

## **The Implication of Ineffective Utilization of Local Government Revenue in Nigeria**

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### **Abstract**

*Local governments in Nigeria have developed over a number of years. Historically, the development of direct taxation in local government in Nigeria can be traced to the British pre-colonial period under this period, community taxes were levied on communities (Rabiu, 2004) recently the revenue that accrues to local government is derived from two broad sources, the external sources and the internal source. An effective Local Government system rests majorly on the availability of human and material resources which the nation could mobilize and harness for local governments development. In 1976, the Federal Military Government then issued guidelines on local governments reforms. The reforms which gave recognition to local governments as the third tier of government whereby government activities at the local level were taken care of. In 1988, another reform of local government was established. This gave a substantial and unprecedented reform of autonomy to the local governments in the country. With this autonomy, greater responsibilities devolved on the local government therefore, became a common knowledge that most of the local government are finding it difficult to cope with the present level of responsibilities. In addition to the participation by the local governments with state government in drawing up the economic development policies and programs of the state, local governments should also provide, maintain and control social services at the local government level. Local governments also have responsibility for primary education, agriculture and natural resources, primary health services, construction and maintenance of rural roads and rural market.*

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### **I. Traditional sources of revenue to local governments in nigeria**

As already mentioned above, internally generated revenue formed a greater bulk of the total revenues accruing to the local governments before 1976. With the 1976 Local Government Reforms, these sources were further widened to enable the local governments to collect enough funds to discharge their development responsibilities. Consequently, the various local government edicts of the various states in the federation included the following as their major sources of revenue to all the local governments in the country:

**a) Community Tax/Community Rates;**

**b) Property (Tenement) Rates;**

**c) General/Development/Capitation Rates;**

**d) Licenses, Fees and Charges**

- 1) Advertisement fees
- 2) Baker houses licenses
- 3) Beggar minstrel fees
- 4) Bicycle licenses/hire permits
- 5) Births and deaths registration fees
- 6) Brick making and block industry licenses
- 7) Cigarette sales licenses
- 8) Burial fees and charges (on local government burial grounds)
- 9) Cart/truck licenses
- 10) Cattle dealers/Butchers' licenses
- 11) Contractors' registration fees
- 12) Dane guns' control licenses
- 13) Dried fish and dried meat licenses
- 14) Dog licenses
- 15) Marine Fishing/hunting fees
- 16) Forestry and fuel/fire wood exploitation fees
- 17) Goldsmith's licenses

- 18) Hawkers' permits/licenses
- 19) Hunting licenses
- 20) Local liquor brewing/sales licenses
- 21) Marriage registration fees
- 22) Minor/small/cottage industries licenses
- 23) Control of noise licenses
- 24) Palm wine fees
- 25) Pit sawing licenses
- 26) Produce (palm oil/kernel) buying/sales licenses
- 27) Rents and plot fees (from Landlords)
- 28) Retail trade licenses
- 29) Slaughter fees

**e) Interest on Revenues**

- 1) Interest on state deposits
- 2) Interests on investments
- 3) Profits from sale of investments/stocks, shares, etc.

**f) Departmental Recurrent Revenues**

- 1) Survey fees – from the Department of Works & Planning
- 2) Repayment of personal advances
- 3) Refund of salaries and/or allowances
- 4) Refund of subsistence of students in training
- 5) Re-imbursment of state witnesses expenses
- 6) Sales of library books and literature
- 7) Nursery school and day-care centres fees
- 8) Conservancy or compost charge
- 9) Sale of produce e.g. palm oil/kernel
- 10) Profit on local government farm accounts
- 11) Tractor/grader/caterpillar hire fees
- 12) Irrigation fees
- 13) Sale of firewood
- 14) Sale of timber
- 15) Sale of produce
- 16) Cattle/goat/sheep/poultry treatment charges
- 17) Fodder
- 18) Stray animal poundage fees
- 19) Workshop repairs receipts
- 20) Sale on stores
- 21) Sale of unserviceable stores/vehicles, and equipment fees
- 22) Rents on local government quarters
- 23) Guest/rent house fees/charges
- 24) Vehicles, plant and equipment charges
- 25) Profit vehicles advances account
- 26) Canoe/ferry/mass transit fees
- 27) Contribution for maintenance of produce evaluation road usage fees
- 28) Fees and charges in local government-maintained markets
- 29) Fees and charges in local government motor parks
- 30) Registration of business premises
- 31) Sale of corn
- 32) Sale of scrap metal, etc.

From the list, it is clear that many of the various sources of internally generated revenues to local governments are either untapped or under-tapped in most local governments in Nigeria. Some, like death registration fees, due to the culture and customs of local people can never be tapped; while others like tenement rates by individual and corporate persons can be potentially lucrative sources of local government revenue, if properly administered and strictly enforced. With courage, honesty, and fair-play local governments may not even bother to look for new sources of internal revenue if the above list is appropriately and adequately tapped and properly accounted for.

The worth of the local government area is determined by the quality and quantity of services which are made available to its people at the grassroots. For the council to make available meaningful services, in form of

provision of basic amenities, rehabilitation, construction and maintenance of roads, creation of employment opportunities for the masses and payment of staff salaries as and when due, money is undoubtedly needed. Hence, for the local government area to perform its constitutional functions effectively and efficiently it should not only be well funded but such fund should be judiciously applied. This implies that, for the local government areas to function well there is need for proper utilization and management of available human and material resources. This could be made possible through proper execution of financial conventions with appropriate control measures such as budgetary control, financial control, etc. Some of the basic problems in local government financial administration and controls are poor or non-execution of financial conventions, ineffective utilization of revenue available to the local government as well as delay in payment of Federal and State government grants to the local governments. It is a clear fact that the success or failure of any organization be it private or public, depends upon the availability of funds, the management and control of such funds towards the achievement of the organization's goals and objectives.

### **Strategy planning of revenue generation**

Harry and Steven (1995), described strategy as a game plan through which aims and objectives of an organizations are achieved. They further defined strategy as revenue generation as the fundamental pattern of present and planned resources department, and environmental interaction that indicate how the organization will achieve its aims and objectives. They added further that it is the skill employed in managing any affairs, which includes the local government affairs especially in the means of generating revenue. According to Harry and Steven (1995), depicted that strategy of revenue generation must aim on the following:

- i. Ensuring the survival of local government as it relates to determine priorities and decision making.
- ii. Enhancing the viability of local government objectives.
- iii. De-emphasizing on federal and statutory allocation.
- iv. Tapping all available opportunities in their areas.
- v. Ensuring effective and efficient management of financial resources.
- vi. Maximizing revenue while minimizing the cost of collection.

However, for effective revenue generation, Harry and Steven (1995) suggested the following strategies:

- i. Introduction of additional sources of revenue.
- ii. Providing an incentive for extra efforts of the revenue generation staffs.
- iii. Tapping all available opportunities in the areas.
- iv. Periodic raiding by officer of the revenue generation.
- v. Efficient and effective collection of existing taxes.
- vi. Taking advantages of business or commercial opportunities in their local areas.

Adeosun (1991) described the strategy of revenue generation as the bed-rock of any local government. The viability of any local government to the level at which the services are rendered and the quality of those services are inextricably linked with the financial resources available to them. He equally believed that if there is fund, then the ability of local government to perform will depend on the quality of staffs and equipment need to be recognized as the third tier of government as the one which is closer to the people, therefore things at the local level can be easily noticed and perhaps has some impact on the people. If this idea is constantly brought, the consciousness of officer and members of the local government council, then there is tendency for them to act more responsibly and feel accountable to the public. However, for local government to perform their statutory functions both the executive and the legislative arms of the local government have to meet and share ideas, opinions, set goals and objectives through which strategies to revenue are developed and enduring the implementation of such strategies so that the targeted revenue are achieved.

### **Impacts of generated revenue in local government**

There are a lot of benefits people should enjoy from the generated revenue of the local government;

- Provision of clean water for the people in the local government area.
- Construction of good roads for easy movement of transportation.
- Provision of a well-equipped health center in the community to reduce the death rate of the people.
- Provision of free education in the community to reduce the level of illiteracy in the society.
- Stability of electricity in the community.

### **Manifestation of ineffective utilization of local government revenue**

Government exists primarily to provide services that will make life worth living. It is the general agreement of most scholars and professionals that local governments in Nigeria have not justified the reasons for their creation through the delivery of cutting edge services to the rural people. This is glare in the assertion of ex-president Obasanjo in 2003 in *Agba et al (2013)* when he said inter alia.

‘What we have witnessed is the abysmal failure of the local government system. It is on record that at no time in the history of the country has there been the current level of funding accruing to the local governments from the Federal, yet the hope for rapid and sustained development has been a mirage as successive councils have grossly under-performed in their assigned responsibilities’

This observation shows among others that local governments have produced exactly opposite the original objectives for their creation.

Ukiwo (2006) in Agba et al (2013), maintained that, instead of bringing government and development closer to the people, local governments have produced absentee local government Chairmen who are seen at council headquarters when the monthly ‘Abuja Allocations’ arrives and vamoose with their standby jeeps and mobile police escorts after superintending over the sharing of the local governments share of the national cake among relevant stakeholder.

The Nigeria State is characterized by prebendalism. This is a situation where public office is held first, for the interest of the officer and second, for the interest of the public. This situation has greatly encouraged corrupt practices at every level of government in Nigeria. Corruption means absence of accountability, transparency and civic engagement. It means selfish service; an attitude in public affair. An example of corruption at local government is using local government fund to finance political parties.

Aluko (2003), in Izuoke (2006), observed that collusion is also a powerful tool of corruption. He identified the following forms of collusion that are common to the local government system.

- a. collusion between supervisory ministries and local government chairmen;
- b. Collusion with citizen who benefit from the thieving public officers;
- c. Collusion with contractors to inflate contract prices or quotation.

Arowolo (2008) in Adeyemi (2012) also opined that, hard earned and limited resources accrued to and raised by local government are always mismanaged. Priorities are misplaced; projects are done not according to or as demanded by the people but regrettable in tune with the selfish end and aggrandizement of political leadership in collaboration with senior bureaucrats at the local government level of Administration. Generally wide-scale embezzlement by officials of the grassroots has made the need development of grassroots a tall dream and has rendered them financially incapable to discharge their constitutionally assigned responsibility.

Local government is created to ensure meaningful development of the grassroots through participatory approach. Democracy therefore serves as variable avenue through which the purpose for which local government is created can be achieved (Lawal and Oladunjoye).

Regrettably, this is not the case, instead of discharging their functions as development centers, local government have acquired notoriety for corruption, fiscal indiscipline and overall irresponsibility (Agbo 2010:20). It has become high temples of corruption and crass mismanagement where combined effect of graft and inefficiency are proudly showcased by the officials (Ekawu, 2007:18). Alleged corrupt practices include: misappropriation of funds, inflation of contract sums, over-invoicing of goods, unauthorized withdrawals, reckless virement and outright embezzlement (Agbo, 2010).

To illustrate the level of corruption at local government level, the former chairman of Ezeagu North East local government area council in Enugu State, Mr. Edwin Offor Nwatarali, has been charged before Enugu High Court by Independent Corrupt Practices and other Related Offence Commission (ICPC) for allegedly diverting the sum of N1, 109,250,00 belonging to the council to his personal use while in the office (Achile, 2011:11). In Bornu State, the former chairman of Monguno local government council, Alhaji Umar Shugaba Gan and Alkali Imam were convicted and sentences to (7) seven years imprisonment for corrupt practices. They were alleged for conspiracy and making false returns to the tune of one million, five hundred Naira (Madu, 2009:4). Also sentenced for corrupt practices were Alhaji Gana Abbas, the former chairman of Dambon local government and the treasurer of the council, Alhaji Ali Abacha. They were convicted and sentence to 17 years imprisonment over misappropriation of public funds while in office as the chairman and treasurer respectively. They awarded contracts for the drilling of boreholes in Azir and Ngwalimi villages for the total sum of N12 million. The sum of N7 million was approved as mobilization fees for the contract to Galtis Nigeria Water Services. These two officers released only N1 million to the contractor and converted the remaining sum of N6 million to their personal use (Femi Gold, 2009:8). The former council chairman of Abeokuta North Local Government Council in Ogun State, Alhaji Morouf Ajisekun was convicted and sentence to two years imprisonment with the option of N500, 000.00 fine for lavishing the sum of N260, 000.00 meant for printing of exercise books in the local government on

Ileya gift (Ingobro, 2006:3). The above explanations are few examples of financial recklessness in local government councils in Nigeria. The consequence is an emasculating deprivation of basic amenities and a dangerous disconnection and disenchantment of the people with the three tiers of government; while the officials of the council celebrate their ill-gotten wealth. The lack of integrity, transparency and accountability at this level of governance is definitely taking a leaving toll on the wellbeing of ordinary Nigerians (Agbo, 2010).

### **An assessment of Implication of ineffective utilization of local government revenue**

Development is synonymous to freedom in any society. If society is developed, the people in that society is always said to be free from diseases, hunger, poverty, illness, illiteracy, ignorance and insecurity. Sustainability could be the right word to describe development. In pursuit of development, access to resources ought to be made available for state/local government to deliver the required welfare services (Samihah and Adelabu, 2010). Therefore, development remains irrelevant if it does not positively affect the lives of people in society.

The constitution assigns service delivery responsibilities to the three tiers of government with states and local government playing the most significant role in the delivery of basic services such as education, health, housing, water, and waste disposal services (Odoko and Nnanna, [www.csae.ox.ac/books/epon/fiscal/federalism](http://www.csae.ox.ac/books/epon/fiscal/federalism)). At this junction it is pertinent to review the performance of service delivery of local government.

### **Education**

Local governments in Nigeria are meant to supervise education at the grassroots and to work through Local Government Education Authorities and with Departments for Adult and Non-formal Education to do this. To ensure a level of control, Secretaries of Local Government Education Authorities are appointed by Council Chairmen and ratified by council members who are elected and whose functions are similar to those of State assemblies with responsibilities for making law (Yovbi, 2008). Under the MDGs, the major goal for education is to achieve universal primary education by year 2015; in other words, to ensure that by that year children everywhere, boys and girls alike will be able to complete a full programme of primary schooling. In line with this, one of the major objectives of national policy on education is to make education accessible to all Nigerians (Odoko and Nnanna, [www.csae.ox.ac/books/epon/fiscal/federalism](http://www.csae.ox.ac/books/epon/fiscal/federalism)).

The poor state of services delivery is reflected also in the number of pupils that progress from the primary to secondary schools. The average is 25 percent. This state of affairs has led to a situation in which middle and upper classes now send their children and wards to private schools and has led to a wide gap in the quality of education between the products of two sets of schools (Odoko and Nnanna, [www.csae.ox.ac/books/epon/fiscal/federalism](http://www.csae.ox.ac/books/epon/fiscal/federalism)).

### **Water Resources**

The 2004 National Water and Sanitation Policy give Local Government Authorities (LGAs) and departments the responsibility for establishment, operation and maintenance of rural water supply schemes in conjunction with the benefiting communities. They are also responsible for the establishment, equipment and funding of the Water and Environmental Sanitation Departments. Since over 55% of Nigerians live in rural areas where waters coverage is just 31%, the key to achieving the water and sanitation MDG targets lies with rural local government (Amakon, 2009:3).

According to Odoko and Nnana ([www.csae.ox.ac/books/epon/fiscal/federalism](http://www.csae.ox.ac/books/epon/fiscal/federalism)) the expenditure on water has been on decline or increased marginally in most states. Most often at grassroot level according to Amakon (2009:6) water sanitation services are frequently lumped under Community Services, alongside rural electrification. The lack of separate department means that water and sanitation service delivery is often not prioritized.

### **Primary Health Care Services**

Every Local Government has a Primary Health Care Coordinator, usually a senior nurse who has responsibility for delivering primary health care and coordinating health care facilities within the Local Government Area. These primary health care facilities in most other countries have grown to be full fledged hospitals and often serve as secondary referral centre's for community nursing. In Nigeria, most of the ones established have become decrepit (Yovbi, 2008).

The Nigeria's health policy aims at providing affordable health services to all Nigerians. It focuses on preventive health care delivery through the implementation of primary health care delivery system. The system emphasizes health education, adequate nutrition, safe water, sanitation, and maternal and child health (Odoko and Nnanna, [www.csae.ox.ac/books/epon/fiscal/federalism](http://www.csae.ox.ac/books/epon/fiscal/federalism)).

However, in practice, there is little evidence to show for health services delivery at the grassroot despite of the huge allocation to this sector. This problem appears to be an endemic one, and in one way or the other has affected the delivery of basic health services at the local governments.

### **Community, Infrastructural and Rural Development**

A typical Nigerian community in the modern setting faces a number of developmental related challenges. These may be classified as physical (or infrastructural), economics, social, political and cultural (Akande, 2001:57).

The physical challenge has to do with the requirement of motorable road for a community to be able to transact its economic and social activities with other neighboring communities and the world outside its immediate vicinity. Associated with roads is the requirement of communication system that promotes information dissemination and interactions. The physical challenges also embrace the requirement for shelter or housing (Akande, 2001).

The introduction of Adjustment Programme (SAP) in 1986 with ultimate goals of attaining transformation and stability of the economy only achieved some improvements in the macroeconomic indicators and also created some social problems. It was nevertheless accompanied with some serious declines in some infrastructure and access to health and education, as well as rising unemployment rate and social inequality. All these created social tensions and insecurity (Oladipo, 2001:63).

Many palliative measures were introduced to cushion the negative social cost of SAP as well as others aimed at addressing directly or indirectly various aspects of poverty. These include:

- The Directorate of Food, Roads and Rural Infrastructural (DFRRI)
- The Directorate of Employment,
- The Agricultural Development Programme (ADP)
- The River Basin Development Authority
- National Agricultural and Development Authority (NALDA)
- Strategic Grains Reserve Programme
- Mass Transit Programme.
- The peoples' Bank and Community Banks Programme
- Better life Programme
- Family Support Programme
- Family Economic Advancement Programme.

Despite efforts of government, these programmes did not record the desired effect (Oladipo, 2001: 63-64). It is disquieting, however, that the part being played by the local governments in the task of community mobilization for development through self-help effort has been very minimal. The services and amenities provided by the local governments in the country are grossly inadequate in relation to the population they are expected to serve (Ola and Tonwe, 2009:275-276). In reality, Ola and Tonwe (2009) explain further that, only a handful of communities enjoy some sort of services facilities. Many communities do not feel the impact of local government institutions in term of services and facilities.

## **II. Conclusion**

As described above, there is a general trend going about most governmental establishment, there are mismanagement and embezzlement. There is urgent need to put in place an effective and efficient institutional mechanism in all the 774 local government area councils across the country to checkmate the menace of corruption at grassroots level, there is need for a sustained public enlightenment campaign about the right and duties of the entire individuals under the law. The revenue collected is mismanaged by the officer thereby not making the revenue to have any effect on the general populace of the local government. This can be reduced by the centralization of the collection department and rotation of jobs and assignments. If a worker is occupying a particular position for a long time he tends to have all the ways by which he can fraud the department. Finally, Local governments need to develop financial management skills for greater accountability and transparency. This can be achieved through capacity building after the official swearing-in, in the same way as at the federal level. Donor agencies have been very active and should extend such capacity building to the states and local governments. This kind of capacity building has helped equip elected officials at the federal level.

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