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Fiscal Federalism and Intergovernmental Relations under the Nigerian Constitution

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Abstract

As one of Africa's oldest federations, Nigeria's fiscal matters have remained contentious since the inception of regionalism in 1946, with eight advisory fiscal commissions reflecting the volatility of fiscal issues in the country's intergovernmental relations. This study addresses the fundamental contradiction between Nigeria's constitutional designation as a federation and its centralist fiscal framework that undermines subnational autonomy by examining the extent to which the constitution promotes or constrains genuine fiscal federalism and effective fiscal intergovernmental relations, analysing constitutional provisions, judicial interpretations, and their impact on federal balance and subnational

autonomy. The study employs a qualitative approach through the analysis of the provisions of the 1999 Constitution, judicial interpretations, and the examination of literature on Nigeria's fiscal federalism using K.C. Wheare's classical theory of federalism as the theoretical framework. The analysis reveals that while Section 2(2) proclaims Nigeria as a federation, substantive provisions embed a centralised structure in intergovernmental and fiscal matters, which violate federal principles of coordination and independence.

Keywords: *Fiscal Federalism, Intergovernmental Relations, Constitutional Analysis, Revenue Allocation, Subnational Autonomy*

Introduction

Fiscal federalism concerns the distribution of functions and financial relationships across various tiers of government. Its primary objectives are to enhance the effectiveness of public service delivery and to ensure a fair distribution of resources. Nevertheless, global economic incorporation and political transformations pose substantial obstacles, especially for developing and transitional economies (Wildasin, 2018). Recent economic disruptions, like the COVID-19 pandemic, have worsened fiscal intergovernmental relations and highlight the need for fiscal consolidation and stronger coordination (Braun & Trein, 2014; De Mello, 2021). These challenges stand out across Africa, where fiscal federalism and intergovernmental relations have been shaped by unique historical, political, and economic factors. South Africa has a quasi-federal system rooted in its apartheid past. It faces challenges such as weak political will for decentralisation and the need for clearer fiscal frameworks (Mabugu & Rakabe, 2023). Reforms have not addressed fundamental issues such as limited institutional capacity or alignment with national development goals (Savage, 2020). Ethiopia's fiscal federalism has also changed significantly since creating a multiethnic federal structure in 1991. The aim was to move fiscal authority and responsibility from a highly centralised centre. Yet, Ethiopia remains a very centralised federation in both design and operation (Senbeta & Hundie, 2023). Despite attempts at decentralisation, the federal government still has significant legislative and policy power. The most lucrative revenue sources are either entirely federal or managed jointly. This causes large fiscal gaps between regions (Senbeta & Hundie, 2023). Local governments in Ethiopia have major fiscal imbalances. Expenditure duties have shifted to them without enough funding, making

them reliant on regional block grants. This reliance limits fiscal autonomy and reduces effective public service delivery (Mesfin & Teku, 2023).

Conversely, Nigeria's experience with fiscal federalism reflects an even longer historical trajectory. As one of the oldest and longest existing federations in Africa, fiscal matters in Nigeria predate the adoption of federalism in 1954. Particularly, the inception of regionalism in the 1946 Richards Constitution necessitated the set-up of the Phillipson Commission to define an acceptable revenue-sharing system between the national and regional governments (Raji, 2024). With regionalism and the arrival of *de jure* federal structures, fiscal matters became one of the most hotly contested issues between Nigeria's governmental bodies. The setting up of eight other advisory fiscal commissions after Phillipson, until the advent of the Revenue Mobilisation Allocation and Fiscal Commission, further reflects the volatility of fiscal issues in Nigeria (Boge & Isaac, 2024; Suberu, 2003).

Intergovernmental relations, on the other hand, are a complex web of interactions between and among the different units of government for the attainment of their assigned roles. The constitution guarantees the distribution of authorities in a way that makes the vertical and horizontal power relations understandable, actionable, but not conflict-free (Chiamogu, 2020). It is worth noting that fiscal arrangements stand out among these webs of intergovernmental relations, which Chiamogu (2020) referred to as the administrative, programmatic, fiscal, and political procedures that the federal government uses to distribute funds and other resources to state and local governments.

Section 2(2) of the 1999 Constitution of the Federal Republic of Nigeria (as amended) confirms Nigeria's federal structure, with the Second Schedule (1999 Constitution of the Federal Republic of Nigeria, 2023) going further to delineate the responsibilities of each of the component units of the nation. The constitutional provisions reveal a lopsided distribution of responsibilities and fiscal powers, with the federal government responsible for 66 items and both state and federal governments legislating on 30 items (1999 Constitution of the Federal Republic of Nigeria, 2023).

Thus, while Nigeria is constitutionally a federal state, the inherent contradictions in the legal provisions that guide this, and the realities of intergovernmental relations, skewed the federal balance towards the federal government. While scholars have written extensively on the

underlying centralisation in Nigeria's federalism and its lopsided fiscal arrangements (Ejobowah, 2024; Ewetan, 2012; Suberu, 2023), the literature on the constitutional contradictions of federalism, its underlying departure from the substance of federalism, especially in the area of fiscal powers and intergovernmental relations, is still in its infancy. In clear terms, the Nigerian Constitution, while incorporating federalism as its language and form, has substantive centrist provisions, particularly in its fiscal arrangements and intergovernmental relations. This not only distorts the principles of fiscal federalism but also weakens meaningful intergovernmental cooperation and accountability, thereby impeding democratic development and service delivery across Nigeria's federating units. Against this backdrop, this research seeks to examine the extent to which the Nigerian Constitution promotes or constrains the achievement of genuine fiscal federalism and the establishment of effective fiscal intergovernmental relations.

Methodology

This paper employs a qualitative research approach centred on constitutional and doctrinal analysis to examine the contradictions between Nigeria's federal designation and its centralist fiscal framework. The methodology involves an examination of the provisions of Nigeria's 1999 Constitution, particularly those relating to fiscal federalism and intergovernmental relations. Additionally, the study analyses judicial interpretations and case law that have shaped the understanding and application of fiscal federal principles in Nigeria. A comprehensive review of existing literature on Nigeria's fiscal federalism provides contextual and comparative insights into the evolution and challenges of the country's intergovernmental fiscal relations. The study is grounded in K.C. Wheare's classical theory of federalism, which serves as the theoretical framework for evaluating the extent to which Nigeria's constitutional provisions and practices align with or deviate from genuine federal principles, particularly the tenets of coordination and independence among governmental levels.

Conceptual and Theoretical Clarifications

Fiscal Federalism

The idea of fiscal federalism goes hand in hand with the theory and practice of federalism. It is the distribution of authority and resources among several tiers of government and geographical areas (Pike, 2025). It centres around the division of taxation and spending decisions between the national government and the subnational units (Agrawal et al., 2024). Obadan and Bello-Imam (2008), who attribute fiscal federalism to the evolution of federalism, argue along the position of Wheare (1963) that every level of government should have enough funding to carry out its duties without having to ask for help from other units of government. Wheare (1963) noted:

If state authorities, for example, find that the services allotted to them are too expensive for them to perform, and (hence) they call upon the federal authority for grants and subsidies to assist them, they are no longer coordinated with the federal government but subordinate to it. Financial subordination (marks) an end of federalism, in fact, no matter how carefully the legal forms may be preserved. It follows, therefore, that both state and federal authorities in a federation must be given the power in the constitution, each to have access to and to control, its own sufficient financial resources. Each must have power to tax and to borrow for the financing of its own services by itself. (cited from; Obadan & Bello-Imam, 2008).

The thrust of fiscal federalism can therefore be found within the constitutionally allocated roles to governmental bodies, revenue generation powers, and intergovernmental sharing of the raised funds (Suberu, 2003). In the case of Nigeria, fiscal federalism is primarily manifested in the distribution of revenue through the award of special grants from the federation account (Tunde et al., 2024). Thus, within the purview of fiscal federalism is the horizontal and vertical intergovernmental financial relationship between and among the levels of government.

Intergovernmental Relations

Three distinguished schools of thought believe that intergovernmental relations can only be found in distinct territorial governments. One believes that it only exists in federal systems, the second argues that its existence can only be found in both federal and unitary systems, and the third states that it also operates at the international level (Adedire, 2014). Thus, intergovernmental relations are the web of interactions between and among the units of government allowed in different territorial-based governance systems. In a similar vein, Bello (2014) notes that both federal and unitary structures have a system of intergovernmental relations, and the argument that intergovernmental relations are exclusively connected to the federal system should be abandoned. From the foregoing, it can be deduced that intergovernmental relations are ubiquitous across different governmental systems; however, it is more pronounced and established in federal states largely because the relationships are defined by a written and rigid constitutional framework in such nations. Thus, in a federal system, where the constitution formally outlines the relationships between the federal government and the sub-national units, any change must be made by a constitutional amendment that involves the federating units. Thus, fourteen different kinds of intergovernmental relationships can be identified in a federal state, which are: Federal-States, Federal-State, Federal-States-Locals, Federal-Local, Federal-Civic groups, State(s)-States, State-State, State-Civic groups, Local-Civic groups, Inter-Civic groups, State-Locals, State-Local, Local(s)-Locals, and Local-Local (Akinsanya, 2005; Olopade, 1984).

These relationships encompass various configurations of interaction across governmental levels and civic actors. One of such is vertical relationships, which connect different tiers of government, such as federal-state relationships, which involve the distribution of powers, responsibilities, and resources between the federal government and individual states; federal-local relationships enable direct federal engagement with local governments through funding, regulations, or targeted programs; while federal-states-local configurations facilitate collaborative programs involving all three governmental levels simultaneously. Another configuration is horizontal relationships, which occur within the same governmental tier: state-to-state interactions involve agreements, compacts, or regional collaborations between multiple state governments; similarly, local-to-local relationships enable municipalities to

cooperate on shared services, joint initiatives, or regional issues. Finally, cross-sectoral relationships bridge government and civil society: federal-civic group partnerships address social issues and policy advocacy; state-civic group collaborations implement programs and advocate for policy changes; while local-civic group interactions focus on community development and public service delivery. Also, inter-civic group collaboration allows various civic organisations to work together on common goals and advocacy efforts.

It is important to note that intergovernmental relations do not exist in a vacuum, but rather for effective governance and the attainment of the development aspirations of a state. In light of this, Adebajo et al. (2024) opine that intergovernmental relations involve the interactions and collaborations between several governmental levels in handling shared tasks and furthering developmental objectives. In the process of the actualisation of individualised and general objectives, intergovernmental relationships can become conflictual or harmonious. According to Akinsanya (2005), it is how several tiers of government intersect one another's designated areas of authority and work together or against one another to accomplish the individual and group goals of the general and divisional governments.

Classical Theory of Federalism

Several theoretical postulations explain the origin, functioning, and essence of federal systems, fiscal arrangements, and intergovernmental relations. The classical theory of federalism, propounded by Wheare (1963), focuses on what a federal constitution is expected to entail. The federal principle of Wheare (1963) was fashioned along the lines of the United States of America, a polity with two "coequally supreme" levels of government that each directly acted on citizens through their laws under a written constitution. This was the first instance of what he called "modern" federalism (Law, 2013). Wheare reconstituted his criterion (the delimited and coordinate division of governmental functions) of what a 'federal government is' into a formal definition (Burgess, 2012) as follows:

By the federal principle I mean the method of dividing powers so that the general and regional governments are each, within a sphere, coordinate and independent (Wheare, 1946, p. 11), cited from (Law, 2013).

Wheare (1946) asserts that the two fundamental tenets of a 'federal government' are coordination and independence. The first principle supports collaboration between the federal and federating units as well as among the component units. The latter maintain that the federal government should not meddle in the federating units' exercise of their powers and authority because they are autonomous (Tariq et al., 2018) and vice versa.

Wheare (1963) believed federalism was a means to good government, but he acknowledged that some modifications were necessary for efficient, decisive government. He did not justify attenuating the federal principle but rather focusing on how far good government could be compatible with the federal government. Modifications were justified when potential vices outweighed inherent virtues (Burgess, 2012). In fiscal parlance, Wheare understood that the component units needed financial autonomy to carry out their constitutionally assigned responsibilities; he was also aware that their independent revenue-raising capabilities were severely constrained. One issue was thus made clear by his examination of how public finances operated in federal governments: the original constitutions' distribution of financial resources to the federal and state governments did not match the distribution of functions to these governments, and that a fixed constitutional allocation of resources across time boundaries is impracticable (Burgess, 2012). Wheare (1963) noted thus:

There is and can be no final solution to the allocation of financial resources in a federal system. There can only be adjustments and re-allocations in the light of changing conditions. What a federal government needs, therefore, is machinery adequate to make these adjustments and to make them also in such a way that the financial independence of the general and regional governments is preserved so far as possible (cited from Burgess, 2012).

The central problem of Nigeria's federal system, as illuminated through the lenses of K.C. Wheare's classical theory of federalism, lies in the sharp contradiction between the constitutional label of federalism and the centralist structure embedded in its provisions and fiscal arrangements. According to Wheare, a true federal system is characterised by a coordinate and independent division of powers between the general and regional governments, with each level possessing financial autonomy necessary to discharge its constitutional responsibilities. However, in Nigeria, this principle is compromised by an asymmetrical allocation of powers, such as the federal government's dominance over sixty-six items on the

Exclusive Legislative List and its exclusive authority over revenue allocation, leaving subnational governments fiscally dependent and constitutionally subordinate. This structural imbalance contradicts Wheare's model of federalism and undermines intergovernmental cooperation, as the central government continues to exercise overriding influence in both legislation and public finance, while the federating units lack the fiscal autonomy and institutional leverage required to function as independent and coordinated entities within the federation.

Constitutional Provisions on Fiscal Federalism and Intergovernmental Relations

An analysis of the 1999 Constitution of Nigeria (as amended) reveals a legal document that proclaims federalism, yet its content embeds a centralist fiscal framework that severely limits subnational autonomy. For instance, Section 2(2) of the constitution in clear terms states that Nigeria is a federation with subnational units and a Federal Capital Territory. However, an examination of the legislative competences in the Second Schedule of the Constitution reveals an asymmetry between the responsibilities allocated to the federal and state governments. In the Exclusive Legislative List (Part I of the Second Schedule), the federal government controls sixty-six items, including aviation, census, banking, currency, military, police, and other government security services established by law, among others. For the Concurrent Legislative List (Part II), which outlines thirty areas of competencies, both the Federal and State governments may legislate on. Technically, the Federal government has a combined ninety-six areas of competencies, with the states assigned just thirty items, and their legislations under these items can only be valid to the extent such laws made by them (states) do not conflict with federal law as established under Section 4(5) of the Constitution.

The open-ended provisions of Section 4(4) of the Constitution further arrogate more responsibilities to the federal government at the expense of the component units. The Section reads thus:

In addition and without prejudice to the powers conferred by subsection (2) of this Section, the National Assembly shall have power to make laws with respect to the following matters, that is to say- (a) any matter in the Concurrent Legislative List set out in the first column of Part II of the Second Schedule to this Constitution to the extent

prescribed in the second column opposite thereto; and (b) any other matter with respect to which it is empowered to make laws in accordance with the provisions of this Constitution (1999 Constitution of the Federal Republic of Nigeria, 2023)

Conflicts under fiscal federalism frequently centre on matters like taxing power and the allocation of financial resources, as well as jurisdictional disputes in which the federal government and state governments claim responsibility over the same policy area or when it is unclear how much of each jurisdiction they have (Dougherty & Mota, 2024). Particularly, legal disputes between the federal and state governments have increased because of the Constitution's centralist tendency, especially regarding fiscal and legislative powers.

Section 162 (1) of the constitution establishes “the Federation Account” which serves as an account that receives all revenues collected by the “Government of the Federation”. This account is central to the distribution of revenues among the governmental bodies in the federation. Section 162(2) grants the Federal Government, that is, the President, working with the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC), to present the revenue allocation proposals to the National Assembly, who eventually determine the allocation formula among the governments of the federation by considering different principles such as equality of states, population, derivation, among others. Similarly, Item 1(a), Part II, Second Schedule of the Constitution grants the National Assembly exclusive competence to legislate on the distribution of revenue among tiers of government, leaving states no say in shaping their own fiscal realities (1999 Constitution of the Federal Republic of Nigeria, 2023).

Furthermore, the creation of “the State Joint Local Government Account” by Section 162(6) serves as an account that receives all allocations for local government councils of a State from the Federation Account and from the Government of the State. This account places the distribution of local government finances with state governments as provided for in Section 162 (8). Unsurprisingly, the establishment of the State Joint Local Government Account (SJLGA) has generated considerable challenges for the development of local areas, in part because of systematic deductions and misallocation of local government funds by state authorities. This institutional arrangement has contributed to significant developmental crises at the grassroots level, as local governments experience consistent financial shortfalls due to state-level interference in their revenue streams (Shiyanbade & Esan-Atanda, 2024).

Local governments struggle to execute basic projects without clearance from the state, as their budgets are often required to be approved by state governments (Coker & Adams, 2012), even though they are constitutionally recognised as a separate tier of government. This practice contradicts the principles of fiscal federalism and intergovernmental relations by reducing local governments to mere administrative appendages of the states, rather than autonomous units with constitutionally guaranteed financial independence.

Thus, in revenue allocation and fiscal control, the constitution centralises the control and distribution of national revenue in ways that undermine the fiscal autonomy and constitutional independence of subnational units, thereby contradicting the federal principle of coordinate and independent spheres of government as defined by Wheare. It is therefore unsurprising that states like Lagos and Rivers, which generate large portions of national Value Added Tax (VAT) and corporate taxes, have contested the fairness of this arrangement.

Furthermore, Item 1(a), Part II, Second Schedule, and Section 162(2) give exclusive power to the National Assembly to determine how revenue is shared between the federation, the states, and local governments, including the formula for such sharing. This effectively removes states from participating in shaping their fiscal destinies, relegating them to passive recipients of federally determined allocations. This arrangement effectively disempowers the subnational units in effectively carrying out their requisite responsibilities to function as a government in the federation, among which are revenue generation and distribution, as well as being able to effectively impact the lives of their respective people.

In instances where subnational governments are confident that the central government will bail them out when they cannot finance their deficit budgets or repay their debts, the likelihood of them leaning towards fiscal indiscipline increases (Olaide et al., 2025). As is the case with Nigeria, fiscal centralisation culminated in different cases of “fiscal indiscipline” (Nwagu, 2024), and the federal government had to step in to bail out states with ailing fiscal conditions. In the first year of President Buhari’s tenure as democratically elected Head of State, the unsustainability of centrally collected oil revenues exposed the contradiction in Nigeria’s fiscal federal arrangements. During this period, most states in the federation were in dire fiscal constraints and were thus unable to pay salaries, as well as to satisfy the developmental requirements of their states, because of their

large reliance on federal funding (Usman et al., 2024) and less viable internally generated revenue (Gabriel, 2015). These states were helped by the federal government in the form of a fiscal arrangement called ‘bailout’, which underscores Nigeria’s “feeding bottle federalism” (Agbajileke, 2015), and further reinforces the non-viability of Nigeria’s federating units largely because of fiscal and intergovernmental centralisation.

Additionally, the impracticability of Nigeria’s version of “feeding bottle” federalism came to the fore with the slump in the price of oil caused by COVID-19, which affected the Nigerian economy (Anichukwu, 2020) and many economies of Nigerian states, particularly those in the north central (Usman et al., 2024). Based on statements from Nigeria’s former Minister of Finance, Zainab Ahmed, during this period, she noted that the anticipated aggregate revenue inflow to the Federation Account, originally projected at N8.6 trillion, underwent a substantial downward revision to N3.3 trillion. This reduction resulted in proportional decreases in revenue allocation across all three tiers of government. State governments, which had initially anticipated receiving N3.3 trillion from their Federation Account allocation for 2020, will then receive a maximum of N2.1 trillion. Similarly, local government councils face a significant reduction in their expected share, declining from the projected N2.5 trillion to a ceiling of N1.5 trillion. (Anichukwu, 2020).

These fiscal crises exposed the impracticability of the existing federal model and the inability of states to buffer shocks due to the lack of constitutional financial independence and their over-reliance on centrally distributed revenues. Thus, it is impossible for fiscal federalism to succeed without fiscal decentralisation, which occurs when subnational governments are granted statutory authority to levy taxes and conduct operations within predetermined legal parameters (Tunde et al., 2024).

Nigerian Federalism and Judicial Interpretation

Nigeria’s Supreme Court has, over the years, played a pivotal role in shaping the practical outcomes of fiscal federalism and intergovernmental relations. The Court’s decisions have exhibited remarkable equilibrium, alternately upholding federal constitutional supremacy, favouring state interests, and simultaneously reinforcing both federal authority and state autonomy depending on the constitutional issues at stake (Suberu, 2008). Although the Court’s approach has consistently maintained constitutional balance by affirming state rights vis-à-vis local governments’ while

simultaneously upholding the constitutional framework that recognises local government as a distinct tier within Nigeria's federal structure (Suberu, 2015; Ukata, 2020), in the long run, it could not escape from Nigeria's centralised constitutional framework and according to (Suberu, 2017) has therefore been more 'centralist than federalist'.

Despite constitutional provisions establishing the derivation principle in the 1999 Constitution, the civilian administration under President Olusegun Obasanjo initially withheld the constitutionally mandated 13% derivation funds from oil-producing states between May and December 1999, precipitating a significant constitutional dispute regarding the application of derivation rules to offshore oil resources (Babalola, 2019). The conflict centred on divergent interpretations of territorial jurisdiction, with the Federal Government maintaining that offshore oil constituted national patrimony belonging to the entire country, while oil-producing states contended that offshore resources should be attributed to adjacent coastal states and consequently subject to derivation calculations (Suberu, 2008), cited from Babalola (2019).

Critics challenged the Federal Government's restrictive interpretation and highlighted deficiencies in Section 162(2) of the 1999 Constitution, arguing that the provision's ambiguous language created interpretative complexities by failing to specify the geographical parameters of natural resource location and clearly identify derivation beneficiaries (Babalola, 2019). To resolve this constitutional impasse, the Federal Government sought judicial clarification from the Supreme Court regarding the non-applicability of derivation principles to offshore oil and requested a determination of the maritime boundaries of oil-producing states. In April 2002, the Supreme Court rendered a landmark judgment that definitively affirmed the Federal Government's exclusive constitutional right to offshore oil revenues, thereby establishing that such resources fall outside the scope of constitutionally mandated derivation payments to states (Babalola, 2019).

In the case of "AG Lagos State v AG Federation. 2014. LPELR-SC 20/2008" (2014), the Supreme Court declined to exercise original jurisdiction in a constitutional challenge concerning the Federal Inland Revenue Service's (FIRS) authority to administer Nigeria's Value Added Tax (VAT) system (Suberu, 2017). The Lagos State government argued that FIRS activities constituted an impediment to the state's constitutional right to levy and collect taxes on goods and services within its territory,

contending that such taxation powers, being absent from both the concurrent and exclusive legislative lists, represented residual matters falling within subnational governmental jurisdiction. However, the Court determined that its original jurisdiction for adjudicating constitutional disputes between the federation and constituent units could not be appropriately invoked in conflicts involving purely administrative or political agents of federal and state governments. Furthermore, the Court established that federal government revenue matters fell constitutionally within the original jurisdiction of the Federal High Court, requiring such disputes to proceed through the established judicial hierarchy via the Court of Appeal before reaching the Supreme Court, thereby emphasising the importance of jurisdictional hierarchy in Nigeria's judicial system (Suberu, 2015). In the end, the Supreme Court rejected the legal challenge to the federal government's right to impose VAT (which is not on the federal exclusive or concurrent legislative lists), further solidifying a trend in which the Court steers clear of potentially contentious matters (Suberu, 2019) and therefore preserves the fiscal hegemony of the federal government (Suberu, 2017).

Section 8(3) and Section 8(4) of the 1999 Constitution (as amended) respectively empower State Houses of Assembly to create new local government areas and, at the same time, take responsibility over the adjustment of boundaries among existing local government areas in the states of the federation. However, Section 8(6) of the Constitution also empowers the National Assembly to ratify the creation of new local government(s) by governments of the states of the federation. This provision, as it was before the fifth alteration of the Constitution in 2023, has generated considerable controversy over where the ultimate power lies (between the States and the Federal government) in the creation of new local government in Nigeria.

In line with the constitutional provision mentioned above, Lagos State, like some other states such as Kogi and Niger, created additional local governments (Asaju, 2010). However, the decision of the Lagos State government to fund the newly created Local Government Areas in spite of its non-recognition by the Federal Government, which went ahead to stop the statutory allocations meant for the benefits of localities within the state (Suberu, 2017), led to a legal dispute between the state and the federal government (Asaju, 2010). The Supreme Court's ruling on the case (*"Attorney-General of Lagos State v Attorney-General of the Federation"*, 2004) allowed States to establish new LGAs as long as the procedures outlined

in the Constitution are adhered to. Additionally, it determined that the Federal Government's refusal to provide Lagos State Local Government statutory allocations was unlawful and unconstitutional (Asaju, 2010).

The Nigerian Supreme Court issued two significant rulings on May 7, 2021, that substantively reinforced the constitutional autonomy of local government councils by declaring the dissolution of democratically elected councils in Oyo and Katsina states as both illegal and unconstitutional (Policy and Legal Advocacy Centre, 2021) after it had similarly ruled on the matter by declaring the dissolution of local government councils by former Governor of Ekiti State, Kayode Fayemi as illegal (Daily Trust, 2016). The Court's decisions were grounded in Section 7(1) of the 1999 Constitution, which guarantees the existence of democratically elected local governments, and established that state governors lack the constitutional authority to dissolve such councils (Punch Editorial Board, 2021). These judicial pronouncements addressed a systemic nationwide challenge wherein state governments routinely circumvent constitutional provisions by installing caretaker committees while simultaneously exercising control over local government finances and electoral processes, thereby undermining local autonomy. The Court's rulings serve to reinforce local government constitutional independence and complement legislative reform initiatives within the National Assembly aimed at securing comprehensive fiscal and administrative autonomy for local councils within Nigeria's federal structure.

In the landmark case of "Attorney General of the Federation v. Attorney General of Abia State & 35 Ors" (2024), decided on July 11, 2024, the Supreme Court of Nigeria rendered a significant judgment on the financial autonomy of local government and the existence of a democratically elected local government within Nigeria's federal structure. The judgment established that while the Federal Government possesses authority to make direct payments to local governments from the Federation Account, such payments may also be channelled through state governments provided they are fully and promptly transferred to local governments, and crucially affirmed that local governments, as recognised under Section 7(1) of the Constitution, must maintain independent and democratically elected leadership. Addressing the defendants' contention that Section 162(5) mandates payments to states for local government benefits, the Court applied purposive interpretation and the mischief rule, considering historical constitutional provisions that previously allowed

direct payments and recognising that current constitutional arrangements were designed to address logistical challenges and reduce costs associated with local government officials traveling to Abuja for fund collection. Consequently, the Court directed the Federal Government to ensure direct payment of allocated funds into the accounts of democratically elected Local Government Councils, thereby underscoring the imperative of preserving local government financial autonomy and operational effectiveness within Nigeria's federal framework (Usman et al., 2025).

Among the centralist provisions of the 1999 Constitution (as amended) is section 44(3), which establishes the centralisation of ownership over all subsurface resources, encompassing minerals, petroleum products, and natural gas deposits located within the nation's territorial boundaries, including both terrestrial areas and maritime zones extending through the territorial waters and Exclusive Economic Zone. This constitutional provision vests absolute proprietary rights and regulatory authority in the Federal Government, as may be established by the National Assembly. This section, among other similar sections, generates intergovernmental fiscal litigation between the federal and state governments, such as in the case of "Attorney-General of the Federation v. Attorney General of Abia State & 35 ors." (2002). In this case, the Supreme Court of Nigeria ruled that the federal government alone, not the littoral states, can legally exercise legislative, executive, and judicial powers over the maritime belt and Exclusive Economic Zone, excluding federating units (Ogbomo, 2023).

Reflecting the centralism in the Nigerian Constitution, the majority of the Court's rulings on revenue allocation have strengthened the federal government's control over the management of oil revenues, while other rulings on local governance have supported states' rights (Suberu, 2015) and simultaneously ensuring the existence of a democratically elected local government free from unwelcome state interference and ensuring the financial autonomy of local government. Conclusively, as an arbiter of intergovernmental conflicts in Nigeria, the Supreme Court has, over the years, shown its hand as an institution positively disposed towards the decentralisation of governmental powers and an arbiter of the rule of law. This institution of government, however, cannot operate outside the prevailing Nigerian environment, among which is the hyper-centralised constitutional framework with doses of history of military and colonial rule, without being skewed towards the spectrum of centralisation. As noted by Justice Niki Tobi, "We may have our own aversions and

prejudices on the unitary context of some provisions of our Federal Constitution, but there is nothing we can do as judges” (Suberu, 2017).

Reform Debates and the Push for Fiscal Decentralisation

The centralisation of Nigeria’s intergovernmental fiscal framework and practice has attracted scholarly interest with differing prognoses of the contradiction as well as perspectives towards the restructuring of the system. Recognising the imbalance in Nigeria’s fiscal arrangement, Obadan and Bello-Imam (2008) argue for functional realignment between and among the governmental units. This process involves transferring VAT collection to state governments with revenue-sharing arrangements for local governments.

Similarly, Ekpo and Englama (2008) argued for devolution of more powers from the central government to the component units, decentralisation of the administration, taxation, and the setting up of an independent intergovernmental body that will be responsible for fiscal discipline and policy coordination. Among the proposals tabled by Ejobowah (2009) in his prognosis of Nigeria’s federal constitutional arrangements is the devolution of responsibilities to give different groupings within a state a sense of purpose and a fiscal structure that allows the constituent units to survive on their own without totally doing away with transfer payments.

Suberu (2015) argued that in the absence of national agreement on the necessity and mode of comprehensive, mega-constitutional reform, the most practical route to federal accommodation and development in Nigeria is through incremental constitutional change and non-constitutional renewal, including benign constitutional transgressions and innovative legislative and judicial interventions. Babalola and Onapajo (2019) noted that the drive for reform is elite-driven and could be endless. Adegoke (2023), while at first recognising the structural imbalance in Nigeria’s federal arrangements as it is in other countries, argued for the re-evaluation of the value system that guides the interactions of Nigerians across both the public and private spaces.

Thus, foremost among the contentious issues in the drive towards restructuring in Nigeria is fiscal matters and intergovernmental relations. The federal government’s predominant share of revenue allocation has generated persistent demands for a comprehensive review of the revenue-

sharing formula and redistribution of exclusive list functions to state jurisdiction. This ongoing agitation, particularly pronounced among state governors, advocates for enhanced proportional revenue allocation to state governments, reflecting concerns over the current centralised fiscal arrangement and its implications for subnational governmental capacity and autonomy (Abbas & Wakili, 2018).

Conclusion and Recommendations

This study examined Nigeria's constitutional framework governing fiscal and intergovernmental relations, revealing fundamental contradictions between the country's federal designation and its centralist architecture. While Section 2(2) proclaims Nigeria a federation, substantive provisions embed centralised structures undermining classical federalism principles. Constitutional asymmetry appears in legislative competencies, with the federal government overseeing sixty-six responsibilities while states handle thirty items subject to federal override.

Fiscal provisions centralise revenue mechanisms, reducing subnational units to passive federal recipients rather than autonomous entities. This "feeding bottle federalism" violates Wheare's principle requiring each governmental level to possess sufficient financial resources for constitutional responsibilities.

Ongoing reform debates reflect systemic deficiency recognition, yet elite-driven initiatives and absent amendment mechanisms impede meaningful transformation, perpetuating intergovernmental tensions.

Based on the findings of this study, comprehensive constitutional and institutional reforms are essential to address the identified contradictions and establish genuine fiscal federalism in Nigeria. The National Assembly should initiate constitutional amendments to restructure fiscal and intergovernmental arrangements by establishing multiple revenue accounts that allow states to retain significant portions of internally generated revenues and revising the Exclusive and Concurrent Legislative Lists to achieve a better balance between federal and state competencies. Additionally, an autonomous Intergovernmental Fiscal Relations Commission with equal representation from all governmental tiers should replace the current Revenue Mobilisation Allocation and Fiscal Commission, while the derivation principle should be expanded from the original 13% for resource-producing states to ensure fairness, equity, and

the expanded governmental responsibilities that come with unbundling of federal powers to the state governments.

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