

LOCAL GOVERNMENT FINANCIAL AUTONOMY: A COMPARATIVE ANALYSIS OF NIGERIA AND BRAZIL

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Abstract

The paper examines the nature of local government autonomy of Brazil and Nigeria and the reasons for the failure of local government autonomy in these countries. Study adopted secondary source of data. The paper revealed that the two countries exhibit divergence in the manner of constitutionalizing, which also provides difference in degree of autonomy enjoyed by the local government- where the constitution provides powers and rights of local government directly or whether it seeks to achieve these through the laws of other governmental levels. In Nigeria the structure has not lifted the local government beyond an embedded system in a dual federal structure in which the states merely deal with local governments as appendages rather than as separate tier of government. In Brazil, the structure provides relative political and fiscal autonomy, but also inhibits smooth fiscal control by federal government that makes constitutional changes more frequent. While Brazilian Municipalities enjoy a higher degree of political autonomy, it is found that the constitutional provisions in Nigeria, encourages and empowers the states and federal government to have control over the finance of local governments. This development has brought to the fore the question of local government autonomy in Nigeria. Although, in both experience, there are no complete or absolute autonomy because their greater sources of revenue are derived from the state and central governments. The paper therefore recommends constitutional review of both countries to strengthen and guarantees the power and jurisdiction of the local government in term of source of revenue for sustainability of their autonomy.

Keywords: Decentralization, Local government, autonomy and constitutionalism

Introduction

All over the world, various strategies and approaches have been adopted or used by government for the purpose of good governance, and in their efforts at distributing the state resources to reach the people at the grassroots. According to Manhood as quoted in Dalhatu (2006: 32) "too much concentration of political and economic power at one level of government would ultimately and inevitably lead to what he referred to as managerial constipation". According to Dalhatu (2006) the

basis of local government is inextricably woven around the principle of decentralization. Local government is the product of decentralised administration. The Constitutions of Germany (1949), Spain (1978), Nigeria (1979/1999), Brazil (1988), India (1992), South Africa (1996) to mention a few have all made constitutional provisions that aim at ensuring significant decentralization and local autonomy. Nigeria and Brazil are considered in this study for comparison.

Despite enormous differences that can be counted, the two countries share some common features that provide grounds for a comparative study. Both countries practice the federal presidential system of government modeled after the United States' system. Both countries have experienced autocratic regimes like military governments that have tended to concentrate power at the centre. The two countries also constitute enormous geographical, political and social disparities that require extensive power dispersion to the periphery, thus, leading to tension between centralism and regional desires to avoid domination by the centre. The two countries were formed by colonial powers as a unitary system but later considered the federal structure as a ploy to balance power between centralizing federal forces and local prerogatives for autonomy. The goal of comparative analysis is to encompass the major political similarities and differences between countries. The task is to understand the nature of constraints and variability which characterizes the world's governments, bearing in mind the national and international contexts within which they operate (Munro, 1925). Comparing Local Government system of these countries is very important to the existence of the states because it helps the states to evaluate and improve on what it has, in terms of structure, functions and operations.

The paper is divided into five sections. Section one is the introduction while the theoretical exposition is discussed in Section 2. Section 3 assessing Local Government Autonomy in Brazil and Nigeria from constitutionally recognizes and stipulated tax bases and fund sources, section 4 explores local government of Brazil and Nigeria in a comparative analysis financially, while Section 5 is the conclusion recommendation.

Methodology

The paper is mainly documentary and descriptive drawing largely from constitutional provisions on local government in both countries and existing scholarship on federalism, local government autonomy and intergovernmental relations. These methods in combination with decentralization theory as framework of analysis informed the deductions, conclusion and recommendations of the paper.

Conceptual Framework

The concept of local government autonomy as defined by Chaturvedi (2013) is the granting of authority to a political organization within a geographical area to decide and determine its own course of action. Wolman, McManmon, Bell & Brunori (2013) define local government autonomy as a system in which local government units have discretion in determining what they will do without undue constraint from higher levels of government, and have the means or capacity to do so. The constitutional provision of powers of local governments within a federal state relatively places the power of local government above what can ordinarily be changed by the laws made by higher order governments, and thus elevates local governments in such countries to having a stake in the federal contract in which that power cannot be tampered with unilaterally.

Local government autonomy is therefore conceived here as the degree of being self-governing by the local government level granted by the national or federal constitution itself (Dang, 2013). It is a

relative freestanding of local government to carry out functions or exercise powers in accordance with constitutional provisions rather than as granted by the laws of the second tier level government within which a local government exists. Following from the above, we then operationalize the concept of local government autonomy here in terms of (1) Assigned powers of local government granted by the federal constitution itself rather than the laws of state, provincial or the second tier level governments (2) fiscal federalism that recognizes the local governments in constitutionally stipulated tax bases and fund sources, and, capacity to enjoy the above two without interference from higher level government.

Theoretical Orientation

Theoretically, this study is anchored on decentralization theory. Thus, decentralization by definition implies that sub national governments or entities take over functions from federal government and thus come to manage their own financial resources than would be the case under a centralized government (Tanzi, 1995). In the literature, two major forms of decentralization are discerned; namely, deconcentration and devolution (Olowu, 1995). The former alludes to the transfer of state responsibilities and resources from the center to the periphery, within the same administrative system. It indicates an internal form of delegation of responsibilities among officials of the organization. On the other hand, devolution entails the transfer of specified responsibilities and resources to the community, who are usually represented by their elected (i.e. non-appointed) officials. For most developing countries, however, decentralization is now viewed as a strategy for mobilizing local resources and an initiative for national development.

Since it has become evident that federal or state governments, alone, cannot guarantee development in the local areas, it then becomes imperative for the power, authority, and responsibility to be transferred from the central or state government to the local government for the purpose of enhancing development in the rural areas. It follows therefore that many developed and developing economies that particularly operates the federal system of governments tend to decentralize some aspect of their public finance. Browsing through the concept of fiscal federalism is important for a fair understanding of the financing sources and options available to the local government especially in a tripartite presidential system. The philosophy behind decentralization is that sub- national government (which local government is part of) must be given power over their own life and development (Nyerere, 1972).

This is important because of the remoteness of the federal government to the rural people. It is believed that decentralization would make the local governments more competent in the management of their own affairs. The fact that the theory of decentralization explains the transfer of authority and responsibility for public functions from the central government to the subordinates make the decentralization theory more suitable and appropriate for this paper.

Assessing Local Government sources of revenue: The Brazil and Nigeria experience

Discussions on local government sources of revenue in most cases touch on the issue of revenue allocation. The term “revenue allocation” is often used in association with such terms as fiscal federalism, resource control, and fiscal decentralization. It has been broadly defined to include the allocation of tax powers and the revenue sharing arrangements not only among the three tiers of government, but also the state governments as well (Olowononi, 1998). Local government sources of revenue in this paper is assessing in terms of the constitutionally recognizes and stipulated tax

bases and fund sources of local governments. It will be discussed under the external and internal sources of revenue of local government of both countries.

1. Analyzing external source of revenues of local government in Brazil

The transfers that come from the states include 25% of value added tax (ICMS) and 50% of motor registration tax (IPVA). States transfer ICMS tax, value added based on collections from each local government. Three quarters of 25% of tax value collected from a local government is transferred to the local government, while the state reserves the discretion of how to share the remaining one quarter and such discretion may include incentives for municipalities to improve on their collection. The federal government also makes some constitutional transfers to local governments. These transfers are mainly from income tax (22.5%), rural property tax (50%), tax on industrial products (IPI) (25%) and tax on financial operations on gold (IPF/gold) (70%).

Souza (2007) says that municipalities that are producers of minerals, petrol and natural gas are entitled to a share of a tax collected by the federal government. The federal transfers from income tax (IR) and from the tax on industrial products (IPI) respectively, make up a fund called FPM - *Fundo de Participação Municipal* (Municipal Participation Fund). The FPM is more or less an equalization fund. Serra & Alfonso (1999) posit that the FPM transfers 10% to state capitals, 86.4% to municipalities in the interior and 3.6% to municipalities with more than 156,216 inhabitants. The formula, therefore, benefits less populous municipalities. This is a plan to ensure more redistribution of resources to small and medium-sized municipalities, that is, those with greater poor population or sparsely populated local governments. The essence is to ensure fiscal balance and to blend divergent and contradictory regional differences among more and less developed regions.

Table 1: Local taxes and constitutional transfers to the municipalities in Brazil

Local Tax	Federal Transfers	State Transfers
Service tax (ISS)	22.5% of income tax	25% of value-added tax (ICMS)
Urban property tax (IPTU)	50% of rural property tax	50% of motor vehicle registration tax (IPVA)
Frontage tax	25% of the tax on industrial products (IPI)	
Property transfers (ITBI)	70% of the tax on financial operations on gold (IPF/gold)	

Sources: Termometros Fiscais da Tributacao e da Decentralizacao (November, 2002) in Castanhar (2003)

Apart from Constitutional fiscal transfers from states and federal governments, the Brazilian municipalities also receive fiscal grants or discretionary transfers from higher level governments especially the federal government as means of creating national minimum standard. The federal government uses the measure of non-constitutional (or discretionary) intergovernmental financial transfers to control state and local government spending in federally preferred service sectors, mostly health and education. The sharing of such revenues by the federal government is negotiated on a case by case basis each benefitting sub-national governments. Benefitting from such revenues

is subject to signing of agreement with the Federal government; it attracts proportional spending of the sub national government's budget resources, and is subject to strict follow up and control (Castanhar, 2003). This revenue source has assumed an increasingly important place in local government financing in Brazil and thus constitutes a strong avenue to curb on the fiscal autonomy of municipalities. The table below shows a difference which the Discretionary transfers makes in the total disposable revenue of local governments from 1995 to 2002.

Table 2: Tax Revenues Distribution by level of Government in Brazil 1995 to 2002

Disposable Extended Disposable Revenues2				Revenues		
	Central	States	Local	Central	States	Local
1995	61.78	25.98	12.24	61.78	25.98	12.24
1999	63.31	23.96	12.74	59.71	25.05	15.24
2000	62.78	24.51	12.71	58.71	25.85	15.46
2001	62.60	24.45	12.95	58.71	25.82	15.48
2002	63.27	23.72	13.01	59.43	25.01	15.75

Source: Termometros Fiscais da Tributacao e da Decentralizacao (November, 2002) in Castanhar,2003)

Disposable revenues are the shares of each level of government's revenue after the mandatory constitutional transfers, while the Extended Disposable revenues are shares after Constitutional and Discretionary transfers. From the table, it is clear that the *municipios* gained close to 2.5 percent of their percentage of sharable revenues from discretionary transfers for 1999, 2.75 percent for 2000, 2.53 percent for 2001 and 2.56 percent for 2002. As noted, the discretionary transfers help the federal government to control the financial expenditure and to direct policies and programmes of sub national governments to priority areas.

2. Analyzing external source revenues of local government in Nigeria

Externally generated revenues which are also stipulated in the federal constitution in Section 162 (3) of 1999 constitution provides that 'any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local government councils in each State on such terms and in such manner as may be prescribed by the National Assembly'. In Nigeria, these sources' include, allocation from the state governments, stabilization and general ecology fund, income from value added tax, income from privatizations/Global System Mobile proceeds, grants from federal and state governments, donations, loans, foreign grants, aids and assistance, derivation funds etc.

Unfortunately, the local governments do not get their allocations directly but through the states. Section 162 (5, 6, 7 and 8) of the 1999 constitution provide guidelines for making federal allocations to the local councils. Federal allocations for the local councils are first allocated to the States for the benefit of their local government councils in such manner and terms as may be prescribed by the National Assembly (162:6) through the 'State Joint Local Government. In the table as shown above, Imhalahimi & Ikeanyibe (2009) reveal that federal allocations constituted 93.8 % (2000), 95.5% (2001), 92.9% (2002), 93.8% (2003), 94.3% (2004), 95.3% (2005) and 96% (2006) of average local government total revenues in Nigeria. The above table also reveals that

states contributed on the average only 0.8% of the total local government finances for the period of seven years (2000-2006). As it stands, over 90% of local government revenues are still externally received and mainly from the federal allocations.

The tables below provide some trends in local government funding from various sources from 2000 to 2006 and vertical allocation of Nigerian government revenues since 1981. The local governments could only generate an average of 4.65% of their finances for seven years as shown in Table 3. The average figure may be quite deceptive as a greater part of the revenue is generated by few urban local governments while many rural local governments hardly generate 0.5% of their finances.

Table 3: LGs' Finances from Federal, State and LG Sources, 2000 – 2006 (N billion)

Item	2000	2001	2002	2003	2004	2005	2006
Total Revenue	147.0	169.2	169.6	357.9	453.8	582.0	659.4
Fed. Rev. All							
(a) FGN FA	118.6	128.5	128.9	291.4	375.7	493.0	550.8
(b) FGN VAT	13.9	20.1	18.7	39.6	46.0	55.8	75.9
(c) FGN SF	5.4	13.0	9.9	4.6	6.1	6.0	6.1
Total FGN (%)	137.9 (93.8%)	161.6 (95.5%)	157.5 (92.9%)	335.6 (93.8%)	427.8 (94.3%)	554.8 (95.3%)	632.8 (96.0%)
State Rev. All. (%)	1.9 (1.3%)	1.6(0.9%)	1.7 (1.0%)	2.1 (0.6%)	3.6(0.8%)	3.2 (0.5%)	3.40(0.5%)
LGs' Inter. Rev. (%)	7.2(4.9 %)	6.0(3.5%)	10.4(6.1)	20.2(6.1%)	22.4(4.9%)	24.0(4.1%)	23.2 (3.5%)

Notes: (1) Fed. Rev. All. -Federal Revenue Allocation; (2)FGNFA; Federal Government of Nigeria, Federation Allocation; (3)FGN VAT-Federal Government of Nigeria, Value Added Tax; (4)FGNSF-Federal Government of Nigeria, Stabilization Fund; (5)State Rev. All.-State Revenue Allocation; (6) LGs'Inter. Rev.-Local Governments' Internal Revenue generation)

Sources: Calculated from 2003 and 2006 Central Bank of Nigeria Annual Reports and State of Accounts as cited in Imhalahimi and Ikeanyibe (2009)

Table 4: Vertical allocation of Nigerian government revenues since 1981

	Federal Government	State Government	Local Government	Special Funds
1981	55	35	10	-
1989	50	30	15	5
1993	48.5	24	20	7.5
1994	48.5	24	20	7.5
1992-1999	48.5	24	20	7.5
May 2002	56	24	20	-
March 2004 till date	**52.68	26.72	20.60	-

Sources: *Revenue Act of 1981.*

The Federal Government retains some of the federally collected revenues as its independent revenues and balance of the federally collected revenues is to be paid into the Federation Account for distribution among tiers of government in accordance with an agreed formula. Before independence, the regional government allocation was more than that of the Federal Government. The sharing formula in 1958 as recommended by Raisman commission was 40:60 in favor of region. Thereafter and up till today, federal government is allocated the highest share of the federally collected revenues. However, the Federal Government's share has been on the decline in favor of lower tiers of government. In 1992 the vertical allocation was changed to 48.5%, 24% and 20% for federal, state and local government respectively. Special funds accounted for 7.5 %. The current vertical allocation (without the special funds) with effect from 2002 is 52.68%, 26.72% and 20.60% for federal, state and local government respectively (Anderson, 2014).

The significant sequential developments in revenue allocation formula since the return to democratic governance in 1999 can be outlined as follows (Jimoh, 2012; Ekpo, 2011).

- In 1999, the democratic government inherited the revenue allocation formula that has been in existence since 1992. The formula gives 48.5% to federal government, 24% to state governments and 20% to local governments and 7.5% to special funds (which was distributed as follows: FCT 1%, Ecology 2%, Stabilisation 1.5%, and Natural Resources 3%).
- While this formula was in use, the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) recommended to the National Assembly the formula – federal government 41.3%, state governments 31%, local governments 16% and special funds 11.7% (to be shared as follows – FCT 1.2%, Ecology 1%, Natural Resources 1%, Agriculture and Solid Mineral Development 1.5%, Basic Education 7%).
- Amidst debate on the RMAFC-recommended formula, there was the Supreme Court Verdict in April 2002 on the Resources Control Suit which nullified provision of Special Funds in any given Revenue Allocation Formula.
- In May 2002, the Federal Government invoked an Executive Order to redistribute the revenue as follows – federal government 56%, states 24% and local governments 20%.
- Following criticisms, the Federal Government in July 2002, reviewed the Executive Order as follows federal government 54.68%, states 24.72% and local governments 20.60%.

- In March 2004, the Federal Government issued a modification which increased states' share to 26.72% and reduced federal government's share to 52.68%. and local governments 20%. This formula remains in force, until the National Assembly legislates on a new revenue allocation formula.

3. Analyzing internal source revenues of local government in Brazil

The local governments' source of internal revenues in Brazil includes Service tax, urban property tax and frontage tax. Service tax is levied on businesses, self-employed professionals or groups of professionals working in the same type of service hospitals, private doctors' clinics, lawyers, estate agents etc). The federal government has provided a list of around 100 types of services which are liable to this form of taxation. Federal legislation also sets a maximum rate of 10%, which can be charged for the service provided. Each municipality is free to determine the rate to be charged, varying from 0.5% to 10% of the value of the service provided and the rates have to be approved by each municipal legislature. Souza (2007) describes the service tax as the most important in absolute terms. The tax on urban property is levied on urban real estate and it is the second most important local tax nation-wide. Usually size of property, location, access to services and infrastructure and other criteria are considered while determining the rate. Frontage tax is premises tax. Municipalities can also charge fees for their services and an improvement fee whenever a local public investment raises the value of a property in a specific area (Souza, 2007).

However, Brazilian own local revenue represented 1.6% of GDP, i.e., 4.8% of the country's total tax revenue and is considered low when compared to that of other countries. As reported by Afonso & Araujo (2010) in 2004, Brazilian local governments were accountable for 5.4% of the country's own revenue, whereas in South Africa this figure was 8.8% in 2008 and in Bolivia 10.9% in 2006. Compared to industrialised countries, the Brazilian percentage is also low, in Sweden, it was 35.2% in 2006; Denmark, 30.3% in 2004 and in the USA, 16.3% in 2004.

Table below shows how much each sphere of government levies in taxes, before constitutional transfers

Overall Tax Revenue by Sphere of Government - 2010

	Total Revenues (R\$ Billions)	% of Total Revenues	%
GDP	R\$ per capita		
Overall		1,288.98	100.00%
34.19%	7,022.32		
Federal Government	869.41	67.45%	23.06%
4,736.50			
States			
341.64	26.50%		9.06%
1,861.23			
Municipalities	77.93	6.05%	2.07%
424.58			

Note that, despite the decentralization of revenue and of the power to tax promoted by the 1988 Constitution, tax collection in Brazil remains highly concentrated in the Central Government. In

2010 this government tier levied more than 67 percent of the tax revenue, relegating to subnational (state and municipal) governments less than 33 percent of the total. Thus, federal taxation totaled more than 23 percent of GDP in 2010, which meant approximately R\$869.4 billion. States, even with the country's most important tax collected much less than the Federal Government: just over 9 percent of GDP, or approximately R\$341 billion. Municipalities also had much lower revenues, representing 2.07 percent of GDP (nearly R\$78 billion). This shows that there is a weak fiscal autonomy in respect to own revenues available to each sphere of government.

Generally, Brazil is highly rated in its fiscal intergovernmental relations and decentralisation. Serra & Alfonso (2003: 9) aver that "among developing nations, there is no doubt that Brazil has made the greatest progress in terms of autonomy. In a grouping of ten rich and poor nations, the highest autonomy index was that of Brazil, even surpassing the United States, Germany and Canada." Despite this revelation, it is also shown that the Brazilian local governments' own sources of revenue are still less yielding. As explained above. The local taxation system and local taxes present several limitations. Firstly, the tax system concentrates taxation heavily on production, sales and consumption, which are not under local government jurisdiction. Secondly, local taxes -urban property, services and property transfer taxes - require large registers which have to be regularly updated and the tax collector has to keep up with the property market; these taxes require the issuing of a great number of bills for its payment; and the ISS covers a wide array of service activities, in particular of small businesses. Thirdly, local taxes are not best suited for a country that home to a great number of poor people who do not have access to property and a country in which businesses are small and unstable.

Contrary to the view of Serra and Alfonso (2003) that Brazil is highly rated in its fiscal intergovernmental relations and decentralization, from the above discussion, Brazilian decentralisation is far from comprehensive. Decentralisation is concentrated in two domains: financial resources granted by the 1988 Constitution and the implementation of a few social programmes designed at the federal level. The latter is being achieved by the earmarking of public resources for policies designed, and most of the times financed, federally. This has created a complex system of incentives and constraints designed to attempt to make local governments accountable for policy implementation. Therefore, although decentralization was one of the main aims of the 1988 Constitution, recent developments have demonstrated its implementation fiat rather than more freedom to decide where and how to invest resources. However, despite the existence of great disparities among Brazilian municipalities, empirical evidence shows that local governments are replacing the federal government in some social functions, while others have remained in a governmental limbo either because of the federal policy of tight fiscal control or because the way the policy was designed fails to stimulate local government adherence.

Invariably, a significant portion of local governments' expendable revenues come from the transfers of the higher level governments especially the federal government. Souza discloses that both federal and states' transfers to local governments in Brazil still account for 90% of local government revenue. The implication of this is that local governments' financial capacity is very much dependent on the allocation decisions of higher order governments. Katorobo (2010) thinks, if subnational governments own revenue accounts for only 10% of expenditure and 90% comes from higher level governments, then the sub-national government is financially dependent on the higher level one.

4. Analyzing internal source revenues of local government in Nigeria

Internal sources otherwise known as (IGR) are those sources from which the local governments generate their resources within their territories or boundary. The internal revenue sources as provided in the Second Schedule, part II (10) and Fourth Schedule of the 1999 constitution include taxes, rates, licenses, fees and fines, rents on local government properties such as market stalls and motor parks etc (Federal Republic of Nigeria Constitution, 1999 as amended).

Again, even though local government reforms clearly articulated the idea of a three-tiered federation, its consequent recognition and the application of constitutional rules in the process of allocation, distribution, control, management and sharing of state resources has led to many problems including intergovernmental conflicts. Local government expenditure in Nigeria regularly exceeds the potential for revenue sources owing to a gap between their resource requirements and their fiscal capacity. This is due to the unwieldy nature of their revenue rights and fiscal jurisdiction with the duties and functions constitutionally allocated to them. It is well-known and has been widely commented that fiscal laws in Nigeria give more taxation power to the federal government than the lower tiers of government. Table below shows Tax Jurisdiction and Assignment by the three tier of government in Nigeria.

Table 1 Nigeria's Federal, State and Local Tax Jurisdiction and Assignment

Tax	Legal Jurisdiction	Collection	Retention
Import duties	Federal	Federal	Federation Account
Excise duties	Federal	Federal	Federation Account
Export duties	Federal	Federal	Federation Account
Mining rents & royalty	Federal	Federal	Federation Account
Petroleum profits tax	Federal	Federal	Federation Account
Capital gains tax	Federal	State	State
Personal income tax (other than listed in 8)	Federal	State	State
Personal income tax: armed & police forces, external affairs officers, non-residents, residents of the Federal Capital Territory	Federal	Federal	Federal
Value added tax (Sales tax before 1994) ²	Federal	Federal/ State	Federal/ State
Company tax	Federal	Federal	Federation Account
Stamp duties	Federal	State	State
Gift tax	Federal	State	State
Property tax and ratings	State	State/ Local	State/ Local

Licenses and fees	Local	Local	Local
Motor park dues	Local	Local	Local
Motor vehicle	State	Local	Local
Capital transfer tax (CTT)	Federal	State	State
Pools betting and other betting taxes	State	State	State
Entertainment tax	State	State	State
Land registration and survey fees	State	State	State
<i>Market and trading license and fees</i>	State	Local	Local

Source: (Anyanwu, 1995; Jimoh, 2003; Federal Republic of Nigeria Constitutions, 1963, 1979 & 1999)

From the above, it shows that the assignment of fiscal instrument in Nigeria is guided by constitutional provision. The federal constitution gave the federal government exclusive power to collect levies like customs and excise, company tax, education tax and mining rents, VAT etc. All these revenues (with the exception of education tax) are paid into the federation account for distribution among the three tiers of government in line with national constitution. The states and local governments are left with the powers to collect other fees. Nigeria's local governments have autonomy to perform their functions in line with the constitution. However, the autonomy of local governments is not absolute. They retain their functions and fiscal relations with states and federal government as illustrated above.

2. Local government financial Autonomy in Brazil and Nigeria: a comparative analysis

The choice of Brazil and Nigeria in the foregoing analysis is not only hinged on the fact that both countries practice fiscal federalism. The fiscal responsibility law in Nigeria is structured after that of Brazil. Since year 2000, when the law became operational in Brazil, it has diminished chaos and corruption in the public sector management and the economy is on the upswing (Agiobenbo, 2003).

It is expected that Nigeria's Fiscal Responsibility Law will deliver the same benefits as that of Brazil, streamlining economic priorities and manage the economy in a way that delivers significant benefit to the Nigerian people. Finally Brazil is about the first black nation that operates fiscal responsibility law. The law stipulates that budget must be conducted within a medium-term fiscal frame work (MTFF) in Nigeria or multi-year plan (PPA) in Brazil. The plan shall contain macroeconomic framework, setting out the macroeconomic projections for the next 3 financial years, a fiscal strategy paper, and an expenditure and revenue framework and a consolidated debt statement. The respective laws specify that the medium term expenditure framework or the multi-year plan (PPA) shall be the basis for the preparation of revenue and expenditure estimate required and to be laid before the legislature as prescribed by the constitution.

It is imperative to note that the constitutions of both countries already provide for tax assignment to the various tiers of government. In Nigeria for instance, the federal government tax assignment dominates the tax system, accounting for over 95 percent of total government revenues from this source. This trend contributes to low revenue base at the lower tiers of government, yet they are expected to perform major expenditure functions, presumed to be bigger than their revenue base.

There is a need therefore to ignite the revenue potentials of the low tiers of government by increasing their tax powers, with a potential for greater economic growth and strengthening fiscal responsibilities. The creation, forecast, and effective collection of all taxes levied by the federating units pursuant to the constitution are basic requirements for the responsibility in fiscal management for both Nigeria and Brazil. The laws stipulate that each tier of government shall get the share of revenue/transfers after prompt remittance of collected revenue. Again, revenue forecast revision by the legislature will only be permitted with proof of technical or legal error or omission.

The guaranteeing of local government autonomy apparently rests in the manner of power allocation in the constitution and respect for those provisions by stakeholders. When powers are granted through another tier of government than the constitution itself, the granting authority often perceives the transfer of power as a loss of its own authority (Steytler, 2005). For the Nigerian case, the approach employed in allocating the powers of local governments is to make the powers/functions of local government councils inchoate without the laws of the states. The drafters of the constitution were probably concerned with avoiding the effect of strict separation of powers along vertical lines among the three tiers of government to avoid the pitfalls of dual federalism. This approach fails to realize the goal of political autonomy for the local government. The power of bringing the local government council into existence is purely a matter of state government as provided in section 7 (1), "government of every state shall ensure their existence under a law which provides for the establishment, structure, composition, finance and functions of such councils" (Federal Republic of Nigeria Constitutions, 1999 as amended).

In most of the functions or rights of local government including the issue of fiscal allocations, where minimal fiscal autonomy is granted to the local governments in terms of revenue assignment as the major taxes such as company income tax, VAT, custom and excise duties, tax on petroleum products and education tax, are assigned to the federal government. It is ironical that the State House of Assembly is mentioned as the determiner of the functions or allocations despite constitutional provisions. For instance, while the local government council has power to make assessment for tenement rates, the taxes to be levied are "as may be prescribed by the House of Assembly of a state."

The Fourth Schedule provides for the functions of the local government. The 1999 Constitution stipulates an arrangement that allows for statutory allocation of public revenue from the federation account to states and local governments (Section 7(6) declares: Subject to the provisions of this Constitution, the National Assembly shall make provisions for statutory allocation of public revenue to local government councils in the Federation; and the House of Assembly of a State shall make provisions for statutory allocation of public revenue to local government councils within the State. Section of the 162, constitution provides some details about allocation to local governments thus: "Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the Local Government Councils in each State on such terms and in such manner as may be prescribed by the National Assembly." The amount standing to the credit of Local Government Councils in the Federation Account shall also be allocated to the State for the benefit of their Local Government Councils on such terms and in such manner as may be prescribed by the National Assembly.

Each State shall maintain a special account to be called "State Joint Local Government Account" into which shall be paid all allocations to the Local Government Councils of the State from the

Federation Account and from the Government of the State. Each State shall pay to Local Government Councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly. The amount standing to the credit of Local Government Councils of a State shall be distributed among the Local Government Councils of that State on such terms and in such manner as may be prescribed by the House of Assembly of the State (Federal Republic of Nigeria Constitutions, 1999 as amended). From the provisions of the 1999 constitution in Section 162, Adeyemo (2005) observes that the usurpation of local government functions and revenue sources by state governments seriously erode the autonomy of the local governments. The failure to clearly establish the powers, functions, direct access to federal allocations and other protections for local government in the constitution makes the Nigerian system more like a two tier federal structure with an embedded local government. The noise about third tier local government system in Nigeria therefore is exaggerated. As Nwabueze (1994) argued, if the state government has the constitutional power to establish local government and to define its structure and functions (which the constitution also stipulates), it clearly and necessarily implies that local governments in Nigeria is a mere agency or creation of the state government. in the Nigeria case, rather than help realize local government autonomy, the constitutional provisions , encourages conflict between the states and federal government, and competition between the states and their local governments.

In Brazil the issue of granting autonomy to sub national governments has a long tradition. However, the issue of third tier status of local government is expressly stated in the Brazilian Constitution of 1988. Article 18 (Title III) of the 1988 Brazilian Constitution provides that ‘the political and administrative organization of the Federative Republic of Brazil comprises the Union, the States, the Federal District and the Municipalities, all of them autonomous, as this Constitution provides (Knack,2008). The Constitution allocates areas of jurisdiction to the union, states and municipalities. Chapter IV is specifically on issues relating particularly to the municipalities. Article 30 specifies the powers of the municipalities to include:

(i) Legislate upon matters of local interest. (ii) Supplement federal and state legislations where pertinent. Iii) Institute and collect taxes within their jurisdiction, as well as to apply their revenues, without prejudice to the obligation of rendering accounts and publishing balance sheets within the Periods established by law. (iv) create, organize and suppress districts, with due regard for the state legislation. (V) Organize and render, directly or by concession or permission, the public services of local interest, including mass-transportation, which is of essential nature. (Vi) Maintain with the technical and financial cooperation of the Union and the state, programs of pre-school and elementary school education. (vii) Provide, with the technical and financial cooperation of the Union and the state, health services to the population. Viii. promote, wherever pertinent, adequate territorial ordaining, by means of planning and control of use, apportionment and occupation of the urban soil. (ix) Promote the protection of the local historic and cultural heritage, with due regard for federal and state legislation and supervision (Medeiro & Souza, 2012)). Though some of these powers are also shared by other levels of government, the constitution expressly provides that the municipalities shall be governed by organic laws approved and promulgated by the Municipal Chamber (art. 29), thus indicating some level of legislative capacity. The Brazilian Constitution is particularly detailed on the processes for electing the municipal personnel (executive and legislature) and the nature of supervision to be carried out under the law or by the prerogatives of high level government. Article 35 particularly provides that ‘the state shall not intervene in its

municipalities, neither the Union in the municipalities located in the Federal Territory, except when:

- i. The funded debt is not paid for two consecutive years, without reasons of force majeure;
- ii. The due accounts are not rendered, in the manner prescribed by laws
- iii. The minimum required amount of the municipal revenues has not been applied in the maintenance and development of education;
- iv. The Court of Justice grants a petition to ensure observance of the principles indicated in the state Constitution or to provide for the enforcement of the law, judicial order or decision. The details above on the Constitutional powers of the municipalities leaves little doubt about the legal status of local governments in Brazil as a clearly separate tier of government with distinctive sphere of jurisdictions. The grounds on which higher level governments could interfere in local government affairs as stipulated above are not contradictory to the notion of autonomy even though its arguably that autonomy cannot be absolute even for a sovereign state (Corbacho; Cibils, & Lora, 2013).

However, the 1988 constitution of Brazil not only provides principles, rules and rights, but also a wide range of public policies for the municipalities (Souza, 2004). But this also creates problems for intergovernmental relations and control of local government system. Souza (nd) remarks that the constitutionalisation of several aspects of the country's life has resulted in tensions between the need for rapid responses to macroeconomic demands and the lengthy process of meeting these demands through constitutional change. Hence, the various amendments of the constitution in 1992, 1993, 1994, 1995, 1996, 2003 especially in the areas of (a) imposing limits on sub-national freedom to spend their resources, as a requirement of the federal policy of fiscal control (b) earmarking specific resources to be spent on health care and primary education; and (c) decreasing the amount to be freely transferred from the federal to sub-national order (Souza, 2007).

While Brazilian Municipalities enjoy a higher degree of political autonomy, the problem remains how to reconcile greater fiscal decentralization with national and rational economic objectives (Afonso, 2006). The 1988 constitution did not so much pay attention to economic issues such as public deficit, inflation control, fiscal adjustment and globalization (Souza, 2007), issues that constitute the macroeconomic roles of the Union government. It is therefore more practicable and flexible that constitutions should not attempt to define a detailed system permanently (Prud'homme, 2006). Rather than encourage more cooperative relations and flexibility, constitutionalisation of local government throws up hindrances to local governments autonomy that could be difficult to address without constitutional amendments.

Concluding Remarks

This paper has examined the issue of local government autonomy in Brazil and Nigeria. The practice of entrenching the autonomy of local governments constitutionally is becoming popular international practice. Both federal and unitary states adopt this practice. In a federation, the approach somewhat elevates the local governments to a third tier status that makes them partners to the federal contract. For all intents and purposes, it is clear from this paper that the financial powers of local governments in Brazil and Nigeria are provided for in their constitutions. Tax jurisdiction and revenue allocation is disproportionately in favor of federal government despite various tax reforms and constitutional amendments in both countries. This practice does not guarantee autonomy to the local government system.

Despite uneven results accruing from this paper, however, there is a consensus that Brazil is one of the most decentralised countries in the developing world and that financial decentralisation has favoured the municipalities to a greater extent than the states. It is evidences that the Nigerian local governments remain substantially dependent on external sources of revenue, even though federal allocations are block grants that are not attached to specific projects like the case in Brazil, the intermediate role of the states in releasing funds to local governments provide grounds for various manipulations.

As asserted by Dalhatu (2006: 23) "the issue of autonomy has to do with the Local government, beyond mere constitutional provision that would be organised as the third tier of government, with power to regulate, to spend and powers to provide services". In Nigeria, the 1999 constitution by its provisions in section 7 and 8 recognise the local government as a third tier of government and also guarantee it, but gives the state the autonomy to lord over the local government, for instance, Section 7 Sub Section (6b), said, the House of Assembly of a State shall make provisions for statutory allocation of public revenue to local Government within the state. The paper therefore recommends expunge of this clause. Each level of government should be made and encourage to be autonomous financially. In addition, local governments have not been fully exploiting their internally generated revenue, therefore, concerted effort should be made to boost the internal revenue of the local and the state governments should hand off from constitutional internally revenue sources of Local Governments as practiced in US, Britain and France. Again, a review of the current revenue sharing formulae to give weight to each tier of government based on the function they perform is also imperative.

The Constitution also empowers the State to scrutinise and approve Local government budgets, and expenditure through the State House of Assembly, States here exercise arbitrary and undue control over Local government finance through the establishment of the State Local government Joint Account. This situation also brought to the fore the question of Local government autonomy. The State Joint Allocation Committee should be scrapped. The local government should not be made to depend on state and federal government. The paper further recommend that other sub sections in the constitution under which the state governor hide to divert the resources of the Local Government should be expunged while a provision with penalty be included in the constitution for diversion of LG fund and non release of the 10 per cent of State's internally generate revenue.

The Constitutional powers of the municipalities' leaves little doubt about the legal status of local governments in Brazil as a clearly separate tier of government with distinctive sphere of jurisdictions. Although, Brazil is highly rated in its fiscal intergovernmental relations and decentralization, despite this revelation, the papers also shown that the Brazilian local governments' own sources of revenue are still less yielding. There are hundreds of local governments unable to survive without federal help. This recommends constitutional review to strengthen and guarantees the power and jurisdiction of the local government in term of source of revenue.

Again, when the 1988 Constitution was promulgated, one of the main objectives of the constitutional framers regarding the local government fiscal system was to leave local government levels plenty of room to determine where and how to spend the resources transferred to them, but recent constitutional amendments that earmark part of the transferred resources for specific allocation, in particular for health care and education programmes, and imposing limits on local government's freedom to spend is seen as another way to lord over the local government which undermined its legal status as a separate tier of government . In this regard, the paper therefore,

recommends the amendment of this portion of the constitution to pave way for local government autonomy. With these in place, Local government autonomy will be guaranteed and it will be able to effectively play its role as a catalyst for Sustainable Rural Development.

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