

Revenue Generation in Nigeria's 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 nongovernmental 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 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:

1. Community poll tax (flat rate)

2. Development levy

3. Taxes on Special Services such as (Electricity, Water, Night guards among others as provided from time to time.

(2) Rate (Head 1002)

This includes:

1. Tenement

2. Penalty

3. Ground Rent

4. 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

Aution licence fees, Gold Smith and Gold Seller licence fees, Hunmting 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 and become one of the biggest problems plaguing Nigeria's Local Governments over the years.

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.