Sub-National Governments' Participation in the Economic Recovery and Growth Plan (ERGP) in Nigeria

A. Oladeji [1] and D.F. Arawomo [2]

Abstract

The relative roles of the three tiers of government in public service delivery has emerged as one of the most important topics of open and vigorous debate in Nigeria. Being a federal system of government, there have been increased calls for intergovernmental fiscal relations in the country to be reassessed in light of a widespread belief that although the states and LGAs are assigned primary responsibility for the delivery of basic public services, they are not equipped with adequate revenue resources to fulfil their expenditure obligations. This study examines the prospects and challenges of sub-national governments' participation in the Economic Recovery and Growth Plan (ERGP) which is the economic blueprint of the current federal government of Nigeria. Among others, the study observes that subnational revenue potential is limited by the inter-jurisdictional mobility of economic agents, with most naturally "local" taxes having low revenue yields. Hence, typically, subnational own-revenue sources are not commensurate with sub-national spending responsibilities, creating a vertical fiscal imbalance usually

1. Senior Research Fellow, Political and Governance Policy Department, Nigerian Institute of Social and Economic Research (NISER), Nigeria; aoladeji079@yahoo.com
2. Research Fellow, Economic and Business Policy Department, Nigerian Institute of Social and Economic Research (NISER), Ibadan.

filled by fiscal transfers from the federal government. Of course, the almost exclusive reliance on federal transfers creates conditions for lack of accountability as sub-national governments may continue to shift blame and responsibility for service delivery to higher tiers of government that control the bulk of government revenues. The study also highlights the political and institutional constraints to sub-national government participation in Economic Development Plans in Nigeria, with suggestions as to how the constraints can be conquered.

Key words: Sub-national Governments, Participation, Economic Plans, Economic Recovery and Growth Plan, Nigeria.

Introduction

The importance of planning and plan implementation in governance cannot be over emphasised. In the words of Amaechi (2006:119), the need for development planning arises largely from the fact that productive resources are scarce. Therefore, development planning becomes a necessary tool used by many governments and organisations to set their visions, missions, goals, and effective means of realising development through effective direction and control. Ikeanyibe (2009) delineates four phases of development planning in Nigeria. These are (i) The colonial era plans; (ii) The era of fixed term planning (1962–1985); (iii) The era of rolling plan (1990-1998); (iv) The new democratic dispensation (1999 till date) . These plans were conceived and presented to Nigerians as the “foundation stones upon which future economic and social growth of Nigeria will be based” (Anah, 2014). The development plans received financial boost in the mid1970s when the boom in the export of crude oil in Nigeria ensured that funds were readily available to actualise the lofty ideals enunciated in the plans. However, in spite of the abundant crude oil generated revenue, the development plans cannot be said to have sustained development in Nigeria. Each of the plans has been severely criticised. While the colonial era development plans have been criticised as not involving the people whose interests and welfare the plans were supposed to enhance, others have either been described as "too ambitious," "ill-conceived" or "not inclusive." As a result, the development status of the country leaves more questions than answers.

In April 2017, President Muhammadu Buhari launched the Economic Recovery and Growth Plan (ERGP) which unveils a road map for Nigeria's economic recovery, growth and sustainable development. According to the president, the ERGP is an ambitious plan that seeks to achieve a 7 per cent economic growth by the year 2020. For him, the aim is not just to remove the country out of recession, but to put it on the path of strength and growth, away from being an import dependent nation. The launch of ERGP appears a timely and appropriate government response to acute economic crisis being witnessed in Nigeria since late 2015 when the country technically entered an economic recession. It would be recalled that Nigeria's Gross Domestic Product contracted twice in 2016 which resulted to economic recession that affected and is still affecting macro and micro economic indicators of the country. Since early signs of recession, the federal government has been working out modalities to take the economy out of it through various policies, being implemented casually before launching Economic Recovery and Growth Plan (ERGP) in April, 2017.

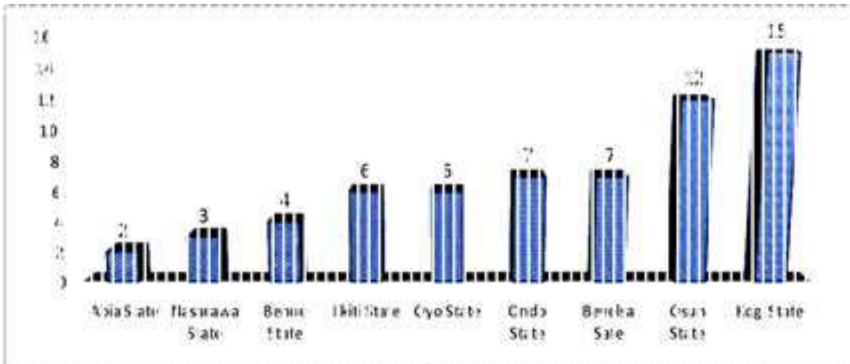
During the launch, the president called on state governors to draw inspiration from the plan and articulate their own plans that will lead them to real growth. One of the governors, Mr. Yari of Zamfara State said the launch of the ERGP is a significant milestone in the economic management of the country which provides a basis for inclusive growth, promising that all the 36 governors will take ownership of the plan and ensure its implementation as it concerns other levels of government. Indeed, subnational governments' buy-in and ownership of national development initiative become important given that these lower tiers have historically not been optimal in their contributions to national economic development. It has been argued that the processes that have culminated in the creation of the 36 states and Federal Capital Territory (FCT) in Nigeria are the result of a complex political arrangement and rearrangement, rather than a search for economic efficiency in the application of the principle of subsidiarity.[1]

The ERGP was specially designed to reverse the economic recession that started in Nigeria in the first quarter of 2016. Before the recession, the country had experienced a steady economic growth for more than a decade.

The steady growth however slowed down in 2014, primarily because of the twin challenges that confronted the major revenue source of the country. First, the drastic reduction in the international price of crude oil in 2014 hampered economic activities in the country. Available data from Central Bank of Nigeria (CBN) indicated that the price of crude oil declined from \$110.2 in January 2014 to \$30.6 in January 2016. Although it has improved, the price has remained around \$50 in May 2017. Second, the activities of the Niger Delta Avengers in 2015 and 2016 affected the quantity of crude oil being exported by the country. Nigeria's crude oil production declined from 1.81 million b/d in 2014 to 1.10 million b/d in 2016. The devastating effects of the reduction in the price and quantity of crude oil was based on the over dependence of Nigeria on a single commodity for fiscal revenue and foreign exchange earnings.

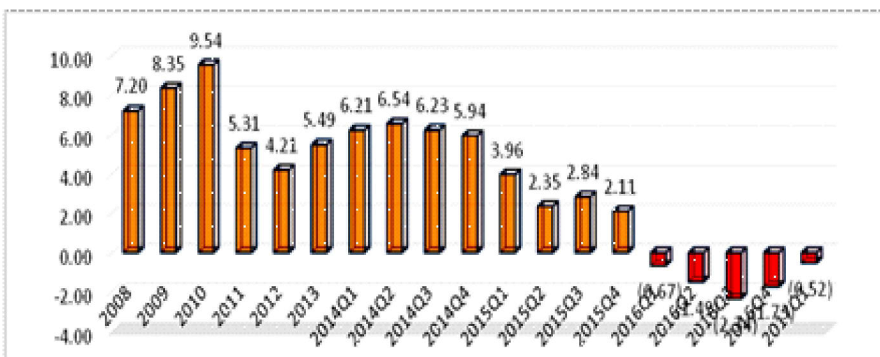
One of the numerous effects of the reduction in the price and quantity of Nigeria's crude oil is the short fall in federally allocated revenue to the three tiers of government, especially the sub-national governments. For instance, while the National Bureau of Statistics (NBS) reported that the total income of the State Governments in Nigeria in 2012 was ₦3.3 trillion, it reduced to ₦2.3 trillion in 2016. Despite the bail-out funds the federal government extended to the state governments in the period, the subnational governments have not been able to meet salary obligations to their workers. This contributed enormously to the economic recession being experienced by the country. One of the three ways of calculating the Gross Domestic Product (GDP) is the income approach. Others are Output method and Expenditure method. The income approach of calculating the GDP aggregates the rewards to the factors of production. Incidentally, wages and salaries form the bulk of GDP using this approach shows that as at January 2017, several states were owing the workers between 2 to 15 months' salaries (Figure1). Expectedly, this automatically led to reduction in the level of income (GDP) in the country (Figure 2).

Figure 1: States Owing their Workers (As at January 2017)



Source: *www.nigerianmonitor.com/full-list-of-states-that-are-owing-salariesof-workers-in-nig*

Figure 2: GDP Growth rate at constant 2010 prices (Real GDP Growth) Percentage

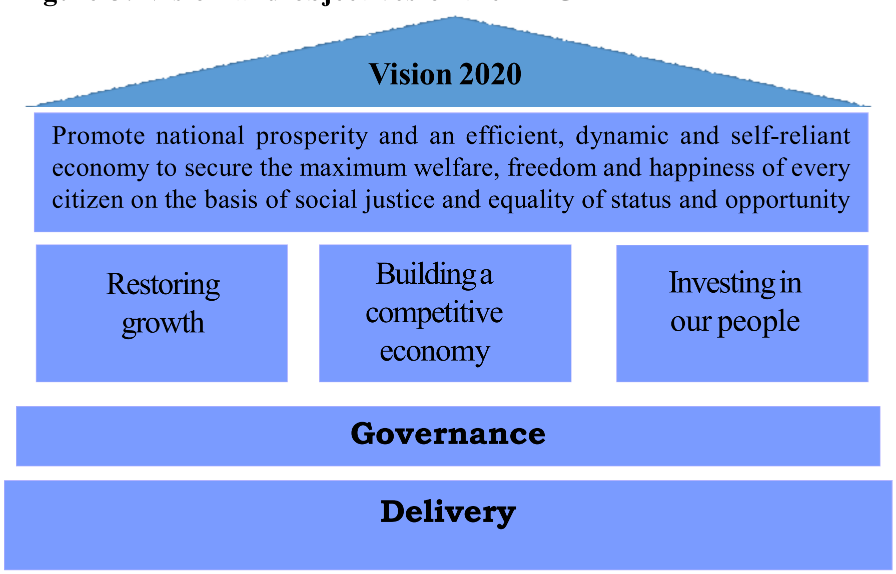


Source: Central Bank of Nigeria Database, *http://statistics.cbn.gov.ng/cbn-onlinestats/.*

Another major economic challenge in Nigeria that has contributed to the economic recession is that the country is tilted towards high consumption with very low investment. The rate of investment in the country was 14.4 percent as at 2015. Also, disturbing is the fact that substantial parts of Nigeria's consumption are imported goods and services across all sectors. The reduction in the quantity and price of crude oil in Nigeria made the total export of goods and services decline from $145 billion in 2013 to $93.1 billion in 2016. This is not unexpected as the crude oil accounts for about 80 percent of the total export in Nigeria. On the other hand, the import of goods and services has continued to soar; it increased from $59.7 billion to $76.8 billion in the same period. This has far reaching effects on the exchange rates of Nigeria with other countries. Alternatively expressed, the depreciation of Naira from N190:$1 to N550:$1 resulted from the high dependence on imported goods amidst other factors.

It is the attempt to reverse these challenges and set the economy on the part of growth that led to the design of the ERGP. The plan is expected to drive the structural economic transformation of Nigeria with emphasis on improving both public and private sector efficiency. It is also aimed at increasing national productivity and achieving sustainable diversification of production to significantly grow the economy and achieve maximum welfare for the citizens, beginning with food and energy security. The plan is also expected to achieve the national aspiration envisioned by the constitution (Figure 3).

Figure 3: Vision and objectives of the ERGP



Source: *Economic Recovery and Growth Plan (ERGP).*

The ERGP has three broad objectives: restoring growth, investing in our people, and building a globally competitive economy as contained in Figure 3. In order to restore growth, the Plan focuses on achieving macroeconomic stability and economic diversification. Macroeconomic stability will be achieved by undertaking fiscal stimulus, ensuring monetary stability and improving the external balance of trade. Similarly, to achieve economic diversification, policy focus will be on the key sectors driving and enabling economic growth, with particular focus on agriculture, energy and micro, small and medium enterprises (MSME)-led growth in industry, manufacturing and key services by leveraging science and technology. The revival of these sectors, increased investment in other sectors, need for foreign exchange for intermediate goods and raw materials, and greater export orientation will improve macroeconomic conditions, restore growth in the short term and help to create jobs and bring about structural change.

Economic growth is beneficial for society when it creates opportunities and provides support to the vulnerable. The ERGP will invest in the Nigerian people by increasing social inclusion, creating jobs and improving the human capital base of the economy. Restoring Nigeria's economic growth and laying the foundations for long-term development requires a dynamic, agile private sector that can innovate and respond to global opportunities. The ERGP aims to tackle the obstacles hindering the competitiveness of Nigerian businesses, notably poor or non-existent infrastructural facilities and the difficult business environment. It will increase competitiveness by investing in infrastructure and improving the business environment.

The ERGP was designed and expected to be implemented by the Federal Government of Nigeria. The implementation of the plan without the sub-national governments is likely to be ineffective. The federal system of government being practiced in Nigeria gives the sub-national governments a level of autonomy and hence the implementation of federally prepared plans cannot be forced on them. However, the sub-national government controls about forty percent of the total revenue in the country, hence, the roles of the sub-national government in the implementation of the EGRP become important. The roles include efficient utilisation of sub-national transfers to achieve even development and growth, strengthening the enabling environment for the growth of sub-nationals, facilitating labour and capital mobility, spatial planning and infrastructural development and maximising the sub-national effects of macroeconomic and sectoral polices. It is in view of these that this study considers the participation of subnational governments in implementation of the ERGP. Specifically, we analyse the level of participation of the sub-national government in the previous plans in Nigeria and proposed how they can participate in the present plan.

Rationale for the Study

As captured by ERGP (2017-2020) document, Nigeria's economic and socio-political conditions are appalling. Apart from woeful economic indicators, on the social side, poverty and social exclusion rates are high. About 61% of the population lives on $1 or less a day. Human development indicators paint a bleak picture of Nigeria's health and education systems. The country has the fourth-highest infant mortality rate in the world, and nearly 55% of this is attributable to malnutrition. Nigeria's primary school net enrolment rate is 54% and 10 million children of school age do not attend school. Unemployment is high, especially among youths. Nigeria has 17.6 million unemployed/underemployed youths who account for about 22% of the labour force (Q2 2016). Unless additional jobs are created as a matter of extreme urgency, these numbers will increase dramatically over the next five years as the 45% of the population under 15 years enters the work force. This picture suggests that all hands must be on deck in the task of economic and social recovery for Nigeria.

The relative roles of the three tiers of government, the federal, the state, and the local government areas (LGAs) in public service delivery has emerged as one of the most important topics of open and vigorous debate in the new democratic climate in Nigeria. There have been increasing calls for intergovernmental fiscal relations to be reassessed in light of a widespread belief that although the states and LGAs are assigned primary responsibility for the delivery of basic public services, they are not equipped with adequate revenue resources to fulfil their expenditure obligations because the bulk of government revenues is retained by the federal government (Jerome, 2016; Oladeji, 2014). The discussion is overwhelmingly centred on the revenue sharing formula that allocates resources from the Federation Account amongst the three tiers of government.

With the adoption of a federal constitution in 1954, Nigeria provided fiscal autonomy to its three regions both over expenditure decisions and over a local revenue base (consisting primarily of mining rents, personal income tax, and receipts from licenses). Centrally collected revenues, primarily from export, import and excise duties, were distributed to the regions according to the derivation principle. However, after independence in 1960, the derivation principle was modified in the interest of national unity, and the federal system of government began to be used to accommodate the diverse social and political interests of a multiethnic state. From 1966, under successive military regimes, revenue administration and collection became increasingly centralised, and regional allocation was engineered at the discretion of the military government. Simultaneously, expenditure responsibilities and government functions also became centralised, with the federal government assuming the role of the engine of social and economic development. Furthermore, it is widely believed (Bach, 1989:4) that the federal system began to be perversely used to distribute national resources in a wasteful manner, through the creation of new states and local governments along ethnic and political lines, without regard for economic viability. Nigeria's federal units grew from three to four regions during 1960-1966, and then to 12 states by 1967. In 1976, local governments became recognised as the third tier of government, entitled to statutory allocations from both federal and state governments.

Theoretical Framework

In a federal system of government, significant fiscal functions (revenue generation and expenditure functions) are shared between the central and lower levels of government. This occurs in countries like the United States of America, Australia, Canada, Brazil, Switzerland, Germany, India, and Nigeria. Decentralisation is theoretically justified on both political and economic grounds. Economic-side arguments emphasise the advantages in terms of promoting inclusive and broad-based growth, optimal use of local and national resources for economic development. The proposition is that achieving economic efficiency and welfare maximisation require an optimal balance of fiscal and policy jurisdictions between central and local authorities. The theories emphasise that different layers of government have different comparative advantages (in terms of capacity, efficiency and effectiveness) for providing different kinds and levels of public goods. It is argued that the state can best maximise social welfare through decentralisation such that locally-consumed public goods (that is, public goods not national in character) should be provided by respective local authorities. Where the consumption of a public good is confined to spatial or geographical scope, there is economic merit for lower governments to take responsibility. The central economic postulate of fiscal and policy decentralisation is that the provision of public services should be located at the lowest level of government consistent with the incidence of costs and benefits, since lower tiers of governments have greater information about local conditions and can therefore, provide services that are better suited to the needs and preferences of the local population. But, such responsibility and functions would need to be matched with fiscal powers and resource control.

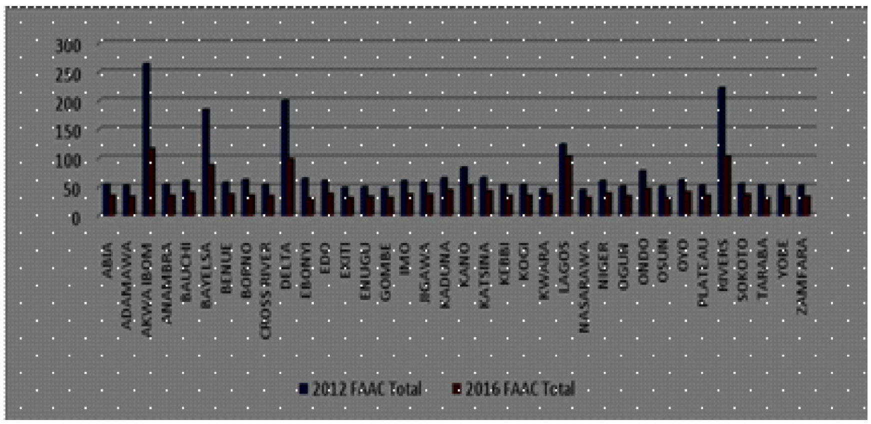
On the political side, decentralisation is a theoretically valid tool for managing in-country heterogeneities, reducing power-sharing tensions and catering for divergent needs of the different nationalities/societies within a country. It is reasoned that decentralisation could reduce ethnic conflict and secessionism by giving groups control over their own political, social and economic affairs (Miodownik and Eidelson, 2004). But, there are risks also. Decentralisation may aggravate conflicts by intensifying opportunities for canvassing regional/ethnic identities, enacting discriminatory regional legislations and emboldening regional or local groups with resources to intensify ethnic conflicts and secessionism (Brancati, 2005). If revenue decentralisation is not congruent with the decentralisation of responsibilities and functions, there is vertical fiscal imbalance (Herber 1979 ; Anyanwu, 1999) and local authorities may lack the fiscal capacity to provide critical local public services.

Characterisation of the Sub-National Governments in Nigeria

Although there are two sub-national governments in Nigeria: State and Local governments, this section will focus basically on the state because of data limitation. In order to understand the financial challenges of the sub-national governments and to be able to understand the need to complement the federal government's efforts in setting Nigeria's economy on the part of sustainable growth, this section concentrates on characterising the financial status of the states. The effects of the shock in the crude oil on Federation Account Allocation Committee (FAAC)'s revenue allocation was really devastating resulting in 40 percent reduction considering the

2012 and 2016 annual revenues to the states. As displayed in Figure 3, there was a drastic reduction in the amount of revenue all the states received. It should be added however, that the reduction in the FAAC revenue allocation was more on the crude oil producing states. For instance, Akwa Ibom State had its revenue reduced from ₦263 billion in 2012 to ₦116.6 in 2016, leaving a short fall of about ₦150 billion (Figure 4).

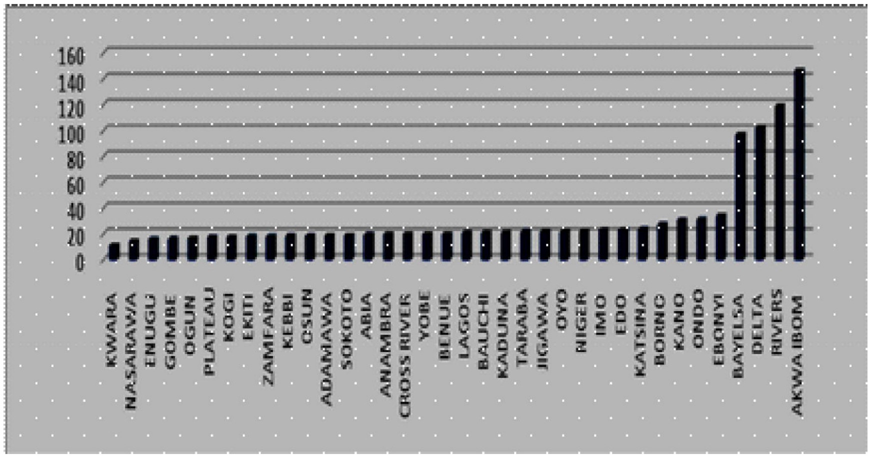
Figure 4: Federation Account Allocation Committee (FAAC) 's Allocations to States



Source: Authors' Compilation, Underlying Data from Federation Accounts Allocation Committee Monthly Reports, Various Editions.

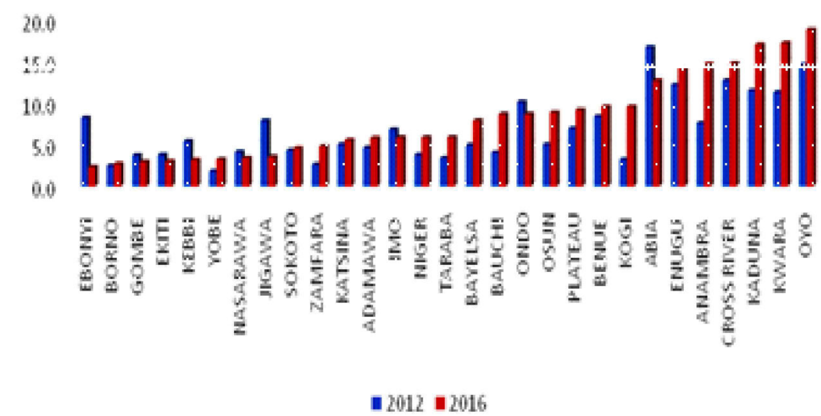
The difference between the FAAC allocation to the states in 2012 and 2016 is contained in figure 5. It shows that the four states with the highest allocation in Nigeria lost over ₦100 billion, while the other states lost about ₦20 billion naira each. One would have expected the Internally Generated Revenue (IGR) to augment the short fall in FAAC revenue. Unfortunately, about 10 states had their IGR reduced in 2016 from what it was in 2012. Some of the states are Ebonyi, Gombe, Ekiti, Kebbi, Nasarawa, Imo, Ondo, Abia and Delta (Figure 6). It is also remarkable that some of the states however had substantial improvement in their IGR in 2016 compared with that of 2012. Worth mentioning are Ogun, Kaduna, Kwara, Bauchi, Kogi, Lagos and Kano (Figure 5).

Figure 5: Deviations in FAAC Allocations to States 2012 and 2016.



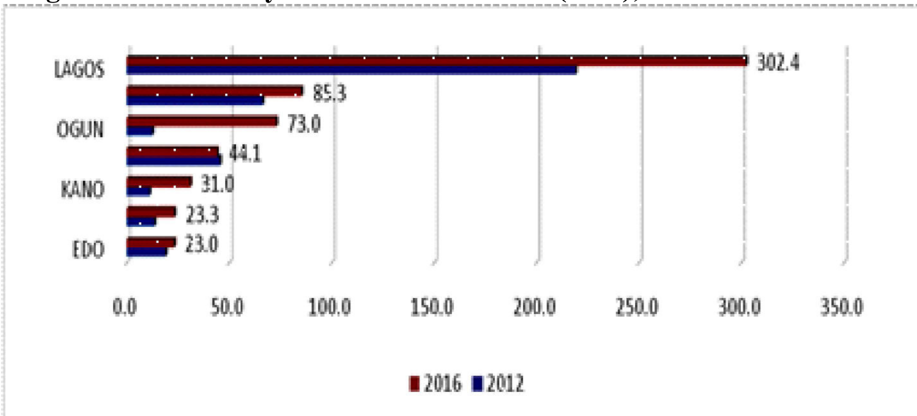
Source: Authors Compilation, Underlying Data from Federation Accounts Allocation Committee Monthly Reports, Various Editions.

Figure 6: Internally Generated Revenue (IGR), 2012 and 2016.



Source: National Bureau of Statistics (Database, 2017)

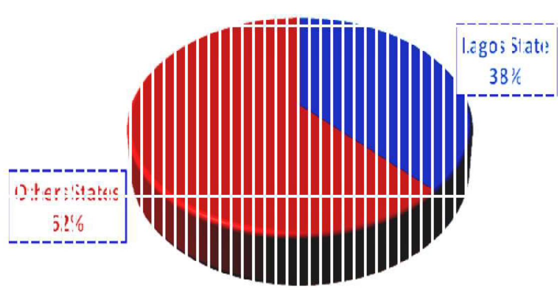
Figure 7: Internally Generated Revenue (IGR), 2012 and 2016.



Source: National Bureau of Statistics (Database, 2017)

Lagos State was remarkable in the period regarding IGR as the state accounted for about 40 percent of the total IGR of all the states in Nigeria, 2016 . The state's IGR is higher that the sum of the lowest 32 states. The low level of the IGR in the states can be seen in Figures 5 and 6 as about 24 states had less than ₦12 biilion annual IGR (less than ₦1 billion monthly) (Figure 8).

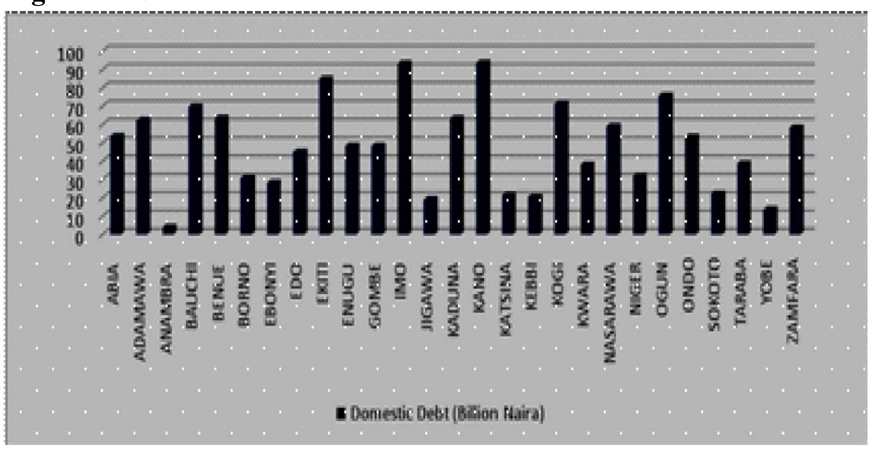
Figure 8: Internally Generated Revenue (IGR), Lagos State and Others in 2016.



Source: National Bureau of Statistics (Database, 2017).

Also worrisome is the high debt profile of the states in Nigeria. The huge debt profile of the states, both domestic and external, are depicted in Figure 9 and 10. Specifically, about ten states have domestic debt of over ₦100 billion naira. Another set of fiveteen states have domestic debt of over ₦50 billion naira. The implications of the huge states' debt manifest in high debt servicing, inability of the states to meet their obligations to contractors, abandoned projects, pressure on the financial institutions, and restrenchment of workers, among others. (Figure 9).

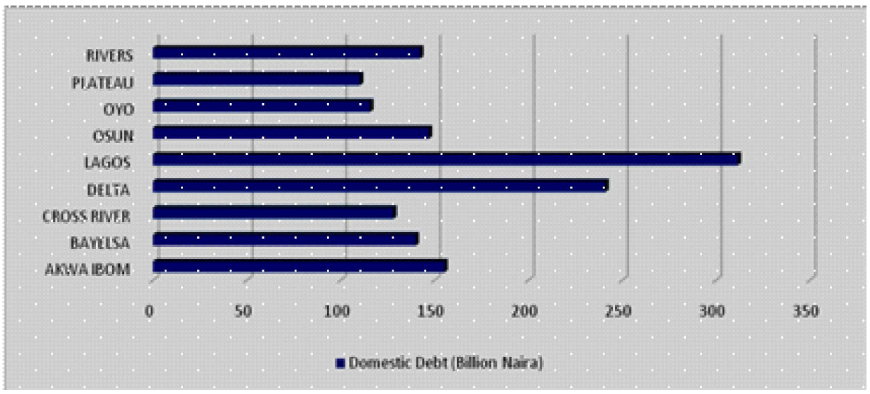
Figure 9: States Domestic Debt in 2016



Source: Debt Management Office Database. 2017.

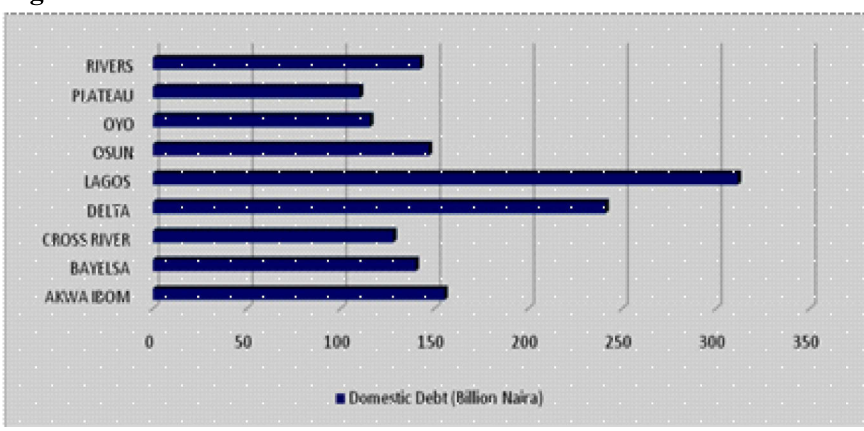
Although, it could be argued that external debt is better than domestic debt, as it puts less pressure on the financial institutions, the surge in the states' external debt is a source of concern, especially, in situations where the states do not utilise the loans judiciously. Besides, the accompanied debt service will reduce the resources available for development. As depicted in Figures 11 and 12, Lagos state has the highest external debt of over $1 billion as at 2016. The other states with huge external debt are Kaduna, Edo, Cross River and Ogun. The remaining states have external debt that is lower than $100 million (Figure 10).

Figure 10: States Domestic Debt in 2016



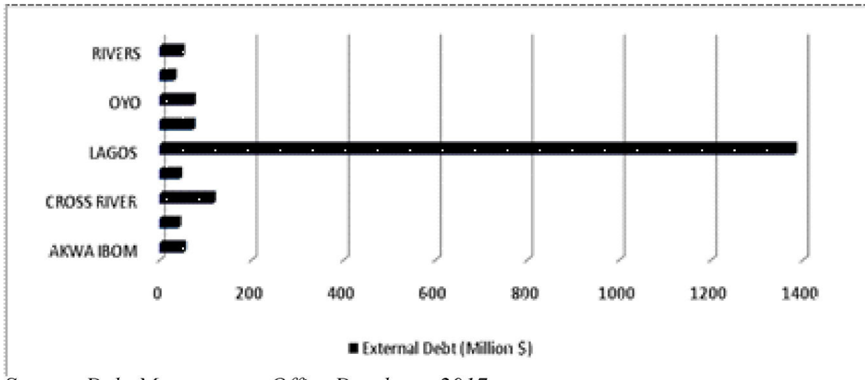
Source: Debt Management Office Database. 2017.

Figure 11: States External Debt in 2016



Source: Debt Management Office Database. 2017.

Figure 12: States' External Debt in 2016



Source: Debt Management Office Database. 2017.

Sub-National Governments' Participation in the Previous Plans

Despite receiving about half the national revenue sub-national governments have failed to meaningfully contribute to economic growth and development in Nigeria. As a consequence, they have failed to provide the services that could materially improve the lives of tens of millions of Nigerians. The 2015 United Nations' Human Development Index ranked Nigeria 152nd out of 187 countries. Being the lower tiers of government and with the advantage of proximity to and full understanding of the people's socioeconomic challenges, the state and local governments are strategically positioned to contribute to citizens' welfare, much more than the federal government that is located many thousand kilometres away. However, as observed by IMF (2001:24), the Nigerian revenue sharing system suffers from the absence of a legitimate and effective mechanism for the subnational governments to contribute to maintaining macro-economic stability, despite their constitutionally mandated access to centrally collected revenues.

Thus, the states have often resisted the federal government's policy of saving, rather than distributing, windfall oil revenues, thereby promoting a syndrome of inefficient public spending, inflation and macro-economic mismanagement (Suberu, 2009:82). Oladeji (2006) cited the September 2001 decision by the federal government not to release the excess crude oil revenue as a case in point. According to the Central Bank of Nigeria (CBN), the disbursement of the $1.1b excess crude funds to the three tiers of government would have led to overheating the economy, which the CBN argued, might be inimical to economic growth (*The Punch*, 4th October, 2001:37). As noted by Oladeji (2006), the 36 states, through their governors, did not only continue to agitate for the release of the excess crude earnings, but also went ahead to threaten to institute legal action, which they did, against the federal government over its failure to share the funds among the three tiers of government (*The Punch*, 4th October, 2001:37). The federal government eventually capitulated on this issue, and the states received their share of the excess crude oil earnings (Oladeji, 2006).

With a view to revamping the economy, the federal government has initiated several policies and programmes in Nigeria, particularly since 1999 when civil rule re-emerged in the country after many years of authoritarian rule. In 2004 the First National Economic Empowerment and Development Strategy (NEEDS I) was launched. This was followed by the Second National Economic Empowerment and Development Strategy (NEEDS II, 2007-2009). What is the extent of sub-national government participation in previous national development plans? This section attempts a catalogue of specific contributions of states and local governments to previous development plans in Nigeria, beginning with NEEDS I.

The Nigerian Government's National Economic Empowerment and Development Strategy (NEEDS) outlines policies and strategies designed to promote economic growth. NEEDS, a federal strategy, was complemented by equivalent approaches at the state level and local government level with implementation of various types of State Economic Empowerment and Development Strategy (SEEDS), and at the local level, Local Government Economic Empowerment and Development Strategy (LEEDS). NEEDS II was similarly conceptualised. NEEDS II was replaced by the Nigeria Vision 20:2020 (NV20:2020) meant to span 20102020. Based on NV 20:2020 blue print, the Transformation Agenda emerged as the implementation strategic framework. Key elements of intervention in the context of implementing NV 20: 2020 and the National Transformation Agenda centre on issues of governance and human capital development. Such interventions include, among others:

- Enhancing political, economic and corporate governance and effectiveness of institutions;
- Human capital development;
- Poverty eradication;
- Implementation of the National Strategic Health Development Plan;
- Implementation of urban policies for sustainable housing, urban renewal and good living;
- Empowerment of women, youths and other vulnerable groups;
- Implementation of the National Action Plan on Employment Creation (NAPEC) targeted at creating five million new jobs annually within the next three years;
- Accelerated rural development; and
- Implementation of the National Plan of Action on Disaster Risk Reduction.

While most of the states in Nigeria kick-stated the process of preparing the SEEDS document, very few states like Lagos and Kano eventually prepared, and implemented their versions of the SEEDS documents. It is important to note that many of the states did not complete the preparations of the plan. In cases where preparations were completed several of them did not implement the plans. For instance, Adeyemo *et. al.* (2008) did an appraisal of the NEEDS and reported that many states merely advertised for stakeholders' workshop and also requested for memoranda from the public for inputs into the state SEEDS document and the processed were not completed. The author equally reported that no LGA in Nigeria attempted to prepare the LEEDS document. For the subsequent plans, Seven-Points Agenda and the Transformations agenda, there were no attempt to harmonise these plans with the aspirations of the sub-national governments.

Constraints against State Participation in Economic Development Plans in Nigeria

Institutional Constraints

(a) One of the many pathologies in the Nigerian system of federalism is that sub-national governments in Nigeria are largely not accountable to the citizens. In addition, state institutions are weak (Oladeji, 2014) and corruption is endemic (Suberu, 2009). The 774 LGAs- the most proximate form of govern ment to most Nigerians- have all but ceased to function (NISER, 2014). The federal allocation is meant to supplement the revenue states generate from taxes on personal income, property and other sources. However, in more than three-quarters of the states, the federal allocation provides more than 80% of total revenue. States' internally generated revenue (IGR) falls well short of even covering personnel costs. Furthermore, IGR usually rely on sources that require the least tax effort such as PAYE – income tax automatically deducted at source from salaries. According to the National Bureau of Statistics, two-thirds of states make at least half their IGR from this source

(b) In addition, many elected governors have no programme or blueprint at the start of their tenure and instead of working out a few priorities that the state can afford, they set up expensive projects which they pass on to the (federal government) to fund, or abandon them when the funding runs out. This explains the existence of misconceived or abandoned state-funded projects that are found throughout the country, from Cross River's grand plan to rival Dubai as a tourist attraction to a former governor of Jigawa's scheme to turn his Sahelian state into an IT hub.

(c) Again, it is noteworthy that Nigeria's federal system is plagued with a twin problem of (i) poor quality of public financial management at the sub-national level and (ii) oil-based funding of constituent states and local governments by legally guaranteed central financial transfers, which has been a particularly powerful inducement to corruption and indolence at the sub-national level. Apart from a few states, Lagos, Rivers, Kano, where Internally Generated Revenues (IGR) are significant, none of the other states and virtually none of the LGAs in Nigeria can do without the monthly hand-out from the federation account (FA).

(d) There is also a weak relationship between spending and intended or actual results notably at sub-national level. Generally among the 36 states in Nigeria, there is a weak relationship between spending and intended or actual results obtained in terms of output and development outcome (SEEDS Benchmarking, 2006). A total lack of socio-economic data compounds this problem mostly at sub-national level. Only a few states in Nigeria have up-to-date socio-economic data, while an even smaller number of them use the data to set development targets and spending priorities**.**

(e) An additional problem is lack of technical analysis of the prioritisation of expenditure programmes- based on an evaluation of Costs and Benefits of alternative options. This naturally leads to lack of a realistic budget.

(f) There is a general problem of lopsided constitutional delineation of power between the federal and sub-national governments in Nigeria. The 1999 constitution (as amended) will appear to have overburdened the federal government, which controls 68 legislative items under the exclusive list and shares 24 with state governments on the concurrent list. The general feeling is that this leads to ineffectiveness at the federal level, and that many of the items could be better executed by the states. Overlap and ambiguity regarding federal, state and LGA responsibilities persist, with intense debate and confusion about which tier of government is responsible for what. For example, responsibility for education is split across the three levels, but the collapse of primary and secondary schools nominally run by LGAs or states forced the federal government to intervene through the Universal Basic Education programme to reduce illiteracy. Indeed, there are certain items on the Exclusive List that the FG, obviously, does not need to legislate on. These should be taken out and given to the states, with corresponding revenues to discharge such functions. To a large extent, this position is in tandem with 2014 national conference recommendations.

Political Constraints

(a) Partisan politics has been observed as one of the main constraints against sub-national government participation in economic development plans over the years. The influence of politics has been so great that it tends to drive the entire process of economic governance at this level. Apart from the lethargic posture of state governments not controlled by political party at the centre in implementing national economic development programmes with zeal, there is the reported case of the government at the centre displaying discriminatory tendencies in the allocation of resources, against those states not controlled by the party in power at the federal level. The raging allegation against the former president, Goodluck Jonathan, on the allocation of ecological funds mainly and exclusively to PDPcontrolled states is a case in point.

(b) The marginal significance of IGR in most states further undermines representative government and accountability. State governments do not depend on the citizens they govern for revenue, so the citizens have little or no leverage. In other words, as long as they receive a handout each month from the centre, state governors bother less about citizens' inputs and comments on the mode of governance. This confirms the widely held views that government in Nigeria "is detached from its people at every level of the federation." In the extant literature, it is contended that almost exclusive reliance on federal transfers creates conditions for lack of accountability and shifting of blame and responsibility for service delivery to higher tiers of government that control the bulk of government revenues.

(c) There is an additional problem of extensive federal intervention in sub-national jurisdictions which constrains development at that level. Although the federal government recognises that the primary responsibility for delivering these basic services rests with the states and local governments, it appears to distrust their capacity and will to do so effectively. Driven by this paternalistic rationale, it chooses to treat certain sectors, such as primary health and education, as national priorities and intervenes extensively in delivery, largely through direct investments in infrastructure. State governments complain that they are not adequately consulted about the size or location of these federal investments and consequently it distorts their budgeting and planning. Some examples are the construction of schools by the federal government under the Universal Basic Education (UBE) programme; construction of Primary Health Care Centres by the National Primary Health Care Development Agency (NPHCDA); federal management of rural water schemes and bore-hole construction under the National Water Rehabilitation Project (NWRP).

State governments appear to resent this intrusion more than local governments, and complain that they are not fully included in the planning and decision-making. Local governments, on the other hand, appeared to view the federal programmes as natural and welcomed, and in line with the federal constitutional responsibility. Specific mention may be made in this regard of the structure of the UBE programme. The first phase of this programme consists of federal construction of new classrooms in each local government area. But there has been difficulty in getting the programme off ground because states have complained that they are not adequately consulted as to the appropriate location of these constructions, and would prefer to oversee the contracts themselves.

Preparation/Implementation of Individual States Plans

In addition to national economic development plans, individual states in Nigeria have embarked on formulation of own-grown plans, most of which have been hooked on regional integration philosophy such as the Development Agenda for Western Nigeria (DAWN) for the south west. In August 2011, Olawale Oshun, Chairman, Afenifere Renewal Group (ARG) presented the south west economic development agenda, known as the Development Agenda for Western Nigeria (DAWN). For him, DAWN was both a "document and a process." As a document the Framework has set out the people's aspirations in clear and unambiguous terms; with a Roadmap for achieving those aspirations. As a process, the Framework addresses the desires and the drive of a people towards fulfilment and actualisation. This process includes "marketing" the Framework to all segments of the society, securing their commitments and buys-in; creating the platform for interactions that will advance the critical deliverables, and demanding that everyone play a role in enabling its success.

The Lagos State Development Plan

In the last 10 years, the government has embarked on a series of reforms to improve the situation and quality of life in Lagos by addressing apparent infrastructure and public service failings. To date, policy directions for these reforms have been guided by several high level documents – 10-

Point Agenda (2003-2007), Lagos State Economic Empowerment and Development Strategy (LASEEDS, 2005-2007), Transforming the Lagos State Government (2009), Lagos Vision 20:2020 and Strategic Management Framework– based on detailed sector strategies. The state government also acts on internationally and locally agreed development efforts, such as the Millennium Development Goals, the Development Agenda for Western Nigeria and the Ehingbeti (Economic) Summits.

Lagos State Development Plan (LSDP) combines policies and plans from ten years of reforms and contains the Lagos Government's vision for the state in 2025. It identifies four development pillars from which the state and the private sector can work together for advancement of:

- Economic growth,
- Infrastructure development,
- Social development and security, and
- Sustainable environment.

The state government recognised that to achieve state-wide reforms, a long-term strategic development plan was needed that brought together all current and historical development approaches together under one roof and also addressed any gap. A long term plan is also important to attract investment from the private sector and international partners. The Lagos State Development Plan (LSDP) harmonises all these previous and existing policies and plans. It was prepared and formally approved by the state's highest decision making body, the Executive Council. The plan expresses the political leadership's clear vision for Lagos in 2025 as: "Africa's Model Megacity and global, economic and financial hub that is safe, secure, functional and productive."

The Osun State Development Plan

In Osun state, Agri-Business development constitutes a core focus of the state's economic development plan. The state attempts to build and seeks more partnerships to develop human, physical and business infrastructure to foster agri-business. Specifically, the state seeks to diversify the current economy by serving 10% of the over three billion Naira ($20 million) per month food market in Lagos– the largest market in West Africa. The state then seeks, through its ambitious OREAP (Osun Rural Enterprise and Agriculture Programme) and OHUB (Osun Hub Programme), to position Osun State as a commercial hub to link the hinterland of Nigeria with Lagos– the country's largest food market. In achieving this, the state is investing as well as seeking partnerships to build a dedicated logistics system to seamlessly warehouse and transport goods between Lagos and Osun through its OHUB programme.

Osun State is also investing in and seeking partnerships with the private sector to build infrastructure (physical and human) to develop the requisite capacity that will drive the hub ambitions of the state. To achieve this vision, a six-point plan was outlined by the current administration. This Six Point Integral Action Plan derives from the cardinal development action points defined by the Rauf Aregbesola administration to realise the development agenda for the state. These are (i) Banish Hunger; (ii) Banish Poverty; (iii) Banish Unemployment; (iv) Promote Healthy Living; (v) Promote Functional Education; and (vi) Promote Communal Peace and Progress. These six points are defined as integral because the delivery of the development vision requires a combined implementation of each of these points.

The Kaduna State Development Plan

The Kaduna State five-year Development Plan, 2016–2020 has its foundation in the Kaduna Restoration Master-plan with the banner "Let's Make Kaduna Great Again." It outlines the aspirations of the new state government to restore Kaduna to its former glory, including a strategic framework to realise the vision, achieve resource projections to guide and prioritise expenditure, and implement plans to deliver results and monitor progress. By 2020, this plan projects Kaduna as a prime destination for business investment, achieving strong and inclusive growth that creates wealth for all, education for all and a healthy population with improved life expectancy. Kaduna State Government will turn the tide on insecurity, becoming a place where every citizen can live and move freely without fear of harm. The State government will set the standard for transparent decision making, citizen engagement, and a competent and responsive public service.

The Role of the Sub-National Governments in the EGRP

Nigeria operates a federal system of government with a strong central government and 36 states together with a Federal Capital Territory (FCT). The states and FCT are further sub-divided into 774 Local Government Areas, with several states, particularly in the southwest breaking the existing local councils further into local council development areas (LCDAs)[2] for grassroots administration. The 36 states are grouped into six geopolitical zones mainly for political purposes. Given the practice of federalism in Nigeria, particularly since 1999, it would appear that the extant political arrangement has constrained the development aspirations of the nation especially with poor Human Development Indexes (HDI) that place Nigeria among lowly developed countries (LDCs) of the world. As a result, questions are frequently being asked as to the role of sub-national governments, namely the states and local governments, in the development aspirations of the country.

In a seminal paper, Jerome (2016) observed that the raging debates on the practice of fiscal federalism in Nigeria, which has emerged as one of the most important topics in public service delivery in Africa's most populous nation is due to the poor performance of sub-national governments. Indeed, his central argument is that albeit sub-national governments are assigned primary responsibility for the delivery of basic public services, but are not equipped with adequate revenue resources to fulfil their expenditure obligations because the bulk of government revenues is retained by the federal government. Based on this, there have been increasing calls for intergovernmental fiscal relations to be reassessed with a view to decentralise more powers and resources to sub-national governments.

Supporting Jerome's views on this issue, Oladeji (2016) observed that the subject of sub-national governments' inability to meaningfully contribute to development process in federal systems has long engaged attention of scholars all over the world. The concern is that the complementary role which sub-national governments are expected to perform in federal systems through the sharing of powers and resources among tiers of government are often lacking. In other words, albeit the raison d'être for establishing a federal system is to ensure a compromise through shared powers and resources between national and sub-national governments, yet the attribute of localness and the complementary role sub-national units are expected to perform are often lacking.

In the same vein, in 2014, Nigerian Institute of Social and Economic Research (NISER) conducted a study on the theme: "Are Local Governments in Nigeria Still Relevant?" Among other things, the study revealed that the persistent questioning of the relevance of the local level of government in Nigeria was due to the fact that the third tier was increasingly finding it difficult to carry out their constitutional functions and responsibilities. The study also found that whereas the structural reform embedded in the 1976 local government reform envisaged the evolution of a strong local government system capable of serving as an effective vehicle for even development on a nationwide basis, yet, the contributions of the third tier of government to national development have been anything but salutary, such that autonomy and performance have become two of the recurrent themes in contemporary local government discourse in Nigeria.

In the light of the foregoing, the success of the ERGP will depend to a large extent on the ability of the states and local government to contribute positively to economic growth and sustainable development in the country, especially at this crucial time that the economy is facing acute fiscal crises. Nigeria has the largest economy in Africa, generating about 20% of the continent's total GDP, and transfers a far greater proportion of resources to sub-national government than any other country (Adams, 2016). Yet standards of governance remain extremely low with public services being among the worst in Africa. In addition economic growth has exacerbated inequality rather than creating jobs. According to the National Bureau of Statistics, two out of three Nigerians live in poverty. The federal system of governance in Nigeria is failing to provide the basic welfare for all citizens that the 1999 Constitution prescribes. What are the specific roles envisaged for sub-national governments in the ERGP?

The ERGP unveils a road map for Nigeria's economic recovery, growth and sustainable development. The core vision of the Plan is one of sustained inclusive growth. There is an urgent need as a nation to drive structural economic transformation with an emphasis on improving both public and private sector efficiency. The aim is to increase national productivity and achieve sustainable diversification of production, to significantly grow the economy and achieve maximum welfare for the citizens, beginning with food and energy security. The Plan envisages that by 2020, Nigeria would have made significant progress towards achieving structural economic change with a more diversified and inclusive economy. Overall, the Plan is expected to deliver on 5 key broad outcomes, namely: a stable macroeconomic environment, agricultural transformation and food security, sufficiency in energy (power and petroleum products) , improved transportation infrastructure and industrialisation focusing on small and medium scale enterprises.

The ERGP provides for strong coordination with the states to ensure that the federal and sub-national governments work towards the same goals. However, the Plan is conscious of the fact that the ability of the states (not to talk of local governments) to provide essential services to their citizenry is at risk as many of them are in a challenging financial position. Indeed, since 2011, total state government revenues have declined by 8% a year, while expenditures have increased by 4% a year. At the end of 2015, state expenditures exceeded revenues by appropriately N1 trillion. The inability of some states to meet their recurrent expenditure obligations, including salaries for civil servants, health workers, and teachers has had a direct negative impact on individual well-being and general economic activity.

Despite receiving about half the national revenue- a sum of N2.7 trillion in 2014 (US$13.5 billion at current official exchange rate)- state governments failed to provide the services that could materially improve the lives of tens of millions of Nigerians. The 2015 United Nations Human Development Index ranked Nigeria 152nd out of 187 countries. State authorities are not accountable to citizens, state institutions are weak and corruption is endemic. The 774 LGAs- the most proximate form of government for most Nigerians- have all but ceased to function. Furthermore, groups armed by or linked to state governors have been responsible for the deadliest outbreaks of violence of the past decade: ethnic clashes in Plateau State, conflict in the Niger Delta and the Boko Haram insurgency. Transparency in sub-national government is as lacking as clear definitions of responsibilities. No state government has issued audited accounts for a year more recent than 2013; Katsina's most recent are for 2012. There is little public scrutiny of state revenues and expenditure. It is widely believed that many governors gain power through fraud or bribery and pack state assemblies with supporters who will not hold them to account.

Conclusion

This study has exposed a serious pathology in inter-governmental fiscal relations in Nigeria, namely over-dependence of sub-national governments on federal resources. Over-dependence on federal resources may lead to soft budget constraints, and accompanying misallocation of resources and macro-economic instability. Presently, Nigerian fiscal federalism is distinguished by the overwhelming concentration of tax jurisdiction and collection at the level of the federal government. All the major sources of government revenue- petroleum profits tax, import duties, excise duties, mining rents and royalties, and companies income tax- are controlled by the federal government. State and local governments have jurisdiction only over minor and low-yielding revenue sources, with the exception of personal income tax at the state- level and property tax at the local level.

Unless fiscal transfers are appropriately designed, sub-national governments may always be able to blame lack of resources as the problem behind inability to perform without having the right incentives to deliver with any given level of resources. There also appears to be a real risk of soft budget constraints at sub-national levels, with states and local governments resorting to excessive borrowing in domestic markets in expectation of federal bailouts. The vertical fiscal imbalance in Nigeria therefore needs be addressed with proper institutions so that all tiers of government face hard budget constraints within which to decide allocations. Standard principles of fiscal federalism may suggest that states and local governments be granted more autonomy to raise own revenues in order to reduce their dependence on federal transfers, that is, expenditure decentralisation be matched to a larger extent with revenue decentralisation.

Several measures have been encountered as a way of overcoming some of the problems. These include suggestions to the effect that (i) The federal allocation formula should be altered to reward better governance; (ii) that the number of states should be reduced to create more economically sustainable units; and (iii) that the overlap in responsibilities between tiers of government should be eliminated. However, many of these measures would require constitutional amendments that are extremely unlikely or well-nigh impossible to implement within Nigeria's political economy for other reasons. It is also noteworthy that the prudent guidelines on government spending and debt that the Fiscal Responsibility Act requires are only binding on the Federal Government. The same limits and guidelines could apply to state governments to prevent a recurrence of the recent insolvency and bailout. In addition, the Debt Management Office should also have increased powers over state government borrowing. Stricter requirements for disclosure of revenue and spending, and the imposition of conditions, will improve state financial management; as will timely, independent audits of state-owned enterprises and the gradual privatisation of such companies.

Recommendations

A re-assessment of mandates and revenues of the three tiers of government: This should involve a further divulgence of tax base in favour of sub-national governments or increase in their share of Federation Account as well as diversification of the nation's revenue base so as to improve the revenue accruable to all tiers of government.

Tiers of Government must Implement projects that have a direct bearing on the poor: All the 36 states in Nigeria must place a premium on the execution of projects that have a direct bearing on the poor, and ensure budget compliance. This is where the character of the state legislature becomes suspect. Most houses of assembly are ill-equipped to play a greater oversight role vis-a-vis the executive or provide greater input to the policy-making process. For the legislature to contribute meaningfully to policy making process, it has to be insulated from control by the executive.

Strengthening the Instrumentality of State Peer Review Mechanism: The State Peer Review Mechanism (SPRM) is a systematic examination of the performance of each state by other states, with the ultimate goal being to help every state improve its policy making, adopt best practices and comply with established standards and principles. Every state should be encouraged to key into this great initiative.

Community Participation is Key to The Successful Delivery of Public Services to the Poor: The interaction between community participation and fiscal decentralisation also needs to be considered. This may involve granting autonomy to community based organisations and user groups as well as institutionalising community participation for improved service delivery at all levels of government.

Full Implementation of the Fiscal Sustainability Plan (FSP): The National Economic Council in May 2016 approved the FSP. It became the basis for the budget support loans from federal government to the state governments. The 22-point Fiscal Sustainability Plan (ERGP, 2017) has five strategic objectives and outlines critical measures to be adopted by the states that mirror public financial management reforms being undertaken at the federal level.

References

Adamolekun, L. (1991) Decentralisation policies: Problems and perspectives. *Asian Journal of Public Administration*, 13(1), 67-92.

Adeyemo D., Salami A., and Olu-Adeyemi L., (2008) An Appraisal of Economic Reforms in Nigeria, *Contemporary Management Research* 4(2), 119-136.

Amaechi, L., (2006). National Development Plan in Nigeria in Agbogu A. E. (ed.), *State and Society in Nigeria. A Handbook for Social Science*. Owerri Skillmark Media Ltd.

Anah, Cletus Ikechukwu (2014). "Who Benefits? The Political Economy of National Development Plans in Nigeria," *Journal of Alternative Perspectives in the Social Sciences* 6 (1), 100-115.

Anderson, George (2007). Nigerian Fiscal Federalism seen from a Comparative Perspective. Address to Nigeria' Governors' Forum, Abuja, 28th October.

Anderson, George (2010). *Fiscal Federalism: A Comparative Introduction.* Forum of Federation: Oxford University Press.

Anyanwu, J. C. (1999). "Fiscal relations among the various tiers of government in Nigeria," In *Fiscal Federalism and Nigerian's Economic Development*. NES Selected Papers Presented at the 1999 Annual Conference Ibadan.

Appadorai, A. (1975). *The Substance of Politics,* New Delhi: Oxford University Press, 11th edition.

Awa, E.O. (1976). *Issues in Federalism,* Benin City: Ethiope Publishing Corporation.

Bach, D.C. 1989. "Managing a Plural Society: the Boomerang Effects of Nigerian Federalism," *The Journal of Commonwealth and Comparative Politics*, Vol 27. 2.

Brancati, D. (2005). *Decentralisation: Fuelling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism.* Harvard University Cambridge, Massachusetts.

Dicey, A.V. (1939). *Introduction to the Study of the Law of the Constitution,* London: Macmillan, 9th edition.

Ehwarieme, William, (1999). "The military, oil and development: the political economy of fiscal federalism in Nigeria." In *Fiscal Federalism and Nigeria's Economic Development*, *Collected volume of papers presented at the 1999 Annual Conference of the Nigerian Economic Society*.

Ekpo, Akpan H. (1994). "Fiscal federalism: Nigeria's post-independence experience, 1960-1990 ," World Development, Vol. 22, No. 8, 1129-1146.

ERGP (2017). *Economic Recovery and Growth Plan* (2017-2020), Ministry of Budget and National Planning.

Herber, B. P. (1979) Modern public finance. Homewood: Richard D. Irwin, Inc.

Ikeanyibe M. (2009). Development Planning in Nigeria: Reflections on the National Economic Empowerment and Development Strategy (NEEDS) 2003–2007. *Journal of Social Science* 20(3); 197 – 210.

Oladeji, A (2014). An Analysis of the Institutions for Managing Revenue Allocation in Nigeria. Unpublished Ph.D Thesis in the Department of Political Science, submitted to Faculty of The Social Sciences, University of Ibadan, Nigeria.

Oladeji, A. (2016) "Discussant Remarks" on a Paper titled Sub-National Governments and the Development Process in Nigeria presented by Afeikhena Jerome in Ladipo Adamolekun edited *Essays on Public Management, Gender and Subnational Governments,* Ibadan: Caligata Publishing Company Limited.

Shah, A. And Qureshi, Z. (1994). "Intergovernmental Fiscal Relations in Indonesia: Issues and Reforms Options," *World Bank Discussion Paper 239*, Washington D.C., World Bank.

Footnotes

1. https://www.naij.com/1106423-opinion-the-good-bad-nigerias-economicrecovery-growth-plan.html
2. Perhaps due to unresolved litigations in respect of creation of local government councils by Lagos states in 2004, some states particularly in the southwest have decided to create LCDAs, and not LGAs in order to avoid the wrath of the law in respect to fulfilment of all requisites conditions for creation of subnational entities according to the 1999 constitution as amended.