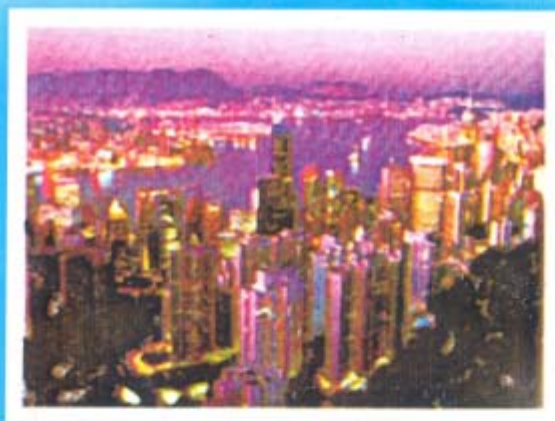


NIGERIAN JOURNAL OF POLICY AND DEVELOPMENT, VOL. 4, 2005

# NIGERIAN JOURNAL OF POLICY AND DEVELOPMENT



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# LOCAL GOVERNMENT FINANCES IN NIGERIA: ISSUES IN GENERATION, UTILIZATION, ACCOUNTABILITY AND SERVICE DELIVERY

S. A. IDAHOSA / FRIDAY FRANCIS NCHUCHUWE

## Introduction

The poor performance of local governments in Nigeria is seriously becoming a cause for concern to Nigerians and indeed all lovers of development in the country. However, one fact that is incontrovertible is that this government at the grassroots level is affected by inadequate funds with which it is expected to bring about development for the people at their various localities.

In analyzing the issues involved, we begin by discussing the meaning of local government and highlight some issues that have been affecting its finances in terms of its revenue generation, utilization, accountability, and service delivery in Nigeria. Some of the issues raised are: Corruption in revenue generation, Corruption in revenue expenditure or utilization, ineffectiveness in auditing, lackadaisical attitude of itoring its and Institutions, Mismanagement, Leadership orientation, Tax evasion, undue encroachment by the upper tiers of Government among others.

The conclusion was that there is need for a mental re-orientation on the part of all stakeholders in the local Governments in Nigeria and in particular local government officials. In addition, it made the following recommendations among others:

1. That there should be a special monitoring unit in each of the local governments, which will serve to monitor all revenue generation measures, put in place in the Local Governments and other monitoring units should sit up.

2. That all revenues generated internally or externally by the Local Governments should be made public monthly for the people to see and evaluate.
3. That all expenditures in whatever form or shape made by the Councils should be published monthly.
4. That the Independent Corrupt Practices and Other Related Matters Commission (ICPC) set up by the federal government should live up to its responsibilities and get corrupt people in the councils apprehended and prosecuted with stiffer penalties.
5. That the Local Governments should look more inward to generate funds rather than being over dependent on allocations from the federation account and those who are not able to generate at least 30% of their revenues internally should be scrapped or merged with others in like manner. In addition, the media should live to its social responsibility of enlightening the public on the need to pay taxes promptly.
6. That the State government in particular should stop encroaching on the sources of local Government revenues and in addition, contribute 10% of their Internally Generated Revenue as statutorily required to the councils so as to enhance their revenue.
7. That there should be a mental re-orientation not only on the part of Local Government Officials but the entire Local populace on the need to make the Local Councils more effective in the discharge of their responsibilities.
8. That the Local Governments should become more business-like by embarking on some productive commercial ventures through Bank loans at reasonable interests as part of improving their revenues.

Finance is a critical pre-requisite which enables any complex organisation be it private or public to maintain itself and effectively meet its commitments to the individuals or

groups of individuals or groups of individuals that consume its output of goods and services. It is the "sinews of war" for all functional organizations in any economy or as Professor Sam Aluko puts it "the vital means of sustaining any body politic and of enabling it perform its most essential functions" or better still, the life elixir of any organisation. It follows therefore that the essence or role of finance in any organisation cannot be undermined.

Local government is a public sector organisation with assigned functions and responsibilities, administrative structure and financial arrangements for maintaining both itself and rendering its statutorily assigned functions to its citizens. This way, the generic centrality of finance to organizational performances also applies to local governments. The operating 1999 Constitution of the Federal Republic of Nigeria accommodates local governments as a third tier of government with some basic functions. These functions are conveniently arranged along sectoral lines as follows:

### **Perspectives on Local Government**

In Nigeria, as in other developing countries, the debate on the nature and purpose of local government has been a long and at times better one. The Nigerian political system is of a federal one which implies that all the three tiers of government should each function to provide good, efficient and effective services to the people so as to, above any other thing bring a better life to them.

Many authors as well as scholars have posited that there is no one theory of local governments but rather the formulation of any theory on local governments will be based on its functions or put in another way, the aspect being studied.

Theories of local government that have been prevalent include:

- (1) The Democratic-participatory theory

- (2) The efficiency-services theory
- (3) The Development theory
- (4) The functional theory
- (5) The Resource mobilization theory

The Democratic-participatory theory of local governments holds that local government is a favourable setting for local democracy. Thus, it is seen as that which will afford the local citizens the opportunities for political participation their various levels as well as to educate and socialize them politically. Furthermore, the theory views the local government as that which should be free to make laws for its area without seeking the approval of the national and regional/State legislative bodies and at the same time, partake in the overall Decision-making process of the political system.

The efficiency services theory holds that local governments have an obligation of not only to deliver services to the local populace but also to do so most effectively and at the highest efficiency rate. The focal point of this theory is that local governments exist to provide services for the local people in general and on the efficient and accountable provision of these services, it must stand or fall. Thus, to these theorists, to argue that the Democratic and participatory roles are the main functions of the local governments is to beg the question.

The development theory of local government holds that the local government is a veritable instrument of local development and should be able to bring about political and socio-economic development to the local people in the sense that it is that tier of government close to them and well positioned or placed to reconstruct the infrastructures necessary to improve their life and bring solace and succour to them.

The functional Theory of local government holds that the local government like other tiers of government is saddled with various responsibilities or roles to perform which

are both internal and external to it. Internally for example, it is saddled with such functions as recruitment of staff, their development, and general welfare, emolument and maintenance. Others include provision of office equipment, stationeries etc. Externally, apart from contending with socio-economic projects, it has such roles as making contributions to national development, donating to charity, and non-governmental organizations among others.

The resource mobilization theory holds that the Local Government is a veritable source for resource mobilization and like any other Government (Central or Intermediate), it is expected to raise its own fund with which to operate and even render some to the central governments. Indeed one of the fundamental responsibility of any Government is to mobilize enough resources to enable to provide necessary services and secure its people. No government or any Organisation for that matter can successfully meet its obligation without money. Thus resource mobilization becomes a paramount aspect of any organisation. As Ibrahim Kida earlier puts it, "Finance or money, is a pre-requisite which enable any complex organisation be it private or public to maintain itself and effectively meet its commitments to the Individuals or Group of Individuals that consume its output..."

Thus it is clear that for Local Governments to survive, they have to mobilize enough financial resources. However, one thing is to mobilize resources and another is to utilize it in an efficient and effective manner.

Having highlighted these theories, it is important to mention that they are all germane to this paper as it goes without mincing words that to perfect each of them, the local government needs money (finance). For example, to make the people to become political conscious and imbibe Democratic values, money will be required. Similarly, to provide essential services and bring Development to the people or be able to perform the ever-increasing functions in the councils or even to mobilize resources itself will all require

money. There is no gainsaying the fact that since 1999 when once again there are democratically elected local governments at the grassroots' level their performances have been at low ebb and this has been largely attributed to lack of adequate finance as ever before. In a recent study carried out by the Department of public administration, Lagos State University in some selected Local Governments in the South-Western part of Nigeria, it was revealed that there is a general disenchantment about the performances of the local governments and most of the respondents attributed it to lack of finance. However, many people will argue that the reverse is the case. What then is the issue at stake? Do the Local Governments really have the money and if not what are the various issue affecting Local Government finances in Nigeria especially since 1999?

## **1. Revenue Generation**

This is the first issue that readily comes to mind. By definition, Revenue generation implies the amount of money that gets into the coffers of the Local Government from time to time. Basically, they come from two major sources and these are:

- (i) Internal Sources
- (ii) External Sources

### **Internal Sources**

The Internal Sources are those sources from which the Local Governments can raise or generate funds for their use internally. Funds raised through these sources are generally referred to as Internally Generated Revenue (IGR). The 1999 constitution of the Federal Republic of Nigeria and others before it, vests some exclusive rights on the Local Governments to generate funds from these sources for its various tasks. These can be classified into the following eight Heads as outlined by the local governments themselves.



**(1) Various Taxes (Head 1001)**

They include:

- Community poll tax (flat rate)
- Development levy
- Taxes on Special Services such as (Electricity, Water, Night guards among others as provided from time to time.

**(2) Rate (Head 1002)**

This includes:

- Tenement
- Penalty
- Ground Rent
- Government (Federal and States) grants in lieu of tenement rates

**(3) Local Licence Fees and Fines (Head 1003)**

Under this Head, the revenue sources are as much as 100 (one hundred) and they are grouped under the following subheadings:

**General Licence**

Bicycle licence fee, Canoe licence fee, Dog licence fee, cart/Truck licence fee, Hackney permit fees, Bus/Commercial vehicles fees, Taxi/Motor-cycle fees, liquor licence fees, palm wine Taper/Sellers licence fees, Native liquor fees, Beka cigarette licence fees, Staughters Hawker permit fees, Wart landing fees, Alternative medicine fees, etc.

## **Food Control**

Slaughter fees, Abatoir fees, Eating House fees, kiosk licence fees, Bakery House licence fees, Registration of meat van fees, Cattle Dealers licence fees, Dried fish/meat licence fees, Cold room licence fees, Batches licence fees etc.

## **Security**

Auction licence fees, Gold Smith and Gold Seller licence fees, Hunting licence fees,

## **Social**

Marriage registration fees, entertainment, drumming and temporary boot fees, control of noise permit fees, Cinema graph licence fees, Naming of Streets/House registration fees, Tent of sea/Beach permit fees, mobile sales promotion licence fees, Radio/Television fees, Beggars ministration fees, Open Air preaching permit fees, social organisation registration fees, etc.

## **Health**

Dislodging of Septic tank charges, Night soil Disposal/Depot fees, Registration of Septic tank dislodging licence fees, Registration of Night soil contractors fees, Impounding of animal fees, pest control and disinfectant charges, Birth and Death registration fees, Burial fees, vault fees, dispensary and Maternity fees, Laboratory test fees, Earning from Environmental Sanitation services, etc. Others include:

General contractor registration fees, Tender Fees, Sand dredging fees, Minor industry licence fees, Trade licence fees, Petty Licence fees, Sand Granite, Iron rod and seller licence fees, pit sewing licence fees forestry and fuel exploitation fees, sawmill licence fees, felling of three fees, Produce biuyoing fees, Rice/Mill Cassava grinding licence fees, Ingredient grinding mill licence fees, corn grinding Mill licence fees, Brown sugar

machine licence fees, painting, spraying and sign writing workshop fees, workshop licence fees, photo studio licence fees, welding machine licence fees, Electric Radio and TV workshop licence fees, Wood making/Carpentry workshop licence fees, Blacksmith workshop licence fees, Battery charges licence fees, printing press licence fees, panel beater licence fees, Vulcanizers licence fees, Vehicle spare parts licence fees, Cloth driver licence fees, clock-watch repairer's licence fees, Registration of laundries and dry cleaner fees, Motor Mechanic and Car Wash Depot licence fees, Building materials licence fees, Photostat typing institute fees, Block making machine licence fees, sewing institute licence fees, Hair Dressing/ Barbing salon licence fees Advertisement licence fees, miscellaneous.

### **Housing/Works Engineering and Services**

Work shop receipt, Sale of unserviceable store Hire charges, Sales of market Store, Survey and plot fees, Mortgage sublease approval, Customary sight of occupancy fees, commission on transfer of plots, approval of Building plans etc.

### **Fines**

This includes fines as a result of vehicle/car parking violations, vehicle/cars towed among others.

### **(4) Earning from Commercial undertakings (Head 1004)**

This includes: Market fees, Motor park fees, shops and shopping centre fees, cattle market fees, Abattoirs slaughter house fees, proceeds from sales of consumer Agric, Transport services, etc.

**(5) Rent on Local Government Property (Head 1005)**

This includes: Rent on Local Government Chairs and Canopies, Rent on other Local Government Buildings etc.

**(6) Interest payment and Dividend on Investments (Head 1006)**

This include Interest on Vehicles and Bicycle Advances, Interest on Loans to other Local governments, Interest on Loans to Parastatals and other limited liability companies, Dividends and Interest from other Investments, Interest on Staff Housing and other Loans.

**(7) Grants/Donations**

This can come from wealthy Individuals, groups, or industries within the Local Government. It could be specific or general and it is meant to assist the Local Government as the Donors deem fit.

**(8) Miscellaneous (Head 1008)**

This entails other avenues/opportunities open to the Local Councils from which they can derive some revenue within the local Government. Examples are: Gains from the sale of blocks, Recovery of losses or over payments, payment in lieu of notice of resignation, etc.

The above items are the various sources through which the local governments in Nigeria can raise or generate funds or revenues internally and there is no gainsaying the fact that they are enormous. However, generating funds internally has remained at low ebb and become one of the biggest problems plaguing Nigeria's Local Governments over the years. For example, table 1 reveals the following about IGR of the Local Governments between 1999-2002.

**Table 1: Summary of Local Government Finances In 1999-2002 (Naira Million)**

	1999 1/	2000 1/	2001 1/	2002 2/
<b>Current Revenue</b>	60,800.6	151,877.3	171,523.1	172,151.1
<b>Internal Revenue</b>	4,683.8	7,152.9	6,020.4	10,420.9
Tax Revenue	1,209.1	1,758.9	1,612.9	3,262.9
Non-Tax Revenue	3,474.7	5,394.0	4,407.4	7,158.1
Federation Account	43,870.3	1118,589.4	128,500.5	128,896.7
Value-Added Tax (VAT)	9,559.8	13,908.7	20,120.7	18,727.2
Stabilization Fund and Gen Ecology	1,056.3	5,398.5	12,980.2	9,897.0
State Allocation	419.8	1,923.1	1,598.6	1,672.3
Grants and Other	1,210.6	4,904.7	2,3020.7	2,537.1
<b>Total Expenditure</b>	60,441.2	153,864.8	171,374.5	169,820.2
Recurrent Expenditure	41,6613.9	93,899.9	122,712.7	124,701.6
Personnel Cost	22,771.0	41,487.1	66,951.2	70,354.7
Over Head	16,332.5	41,456.4	45,758.0	44,040.
CRFC and others	2,510.4	10,956.4	10,003.5	10,306.1
<b>Capital Expenditure</b>	18,827.3	59,964.9	48,810.3	45,118.6
Administration	5,632.3	19,062.4	11,642.2	11,996.1
Economic Services	9,146.3	20,856.7	25,001.6	21,455.2
Social and Community Services	3,761.6	13,264.0	9,946.3	10,289.6
Transfers	2,510.4	6,781.8	2,071.7	1,377.7
<b>Balance of Revenue and Expenditure</b>				
Current Surplus (+)/ Deficit (-)	19,186.7	57,977.4	48,810.3	47,449.6
Overall Surplus (+)/ Deficit (-)	359.4	(1,987.5)	148.5	2330.9
<b>Financing</b>	(359.4)	1,987.5	(148.5)	(2,330.9)
Foreign	-	-	-	-
Domestic I(net)	359.4	(1987.5)	148.5	2330.9
Banking (net)	-	-	-	-
Non-Bank	259.6	3,734.6	-	-

NB: 1. Revised. 2. Provisional and covers 859 reporting Councils.

Sources: Central Bank of Nigeria Annual Report and Statement of Account for the Year ended 31st December 2002, p. 111

In 1999, of the total amount of N60,800.6m (N60.8b) available to the local governments as current revenue in Nigeria N4, 683.8m (N4.6b) or 7.7% was internally generated. Similarly, in year 2000, of the total current revenue of N151, 877.3m (N151.8b) available to them, N7, 152.9m (N7.1b) or 4.71 % was internally generated. In the year 2001, of the total current revenue of N171, 523.1m (N171.5b) available to the Local Governments, N6, 020.4m (N6.02b) or 3.51% was internally generated. In year 2002, of the total current revenue of N172, 151.1m (N172.1b) available to them, N10, 420.9 (N10.4b) or 6.05% was

internally generated. Thus between 1999 and 2002, the internally generated revenue of the Local Governments for each year was less than 10%.

This trend as can be seen in appendix 1 has no doubt been so in years past. For example, in 1993 the percentage of the internally generated revenue of the councils was 5.21%, in 1994, it was 6.27% and in 1995, it was 8.65%. Similarly, in 1996 it was 9.29%. in 1997 it was 8.02% and in 1998 it was 9.41%. Thus, put together, the internally generated revenues of the Local Governments for each year was less than 10%. This no doubt has great implications for the financial capabilities of the Local Governments and their ability to perform and the deduction from this is that there are many areas not being tapped for revenue generation by the local governments and where efforts are made at all, it is at very low ebb and this is the case all over. There seems to be lackadaisical attitudes or complete neglect towards IGR and an over reliance on Statutory allocations from the Federation account by the local governments and this is buttressed by the "Zero Allocation" syndrome, which plagued most of them before their exit in May 2002. A school of thought however has it that what the councils declare as IGR may not be the reality of the situation and this brings us to the issue of corruption in revenue generation, which will be discussed later.

### **External Sources**

These include:

- (i) Statutory allocations from the federation account
- (ii) Statutory allocations from the State governments (10% of their internally generated revenue).
- (iii) Foreign Aids and Grants.
- (iv) Loans from financial Institutions.
- (v) Donations

The statutory allocations from the federation account to the local governments are 20% of the total amount distributed monthly and this has remained so since 1st June 1992. Similarly, in addition to the above, the local governments of a State are to receive 10% of the internally generated revenues of the State Government. Further to this, Local governments are entitled to 30% of the total amount accrued to the value added Tax (VAT) pool account with the States and Federal government having 50% and 20% respectively. Other revenues, which are shared to the local governments, include: Privatization proceeds, GSM proceeds, Fertilizer subsidy and Stabilization fund and General ecology.

The local governments also do have foreign aids and Grants, which help a great deal in Developmental projects, social services, and security among others. The councils can also seek for the obtain loans for specific projects which they must pay back before the expiry of their tenure. Donations do also get to the councils as the Donors may deem fit or are persuaded to do.

These are the various external sources of local government revenues for now in Nigeria. However, there are lines of thinking that current allocations from the federation account are too small compared to the enormous responsibilities and constitutional functions, which the councils are saddled with. We share this line of thought and it is our considered opinion that given that development comes from below, the councils no doubt deserve more money from the federation account more so that the cost of running the councils and that of providing social services alongside other responsibilities has skyrocketed. Sadly too most of the councils are doing little or nothing to improve upon other means of generating revenue.

The viability of a local government, the level at which services are rendered and the quality of those services are linked with the financial resources available to the councils. It is therefore imperative for the councils to tap all revenue sources available to them so

as to be able to provide meaningful development at the grassroots levels. At present, there is no gainsaying the fact that there is an over-reliance on the federal allocations. Table 1 above clearly reveals this. For example, between 1999 and 2002, the bulk of the Local Government revenues came from the Federation Account.

Appendix I also reveals that this has been the trend over the years. Now, the issue here is that given the fact that there is an over-reliance on the Federation account, the 20% allocation to the Councils is too small compared with their enormous responsibilities and functions as have been highlighted in this paper.

Be this as it may, one thing that affects Revenue generation in the Local Governments is corrupt practices whether in the process of internal generation or external generation of funds and this takes us to the issue of corruption in Revenue Generation.

### **Corruption in Revenue Generation**

One issue that has been and still plaguing the finances of the local governments is corruption in its revenue generation. As mentioned earlier, it could come during the process of generating the funds internally or generating it externally. For example, when asked the reason for the low Internally Generated Revenues in most of the councils in Ondo State, an accounting officer with one of the local governments who pleaded anonymity revealed that there is a high level of under declaration of actual amount collected just as there is similar level of connivance or collusion between the revenue collectors and the payers to either evade payment or under pay. The aspect of under declaration, the Official disclosed, is borne out of the fact that the revenue collectors are owed salaries for long periods and to compound matters they sponsor themselves in the drive for revenue generation. In the same vein, the collectors have to settle their bosses to retain their job and beat. Thus the under declaration is mostly in connivance with their bosses. At the end of it all, monies that would have served developmental purposes end up in the hands of a few persons who take it as their birth right or their share of the



"national cake". Thus, the so called less than 10% that most of the Councils declare as their internally generated revenues may actually not be the reality.

In the same vein, corrupt practices can occur in the process of generating some of the funds externally. For example, in the process of obtaining loans, interest rates can deliberately be beefed up and this will have negative consequences on the finances of the Local Governments.

### **Government Encroachment and undue Pressures on Local Government Revenues**

This is yet another issue that has been affecting Local Government finances now and in the past. Never in the history of Local governments in Nigeria has encroachment in their finances been so pronounced than it was between 1999 and 2002. This came in two phases — from the Federal and State governments. The Federal government in the quest to help pay primary school Teachers salaries within this period made several deductions from their monthly allocations, which paralysed them financially. This led to the phrase "zero allocation" implying that most of the local governments were left with little or no money to operate with. The implication was that not only could most of them not perform; they owed salaries some of which was as much as 20 months. In the same vein, the State governments did not help matters. Not only did they not provide the statutory 10% of their Internally Generated Revenue to the Local Governments as required, some of them compelled the local governments to make compulsory contributions to the State. For example, former Chairman of Odigbo Local Government in Ondo State Hon Ajani Moradeyo Ladipo disclosed to us during an interactive session that each of the Councils in the State remit 2% of their allocations to the State government to service the Local Government Service Commission every month. All these no doubt have great consequences for the Local Government finances.

## **Revenue Utilization in The Local Government**

This implies the various use monies or revenues generated by the local Governments are put into and it is yet another crucial issues in Local government finances. There are two categories of Local Government expenditures or any Government for that matter and these are Recurrent and Capital Expenditures.

Recurrent expenditure in the Local Governments includes the following: Personnel cost, Overhead cost and Consolidated Revenue Fund cost. For this paper, we will emphasize more on the first two. Capital expenditure includes those huge expenditures made by the Local Governments from time to time that are not frequent or occurring intermitted. Examples of this are: Expenses on some aspects of Administration (such as constructing office blocks, purchase of motor vehicles, purchase of Furniture etc.), expenses made to provide economic services (such as commercial undertakings, construction of lock up shops, markets etc). expenses made to provide social and community services (such as Health centres, maternity homes, construction of roads, provision of security etc)

As a result of the presidential system at the Local Governments since 1999, their expenditure pattern has taken a different dimension and skyrocketed in terms of staff emoluments, Transport and Travelling expenses, Entertainment and Hospitality, Training and Staff development, maintenance of vehicles and capital assets among others without a corresponding increase in revenue generation whether internally or externally. For example, with the presidential system came the local legislative councils whose councillorship range between 10 and 15 depending on the number of wards in the local government. Each of the councilors became entitled to a monthly salary of N125,000 from N11,000 courtesy of the Obasanjo administration. This became a burden on the councils, as there was no corresponding increase in their revenue. Apart from this, the work force of most of the councils has increased as a result of various appointments ranging from political aids to political faithful and flatterers. Also other miscellaneous expenditures such as office equipment, Stationeries, Furniture, etc, have

increased over the years coupled with inflation in the economy. Similarly capital, projects now require huge capitals more than ever before not only as a result of the real or actual cost but their over bloated ness or what in common usage is referred to as over invoicing or corruption, which as eaten deep not only in the Local governments but in all segments of the Nigeria Society.

### **Corruption in Revenue Utilization or Expenditure**

Revenue expenditure is one area through which local government finances are abused. It comes in different forms such as over-invoicing, inflation of contracts, embarking on investment of huge capital outlay so as to pay out mobilization fees only to have the project abandoned in the long run, sponsoring frivolous programs with the intention of siphoning funds through them, payment for services not rendered by obtaining fake receipts to cover them, making claims for expenses such as transport, traveling, tours, photocopies, consultancies, vehicle maintenance etc where none existed. These have become an albatross not only in local governments but also in most public offices, as the tendency is to view public offices as an avenue to get enriched. Today, as even before, cases of corruption abound in Nigeria's local governments just as it is in the supper tiers of Government in Nigeria.

Indeed within two years of the fourth republic there was hardly and day without news reports of financial abuses in the Local Governments. If they are not inflating contracts, they are claming money for projects not executed; if they are not inflating contracts, they are claming money for projects not executed; If they are not encouraging over invoicing, they are making frivolous claims of what was not purchased and what have you.

One national weekly similarly worried about Developments in the Local Governments, once published what it entitled: "Rogues in the council" with the following as excerpts:

Barely two years since assumption of office, Local Governments in Nigeria flaunt certificates of unfulfilled promises, amidst astounding evidence of wide scale looting of council treasuries. Investigations reveal that majority of Local Government Administrators across the federation, buoyed by the dilettante posture of the citizenry, have resorted to milking their treasuries with reckless abandon. From Surulere, Lagos Island and Ikorodu in Lagos, Ushongo and Makurdi in Benue State , Ondo West and East in Ondo State, Bassa and Keffi in Nassarawa State to Ado-Odo Ota in Ogun State, Burutu in Delta State and Ikere-Ekiti Local Government in Ekiti State, the Stories are ruefully similar.

### **The Issue of Financial Accountability**

This is also a major cause for concern. Given the fact that the Local Governments generate and utilize the funds they generate, how accountable and transparent are they? There is a common believe that the Local Governments in Nigeria are infested with corrupt practices and again, the question to ask really is: Who is to be blamed? And as mentioned earlier, are there no mechanisms to check the activities of the Councils to curb corrupt practices? Obviously there are. For example, the Constitution provides for Auditors to audit regularly and periodically the Local Government accounts. Similarly there are various Administrative and Financial Guidelines or regulations to check the transaction and activities of the Local Governments. These are examined as follows:

#### **Auditing of Local Government Revenue and Accounts:**

This comes in two phases — internal and external auditing. There is no doubt that the local governments have both internal and external Auditors as provided for in the Constitution.

The Internal Auditors are mainly concerned with evaluation, compliance and verification as well as 100% prepayment auditing while the external auditor examines the financial statements and expresses his opinion on their fairness. Both of them have

powers to issue audit queries where irregularities are observed and where any officer fails to make valid explanations he could be subjected to laid-down sanctions or punishments such as surcharging the officer involved, immediate recovery of the amount involved and/or report the matter to the police for prosecution. Lofty as this provisions are, the reverse is the case. Despite the existence of these Auditors the spate of corruption in the councils remains unabated. On the loopholes in Internal Auditing, the reason is clear. The Internal Auditors report directly to the Chairmen of the councils who are the accounting officers and as the saying goes "He who pays the piper dictates the tune". The point remains that for corruption to remain unabated in the councils there must be some connivance between and among these officers. The fact is simply that the Internal Auditors will find it difficult to raise audit alarms or query their bosses if there is any irregularity.

On the external auditors, the matter is a different ball game. As the guidelines stipulate, they are to carry out post payment and work verifications and this takes as much time as possible some coming up as much as 4 years after the tenure of the chairmen. This portends great danger for financial accountability in local governance.

### **Accountability and Transparency**

Accountability and Transparency demand that leadership anywhere should consistently render accounts or given details of every transaction they enter into in the course of performing their duties openly. The implication of this is that there must be no hidden agenda. Accountability is an element of Democracy in the sense that it corroborates with the principle of participation which has to do with the people taking part in there own affairs. Many political actors in Nigeria have largely eroded this principle, as the notion is that of being above broad once in political positions. All these have great implications for Local government finances in the sense that most of the elected officers are simply not accountable.

## **Leadership and People's Perception of Public Office**

One other issue that cannot but be mentioned along the line is the perception of Leaders and the people about public offices, which renders accountability impossible.

## **The Issue of Service Delivery**

There is no gainsaying the fact that with these financial scenarios in Nigeria's local Governments, service delivery has been largely hindered. One of the purposes of Local Governments is to bring development to the grassroots. However, it is common knowledge that to provide meaningful services which will bring succour and solace to the local populace money is required. Since 1999, the local governments have spent more on recurrent expenditures to the detriment of capital expenditures. The point being made is that they have spent more money on such things as personnel emoluments and overheads and abandoned those projects that should up lift the lives of the people they are meant to serve. Table 1 above clearly reveals that a greater percentage of the total revenues of the Local Governments are spent on Recurrent Expenditures, which is not palatable for service delivery. For instance in 1999, of the total expenditure of N60, 441.2m (60.4b) made by 589 reporting Councils in the Country, N41, 613.9m (41.6b) or 68.8% are for recurrent expenditure while N18, 827.3 (18.8b) or 31.2% are for capital expenditure.

Similarly, in the year 2000, of the total expenditure of N153, 864.8m (153.8b), N93, 899.9m (N93.8b) or 61.02% was spent as recurrent expenditure, while N59, 964.9 (N59.9b) or 38.97% was spent on Capital expenditure in year 2001, of the total expenditure of N171, 374.5m (171.3b), N122, 712.7 (N122.7b) or 71.6% was for recurrent expenditure while N46, 661.8 (N46.6b) or 27.22% was on capital expenditure. In year 2002, the trend was the same. Of the total expenditure of N169, 820.2m (N169.8b), N124, 701.6m (N124.7b) or 73.43% was for recurrent expenditure while N45, 118.6m (N45.1b) or 26.57% was for capital expenditure. These are all pointers to the fact that the Local Governments in the

past four years and indeed more have remained mere administrative offices rather than Service delivery offices a typical danger to National Development.

Be this as it may, one thing that affects service delivery is mismanagement, which we now turn to.

### **Mismanagement**

This is yet another of the issue affecting local government finance and service delivery in Nigeria. Given that the Local councils are faced with inadequate finance, are the little finances available put into productive ventures? These are the questions to ask. The point is that what is prevalent are misapplications and misappropriations of the little funds available. What financial management entails are probity, prudence and judicious disbursement of funds. Because of the corrupt tendencies of most public officers huge investments are made on unrealizable projects than realizable ones. In this regard, funds get misapplied. In most of the local governments it is not uncommon to see contracts awarded for capital projects that are never realized even though mobilization fees were paid to the neglect of other minor projects that can easily be realized. For example in Ondo East Local Government of Ondo State Contracts were awarded for Town Halls at the detriment of minor roads that could be graded for easy passage. The town Hall has since been abandoned. This no doubt is the case in most of the laguin the Local councils. With all these issues Governments in the Country, how then can they be addressed?

### **Conclusion And Recommendations**

Even though the focus of this paper is from 1999 it is clear that the problem of local government finances in Nigeria is of longstanding. Indeed one of s introduced was because of its local government reform was finances. Yet the problem has remained unabated. Many issues have been raised in this regard, chief among which is Corruption. Corruption is not just a Local Government malaise but also a national

malaise. Indeed this has culminated in some foreign organizations describing the country as "the second most corrupt country in the world" The fact is simply that the Federal Government of Nigeria is not living up to its expectations. When the Obasanjo's administration came to power it gave the world the impression that it was going to fight corruption headlong and went ahead to set up the Independent Corrupt Practices and Other related Matters commission (ICPS) after some delays from the National Assembly. One expects therefore that adequate machineries should be put in place to get the commission working so as to stem this ugly scourge not only in Local Governments but the country as a whole.

The upper tiers of government have also not helped matters in Local. Government revenue generations. Since One cannot but mention the internally generated revenue of the Local Governments, which no doubt has been at its low ebb. There is no gainsaying the fact that there is an over-reliance on the allocations from the federation account rather than devising means to generate revenues internally. It is necessary to point out that a means should also be devised to ensure that revenues generated should be protected from abuse. A way of doing this is not only to adhere strictly to their Financial Memoranda (FM) and other rules and regulations, but also to have what Frederick W. Taylor described as Mental Revolution. This is paramount because no matter the guidelines put in place to check corrupt practices, it will remain unabated except there is a mental reorientation (a mental rethinking) not only by officials at the councils but the entire Local populace. Similarly, the Nigerian populace should begin to see the need to pay taxes regularly. The Media have a great role to play in this regard. They have a responsibility to enlighten the Nigerian public of the need to pay their taxes, levies or dues as and when due. Also, the Councils should utilize bank Loans to embark on productive Commercial ventures to beef up their finances. Table 1 above clearly reveals that this opportunity is not being utilized and as matter of fact, financing through the Banks has been at a zero level in the past four years and at a low ebb in the past as can be seen in Appendix 1. Indeed, we make bold to recommend here that any



Local Government that cannot generate at least 30% of its total revenue internally should be scrapped or better still merged with others to make them productive.

One other issue that must be addressed is mismanagement. There must be ways to curb wastages especially as this is more of a deliberate thing than incidental. Our recommendation here is that there should be a monitoring unit at the councils established for the purpose of strictly monitoring areas of wastages and compliance with the various mechanisms put in place for financial transactions.

Similarly, the Local Governments should exhibit Transparency by publishing what they generate every month for the people to see and evaluate. In the same vein, all expenses made by the councils should be published every month as a matter of must (this will include all contracts awarded and by how much, salaries and wages paid in details, payments to Creditors made, amount paid for everything purchased and of course where and office or shops purchased among others).

Above all, there should be stiffer punishments for perpetrators of corrupt practices in the local governments with no sacred vows. Such punishments could be a complete forfeiture of the assets of the perpetrators and at least 15 years jail term not only for corruption and mismanagement of funds but poor service delivery.

## NOTES

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44. The study is yet to be published but it is entitled: "Zero Allocation and the crisis of Local governance in Nigeria" (2002)
45. These Heads are contained in the Local Government estimate of Ondo- East Local Government (2002) and are common to all the Local Governments in Nigeria.
46. The zero allocation Syndrome is a coinage of the Local Government Chairmen to reflect the nil or near nil balance some of them were getting from the federation account as a result of deductions made by the Federal Government from their allocations to settle the salary of primary school Teachers among others.

47. Hon. Ajani Moradeyo Oladipo was the immediate past Chairman of Odigbo Local Government Area. He made the remarks while fielding questions from this writer during a recent research entitled: "zero Allocation and the crisis of Local Governance in Nigeria" for which His Council was a case study.
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