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FISCAL FEDERALISM IN GLOBAL PRACTICE: WHAT LESSONS FOR NIGERIA FROM OTHER FEDERATIONS?

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ABSTRACT: ***The practice of fiscal federalism has been controversial and often contentious in Nigeria. The Nigerian state has experimented with one form of ad hoc commission or the other with the aim of improving the practice of fiscal federalism, however, a just, equitable and acceptable fiscal template is yet to be achieved. Against this background, the study examined the practice of fiscal federalism in some selected countries in the global arena and what lessons Nigeria can learn from them. The study employed the political economy method using content evaluative framework to analyze the issues highlighted in the paper. Findings revealed that there is greater fiscal viability and political influence of local governments in the advanced federations. Also, findings revealed that irrespective of the kind of fiscal federalism practiced economic outcomes can be efficient. The mind set of economic stakeholders, matter for stellar fiscal federalism performance. The study thus recommended that the government should give more autonomy to the local governments, public expenditures should be directed towards the removal of regional disparities as well as removal of perverse incentives.***

Keywords: Fiscal federalism, economy, resource allocation, fiscal balance, institutional framework. Jel classification: C_{38}, H_{71}, H_{77}

INTRODUCTION

The advent of formal system of governance in Nigeria heralded the birth of fiscal federalism in the country. Olofin et al (2010) opined that importance of revenue generation, allocation, and distribution cannot be overemphasized in an environment of plurality and language heterogeneity such as we have in Nigeria. According to Taiwo (1999) federalism is essentially about government structure in the multilevel sense, rather than with a particular level of government, in the performance of government functions. It should be noted that among the prominent variants of federalism are fiscal, political and administrative types. Fiscal federalism refers to the allocation of taxing powers and expenditure responsibilities to different levels of government in a federation (Vincent, 2001).

The purpose of fiscal federalism is to achieve social optimum bliss as enunciated in welfare economics. The theoretical justification for fiscal federalism is sound and has delivered significant level of economic dividends in advanced democratic countries as evidenced in the successes recorded in terms of economic development but in Nigeria the reverse is the case. For instance, there had been attempts to amend the 1999 constitution to reflect what (Adedeji, 1998) referred to as the five pillars of a modern state; justice, human rights, people's sovereignty, empowerment and accountability. These attempts have not yielded the desired results. It was in this light that (Iwayemi, 2013) stated that related political and socio-economic issues with regional and national dimensions have often seen through the lens of partisan politics and ideological prisms with minimal consideration for the net political, social and economic costs and benefits of the outcomes of these decisions. The author further averred that intergovernmental fiscal transfer has continued to generate highly contentious fiscal games at different fora.

Again, the political, social and economic costs of the inefficient workings of Nigeria's fiscal federalism have directly and indirectly shortchanged our past, current and future development. In the same vein, (Ishola, 2016) observed that from independence to date, Nigeria has failed to arrive at a revenue sharing formular acceptable to all. The author further stated that the pressures of federating units have not allowed any ruling government a peaceful atmosphere for desired development in the country. Federating units lay accusations of victimization, neglect and marginalization. These have brought untold hardship on the people though some positive results have come out of such agitations. Since 1946, The Nigerian state had set up ad hoc commissions to determine optimal allocation formulae and criteria yet the issues of resource control, revenue allocation and fiscal federalism remains contentious. Against the foregoing background, the objective of this paper is to examine how fiscal federalism is practiced in other climes and what lessons Nigeria can learn from the experience of others. For us to achieve the aforesaid objective the following questions are imperative; what kind of fiscal federalism is practiced in the selected countries? What has been the impact of fiscal federalism on economic outcomes in the selected countries? What lessons can Nigeria learn from Australia, Brazil, Canada, Germany and Malaysia? Following this introductory section, section 2 attempts a brief on literature review. Section 3 contains a review of countries' experiences. Lessons of experience are presented section 4 while section 5 concludes the paper.

LITERATURE REVIEW

Conceptual Clarifications

In this section, we shall briefly but concisely illuminate the following concepts to enhance a lucid understanding of this paper. These concepts are federalism, fiscal federalism and economic development. Ibbih and Idiagi (2015) defined federalism as a system of government in which power is shared between a central authority and various constituent units of the country. In the same vein fiscal federalism refers to the allocation of taxing powers and expenditure responsibilities to the different level of government in a federation (Vincent, 2001). In a federation, there are at least two levels of government. First, we have the government that is responsible for a few areas of common national interest. The others are the governments that are in charge in the provinces and municipal. In the Nigerian context, this comprises of a Federal Government, 36 states, Federal Capital Territory and 774 Local Governments. Fiscal Federalism is a by-product of federalism. Federalism is a political construct in which the power to govern is shared between national, states and local governments, creating what is called a federation. Arowolo (2011) surmised that fiscal federalism is a general normative framework for the assignment of functions for the different levels of government and appropriate fiscal instruments for carrying out these functions.

Fiscal operations can be viewed from two extreme variants of the public sector. Onya (2017) opined that on the one hand, there exists a highly decentralized fiscal system in which the government at the center has no economic responsibilities. On the other extreme, is the variant where there exists total centralization. In real terms, there exist some degrees of decentralization in all economies. The degree of decentralization connotes the degree of autonomy in making decisions in the provision of social and economic services. In Nigeria, fiscal federalism is intended to achieve a balanced federation, economic development and national unity (Babalola, 2015).

The concept of development has been subjected to heated debates in literature see for instance (Todaro, 1982; Lane & Ersson 1997). The bottom-line is that development is a process and not a static condition (Omotola, 2010). The classical conception of development equates development with economic growth. Today, development is seen in broader perspective beyond economic growth to include what actually happens to the growth. Development is a multi-dimensional process that transcends the borderlines of economic variables to include political, social security and environmental concerns. Lane and Ersson (1997) defined development as a multi-dimensional process involving major changes in social structures, political attitudes and national institutions as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty. This implies that development is about the people reaching an acceptable standard of living, a condition possible only when people have the basic things they need to live decently. These include housing, clothing, nutritionally balanced diet, portable water, clean environment, security and freedom of choice, education, employment and others.

When the benefits of economic growth is not fairly distributed then economic development is hampered and may result into creating greater inequality, higher unemployment, weakened democracy that can trigger unrest and instability. Development can be viewed at individual level to include increased skills and capacity, greater freedom, creativity, self-discipline, responsibility and material well-being and at the level of society to include increasing capacity to regulate both internal and external relationships. A common string that connects all these perceptions of development is that development is man and society centered in a multi-dimensional scope. It is also in the context of economy, security, polity, culture, environment and sustainability.

Method of Study

This research work adopted the political economy methodology in the context of qualitative analytic approach. The methodology is about taking a broad perspective on issues from political, historical, social, cultural, economic and technological perspective. The countries reviewed in this study were selected based on the type of fiscal federalism practiced, population and state of economic development. For our purpose, we reviewed and analyzed the context of relevant literature, documents and data on fiscal federalism across five different countries with variants of centralization and decentralization paradigms. It was on this frameworks and spirit that the paper analyzed all relevant issues germane to it.

Theoretical Framework

In economic literature, there are various theoretical constructs for explaining, illuminating and understanding fiscal federalism in Nigeria especially when viewed in the context of other economies with the goal of improving economic development. The theoretical foundation of this study is couched on the endogenous growth model by (Mankiw, Romer & Weil, 1992). The theory postulates that economic growth depends on investment in human capital, innovation and knowledge management (Romer, 1994).

Endogenous growth theory tries to establish that long run economic growth primarily depends on policy measures within an economy. These policy measures include revenue allocation derived from the practice of fiscal federalism which positively impacts on the long run economic growth that reflects as increase in real Gross Domestic Product (GDP) (Dagwom, 2013). An endogenous growth model provide mechanism through which changes in economic policies, accumulation of human and private physical capital stocks can generate sustained economic growth, even in the absence of exogenous technological change and population growth. Researchers who applied this theory in their various studies posited that policy measure such as revenue allocation positively influences economic growth as reflected in increase in real GDP in the long run (Omodero et.al, 2019); Dogwam, 2013).

CORE ISSUES IN NIGERIA'S FISCAL FEDERALISM

There are so many angles to view core issues of Nigeria's fiscal federalism. The perspective of this paper is to view it from the relationship between development and fiscal federalism. Such views include looking at it from intergovernmental transfers from both vertical and horizontal colourations. Also, it can be viewed from economic history perspective. Oladele (2010) highlighted the importance of fiscal federalism to development through pull and push perspectives in the context of principles of fiscal federalism. The author centered the analysis on the principles of accommodation, correction of externality, social safety net and derivation. The pull perspective postulates that fiscal federalism can address uneven development in a society through the instrumentality of the principles of accommodation, correction of spillover effects and social safety net. A federal system has in-built mechanism to correct the negative consequences of natural but unequal resource endowment among constitutions units. The push factor engenders development through promotion of sense of belonging and healthy competition among constituent units. The principle of derivation encourages each unit to explore natural endowments within its geographical space.

A major issue in Nigeria's fiscal federalism is the incidence of economic renterism. By virtue of revenue allocations structure that makes sub-national units sub-servient and complete reliance on the federal government discourages creativity in tax mobilization as a source of revenue.

Table 2.1: Total Federally Collected Revenue (1990-20)

YEAR	TOTAL REVENUE	OIL REVENUE	NON-OIL REVENUE	%OF OIL REVENUE FROM THE TOTAL REVENUE	% OF NON-OIL REVENUE FROM THE TOTAL REVENUE
1990-1994	28,830.72	8570.44	3,742.28	69.56	30.44
1990-1999	41,309.18	31596.72	1,1912.46	71.44	28.56
2000-2004	151,131.82	213599.50	5,0505.08	80.22	19.78
2005-2009	507,795.12	929779.28	195827.08	75.34	24.66
2010-2014	208, 966.58	1673492.56	414474.02	62.84	37.16
2015-2018	N.A	N.A	N.A	N.A	N.A

Source: Central Bank of Nigeria Statistical Bulletin-Various issues.

Table 2.2: Revenue Allocation in Nigeria

Federal Government (%)	56
State Government (%)	24
Local Government councils (%)	20
Total (%)	100

Source: Federal Ministry of Finance

A cursory look at tables 2.1 and 2.2 clearly shows that revenue from the oil sector dominates the Nigerian economy. Also, a statutory allocation to all levels of governments is skewed in favour of the central government.

Closely related to this is the issue of economic diversification both at federal and sub-national levels, the economy largely depends on oil rents, thus, every constituent units are not motivated to be creative and this one of the major issues of fiscal federalism in Nigeria. In light of the foregoing (Iwayemi, 2013) argued that the issue of fiscal inefficiency arises when sub-national units are not concerned with the efficiency of public expenditure or even accountable for such expenditure since such spending is not based on earned income, that is, internally generated revenues.

Another issue of relevance is over concentration of revenue in the federal government coffers. The revenue sharing formula is skewed in favour of the federal government and over the years this not engendered the desired development. A critical analysis of the revenue profile of oil bearing states revealed a situation of underdevelopment in spite of huge inflows of revenues through the 13% derivation fund accruable to oil producing states. According to data from the ministry of finance, sources the region has received over N2.5 trillion naira from the federation account between 2000 and 2008. The region earns the highest from the federation account up till date. Despite the huge earnings, the Niger Delta region is plagued with stinking underdevelopment. A further analysis of oil producing local governments reflects cases of poverty, social vices, youth unemployment. At all levels, you can see faces of underdevelopment.

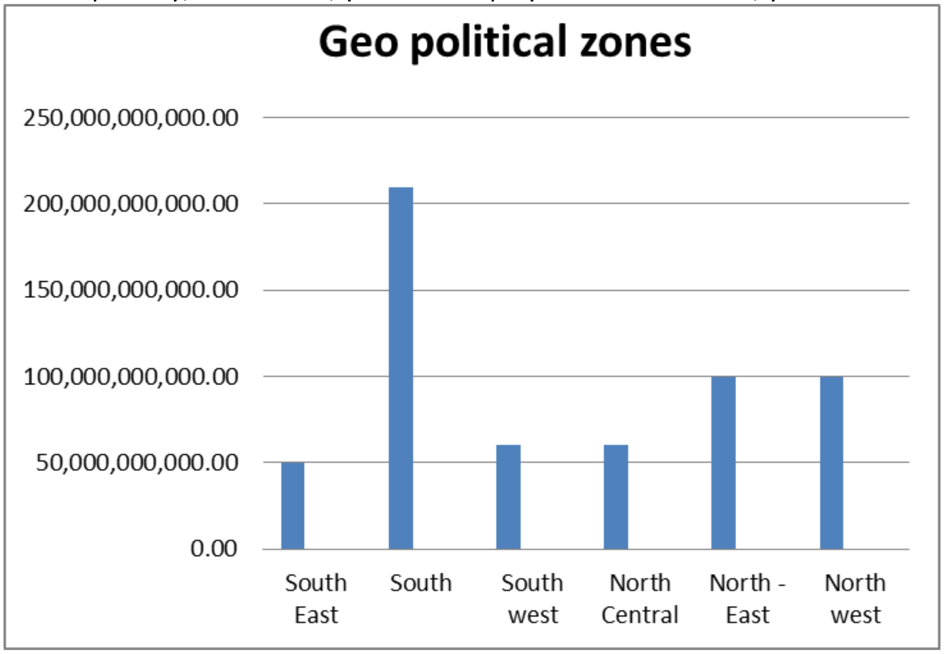

Figure 2.1: Inflows from the Federation Account
Source: Ibaba (2017)

It is germane to reflect on the proceeding section. A cue from the countries reviewed indicated that fiscal federalism is highly centralized in Germany and Malaysia while it is highly decentralized in Canada and Brazil yet they are all ahead of Nigeria in terms of development indicators. The question is; what is wrong with Nigeria? Perhaps, the answer can be found in the character of the political institutions and stakeholders operating fiscal federalism in Nigeria. To this end, Onya (2017) argued that no matter the structures and forms of fiscal federalism devised for a society, if the managers of such society are lackadaisical and halfhearted about development, the realization of the benefits of federalism will be an uphill task if not practically unachievable. From the foregoing analysis, corruption is largely fingered in Nigeria's fiscal federalism.

The use of violence to engender redistribution of revenue is another issue of concern. The literature is filled with resource control agitations in the Niger Delta. A recent and more dangerous trend is the emergence of insurgency in the North-eastern Nigeria in name of Boko Haram, herdsmen conflicts and banditry in Zamfara state. A deeper look at these conflicts revealed subtle agitations on fiscal federalism matters. By virtue of poverty, youth unemployment, inequalities in opportunities and access to development dividends have lured people into joining insurgency militias and the blame is on uneven fiscal federalism in Nigeria.

A REVIEW OF COUNTRIES EXPERIENCES.

The countries reviewed in this study were selected based on the type of fiscal federalism practiced, population and state of economic development. For instance, Brazil and Australia has some economic and demographic features similar to Nigeria though they are economically advanced than Nigeria.

AUSTRALIA FEDERATION

According to Salami (2011) Australia which became a federation in 1901 has six states and 2 territories and approximately 774 local governments. Australia has a two-tiered highly centralized system (Shah, 2005). The central government place significant importance on uniformity of public services across the nation and uses conditional grants to achieve that purpose. 80% of revenue is centrally collected. Local governments are handmaiden of states but are given reasonable autonomy in local service delivery. The central government tax jurisdiction covers income taxes on individuals and businesses, sales, excise taxes and international trade taxes, which are common-wealth taxes. The states are responsible for collecting taxes on payrolls, financial and capital transactions, gambling, insurances, and motor vehicles. Salami (2011) surmised that there are vertical and horizontal fiscal imbalances in Australia but they are corrected through conditional transfers by means of specific grants, specific purpose payments and block grants. The uniform taxation Act of 1942 took away role from states in income taxes and subsequent rulings closed sales and excise taxation fields to states. State local governments are responsible for 50% of the total outlay of the public sector but raise only 17% of revenues (Shah, 2005).

Australia consists of a continental landmass and the Island of Tasmania plus territory in the Atlantic, Pacific and Indian Ocean Islands. Australia was established as a convict settlement by Great Britain in the late eighteenth (18th) century. Most of the Australia people lives in urban areas on the Eastern, Southeast and Southern Coast rims. Australia is remarkably homogenous, politically advanced and stable industrialized country. In the fiscal area, instead of coherent action, the system is designed to encourage the representation of divers interest within the government by establishing competing centers of power. Local governments so circumscribed in Australia. Fiscal considerations are over present in the relations between the seven major governments of Australia. Except for the assignments of customs and exercise duties to the national government, the Australian Constitution of 1901 leaves taxation as a concurrent power of both the national and state governments. Concurrency in this commission means both levels of governments are free to draw from whatever revenue sources they chose to finance their peculiar functional responsibilities. In Australia, there has been little tax overlapping, with only about 2% of all Australian government revenues raised from overlapping taxes. Instead of overlapping the traditional pattern in Australia has been tax separation, and it continuous to be so today. In terms of total tax revenue, the two major important taxes are those on personal and corporate income. Before World War II, both the national and state governments levied income taxes.
Since 1942, however, the national government alone has filled those fields, but the states are reimbursed for not levying those taxes themselves.

BRAZIL

Obinna (1995) stated that Brazil adopted a federal structure as an import from the north and it contrasted sharply with the centralization of government which prevailed under the former colonial and imperial regimes. The country size is huge and there exists regional differences. Also, the country is diverse along the lines of race mixture and economic development. According to Salami (2011) Brazil first adopted federal constitution in 1889. The revolution of 1930 reduced the autonomy of Brazilian's states. After the regime was over thrown in 1945, federal structure was reinstalled. Another military regime took over in 1964 and democracy finally returned in 1985. Under the constitution that was drafted in 1988 by a constituent assembly, 27 states (including a federal district and 5,559 municipalities) in Brazil have significant powers. With the new constitution, three orders of government are recognized; central, state and municipal and a process of fiscal and political decentralization was ushered in with the new constitution. Fiscal federalism issues have been thoughtfully addressed in Brazil than any other developing country (Shah, 2005).

CANADA

Canada operates a highly decentralized fiscal federalism. The current fiscal arrangements between the federal, provincial and municipal council governments' date back to the British North American Act of 1867. The federal government collects personal income tax, corporate income tax and value added tax. At the municipal level, retail tax and resources tax are collected while the provincial collects property tax. The federal government collects personal income tax and corporate income taxes but is remitted in part to the provinces. The provinces can set tax rate above or below the federal level. In fact, the Province of Quebec collects its own personal income tax.

The federal government access to resources tax is marginal as the provinces collect them. The level of development in terms of revenue per capita is a function of the resources tax accruable to each province. Canada has two-tiered highly decentralized system. In 1988, 59% of total expenditure was undertaken at state-local level. In Canada, tax and expenditure assignment are transparent. Tax assignment is overlapping but harmonized. Expenditure assignment is as follows:

Federal; Money, banking, trade, airlines, railways, foreign affairs, defense, unemployment and insurance

Provincial: Prisons, immigration, agriculture, industry.

Municipal: Education, health, social welfare, police, natural resources and highways.

GERMANY

The nature of fiscal federalism in German Federal System is the highly centralized type. In 1949, primary functions were given to the landers (Vincent, 2001). Through the establishment of the concurrent list, the functions of the landers have been encroached upon. This has consequently diminished the powers of the lander to mere implementation of federal programmes. All important revenues are centrally collected and shared among the levels of government. The principles of derivation, population, equalization and uniformity of living conditions form the bedrock of fiscal federalism in Germany. In the German federation, borrowing from the federal government is prohibited and if it borrows at all, it is restricted to the amount for capital budget. The restriction on borrowing has impacted well on national debt. There are other restrictions across all strata of the economy and thus monitoring macro-economic targets become efficient. The Upper House of the Parliament is called the Council of States (BUNDESRAT). State ministers or their deputies are represented on this council and vote at the direction of their governments. This provides a check to any centralizing tendency in the federation. The expenditure assignment is as follows:

Federal: Defense, foreign affairs, immigration, railways, air transport, post office.

Concurrent: Public welfare, regulation of commerce, industry, banking, insurance and labour relations, promotion of social responsibility, public roads and shipping. Note that all concurrent responsibilities are carried out by states (Laender).

States: Education, culture and residual powers.

Tax Assignment: Federal government has exclusive authority over customs and federal monopolies (alcohol etc.) and priority over remaining taxes. Taxes are primarily collected by the Centre and then shared with the states and local governments based on agreed percentages.

In fiscal terms, the outstanding features of German federation is tax sharing. Only a few types of taxes carried exclusively by one level of government, and those totaled only about 21% of total tax revenue shared between two or three levels of government. The taxes shared are most lucrative of any country; the personal income tax, the business tax, and the tax on corporation profits. Some of the taxes are required by the basic law to be shared equally between the federation government and the Leander; the share of others is divided by annual negotiation.

Moreover, the German fiscal policy is directed by the Basic Law (Article 72.2) to make economic immunity, especially the maintenance of uniformity of minor conditions beyond the territory of any one land, an objective of state policy.

Thus, German fiscal policy has been developed with equalization in mind. (Article 107 of the Basic Law specially calls for an equalization programme).

This is achieved manly in two ways; redistribution by the national government to the economically less well-off Leander, and payments by the better off Leander directly to those which are less well of.

In addition, both federal and Leander governments have consciously directed public expenditures towards the removal of regional disparities. The German system have work well enough to under gird a remarkable economy recovery for Germany and is regarded by most observers as stable and generally accept by the German people.

MALAYSIA

Malaysia like the German federation is another example where centralized fiscal system is practiced. The federal constitution of Malaysia assigns clear responsibilities to the federal, state and local orders of government. The federal government has the biggest chunk of taxing power making the fiscal system highly centralized. State government are constrained from borrowing by the constitution, the tax revenues from fees, licenses, assessment rates, and taxes on minerals are not huge enough to cover up state and local governments expenditure profiles.

In the Malaysian fiscal arrangement, the federal government undertakes the biggest expenditure in the public sector. These expenditures have generated economic development in the federated states and constitute indirect equalization as the states no longer pay for basic public amenities and infrastructure such as interstate roads and public universities. The federal government consistently provides loans to finance fiscal budgets by states. Local governments have more autonomy than state government. Local governments can borrow but state government cannot. Local government can raise loans backed by assets securities to finance projects deemed profitable for the locality. Pockets of corruption related reports exist in the Malaysia fiscal arrangement. Fiscal federalism in Malaysia has been able to foster a stable federal government though the state order has been facing challenges.

Evaluative Framework

Table 3.1 presents a bird's eye-view of selected federal systems reviewed earlier. The table suggests that Nigeria did not fare well when compare with other federations on decentralization indicators. Nigeria can learn a great deal from other federations in designing transfers. Of the countries reviewed here, Canada and West Germany offer two alternative neat models of a federation. The former emphasizes diversity in public services with minimum standards achieved by tax harmonization and transfers. The latter emphasizes uniformity in public services achieved through rational expenditure assignment and tax sharing arrangements. Smaller developing countries like the Gambia could benefit from the German model whereas large and diverse countries like Brazil, India, Mexico and Pakistan have much to learn from the Canadian Model. Interestingly, U.S. reforms in recent years have also moved it in the direction of a Canadian style two-tiered system.

Table 3.1: Federal Systems – An Evaluative Framework

	Tax Overlapping		Tax Sharing		Tax Separation	
:d ors	**Canada**	**Malaysia**	**West Germany**	**Brazil**	**Australia**	**Nigeria**
al Unity	Fairly strong	Strong	Strong	Strong	Strong	Fairly weak
nfluence on l policy- ;	Strong	Weak	Strong	Strong	Fairley strong	Weak
iovernment utional	Fairly Strong de jure; very strong de facto	Fairly weak	Strong	Strong	Strong	Weak
State l of Local ıment	Strong	Varies from fairly strong to fairly weak	Strong	Weak	Strong	Strong
Of Local ıment ısibilities	Fairly extensive	Extensive	Limited	Extensive	Limited	Limited
iovernment ce on State makers	Fairly Strong	Fairly Strong	Weak	Strong	Weak	Weak
iovernment ce on State	Fairly Strong	Fairly Strong	Weak	Strong	Weak	Weak
iovernment ce on l Policy	Weak	Fairly Strong	Weak	Very Strong	Weak	Weak
aracter of 'ederal	Two-tiered; decentralized	Three-tiered unstructured	Two-tiered; integrated	Three-tiered decentralized	Two-tiered; centralized	Three-tiered; centralized
l-States ıvernmental rs	Important; emphasis on unconditional grants	Important; emphasis on conditional grants	Unimportant emphasis on tax sharing	Important	Important; emphasis on conditional grants	Important
l/Interstate ation nance	Strong; revenue disparities reduced sub-stantiaily	Very weak	Strong; revenue and some expendituredisparities reduced sub-stantially	Weak	Very Strong; revenue expenditure disparities reduced sub-stantiaily	Weak
ax nance	Strong	Fairly strong	Fairly strong	Strong	Fairly weak	Weak

Source: Adapted from Shah, A. (1997). Fiscal Federalism and macroeconomic governance: For better or for worse?

POLICY LESSONS FROM OTHER FEDERATIONS

In a federating state like Nigeria, what is taken from citizens in terms of taxes and other changes are used to provide social and economic services as well as national defense and security. The instrument of fiscal federalism is devised to moderate differences of resource endowment among states, and between the federal and other tiers of government. Nigeria has experimented with different formulae for revenue allocation way back in the late 40s during the colonial period up till present time. However, the Nigerian state is yet to achieve majority acceptance of revenue allocation. Based on the discussion thus far in sections 2 and 3, the lessons discussed below are germane for improving fiscal federalism in Nigeria.

Each of the five countries reviewed in this study has developed fiscal relationship independently and over time with quite different results. Although, no one pattern is better than others, however, Nigeria can learn something from the experience of these countries as they have delivered sound economic outcomes. In all the five countries under review, the power to tax is available to all level of government. Some kinds of taxes are constitutionally restricted to one level but for most part in Canada and Australia, which level uses what kinds of tax and to what extent has been decided more by custom and negotiation, embodied in statues or agreement, than by constitutional provisions. It is only in West Germany that has very specific constitutional provisions concerning the allocation of taxes among levels. The Canadian experience laid emphasis on principle based fiscal federation. The experience demonstrated the fact that principles must transcend fiscal logic. Principles need to coincide with fiscal institutions and political levels. Principles are keys to overcoming any apparent impasse. Canada maintains one of the simplest, most elegant, principled, and purpose-driven intergovernmental finance systems in the world.

There is greater fiscal viability and political influence of local governments in the advanced federations. This portends the greatest lesson for Nigeria. At present local governments in Nigeria are not economically viable and their contributions to national development has been hampered by lack of autonomy and the state governments are unnecessarily meddlesome in their affairs. There are orderly fiscal patterns in the five countries under review. Also, the countries under review have economically efficient systems that: minimize perverse incentives, especially incentives to seek rent; encourage states to grow; discourage suboptimal location decisions; minimize transaction costs. The Nigeria federation can learn from this.

In Canada, tax and expenditure assignment are transparent, sometimes overlapping but essentially harmonious. Nigeria should learn from this arrangement and use it to improve on her fiscal federalism. State Government borrowing is strictly restricted and keenly monitored in line with macro-economic goals. The restrictions on borrowing have implications for the volume of national debit. There is a good lesson for Nigeria on this point. Also, in the countries under review, there are conscious efforts at directing public expenditures toward the removal of regional disparities. This is worthy of emulation by the Nigerian government as it has the potential of reducing rural-urban migration issues. An adequate proportion of federally collected revenue be assigned local governments for any noticeable impact because majority of Nigerians and work there.

CONCLUSION

The Nigerian state been saddled with contentious fiscal federalism since the late 40s during the colonial period up till present time, however, majority of the people are yet to fully accept the revenue allocation template of the government. It was on the basis of this we embarked on this exploratory comparative study of how fiscal federalism is practiced in other climes. The study investigated the practice of fiscal federalism in five different federations. These are Australia, Brazil, Canada, Germany and Malaysia. The federations are all different in their orientations toward fiscal federalism by virtue of their political, historical, cultural and economic antecedents. They have been able to deliver development dividends than the Nigerian federation. There were good lessons for Nigeria to learn from them if she wants to improve on her fiscal federalism as enunciated in the preceding subsection.

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