

## Financing Local Government Administration In Nigeria: 1980 - 1991

by

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*This paper reviews the finances of Local Governments in Nigeria, identifies the causes of their financial incapacity and proffers some recommendations for possible remedy. The results of the statistical sample survey on the finances of selected Local Governments, covering the period 1980 to 1991, reveal that the Local Governments virtually neglected their traditional sources of internal revenue as a result of their increased wealth from federal statutory allocations. Other causes identified include the erosion of the revenue - yielding functions of Local Governments by State and Federal Governments as well as inefficient revenue collection machinery. By way of solution to the identified problems, a number of recommendations are made. They include the intensification of efforts to revive the traditional sources of internal revenue and the exploring of new ones, re-evaluation of the existing inter-governmental relationships, functions and revenue sharing formula as well as encouraging community participation. Moreover, certain recent developments, including the relaxation by the Federal Government of the erstwhile restrictive conditions for borrowing by Local Governments, have also brightened the prospects of Local Government's finances and their potential ability to meet the challenges facing them.*

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### Introduction

Local Government administration in Nigeria was in the beginning a colonial creation through which the "natives" were involved in modern government in line with the indirect rule system. Between the 1890s and the 1930s, the colonial native authorities were established in their rudimentary form in the country. They have undergone several changes since Nigeria became independent almost 32 years ago.

Local Governments are best suited to play vital social, political and economic roles for the overall development of a country. It is because Local Governments are nearest to the people or the grassroot. The realisation of this important fact, coupled with the desire to bring the Government nearer to the people, prompted the Federal Government to introduce a number of significant reform measures to the local government administration in Nigeria, particularly since 1976. The Local Government Reforms of 1976 made far-reaching changes in the structure, functions

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and finances of Local Governments, and have remained an invaluable reference point for subsequent reform programmes that have been introduced in Nigeria. The 1976 Reforms clearly defined the powers and functions of Local Governments, and made them an autonomous third tier of government, with enhanced prestige and increased responsibilities. Following the 1976 Reforms, 297 (later increased to 301) all-purpose, single-tier and largely elected Local Governments were created throughout the country on February 6th, 1976. In response to popular demand, and in furtherance of the commitment of the Federal Government to grassroots development, subsequent measures of reform increased the number of Local Governments to 442 in 1988, 454 in 1989 and 589 in 1991.

The enhanced status and increased responsibilities bestowed on Local Governments, coupled with the substantial growth in their number, call for improved financial capabilities for them to meet the challenges of their new roles and be able to recruit and retain qualified staff as well. In order to redress the incessant erosion of functions, powers and financial capabilities which the Local Government Authorities had suffered at various times from the early 1960s up to 1975, the 1976 reform programme declared certain sources of revenue as the exclusive preserves of local government authorities: They included property rating, levies on undeveloped plots, community tax or its equivalent, etc. Furthermore, provision was made for the payment by the Federal Government of a grant amounting to 10 per cent of its retained revenue to Local Governments as from April, 1977 while the State Governments were also mandated to commit 10 per cent of their total recurrent revenue to Local Governments as annual grants. This substantially eased the financial uncertainty which characterised the old system of grants disbursement to the Local Governments. Further improvement was recorded in 1981 when the Revenue Allocation Act No. 1 of that year made the Local Governments entitled to direct access to the Federation Account, with a statutory share of 10 per cent of that Account being allocated to them. The share of the Federation Account going to Local Governments has progressively increased from 15 per cent in 1990 to 20 per cent in 1992.

However, the increased responsibilities of Local Governments in recent times seem not to be adequately matched by their financial resources. This is manifested in the inability of most of them to perform satisfactorily their new tasks such as the payment of primary schools, teaching and non-teaching staff and provision of primary health care. In several Local Government Areas, many existing structures, such as roads and buildings, are in a pathetic state of disrepair while only a few Local Governments can engage in new projects critically needed for the upliftment of the quality of lives of their people.

The aim of this paper, is to review the financing of Local Governments, particularly since 1980, highlight their problems and challenges, and make some policy recommendations. Specifically, alternative sources of revenue for this important tier of government will be explored while the ways and means of generating additional fund from their traditional sources will also be looked into.

The paper is divided into four sections. Section I, reviews the evolution of local governments' structure, functions and revenue generation. Section 2 focuses on the financial operations of Local Governments from 1980 to 1991, based on the outcome of a sample survey of selected Local Governments in Nigeria. The problems, challenges and prospects of Local Governments are discussed in Section 3 while Section 4 summarizes and concludes the paper.

## SECTION 1

### REVIEW OF THE EVOLUTION OF LOCAL GOVERNMENTS' STRUCTURE, FUNCTIONS AND REVENUE GENERATION IN NIGERIA

In this section, an attempt is made to trace, the evolutionary changes that have taken place in the structure, functions and revenue generation of local government authorities since the era of colonial administration in Nigeria. Indeed, before the advent of colonial rule in Nigeria, there had existed an efficient system of native administration in the various parts of what is now known as Nigeria. This was particularly the case in the Northern and Western parts, where the existing systems of traditional administration provided the colonial authorities the much-needed workable basis for the introduction of the Indirect Rule system of governance, first in the Northern Protectorate and later in the Southern Protectorate.

In the first half of the 20th century, the colonial native authorities consisted mainly of traditional office holders, whose main functions were to maintain law and order and generally act as agents to the colonial government in the provision of certain basic services in their respective localities. With the pressures generated by the nationalist struggles for democratisation and self rule, there emerged in the fifties the more modern local government councils with elected members, increased responsibilities and enhanced financial status. However, the local government councils suffered a decline in status in the 1960s and early 1970s owing principally to their inability to perform up to expectation. Since 1976, however, a number of reform had been introduced at the national level with the view to transforming the local governments into a separate tier of government, with clearly defined and enhanced responsibilities, improved financial status and more development-oriented and viable structural re-arrangements.

#### 1.1. Structural Evolution

The colonial native authorities came into being in their rudimentary forms from the 1890s to the 1930s, and they represented mainly the instruments through which the indirect rule system operated. Initially, they were constituted as sole native authorities symbolised by the all-pervading power exercised solely by the traditional chiefs and emirs as agents of the colonial government. In an attempt to give recognition to the constitutional position of the independent kingdoms, clans and village groups which existed before the arrival of the British colonialists, the

various traditional units, irrespective of their sizes, were constituted into Native Authorities. This explains, for instance, why there were as many as 245 Native and subordinate Native Authorities in Owerri Province by mid-1930s. The sole native authorities yielded place to chiefs-in-council and chiefs-and-council successively, particularly in Southern Nigeria, following the re-organisation carried out between the 1930s and 1940s, by which arrangement the chiefs and emirs were required, at least in theory, to consult with the other members of the council.

Following the realisation of the handicap posed by the existence of several small native authorities, most of which were not viable, extensive re-organisation of native authorities was undertaken between the late 1940s and early 1950s. Thus, the federation of small native authorities into, and their hierarchical classification within, larger viable units, with joint treasuries, took place in various parts of the country, thus marking the advent of the multi-tier system of local administration on a nation-wide basis in Nigeria. The 1950s also marked the beginning of the democratisation of local government administration, with the introduction of non-traditional elected or selected members, who constituted about 75 per cent of the council membership.

When the military took-over the government in 1966, all the elected Local Government Councils was dissolved, and their functions taken over by councillors, nominated by the respective Military Governors, and some traditional rulers. By 1975, the number of local government authorities in eight (8) states (excluding the four (4) states in the East and Mid-West) was 113, with average population ranging from 206,286 in Lagos State to 1,443,750 in Kano State<sup>1</sup>

With the implementation of the Guidelines for Local Government Reforms of 1976, 297 (later increased to 301) all-purpose, singletier and largely elected local governments were created throughout the nineteen states into which Nigeria had just been divided. Although the guidelines stipulated a minimum population of 150,000 for each local government, a few of them did not meet this requirements.<sup>2</sup> Following the Federal Government's decision to create additional local governments based on Federal House of Representatives constituencies, the number of local governments was increased by 141 to 442 in 1988. In response to further agitations by various communities in the country, the number was increased again to 454 in 1989 and 589 in 1991, the latter figure excluding that of FCT, Abuja, which has now assumed the mayoralty status.

## 1.2. Changes in Functions

Although the native authorities, under the indirect rule system, had performed such functions as the maintenance of law and order, collection of taxes and rates, provision of primary education and health facilities as well as the mainte-

<sup>1</sup> G. O. Orewa and J. B. Adewumi: *op.cit* (pp.88, Table 3.1)

<sup>2</sup> Orewa and Adewumi *op. cit*

nance of local roads, there had existed up to the mid 1940s no clearly defined functional relationship between the Central Government and the Native Administrations. The pioneering effort in this direction was made by Sir Sydney Phillipson, when he examined the existing public services, and classified them into three main groups as a basis of apportioning functions between the Central Government and Native Administrations.<sup>3</sup> He identified the first group as functions to be fully assigned to the Central Government in view of their national importance, territorial coverage and national security. They included aviation, customs and excise, marine and defence. For the performance of such functions, the Central Government merely needed to enlist the moral support of the Native Administration for land acquisition and protection of the projects located in their various domains. The second group contained services in which both levels of government had much in common, such as public works, education, medical and health services. For such services, the Central Government should provide support, free of charge, to the Native Authorities in such areas as policy formulation, administrative, technical and professional advice and supervision as well as training facilities for Native Administration staff. The third group of services were those in which the Native Authorities could play an agency role on behalf of the Central Government on grounds of expediency and convenience, e.g. trunk roads.

On the basis of the principles enunciated by Sir Sydney Phillipson, the Government issued in 1947 a "Statement of Policy on the Apportionment of Duties Between the Government of Nigeria and the Native Administrations", briefly setting out the functions of the latter. However, the principles were flexibly applied, bearing in mind the varying sizes and capabilities of the various Native Administration. For instance, Native Administration which were already providing satisfactorily such services as hospitals and prisons, (which were no longer regarded as their appropriate functions) were allowed to carry on with them. However, they did this under the supervision of the Central Government in line with the new principles until the passing by the respective regions, between 1950 and 1954, of their various Local Government Ordinances/Laws.

The enactment of these various ordinances and laws marked the beginning of the democratisation and modernisation of the native authorities. The various instruments made provision for largely elected local government councils, based on the British model. This significantly enhanced the functions and prestige of the Local Government Councils, with provision being made for comprehensive functions to be performed by them, irrespective of their sizes, population, economic base and personnel capabilities. Indeed, almost all the functions of the Central Governments had their equivalents at the local government level.<sup>4</sup>

However, as virtually all the Local Government Authorities could not perform satisfactorily, some of the functions assigned to them, they started losing credibility and status, and this precipitated gradual loss of functions to the Regional (later State) and Federal Governments. For instance, as far back as 1957, the then

3 Ibid, pp. 8-9

4 See Appendices 1 and 2 reproduced from Orewa and Adewumi, *op cit*, pp. 297-299.

Western Regional Government took over agriculture and veterinary services from the local authorities. This was justified by reason of the major role that agriculture was playing in the Nigerian economy at that time, and the danger of leaving such an important sector in the hands of inefficient local government councils. By 1963, the take-over of functions from local authorities had gathered momentum, with the Northern Regional Government taking over urban water supply. Between 1964 and 1972, the police service and prisons were taken over by the Federal Government, while Customary/Native Courts were taken over by the State Governments between 1966 and 1968, as these services had turned into instruments of political oppression in the hands of the local authorities.

It was against this background of take-over syndrome, leading to depression and uncertainty in the area of local government, that the Federal Government, in collaboration with the State Governments, carried out a comprehensive reform programme in 1976. In the process of reforms, the powers and functions of the local government councils were clearly re-defined, through a suggested framework for a system of local government in Nigeria, which included the schedules of:

- (i) mandatory; and
- (ii) permissive functions of local government authorities in the country.<sup>5</sup>

Part A of Appendix 3 contains functions which are the primary responsibilities of the Local Governments, save under exceptional or temporary situations. Part B consists of items which should generally be regarded as Local Government Authorities' responsibilities, but which State Governments or other organisations may also perform, or may perform for the time being until Local Government Authorities are ready to perform them. In the allocation of functions to the Local Governments, the following guiding principles were considered:

- (i) Functions requiring detailed local knowledge for their efficient performance;
- (ii) Functions depending on community responsiveness and participation for their success; and
- (iii) Functions which are of personal nature, requiring provision close to where individuals affected live, and in which significant use of discretion or understanding of individuals is needed.

The functions have virtually remained unchanged in principle till today. However, some notable developments have taken place in recent times, particularly in the area of primary education. For instance, following the recommendations of the Eke Commission and the subsequent establishment of the Primary Education Commission, the Federal Government got directly involved in the

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<sup>5</sup> See Appendix 3, which has been reproduced from orewa and edewumi, op cit, pp 299 - 301.

funding of primary education. Thus, the salaries of primary school teachers and non-teaching staff throughout the country were to be borne as follows:

Federal Government	-	65%
State Governments	-	20%
Local Governments	-	15%.

However, the Local Governments were to solely be responsible for the maintenance of primary schools with effect from 1988. By January 1989, the ratio of funding of primary education had been modified to: Federal -52%; State - 28%; Local Governments - 20%; but owing to short-fall in funding by the Federal Government in that year, the Local Governments ended up contributing 38%. The 1989 Federal constitution makes primary education the exclusive responsibility of State and Local Governments. Therefore, the Local Government took full responsibility for the payment of the emoluments of primary schools' teaching and non-teaching staff, while the State Governments assumed the task of maintaining and running the schools. Similarly, primary health care service was transferred to the Local Governments.

### 1.3. Developments in Revenue Generation

Up to the late 1950s, the Local Government councils generally had enjoyed relative financial ease. Their sources of revenue included general and community taxes, cattle tax (mainly in the North), local rates on services provided, property rating (mainly in urban centres), motor park and market fees, court fines and fees, incomes from commercial undertakings and investments, grants and miscellaneous revenue.

However, with their decline in prestige and functions between the early sixties, they suffered a reverse of fortune of immense magnitude. For instance, in the former Western Region, the viability and financial autonomy of the councils suffered the first major set-back with the enactment in 1960 of the Local Government (Amendment) Law, which abolished the powers of the councils to levy education and general rates, while the compensatory grant promised by the Regional Government was never fully paid. Furthermore, the tax on the assumed minimum income was reduced from N6.50 to N4.00 in 1969/70, with no compensatory revenue source being made available to the local authorities by the former Western State Government. Moreover, as the taxable capacity of local authorities was restricted to tax-payers on annual incomes of less than N600.00 (later increased to N800.00 in 1974) their revenue base got progressively eroded as more people crossed over the set income bar. The debilitating impact of these developments on the financial position of the local authorities in the then Western Region/State was obvious, considering the fact that taxes/rates constituted 40 - 50 per cent of the councils, internal revenue.

\* See Appendix 3, which has been reproduced from Orewa and Adewunmi - op cit. pp. 299-301

The Local Government Councils in the former Eastern Region also experienced a financial setback from 1961 up to 1967, when the local government councils ceased to exist in that region following the outbreak of the Nigerian civil war. Thus, the static nature of the block grant and the ceiling fixed for special rates by the Regional Government seriously constrained their ability to maintain any reasonable level of performance. Similarly, in the Northern States, the abolition of cattle tax by the Federal Government in 1973 adversely affected the tax base of the local government councils in those states.

In order to avoid the potential total collapse of the local government system in the country, the Federal Government's Guidelines on Local Government Reforms of 1976 declared, among other things, the following sources of revenue as the exclusive preserves of the local authorities:<sup>6</sup>

- (i) Property rating, including subventions in lieu of rates on government property;
- (ii) Levies on undeveloped plots used for commercial purposes;
- (iii) Community tax or its equivalent (community rate, flat rate tax, etc.);
- (iv) Development, capitation and other general rates;
- (v) Miscellaneous fees, including various licence fees and charges for services such as markets and motor parks, provided the levels of these fees were harmonised on intra- and inter-state basis to ensure efficient collection, and yielded adequate revenue in relation to cost of collection, and were neither vexatious nor out of proportion to their revenue value.

It was also suggested that liquor licensing could be made a local authority function, provided that the appropriate government department was represented on the Licensing Board.

In further pursuance of the 1976 reform programme, it was decided that, with effect from April, 1977, the Federal Government should give a grant of 10 per cent of its retained revenue to all the Local Governments in the country. The grant was to be paid to the respective State Governments on the basis of 75 per cent population and 25 per cent equality. For distribution to the various Local Governments in each State, the same basis would apply. In addition, each State Government was required to give a grant amounting to 10 per cent of its total recurrent revenue to its Local Governments, using the same criteria of 75 per cent population and 25 per cent equality. Both the federal and state grants were to be paid into the State Joint



Local Government Fund, from where they would be distributed to the various Local Governments. This major development put to rest past uncertainty surrounding the receipt of grants from the various Regional/State Governments.

Consequent upon the Report of the Aboyade Technical Committee, the 1979 constitution made provision for Local Governments to have direct access to nationally generated revenue. Thus, the okigbo Commission recommended, and the Federal Government accepted (through the Revenue Allocation Act No. 1 of 1981) that Local Governments be entitled to 10 per cent of the Federation Account, to be distributed among the States on the criteria of 50 per cent population, 40 per cent equality and 10 per cent land area. The amount would be paid into the State Joint Local Government Fund. The State Government was also required to add 10 per cent of its total internal revenue to the fund, so that the total receipts from both sources would be shared to the Local Governments in the State using the criteria approved by the State House of Assembly. This development was historic, and represented a step forward from the 1977 arrangement involving specific mandatory federal and state grants to Local Governments.

In order to make the Local Governments cope with the challenges posed by the 1989 constitution, which made the payment of the emoluments of the primary schools, teaching and non-teaching staff their exclusive responsibility, the share of the Local Governments in the Federation Account was increased to 15 per cent in 1990 at the expense of that of the Federal Government, whose share was reduced to 50 per cent.

By 1991, it had become evident that the Local Governments could not perform their primary education function satisfactorily judging by widespread accumulation of arrears of primary school teachers' salaries. Accordingly, the revenue allocation to Local Governments was again reviewed to 20 per cent, at the expense of State Governments, with effect from January 1992. Yet, the Local Governments were still agitating for additional allocation to enable them meet their increased responsibilities.

## SECTION 2

### FINANCIAL OPERATIONS OF LOCAL GOVERNMENTS IN NIGERIA <sup>7</sup>

The fiscal operations of Local Governments during the period 1980 to 1991 resulted generally in overall deficits ranging from about N0.1 million in 1985 to N3.9 million in 1991. The only exception was 1990 when an overall surplus of N0.6 million was recorded principally as a result of the increase from 10.0 to 15.0 per cent that year of the share of Local Governments in the Federation Account. The sustained overall deficits over the years were partly indicative of the inadequacy of revenue generation by Local Governments in the face of mounting responsibilities. They were also due to the insufficient independent or internal revenue

<sup>7</sup> The analysis made in this section cover the period 1980 to 1991. They are purely based on the MEAN of the actual provisional data collected from selected Local Governments in the course of a nation-wide sample survey.

generation efforts by the Local Governments. Moreover, the poor financial management capability, the widely alleged financial mismanagement and the lack of proper record keeping at the local government level also contributed to the deficits. The last mentioned factor is amply supported by the fact that most Local Governments did not specify how their deficits were financed. (See Table 1 and Chart I).

## 2.1 Recurrent Revenue

The mean total recurrent revenue of the Local Governments, which was a mere N2.5 million in 1980, rose sharply to N18.3 million in 1991, indicating an increase of 632.0 per cent over the entire period or an average rise of 63.0 per cent per annum. As is shown in the subsequent sub-sections, the increase was due more to the ever-increasing contribution of statutory revenue allocation than to any improvement in the internal revenue generation efforts of the Local Governments.

### 2.1.1 Internally Generated Revenue

At N0.1 million in 1980, the mean internally generated revenue of the Local Governments increased consistently up to 1985 when it recorded N1.3 million. In subsequent years, it fluctuated alternately until it got to peak of N1.8 million in 1991. In ratio terms, a slightly different pattern was observed. While the mean internally generated revenue as a percentage of the mean total recurrent revenue increased consistently from 17.9 per cent in 1980 to 32.5 per cent in 1983, the ratio fell to 27.7 per cent in 1984, rose again to 32.4 per cent in 1985 and thereafter suffered a virtually consistent descent until it reached 9.9 per cent in 1991. The declining percentage contribution of internally generated revenue was due mainly to the enhanced flow of resources from the Federation Account which presumably also led the Local Governments to relax their internal revenue generation drive. (See Tables 1 - 2 as well as Charts II - IV).

#### (i) Taxes

Although the mean amount of internal revenue coming from taxes increased by 133.2 per cent from N0.1 million in 1980 to N0.3 million in 1991, this source has exhibited a volatile pattern in its revenue yield over those years. Moreover, the year-to-year comparison indicated low yield elasticity, as narrow margins of changes were recorded each year. Furthermore, the percentage share of taxes in total internal revenue declined from 30.9 in 1980 to 17.6 in 1991, with fluctuations in-between those years. (See Tables 1 & 3 and chart IV).

#### (ii) Rates

While the yield from rates fluctuated over the years, there was an indication that this item could become a reliable source of internal revenue if properly exploited. For instance, its yield increased from well below N0.1 million to N0.3 million between 1980 and 1991, while its share of total internal revenue also increased from 10.6 to 15.9 per cent during the same period.

**(iii) Fines**

This source exhibited the most volatile pattern, it rose from well below N0.1 million in 1980 to N0.6 million in 1983, and then fell back to N0.2 million in 1991 after series of fluctuations in the intervening years. A similar pattern was also displayed in ratio terms, and it was not, therefore a predictable source of revenue.

**(iv) Licences**

Although this source of revenue showed fluctuations in yield between 1980 and 1984, subsequent years recorded virtually consistent increases. For instance, it yielded about N0.1 million or 15.6 per cent of internal revenue in 1980; well below N0.1 million (or 4.3 per cent) in 1983; and N0.3 million (or 15.3 per cent) in 1991. This source of revenue is directly related to the level of economic activities carried on in the Local Government Area.

**(v) Fees**

This revenue source, which is directly related to the level of economic activities in the local government area, proved to be important in the period 1980 - 1991. At a mean of N0. 1 million in 1980, it fluctuated subsequently until it got to a peak of N0.2 million in 1987, and started falling thereafter, but increased again to N0.2 million in 1991. In ratio terms, its percentage contribution fluctuated from its 1980 rate of 24.3 per cent until 1991 when it reached 12.7 per cent.

**(vi) Miscellaneous**

This source of internal revenue comprises other categories not mentioned above, such as commercial undertakings etc., it yielded substantial revenue. For instance, revenue from this source sharply increased from about N0.1 million in 1980 to N0.5 million in 1991. Similarly, its percentage contribution to the mean total internal revenue increased from 14.0 per cent in 1980 to 27.7 per cent in 1991.

**2.1.2 Statutory Revenue Allocation**

The bulk of the revenue accruing to the Local Governments came from this source, accounting for between 67.5 and 90.3 per cent of the recurrent revenue in the period 1980 - 1991. up to 1980, revenue from this source represented statutory grants made up of 10.0 per cent of the retained revenue of the Federal Government and 10. 0 per cent of the State Governments' recurrent revenue. Since 1981, however, the Local Governments have had direct access to the Federation Account following the new revenue allocation formula introduced that year. In absolute terms, the financial inflow from statutory allocations significantly increased from N2.0 million in 1980 to N16.5 million in 1991, although some slight fluctuations were recorded between 1983 and 1986.

Statutory revenue allocation from the Federal Government oscillated between 52.3 and 88.8 per cent of the total recurrent revenue of Local Governments in the review period. While this ratio remained below 60.0 per cent between 1980 and 1983, it consistently exceeded that level between 1984 and 1991, reaching 88.8

per cent in 1990 before slightly declining to 87.6 per cent in 1991. In Naira terms, the statutory allocations to Local Governments increased almost consistently from N1.4 million in 1980 to N16.0 million in 1991. The increases were due to a number of factors, namely: direct access of Local Governments to the Federation Account which started in 1981 with a share of 10.0 per cent; increase in the statutory share to 15.0 per cent in 1990; and general improvement in the federally collected revenue, initially owing to enhanced dollar value of crude oil sales in the early 1980s and later due to increased Naira value of oil and non-oil revenue, particularly between 1987 and 1991 following the depreciation of the Naira exchange rate consequent on the deregulation of the foreign exchange market.

Conversely, statutory revenue allocations from State Governments were relatively low and generally unpredictable. This was principally due to the fact that they have been based on the internally generated revenue of the State Governments (which is narrow - based and mostly unpredictable in most States) since the introduction of the 1981 revenue allocation formula. (See Tables 1 & 2 and Charts II & III).

## **2.2 Expenditure**

The total expenditure of Local Governments increased almost uninterruptedly in the whole of the review period. The average of the expenditure rose substantially from N4.6 million in 1980 to N22.2 million in 1991. Apart from 1980 when recurrent expenditure accounted for only 39.1 per cent of the total expenditure, the former constituted well over 60.0 per cent in most of the subsequent years. (See Tables 1 & 4 and Charts V & VI).

### **2.2.1 Recurrent Expenditure**

Rising from N1.8 million in 1980 to N14.1 million in 1991 the average of the recurrent expenditure of the Local Governments recorded a fairly persistent increase over the entire review period. Personnel cost constituted the most important expenditure item, with its value increasing from an average of N1.1 million or 23.0 per cent of total expenditure in 1980 to N6.0 million or 27.0 per cent in 1991. Indeed, following the added role of the payment of the salaries of the teaching and non-teaching staff of primary schools, the personnel cost jumped from an average of N2.4 million or 17.4 per cent of total expenditure in 1990 to N6.0 million or 27.0 per cent in 1991. The overhead cost, too, recorded substantial increases over the review period, rising from N0.7 million (15.6 per cent of total) in 1980 to N5.4 million (24.3 per cent) in 1991.

### **2.2.2 Capital Expenditure**

After fluctuating between 1980 and 1983, the capital expenditure increased consistently between 1984 and 1991. For instance, the mean capital expenditure accounted for a proportion of 60.9 per cent of total expenditure in 1980. However, the proportion fell to an all-time low of 26.1 per cent in 1991. On the average, education accounted for the highest capital outlay, oscillating between 17.8 and 24.1 per cent between 1980 and 1983, then falling in line with the general trend, down to 3.6 per cent in 1990 before rising again to 8.2 per cent in 1991. At the other extreme

in general terms, agriculture and rural development received the lowest allocation over the entire period. The percentage share going to it rose only moderately from 1.1 per cent of total capital outlay in 1980 to a peak of 4.9 per cent in 1985, and thereafter fluctuated until it reached 3.6 per cent in 1991.

### 3.1 Overall Fiscal Balance

The financial operations of Local Governments resulted in overall deficits in all the years except 1990. The mean overall deficits ranged from about N0.1 million or 1.7 per cent of the mean total expenditure in 1985 to N3.9 million or 17.7 per cent of total expenditure in 1991. In 1980, the overall deficit stood at N2.2 million (46.6 per cent of total expenditure) while it was N1.1million (22.9 per cent of total expenditure) in 1986. Conversely, a mean overall surplus of N0.6 million was recorded in 1990 principally owing to the improved revenue position of the Local Governments which resulted from the increase in their share of the Federation Account from 10.0 to 15.0 per cent that year. However there was a sharp reverse in 1991, with an enormous overall deficit being recorded. Thus, the increased responsibilities given to the Local Governments in 1991 (particularly the payment of the salaries of the teaching and non-teaching staff of primary schools) could not be adequately funded by the extra 5.0 percentage points share of the Federation Account. (See Tables 1 and 5)

### 4.1 Financing of Deficits

Most Local Governments did not specify how they financed their respective deficits. However, the few that did indicate that grants, particularly from Federal Government, formed part of their financing sources, while others still claimed to have financed their deficits from loans. The highest mean grants reported amounted to N0.1 million in 1984, while the only year in which loans featured as a source of financing deficit was 1991, with a mean of N0.8 million, broken down into State Government loans (N0.2 million) and loans from other sources, such as banks (N0.6 million). (See Table 1).

## SECTION 3

### THE PROBLEMS, CHALLENGES AND PROSPECTS OF LOCAL GOVERNMENTS IN NIGERIA

A number of problems militate against the effective and efficient performance of Local Governments in Nigeria. The greatest of the problems has been identified as inadequate financial capacity. But, the Local Governments are faced with several other challenges, ranging from meeting the expectations and basic needs of the citizens to matching the performance standards attained by their counterparts all over the world. In spite of the enormous problems and challenges, however, there are bright prospects for the continued relevance of Local Governments to the development aspirations of Nigeria. These issues are discussed in greater detail in the following sub-sections.

### **3.1 Problems**

The problems which beset Local Governments in Nigeria can be narrowed down to four broad categories, namely:

- (a) Inadequate financial capacity.
- (b) Erosion of revenue-yielding functions.
- (c) Low executive capacity.
- (d) Lack of community participation.

#### **3.1.1 Inadequate Financial Capacity**

Inadequate financial capacity, symbolised by low internal revenue generation capacity and over-dependence on statutory revenue allocation, is one of the major problems facing the Local Governments in Nigeria. As was observed in the preceding section, the contribution of the internally generated revenue as a percentage of the total recurrent revenue of Local Governments declined to 9.9 per cent in 1991 from 32.5 per cent in 1983. This is an unhealthy development which could lead to total collapse of the local government system if statutory revenue allocations suffer a substantial decline. For instance, in the event of a poor performance of oil revenue, Local Governments will be hard hit. The impact may be worse on local governments than on the federal and states if the independent sources of revenue are not maintained. A number of factors have accounted for this problem. They include:

- (a) Relaxation by Local Governments of their internal revenue generation efforts following the statutory provision which gave them access to a higher proportion of the Federation Account.
- (b) Introduction of tax legislations which continuously erode the revenue base of Local and State Governments in favour of the Federal Government, following the advent of military rule in Nigeria. An example of the way the tax legislations erode the revenue base of local and state government could be found in the now abolished community (poll) and cattle taxes between 1980 and 1982 (Kabir Alhaji Bashir, 1991). However, some states in the North have re-introduced the cattle taxes in 1992/1993.

- (c) Other factors include:
  - (i) Crude method of revenue collection;
  - (ii) Confused and complex tax laws;
  - (iii) Mismanagement of revenue and wrong placement of priorities;
  - (iv) Poor working facilities and inadequate working tools for revenue administrators;
  - (v) Poor and inadequate training facilities for revenue administrators;

- (vi) Low voluntary compliance and rampant cases of tax evasion;
- (vii) Poor motivation of revenue generating staff in terms of pay and fringe benefits;
- (viii) Underdeveloped commercial and industrial base;
- (ix) Poor or inadequate enforcement machinery;
- (x) Shortage of revenue staff, both in quality and strength
- (xi) The failure of local governments to demonstrate ability, sincerity and integrity with a view to convincing the public that money generated would be utilised wisely for the purpose of maintaining the general welfare of the people.
- (xii) Fraud and embezzlement of revenue by some revenue staff.
- (xiii) Low population base, particularly with the proliferation of Local Governments.

The problem of inadequate financial capacity cannot be overstressed. For instance, the frequent reports of delays in the payment of primary school teachers and the inability to maintain existing assets by several Local Governments are serious threats to the survival of local government system in Nigeria.

### 3.1.2 Erosion of Revenue-Yielding Functions

Most of the social services with direct bearing on the life of the citizens, such as health, education, water supply and roads among others, are on the concurrent list of functions of State and Local Governments. Beyond basic differences in finances and capacities of urban and rural Local Governments, enormous variations have existed between and within states in the level to which Local Governments have been allowed to carry out these basic functions. In this connection, two identifiable phases in state local governments relations between 1976 and 1986 have been observed. They are:

- (i) Reluctance on the part of state governments to delegate services which they had long taken over from Local Governments; and
- (ii) Readiness of states to transfer responsibilities but not the financial, manpower or technical support for the functions.

The erosion of Local Governments, functions, particularly in the revenue yielding areas, by state governments or their agencies has also led to the reduction of the revenue base of Local Governments. This has led to their capacity to deliver services to the communities, since more than sixty per cent (600-) of their annual recurrent expenditure goes into salaries and administrative overheads.

### 3.1.3 Low Executive Capacity

Local Governments are essentially service-oriented institutions. Once the roads and drains are constructed, the incinerators installed, the health centres constructed and equipped and stocked with drugs, school buildings constructed

and furnished, vehicles and equipment purchased, all that is left to make the Local Governments function effectively is manpower and fund to operate and maintain these institutions and facilities. Even where the Local Government is involved in such business enterprises as municipal transport, the manpower input into the management is vital for its success. Thus, while part of the administrative problems of some Local Governments is their unwieldy structure, the lack of suitably qualified manpower is a major problem militating against their efficiency and effectiveness.

### 3.1.4 Lack of Community Participation

Programmes with community participation, coordinated at village-level by officials or private associations, have been shown to be generally more successful than those without such participation. This is particularly so for rural roads and the distribution of water supply, where economies of scale and lower levels of technical difficulty make implementation easier and economic. The lack of community participation and self-help projects over-stretches the lean resources of the Local Governments, which have had to provide some basic needs of their people. Another aspect of the lack of community participation is the poor state of voluntary tax compliance and widespread tax evasion by residents as alluded to above.

## 3.2 Challenges

The challenges facing the Local Governments are many, but can be discussed under four broad categories, namely:

- (i) Challenges from expectations of the citizens or residents;
- (ii) Management and administrative challenges;
- (iii) Challenges from State and Federal Governments;

However, the various levels of challenges are inter-related.

### 3.2.1 Challenges From Citizens or Residents

These consist of the challenges emanating from the expectations of the citizens or residents of the local government area. The expectations depend on what are considered to be the basic needs of the citizens or residents at any point in time. These basic needs keep changing in accordance with the level of complexity or urbanisation a society attains. A study conducted in Lagos State revealed that what constitutes the basic needs of the people varied from one class of local government area to another. Thus, while the provision of wells (for potable water), rural electrification, primary health care and link roads represent some of the basic needs of the rural populace, the guarantee of roads, primary schools and water supply are the major pre-occupations of the urban dwellers.<sup>8</sup> Hence, the extent to which the various Local Governments are able to meet these expectations determines the people's perception about the effectiveness and success of the former.

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<sup>8</sup> Adeyemi, F.O. "Role of Local Government in the Development Process and Economic Planning", A paper presented at The Gaordian/ASCON Seminar on Effective Resource Management in Local Government in the 90s and beyond, pp.15-17.



### **3.2.2 Management and Administrative Challenges**

In consonance with the increased complexities that have accompanied modernity and civilization, the management and administrative resources and infrastructure of Local Governments need to be constantly overhauled. Thus, there is the need for the Local Governments to pay competitive salaries and wages to, and provide training and re-training facilities for their employees in order to recruit and retain high-calibre personnel. The present situation in the administration of the Local Governments in Nigeria, high inflation rate in the economy, frequent agitations by local government workers for enhanced conditions of service, and dwindling revenue base of the Local Governments has compounded the seriousness of this challenge. Furthermore, the enhanced status and increased responsibilities of Local Governments in Nigeria have brought with them the need to acquire greater skills and more sophisticated equipment for the efficient performance of their day-to-day administrative and management functions. Moreover, the adoption at the local government level of the presidential system of administration has implications for additional acquisition of personnel and equipment. Therefore, apart from the need to employ more professionals, the acquisition of such equipment as electronic typewriters, personal computers and printing press has become imperative for the modern-day Local Governments.

### **3.2.3 Challenges From State and Federal Governments**

All the measures of reform that have taken place in the area of local government administration in Nigeria have been informed by the realisation of the important roles the Local Governments can play in the overall socioeconomic development of the country. The recognition of Local Governments as a separate and autonomous tier of government is an important landmark in Nigeria, and the Local Governments can, therefore, not afford to lose this enhanced status. Hence, the need to prevent the re-occurrence of situations that led to the erosion of their power and functions in the period preceding the 1976 reforms. They, therefore, have to rise to the standards set for them by the State and Federal Governments, whether in the execution of their functions exclusively or those jointly with the other tier(s) of government or those they carry out in an agency capacity.

### **3.2.4 Challenges of Contemporary International Standards**

Local Governments in Nigeria are also faced with the possibility of being compared with their counterparts elsewhere in the world, particularly the advanced countries. For instance, if Municipal Authorities in Great Britain can run bus services efficiently and effectively, people will see no reason for Municipal Local Governments doing otherwise in Nigeria. Therefore, Local Governments in Nigeria have the task of matching, if not surpassing, any enviable performance levels attained by their counterparts all over the world.

### **3.3. Prospects**

The degree to which the Local Governments are able to solve the problems facing them, and the extent to which they succeed in meeting the challenges posed to them as highlighted earlier in this section, will greatly determine their survival

and continued relevance to the social, political and economic aspirations of Nigerians, it is noteworthy that a number of constitutional, institutional and administrative reform measures have been put in place to assist the Local Governments.

As was noted earlier, inadequate internal revenue base constitutes a major problem to local government administration in Nigeria. The statutory grant, and the periodic upward review of their share in the Federation Account (20.0 per cent at present) is, therefore, a big boost to their financial autonomy and viability. Moreover, the Local Governments seem to enjoy widespread sympathy of the people in their agitations for increased share of the Federation Account to match their increased responsibilities. Similarly, the adoption, at least in principle, of direct payment of the Local Governments' share of the Federation Account has minimized the abuse inherent in the former method of remittance through the State Governments. However, Local Governments need to expand their own internal revenue base, as the funds constituting the Federation Account are based on the exportation of crude petroleum and hence subject to unpredictable price changes and other vagaries of international economic and political environments.

The ability of Local Governments to borrow to finance their development projects was statutorily restricted. However, with the statutory limitation now relaxed, Local Governments can now exploit the opportunities available in the capital market and other sources to raise funds for viable projects. The prospects for this was brightened recently when a group of three Local Governments in Kano State jointly concluded a N50.0 million market development loan agreement with a consortium of financial institutions in Nigeria.<sup>9</sup>

The extension of the 1974 Public Service Reforms to Local Governments has greatly enhanced the latter's attractiveness to highly qualified personnel. Moreover, the gradual but consistent transformation of local government areas through deliberate government's programmes and policies, such as Directorate of Food Road and Rural Infrastructure (DFRRI) and National Director of Employment (NDE), has further boosted the attractiveness of career pursuits at the local government level.

The articulation of the functions of Local Governments in the guidelines for Local Government Reforms (1976) and the enhancement of those functions in the 1979 and 1989 constitution have boosted the prestige of workers in the third tier of government and have helped to place the security of their employment on the platform as those of other tiers of government.

Political victimization, financial mismanagement and fraud, bribery and corruption have been the bane of local government administration in Nigeria. However, with the extension of the presidential system of government to the local government level, the ensuing checks and balances will go a long way in curtailing the malpractices. That is, at the Federal level there is a president and the National

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9 See "The Gaurdian" of 3/8/92

Assembly while at the Local Government level there is a Chairman and the legislative arm.

Finally, it should be noted that the collective and individual will of the Local Government operators, as well as that of the citizens or residents, will determine, to a large extent, the continued survival and relevance of local government administration in Nigeria. Hence, there is the need for both the leadership and the "followership" at the local government level to imbibe the spirit of co-operation and "give and take,, for any meaningful level of success to be achieved.

## SECTION 4

### RECOMMENDATIONS, SUMMARY AND CONCLUSION

On the basis of facts presented in the preceding sections, the paper makes some practical suggestions, particularly on how to improve the revenue generation capacity of Local Governments and enhance their ability to perform their constitutional functions. The section also gives a synopsis of the main contents of the paper, and finally draws a conclusion by restating the important social, political and economic roles which Local Governments are best suited to play in the overall development of the country and, hence, the need for upholding their survival.

#### 4.1 Recommendations

The recommendations are presented under sub-headings, although they are essentially inter-related:

##### 4.1.1 Internal Revenue Generation

All the factors enumerated in section 3 as being responsible for low internal revenue generation capacity of Local Governments should be addressed: with greater degree of commitment. For instance, the following areas should be seriously addressed:

- (i) Poll or community tax, though observed to be unstable and inelastic in revenue yield in recent times, need to be given renewed attention. It used to be the major source of revenue before 1980, when it was abolished by most State Governments for political reasons. Since its reintroduction by all States in 1984 (I.B. Bello-Imam, 1990 - ED.), its yield has remained insignificant. The enlistment of the co-operation of community leaders and granting of concessions and incentives, as expatiated upon in sub-section 4.1.3 below, will go a long way in restoring the leading role of poll tax.
- (ii) Property rates (or tenement rates) are neglected source of internal revenue, except in Lagos State. This important source of revenue should be better exploited with utmost urgency, particularly in the

urban and semiurban Local Governments. To facilitate this, all the necessary machinery of implementation, such as the engaging the services of qualified valuers and comprehensive property enumeration, has to be put in place. The population census and voters' registers, respectively, will be of immense assistance in this regard. For ease of collection, and to enhance the level of compliance, the payment of the rates should be restricted to only the owners of the property. Moreover, the amount of such rates should reflect the economic situations and income levels in various local government areas rather than being made uniform statewide. Furthermore, part of the proceeds of such rates collected in a particular area should be devoted to development projects in that area, and the residents should be properly enlightened about this incentive so as to improve their level of voluntary compliance.

- (iii) The provision of more user-financed services such as tractor hire, refuse collection, motor parks, market stalls, open theatres and recreation centres will greatly improve the financial positions of Local Governments, particularly the urban ones.
- (iv) Efforts should be intensified to collect radio and television licence fees. A lot of revenue is being lost by failure of the people to pay voluntarily, coupled with the peculiar collection problem. In order to ease the collection process, the list of all houses in urban, semi-urban and large villages should be compiled as in the case of property rates. Each house or apartment should be presumed to have radio and/or television sets, and should, therefore, be assessed accordingly until the contrary is proved. As in the case of property rates, the co-operation of landlords (or their associations, if there is any), community leaders, household heads and even the traditional rulers will need to be secured to effect the collection of the fees. As for car radio, a special co-operation arrangement could be made with the State Governments to reflect the radio licence fee in the amount charged for vehicle licence so that the extra amount will accrue to the Local Governments. The problem of conversion of such funds by the State Governments is minimal, as the Local Governments are currently involved in the collection of vehicle licence fees.
- (v) The Federal Government should modify the criteria for the sharing of statutory allocations among Local Governments so as to be in favour of internal revenue efforts, which currently stands at 10.0 per cent. An upward review of this rate to 30.0 per cent at the expense of the "population" criterion will go a long way in gingering up the internal revenue drive of Local Governments. At the same time, the proposed reduction in importance of the "population" criterion will greatly reduce the problems associated with population census in terms of deliberate falsification of numbers.
- (vi) The revenue collection machinery of the various Local Governments need to be constantly overhauled to improve effectiveness and eff-

iciency, and also curb malpractices. More incentives should be given to revenue collectors while additional rewards should be given to any of them that meet or surpass revenue targets set for them.

#### **4.1.2 External Revenue**

- (i) The sources of external revenue to Local Governments are statutory allocations, grants and loans. The activities of Local Governments affect the lives of the majority of people in the country while the responsibilities and challenges facing them have increased in recent times. In view of these facts, some people have advocated the scrapping of the present three-tier system of government and the adoption of a two-tier alternative, with the Local Governments occupying an enhanced position in the new structural arrangement. A less radical suggestion calls for an urgent re-evaluation of the present intergovernmental relationship and allocation of functions with a view to eliminating unnecessary duplications and associated waste of resources, on the one hand, and a determination of a more appropriate revenue sharing formula, on the other. For instance, it is not clear whether the activities of DFRRI, a Federal Government agency, is not an unnecessary usurpation of what should appropriately be the function of the Local Governments. Thus, rather than take over what belongs traditionally and logistically to the Local Governments, the Federal Government should merely give the former all the necessary encouragement and resources to accomplish it. We share the latter view in respect of the need for a comprehensive re-evaluation of intergovernmental relations and allocation of functions, and pre-empt that the prevailing situation now calls for an upward review of the Local Governments' share of the Federation Account from the present rate of 20.0 per cent. Similarly, the statutory allocations from the State Governments, which is currently 10.0 per cent of the latter's total internal revenue, need an upward adjustment. The magnitude of increase in both cases will, however, depend on the result of the re-evaluation suggested above.
- (ii) The non-representation of Local Governments on the Federation Account Allocation Committee (FAAC) is not in the best interest of the former. As the largeness in number of Local Governments will make it impossible for all of them to be on the Committee, a way should be worked out to ensure that accredited representatives of Local Governments are on the Committee, i.e. local government should be represented in the Federation Account Committee.
- (iii) The recent developments with regard to the relaxation of the former stringent conditions for borrowing by Local Governments is commendable. However, while Local Governments are urged to utilize this opportunity to cover their financing gaps, we caution that such borrowings should be incurred only after careful consideration of their cost-benefit implications and, hence, ability to service them.

### 4.1.3 Community Participation

Community participation can be very important for the development of a local government area as previously mentioned in the paper. The level of community participation can be enhanced through the following means:

- (i) Regular enlightenment campaigns about the programmes of the Local Governments and the constraints militating against the realisation of set goals must be carried out throughout the local government areas.
- (ii) The formation of clubs, associations and self-help groups should be encouraged, be they at ward, community, village or town level. Such associations should be encouraged to register, at no fee, with the Local Government, and thus be accorded official recognition at the local government level. Furthermore, the officers of such voluntary social bodies should be allowed free access to the officials and the leadership of the Local Governments whenever the former have any issue to discuss or inquire about. This will bring about an atmosphere of cordial relationship and understanding between the rulers and the ruled.
- (iii) By extension, self-help project execution should be encouraged through motivation and incentives. For minor projects, such as digging of wells in the case of rural Local Governments, the mere presence of Local Government officials will be a great morale booster. For more complex projects, such as culverts, the local governments could contribute a token amount in the form of grant, and at the same time send their technical personnel to render assistance and give advice, when needed.
- (iv) The co-operation of traditional rulers, community leaders, ward and house-hold heads as well as leaders of social clubs and associations should be enlisted to mobilize the people towards prompt payment of taxes, rates and fees and general support for government programmes. Such eminent citizens can also be appointed government agents for the collection of poll and community tax, property rates, radio and television licence fees, etc. However, some amount of financial compensation should be given to them to strengthen their commitment.
- (v) The provision of services such as link and access roads, drainage and other social amenities in any particular area could be linked to the revenue performance of that area. For instance, a certain percent age of revenue yield from poll tax, property rates, radio/T.V. licence, etc. generated in an area could be earmarked for the provision of services in that area.

### 4.1.4 Viability

- (i) Population base: In order to enhance the financial viability of Local Governments, the major criterion for any future creation of local government areas should be based on population size, as the number of taxable adults and, hence, the revenue base of an area are largely determined by the number of its inhabitants.

- (ii) **Commercial and Industrial Base:** Deliberate efforts, through the provision of adequate incentives such as road network, electrification and water supply should be made to attract more commercial and industrial establishments to the local government areas. In this connection, the greedy and unpatriotic attitudes of some traditional rulers and community leaders, which frustrate the development aspirations of their respective areas should be seriously addressed and checked.

#### **4.1.5 Accountability**

- (i) In order to reduce fraud and abuse of office, the activities of the Code of Conduct Bureau should be intensified at the local government level. Any proved cases of financial impropriety should be met with instant and severe penalty.
- (ii) The citizens and residents should be enlightened to take greater interest in the way their collective resources are being utilized. Thus, the primordial sentiments in them should be constantly re-awakened so that they can realise that each act of misappropriation or embezzlement of funds by public officers retards the progress and general well-being of the area concerned.

#### **4.2 Summary and Conclusion**

Local government administration in its rudimentary form started in Nigeria in the 1890s as an instrument of the indirect rule system of the British colonial rulers. Since that time, however, a number of evolutionary transformations have taken place in the areas of structure, functions, leadership and revenue status of Local Governments. The most important landmark in the evolutionary process of local government administration in Nigeria was the "Guidelines on Local Government Reforms of 1976" which clearly defined the functions of the Local Governments and made them a bona fide third tier of government. Since the introduction of those reforms, a lot of improvements have attended the status, prestige and financial autonomy of Local Governments. Specifically, from 1977 to 1980, Local Governments were guaranteed some minimum level of financial capacity by the introduction of mandatory grants of 10.0 per cent of Federal Government's retained revenue as well as 10.0 per cent of State Governments' total recurrent revenue. Since 1981, however, their fortune boomed with the statutory grant to them of direct access to the funds in the Federation Account, starting with 10.0 per cent that year, and rising to 15.0 and 20.0 per cent, respectively in 1990 and 1992.

In line with the increased federal statutory allocations to the Local Governments, the latter's responsibilities were widened to include the payment of the emoluments of the teaching and nonteaching staff of primary schools as well as taking charge of primary health care, among others. However, it has turned out that the Local Governments are finding it difficult to meet these additional

responsibilities, the enhanced statutory allocations notwithstanding. Moreover, most of them cannot maintain their existing assets, such as roads and buildings, not to talk of providing new ones. In the face of these challenges and several others, it has become imperative for Local Governments to find ways of generating additional revenue. The surest way of accomplishing this is to revert to their traditional sources of internal revenue and explore new ones. However, the Local Governments are faced with several problems in their bid to generate additional internal revenue. - They include: erosion of some of their robust revenue sources by State and Federal Governments; poor and inefficient revenue collection machinery; and generally low tax base and fraud perpetrated by local government personnel. In order to overcome these problems, there should be therefore a mounting of enlightenment campaign to arouse the patriotic instinct of the people towards voluntary tax compliance; enlistment of the cooperation of traditional rulers and community leaders to effect revenue collection; encouragement of community participation in the execution of projects; and adoption of sentimental, institutional and legal approaches to curb financial malpractices among public officers and revenue collectors. If these problems are effectively tackled, then the future of local governments in Nigeria looks bright.

## APPENDIX 1

In the West and Midwest, and Lagos State and outside Lagos City, Part II of the Local Government Law Cap- 68 provided for allembicing functions for local councils. These include:

- (i) Improvement and protection of agriculture and livestock.
- (ii) Impounding of stray animals.
- (iii) Schemes for planned rural development and settlement.
- (iv) Prevention of soil erosion.
- (v) Markets, and stalls in places other than Markets.
- (vi) Public weighing machines and instruments of measurements.
- (vii) Hospitals, maternity homes, dispensaries and institutions for lepers.
- (viii) Ambulance services.
- (ix) Drains, sewage systems, public latrines, and wash places.
- (x) Removal and disposal of refuse and nightsoil.



- (xi) Extermination and prevention of the spread of tsetsefly, mosquitoes, and insect harmful to health and vermin.
- (xii) Public water supplies-
- (xiii) Public slaughter houses-
- (xiv) Abatement of nuisance, and the prevention, control and isolation of infectious diseases-
- (xv) Cemeteries and burial grounds.
- (xvi) Housing estates and urban layouts and settlements.
- (xvii) Fighting and extinguishing of fire.
- (xviii) Public roads, bridges and paths.
- (xix) A system of lighting in public places.
- (xx) Parking places for motor and other vehicles.
- (xxi) Transport services -by land or water.
- (xxii) Clearing, maintenance and improvement of water ways.
- (xxiii) Public piers.
- (xxiv) Public recreation grounds, open spaces and parks
- (xxv) Public libraries, public amusements and entertainments.
- (xxvi) Welfare services for children and young persons (including remand homes, approved schools and clubs)
- (xxvii) Institutions for the aged, destitute and infirms.
- (xxviii) Social centres and communal feeding centres.
- (xxix) Rest houses.
- (xxx) Information and publicity relating to the affairs of the council
- (xxxi) Watchmen for the protection of property during the hours of darkness.

## APPENDIX 2

In the Northern States, the Native Authority Law 1954, consolidated and amended in the revised edition of the Laws of Northern Nigeria 1963, Vol. II, Cap. 77, made provision for a wide range of functions for local government councils thus:

- (i) Maintenance of order and good government.
- (ii) Prevention of crime.
- (iii) Establishment, management and closing of markets.
- (iv) Prohibiting, restricting or regulating the cutting or destruction of tree growing on communal or native lands;
- (v) Requiring and regulating the planting, tending, protection and preservation of trees or plantations of trees (including amenity trees) on communal or native lands or in towns or villages.
- (vi) Prohibiting cruelty to animals or specified acts.
- (vii) Prohibiting, restricting and regulating the keeping of livestock of any description.
- (viii) Regulating and controlling communal hunting.
- (ix) Management and control of ponds.
- (x) Seizing and impounding of stray animals.
- (xi) Management and control of buildings and structures.
- (xii) Control of the siting of advertisements.
- (xiii) Regulating and controlling the movement of children and young females-
- (xiv) Regulating child betrothals.
- (xv) Provision of primary education according to the Education Law.
- (xvi) Fires and Fire Brigades.

- (xvii) Regulating the use and alienation of land.
- (xviii) Public health - general sanitation-
- (xxix) Prisons (before it was taken over by Government)
- (xx) Registration, licensing and rates
- (xxi) Roads, streets and open spaces.
- (xxii) Trade and industry.
- (xxiii) Regulating the manufacture, supply and consumption of native liquor.
- (xxiv) Protection and preservation of African Antique works of art.
- (xxv) Governing the establishment and administration of schemes of rural development or settlement.
- (xxvi) Regulating movement of strangers.
- (xxvii) Collection of taxes-
- (xxviii) Police (before it was taken over by Government).
- (xxix) Courts (Native Courts) (before it was taken over by Government).
- (xxx) Rural and urban water supplies.

### APPENDIX 3

## FUNCTIONS WHICH SHOULD BE DEVOLVED TO LOCAL GOVERNMENT AUTHORITIES

### *Part A*

Items which should be the responsibility of Local Government Authorities save under exceptional or temporary circumstances:

Markets and Motor Parks.

Sanitary inspection, refuse and nightsoil disposal.  
Sewerage.

Control of vermin.  
slaughter houses, slaughter slabs.

Public conveniences.

Burial grounds.

Registration of Births, Deaths and Marriages (excepting marriages governed by the Marriage Act).

Provision of community and local recreation centres.

Parks, gardens and public open spaces.

Grazing grounds, Fuel plantations.

Licensing supervision and regulation of bake houses, Eating houses and laundries-

Licensing, regulation and control of the sale of liquor.

Licensing and regulation of bicycles, hand carts and other types of vehicles except those Mechanically propelled and canoes.

Control of keeping and animals.

Control of hoardings, advertisements, use of Loudspeakers in or near public places, drumming.

Control of land held by customary tenure.

Naming of roads and streets and numbering of plots/buildings.

Control and collection of revenue from forestry outside the

Forest Estate' of gazetted Forest Reserves.

Collection of vehicle parking charges

Collection of property and other rates, community tax and other designated revenue sources.

## Part B

Items which should generally be regarded as local government authority responsibilities, although State Governments, and other organizations may also perform these functions, or may perform some of them entirely until Local Government Authorities are ready to perform them.

Health Centres, Maternity Centres, Dispensaries and Health Clinics, Ambulance services, Leprosy Clinics and preventive health services.

Abattoirs, meat inspection.

Nursery and primary and adult education.

Information and public enlightenment.

Provision of scholarships and bursaries.

Provision of public libraries and reading rooms.

Agricultural extension, and health extension services and veterinary clinics.

Rural and Semi-urban water supply.

Fire services.

Provision of roads and streets (other than trunk roads), their lighting, drainage.

Support for arts and culture. Control of water and atmospheric pollution.

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TABLE 1

## FISCAL OPERATIONS OF LOCAL GOVERNMENTS IN NIGERIA 1/

(=N= '000)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. REC. REVENUE	2,472.2	3,555.2	3,797.6	3,513.0	3,416.4	3,994.6	3,596.5	5,081.2	8,109.4	8,290.6	14,182.7	18,296.8
(i) Internally Generated	442.7	917.1	1,011.8	1,141.6	946.1	1,296.0	1,119.6	1,243.9	1,535.6	1,501.5	1,380.7	1,806.0
(a) Taxes	136.6	159.3	147.9	212.4	189.7	264.9	256.7	262.4	191.9	225.8	239.9	318.6
(b) Rates	47.0	74.4	127.8	78.9	181.1	283.7	208.2	206.8	181.4	131.6	040.6	286.3
(c) Fines	21.0	311.0	338.0	662.0	234.0	299.5	176.9	133.8	269.6	252.8	323.5	195.0
(d) Licences	68.9	80.1	69.6	48.5	67.3	68.4	126.1	159.2	161.1	180.7	134.3	276.5
(e) Fees	107.4	168.8	166.0	116.6	190.6	215.7	169.2	237.1	198.9	171.9	170.3	229.5
(f) Other	61.8	123.5	162.5	58.6	83.4	63.8	180.5	244.6	532.7	265.7	372.1	500.1
(ii) Statutory Allocation: 2/	2,029.5	2,638.1	2,785.8	2,371.4	2,470.3	2,698.6	2,476.9	3,837.3	6,573.8	6,789.1	12,802.0	16,490.8
(a) From Fed. Govt.	1,421.5	1,885.5	2,580.1	1,838.9	2,288.3	2,612.6	2,318.3	3,658.6	5,618.5	6,305.1	12,588.4	16,022.5
(b) From State Govts.	608.0	752.6	205.7	532.5	182.0	86.0	158.6	178.7	955.3	481.0	213.6	468.3
2. TOTAL EXPENDITURE	4,632.5	4,058.3	4,353.7	3,612.0	4,249.6	4,064.3	4,651.1	5,422.3	8,823.4	9,764.4	13,602.2	22,238.9
(i) Recurrent Expenditure	1,813.6	2,703.8	2,681.9	2,265.1	3,138.4	2,841.7	3,131.1	3,407.7	5,073.0	5,143.7	8,082.7	14,075.9
(a) Personnel Cost	1,061.2	1,239.5	1,263.5	1,110.1	1,896.5	1,425.0	1,784.8	1,622.8	2,145.6	2,146.4	2,372.5	6,014.8
(b) Overhead Cost	720.0	1,203.1	1,086.0	1,085.4	1,111.5	1,193.7	1,210.3	1,536.9	2,618.1	2,213.6	4,268.2	5,414.3
(c) Others	32.4	261.2	332.4	69.3	130.4	223.0	136.0	248.0	309.3	783.7	1,442.0	2,646.8
(ii) Capital Expenditure	2,818.9	1,354.5	1,671.8	1,346.9	1,111.2	1,222.6	1,534.0	2,014.6	3,750.4	4,620.7	5,519.5	8,163.0
(a) General Admin.	198.8	173.6	292.4	95.9	165.5	253.1	186.6	283.8	426.2	624.3	1,134.6	1,266.8
(b) Education	825.5	648.8	765.0	871.7	286.3	68.5	325.1	377.3	292.4	1,062.6	496.4	1,815.9
(c) Health	387.3	218.2	168.9	69.0	238.0	142.2	220.0	216.6	255.5	414.9	780.5	965.4
(d) Agric and rural devt	50.2	50.8	79.9	93.3	113.5	198.8	142.1	171.5	401.7	387.9	558.3	804.8
(e) Roads and Drainage	172.3	165.3	170.8	162.7	200.4	154.0	469.4	535.0	1,039.3	936.3	1,122.6	1,656.2
(f) Others	1,184.8	97.8	194.8	54.3	107.5	406.0	190.8	430.4	1,335.3	1,194.7	1,427.1	1,653.9
3. OVERALL SURPLUS/DEFICIT-2160.3	-503.1	-556.1	-99.0	-833.2	-69.7	-1068.6	-341.1	-714.0	-1473.8	+580.5	-3942.1	
4. FINANCING:												
(i) Grants:	94.6	-	39.0	-	121.3	0.2	1.0	-	5.3	5.3	5.0	-
(a) Fed. Govt.	(76.4)	-	-	-	(121.3)	(0.2)	-	-	-	(5.3)	(5.0)	-
(b) State Govt.	(18.2)	-	-	-	-	-	(1.0)	-	(5.3)	-	-	-
(c) Other	-	-	(39.0)	-	-	-	-	-	-	-	-	-
(ii) Loan:	-	-	-	-	-	-	-	-	-	-	-	799.8
(a) Fed Govt.	-	-	-	-	-	-	-	-	-	-	-	-
(b) State Govt.	-	-	-	-	-	-	-	-	-	-	-	(177.8)
(c) Others (Banks, etc.)	-	-	-	-	-	-	-	-	-	-	-	(622.0)
(iii) Miscellaneous	-	-	-	-	-	-	-	-	-	28.2	-	-
(iv) Unspecified	2,065.7	503.1	517.1	99.0	711.9	69.5	1,067.6	341.1	708.7	1,440.3	-585.5	3,142.3

1/ The statistics used in this Table are the actual provisional data collected from selected Local governments in the course of a nation-wide Sample survey.

2/ The figure for 1980 represents statutory grants from the Federal and State Governments

3/ negative sign ( - ) connotes savings made in the year(s) affected.

**TABLE 2**  
**PERCENTAGE CONTRIBUTIONS OF THE MAJOR SOURCES OF RECURRENT REVENUE**  
**OF LOCAL GOVERNMENTS IN NIGERIA**  
**(%)**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
<b>1. INTERNAL REVENUE</b>	17.9	25.8	26.7	32.5	27.7	32.4	31.1	24.5	18.9	18.1	9.7	9.9
(i) Taxes	5.5	4.5	3.9	6.0	5.6	6.6	7.1	5.2	2.4	2.7	1.7	1.7
(ii) Rates	2.0	2.1	3.4	2.2	5.3	7.1	5.8	4.1	2.2	1.6	1.0	1.6
(iii) Fines	0.8	8.7	8.9	17.8	6.8	10.0	4.9	2.6	3.3	6.3	2.3	1.1
(iv) Licences	2.8	2.3	1.8	1.4	2.0	1.7	3.5	3.1	2.0	2.2	0.9	1.5
(v) Fees	4.3	4.7	4.4	3.3	5.6	5.4	4.7	4.7	2.5	2.1	1.2	1.3
(vi) Other	2.5	3.5	4.3	1.7	2.4	1.6	5.1	4.8	6.6	3.2	2.6	2.7
<b>2. Statutory Allocation:</b>	82.1	74.2	73.3	67.5	72.3	67.6	68.9	75.5	81.1	81.9	90.3	90.1
(i) From Fed. Govt.	57.5	53.0	67.9	52.3	67.0	65.4	65.5	72.0	69.3	76.1	88.8	87.6
(ii) From State Govts.	24.6	21.2	5.4	15.2	5.3	2.2	4.4	3.5	11.8	5.8	1.5	2.5
<b>TOTAL</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Table 1



TABLE 3

PERCENTAGE CONTRIBUTIONS OF THE MAJOR SOURCE OF INTERNAL REVENUE  
OF LOCAL GOVERNMENTS IN NIGERIA  
(%)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
MAJOR SOURCES												
(1) Taxes	30.9	17.4	14.6	18.6	20.1	20.4	22.9	21.1	12.5	15.0	17.4	17.6
(2) Rates	10.6	8.1	12.6	6.9	19.1	21.9	18.6	16.6	11.8	8.8	10.2	15.9
(3) Fines	4.7	33.9	33.4	54.8	24.7	30.8	15.8	10.8	17.6	35.0	23.4	10.8
(4) Licences	15.6	8.7	6.9	4.3	7.1	5.3	11.3	12.8	10.5	12.0	9.7	15.3
(v) Fees	24.3	18.4	16.4	10.2	20.1	16.6	15.1	19.1	13.0	11.4	12.3	12.7
(vi) Other	14.0	13.5	16.1	5.1	8.8	4.9	16.3	19.7	34.6	17.7	27.0	27.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Table 1



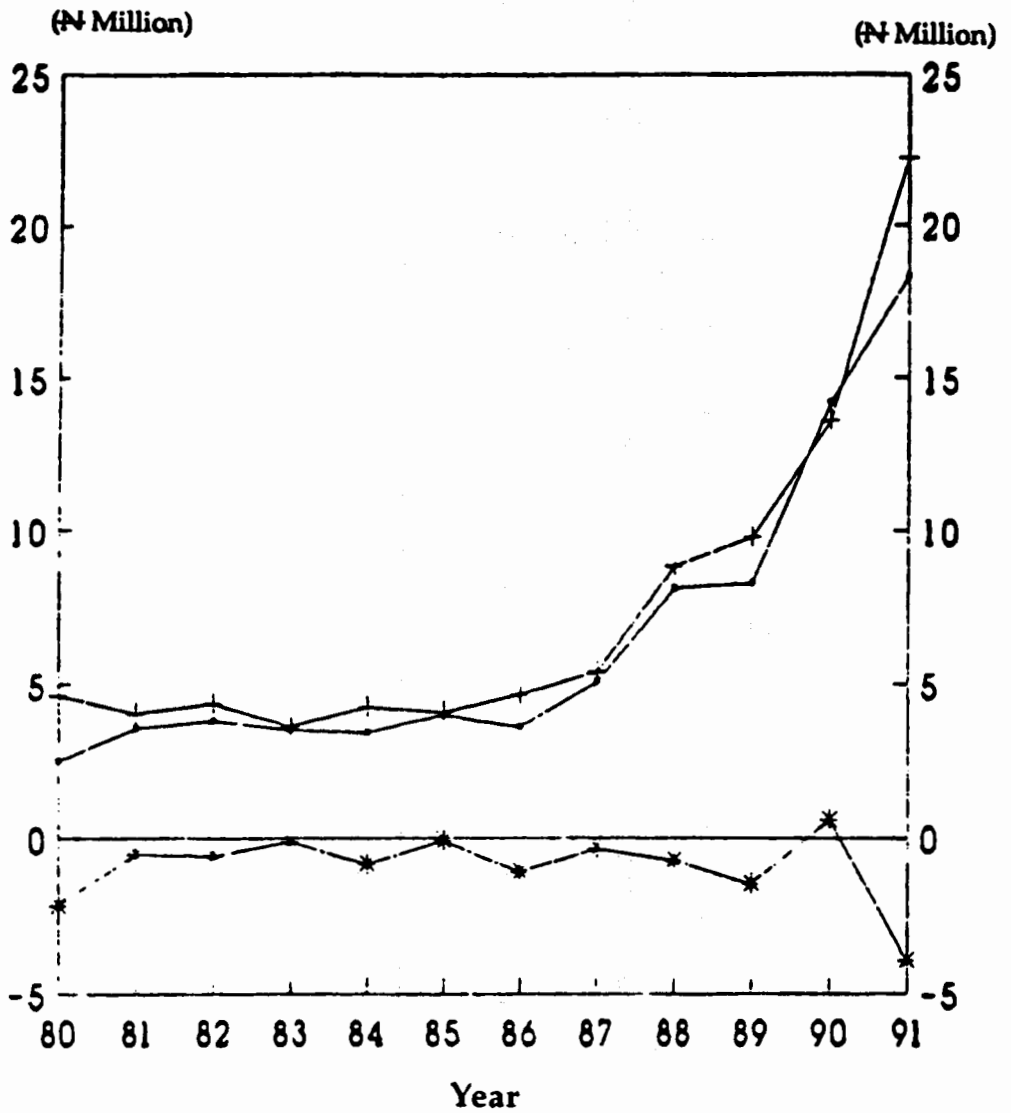
TABLE 5

MEAN OVERALL DEFICIT AS A PERCENTAGE OF MEAN TOTAL EXPENDITURE

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. Overall Deficit (=N=000)	-2,160.3	-503.1	-556.1	-99.0	-833.2	-69.7	-1,068.6	-341.1	-714.0	-1,473.8	-	-3,942.1
2. Total Expenditure (=N=000)	4,632.5	4,058.3	4,353.7	3,612.0	4,249.6	4,064.3	4,665.1	5,422.3	8,823.4	9,764.4	13,602.2	22,238.9
3. Ratio (%)	46.6	12.4	12.8	2.7	19.6	1.7	22.9	6.3	8.1	15.1	-	17.7

Source: Compiled from Table I

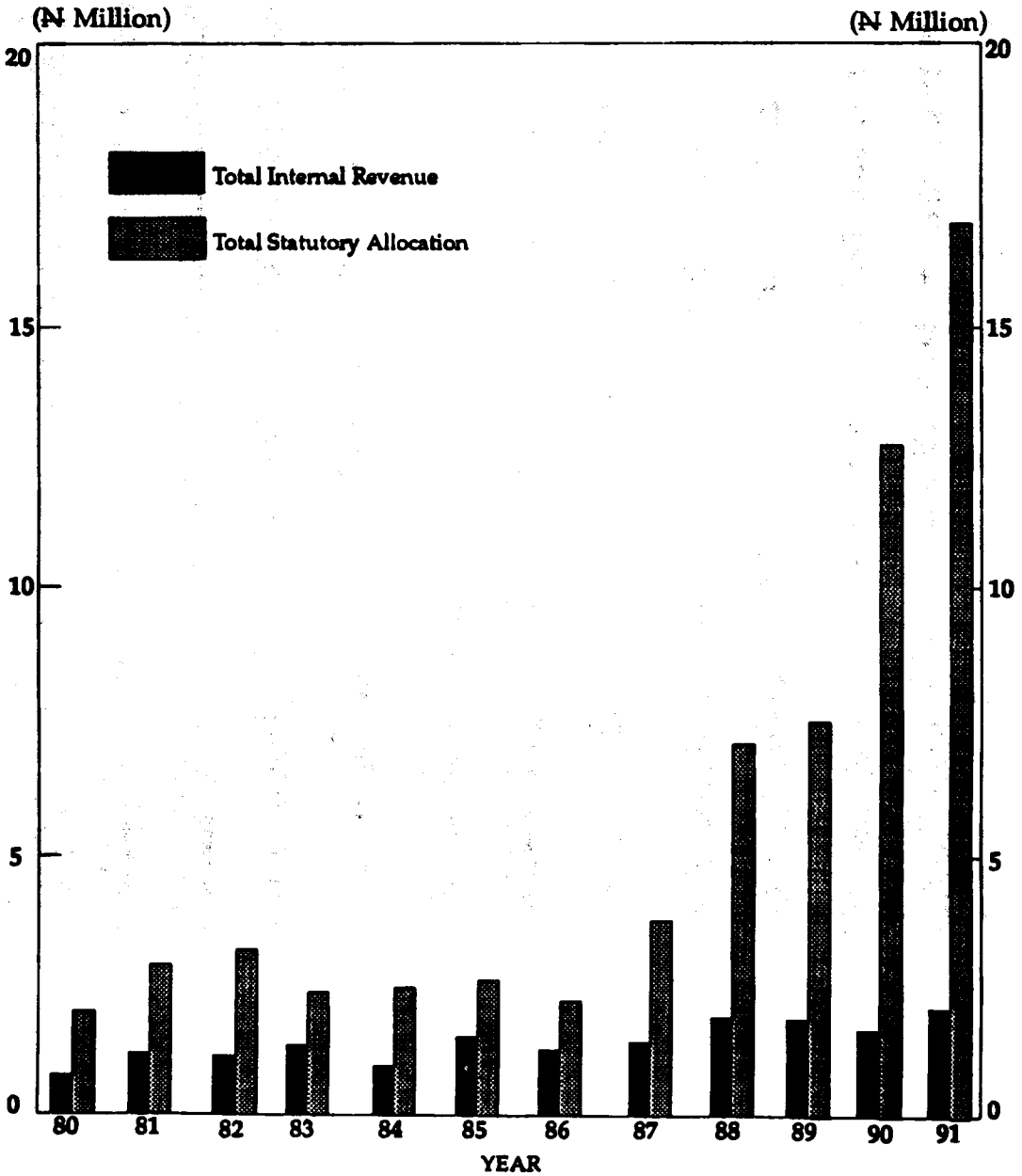
### Chart 1 Trends in Local Government Finances



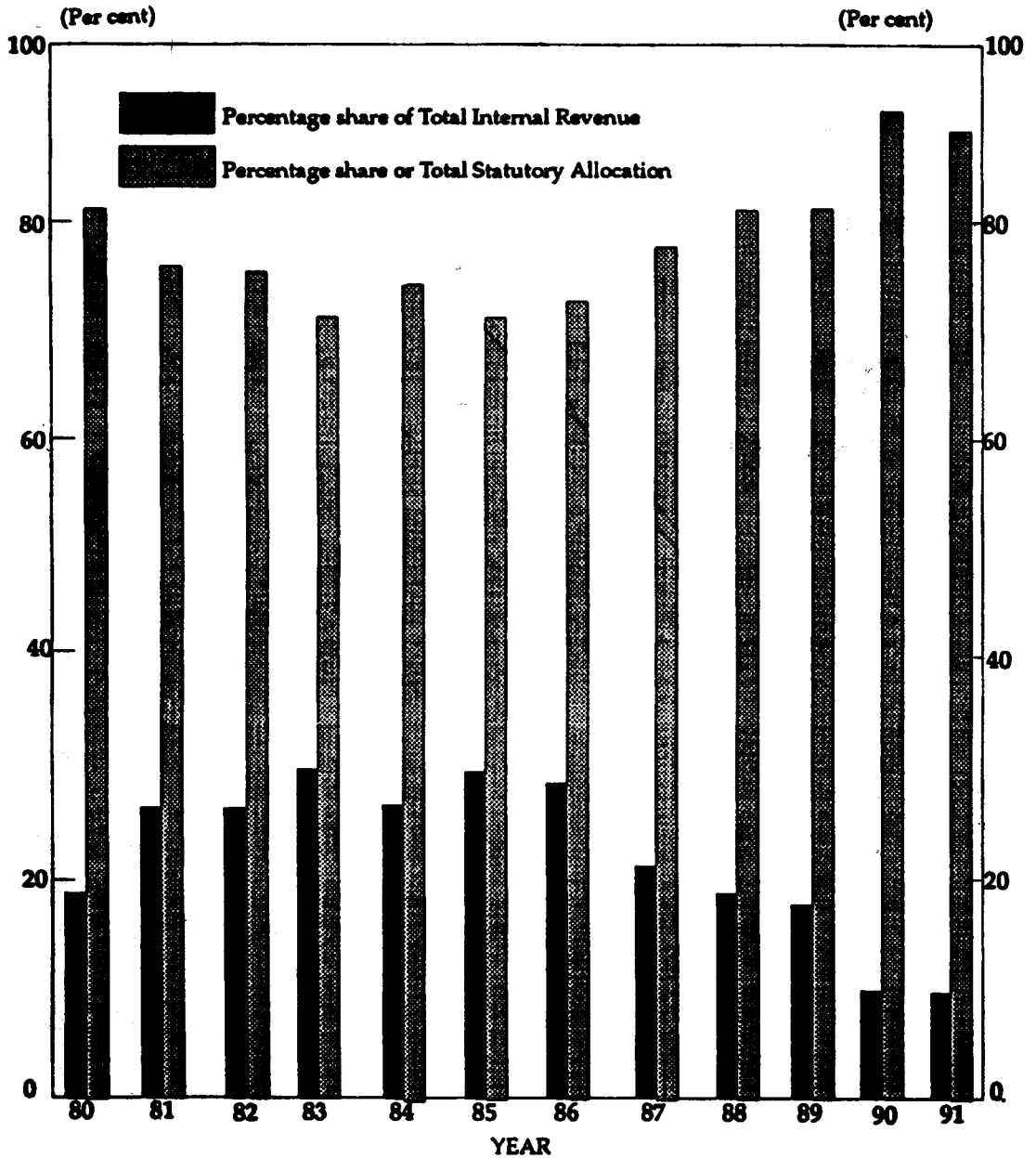
- Recurrent revenue  
\* Overall Surplus/def.

+ Total Expenditure

**CHART II**  
**TRENDS IN CONTRIBUTIONS OF INTERNAL AND EXTERNAL**  
**SOURCES OF LOCAL GOVT. REVENUE**  
**(MEAN ABSOLUTE FIGURES)**



**CHART III**  
**TRENDS IN CONTRIBUTIONS OF INTERNAL AND EXTERNAL**  
**SOURCES OF LOCAL GOVT. REVENUE**  
**(MEAN PERCENTAGE (S) FIGURE)**



**CHART IV**  
**TRENDS IN PERCENTAGE CONTRIBUTIONS OF**  
**MAJOR SOURCES OF INTERNAL REVENUE OF**  
**LOCAL GOVERNMENTS**

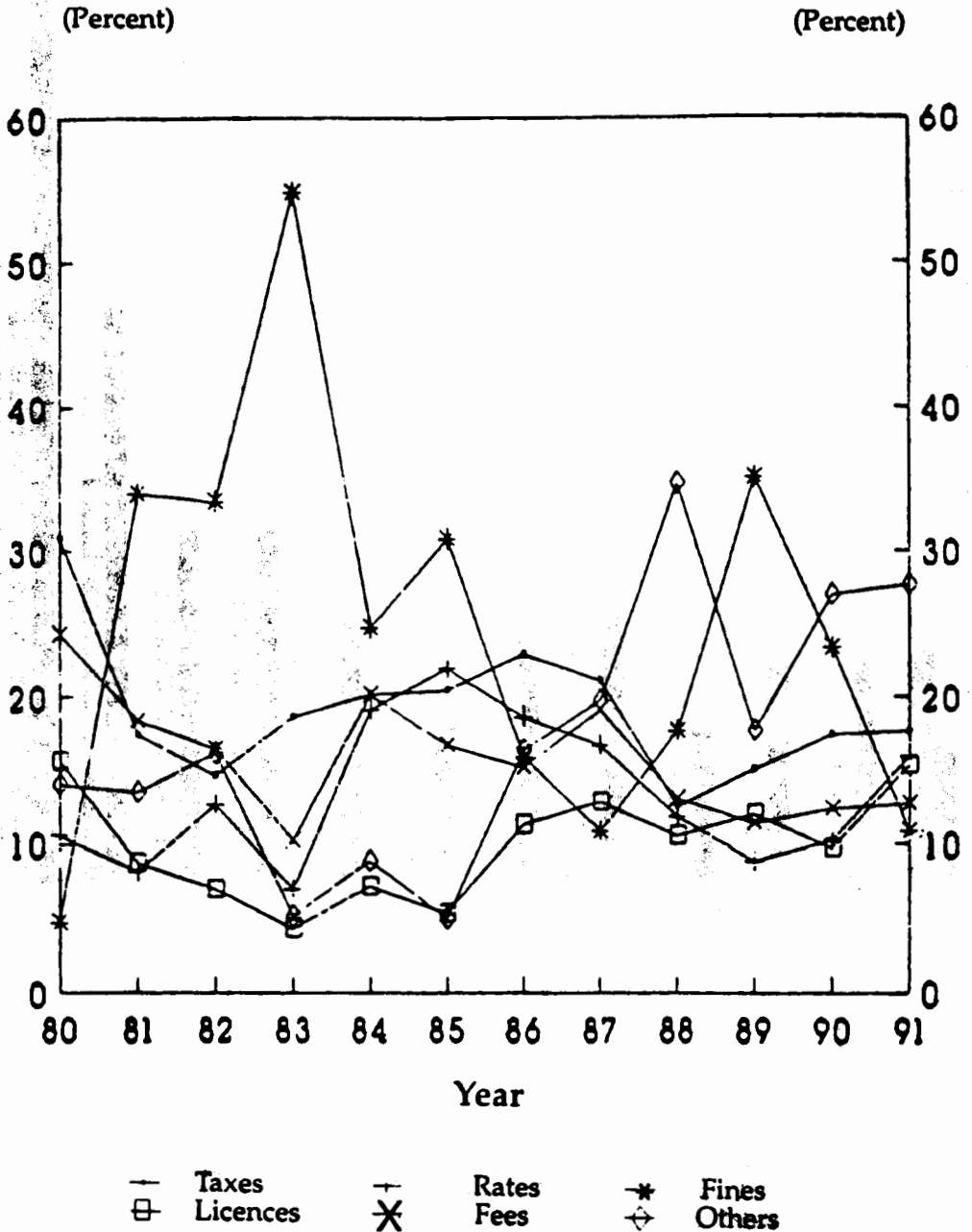
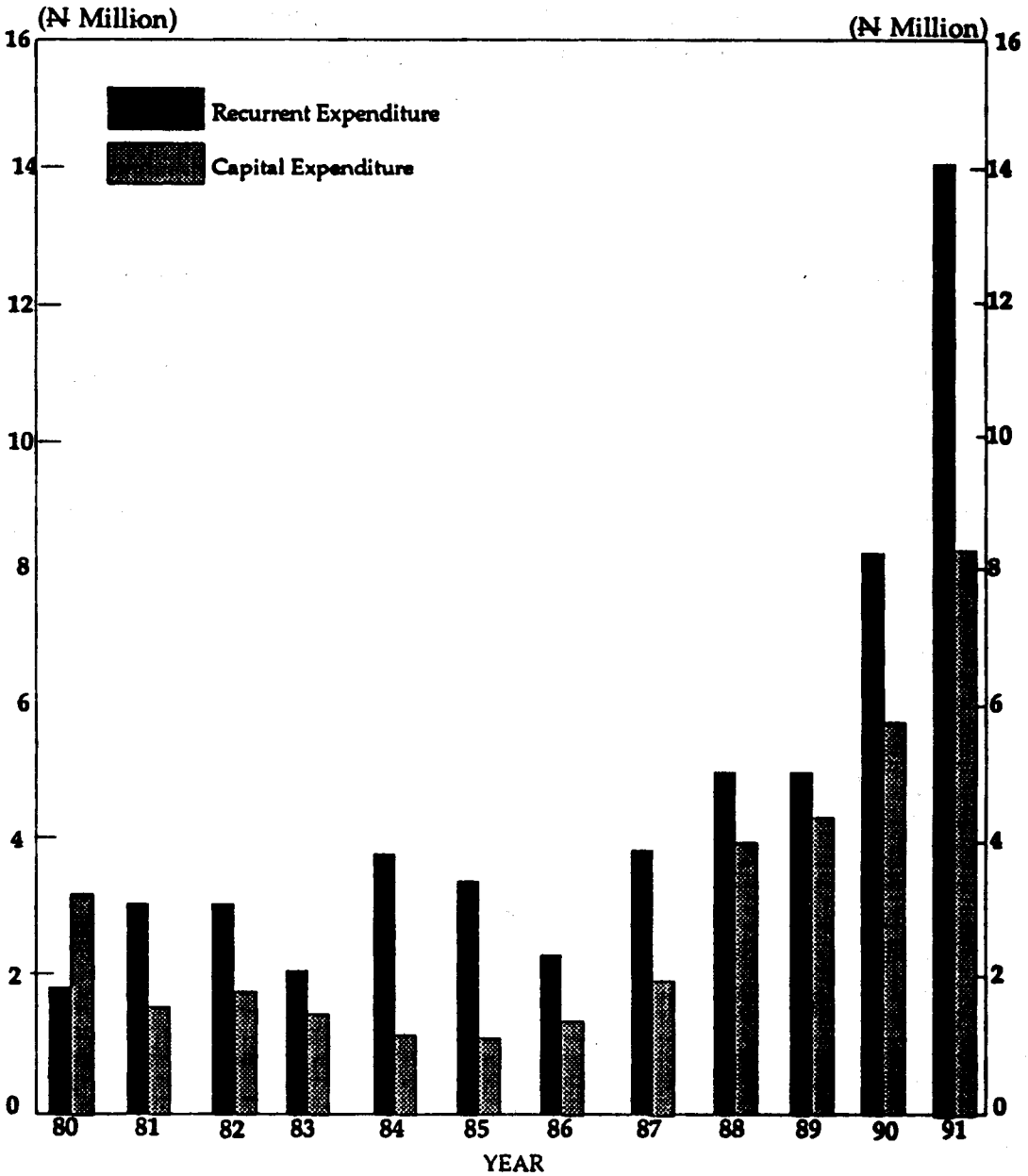
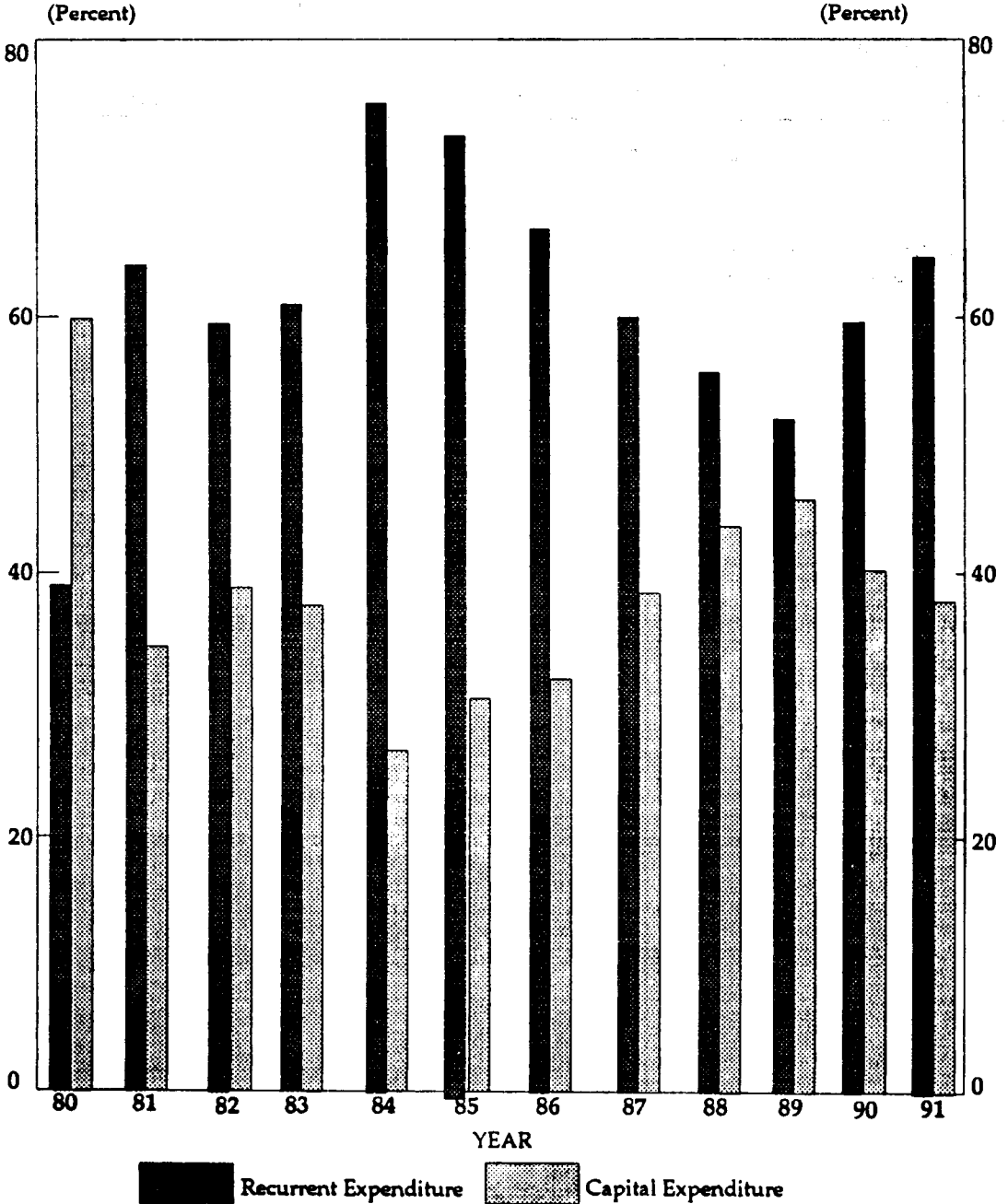


CHART V  
TRENDS IN ABSOLUTE SHARES OF RECURRENT  
AND CAPITAL EXPENDITURE OF LOCAL GOVTS.





**CHART VI**  
**TRENDS IN PERCENTAGE SHARES OF**  
**RECURRENCY AND CAPITAL EXPENDITURES**  
**OF LOCAL GOVTS.**



**TABLE 6****DISTRIBUTION OF LOCAL GOVERNMENTS BY POPULATION**

<b>POPULATION</b>	<b>No of Local Governments /1</b>	<b>As a percentage of Total</b>
Below 50,000	15	2.5
50,000 - 100,000	157	26.7
100,001 - 150,000	211	35.8
150,001 - 200,000	99	16.8
Over 200,000	107	18.2
<b>Total</b>	<b>589</b>	<b>100.0</b>

1 / Excludes F. C. T. ; Abuja

Source: Compiled from the provisional result of the Federal Republic of  
Nigeria, 1991 Population census