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Fiscal Arrangements and Inter-governmental Relations in Three Federations: Nigeria, Pakistan and Canada

Emmanuel Ikechi Onah

Abstract

Fiscal arrangements and revenue allocation among tiers of government have been the most contentious and significant issues in federations. It has been used to gauge the stake a particular segment of the population has in the federal structure and what powers, real and statutory, a tier wields. It has also largely determined how the tiers of government relate among each other in a federal arrangement. In this article, this contentious issue has been examined as it relates to intergovernmental relations in three federations. This comparative study has made it possible for us to see how the power of the purse has often overridden constitutional distribution of powers in the real world of federations. The article has gone further to proffer suggestions on the way forward towards equitable relations among the tiers of the federal government.

Introduction

Federalism as a form of government has operated in a number of countries of the world. Nigeria, Pakistan and Canada are only three of the 24 such federations and quasi-federations in the world today\(^1\). In all these federations, federalism has implied the division of powers between two or more levels of government. According to Wheare,\(^2\) federalism is “the method of dividing powers such that central and regional governments are each, within a sphere, coordinate and independent”\(^2\).

\(^1\) Apart from these three, there are 21 other federations in the world at present. Watts R.L., *Comparing Federal Systems, 2\(^{nd}\) ed.*, Montreal and Kingston, Institute of Intergovernmental Relations, 1999.

In some instances, federalism has meant that a number of hitherto separate territorial entities come together to form a central government with which they now share powers. Seen this way, federalism can be defined as “the process by which a number of separate political organizations, be they states or any kind of association, enter into arrangements for working out solutions, adopting joint policies and making decisions on joint problems”\(^3\).

At other times, it is a hitherto unitary entity that devolves into separate units. In this regard, federalism can be defined as “the process through which a hitherto unitary political community, as it becomes differentiated into a number of separate and distinct political communities, achieves a new organization in which the different communities now separately organized, become capable of working out separately and in their own, those problems they no longer have in common”\(^4\).

There are still others who see federalism, not as a system but as a quality. According to Livingston\(^5\), federalism is a device by which the federal (read unique) qualities of the society are articulated and protected. He went on to explain that these qualities may be distributed among the members of a society in such a fashion that certain attitudes are found in particular territorial areas, or may be scattered widely throughout the whole society. When they are grouped territorially, then the result is federalism.

However it is examined, a federal state or government incorporates the following six elements according to Nwabueze\(^6\):

- Separateness and independent existence of each unit of government
- Mutual non-interference between governments in exercising their powers on persons/property within the areas of their constitutional competence.
- Relatively autonomous decision-making powers and possession of own apparatus for conducting its affairs i.e. legislature, executive, judiciary.
- Legal equality among governments in status though not in weight. However, inequality of resources and powers must not be great to be preponderant or reduce one or the other to relative impotence.

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\(^4\) Ibid.


- Supremacy of the constitution over all governments and their actions.
- Power to amend the constitution must not be lodged in either level of government but to both or to some external agent.

From the foregoing, it is clear that federalism implies both exclusivity and inter-dependence among the different levels of government. Thus, although the different levels are separate, they must also relate among themselves in the process of carrying out the task of governance. Exclusivity emphasizes separateness, and this is determined by two factors, namely, the boundaries of powers allocated to the different levels by the constitution, and the amount of resources available to each level of government, often also determined by the constitution.

Inter-dependence gives rise to what is termed inter-governmental relations. This is also determined by two factors – the constitutional allocation of powers to the levels of government, and the amount of resources available to the various governments at the different levels. When available resources are high, the particular government is well placed to conduct its affairs and stand up to its partners. This is often dubbed, ‘the power of the purse’ and explains why some governments at certain levels of a federation at times exercise powers seemingly more than provided by the letters of the constitution.

This article addresses the fiscal arrangements in the three federations of Nigeria, Pakistan and Canada and how this has affected in concrete terms, the amount of resources available to their various levels of government. It will also examine how the amount of available resources has affected intergovernmental relations between and within levels of government in these countries. These federations are chosen as case studies because they aptly represent the broad spectrum of federal systems in the world. They are on different continents, they are at different levels of political and economic development, and they have different histories of federalism. Taken together, these countries easily capture what we need to know about the topic under discussion.

**History and Nature of Federalism in Nigeria, Pakistan and Canada**

Here, we examine how federalism came to be in the three federations under study – whether by aggregation of hitherto existing units, or by the
dissegregation of a hitherto unitary entity. We will also see how the system of federalism has developed in these countries up to the present.

Nigeria

Nigeria came into existence as a British colony in 1914 following the amalgamation of the various territories under British rule in the area. Between 1914 and 1954, the country was administered by the British in a unitary manner. By 1946, following the promulgation of the Richards Constitution, the country was divided into three regions—North, West and East. A legislative council was set up for the entire country and three regional legislatures were also established. In 1951, McPherson Constitution came into force in the country and although it was short-lived, it nevertheless strengthened the regionalization of the country.

By 1954, following the new Lyttleton Constitution, Nigeria was formally declared a federation. The constitution recognized the limited autonomy of the regions and divided powers between the centre and the regions. The country thus became a federation by disaggregation. By 1960, the country became independent and the process of federalism has remained a basic feature of the Nigerian political system ever since. This trend can largely be ascribed to the considerable diversity of the country in terms of geography, ethnicity and culture. Given this ethnic plurality as well as cultural and regional diversity, the country could hardly be governed effectively as a political unit by a centralized authority.

This perhaps explains why the Nigerian federation has continued to witness the continued subdivision of its units: Thus, from a three-region structure in 1954, the country was divided into 19 states in 1976. In 1987, the number of states was increased to 21, and in 1991 was again increased to 30. Following the last creation of states in 1996, Nigeria now has 36 states and a Federal Capital Territory. In addition, a third-tier, the local government, has been formally recognized, bringing the total tiers of government in the Nigerian federation to three. From an initial less than 200 local governments in the country in 1976, there are now 774.

Federalism has to some extent thus allowed Nigerians to retain their diverse identities and at the same time derive in the context of a united country, benefits from the complementarities of resources and large domestic market.

But while the rationale for federation in Nigeria lies mainly in the plurality and mutuality of the society, the adoption of the system has also derived from the diversity of functions that a modern government is expected to perform. Some of these functions can be more efficiently performed at the national level, others at the state or the local government levels.

Pakistan

The territories that today make up Pakistan were incorporated under British rule between 1843 and 1878. From this time to 1947, the area was administered as part of British India. British India itself was comprised of two populations—one Hindu and the other Muslim. The creation of Pakistan was the culmination of the political struggle of the Muslims of British India for self-determination. The first phase of that struggle resulted in the Government of India Act of 1935, which provided for ensuring Muslim rights in a united, federal India.

But when this was not forthcoming in real terms, Muslims called for a separate state comprising the Muslim majority provinces of British India. This call was embodied in the Lahore Resolution of 1940 (otherwise known as the Pakistan Resolution). The Lahore Resolution also embedded the essence of federalism. Infact, the nature of the struggle to create Pakistan, its geography and demographic composition has always set out the territory for federalism. In the election of 1946, and through other channels including referenda, Muslim majority areas of British India voted to form Pakistan. On 14 August 1947, Pakistan emerged as an independent state.

Pakistan represents a situation where the regional units set about establishing a federation. The 1935 Act, now essentially renamed the Independence Act of 1947, continued to be the basis of federal government in the country. At independence, the country consisted of two large parts separated by about 1,500 kilometers of Indian territory. The two units—West Pakistan and East Pakistan only had religion (Islam) as the common denominator. West Pakistan was largely Urdu speaking, Middle—Eastern in character, the wealthier though less populous, while East Pakistan was

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11 Ibid.
12 Ibid., pp.236-237.
Bengali speaking, South-East Asian in outlook, more populous but the poorer unit\textsuperscript{13}.

In 1970, the eastern wing seceded as Bangladesh, leaving the remainder (West Pakistan) today as a linguistically and ethnically diverse but geographically homogenous Pakistan. The country continued with the practice of federalism and in 1973, devolved into a federation of four provinces. These provinces are Punjab, Sindh, NWFP (North–West Frontier Province), and Balochistan. Punjab comprises 56 percent of the population while the rest have a total of 44 percent\textsuperscript{14}.

\textbf{Canada}

The area now known as Canada has its origins in the 1867 union of three British colonies in North America, namely, Nova Scotia, New Brunswick and the erstwhile United Province of Canada (created by the Act of Union of 1840), which was split into the two new provinces of Ontario with an English speaking majority and Quebec with a French-speaking majority. From these four, the Canadian federation has grown to now incorporate ten Provinces and three Northern territories\textsuperscript{15}. It is therefore a federation by aggregation.

Already well into its second centenary, Canadian federalism has some distinctive features. These include the existence and continued vitality of a French Canadian majority concentrated within the province of Quebec, where they constitute over 80 percent of the population. Canadian federalism has as a result been marked by a strong French–English duality\textsuperscript{16}. Canada is also marked by its ethno-cultural diversity, with approximately 14 percent of Canadians having other mother tongues and almost 1 million people in the country reporting having aboriginal origins in whole or in part\textsuperscript{17}.

\textbf{The Distribution of Powers in Nigeria, Pakistan and Canada}

Federations have been marked by the existence at the same time of powerful motives to be united for certain purposes and of equally powerful motives for autonomous regional governments for other purposes. This has been expressed in the combination within a single political system of ‘shared-rule’ and ‘self-rule’. It is for this purpose that the design of federations has usually included provisions for the distribution of powers between those

\textsuperscript{13} Watts, Op.cit p.32.


\textsuperscript{16} Ibid., p.24.

assigned to the federal government for the purposes shared in common and those assigned to the regional governments for the purposes relating to the expression of unique identities\textsuperscript{18}.

The distribution of powers has varied from federation to federation, but the form and allocation of powers have usually been determined by a number of factors. The first such factor has been the degree of homogeneity or diversity within the federal society. Generally, the more the homogeneity, the greater the powers that have been allocated to the federal government and the more the diversity the greater the powers that are allocated to the constituent units.

The second factor is the process by which a federation is established. Where this has involved aggregation, the greater powers have resided with the constituents units involving a specified set of exclusive and concurrent federal powers but with the unspecified residual powers going to the regional units. Where federation has come about through devolution, the powers of regional units have been specified and the residual authority has remained with the federal government. A number of federations have however come about through a combination of these processes, and have listed exclusive federal, exclusive regional and concurrent powers, with residual powers assigned to the federal government\textsuperscript{19}.

Another factor that has affected the distribution of powers in federations is the history and development of a particular state. Federations that have been marked by strong desires for self-determination have usually left the federal government with greater powers, perhaps so that the federal government will be well-placed to contain secessionist tendencies. In the same vein, federations that have witnessed military rule for considerable periods have usually developed over-whelming federal powers, perhaps reflecting the unitarist command structures of the military establishment.

What the foregoing shows is that the distribution of powers in federations, while aiming to provide for the diversity of the federal society, has always ensured the unity of the country. In the following discussions, we will see how this balance between unity and diversity has been provided for in the distribution of powers in the three federations under study.

\textsuperscript{18} Watts, Op.cit., p.35.
\textsuperscript{19} Ibid., p.36.
Nigeria

Nigeria has three tiers of government as enshrined in the constitution, namely the Federal, state and local governments. The division of powers in the Nigerian federation is as specified by the 1999 Constitution. These powers are divided into the Exclusive Legislative List, the Concurrent List and the Residual powers. In addition, the Constitution in the Fifth Schedule enumerates some powers for the Local governments. The constitution empowers the National Assembly (consisting of the Senate and the House of Representatives) to make laws for the peace, order and good government of the federation and on any matter included in the Exclusive List.

The Exclusive Legislative List includes 68 items, including banks and banking, customs and excise, defence, external affairs, immigration, airports and seaports. The federal government can also legislate on any item on the Concurrent Legislative List. This list contains 12 items, including revenue allocation, mineral oil and natural gas, taxes, elections and electoral laws, education, health. The state government can also legislate on any of these 12 matters. However, where there is a clash between federal and state laws, the former prevails.

The legislative power of any state of the Nigerian federation is vested in the House of Assembly of that state. The House of Assembly has powers to make laws for the peace, order and good government of the state. In addition to the Concurrent List, states can also legislate on any other items that are residuary i.e. not in any of the Enumerated, Exclusive or Concurrent lists. Local governments can also act on the eleven enumerated matters in the Fifth Schedule to the Constitution, as well as participate on the three other matters which are for the States – agriculture, education and health. State laws are however, binding on every local government in any particular state.

Pakistan

Pakistan has two tiers of government, namely the Federal and Provincial governments. The federal government has a bicameral legislature – the Senate and the National Assembly, while the provinces are unicameral – the Provincial Assembly. The constitution divides powers between these two tiers according to two legislative lists – the Federal List and the Concurrent List. The Federal Legislative List contains 67 items on which the federal
parliament can enact laws, including railways, mineral oil and natural gas.

The Concurrent Legislative List contains 47 subjects, including electricity, education, agriculture, health, etc. Both the Federal Parliament and the Provincial Assemblies can enact laws on the matters appearing on the Concurrent List, and where there is a clash between the Federal and Provincial laws, the former will prevail. Subjects outside the Federal and Concurrent Legislative Lists are considered residuary subjects and these are the exclusive domain of the provinces.

Canada

Canada is a parliamentary federation i.e. a federal, parliamentary system. There are presently two tiers of the Canadian federation, namely the federal and the provinces. The parliament at the federal level is bicameral (a Senate and the House of Commons) while in the provinces, there is a unicameral legislature. The constitution allocates powers between the two levels of government. The broader and more comprehensive allocation goes to the Parliament of Canada, while limited and specific powers were given to the provinces. Any power not specifically allocated by the Constitution (residuary powers) was deemed to fall to the federal Parliament\textsuperscript{22}.

The Constitution grants the federal Parliament the powers to make laws for the peace, order and good government (POGG) of Canada in all matters not explicitly assigned to provincial legislatures. In the years since the enactment of the Constitution however, the courts have interpreted the POGG powers of the federal government to be restricted to only three situations – where the distribution of authority leaves a legislative gap e.g. offshore mineral resources; where the matter is of national concern e.g. marine pollution; and where there is a national emergency e.g. civil disorder\textsuperscript{23}. In addition, the Constitution also listed 29 items over which the federal Parliament has exclusive authority, including regulation of trade and commerce, money and banking, treaties.

The Constitution also assigns 16 specific items to the provinces including direct taxation, health and welfare, property and civil rights. In addition to these Exclusive Federal and Provincial lists, there is the Concurrent list with four items on which both levels of government could legislate. The first is agriculture and immigration, with federal legislation prevailing in case of conflict. The second item is natural resources and allows the provinces to

\textsuperscript{23} Ibid.
control the export of their natural resources to other provinces (but not to another country). In the case of conflict, federal laws are paramount.

The third concurrent item is education. This item is the responsibility of the provinces but subject to federal powers to protect minority groups and denominational schools and to pass remedial legislations. The fourth item on the concurrent list is pensions, but here, in the case of conflict, provincial laws prevail. Apart from the above concurrent items, there are three other areas in which federal and provincial authority overlap. The first is criminal law. The federal Parliament makes laws in relation to criminal law and procedure but the provinces have responsibility for the administration of justice including policing and prosecutions.

The second area of overlap is the court. The federal government is responsible for the nomination, salaries, allowances and pensions of superior court judges and the provinces are responsible for the establishment of the courts and their administration, as well as have full responsibility for the junior courts in each province. The third overlapping area is the shared cost programmes in which the federal government transfers funds to provincial governments to assist them in fulfilling certain of their constitutional responsibilities including health care, social assistance and post-secondary education (Canada Health and Social Transfer programme). The federal government’s spending power in this area is not constitutionally explicit but is inferred from several provisions of the constitution relating to the authority to tax and spend.

**Fiscal Arrangements in Nigeria, Pakistan and Canada**

Because of the need for each level of government in a federation to undertake its constitutionally assigned roles, there has been the need also to distribute national revenues among these tiers. The allocation of financial resources to each level of government within a federation is important for some reasons. First, the resources enable or constrain these governments in the exercise of their constitutionally assigned responsibilities. Second, the resources also determine how these levels of government relate among themselves formally and informally in the exercise of their functions.

Revenues accruing to the government usually consist of customs and excise duties, corporate taxes, personal income taxes, sales and consumption taxes, royalties and taxes on minerals and natural resources. Apart from
these, additional revenues accrue from public borrowing and aids, grants and loans from external or foreign sources. Most federations specify in their constitutions the revenues that will accrue to the different levels of government. Generally however, the distribution of revenue powers in each federation corresponds to the scope of responsibilities assigned to each level of government within the federation.

A common feature of the allocation of revenues in most federations is that the majority of the revenues are assigned to the federal governments. This can be traced to a number of reasons, including the belief that the concentration of such resource in the federal government is necessary for it to effectively lead the union and ensure its continuation. The second is that such concentration allows the federal government to carry out policies of economic stability and development throughout the federation. A related argument is that the federal government has a re-distributive role usually expected of it and it must have enough resources to perform this role.

Notwithstanding the constitutional provisions for the allocation of revenues in most federations, imbalances have usually existed among and between the federating units. Vertical imbalances are the financial imbalances that exist between the federal government and other levels of government in a federation after revenues are shared. Horizontal imbalances exist when there are differences in the amount of resources available to different units within the same level of the federation. Whichever, these imbalances usually lead to the situation whereby constitutionally assigned revenues do not match constitutionally assigned expenditure responsibilities.

In order to correct these imbalances, most federations have arrangements for financial transfers from one level of government to the other, usually from the federal government to the other levels of government. The purpose has been to remove vertical imbalances by transfers in the form of tax-shares and grants, and to remove horizontal imbalances in order to assist poorer units. The importance of these ‘equalization’ transfers lie in the view that all citizens of a federation are entitled to comparable services without having to be subject to excessively different tax rates, and the recognition that disparities in wealth among regions of a federation will likely have a negative effect on cohesion within the federation. The arrangements for equalizing transfers vary among the federations under study.

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26 Ibid., p.44.
27 Ibid., p.47
Nigeria

The Constitution of the Federal Republic of Nigeria contains stipulations regarding fiscal arrangements governing the federation. The Constitution provides that the federation shall maintain a special account to be called the 'Federation Account' into which are paid all revenues collected by the government of the federation. The only exceptions are proceeds from the personal income taxes of members of the armed forces and the police, staff of the External Affairs Ministry, and the residents of the Federal Capital Territory\(^{28}\).

Meetings of the 'Federation Account Committee' hold every month and comprise the following members or their representatives: Minister of Finance of the federation, Commissioners of Finance of the states, and Treasurers of the Local governments. At these meetings, amounts standing to the credit of the Federation Account are disbursed among the Federal, State and Local governments, subject to certain constitutional requirements and allocation principles. The constitution provides for the Derivation Principle, which stipulates that no less than 13 percent of the revenue accruing to the Federation Account directly from any natural resource shall be given to the states in whose territories those resources are found.

After deducting this 13 percent of the revenues, the remainder is shared between the three tiers according to a revenue formula that is reviewed every five years. The present revenue allocation formula is 48% (federal government), 30% (states), 20% (local governments) and 2% (special funds). In allocating monies from the Federation Account to units at the same level of government in the federation, the Constitution provides for certain principles to be used, including population and population density, equality of states, internal revenue generation, and land mass\(^{29}\).

Pakistan

The Constitution of Pakistan provides for the institution of the National Finance Commission (NFC), which is a joint federal/provincial body with the mandate to distribute federal tax receipts between and among the tiers of government in the country. Federal taxes account for more than 90 percent of all taxes in the country put together, with the federal government collecting nine categories of taxes including customs and exercise duties, corporate and personal income taxes, and taxes on mineral oil and natural gas\(^{30}\). The

\(^{28}\) Nze, Op.cit, pp.226
provinces only collect stamp duties and motor vehicle tax.

Federal divisible revenues are paid into a divisible pool. The federal divisible pool consists of all taxes levied by the federal government, federal excise duties, and export duty on cotton. Transfers are then made to the tiers of government. Such transfers from the divisible pool account for the major share of the revenues of provincial governments. The transfers are made according to the award given by the National Finance Commission every five years.

The federal government deducts five percent of the gross proceeds as collection charge and then retains 62.5 percent of the net proceeds. The remaining 37.5 percent is distributed among the four provinces, with population as the one point criterion for distribution. In addition to the federal divisible pool, provinces receive net profits, royalties, excise duty and a development surcharge, as the case may be, on the generation/ extraction of hydro power, crude oil, and natural gas on the basis of location of production. Two other provinces also receive special grants on account of their relative under-development.

Canada

The Constitution of Canada specifies the taxing powers of the two levels of government in the country. The Constitution gives the federal government the power to raise revenue by any mode or system of taxation. The Constitution equally gives the provinces the powers of direct taxation within the province in order to raise revenues for provincial purposes. A further and significant revenue source from the Constitution to the provinces is the management and sale of public lands which means that public or Crown lands, including mineral resources thereof, are the property of the province where they lie.

There is no formal divisible pool, but there are extensive provisions for equalization transfers from one level of government to the other or within a level. Federal powers to tax, even the mineral resources of a province, provide it with substantial revenues. In addition, the federal government controls the export of these resources outside the country (but not within the country). Provincial control of mineral resources, including their trade in these minerals within the country, also provides the provinces with huge revenues.

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31 Ibid., p.241.
Differences in the number and type of these minerals in the various provinces account for significant differences in revenues available to the provinces. This is why the provisions for equalization transfers have been crucial in the Canadian federation. Thus, in 1993, federal government revenue in Canada was 48 percent of the total revenues of the federation. After intergovernmental transfers for the purposes of equalization, federal revenues came down to 41 percent. In the same year, intergovernmental transfers accounted for 20 percent of the total provincial revenues in Canada\textsuperscript{33}.

In addition, there exist shared-cost programmes by which the federal government transfers funds of about 25 billion Canadian dollars annually to the provinces to assist them in fulfilling their constitutional responsibilities, especially in the healthcare, social assistance and post-secondary education sectors (Canada Health and Social Transfer Programme). The result of all the above arrangements is that available revenues are always almost equal between and among the levels and units of the Canadian federal government\textsuperscript{34}.

**Fiscal Arrangements and Inter-Governmental Relations: A Comparative Analysis of Nigeria, Pakistan and Canada**

Because powers are distributed between levels of government in a federation, it is inevitable that there will be overlaps in the exercise of the powers. It is also certain that the levels will require some level of interdependence in the exercise of these duties. Even within a level, different units will find the need for interdependence. This inevitability of overlaps and the need for interdependence has required extensive consultations, cooperation and coordination, and even conflict between governments in a federation in the exercise of their constitutionally assigned roles. It is this that is referred to as intergovernmental relations\textsuperscript{35}.

Inter-governmental relations serve some purposes, including promotion of cooperation, conflict resolution, and economic development. It is usually in two dimensions, namely vertical i.e. between federal and state (and local) governments. Here, it could be between the federal government and one state government, between the federal government and a group of states or between the federal government and all the state governments. The same can be replicated for federal–local government relations. Inter-

governmental relations could also be horizontal i.e. between units at the same level of government. This can be between one state and another or between groups of state or between all the states. The same can be replicated for the local governments in a state or all over the federation.

Inter-governmental relations take two forms in any given federation. The first is formal. The extent of formal inter-governmental relations is determined by the constitution. The constitution usually lists out the areas in which there must be cooperation either between or among governments. In such cases, the constitution usually stipulates the processes and institutions of such relations. In many federations, the areas of formal inter-governmental relations include matters of concurrent jurisdictions and the issue of conflict resolution and policy coordination. Here, the constitution usually provides for coordination bodies e.g. Council of State, Ministerial Councils, Federation Account Committee, etc. (Nigeria), National Finance Commission, Council of Common Interests (Pakistan), and Conferences of Finance Ministers and First Ministers’ Conferences in Canada.

The second form of inter-governmental relations in federations is informal. This includes arrangements for Standing or ad hoc meetings and relations among states, local governments and between these two levels or between either or both of the levels and the federal government. These relations could be by the means of formal meeting or by the means of direct communications e.g. by letter and telephone, between ministers and commissioners, between commissioners, and between officials and representatives of different governments with each other.

In Nigeria, for instance, there are regular bilateral meetings between any two states or regional meetings or between the states in a geographical region, or meetings of all the states. There are regular meetings between the federal government and any one state, between the federal government and any two or more states in a geographical region or economic grouping, and between the federal government and the whole states. There are also meetings between the federal government and the local governments, as well as among the local governments in the country.

In this article, it is argued that no matter how it is conducted, informal inter-governmental relations in federations is determined by the revenues available to the different governments, a factor which also determines which level of government leads the formal inter-governmental relations in the federation. In other words, the amount of resources available to a level of government or a particular unit within a level of government in a federation
determines the amount of power it exercises in the relationships of the various governments in that federation.

The reason for this goes back to the very reason for government. If governments exist to deliver services and goods to the people, it means that those governments that provide the needed goods and services will be conferred with legitimacy by the people. It also means that those that do not provide these needs will lack legitimacy. Since the ability to provide needed goods and services is directly linked to the amount of available resources, it then follows that those governments that have more resources will be better able to deliver the needs and will thus have more legitimacy. In a developed federation, this is even more so as everyone is abreast of what is happening everywhere else.

This is the reason why most federations have been marked by a strong federal government and weak states. This is true of the federations under study. In Canada, Pakistan and Nigeria, the federal governments have received the overwhelming proportions of national revenues. As a result, these respective federal governments have not only led the formal relations between the tiers of government but have also determined the informal inter-governmental relations as well.

In older federations like Canada, constitutional regulations are quite clear and extensive on equalization of revenues. As a result, the federal government’s advantage is tempered by the amount of resources it has to transfer to the provinces which are by virtue of such transfers better equipped financially to discharge their duties. This explains why in Canada, the provinces are very powerful in relation to the federal government. Thus, although the federal government still predominates in Canada, the provinces are nevertheless very powerful to the extent that several of them have even engaged in many ‘province-building’ enterprises designed to promote their uniqueness and enhance their autonomy within the Canadian federation and even independence outside of Canada as with the case of Quebec36.

In third world federations like Pakistan and Nigeria, the case is different but worse. Here, legitimacy is more a matter of force and corruption, and the federal government not only controls the army and its monopoly of force, but also controls the purse, which gives it uncontrolled powers of corruption through contracts, appointments and dismissals, lopsided provision of amenities, etc. In Pakistan and Nigeria, federal power of the purse is unmitigated. As a result, the federal governments clearly dominate the other
tiers of government.

In Pakistan for instance, the workings of the federal government extend deep into the functions of the provincial governments. The federal government routinely dissolves provincial assemblies and dismisses provincial governments and appoints governors and caretaker governments for these provinces. The federal government similarly gives directions to the provinces in virtually every area of administration, and also controls the provincial civil service and the provincial police.\(^{37}\)

In Nigeria, the federal government has similarly utilized its power of the purse to dominate the other levels of government. The Nigerian federal government has been known to exert pressures on the states and local governments and interfere in their affairs in manners suggesting a unitary government.\(^{38}\) In earlier times, the federal government appointed state governors who in turn appointed local government administrators. This was during the military regime, but in recent times when democracy has been reinstated, the federal government has still been bullying the other tiers of government, even removing a state governor from office in 2005 (the then Governor of Plateau state, Joshua Dariye), citing ambiguous laws, (although he was later reinstated).

Even within the same level of government in a federation, the existence of disparities in revenues has equally determined how powerful individual units of government are within the federation. Thus, notwithstanding the efforts at equalization of revenues in the Canadian federation, provinces such as Quebec and Ontario still predominate. This discrepancy largely explains why the 'Quebec issue' carries such weight in Canadian politics and why it remains inconclusive whether Quebec will eventually secede or not from Canada.\(^{39}\)

In Pakistan, the use of the single criterion of population in sharing revenues among the provinces has ensured that Punjab predominates. For instance, following the population census of 1991 in the country, the provincial shares of national revenues was worked out as follows: Punjab – 57.88%, Sindh – 23.28%, NWFP – 13.54% and Balochistan – 5.30%.\(^{40}\) It is thus no wonder that NWFP and Balochistan continue to grapple with relative underdevelopment, and federal–provincial and provincial–provincial relations continue to be dominated by Punjab.

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\(^{37}\) Ghaus-Pasha and Bengali, Op.cit., p.239.


In Nigeria, the situation is similar. Some revenue sharing principles have ensured that some states garner a lot more than their counterparts. Principles such as population (Kano and Lagos) and landmass (Sokoto, Borno, Oyo, etc) have given the above states some relative advantage. Then the principle of derivation has greatly ensured a wide gap, such that oil producing states have received in some months, amounts that are up to ten times the amounts received by the states at the bottom of the ladder as shown by figures regularly published by the Federal Ministry of Finance.

These high revenue states are powerful no doubt e.g. Lagos, Kano and Rivers, although in the relatively undeveloped federalism of Nigeria, issues of revenue sharing have been more of concern than issues of revenue utilization. As issues of how revenues are utilized gradually come to the fore following the continuing consolidation of democracy in the country, there is no doubt that those states that have much more revenues will start to exert a relative power and influence in relation to other levels of government and among their counterparts.

**Recommendations and Conclusion**

We have seen in this article how federal constitutions have always endeavoured to distribute powers in exclusive, concurrent and residual compartments to respective levels of government. There are also often arrangements for the sharing of revenues in these federations. But we have seen that in many federations, despite these constitutional efforts, the sharing of duties and resources is hardly equitable. The most significant in this respect is the sharing of revenues, which almost always reverberates into the exercise of duties. In other words, the manner of sharing resources to large extents determines how shared duties are carried out.

It is because of this reality that we have argued that the amount of resources available to a level or unit of government determines how powerful that level or unit is in relations with other levels or units in the federation. Yet, it need not be so as the principle of federalism presupposes that the national and regional governments should stand to each other in a relation of meaningful independence resting upon a balanced division of powers and resources. Most federations have breached this principle in practice.

So, what is to be done? To maintain a fair balance between the national and regional governments in a federation, the sharing of resources...
among the tiers of government must conform to the sharing of functions. This is to ensure that no one level or unit within a level has surplus in relation to its duties and in relation to other partners in the federation such that it could afford to throw its weight around. The second recommendation is that since the needed relativity is not always possible and in any case changes over time, there must then be constitutional and ad hoc arrangements for equalization of resources, such that those levels or units who have surplus will give up some to others who do not have enough in such a way as to ensure that the gap between the two is not too wide at any given time.

The third recommendation concerns the resources accruing from derivation. This principle is important and accounts for a great part of the resources that go to create imbalances among tiers and units of government in the federation. To handle this, there must be arrangements whereby monies considered surplus to the regions enjoying derivation are deducted and put in one or the other of two different accounts – one of the accounts to be an Escrow account where monies not immediately needed will be kept for future purposes rather than throwing them about now even when the resource may be non-renewable.

The second account will be a Loans account, to be accessed by other units not so endowed, either for the purpose of meeting immediate needs, or for the purpose of prospecting for minerals in their own territories. Whichever way, the loans are repayable in the future. This way, the levels and units of government will have the needed balance for federalism to work in the ways envisaged by the original designers of this system of government.