AN OVER VIEW OF THE PROBLEMS OF FINANCING LOCAL GOVERNMENT IN NIGERIA; A STUDY OF OWERRI MUNICIPAL COUNCIL

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Abstract
This study examine the problems of financing local government in Nigeria with particular reference to Owerri Municipal, it was discovered that financing remains the main spring board of every administrative activities, it was based on this understanding that the local government was uplifted in the 1976 local government reform as the third tier of government. It was made clear that the local government especially Owerri municipal council lacks the finance to effectively meet its numerous demands. The 1976 local government reform laid a solid foundation for the local government by providing for autonomy as well as statutory allocation from the federation account. Today local governments in the state are deprived of operational autonomy and have consequently become strategies to the state government. The pre-exquisite grass root development cannot be actualized where a democratically elected council on whose shoulders rest the problems and needs of “their various constituencies.

Keywords: Local Government, Administrative Activities, Statutory Allocation and Federation Account.

INTRODUCTION
Local government is the third tier of government. It operates at the base level or rudimentary level of society. It works at the grassroots level close to the people, impacting on their everyday lives, no other level of government whether state or federal enjoy a close proximity to the people as these. Historically, it is older than the other levels of government because governance began with the organization of people into small communities in a limited area. Whether it is the first level of governance, it is a product of the political structures of a country. Sometimes, it is referred to as local self-government.

There is at present a growing interest of local government administration intensified after the 1976 reforms in Nigeria. The reforms, in essence, marked a watershed in the history of local government developments as it introduced far reaching changes and innovations, the effect was that it led to the increase in local government powers, enhanced status, financial resources, potentials for self-sustenance at grassroots level and a new approval to local government activity involving local participation in decision making.

The issues concerning local government have implications on a broad spectrum incorporating the structure of local governments, their functions, pattern of resource mobilization and allocation, management capacities, autonomy relationship with local communities and later - governmental relations and other such related matters concerning their existence, these issues are exhaustively examined with the intention of determining the parameters of local government activities, their management, human resources, capabilities measured against their rote specification within their local environment and operational scenarios.

Local government as a tier of government have generated much interest globally, this interest in the local governments art agents of mass mobilization and development has also given rise to series expostulations,
Local government is not structurally capable of withstanding the test of time, then it becomes expedient to carry out some reforms so as to make the system capable or allowing for local autonomy.

It was the need to make the local councils more responsive to the yearning of the people and make them real agents for the mobilization of the masses while putting them in a position to contribute their own quota towards national development that the various reforms have been initiated.

The local government reform which made far-reaching changes in the structure and functions of the local councils elicited a lot of reactions from local government practitioners and other interested parties.

Local government can be conceived as a "Mini" government within a state. In fact, it can be called a "government" within a government.

Local government is, therefore, government that is restricted to specific area within a large government, its very essence is located in the concept of autonomy as located by:

a) The devolution of wide powers
b) Adequate and elastic sources of revenue
c) Reasonable level of discretion

For local government to be so — called, the people under it must be in a position to elect or select their functionaries freely and fairly, participate fully in decisions affecting their lives, initiative and execute projects and programmes they deem desirable for the improvement of their living conditions. Local government is, in this respect, local democracy exercised by the people through their own representatives for the benefit of the whole people, but since local government is a government within a government, there is a limit to the degree of autonomy which if can enjoy without embarrassing the "bigger" government.

Local government is therefore commonly used to refer to local self-government. It is seen as government by local bodies freely elected, while subjected to the supremacy of the state government which is endowed with power discretion and responsibility which they can exercise without control over their decision by a higher authority.

STATEMENT OF THE PROBLEM

The local government as a third tier of government is constitutional endowed with the responsibility to bring grassroots development. Various reforms have equipped or empowered the local government to clarify sources of revenue. Unfortunately, development is said to have eloped those in the rural areas. This is owing to various reasons that border on finance. While the authority in local governance (Chairman and his councilors) claim that local government system is not well funded, the governed claim the fund is misappropriated. Whatever be the reason, the case still remains that local government as the third tier of government receives allocation each month, but end up paying only workers' salaries. The balance of the allocation and internal sources of revenue are not properly accounted for. The "Sorry" state of the local government administration has therefore drawn attention from both state and federal government. Such attention has polluted the policy in some states, local government elections are not held, while others where election is held is at a longer ahead with their governors. This implies, that some governors or majority of them do release enough fund to local government owing to fear of misappropriation of fund.

Very few local government, if they borrow money from commercial financial institutions for their projects like the state and federal government do. The local government were statutorily restricted to a certain ratio of their tangible assets over dependency of local government on federal and state government statutory allocation for their expenditure both recurrent and capital has filled, if not totally, the internal sources of revenue generation.

Local councils are usually dominated by lay workers who are not knowledgeable enough to the financial relationship of the capital markets. The lay citizens both elected and administrators employees are unversed to the technicalities of complex money markets and, usually, lack the specialized skill required in management of borrowing operations especially on most favourable credit firms.

The quality of leadership at both managerial and political levels is low. The process of electing party officials is seemingly crude and undemocratic. The central theme of any democratic process is that government officials are accountable. But in this case, there are very little accountability of local government to the public.

The local government is confronted with the problem of instability arising from interferences from the higher level of government and imposed changes within their system that do not enable them to settle down and there are lack of basic amenities such as electricity, vehicles and telecommunication facilities.
have a debiting effect on the performance of local government council in their pursuit of their economic goals.

THEORETICAL FRAMEWORK

The general systems theory has been chosen as the theoretical foundation upon this work will be based. The general system theory was developed by David Easton (1965) in his work titled "A System Analysis of Political Life" Eastern demonstrated the connectivity between the system and its subsystems and their environmental influences, here, Easton is concerned with the condition of survival of the political system than with the problem of political power or authoritative allocation of values for a society. For though it is the problem of power that makes an act in society specifically political allocation analysis takes for granted that the political system has the capacity to exist a period if time and therefore its existence is not doubt. Hence, the local government is seen as the subsystem of the general Nigeria system which cannot function successfully on its own without the cooperation of the other subsystem (state and federal governments) they all face demand and support stress and needs to work in accordance to deal with the problems of demand and support. According to Easton, this functions through "Input and Output" Mechanism (Easton 1965).

In this work another theory has been adopted to enhance the theoretical foundation upon which this work is based "The local state and social relations theory" by Cockburn (1988) the 'local state represents the understanding of the status quo determined by the balance between Local level interests and the national levels interests with national determined policies. According to Cockburn local governments is not a separate aspect of the national government rather they are a key part of the state in societies. This position differs from the original reference of the local state as being autonomous "Local State" and local institutions of the central government. This conflicting and impressionist ideas of the status of the concept in relation to the theoretical Interpretation of the capitalist state (Duncan and Godwin 1988).

The use of the concept of local state as applied here does not make it distinct from the national state, nor is it a state of its own locally, rather it still remains a part of the whole state within the capital system. Cockburn (1988) The local government is acknowledged as the instrument of local domination which shares its states primary role of producing the conditions within which capitalist reproducing function of the local government represents the conventional activities of the government at that level and the state's task is to ensure provision of services intended to promote the reproductive capacities. In this regard the state provides education, housing, health and social services. The local state executes its reproductive function through detail management of families and local institutions, especially in relationship with individuals while also representing the government to the client population, Cockburn (1977:47).

FUNCTIONS OF LOCAL GOVERNMENT COUNCILS

Much of the current geopolitical and social-economic relations in Nigeria are guided by the 1999 constitution of the country, sub-section 1 of section 7 of the constitution guarantees. “The system of local government by democratically elected local government councils" it also provide that the government of every state shall, subject to section 8 of the constitution, ensure their existence under a law which provides for the establishment. structure, composition, finance and functions of such councils, sub-section 5 of section 7 states that the functions to be conferred law upon local government council shall include those set out in the fourth schedule of the constitution.

The main functions include:

a. The consideration and the making of recommendations to a state commission on economic planning or any similar body.

b. Collection of rates, tax, radio and licenses, c. Establishment and maintenance of homes for the destitute, burial grounds and cemeteries.

d. Licensing of trucks, bicycles, canoes, wheel barrows and cars.

e. Establishment, maintenance and regulation of slaughter house, markets, motor-parks and public convenience.

f. Construction and maintenance of roads, street lights, parks, gardens and open spaces.

g. Naming of roads and streets and numbering of houses.

h. Position and maintenance of public convenience, sewage and refuse
disposal,
i. Registration of all births, deaths and marriages.
j. Assessment of privately owned houses.
k. The provision and maintenance of primary and vocational education.
l. Provision and maintenance of health services centres.

Financial Resources to Local Governments
Apart from the constitutional provision which is broad in outlook, local governments and other tiers of government derive tax and revenue sharing arrangements.

The other point to make is that the major revenue sources are federation account. Their administration and collection are within federal Jurisdiction. The federation account (F.A) replaced the erstwhile distributable pool account (DPA) in (1977). The FA / DPA is the fulcrum of inter-governmental fiscal relations because of its centrality in revenue allocation / sharing in Nigeria. It is one of the four major revenue concepts associated with federal government.

They include;
i. Federal collected revenue
ii. Independent revenue of the federal government
iii. Retained revenue of the federal government.

These concepts within federal Jurisdiction in terms of administration and collection are federally collected, part of these are excluded to the federal government in terms of relation and use"; This position constitutes the independent revenues; which, comprises the personal income taxes of armed forces personnel id the police, external affairs officers, non-residents, residents of the federal capital territory, as well as proceeds from sales of Federal government assets. The federal government's share of the federation account and its independent revenue receipts constitute s retained revenue.

Matters relating to the federation account and revenue allocation in Nigeria have generally been very controversial. However, tax / revenue powers are assigned not on the basis of responsibility requirement but according to how convenient it would be for a given level to administer and collect.

Unfortunately, successive federal administrations interpreted the right to administration and collection as synonymous with the right to retain and spend. The manipulation of the sharing arrangement in favour of the federal government and operation of earlier mentioned special accounts / funds gives expression to inclination, due to the principle of derivation effectively ensured that the bulk of federally collected revenues remained exclusive to the federal government.

Leading Issues In The Financing of Local Government Services.
First, the issue of adequacy of financial resources local governments over the years have assumed responsibilities "which ordinary require more resources than the existing revenue potentials and assigned tax powers would be seem to sufficiently cover. Apparently there are problems of financial malfeasance and misappropriation of local government resources.

Secondly, and related to the first, is the question of autonomy of local governments and true federalism. The description of intergovernmental fiscal relations in Nigeria as "Fiscal Unitarism" simply gives expression to the fact that the country has operated a unitary structure despite pretences that it is federal. It is obvious that state and local governments have no autonomy or autonomy, of the degree that would permit unequivocal declaration that the structure is federal.

Problems of Local Government Councils in Nigeria.
The present day local government system in Nigeria is faced with plethora of problems and challenges relating to finance and political structure which has prevented it from meeting the yearnings and aspiration of the local people.

Scholar have agreed that it is in the local government areas that you will find more than 75% of the country's population. This includes the need with desperate need for pipe borne water, electricity, health care, good road network etc, but unfortunately, none of these amenities exist in the area, even where they do exist, they are scanty or dilapidated in nature. The living conditions of the people is further exacerbated by the attitudes of the state government and their refuses to let local government operate independently politically and financially by giving it what is due to it.

According to Ogunra (1996:257) The revenue So far received by local government from the federation account is too small to s enable the council meet its multi-famous political, economic and social objectives towards the people.

Finance of local Government.
The local government acquires huge financial resource in order to provide their constitutional responsibilities. The problems of local governments suffer from poor financial resources.

I. Low Generation from Internal Revenue

The internal revenue of local government are generally poor, inelastic to collect. Sometimes, the expenditure incurred in collecting revenue from a particular revenue source far exceeds the expected proceeds. "The state governments have acquired the more elastic, lucrative and collectable revenue, leaving local government with taxation with low ceiling difficult to exploit in an environment where the vast majority of the people where poor, self employed.

There is a high incidence of corruption, fraud and embezzlement among revenue officials, huge sums of revenue are lost by local governments to some corrupt and fraudulent rate collectors, licensing officials, collectors of fees and fines, market masters and valuation officers.

II. Undue State Control

It is also discovered that before the abolition of the ministry local government in all the states of the federation in October 1988, bureaucratic controls exercised by the ministry contributed to law extractive capability of local government.

The state ministry of local government delayed the issue of receipts, birth certificate and other revenue documents which were necessary for revenue collection. The ministry of local government delayed the approval of bye - laws empowering the imposition of tax, fees or fines were approved.

III. Mismanagement of funds

The local governments are also faced with the problem of mismanagement of available funds money and materials are often diverted by some officers of the local governments for personal ends, there are also cases of paying for some goods and services not provided at all.

IV. Deficit Budgeting

There is also the factor of deficit budgeting which has two adverse implications for the local governments first, the local government plans to borrow in order to meet up the deficit. This creates the problem of debt burden for the local government fails-to obtain the loan, the local government executive spend the available fund on less important services contained in the budget in which it has personal interest while top priority projects would benefit the masses suffer. It leads to poor implementation of the budget.

Enhancing Effective Service Delivery at the local Government

Inadequate financial capacity makes it difficult in local governments to acquire new technology or completes for qualified personnel in the requisite technical capacity in many fields, leading to poor financial planning, budgeting and financial information management and financial information management and ability to cope with the demand of effective service delivery. In some developing countries including Nigeria, line ministries still allocate technical staff to local governments, which affects accountability of staff to the local governments.

In view of the limited financial resources facing the local governments, it is imperative for them to ensure that all available resources are prudently utilized so as to achieve the highest benefits for their society.

CONCLUSION

In concluding this work, it is pertinent to note that finance is the live-wire of administration. Hence, any local council without viable revenue is deemed as an impotent entity. The local government cannot meet its primary objective of accelerating grassroots development without having a solid financial base as well as competent management.

The 1976 local government reform laid a solid foundation for the local government by providing for autonomy as well as statutory allocation from the federation account All these provisions were enshrined in the 1979 constitution which today has been violated as the local government has been subjected to the dictates of the state government.

Today, local governments in the state are deprived of operational autonomy and have consequently become stooges to the state government. The prerequisite grassroots development cannot be actualizes where a democratically elected council on whose shoulders rest the problems and needs of their various constituencies.

Suggestions

The made the following suggestions;

1. Local governments in the country should be given greater percentage of the statutory allocation to enable them meet the various developmental needs of the rural communities. This is so because it is in the local government (rural areas) where greater percentage of the country's population resides comprising individual who are desperately in need of government presence and services.
2. The funds generated in the council cannot be fully utilized where corruption prevails. Hence, there is need to eliminate corruptions in the council by making sure that suspected corrupt official are probed and if found culpable, brought to book to serve as a deterrence to intended corrupt ones. This will enhance effective utilization of council's fund.

3. There is also need to expunge that section of the 1999 constitution of the federal republic of Nigeria that subjected local government to state control. The local government should be allowed to operate as an independent tier of government responsible only to the people and the constitution of the land. The internal mechanism of checks and balances should be allowed to take its course to avoid the corruption of the council.

4. There is need to adequately motivate the staff of the council. A well motivated staff may not think of ways to defraud the institution that carters for him. This will help field officials in the area of tax/rate collection to execute their assigned task with utmost sincerity of purpose.

5. Individuals of impeccable character should be elected into the council as chairman and councilors. This will help institutionalize democracy in the system and make the elected officials committed to the welfare of the rural populace. The people should on their part reject any imposition on them as this will amount to their enslavement.

6. Finally, the federal, state and local governments should work as a trinity, understanding that they are subsystem of one system and that none can function appropriately without the other. Hence, there is need for administrative synergy among them to actualize the supreme goal of developing Nigeria.

References


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