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# **PROBLEMS OF LOCAL GOVERNMENT FINANCE IN NIGERIA: A HISTORICAL PERSPECTIVE**

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## **Abstract**

The paper examined the problems of local government finances in Nigeria from a historical perspective. It did this in phases as follows: phase I covering the period 1950-1960, phase II covering 1960-1966, phase III covering 1967-1975, phase IV covering 1976-1979, phase V covering 1979-1983, phase VI covering 1984-1985, phase VII covering 1985-1993, phase VIII covering 1993-1998, Phase IX covering 1998-1999 and finally phase X covering 1999 - date.

One thing became clear and this is that the problem of local government finances in Nigeria is as old as the creation of modern local governments itself and part of our conclusion is that such issues as corruption, mismanagement etc has become endemic in the local government system and to forestall it, drastic steps must have to be taken. We made some recommendations among which is that stiffer penalties should be applied to punish those who are found to be corrupt in the local governments at whatever level. Similarly, revenue collectors in the local governments should be motivated so as to make them shun corrupt practices and a method must be devised to get the State governments to honour the payment of 10% of their internally generated revenues to the local governments. In addition, the paper recommends that the current revenue sharing formula of the federation account should be reviewed to favour the

local governments as follows: Local government 35%, State governments 30%, and federal government 35% as against Local government 20%, State government 24% and federal government 48.5% that is presently in existence.

## **INTRODUCTION**

The finances of Local government (LG) in Nigeria are not just a local problem but it has turned an issue of national concern. However, does it have anything to do with the past? What really are the issues affecting local government finances? In this paper, we intend to take a historical perspective in understanding the issues at stake.

Definitionally, Local government is the government of the people by the people for the people at the local level. Or put in another way, it the government of the people by the people for the people at the grass root level.

### **Formation**

Local Government in Nigeria in the modern sense dates back to 1950 when the first democratically elected Local Government Councils (LGCs) were established in Lagos and the Ibibio area of the old Calabar province of Eastern Nigeria' by an ordinance. Prior to this period, there was Traditional Administrative systems, which metamorphosed to Native Authorities and later Indirect Rule system through which the people were ruled under the supervision and control of the colonizers.

Since 1950, the local government system in Nigeria has had a chequered history and has remained in a financial imbroglio giving rise to various attempts to reform it and more especially enhance its financial capacity. For the purpose of this paper, we shall look at these attempts in phases.

## **Phase 1: Local Government and fiscal developments in Nigeria between 1950 and 1960**

Following the Eastern Region Local Government ordinance of 1950, a three-tier structure consisting of county, District (rural and urban) and Local councils were created in consonance with the British mode.

The three-tier structure was characterized by the ability to generate revenue, population and size. For instance, the county council, which was the top tier authority, replaced the existing Native Authorities, which had annual revenues between N60,000 and N100,000<sup>3</sup>. In terms of population, the government thought that 50,000 people would constitute an adequate size for the county councils. After the reforms, there were 1.7 county councils and 1 Municipal council', and they were given functions such as education, motor parks, hospital and agriculture with huge capital outlay, large territorial size and large population.

They also had regulatory powers over a long list of subjects including animal husbandry, town planning, forestry reserves, environmental sanitation and trade and industry.

The District council (seen as the middle tier) on the other hand was conceived to cover a small sized territory with a financial criterion of between N10,000 and N30,000 annually. There were 79 of them, and they had more or less the same powers as the county councils in addition to those functions not assigned to the county council such as dispensary clinics; maternity homes, cemeteries, waste disposal, minor roads, bridges, and the control of markets.

The last tier of authority was the local council of which there were hundreds. It represented an attempt by the government to accord recognition to the reality of the traditional unit of Ibo political organizations and for this reason, the government did

not specify financial and population criteria for its establishment. A remarkable difference was that they were not allowed to employ staff and, therefore had no separate administrative machinery for the discharge of their responsibilities. In addition, they had no assured, independent source of revenue, being dependent upon precepts and receipts from market fees.

The Eastern region became the first to establish the local government ordinance because of its hitherto egalitarian or republican nature, which denied it any central structure of authority. It was not surprising therefore that the East provided a fertile ground for experimenting on the new system of democratic Local Government.

Before April 1956, rates and taxes were the main source of revenue of the District councils in addition to government grants. However, after April 1956, the government took over the task of tax collection but rates were still collected by the councils. In lieu of this lost in tax revenue, the councils were given a block grant. They also benefited from small loans from the ministry of local government" as it were then.

A unique feature of this period was that the elected councils were given a great measure of autonomy in financial and personnel matter as well as general administration." However, in light of problems arising from the improper use of their powers in personnel and market administration, the councils in the former Eastern region were the first to suffer a loss of autonomy.

As Gboyega puts it,

And mistakes, unfortunately, there were corruption on a large scale and other forms of financial mismanagement soon put an end to any hope that the absence of close supervision would inculcate responsible leadership.

This development therefore gave rise to the Local Government Law of 1955 which gave the Minister for Local Government extensive powers of supervision and control over the councils which he exercised through the former district officers who were also the Local Government commissioners. By 1958, the reorganization of the system of local government administration throughout the entire Eastern region took a new dimension when, it became inevitable to abolish the three tier system and replaced it with a two tier system consisting of district (urban and rural) and the local councils.

In 1960, another Local Government law was passed which consolidated the various adjustments that have been made in the region. A significant development then was that the district councils were re-styled county and urban county councils. There were then in the Eastern Region 2 municipal councils, 12 urban county and 88 county councils. The second tier of authority comprised 870 local councils.

However, despite attempts at making the councils effective, it remained a far cry because the system was not dynamic enough to mobilize resources and generate development coupled with no staff of their own and meager financial resources.

The Western Region followed suit with enactment of the Western Region Local Government Law of 1952; which replaced the existing Native Authority. The law also provided for a three-tier system of local government consisting of Divisional, District and local councils.

In the Western Region, the pattern of development paralleled the development in the Eastern Region—both regions having adopted a similar structure of local government.

The Divisional council was established for people of a wide area who by tradition have been subjected to the same paramount ruler or who have ethnic ties which continues to bind them together effectively.

As in the Eastern Region, the Divisional councils had jurisdiction over major services and looked up to the District Councils for funds.

The District Council (the intermediate authority) was established for township areas' homogenous areas. Some of them were all purpose while others had a limited range of functions and they served as the rating authority upon whom the Divisional and Local Councils looked up to for revenue.

The Local Councils (the lowest authority) was designed for a group of villages or small towns and it performed minor functions such as the maintenance of small markets cemeteries and motor parks.

The local government councils were as was the case in the Eastern Region representative institution or put in another way, its members were largely elected. However, inspite of various adjustments, no satisfactory performance came from the local governments councils in the Western Region and this led to series of administrative inquires, one of which was headed by S. O. Biobaku in 1960 with a term of reference bordering on local government services.

The long and short of it all was that the local government councils in the Western Region, were also affected by the rot that bedeviled the Eastern Region local government councils, and this gave the different governments some cause for concern.

As Gboyega puts it:

The tiered structure crumbled for more or less the same reasons as in the Eastern Region.

The system had ceased to be representative and government appointees were



constituted into management committees for the councils. Political support for the system was waned not merely because it became unrepresentative, but also because of disillusionment with the performance in the area of delivery of social services, inability to mobilize resources and corruption and mismanagement that had become rampant in the system.

In the Northern Region, the re-organization did not take place till 1954, as a gradual approach was adopted.

As Yahaye pointed out,

External influences such as the mediating role of British Colonial officers, the political bargaining which federal politics implied and the adoption of a parliamentary system dependent on grassroots support ensured that the Native authority interest prevailed in the early period of regionalism culminating in the gradual adoption.

However, as Gboyega also indicated, "the system of local government administration was similarly far from satisfactory, even though the reform was seen as a more comprehensive response to the critics of Native Authorities. For instance, in sharp contrast to the Eastern and Western regions, five different types of Native Authority were provided for by the Law.

The predominant type was the chief in council Native Authority where a chief was associated with a council which he presided over and with which he shared the powers of local authority. He is not elected but appointed by the premier. His role as a chief in council was a very strong one. He presided at meetings and was expected to follow the advice of the council though he could act contrary provided he consults with the Governor who could counter mind him. If he considers a matter very urgent, he could make decisions by merely consulting with any two members of the council.

The system was largely undemocratic as it was not really a device for furthering popular participation; rather it enabled the traditional elite to keep the substance of authority while seemingly sharing it. Another type of Native Authority was the chief-and-council Native Authority. The chief here was no more than a chairman with a casting vote in the case of a tie. This type of Native Authority was established for areas, which lacked a traditional centralized political system with a paramount chief. The council in this case was composed largely on the basis of elections.

The third significant type of Native Authority was the Council Native Authority that was established for those areas where the unit of traditional political organization was rather small. A unique feature of this type was that the chairman was elected from among the traditional elites of the component communities on rotational basis.

As can be seen the Native Authority Law of 1954 of the Northern Region did not extend much participation to the local government administration, rather it created opportunities for consultative bodies as a means of associating new elites with the Native Authorities without handing over the control of Local Government Administration to them.

However, as in the Eastern and Western Region, the District Officers ceased to have executive control over the Native Authorities, but reserve the right of attendance and participation at meetings without a vote. Also, they had the powers to examine the books and records of the Native Authorities and to investigate specific allegations.

In terms of responsibilities, the Native Authorities had enormous responsibilities under the Law and were responsible for education, medical and health services, public works, judicial and courts administration, police and prisons, welfare services and trade.

One thing about the Native Authorities was that it clearly surpassed the local authorities of the Eastern and Western Regions in the aspect of revenue collection. The most

important sources of revenue were community tax paid by all adult males based upon individual assessments and this was very effective given the fact that the emirate areas had an efficient taxation system before colonial rules. Other sources of revenue were fees, fines and of course government grants.

As we noted earlier, though the Native Authorities were strong because of their existing political structure, from 1954, their position in relation to the colonial government began to weaken, and this extended to the postcolonial era.

In summary, it could be said that the 1950s was the era of pupilage for councils in modern local government throughout the country.

During the period, there was generally a growing awareness on the part of the people for the need to support their councils financially by the payment of general and special rates, the incidence of which was gradually rising without any signs of political stress.

Similarly, the era was when serious efforts were made to set up modern personnel system in the local governments by the establishment of local government service Boards set up to improve the working conditions of Local government staffers and bring them as far as possible in line with those of the civil service.

One very unfortunate development during the era was that the elected councilors did not appreciate the need for accountability to those whose interests they claimed to represent in the councils. The result was that responsible management of public affairs was not always present amongst councilors, and this accounted for large-scale irregularities in contract awards, market allocation and in personnel administration.

Consequently, Regional Governments had to take various measures to firmly control the local governments and coordinate its activities.

This in a nutshell was the nature of local governance and its finances during this period and it is clear that the problems of Local government finances in Nigeria are as old as the creation in the 1950's.

### **Phase II (1960-1966): The Post-Independence Phase or the First Republic Era**

Immediately after independence in 1960, some efforts were made towards correcting the anomalies in the local governments and make it more responsible and development oriented but rather than improving, the local governments deteriorated.

As Orewa and Adewunmi pointed out, this phase witnessed a period of decline in the prestige and responsibilities of local authorities, which occurred at varying periods in different parts of the country.

A major factor responsible for this decline was inadequate finance or what was generally referred to as meager resources.

For instance, as part of making the local government system in the Eastern region more responsible, responsible, the local government law of 1960 was passed and this brought about some restructuring in the district council culminating in restyling it County and Urban county ,councils respectively and increasing it as well as the local councils numerically.

As Gboyega puts it:

Still, there was a great deal of dissatisfaction with the system of local government administration as the system was still not dynamic enough to mobilize resources and generate development.

According to him, "the local council remained ineffective for the same old reasons that they had no staff of their own and had only meager resources."

Similarly, the situation in the Western region was not different from that of the Eastern region within that period.

As Gboyega also pointed out:

...the state of local government administration in Western Nigeria between 1960 and 1966 was unencouraging. The tiered structure was crumbled for more or less the same reasons as in the Eastern Region. The system had ceased to be representative, government appointees having been constituted into management committees... the mobilization of resources was increasingly difficult and required the employment of coercive instruments... corruption and mismanagement has become rampant because of the weakening of the system of control and supervision. In 1966, when sole Administrators were appointed to take charge of the affairs of the councils, the councils plunged into a greater depth of inertia and insensitivity to the yearnings of the people for services.

Gboyega heaped the blame on the English-model representative system of local government, which he said failed to succeed as expected.

However, the situation was a bit different in the then Northern region. As pointed out earlier, the Native Authorities were at the inception of regionalism very strong vis-a-vis the government. They had a more stable administration, which enable them to assume responsibility with some degree of success for more complex services, for example primary education.

One unique feature during this period was the changes in the structure of the councils with increased numbers of elected or appointed non-traditional office holders becoming members of the local authorities, and although the Native authorities were allowed to levy and collect community tax, the exemption from payment of this tax of those who paid regional/state government income tax affected its financial stance and this hindered the execution of essential capital projects.

The end result was that their position in relation to financial capacity began to weaken. Finance thus remained a crucial factor even in this period, which resulted in the dwindling capacity of the local councils.

Phase III: The Period between 1967-1975 (civil war era and military dominance in Nigeria).

This period witnessed the complete bastardization and collapse of local government administration in the country. For this was the time of the outbreak of Nigeria's civil war and in their usual manner the military suspended the constitution and dissolved the representative local government systems throughout the country and in its stead, replaced it with development committees/administrators.

Furthermore, there was the felt need to reorganize the local government by the military to ensure its effectiveness for developmental purpose, and preserve national security.

The northern region got the most far-reaching reform this period geared towards cost effectiveness.

Chief among the reforms then was the merging of the Native Authority Courts and the judiciary with the commissioners for Native Courts placed under the control of the chief justice of the Northern Region. Similarly, the Native Authority police force and the Native Authority prisons were made to be absorbed by relevant federal institutions the idea being to relieve the Native Authorities of financial burdens.

Further changes in the system of local government administration followed after the Northern Region was divided into six — North central, North Western, North Eastern, Benue, Plateau, Kano and Kwara — in 1967. The effect of the changes was to further reduce the political power of the ruling elite" — and make the councils more developmental focused.

In the Western region, a major reform was the adoption of the council manager" system of local government in April 1973 as a result of the recommendation made by the commission of inquiry set up to look into the Agbekoya" riot of the late 60s — a violent reactions to the high levies of taxation and lack of participation in the system of local government administration.

One effect of the reform was that it resulted in the consolidation of the size of the local government authorities for example from 114 to 39 then.

The council manager was also significant for its exclusion of rulers from direct participation in local government administration, which was a momentous end of what was predominant in the era of colonial rule.

However, the council manger was short-lived as within a short period of three years it was superseded by the 1976 local government reform.

The council manager system was nonetheless a disappointment in the sense that it did not result in any substantial savings in overhead costs. Worse still, revenue effort of the councils did not improve neither did newly introduced source of revenue like tenement rates-considered to be of great potential, effectively collected.<sup>55</sup> Thus, the finance of the council stagnated rather than improving.

The situation in the Eastern region was a little different. In its case, sole administrator had already been appointed to take charge of the councils as part of an initial reformation exercise before the war.

However, during the war, some radical reforms took place and involved the following as pointed out by Gboyega:

- (i) The designation of an administrative officer as the local authority;

- (ii) The establishment of representative council with deliberative and advisory functions and
- (iii) The abolition of the local government service and its absorption into the states civil service. All these featured in the new states of the Eastern region—the East Central, Cross River, and Rivers together with the Mid-West (Carved Out of the Western Region in 1963).

One striking phenomenon in the running of the councils in the then Eastern region was the introduction of selected sole Administrators from the central government to run the affairs of the council — the very first time in the history of Nigeria", which also marked the beginning of the negation of the principle of representative local government as we have it at present in the country.

One implication of the sole Administrators/Authorities approach was that they as Governments principal agent at the local level responded more to government's purpose than to the local populace.

Also, local government administration became to be more precise, the local administration of local government for government approved developments only.

Financially, the councils had more subventions as it grew for example, from N600,000 in 1970/71 to N700,000 in 1971/72 and N200,000 in 1973.74.60

To summarize the discussion so far it is pertinent to point out that on the eve of the local government reforms of 1976, the structural patterns of local government were dissimilar for the Northern, Eastern and Western parts of the country. For instance, the Northern States made reforms, which had the effect of aligning their system of local government administration with the Liberal reforms of Southern Nigeria in the 1950's. The Western State in Southern Nigeria had to broke out of the mold of trying to replicate British institutions and practices and adopted an American model of local government



administration with its emphasis on managerial effectiveness. The Eastern State and Mid-West has simithilyabandoned the British heritage and adopted the French model of local administration. These different structural patterns persisted until the 1976 local government reforms<sup>61</sup>, which is examined below.

#### **Phase IV: 1976-1979— The 1976 Local Government Reforms**

Following gross defects, non-uniformity and disenchantment in what prevailed in the local government vernment systems, as discussed above, the.Murtala/Obasanjo regime which toppled the Gowon regime in July 1975, embarked on what has been referred to as a watershed in local government administration in the country.

Justifying the need for the reforms, then chief of staff, supreme Headquarters, Brigadier Shehu Musa Yar'Adua remarked:

The defects of previous local government systems are too well known to deserve further elaboration. The state governments have continued to encroach upon what would normally have been the exclusive preserve of local governments. Lack of adequate funds and appropriate institutions had continued to make local government ineffective and ineffectual. Moreover, the staffing arrangements to ensure a virile local government system had been inadequate. Excessive politicking had made even modest progress impossible. Consequently, there has been a divorce between the people and government at their most basic levels.

The then head of State Gen Olusegun Obasanjo corroborated his Deputy's stance when he stressed in defense of the initiative that:

Local government is fundamental to building a stable government not ' just at the state level but also at the federal level... the evolution of an effective system of local government throughout the country requires that the exercise be nationally coordinated,

so that Nigeria's local government system can achieve standardization in terms of objectives and financing.

One of the main features of the reforms is the finance of the local government. Provisions were made to augment the resources of the local government councils so that they may effectively perform their functions, through federal and state governments annual grants in addition to their traditional sources of revenue such as community or income tax, cattle tax, rates, fees and rents etc. Similarly, as part of its responsibilities, the newly created Local government service commission is to see that the financial resources of the local governments, including taxes, government grants and other revenues at their disposal are sufficient to enable them provide adequate standards of services in an efficient manner. In addition the Commission is to:

- Provide secretariat for local Government Loans and Development Funds.
- Pay or reimburse local government pensions.
- Pay all grants to local governments excepting, if preferred, grants in respect of primary education.

However, the intended autonomy for the Local Governments became limited as the ministry of local government kept to the habit of issuing circulars and instructions on matters of day-to-day administration, administrative procedures, budgetary allocations etc. Further to this, some state governments failed to comply on administrative patterns. For example, the Oyo state governments substituted Zonal Administration for Divisional Administration rather than abolishing it completely.

Another aspect of the reforms was that property rating—expected to be the main source of local government internal revenue—was extended to all urban areas.

As was mentioned earlier, this package of reforms was a major achievement of the military, administration being the first major watershed in modern local government reforms since it was first established in 1950.

What distinguished it from all previous reform exercises in the country was the formal and unrequited recognition of local government as constituting a distinct level of government with defined boundaries, clearly stated functions, and provisions for ensuring adequate human and financial resources. Similarly, clear guidelines were provided on these issue and on other matters connected with the organization and functioning of the local governments.

On its implementation, there was evidence that the local governments recorded some significant achievements. In practically every state, the local governments successfully formulated and implemented economic and social development projects that contributed to the improvement of the standard of living of citizens in their respective areas.

In most cases, efforts were concentrated on markets, motor parks, roads, bridges, culverts, classrooms, dams, wells, dispensaries and maternity centers. Furthermore, the Local governments are intimately involved in the Democratic process, which eventually culminated in the return to civilian rule in October 1979. For instance, the election of the majority of members of the constituent Assembly, which completed the work on the making of the 1979 constitution, was conducted within the local governments.

One other achievement was the successful conduct of local government elections in December 1976. It was a direct election in many places without any political party but the voting pattern was based on each candidate's merit.

Also, as promised, the federal military government was able to provide for the first time N100 million grant to the local government councils in 1976/77 which was increased to N250million in 1977/78, N250 in 1978/79, N292 million in 1979/80 and for April-December 1980, N278 million was provided.

Notwithstanding these successes, some problems persisted regarding structure, finance, personnel, corruption and intergovernmental relations. Also, the uniformities which were imposed as a result of the reforms sometimes ran counter to what local conditions would have dictated.

One other problem that emanated was from the State governments. Each state government was to provide 10% of its Local recurrent revenue to the Local governments but after 1976/78, it was poorly implemented. Some state governments even diverted the federal grants to their local governments, and by 1978/79, most of the State governments had inadequate revenue to meet their increasing recurrent expenditure. Consequently, their contributions to the local government revenue declined drastically. This became clear that two years after the reform, the local governments in Nigeria began to run into financial problems. Thus, in spite of the lofty intentions of the federal military government in embarking on the 1976 reforms, the Local government councils remained on a very weak financial foundation and this extended till Oct. 1, 1979 when the 2nd republic was heralded.

#### **Phase V: 1979–1983 (Local Government in the Second Republic)**

Before the military handed over power to the civilians in 1979, one unique thing it did was to enshrine some major parts of the 1976 federal guidelines on local government in the constitution. Thus for the first time in Nigeria's constitutional history, LGS became a creation of the constitution and not merely that of each State Government and was recognized as a third tier of government.

In line with this, section 7(1) of the 1979 constitution declared thus:

The system of Local Government by democratically elected Local Government Councils is under this constitution guaranteed and accordingly, the government of every State

shall ensure their existence under a law, which provides for the establishment, structure, composition, finance and functions of such councils.

Similarly, its statutory right to share from the revenue of the federation and that of the State Government was entrenched in section 149 of the said constitution, though with a provision that it will be on "such terms and manner as maybe prescribed by the National Assembly.

In the same vein, its function were enlarged and spelt out in the fourth schedule of the constitution chief among which was that the Local Government will participate in the Government of a State in respect of the provision and maintenance of primary education, the development of Agriculture and Natural Resources and the provision and maintenance of health services, which are quite expensive and money gulping.

In conformity with the constitutional provision on finance, the National Assembly enacted the revenue Allocation Act of 1981 and 1982 which gave the LGS 10% of the revenue of the federation and 10% of each state government total recurrent revenue.

By this unique act, Local Government revenue was enhanced. Although as Omorogiuwa puts it, "the state government defaulted," and not only did they default some of them went ahead to abolish flat income rate and community tax meant for the Local Governments without compensation for revenue loss. In Kaduna state for example, the internal revenue of local governments dropped from 7.36 million in 1978/78 to N2.98 million in 1980 due largely to the abolition of community tax."

As if this was not enough, the state governments were also accused of diverting Local Government revenue."

Be this as it may, local government revenue from the federal sources skyrocketed in the 2nd Republic from N250 million in 1977/78 to N292 million in 1979/80 to N1,086 million)

in 1981, N1,082 million in 1982 and the revised estimate for 1983 was N832 million." However, inspite of this sharp increase in the Local Government revenue from the federal' sources, the performance of the Local Governments in the 2nd Republic was nothing to write home about."

According to Omoroguiwa, this was clear from the poor implementation of the Local Government development programmes, which were for the first time embodied in the 4th National Development plan. The reason for which he said were not far-fetched from partisan political interference, inhuman exhibition of power and gross financial mismanagement."

Another aspect of this period worth mentioning was the bastardization of the representative principle in the local governments and its proliferation.

As if the State governments were in competition with each other, they established local governments at will to the extent that by the middle of 1983, there were over 800 multipurpose single-tier local government councils in Nigeria as against 300 in October 1979""

At this juncture, it is necessary to point out that the proliferation of local governments was fret accompanied by any effort to solve other problems of the local governments. Indeed, the problems of finance and personnel became accentuated."

These, in a nutshell, were the main features or highlights in the local governments during the Second Republic. It is pertinent to note however that the period no doubt was the first major attempt to improve the finances of the Local Government but as was pointed out earlier, it became characterized with abuses rather than consolidation.

## **Phase VI: 1984-1985 (The Period under General Buhari's Administration)**

Following the gross abuses of the Local Government Democratic philosophy between 1979-83, the General Buhari's regime which took over power from the Shagari's Administration on the eve of December 1983 reversed the escalated number of Local Government councils of 835 to 301, the number that was in existence before the handover in 1979.

Further to this, the regime dissolved all the management committees appointed by the civilian administration and appointed sole administrators to replace them. In addition, a twenty-man committee under the chairmanship of Alhaji Ibrahim Dasuki was appointed to advise the federal government on necessary reforms to revitalize local government administration in the country. The twenty-man Dasuki review committee as it was popularly called was inaugurated on May 29, 1984 by the then Chief of Staff, Supreme Headquarters Major General Tunde Idiagbon with the following terms of reference:

- (i) To evolve the most suitable mode of managing the local government councils.
- (ii) To re-examine the existing structure, functions and financial resources available to the local governments.
- (iii) To look into the accounts/management staff problems of Local Governments, including the standardization of various departments of the councils.
- (iv) To evolve a proper place for Traditional Authorities in Local Government.
- (v) To propose how best to manage intergovernmental relations between and among the Federal, State and Local Governments and also between Local Governments and Ministries for Local Government Service Board/commissions etc.

- (vi) To work out manpower development schemes for all cadres of local government staff; and
- (vii) To deliberate and recommend on other matters the committee considers relevant for the improvement of local government administration in the country.

The term of reference no doubt was a signal that all was not well with the Local Government system and having ordered a return to the status quo as mentioned earlier (835 Local Governments in 1983 to the 301 it was in 1979), it was generally seen that the 1976 reforms package was being revisited.

One remarkable thing about the Dasuki committee's recommendations was that it emphasized constitutional financial powers and Development planning for the Local Governments. This, no doubt was to make the councils more effective:

### **Phase VII: 1965-1993 (Babangida's Administration and Local Government Development in Nigeria)**

In the quest to address the multitudinous problems of the Local Governments and make them formidable, the Babangida's regime also made some impacts especially in the aspect of Local government finances..

As professors Humes and Ola put it,

No other administration in Nigeria, civil or military, since independence can boast of the amount of legislation that the Babangida administration brought about in local government and local development.

According to them,

The achievement of the administration spans a vast area—the abolition of the states Ministry of local government 1988, the transfer of Primary Health Care to local



government 1990, the taking over of Primary Education by Local Government 1991, Reconsideration of Revenue Allocation among the three levels of government to the advantage of local government, the introduction of the presidential system of Government at the Third tier, the scrapping and reinstatement of the Local Government service commission and the politicization of the office of the secretary to the Local Government among others.

On finances, General Babangida's regime will be remembered for increasing the local government allocations from the Federation Account from 10%, which it met it in 1991 to 20%. Till date, 2004, this figure has remained (The Obasanjo administration is currently thinking along the line of a review but this is yet to materialize).

As Humes and Ola put it,

The Murtala Mohammed/Obasanjo regime lifted the Local Governments out of the ramshackle and slums in which many of them operated before 1976. The Babangida administration built on that foundation by re-examining the Revenue Allocation Formula and on two occasions .increasing the share from 10% to 15% in 1989 and three years after it reached the 20% figure.

Before this, the regime had announced on October 1, 1989 that the statutory allocations on the local governments from the federation Account were to be channeled directly to them rather than through the State governments". An attempt it said was to forestall further manipulations and diversion of the said allocations by the State Governments. Furthermore, it required that ten (10) percent of the internally generated revenue of the state government be periodically passed on to the local governments insisting that failure to do so will lead to deductions at source from the states allocations.' Thus, for the first time in the history of Nigeria, the revenue base of the Local Governments was enhanced though, not without additional responsibilities. These responsibilities were mainly in the area of primary education and primary health care.

As Humes and Ola put it again;

With increased revenue allocation from the federation-account naturally came increased responsibilities. For example, Primary Health Care became Local Government responsibilities in 1990. Similarly, primary education became the responsibilities of the Local Governments in 1991.

Though these were very heavy responsibilities, the fact that they were matched with increased revenue source lightened the burden of their performance. In addition they provided a challenge to a system, which a decade earlier had systematically suffered whittling down of its functions and a take-over by the state governments.

By the Decree (no. 3 of 1991), which shifted the responsibility of primary school education to the Local Governments, the State Governments were to provide facilities and develop capital infrastructures for primary education while Local governments were to pay Teachers salaries and allowances. State governments were also to continue to set standards and ensure that such standards were maintained. The Primary Education Board in each state was abolished to give effect to the Decree.

However, it is necessary to point out that many Local Governments in the country found themselves using a bigger chunk of their revenue in paying teachers' salaries and allowances at the expense of other developments at the grassroots, the increase in revenue allocation from 15% -20% notwithstanding. Lots of protest greeted the reformation especially from the Nigerian Union of Local Government Employees (NULGE) whose protests followed failure to pay Teachers salaries and allowances, which fell into arrears, for many months.

It is worth mentioning also that the Babangida's administration emphasized accountability as a watchword. For instance, by streamlining the Local Governments with the civil service reforms in 1988, every Chairman of the Local Government was

aware that even after leaving office, he could be required to come back to office to make explanations for actions that occurred during his tenure.

Similarly, the chairmen of the councils were aware that on the services they provide rest their chances and their party coming back to the local government council.

### **Phase VIII: 1993-1998 The Abacha's regime and Local Government Development**

General Sani Abacha on taking over government from the interim National Government put in place by General Babangida before his exit, terminated the Representative Government in Nigeria's local governments and appointed caretaker committees in their place to manage the affairs of the councils.

Thus, the Representative Local Government suffered another setback. However, this was short-lived as it was followed by a zero-party election of councilors and election of chairmen of councils on March 15, 1997 on political party basis under the United Nigeria Congress Party (UNCP), National Consensus (CNC), Democratic Party of Nigeria (DPN) and Grassroots Democratic Movement (GDM) and finally elections into the Councils Nationwide. One remarkable development in the history of Local Governments in Nigeria during this period, was the creation of more Councils from 589 to 774. This figure is what the present civilian administration of Olusegun Obasanjo inherited and it has remained so.

However, be this as it may, the financial position of the Local councils was not improved. Throughout General Abacha's regime, the revenue allocation formula remained static just as it was inherited from the Babangida's governments. To worsen matters, the Local Governments became a tool for the Administration to achieve ulterior or selfish interests. Directives or orders were simply given to the local governments to either donate towards interested programmes or events or even award over inflated contracts to the stooges of the administration. For example, at the Launch of the family

support programme, the pet project of Mrs. Mariam Abacha, the then first Lady Local Governments were compelled to donate to the programme. In some cases, such "donations" were deducted from source—the allocation for the councils, from the Federation Account. The State Governments did not also help matters in beefing up the finances of the Local Governments as many if not all of them flagrantly failed to provide the expected 10% of their internally generated revenue to the council but rather further stifled the finances by encouraging inflated to be awarded to their stooges or flatterers.

As part of the federal government's efforts to wield the big stick and intimidate the local governments helmsmen, it promulgated Decree No3 of 1997, which empowered the Head of State to remove a recalcitrant chairman of any council.

Before General Abacha's death on June 8, 1998, he had enormous loyalty from the local government chairmen never before gotten by any Head of State or President in Nigeria. For they were all part of the gang up to make him a consensus presidential candidate and by implication a life president.

#### **Phase IX: 1998-1999 (Abdulsalam Abubakar's Administration and local governments)**

Following the death of Gen. Abacha, General Abubakar was nominated to become the Head of State of Nigeria. As part of his political transition programme for the country, he terminated the Abacha's Local Council and appointed sole administrators to run the affairs of the councils throughout the country and subsequently conducted elections into the councils on the platform of three political parties - the Peoples Democratic Party (PDP), the All Peoples Party (APP) now All Nigeria's People Party (ANPP) and the Alliance for Democracy (AD) which were formed. PDP won the majority of the local government chairmanship seats in the said elections and this was what became part of Nigeria's fourth republic.

As in the case of General Abacha, no meaningful effort was made to improve the finances of the local governments.

### **Phase X: ( 1999 - Date)**

The 1999 constitution became the guiding principle with which the civilian administration of the Fourth Republic operates.

However, since 1999, it is common knowledge that all cannot be said to be well with the local governments. Though the federal government has made it a point of duty through the Federal Allocation Committee (FAC) to ensure prompt allocation of resources from the

federation account, nothing has plagued the Local Government as the issue of inadequate, finance coupled with "Zero allocation", corruption and mismanagement. This situation so much affected Development to the extent that the president, Chief Olusegun Obasanjo openly described them as mere Area Offices; out to share scarce resources rather than enhancing its production.

Local Government finance and operations have therefore remained a great course for concern for the Nigerian people more so that it is the government at the grass-root supposed to bring Succor and Solace to the people.

Chief Olusegun Obasanjo's administration however made an attempt for the first time several years to address the revenue allocation formula in the country through the Revenue Mobilization, Allocation and Fiscal Commission (RFMAC).

Part of the administration's plan was to address through the new formula the perennial issue of primary school teachers' salaries, which made it through the commission to sponsor a bill to the National Assembly with the following proposal.

Federal Government	41%
State	31%
Local Governments	16%
Special Funds	11.7%
	100%

Distribution of the special fund is as follows:

- (i) Federal Capital Development Fund 1.2%
- (ii) Ecological Fund 1%
- (iii) National Reserve Fund 1%
- (iv) Agriculture and Solid minerals development Fund and it associated research 1.5%
- (v) Basic Educational and skill acquisition 7.7%

Before the proposal, the distribution formula was and still is (following the withdrawal of the proposal as a result of a Supreme Court judgment on resource control within the period):

Federal government	48.5%
States	24%
Local Governments	20%
Others (special fund)	7.5%
	100%

This special fund is distributed as follows:

Fund for ecological amelioration:	2%
Development of federal capital territory	1%
Development of mineral producing areas	3%
Mineral producing states (derivation)	1%
Stabilization account	5%
	7.5%

It is instructive to point out here that though the percentage allocation to the Local Government was reduced to 16% in the proposal made it was nonetheless, to enable the primary school teachers' salary to be addressed on a first line basis. Though many stakeholders saw this as a big relief but others felt there was no basis to reduce the percentage allocation to the local governments but rather the federal government should have shouldered the responsibility from its huge allocations.

However, this proposal has since been withdrawn and the commission is yet to make another proposal as at May 2004.

### **Conclusion**

The bottom line of this historical perspective is that Local Government finances have been an issue from its inception as a modern concept in Nigeria. In the same vein, corruption and mismanagement have remained unabated in the Local Governments and the Question to ask is: can a nation develop without its local government developing alongside it? Are there some latent cause (s) of the problems yet to be demystified?

All over the world local governments serve as instrument of development but to effectively do this, they require funds whichever way it is generated. However, given that they require funds, such funds must not be abused, mismanaged or misappropriated.

Nigeria's fourth Republic will need to address the local governments' administration if it must bring solace and succor to the Nigerian people.

To this end, we make the following recommendations:

- (1) Local governments in the country should begin to look more inward for revenue generation and this can be achieved through the following means:
  - (i) Highlighting the investment potentials within the local governments so as to attract Investors to it. The fact is that there is hardly any Local government in the country today that cannot boast of one investment potential or the other. This could be in terms of raw materials or even Land space.
  - (ii) Improved emoluments for the revenue collectors in the Local Councils so as to discourage them from comipt practices.
  - (iii) Stiffer penalties should be imposed on any corrupt official and this should include forfeiture of property, refund of money stolen plus a jail-term of not less than 15years.
  - (iv) Withdrawal of cheques, payments, and all receipts should be made public
  - (v) The names of staff in the local governments should be made public to avoid ghost workers and fictitious payments.
  
- (2) The revenue allocations to the local government should be reviewed. It is a common view that Development comes from below and going by this more of the revenues from the federation account should go to the local governments. Currently the Federal government takes a greater percentage of the allocations followed by the state governments in the following manner:
  - Federal government 48%
  - State government 24%
  - Local government 20%
  - Others 7.5%

We recommend the following:



- Federal government 35%
  - State government 30%
  - Local Government 35%
- (3) That a means be devised to get all the state governments to give 10% of their internally generated revenue to the local governments and stop encroaching on their constitutionally provided means of raising revenues.
  - (4) Local governments with good collaterals and commercial potentials should be encouraged to obtain loans from the Banks or other financial Institutions
  - (5) Lastly, clearly unviable Local governments should be merged with others that are better off and where this becomes impossible, they should be scrapped.

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