limited operationally on account of the loopholes and ambiguities created by the 1999 Constitution.

The Nigerian Fiscal Federalism

Fiscal federalism in Nigeria has its legal basis laid in the constitution. For example, the 1999 constitution contains various clauses in the second and fourth schedules on the tax powers of the federal, state and local governments and also on the system of revenue sharing and management of public funds. Fiscal federalism in Nigeria employs the institution of revenue allocation formula, which changes from time to time.

Section 7(6) of the 1999 constitution provides that the National Assembly shall make public revenue to local government councils in the federation, while the House of Assembly of a state shall make statuary allocation of public revenue to local government councils within the state. Section 162(1) provides for the maintenance of a special account to be called "the federation account" into which shall be paid all revenues collected by the government of the federation. Section 162(3) of the constitution stipulates that any amount standing to the credit of the federation account shall be distributed among the federation and state governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly. In other words, the constitution provides for a federation account and for the way the resources available to the federation shall be mutually shared among the three tiers of government. This is a complete federal-state-local relationship in the area of finance. The federal government, through the Revenue Mobilization, Allocation and Fiscal Commission and the National Assembly, develops a formula for sharing revenue resources from the federation account. In the year 2000, the federal government adopted an interim formula of revenue allocation as follows: Federal Government, 47.5 per cent, State Government, 24 per cent, Local Government, 20 per cent, special account 7.5 per cent, Federal capital territory Abuja, 1 per cent, accruals from oil-producing states, 13 per cent (Ojiakor, 2005:358). However, by the year 2005, the modified revenue formula obtainable was as follows: Federal Government-54.8 per cent, State Government-24.2 per cent, Local Government-20.60 per cent.

(Lttm//\vw7w.umeTi.aviflaLesquare.com,index:phpconetex.t/view/1905/5T). The 13 per cent derivation attached to the oil-producing states has remained unchanged. The present revenue allocation formula to the three tiers of government shows thus: Federal Government, 52.68 per cent, State Government 26.72 per cent. Local Government, 20.60 (Odoh, 2008:294). The above reviews show that revenue allocation has largely remained in favour of the federal government from 1999 to 2010 to the detriment of the states and local governments. The net effect of this situation is that the states and local governments are perpetually dependent on the federal government for their survival and viability. The constitution places the bulk of the financial burden of local governments on the Federal and State Governments. Since "he who pays the piper dictates the tune", one stands to reason that both governments can exercise and have been exercising some measure of control over local governments within Ebonyi state. The revenue allocation formula can be adjusted against or in favour of the local government councils by the federal government.

Again, the federal government assists local governments in form of grants-in-aid subject to the approval of the National Assembly following section 164(1) of the Constitution. The purpose of

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grants-in-aid is to utilize fiscal leverage to induce or assist local governments to undertake general governmental functions of benefit to the people. Grants in-aid by the centre to the third tier government involves a federal-local fiscal relation but these rarely come. The concept of Revenue sharing reflects a fundamental change in value based on the fact of outright dissatisfaction with the implementation of the grants-in-aid policy (Maduabum. 2008:310).

Besides, section 162(6) of the 1999 Constitution provides that each state shal1 maintain a special account to be called "State Joint Local Government Account" into which shall be paid all allocations to the local governments of the state from the federation account and the governments of the state. Section 162(8) states that the amount standing to the credit of the local government councils of a state shall be distributed among the local governments of that state on such terms and in such manner as may be prescribed by the House of Assembly of a state. Thus the 1999 constitution provides for state-local fiscal or financial relationships. The establishment of the State Joint Local Government Account has entrusted to Ebonyi State Government the guardianship of local government funds from the federation account. As will be seen later, it also opened up an avenue for the state to have over-bearing input into local government finances.

Moreover, this financial control or relationship between the local and the state government brings the former to over-dependence which has reduced the autonomy of local government thus increasing undue control of the state on the third tier. This is what has given the state the leeway for financial manipulation of local governments when it passed into law several bills on the distribution of revenue to the local government councils within the state.

The House of Assembly can and has been determining the fate of local government councils within the state on financial terms. The local government cannot get any money unless approved by the state. The constitution is not precise in terms of the modality of disbursement to be employed by the state. While the National Assembly usually takes into account the new allocation principles especially those of population, equality of states, landmass, terrain etc, the Ebonyi State House of Assembly has adopted its principles because of the loophole created by the constitution. In the process, the state government controls local governments' incomes and expenditures and siphons part of local government statutory revenue. In some cases, the Ebonyi state government misappropriated the revenues and distributed them to politically created local government councils now called "development centres" as they are not constitutionally recognized. These "development centres" mainly serve as a means of compensating political party "faithful" through political appointments.

As local governments' fund is siphoned, the 10 per cent of internally generated revenue which the state is constitutionally required to remit to local governments does not come regularly. At the end of it, all most local governments receive as their monthly subvention what can hardly cater for their capital expenditure. Thus, the ability of the local governments to perform efficiently as stipulated in the constitution has been truncated by the same provision of the constitution that implicitly allows excessive control of the local governments by the state government. The state believes that the local governments are completely under its control and therefore issues them with guidance and advice on the ways and manner they should run their affairs. No wonder the revenue allocations meant for the third tier governance in Ebonyi state within the period covered by this study never got to the 23 local government councils within the state as released from the Federation Account. There was undue interference and manipulation of the statutory funds of local governments by the Ebonyi State Government. The establishment of the State Joint Local Government Account and routing of statutory allocations from the Federation Account through it has facilitated arbitrary deductions of the local governments' funds by the State Government.

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Table 1 below shows a yearly summary of revenue allocations to the local government councils in the state from 1999 to 2009. It is improper for anyone to think that the monies allocated to the local governments in the state within the period got to them as released from Federation Account. Such funds never entered the coffers of the local governments but were paid into the State Joint Local Government Account where several deductions were made by the state government as provided by the state laws. For instance, section 8(1) of the Rivers state law No. 4 of 2002 on revenue distribution to local government councils provided that 50 per cent of the amount standing to the credit of the local governments in the state shall be distributed to each of the local government councils. Also, section 9 of the Ebonyi state law No 005 of 2004 which amended the earlier one before it provided that each local government shall receive 40.5 per cent of the funds standing to the credit of the State Joint Local Government Account. Finally, section 22 (c) of Ebonyi state law No.004 of 2008 which amended law No 005 of 2004 and took effect from 22IKl January 2008 provides that after mandatory deductions from each local government area monthly allocation as received from the Federation Account, the local government council concerned shall receive 38 per cent of the balance. The mandatory deductions according to section 22(c) of the law cover the following areas: Overhead cost- 10 per cent, staff salaries to be deducted as first line charge by the State Local Government Joint Account Allocation Committee; Local Government Pension Fund-15 per cent; training-1 per cent; stabilization fund-1 per cent, administrative fund-1 per cent and development centres-60 per cent. By the Ebonyi State Revenue distribution to Local Government councils and Development Area law (cap.69) laws of Ebonyi State of Nigeria, 2009 which is extant, the above-named laws were repealed. By Sections 8(2) and 11 of the current law, the joint Account Committee is mandated to set aside the following from the account before sharing the balance: local government councils pension fund-15 percent; Training fund-1 per cent; Stabilization fund-1 per cent; General Administration.5 per cent and salaries of primary school teachers in the state. 13 percent of the balance is provided for social development. This law aims at providing for a new model of revenue distribution to Local Government Councils and Development Areas in the state following the monitoring of revenue to local government Act 2005 and to repeal previous laws on revenue distribution to Local Government Councils in the state. Although the existing law is an improvement of the previous laws now repealed in so far as a specific amount is allocated for social development, they nevertheless all provide legal under-cuttings and manoeuvrability of the local governments within the state by the Ebonyi State Government. Several deductions of local government funds were made through the State Joint Local Government Account during the period covered by this study before the balance was shared. The state-local fiscal relation was characterized by a poor and ineffective intergovernmental network as local governments did not function properly during the period. The general implication of the poor intergovernmental fiscal relations is non-performance on the side of the local governments. The local governments in the state did not get enough funds to execute their projects. The ability of the local governments to transform rural communities was hampered because they lost more than half of their statutory funds to the state government. Most of them could not predict what could come to them as monthly revenue allocations. No local government can pursue development plans, development activities, facilitate democratic self-governance, mobilize human and material resources and link the local government to other tiers effectively, without a predictable source of funds (Onah, 2004).

From the above, the gap in the reviewed literature relates to what is to be done to ensure that federal revenue allocations for the third tier governance in Ebonyi state wholly get to the local governments within the state as released from the federation account and to protect such funds from arbitrary deductions by the state government. To achieve this, the nature and pattern of

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intergovernmental fiscal relations as contained in the 1999 constitution should be reviewed to ensure that statutory revenue meant for the third tier governance in Ebonyi state is wholly released for effective third tier governance. The state joint local government account which was provided by the constitution and established and principally managed by the states literally entrusts to the state government, the guardianship of the local government fund from the federation account.

Table 1: Yearly Summary of Allocation to Local Government Councils in Ebonyi State from 1999-2009

S/No	Local government council	Total for 1999 (Jan-Dec)	Total for 2000	Total for 2001	Total for 2002	Total for 2003	Total for 2004	Total for 2005	Total for 2006	Total for 2007	Total for 2008	Total for 2009
1	Abakaliki	56,279,832.27	217,388.530	263.047.661	452,529,646	524.2SS.639	661.376,063	799.499,271	963.907.843	1.028.600,672	1,513,066,321,79	647.99S.447.88
2	Afikpo North	46.830.810.25	184,880.346	182,504,734	356,165,866	454.074.970	582,163,241	709,167,858	855,392,360	910.645.959	1,436,218,583,49	5,718.014.726.42
3	Afikpo South	49.687.522.13	185.661,075	226.377,390	351,783,600	427.880.429	542,706,670	657,819,706	793.292,437	842.141.526	1,434,797,783,43	5,512.148.139.27
4	Ebonvi	55,502.871,21	212,886,022	180,949,268	335,661,673	422.597.919	570,207,257	710,736,081	856,951,579	911.281,014	1,444,732,968,91	5,701.504.653.57
5	Ezza North	49.153,114.51	184,700,206	237,846,917	375,674,813	459.317.950	592,044,551	723,002,064	872,061,731	928.903,199	1,431,186,431,19	5,853.890,976.57
6	Ezza South	49.503,050.66	185,548,848	213,817,445	345,968,240	424.706,048	548,558,181	670,485.160	808,692,374	859,115,959	1,415,790,926,57	5,522.186.321.58
7	Ikwo	47.484.114.11	197,516.278	211,318,505	428,373,176	547.690.531	701,732,083	854,490.988	1,030.039,08	1,100,708,371	1,684,991,552,47	6,804.294,547.06
8	Ishielu	51.268.307.58	210,067.720	193,875,796	394,061,654	505.424,509	641,567,823	777,909.134	937,955,865	1.000,517,866	1,486,028,383,66	6,198.677.064.12
9	Ivo	59.591.385.11	209,465.307	262.840,458	359.557.754	422,615.509	514,568,775	611,198.718	737,347,139	781,245,905	1,344,695,658,01	5,303.126.607.92
10	Izzi	59.029,159,71	235,831,376	252,160,517	453.363,242	568.522,228	749,538,123	924,745,068	1,114,181.389	1,191,606587	1,806,578,887,46	7,355.586,577.29
11	Ohaozara	47,345,907.78	177,741,627	220,410,540	354,661,594	434,367,699	544,566,698	656,292,169	791,648,559	840.651,749	1,443,318,59	5,511,020,858.90
12	Ohaukwu	43,684,666.19	190,829,444	210,026,378	454,971,637	584.300,143	734,108,030	885,632,121	1,067.554.669	1,141,788,189	1,668,273,642,51	6,981.168,919.32
13	Onicha	57,516.956.34	224.229,238	239,486,964	386,098,009	474,080,745	606,301,458	737,731,575	889,641,349	947,716,802	1,651,288,592,82	6,214.091688,53
	Total	672.827,697.83	2,616,746,018	2,894,660,573	5,043,840	6,249,897320	7,989,438,953	9,718,709,910	11,718,666,341	12,484,923,798	19,760,983,955,81	79,155.695,469.33

Source: A Compendium of Federation Account Revenue Allocation to Federal, State and Local Governments in Nigeria Vol.l, 1999-2009 (2010:27)

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VI. Conclusion and Recommendations

This study analyzed the impact and implications of fiscal federalism on the third tier governance in Ebonyi state from 1999 to 2010. We observed that the intergovernmental fiscal relation between Ebonyi state and the local governments within the state was poor and manifested in fiscal squabbles.

Owing to the ways and manner the officials of both the state and local governments related to each other evidence of unholy manipulations, diversion of local government funds to other uses and stringent control of the local government by the state government were common. The financial relationship among the three levels of government in Nigeria in the aftermath of the 1999 Constitution breeds under the provision of social amenities and the inability to accomplish campaign promises at the local level. The general implication of the tripartite intergovernmental fiscal relation was non-performance on the part of the local governments within Ebonyi state in particular and Nigeria in general.

Admittedly, the constitution accorded a different and separate existence and status to state and local governments. However, the same constitution has given the state undue control over local governments. The above situation has made the third tier of government mere cleavages, stooges and by extension appendages of the state governments. Both tiers of government are supposed to be partners in progress in true democratic federalism.

Given the principal/Agent relationship, the local governments within the state were always robbed of a certain freedom, including revenues meant for the third tier governance in Ebonyi state. The release of monthly allocations to the local governments in the state passed through the screening powers of Ebonyi State House of Assembly giving room for certain cuts. This is why the statutory federal allocations which were to enable local government to function in stimulating socio-economic development at the grass-root level only trickled down on a small percentage from the State Joint Local Government Account. In effect, the excessive use of power in the supervisory relationship of the state in the disbursement of statutory funds of the local governments made it extremely difficult to achieve the principal objective of ensuring rapid economic and rural development on the part of the local government councils within the state. The state Joint Local Government Account is one of the manifestations of the over-bearing influence of the state government on local governments within Ebonyi state as it limits their operation and relative autonomy.

The ability of the local governments to transform rural areas in Ebonyi state was hampered by the activities of the State Joint Local Government Account which could not allow them to execute capital projects. The local governments lost more than half of the statutory funds released for the third tier governance in the state government during the period covered by this study. The excessive use of power in the supervisory relationship of the state government in the disbursement of statutory funds created room for manipulation by the State.

Although there is an obvious division of functions among the three levels of government in Nigeria's federal structure, the statutory provision which states that the House of Assembly may assign any function to the local government within the state somehow subordinates local governments to the slate. The federal and state governments have only succeeded in stifling the third tier of government instead of supporting it to engineer rural development. The third tier of government deserves their autonomy and should not be unduly subjected to the control of the state. As long as such financial arrangement is not altered and local governments are strictly subjected to the control of the state, local governments cannot be repositioned for socio-economic

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transformation of the rural areas. Based on the findings, the study recommended among other things that;

Firstly, the 1999 Constitution should be reviewed as it affects the local government system to reposition the local government for effective intergovernmental fiscal relations that will enhance the socio-economic transformation of the local government councils for rural development. In fact, the boundary of their interactions should be specified to avoid jurisdictional conflict. It should also be written in simple and direct clauses to avoid ambiguity.

Secondly, the State Joint Local Government Account should be abolished. This will remove the manipulative and cynical intrigues that overshadow the local governments and make them lose much of their revenue allocations to the state government.

Thirdly, local government revenue allocations should be provided in a "Consolidated Account" and directly disbursed by the Federal Government under the supervision of the National Assembly. In other words, funding should be direct. This is to underscore the fact that the existence of local government becomes a constitutional matter. This will give them relative independence of action.

Fourthly, the 10 per cent internally generated revenue which the state is constitutionally required to remit to the local governments monthly must come regularly. This will assist them in the running cost of their offices.

Finally, the Local Government Service Commission and the office of the Auditor-General for local government should be strengthened to enable them to enforce some constitutional backing to guarantee their independence and enable them to enforce the operational procedure. The above institutions should institute adequate checks and balances to guard against mismanagement of funds at the local government level.

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