

## Federal Government Bailout to States: the Implication on the Nigerian Federalism

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**Abstract:** *The dynamism of any federalism is usually the interplay of forces. Socio-economic conditions have been identified as part of these factors. The paper focuses on the federal government intervention as bailout to the units with the aim of uncovering the implication on the power configuration between the Centre and the units. The paper adopts a qualitative research strategy, using content analysis. The theoretical frame work is structural functionalism. It was discovered that most remarkable changes in the balance of power between the Centre and unit occurs during economic turbulent, therefore the federal government with its economic advantage, usually erodes and whittle down the power of the units in the process. Again most states with high sustainability index, unnecessarily, opted for the bailout owing to corruption tendencies. The paper therefore explains Nigerian federalism as a Totalitarian federalism. In conclusion, the paper posit that the federal government bailout to the state naturally deepens the dependency tendency of the states on the federal government. It therefore recommends for true fiscal and balanced federalism.*

**Keywords:** *Bailout sustainability index, totalitarian federalism, Unitarian federalism*

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### INTRODUCTION

In 2015 president Muhamadu Buhari announced a bailout strategy to some states of the federation in response to the demand by states that faced sizeable deficits and accumulated debt. Various public affairs analysts and social commentators took divergent positions on the Presidential bailout since it was announced, while some applaud the initiative, others simply denigrate it. To those in support of the move, it is the best option available, especially given the parlous state of the nation economy occasioned by dwindling global price of oil. With sharp drop

in the monthly revenue allocation to states, there is no way most of the states could offset unpaid salary arrears, (Ogunbiyi, 2015, pg. 1). However, those who are against the move hinged their stand on the fact that it will further entrench corruption in the system. They argued that, in as much as it is true that the nation economy is experiencing a downward trend, most of the states actually compounded the situation through unbridled financial recklessness. Bailing them out would therefore, amount to promoting and commending their perceived corruption tendencies (Ogunbiyi, 2015, pg. 1).

More than a quarter of the 36 states of the federation owe workers' salaries in arrears believed to be over # 10 billion (Ogunbiyi, 2015). The bailout then is a comprehensive relief package designed by the federal government to salvage some states of the federation from debt arising from salaries of workers. It is a strategy by the central government to help some of the units to resolve tension emanating from their (units) inability to meet with their financial obligation, especially wage bill of their workers. It is a form of intervention by the federal government to cushion the negative effect of state's inability to carry out its financial duties to their citizen or better put employees. An integral part of the bailout strategy as announced by government is for the federal and state governments to share \$2.1 billion (about N497 billion) sourced from the recent Nigerian Liquefied Natural Gas (NLNG) proceed to the federation Account. Also the federal government (through the central Bank of Nigeria (CBN) arranged special intervention fund that will offer steady financing to the states (between N25 billion and N300 billion) as soft loan to states to settle their salary arrears.

#### **STATEMENT OF PROBLEM**

The bailout for states by the federal government of Nigeria has become a subject of controversy with many arguing that the disbursement of the funds has been skewed in favour of some states to the detriment of others. The parlous state of the economy occasioned by dwindling oil receipts made bailout inevitable. Little wonder why the federal government had in early July 2015 approved the sum of 804.7 billion naira as lifeline for states, to enable them pay their workers several months of arrears of salaries. Activities in many states were virtually grounded. In fact, the issue of unpaid salaries became endemic in many states. This could be attributed to financial reckless by some state government in addition to global economic recession. Recent developments in the global economy since 2015, particularly in the crude oil market have affected the fiscal operations of many countries including Nigeria .... The overall effect has been negative as shown by the economic outlook for 2016 in many countries. Other global developments aside crude oil includes the increase in interest rate by the US Federal Reserve by 25 basis points (bps), the recent slowdown in the Chinese economy, increased migration into Europe and the drive for reduced emissions in both developed and developing countries to safe levels by the United Nations (Adedoyin, Fumey and Abiodun, 2017).

The effects of those events on Nigeria's economy cannot be overemphasized as the economy depends quite heavily on crude oil. As such, with such low oil prices around \$40 per barrel as at December 2015. Its attendant effect on the revenue of the country and the forecast for 2016 and beyond seem poor. This may lead to the witnessing of persistent fall in federal government revenue, hence, a decline in Monthly Statutory Allocations to State Governments. These resulted to a problem of tight fiscal stance coupled with a fall in the capacity of states to generate revenue to meet their expenditures (Adedoyin, Fumey and Abiodun, 2017).

There are few literature on the federal government bailout to the state buttressing the application of the bailout by the governors, while some on the sustainability index.

However the crux of this paper is to examine how this dependency which results into federal government bailout of the state has disfigured the configuration of power relation between the Centre and the units as well as the desirability of the bailout in the first place especially to some state with high fiscal sustainability index.

### **1.2 OBJECTIVE OF THE STUDY**

The general objective of this paper is to examine the challenges and prospects of the federal government bailout to the states as it relates to balance of power. The specific objectives are:

- i. To ascertain if the bailout policy has the tendency to alter the configuration of power between the centre and the states (units).
- ii. To probe the desirability of the funds to states with high sustainability index.
- iii. To investigate the distribution formula along the party line

### **1.3 RESEARCH QUESTION**

- i. Has the bailout policy the tendency to alter the configuration of power between the centre and the states (units)?
- ii. Should states with high sustainability index be involved in the bailout process?
- iii. What is the distribution formula along the party line?

## **LITERATURE REVIEW**

### **CONCEPTUAL CRARIFICATION**

**Bailout:** According to Encyclopedia Britannica the word “Bail” is the procedure by which a judge or magistrate sets at liberty one who has been arrested or imprisoned, upon receipts of security to ensure the released prisoner’s later appearance in court for further proceedings. This definition may seem unimportant to the study prima facie, a closer look will prove that the notion of bail out in the context of the federal government bailout to the states, is more or less, setting the affected states temporary free from the pang of debt, but to “appear” again to clear those debt with the federal government.

Bailout is an act of giving financial assistance to a failing business or economy to sever it from collapse. It is an act of helping a person or organization that is in difficulty by giving or lending money (Cambridge Dictionary). A bailout is a colloquial term for the provision of financial help to a corporation or country which otherwise would be on the brink of failure or bankruptcy. The term maintains its origin and describes the act of removing water from a sinking vessel using bucket.

A bailout is the act of a business, an individual or a government providing money and resources to a failing company. These actions help to prevent the consequences of that business

potential downfall which may include bankruptcy and default on its financial obligations. Business and government may receive a bailout which may take the form of a loan, bonds, stocks or cash infusions, and may require the rescued party to reimburse the support, depending upon the terms.

A government bailout usually involves the government paying or lending money to save a company or an industry from failing. The federal government helps states with salary intervention fund to make it come out of fiscal crisis. For example, the 2008 bailout of the failing auto industry in the United States involved a large corporation that is pivotal to the wellbeing of her economy. For such big corporations, the central bank calculates the impact on the economy, because if such a big industry goes out of business then thousands of people will lose their jobs and the implications of that will be huge on the economy. So, if the federal government thinks that by helping the states with salary intervention fund can make it come out of a fiscal crisis, then maybe it is better for the government to support these state. However, the bone of contention is how effectively the different tiers of government use their existing resources to perform their expected functions and how much bailout is necessary in a time of financial distress as well as, the guarantee that once they are bailed-out, they would be completely free from distress. This enquiry is important from the standpoint of the reasons that have been identified as the core causes of fiscal distress. This thus necessitates a central government bailout, in which financial assistance by the government is provided to the states that appeared to be on the brink of collapse. The belief is that without this aid, the fiscal crisis would have rippling effects throughout the economy (Adedoyin, Fumey and Abiodun, 2017).

More than a quarter of the 36 states of the federation owe workers' salaries in arrears believed to be over N110 billion (Ogunbiyi, July 2015, Sun Newspaper). The bailout then is a comprehensive relief package designed by the federal government to salvage some states of the federation from debt arising from salaries of workers. It is a strategy by the central government to help some of the units to resolve tension emanating from their (units) inability to meet with their financial obligation, especially wage bill of their workers. It is a form of intervention by the federal government to cushion the negative effect of state's inability to carry out its financial duties to their citizen or better put, employees.

An integral part of the bailout strategy as announced by government is for the federal and state governments to share \$2.1 billion (about N497 billion) sourced from the recent NLNG (Nigerian Liquefied Natural Gas) proceed to the federation Account. Also the federal government (through the Central Bank of Nigeria (CBN) arranged special intervention fund that will offer steady financing to the states (between N250 billion and N300 billion) as soft loan to states to settle arrears of salaries (Ogunbiyi, 2015).

Equally a debt reprieve plan devised by the Debt Management Office, geared towards streamlining the state's commercial loans, which at present is put around N660 billion and extend the lifespan of such loans while reducing their debt servicing expenditures. Another part of the plan is to free up more money currently being used for debt servicing by guaranteeing the elongation of the loans in the interest of the states (Ogunbiyi, 2015).

From the foregoing, the federal government bailout strategy is packaged in three dimensions.

- h. Sharing from the federation account by the federal government and the state.
- i. Federal transfer to states as special transfer

j. Debt restructuring through the instrument of debt rescheduling.

**Federalism:** Federalism as captured by Ekwonna (2012, p.4) is a power relationship in which there is a clear distinction of roles between the central or joint entity and the composite units, which is the different levels of political relationship, and such distinction fairly stable as it is enshrined in and, thus, protected by the fundamental law of the land. K.C. Wheare's definition of federation, though accused of being legalistic and inflexible (Birch 1968, p.98-99, Obi, 2014, p.254), set the tone for contemporary thinking on the subject. K.C defined federalism thus: By the federal principle, I mean a method of dividing power so that general and regional governments are each, within a sphere, coordinate and independent (Whereas 1964.p. 10 in Obi, 2014, pg. 245,). However we must understand that there have been a variation from wheare (1964) ideal federalism often in the operations and not necessarily in the constitution. Akinsanya (2004 p. 11) corroborate this fact when he opined that:” A marked departure in the ‘older’ federal system from the lawyer’s picture of a federal structure as being a formal division of sovereign powers in which the federating government are coordinate in rank and independent in function and existing equal jurisdictional entities is due to many factors including the demand of the economic depression of the thirties, the pressing need of world war 11 ( which called for total control of the economy) and changing political circumstances.

Meanwhile, Akinsanya (1989) had observed that: “the need for balanced and uniform economic developments; indeed, the desire to maintain uniformity in provision of social services has meant that the centre government has to provide substantial assistance to the states, and this has implied, albeit, latently an increasing overall control by the federal government”.

According to Ramphel, (1979:40) “Federation is “a pragmatic method of organizing government so that sovereignty and political power are combined within a single nation of several territorial units but are also distributed between national and unit governments that each within its own sphere is substantially independent of the others”.

However, it is important to align our thought with Ekwonna who avers that federation is a form of organization of political power structure, a pattern of power distribution not a system of governance or political power process. He opined that: It is all about which level of state power gets to carry what or how much responsibility, and in case of any shift from federation to unitary form of organization, or vice versa, the direct impact on the life individual would be insignificant, unless there is a consequent change in the policies of the government.

**NIGERIAN FEDERALISM:** We need to understand that Nigerian federalism was unique in the sense that it was not created by the coming together of separate and independent states; it was the sub division of a country administered as a single unit (Usman, 2014 pg 24). The federal idea as we all know has certain political virtues... federalism allows for decentralization of powers and resources, embedded in the federal idea therefore is the desire for local autonomy and the respect for the principle of subsidiary. For this reason the federal idea is often a balance between “shared rule” and “Home rule” or to use the most familiar category “unity in Diversity”.

When we say “Nigerian federalism”, our concern is not to duplicate the efforts of many other authors who have written extensively on the historical evolution of federalism and how federalism has fared in Nigeria since inception, rather we are thinking along the line of the Dynamism of pattern of federalism operational in Nigeria. Then to get a clearer picture, Akinsanya (1989) had observed that: “the need for balanced and uniform economic developments; indeed, the desire to maintain uniformity in provision of social services has meant

that the centre government has to provide substantial assistance to the states, and this has implied, albeit, latently an increasing overall control by the federal government

#### TOTALITARIAN FEDERALISM

Totalitarian federalism is a structural dysfunction which results in skewed power-sharing formula and unbalanced template for allocating state resources often enshrined in the constitution or other laws of the land. The centre government can be likened to the lion in the jungle. This is evident upon:

- A) The mode of division of power.
- B) The template for resources allocation.

The constitution of the federal republic of Nigeria (1999) in the second schedule reserved about 66 items to the center in the exclusive list but allocate just 12 items in the concurrent list. This phenomenon natural portrays a totalitarian federal government. Ekwonna, (2012 pg. 147) collaborated with this thought when he assert thus:

*An interesting element of the Nigerian application of the principle of division of power is that it had set to produce a strong centre but, instead, affected a powerful centre and helpless states. Aside from the exhaustive nature of the exclusive list which seeks to leave nothing to chance and the overriding power of central legislation on states laws, there are other mechanisms of negation on the residuary powers of the states.*

When it comes to allocation of resources, the federal arrogated a juicy 52.6 8% to themselves and a paltry of 26.72% to the state and 20.6% to the local government. (Akinsanya, 2004). The unequal share of the resources gives the federal edge over the states.

Totalitarianism as relating to a system of government refers to a situation where the people have virtually no authority and the state wields absolute control of every aspect of the country, socially, financially and politically. In the contest of federalism, the Centre and the unit should be legally and constitutionally independent and autonomous. The word is each within its sphere coordinate and independent. But in a situation the central government wields much control of every aspect of the life of the country, financially, politically and socially while the federating units have virtually little so to say, totalitarian is in place.

In totalitarian federalism as described, the constitution which spells out what level of government carry out what function and what resources should it control, divided the powers in favour of the federal government (as we have seen in the constitution) to the detriment of the states. This is not unconnected to the military politics in Nigerian. It is about a fundamental error from the framework of government occasioned by the constitution. It is not surprising bearing the fact that all but one post-independence constitution is midwife by the military with their dictatorial tendencies and totalitarian nature.

Unlike the American federalism where the constitution states the powers and prohibits the centre and leaves the residual powers to the regions, totalitarianism of the centre is almost absent.

To this end, we can safely aver that the totalitarian tendencies in the operation of Nigerian federalism are first and foremost, a function of the totalitarian mechanism in built in the constitution.

## **SUSTAINABILITY INDEX**

This sustainability index as a measure of fiscal performance during the fiscal crisis of 2015 shows the ability of the revenue generated and amount centrally collected to meet up with salary payments and pension arrears. This is done together with a debt-to-revenue ratio for states that opted for increased debt financing during the crisis (Adedoyin et al 2017).

## **THEORETICAL FRAMEWORK**

The theoretical framework employed for this study is the structural functional theory as developed by Gabriel Almond (1964) the structural functional theory, somewhat is an aspect of David Easton's general system theory. Essentially the structural functional theory also simply called "Structural functionalism" as developed by Gabriel Almond for the study of social – political and other relevant social phenomena in the society, focuses attention on two primary issues "functions" and "structures" (Almond and Powell, 1966). The theory poses two analytical questions namely – what "functional are prerequisite and must be performed in order to ensure the survival of political system and what "structures" are needed to ensure the proper adequate performance of such functions. Therefore the structural functional theory concerns itself with identifying those functions which must be performed in order to ensure that such problems are solved in a manner and to the degree that guarantee the stability and survival of the political system.

The adoption of the structural- functional theory is predicated on two vital issues namely

- Its relevance and its explanatory capacity.
- Its enables us to identify the whole system as a unit, identify particular structures and functions for maintaining the whole system.

Secondly, it enables us to identify functional interdependent of diverse structures that compose the system and all systems have structures which can be identified, and the element of these structure perform functions and the functions they perform have meaning only within the system

## **EMPERICAL REVIEW**

### **UTILITY ASSESSMENT OF THE BAILOUT FUND**

A Snap chat of the assessment done by Ayodele (2017) of how the bailout was used by some south western states speaks volume of what happened to the rest of the state.

Assessment of bailout funds in Southwestern Nigeria Akinrefon (2015) asserted that to the amazement of Ekiti People, the state government is accused, of using part of the fund for the construction of a multi- billion naira airport. According to him, angry reaction is already trailing the project as it is perceived as a conduit-pipe through which the governor intends to loot the state's treasury. The project is indeed portrayed as a misplaced priority as it takes less than 30 minutes' drive from Ondo state capital with a functional airport to the new airport in Ekiti.

He stressed further that in Oyo State, civil servants are not pleased with Governor Abiola Ajimobi, who despite taking delivery of N26.606 billion has failed to pay salaries and pensioners in the state. The workers have persistently decried non-payment of their salaries. To make matter worse, Governor Ajimobi expressed worry that the Federal Government's bailout of N26.606 billion to the state was inadequate to offset outstanding workers' salaries (Ayodele, 2017).

Akinrefon, (2015) in Ayodele, (2017) saw similar situation played out in Ondo state as the civil servants in the state embarked on a two-day warning strike in September 2017, to protest the non-payment of their two months salaries by the state government from the Federal Government's bailout funds. The Joint Negotiating Council (JNC), Nigerian Labour Congress (NLC) and Trade Union Congress (TUC) leaders took the decision at emergency meeting of the unions. The intention of the unions was that Governor Olusegun Mimiko was no longer sensitive to workers' plight despite collecting the Federal Government's Bailout package for the payment of salaries.

In Osun state, it was posited that, the state came under public searchlight over the inability of Governor Rauf Aregbesola to offset salary arrears of civil servants and pensioners in the state. Aside payment of workers' salaries, the governor was accused of keeping the bailout fund in a fixed account in one of the old generation banks. It was also recalled that Aregbesola was accused by 'opposition political party, the Peoples Democratic Party (PDP) in the state of paying N20 billion to a construction company, Slava Yeditepe which is handling the Oba Adesoji Aderemi road project out of the N34.988 billion bailout funds released to the state for payment of workers' salary arrears. The party wondered why Aregbesola failed to pay the salary arrears 'of the workers before paying the contractor, describing the governor's decision as a misplacement of priority. The governor has denied all of the allegations (Ayodele, 2017).

Continuing further, Ayodele, (2017) posit that in Ogun State, it was noted that contrary to media reports that the government owes no salary but the government claims to owe deductions whose totality is equal to one month salary for the workers. It was argued further that the government claim it cannot afford to render other sectors to comatose, a justification for the government to use part of the bailout funds for other projects. An accumulation of all these criticisms, denials and excuses provides the platform for the views of the members of the public to assess the federal government's bailout to the states.

Furthermore, the investigation reveals that since the collection of the bailout fund, some state governments have refused to clear the backlog of salary arrears they own their workers. Some of them have not stated clear reason why they have failed to do so considering the fact that the fund was specifically tied to workers' salaries and retirees' pensions. Some civil servants have accused government of planning to divert the fund for another thing. Some have even protested openly against shoddy disbursement of the fund, while others have embarked on strike to show their grievances. Opposition and prominent Nigerians have joined the fray expressing concern on how state governments are managing the fund (Ayodele, 2017).

Federal government accuses Cross River states and Imo state of misappropriating of the bailout fund giving to them (<https://guardian.ng/news>).

## NEED FOR RESTRUCTURE

The need for restructure of the Nigeria federalism cannot be over emphasized; according to Soludo, (2018) there are three approaches to restructure. He opined that: "In terms of content and nature, we can group the various restructuring models into three categories: soft restructuring (tinkering with amendments of the 1999 Constitution); hybrid restructuring (negotiate a new Constitution with sufficient regional autonomy within the, federation); and hard restructuring (confederation or outright independence for any desiring part of the country). There seems to be a preponderance of mainstream opinion around the hybrid option, and the loudest case for restructuring is so far based on political and non-religious agitation. We now need to deepen the conversation in at least two levels. First is to ensure greater convergence of views on what should be the content of restructuring. Second and for the first one to happen, the public must



understand how the proposed restructuring will affect their lives-especially their pockets. Our thesis is that while other considerations may be important, the overarching case for restructuring is economic:" Soludo (2018) lamented that:

Our politicians seem to think that they have a choice to hang on to the diminishing pie in the short term, and that's the problem. My view is that it would smack of great naiveté if we think that we can reconstruct a society in a purely technocratic manner without sensitivity to the myriad but conflicting interests which might aid or hamper progress. We need to factor the concerns in the design and implementation. Organized political agitation is important to ignite reforms. Even more important is for us to deepen the analysis: to articulate the benefits and costs in concrete terms and build a broader constituency for the desired change. So far, it seems that only those canvassing for hard restructuring have mustered some grass root followership. Beyond the elite declarations at sporadic events, where is the constituency and organized pressure group(s) for hybrid restructuring? Furthermore, beyond mass mobilization for change and articulating the case to convince the actors of the desirability for change, we need to think through how to "buy out" the current actors to also see restructuring to be in their own interest. Alternatively, they will hold on to their privileges until the impending systemic threats or collapse threaten them with a total loss of the privileges. This will compel them to act in their enlightened self-interest to at least preserve or hold on to "something" rather than to lose "everything". As part of the "bail out" strategy, the actual design of restructuring must of necessity incorporate a transition period and graduated transition agenda to minimize, disruptions or smoothen the transition phase. In addition, we need to think through a national agenda that guarantees every citizen a minimum opportunity to survive. For example, we could design a tax structure whereby a proportion of the revenues from natural resources will be devoted to guarantee free and compulsory primary and secondary education throughout Nigeria. The point here is that we must think through what to offer the masses to secure their buy-in and which is also consistent with long term growth trajectory.

Soludo (2018) further aver that "there are several ideas to consider. Restructuring is not just a political agitation: it is the foundational plan for Nigeria's future prosperity without oil. The contradictions of the old, oil-based economy vis-a-vis the population and geographical pressures are swirling and the challenge of a new institutional framework to lead the emergence of the new economy is urgent. We have a -choice of pre-emptive, proactive action to orchestrate a new productive (rather than sharing/consumption) structure or wait until change is forced upon us in a most chaotic manner. A wise man gets the umbrella ready before the rain starts. We are currently at the cur-dc-sac and need a fundamental disruptive change to reverse the trend. One of our key messages therefore is that restructuring is not only progressive politics but excellent economics."

The economy of the Nigerian government will not witness the required progress and development as long as the federal government continues to muzzle up every resources. First, it will create weak financial states secondly; it will kill the drive and the initiative for self-development and self-dependency. Retrieved from: <https://www.vanguardngr.com/2018/08/the-political-economy-of-restructuring-the-nigerian-federation-1/>

**METHODOLOGY**

This study is basically historical and the research design is predominantly descriptive in nature. The analysis is mainly qualitative with the use of secondary data on fiscal stance of Nigeria. It explores the dynamism of federalism in Nigerian especially with the bailout issue. To achieve this, content analysis was used.

**PRESENTATION OF FINDINGS**

This research work will make use of the sustainability index by Adedoyin et al 2017 which aimed at determining the suitability of the bailout. To wit, if the package encouraged inefficiency and/or depleted the federal government revenue base without any potential benefits and how it has helped resolve the state fiscal crisis. Sustainability index measure as used by Budget of States (2015) 7. The indices are defined as:

$$\text{Index A} = \text{Recurrent Expenditure} / \text{IGR} + \text{Derivation} + \text{VAT}$$

$$\text{Index B} = \text{Recurrent Expenditure} / \text{Total Revenue}$$

$$\text{Index C} = \text{Total Debt Stock} / \text{Total Revenue}$$

$$\text{Sustainability Index} = (\text{Index A} \times 35) + (\text{Index B} \times 50) + (\text{Index C} \times 15) / 100$$

$$\text{Scores} = 100 / \text{Sustainability Index}$$

The formula above is used to compute the sustainability index of all the states in Nigeria, and the summary of the indices is reported in Table 1 with the amount of the bailout fund applied for and the amount disbursed to the state governments.

**TABLE 1:** Showing sustainability index of all state, bailout fund applied, intervention fund released and the political party of states involved in the bailout.

State	Fiscal sustainability	Bailout fund applied approved (#'billions)	Intervention fund released(#'Billion)	Political party of states
Rivers	14.85	0	0	*
Lagos	11.38	0	0	APC
Enugu	8.9	4.21	4.21	PDP
Delta	8.81	79.84	10.94	PDP

Katsina	8.53	3.30	11.086	APC
Akwa Ibom	7.74	0	0	*
Ebonyi	6.89	4.06	8.52	PDP
Bayelsa	6.79	1.29	0	PDP
Edo	6.45	15.07	15.58	APC
Ondo	6.07	14.69	14.69	PDP
Kano	5.71	0	20	APC
Niger	5.64	4.31	6.90	APC
Abia	5.62	14.15	14.1	PDP
Anambra	5.62	0	0	*
Jigawa	5.46	0	0	*
Benue	5.23	38.91	28.012	APC
Imo	5.14	63.91	26.81	APC
Kebbi	5.07	6.90	7.08	APC
Cross River	4.96	7.86	7.86	PDP
Kwara	4.95	19.92	4.32	APC
Kogi	4.9	51.65	0	APC

Kaduna	4.79	0	14.30	APC
Sokoto	4.68	10.09	14.093	APC
Oyo	4.61	35.71	26.61	APC
Taraba	4.43	0	9.4	APC
Gombe	4.36	16.46	11	PDP
Yobe	4.27	0	0	*
Ogun	4.11	75.40	18.92	APC
Zamfara	3.9	10.02	10.02	APC
Bauchi	3.77	15.10	8.61	APC
Adamawa	3.72	2.38	9.58	APC
Ekiti	3.65	28.40	9.6	PDP
Borno	3.28	7.68	7.68	APC
Nassarawa	2.9	8.32	8.32	APC
Osun	2.81	123.59	39.98	APC
Plateau	2.75	5.36	5.36	APC

Source: Central Bank of Nigeria. (Sustainability index computed by

Festus Fatai, ADEDOYIN Abel, FUMEY Abiodun, (2017), and then the political parties by Author). Retrieved from: <https://www.researchgate.net/publication/320183000> Government Bailout of Distressed States in Nigeria: An Analysis of the 2015 Fiscal Crisis

Key to the table:

The political parties of state that did not access the bailout is marked with asterisks

The table 1 above showed the sustainability index of all the states in Nigeria, Rivers, Lagos and Enugu headed the sustainability index. This makes them top the list of states performing above average in fiscal sustainability. This makes them capable of handling their fiscal responsibilities during the crisis. This sustainability index as a measure of fiscal performance during the fiscal crisis of 2015 shows the ability of the revenue generated and amount centrally collected to meet up with salary payments and pension arrears. This is done together with a debt-to-revenue ratio for states that opted for increased debt financing during the crisis. However, with a poor economic outlook as a result of the fall in global price of crude oil, revenue from the Excess Crude Account fell and led to increased debt servicing, inability to pay salaries, pensioners and project contractors. From the analysis of the fiscal stance of states above, Borno, Yobe and Osun states performed poorly as indicated by the fiscal sustainability index.

Effort is made also to show the political parties of the states involved in the bailout, analysis however showed that majority of the states are APC more over the states that got above what they requested is APC states including Taraba and Kaduna that did not even apply but got 9.4 and 14.30 billion respectively.

#### **IMPLICATION OF THE BAILOUT ON THE BALANCED OF POWER (FEDERALISM IN NIGERIA)**

From the literature and analysis so far, it is obvious that Nigeria has skewed and unbalanced fiscal federalism that favors the center at the detriment of the units producing what is called *totalitarian federalism*. This made bare even in the revenue allocation formula where the federal governments arrogate to themselves a lion share of 52.68% of the fund standing to the credit of the federation. The downward price of oil that affects the states allocation and by implication resources available state that led to owing of their worker's salary should have affected the center first under normal circumstance but for the totalitarian tendencies. The federal government playing lion in the jungle could afford to have enough to now come to the rescue of the states. This is abnormal.

Obvious the bailout predisposes the federal government to call the shot in the state and garner more patronage and loyalty from the states, little wonder the bailout was arranged in a way to favor the APC states thereby giving room for the opposition party or other parties to cross carpet. This will lead to "control" rather than 'coordination'.

Many state on the other hands with high sustainability index still opt for the bailout either because they lack the knowledge of the implication of the bailout or because the corrupt tendencies on the part of the state government. Some felt more fund for their spending spree or for embezzlement. Facts show that many distress states were only the effect of the state government financial recklessness and lack of transparency.

A careful study of the dynamism of operations of federalism in Nigeria as shown from the models above proves:

1. That the more the centre participate in the funding of programmers and operation within the jurisdiction of the regional governments, with some strings attached to such funding, the more the centre or federal governments steps into matters that the states could legitimately consider to be within their sovereignty.

2. Fiscal relation between the centre and unit government has the capability to destabilize the equilibrium of the power relation between them.
3. All the features of federation, by the classical definition remain the essential elements till date.

The implication of the bailout no doubt from the analysis so far is that Nigeria is further drifting from the ideal of federalism especially as it relate to fiscal operation which tends to concentrate more enabling forces of control on the center thereby producing ever -in -need states. The red alert signal is that the omen is not good for Nigeria as a heterogeneous society.

This interpolation of financial data of government revenue, debt; and expenditure is necessary as it informs the basis for which bailout were given. It also enriches the policy recommendations. This is because it revealed that a gap between revenue and expenditure should not be immediately fed by debt, especially where there are other sources of revenue available to state governments. Hence, when a state is still fiscally sustainable, an option of debt is not viable. The sustainability index is an interaction index that ultimately considers the overall revenue base of each state during the fiscal crisis, its expenditure profile and total debt stock.

The Nigeria federalism differs from the American experience in that while the federating units surrendered some of their sovereign powers to form the federation in the United State (federalism evolve here), the centre (through the military) created the states (devolving Federalism). This historical background already predisposes the Nigerian federalism to totalitarian federalism thereby furthering Unitarian tendencies. This paper therefore, agrees with the Akinsanya's observation that: "the need for balanced and uniform economic developments; indeed, the desire to maintain uniformity in provision of social services has meant that the centre government has to provide substantial assistance to the states, and s has implied, albeit, latently an increasing overall control by the federal government".

At this juncture, we can safely reiterate that with the federal government bailout, Unitarian and totalitarian federalism becomes more deeply entrench in practice in Nigeria.

### **RECOMMENDATION**

At this juncture, we can stately reiterate that with the federal government bailout, totalitarian federalism becomes more deeply entrench in practice in Nigeria. This paper recommends that state governors should understand that the continual intervention and financing of the state by the federal (central) government cannot produce balance of power in centre - unit relationship, therefore effort should be made to agitate and establish true federalism where each within its sphere is substantially independent of the other. This of course, will touch the need for constitution rearrangement and restructuring of the existing order.

Moreover, there are other internally generated revenue open to the states to boast their financial viability sustainability especially during this financial crisis season, such avenues should be fully explored. There is the need to curtail unnecessary expenses by the state government; such funds should be channeled production area. Accountability, prudence and transparency are the watch word.

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This was not a bailout; it was a government seizure and redistribution contrary to law. Obama Gave Large Stakes Of GM And Chrysler To Union Allies After The 2009 Auto Bailout, The United Auto Workers Union "Was Given An Own...". After The 2009 Auto Bailout, The United Auto Workers Union "Was Given An Ownership Stake In Chrysler And Became One Of G.M.'S Largest Shareholders." Would the federal government help save the nation's number three automaker? In 1979, Chrysler was the nation's 17th largest manufacturing company in the country, with 134,000 employees, mostly in Detroit. It needed money to invest in tooling a fuel-efficient car that would compete with Japanese cars. Gill, Kathy. "The History of US Government Financial Bailouts." ThoughtCo, Feb. 16, 2021, [thoughtco.com/government-financial-bailout-history-4123193](https://www.thoughtco.com/government-financial-bailout-history-4123193). Gill, Kathy. The U.S. government has a long history of leading economic bailouts. The first major intervention occurred during the Panic of 1792, when Treasury Secretary Alexander Hamilton authorized purchases to prevent the collapse of the securities market. When private enterprises are in need of rescue, the government is often ready to prevent their ruin. AIG had faced steep derivative losses, and the Federal Reserve was worried its failure could severely disrupt financial markets.