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Local Government Finance in Nigeria: A Case Study of Iwo Local Government Area of Osun State

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Abstract
The current financial predicament of Local Government Councils and constant pressure for increase allocation has been in the front burner of Local Governments Administration in Nigeria. The focus of this paper therefore is an examination of Local Government Finance in Nigeria using Iwo Local Government as a Case Study. Data for the study were gathered from face-to-face interview, available records in Iwo Local Government, text books, lecture notes, journals, reports, seminar presentation and internet materials. The data collected were subjected to descriptive statistics (simple percentage) and content analysis. The study explored various sources of financing local governments in Nigeria. It also explained financial relationship of Nigerian local government vis-à-vis State and Federal Government using theory of decentralization. The study went further to explain financial management in Iwo L.G. Result obtained from the analysis shows that financial transfers from federal government (Statutory Federal Allocation) are the most viable and reliable source of local government revenue and that without Federal Allocation no capital project can be embarked on. Therefore, to arrest this financial situation that local government find itself, that is over dependence on federal allocation, this work submitted that local government should increase their revenue base by laying more emphasis on the internal revenue sources, especially those areas that are hitherto neglected or not been fully exploited.
Keywords: Local Government, Administration, Finance, Decentralization, Nigeria, Iwo

Introduction

One area which has remained neglected over time by the local governments in Nigeria is revenue generation. The usual practice in this country (Nigeria) is that political parties and individual candidates often make promises to the electorate during electioneering campaigns without being explicit on how they intend to finance such programmes. In line with this practice, candidates seeking political offices often unfurl vote-catching programmes with scarcely any attention to the question of funding (Fajobi, 2010 p. 145). The result is that ordinary citizens may witness very little government activities and the impact of the government will be felt in almost all sphere. This may lead to disappointment. It is quite obvious that very little thought, if any, is given to how funds were to be generated to implement the various programmes promised to the electorates.

Local governments across the country are particularly guilty in this respect. Chairmen complain of their inability to meet their wage bills with the current level of the local governments. Chief executive often tries without success to slash the wages of their workers while others may result to staff retrenchment in other to save money to implement programmes.

Fajobi (2010 p. 146) argued that the acute dearth of fund currently facing the local government could be squarely attributed to lack of creativity on the part of the local government in seeking alternative sources to complement the allocation from the Federation Account. Most local governments are suffering from hang-over of overdependence on the centre assistance, a norm during the military governance. They are yet to break away from the practice of relying almost entirely on hand-out from the Federal Government. The federal government, in turn also depended entirely on revenue from oil and its apportionment of the lion's share of the Federation Account to itself. Local government will continue to be one of the prime institutional movers of development in Nigeria and their importance and impact on the daily life of citizens cannot be over-emphasized. People are intimately affected by the activities of local government on a day-to-day basis and Nigeria, in particular, local governments, have historically provided services of importance to citizens, literally from cradle to grave. The standard of living of Nigerians either in rural or urban areas are inevitably affected by local government activities through the provision or non provision of basic services such as water supply, roads, health and educational services etc. Local governments also remain the focal point of promotion of development and cultural revival through community development projects and mobilization of human and material resources for developments.

In view of the above, finance has remained the most critical policy issue in the local government administration in Nigeria. None of the local government councils in the polity can as a matter of fact survive without a sound financial base. Owing therefore to the development responsibilities place on local governments, there is need for adequate financing of this tier of government. As Adamolekun (1983) had noted, a dominant theme in intergovernmental relation studies is the different attempt made to administer federal finance to the satisfaction of each level of government. Danjuma (1994) also noted that the existence of a federal system with its accompany political units necessitate a revenue sharing arrangement to enable its units to carry out its constitutionally assigned responsibilities.

In a federation, the logic underline the allocation of tax power (revenue sources) does not always tally with the logic underline the assignment of constitutional responsibilities, there is always a gap between the revenue obligation and revenue sources to level of governance. Revenue allocation, therefore, has been evolved as a mechanism for dealing with this imbalance or gap between expenditures obligations and revenue sources.

Since 1979, the various Constitutions of the Federal Republic of Nigeria have accorded local government the status of a third tier of government in Nigeria's robust federal structure. However, some of these constitutions have inherently whittled down the import of this third tier status (Bello-Imam, 2007 p. 55). Each of the three tiers of government has its assigned financial arrangement. Between 1976 and 1992, the federal revenue allocation formula vis-à-vis local government vacillated from ten percent (10%) of the Federation Account to twenty percent (20%). They are also entitled to ten percent (10%) of the internally generated revenue of the state government. These are in addition to revenue from the traditional but internal sources of local government.

Over the period (1976-1989) it was discovered that the amount internally generated by each local government councils, was very small to depend almost entirely on the federal government for financial transfer for the performance of their statutory functions. A function of this paternalism was the financial uncertainty and instability of local governments function in the country. Little wonder, Nigeria local governments seasonally had to suffer pecuniary distress which most often hindered their operations then (Bello Imam, 2007 p. 56)

Irrespective of this fact, local government must maintain themselves and provide socio-economic services for which they are established. As already stated finance is the most critical variable they need to be able to provide these services. In dealing with this important practical issue, this study, therefore, seeks to examine the various sources of financing local government in Nigeria. And to limit the scope of this work, the researcher took Iwo Local Government as a case study.

Statement of the Problem.

The 1976 local government reform, which drew heavily from the Brazilian experience and which took firm root in Nigeria local government was included in the mainstream of the country's intergovernmental relations and administrative arrangements. The reform, that was referred to as great and a real breakthrough gave prominence to local government making it possible for them to have legal entities which in turn entitled them to perform certain functions that have since been contained in the 1979, 1989 and 1999 Federal Republic of Nigeria constitution. Even though the reform clearly articulated the idea of a three- tiered federation in Nigeria, its consequence recognition of revenue sharing and administration arrangement has led to many problems which, according to Adamolekun can be broadly classified into six categories intergovernmental conflicts, structural organizational problems, financial problems, shortage of qualified manpower, the place of traditional authority in local government and political and bureaucratic corruption. These problems largely remained un-resolvable within the Nigerian political landscape even during this period of the fourth republic. These problems have been more compounded by the 1999 constitution which makes the institution of local government in Nigeria (particularly in its creation and control) a residual matter for state governments. However, of these problems faced by local government in Nigeria, it is quite clear that the most recurrent ones are finance and sizeable mismatch between their statutory functions and responsibilities; the flow of financial resources available to them; and constraining limits of their tax-raising powers or fiscal jurisdictions.

There is no gainsaying the fact that in Nigeria, the degree of decentralization of expenditure is higher than the degree of decentralization of revenue thereby causing a great divergence between sources of revenue and functional expenditure in the local government. This means that there is lack of the necessary symmetry – hence the problems of non-correspondence or vertical imbalance. This study is therefore; set to appraise local government finance in Nigeria. To what extent is the chosen local government area (Iwo) exploit the sources of self-financing (Internally Generated Revenue) available to her? Is Iwo local government area entirely dependent on external revenue from the state and federal government? Can we identify any factors that are hindering the improvement of the financial base of this local government area? What other potentials revenue sources abound which this local governments could tap to improve its efficiency and effectiveness? All of these shall be investigated and examined in the course of this study.

Objectives of the study

The general objective of this study is to examine local government finance in Nigeria and to analyze the viable financing options currently available to local government councils. The specific objectives include:

- To examine the financial relationship of local government with state and federal government.
- To identify the current sources of revenue in Iwo local government area and how it is getting fund to execute community projects and services.
- To identify the shortcomings, if any, of financial management in Iwo local government.

❖ To proffer suggestions as to how local governments in Nigeria can improve on their revenue base.

The research methodology

This study employed both primary and secondary mode of collecting data. The primary source of data was derived mainly from face-to-face interviews and observation. Interviews were held with some Career Officers and Political Office holders of the Local Government Council under study. On the site Observation of both complete and incomplete projects that fall within the limit of this study i.e. the period in question (1999-2009) was done.

On the other hand, the secondary sources of data used in this paper include intensive library research and content analysis of archival materials aimed at obtaining information from documents such as: records available in the local government under study, text books, journals, reports, lecture notes, seminar presentation, newspapers and the internet materials.

Review of Literature

In his analysis of the society, Karl Marx was apt to submit that there are basically two principal structures in the society, the first being the substructure and the second being the superstructure. The first, sub-structure refers to the economic system, while the second, the super-structure refers to the political system. The thinker went on to aver that the sub-structure controls the super-structure. Put in other words, the economy of any given society dictates the political structure of that society. The United State of America is perhaps the most vibrant economy in the whole world. Owing to this singular fact, the U.S.A. has almost the best systems in terms of its polity, defence education, etc. Here, we intend to say that the finance of the Local Government can dictate the pace of the administration of the Local Government. Surely, "the success or failure of the effectiveness or ineffectiveness of any Local Government largely depend on financial resources available to the individual Local Authorities and the way these resources are utilized"(Adedeji,1969 p.96).

Hence, finance is the backbone for all functional organizations in any economy. It is a crucial prerequisite which enables an enterprise, public or private, to maintain itself and effectively meets its commitment to individuals and groups who consume its output of goods and services. Local government is a public sector organization with assigned functions and responsibilities, administrative structure and financial arrangement for both maintaining itself and rendering its statutorily assigned functions to its citizens. This way, generic centrality of finance to organizational performances also applies to local government (Bello-Imam, 2010).

The 1976 reform was designed to strengthen the local government system, stimulates self democratic government, encourages initiative and leadership potentials at grass root, ensures the availability of amenities, indeed necessities, such as electricity, adequate water supply, improved transportation, health facilities and so on, and firmly entrenched local government as the third tier of government activity in Nigeria. The reform was designed to endow local government with human, financial and materials resources that would enable them to competently complement the activities of states and federal governments in their areas.

The 1976 reform heralded the partnership model which involved the devolution of substantial functions and powers to local government together with financial resources to exercise these functions. The federal government was essentially motivated by the necessity to stabilize and rationalize government at the local level which necessitated the decentralization of some significant functions of state government to local resources for rapid development.The local government relationship before the 1976 reform was both uncooperative and unproductive. Rather, it resembles the partnership of horse and the rider, in which the regional governments whipped the local governments to any direction they desired. Therefore, in order to put an end to this principal/agent relationship that local government find itself the 1976 local government reform suggested that each local government must strive to depend on its internally generated revenue to be effective and virile. Thus, the present position whereby councils depend mostly on grants should be abhorred and jettisoned, they must be able to tap and utilize all their revenues yielding sources. In this regard, a call is made for honesty of purpose and ability to perform on the parts of both the councils' officials and political functionaries of the council.

It should be noted that from the restoration of civilian rule under the Second Republic in 1979, through the second coming of the soldiers from 1984 to 1999, to the reintroduction of democracy in May 1999, the clamour for the statutory devolution of more centrally collected revenues to the states and localities has remained the overriding theme of debates about fiscal federalism in the country. During the Second Republic, for instance the centre's direct statutory share of the Federation Account fell to 55 percent, with the balance going to the states (30.5 percent), and centrally controlled special funds (4.5 percent) (Suberu, 2004 p.34)

Following the collapse of the Second Republic at the end of 1983, a 17 member Political Bureau was set up in 1986 to coordinate a political debate on the putative (but ultimately aborted) Third Republic. The Bureau, which has Professor Oyediran and several other leading Nigerian political scientists as members, reported broad public supported in the federation for the intergovernmental sharing of the Federation Account in the proportion of 40 percent each to the center and to the states, and 20 percent to local governments (Federal Republic of Nigeria 1987 cited in Suberu, 2004 p. 34). In 1989, the newly established permanent Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) proposed that the account should be shared as follows: federal government 47 percent, states 30 percent, local governments 15 percent, and special funds 8 percent (Danjuma 1994 p. 54). In 1992, the military administration of General Ibrahim Babangida partially responded to the partial clamour for financial devolution by reversing the Federation Account vertical allocation formula as follows: federal government 48.5 percent; states 24 percent; local governments 20 percent; and special fund 7.5 percent.

In 1994, the Revenue Allocation committee of the then ongoing National Constitutional Conference Committee proposed the following federation Account intergovernmental allocation formula: federal government 33 percent; states 32.5 percent; local governments 20 percent; and special funds 14.5 percent (Committee on Revenue Allocation 1994 p. 25). In 1998, the Nikki Tobi led Constitutional Debate Coordinating Committee summarized that the ''over concentration of the resources in the centre is the root cause of appreciable development of the country, resulting in political instability, communal violence and a host of societal problems which endanger national unity''. Although the committee did not recommend a specific sharing formula, it observed that the submissions it received on fiscal federalism ''converged on the following vertical allocation of revenue: federal government 25 to 35 percent, states 30 to 50 percent, and local governments 25 to 40 percent'' (*This Day* 3 January 1999 cited in Suberu, 2004 p. 35).

In 2001, the RMAFC and presidency, in accordance with the provisions of the 1999 constitution for the newly inaugurated fourth democratic republic, proposed to the National Assembly a new Federation Account vertical sharing formula as follow: 41.3 percent to the federal government, 31 percent to the states, 16 percent to the local governments, and 11.7 percent to special funds (*This Day* 17 August 2001 cited in Suberu, 2004 p. 35).

Following another round of intensive devolutionist pressures (especially by the state governors), as well as the invalidation of the concept of special funds by the Supreme Court in 2002, the RMAFC and the presidency amended their revenue sharing formula as follows: 46.63 percent to the federal government, 33 percent to the states, and 20.37 percent to local governments (*This Day* 21 January 2003 p. 1).

Statutory allocations to Nigerian local governments have enhanced their economic fortunes and improve efficiency and effectiveness in service delivery. On the other hand, according to Bello-Imam (2010) the financial buoyancy of Nigerian local governments due to the incidence of statutory allocation has conditioned a systematic decline in their internally generated revenue. Yet, it is of critical if not adverse significance that there is a virtual dominance of externally sourced revenue in the finances of local governments (with the exception of a few urban areas with a plausible number of internal revenue sources). With as much as three quarter of their total revenue coming from external sources, the objective of local autonomy was apparently compromised.

The Conceptual and Theoretical Discourse

An analysis on local government without demystifying its conceptual meaning would lead to mental paralysis instead of enlightenment stimulation. However, conceptualizing local government, like others in the social sciences, is not easy; it is difficult to have a universally acceptable definition for this concept in developing and developed countries of the world. Consequently, Ovwasa (1995) has opined that the meaning attached to local government varies from country to country and, more frequently, it has become the purpose for which local government is created. Yet the concept of local government involves a philosophical commitment to democratic participation in the governing process at the grassroots level. This implies legal and administrative decentralization of authority, power and personnel by a higher level of government to a community with a will of its own, performing specific functions as within the wider national framework. A local government is, at the grassroots level of administration, meant for meeting the peculiar needs of the people (Agagu, 1997 p.18). Appadorai (1975 p. 287) sees local government as government by the popularly elected bodies charged with administrative and executive duties in matters concerning the inhabitants of a particular district or place. Local or grassroots government may be defined as having been established by law to perform specific functions within defined areas. A complex nation like Nigeria, with its many ethnic groups within a divergent and diverse culture, requires a high degree of decentralization, which they accomplish by creating local government authorities. Looking at the existence and relevance of local government, Ayo (2005) believes that local government is a territorial non-sovereign community possessing the right level of necessary organization to regulate its own affairs. Local government can be viewed as a legal personality with sufficient but limited powers of control over its staff, finances and funds (Amao, 2002 cited in Michael, 2013 p.35)

The 1976 local government reform defines local government as: government at local level exercised through representative council established by law to exercise specific powers within defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial powers to initiate and direct the provision of services and to determine and implement projects so as to complement the activities of the State and federal governments in their areas, and to ensure, through devolution of these functions to these councils and through the active participation of the people and their traditional institutions, that local initiative and response to local needs and conditions are maximized.

The definitions above bring out four key characteristics of local government. First, local government officials are elected. Regular elections at specified period of time are a feature of local government. In fact, the main distinguishing characteristic that differentiates a local government from a local administration is the fact that while the officials of the former are elected those of the later are appointees of the center to implement policies of the center. Second, the local government unit must have a legal personality distinct from the State and Federal Governments. Thirdly, the local government must have specified powers to perform a range of functions and finally, it must enjoy relative autonomy. Local government autonomy means that the local government is elected at the local level and operates independently of the State and Federal Government. The local government is no longer an appendage or field office of the State government. The characteristics of local government autonomy include among other things ability to make its own laws, rules and regulations; formulate, execute and evaluate its own plans and the right to recruit, promote, develop and discipline its own staff.

Theoretical Framework

It has become a universal phenomenon in social sciences for facts to be investigated or examined precisely within a framework, rather than in an isolated manner, it is necessary to develop a sound theory, which is capable of explaining the wide concepts and relationships in the study. The importance of theoretical framework in a study lies in the fact that social science research is theory based and its operations are guided by relevant principles of human behavior (Goode and Hatt, 1952). Therefore, this paper seeks to understand the 'Local Government Finance' within the ambit of the Decentralization Theory.

Decentralization Theory

The fact that the theory of decentralization explains the transfer of authority and responsibility for public functions from the central government to the subordinates make the decentralization theory more suitable and appropriate for this paper. Thus, Nigeria operates political as well as fiscal federalism. It follows therefore that many developed and developing economies that particularly operates the federal system of governments tend to decentralize some aspect of their public finance. Browsing through the concept of fiscal federalism is important for a fair understanding of the financing sources and options available to the local government especially in a tripartite presidential system.

The philosophy behind decentralization is that sub- national government (which local government is part of) must be given power over their own life and development (Nyerere, 1972). Thus, decentralization by definition implies that sub national governments or entities take over functions from federal government and thus come to manage their own financial resources than would be the case under a centralized government (Tanzi, 1995).

In the literature, two major forms of decentralization are discerned; namely, deconcentration and devolution (Olowu, 1995). The former alludes to the transfer of state responsibilities and resources from the center to the periphery, within the same administrative system. It indicates an internal form of delegation of responsibilities among officials of the organization.

On the other hand, devolution entails the transfer of specified responsibilities and resources to the community, who are usually represented by their elected (i.e. non-appointed) officials. For most African governments, however, decentralization is now viewed as a strategy for mobilizing local resources and an initiative for national development. Since it has become evident that federal or state governments, alone, cannot guarantee development in the local areas, it then becomes imperative for the power, authority, and responsibility to be transferred from the central or state government to the local government for the purpose of enhancing development in the rural areas. This is important because of the remoteness of the federal government to the rural people. It is believed that decentralization would make the local governments more competent in the management of their own affairs. The 1976 local government reform, in particular, was aimed at decentralizing of some significant functions of the state government at local levels in order to harness local resources for refined development. This framework will, therefore, enhance scientific understanding and stands as an operational tool for this paper.

Revenue Allocation in Nigeria

Discussions on local government finance in most cases touch on the issue of revenue allocation. The term "revenue allocation" is often used in association with such terms as fiscal federalism, resource control, and fiscal decentralization. It has been broadly defined to include the allocation of tax powers and the revenue sharing arrangements not only among the three tiers of government, but also the state governments as well (Olowononi, 1998 p. 247). Fiscal federalism is a system of taxation and public expenditure in which revenue-raising powers and control over expenditure are vested in the various tiers of government within a nation, ranging from the national government to the smallest unit- the local government (Anyafo, 1996; Dang, 2013 cited in Sunday et al, 2014 p. 86). Basically, fiscal federalism emphasizes on how revenues are raised and allocated to different levels of government for development (Dang, 2013).

According to Nyong (1999), fiscal federalism concerns the relationship among the various levels of government with respect to the sharing of the national cake, assigned functions and tax powers to the constituent units in a federation. He asserts that the important issue in fiscal federalism is revenue allocation formula, sharing of the national revenue among various tiers of government (vertical revenue sharing) as well as the distribution of revenue among states (horizontal revenue allocation). For Ekpo (2003), fiscal federalism is a mechanism in which relations arising from the political decentralization of the public sector functions and responsibilities are resolved. The term deals with the allocation of resources among the three tiers and units of government, and institutions for the discharge of responsibilities assigned to each jurisdictional authority.

One of the cardinal principles of federalism is that no level of government is subordinate to one another, though there must be a central government for this arrangement. The important features of federalism are:

(i)Division of powers among levels of government
(ii) Coordinate supremacy of each level of government
(iii)Financial autonomy of each level of government

(Wheare, 1943 cited in Olowononi, 1998 p.248), the chief exponent of federalism has emphatically argued that all the tiers of government are coordinate in status. This implies as he maintained that if state authorities, for example, find that the services allotted them are too expensive for them to perform, and if they call on the federal authority for grants and subsidy to assist them, then they are no longer coordinate with the federal government but subordinate to it. Consequently, in Wheare's contention, the financial subordination of the state and local governments as the case in the Nigerian experience from 1999 till date makes mockery of federalism no matter how carefully the legal forms may be preserved.

Although the question of how to generate, increase, allocate and expand revenue has constituted an issue in the Nigerian politics and governance since 1914, it was from 1946 that the issue of revenue sharing and allocation began to raise serious national debate since there was real fusion of fiscal operation in the country with the coming into effect of the Richards Constitution which provided for Legislative Council for the whole country and Regional Councils with large devolution of powers and functions. Consequently, various Revenue Allocation Commissions were set up at different times to examine and settle the issue of revenue allocation among the three tiers of government- the federal, state and local (Onwioduokit, 2002 cited in Sunday et al, 2014 p. 86). Thus, it is apt to say, that the concept of fiscal federalism was first introduced in Nigeria in 1946 following the adoption of Richards Constitution. The period 1947 to 1952 marked the beginning of sub-national governments in Nigeria because financial responsibilities were devolved to three regions-North, West and East. The most contentious aspect of the nation's federalism, revenue allocation, remained the responsibility of the colonial masters until Nigeria's independence (Adesina, 1998 p.232).

Fiscal federalism became deepened during the military epoch of 1966 to 1990s following the creation of states and local government perhaps as a means of spreading development across the country and satisfying agitations from potential ethnic groups. The era of military rule began with the creation of twelve states in 1967. As observed by some commentators on Nigerian government and politics, the creation of more states and local governments was a deliberate tactics and technique to compel dependency of state and local governments on the federal government. As at present, there is a Federal Government, 36 States, Federal Capital Territory and 774 Local Governments in Nigeria. Nigeria has engaged various commissions and committees since the colonial days, and yet this issue continues to be in the front burner of national discourse and debate. These commissions are Phillipson Commission (1946), Hicks-Phillipson Commission (1951), Louis Chick Commission (1953), Jeremy Raisman Commission (1958), the Binns Commission (1964), Dina Commission (1968), the Aboyade Technical Committee on Revenue Allocation (1977), the Okigbo Commission (1980), and Danjuma Fiscal Commission,1988 (Sunday et al, 2014; Ekpo, 2004; Jimoh, 2003; Akindele and Olaopa, 2002; Udeh, 2002; Olowononi, 1998; Ovwasa, 1995).

Sources of Local Government Finance

Source of local government finance implies the various means through which local governments generate financial resources to meet their financial obligations in the course of discharging their constitutional functions and duties. There are two major sources of local government finance in Nigeria, namely, internally generated revenue (which is revenue generated within the local government area of administration and it entails local tax or community tax, poll tax, or tenement rates, user fees and loans); and externally generated revenue which refers to the local government funds generated outside the local government area of administration (Alo, 2012 p. 23).

Internally generated revenue is a strategic source of financing local governments operation and which can be explored given the enabling environment and political will. The level of internally generated revenue by each local government depends on the size of the local government, nature of business activities, urban or rural nature of the council, rate to be charged, instruments used in the collection of revenue, political will and acceptability by the people to pay based on the legitimacy of the council and the socio-cultural beliefs of the citizens regarding the issue of taxation (Anifowose and Enemuo, 1999 cited in Sunday et al p. 87). Local governments are constitutionally empowered to control and regulate certain activities in their jurisdiction, and in so doing; they impose some taxes and rates on these economic activities as a way of generating funds for their operations.

The various ways local government generate revenue internally are community tax and rates; property (tenement) rates; general/development rates; licenses, fees and charges like marriage registration fees, car/truck licenses; interest on revenues such as deposits, investments, profits from the sale of stocks, shares, etc; departmental recurrent revenues from survey fees, repayment of personal advances, nursery and day-care centers' fees, rents on local government quarters, etc (Atakpa, Ocheni, and Nwankwo, 2012 p. 94). From the foregoing, tax is an imperative ingredient of revenue generation, development and transformation. As Olaoye (2008), puts it, it is a compulsory levy imposed by the government on individuals, companies for the various legitimate functions of the state (and local government).

The external sources of revenue to Local government includes: 20% of Federal Government Statutory Allocation, 10% of Internally Generated Revenue of the State ,VAT – Value Added Tax, Loans and Advances, Special capital grants, Financial Aid and Assistance from individual and organization. The Local Government Councils (LGCs) have very little influence on their receipts from Federal Allocation/Excess Crude and VAT unless they improve on their infrastructural developments (roads, portable water, health centers, hospital beds/cots) and school enrollments. Grants rarely come and when they do its impact is not well noticed.

Following the provisions of the Public Procurement Act or Law Loans can only be taken by the LGCs subject to the approval of the State Government and limited to certain level of the total public debts charges of each LGC. LGCs are therefore limited by huge unpaid gratuities or pensions. The 10% State IGR can be enhanced if the IGR of the State goes up, which LGCs can assist by prompt payment of statutory deductions and ensuring that persons dealing with them present Tax Clearance Certificates as a pre-requisite. The only source that is elastic is the IGR of each council depending on the economic (industries, trading/business) activities.

Summary and Discussion of the findings

This section has to do with the discussion of the data generated during the course of this study. The central focus of this section is to state and analyze the various sources of finance available to Iwo Local Government and to provide answers to the research questions that were raised in this work. In doing this, effort was made to present and analyze the facts gathered from the respondents. The analyses were guided by the researcher questions, which were first stated.

The researcher employed descriptive statistics (simple percentage) in the analysis of data collected from the field.

Local governments' tax-raising powers and revenue rights: Iwo Local Government in focus

The residual legislative powers of local governments to raise revenue are generally codified under the following local government revenue heads: 1001 (taxes); 1002 (rates); 1003 (local licenses, fees and fines); 1004 (earnings from commercial undertakings); 1005 (rent on local government property); 1006 (interest payments and dividends); 1007(Grants from Federal, State Governments and Others); 1008 (miscellaneous); and 1009(Allocation from Federation Account and 10% of the state IGR). The first three heads and the last two heads (i.e.1001-1003; 1008; 1009) can be said to constitute the mainstay of local governments' 'own' or internal revenues Iwo local government inclusive. The important characteristic of all these sources, however, is their low revenue yield. Head 1003, for instance, covers an extensive range of items or subheads, 101 in all. Interestingly however, revenues from these internal sources amount to less than 4% of Iwo local government total revenue as shown in the table 2 - 14 below:

TABLE 1: Iwo Local Government Revenue From 1999 – 2011

S/NO	YEAR	FEDERAL ALLOCATION	VAT	10% STATE I.G.R	I.G.R (LOCAL GOVT.)	EXCESS CRUDE OIL	TOLTAL
1	1999	34,213,545.43	15,760,550.25	------------	1,838,760.73	-----------	**51,812,856.41**
2	2000	78,504,684.13	15,815,190.49	821,028.60	2,3I2,400.03	26,882,134.58	**124,335,437.83**
3	2001	71,652,705.87	-----------	------------	3,136,491.35	-----------	**74,789,197.22**
4	2002	140,273,530.28	19,730,937.50	104,902.51	2,256,476.81	-----------	**162,365,847.22**
5	2003	238,578,839.63	16,773,633.83	9,394,538.96	3,785,550.81	-----------	**268,532563.28**
6	2004	278,244,921.91	21,956,670.93	775,000.00	3,600,628.30	6,666,666.66	**311,243,887.81**
7	2005	307,194,189.09	67,018,784.81	9,614,935.93	10,467,672.41	15,076,075.57	**409,371,657.81**
8	2006	334,564,387.73	79,779,112.24	9,977,441.91	6,434,701.83	95,533,950.78	**526,289,594.49**
9	2007	263,395,218.61	95,985,983.22	9,675,515.75	2,618,055.27	85,097,068.94	**456,771,841.79**
10	2008	352,813,123.64	114,025,408.60	94,516,799.71	26,477,277.91	322,741,747.71	**910,574,357.57**
11	2009	392,088,100.44	11,398,977.02	18,821,269.65	8,119,707.12	133,320,408.49	**563,748,462.72**
12	2010	391,422,881.86	210,000.00	11,967,423.13	158,831,965.13	-------------	**562,432,270.12**
13	2011	577,849,591.39	52,012,414.52	781,515.51	14,283,388.80	------------	**644,926,910.22**

SOURCE: Finance Department, Iwo Local Government Secretariat.

TABLE 2: Analysis of 1999 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	34,213,545.43	66.03292658%
VAT	15,760,550.25	30.41822309%
10% STATE I.G.R.		
I.G.R. LOCAL	1,838,760.73	3.548850338%
EXCESS CRUDE OIL		
TOTAL	**51,812,856.41**	**100%**

Table 2, above shows that **66%** of the total revenue in 1999 is statutory allocation from the Federal Government and **30.4%** is from Value Added Tax (VAT) while the IGR effort of Iwo Local Government is **3.5%.** There was no record for both 10% State I.G.R. and Excess Crude Oil for that year 1999.

TABLE 3: Analysis of year 2000 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	78,504,684.13	63.13942791%
VAT	15,815,190.49	12.71977705%
10% STATE I.G.R	821,028.60	0.660333542%
I.G.R. LOCAL	2,312,400.03	1.859807687%
EXCESS CRUDE OIL	26,882,134.58	21.62065381%
TOTAL	**124,335,437.83**	**100%**

Table 3, above shows that **63%** of total revenue comes from Statutory Allocation from Federal Government, **12.7%** from VAT,**0.66%** from State IGR, **1.9%** from Local Government IGR while the remaining **21.6%** is from the Excess Crude Oil.

TABLE 4: Analysis of 2001 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	71,652,705.87	95.80622407%
VAT		
10% STATE I.GR		
I.G.R. LOCAL	3,136,491.35	4.193775928%
EXCESS CRUDE OIL		
TOTAL	**74,789,197.22**	**100%**

In Table 4, there is no record for VAT, 10% State IGR and Excess Crude Oil. The available record shows that Federal Allocation takes **96%** of the Total Revenue while the Local Government IGR is **4%.**

TABLE 5: Analysis of 2002 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	140,273,530.28	86.39349511%
VAT	19,730,937.50	12.15214766%
10% STATE I.GR	104,902.51	9.706813668%
I.G.R. LOCAL	2,256,476.81	1.389748428%
EXCESS CRUDE OIL		
TOTAL	**162,365,847.22**	**100%**

In Table 5, there was no revenue from Excess Crude Oil. The Federal Allocation, VAT, 10% State IGR and Local Government IGR were: **86%, 12%, 10%** and **1%** respectively

TABLE 6: Analysis of 2003 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	238,578,839.63	88.84540359%
VAT	16,773,633.83	6.246405884%
10% STATE I.GR	9,394,538.96	3.498472902%
I.G.R. LOCAL	3,785,550.81	1.409717601%
EXCESS CRUDE OIL		
TOTAL	**268,532,563.28**	**100%**

Table 6, also revealed that there was no Excess Crude Oil in 2003. Federal Allocation, VAT, 10% State IGR and Local Government IGR were: **89%, 6%, 3.5% and 1.4%** respectively.

TABLE 7: Analysis of 2004 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	278,244,921.91	89.3977144
VAT	21,956,670.93	7.054490639
10% STATE I.GR	775,000.00	0.249000874
I.G.R. LOCAL	3,600,628.30	1.156851087
EXCESS CRUDE OIL	6,666,666.66	2.141942998
TOTAL	**311,243,887.80**	**100**

Table 7: just like the information in table 4, the record was completed and all the revenue featured in both Tables 8 and 4. Federal Allocation as usual took the lion share of the total revenue and it was **89%** while others were: VAT **7%,** State IGR **0.25%,** Local Govt. IGR **1.2%** and Excess Crude Oil **2.14%.**

TABLE 8: Analysis of 2005 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	307,194,189.09	75.04041455%
VAT	67,018,784.81	16.37113453%
10% STATE I.GR	9,614,935.93	2.348705815%
I.G.R. LOCAL	10,467,672.41	2.557009556%
EXCESS CRUDE OIL	15,076,075.57	3.682735549%
TOTAL	**409,371,657.81**	**100%**

Table 8, shows that **75%** of total revenue comes from Federal Allocation, others are as follow:
VAT – **16%**
10% State IGR – **2.35%**
IGR LG – **2.56%**
Excess Crude Oil – **3.68%**

TABLE 9: Analysis of 2006 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	334,564,387.73	63.5703976%
VATs	79,779,112.24	15.15878579%
10% STATE I.GR	9,977,441.91	1.895808318%
IGR LOCAL GOVT.	2,618,055.27	0.49745526%
EXCESS CRUDE OIL	95,533,950.78	18.1523541%
TOTAL	**526,289,594.49**	**100%**

In the Table 9 above, it is shown that:
Federal Allocation is **63.57%** of total revenue in 2006
VAT is ………………**15.16%** „
10% State IGR is ……**1.90%** „
IGR Local Govt. is ….**0.50%** „
Excess Crude Oil is….**18.15%** „

TABLE 10: Analysis of 2007 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	263,395,218.61	57.66450436%
VAT	95,985,983.22	21.0139887%
10% STATE IGR	9,675,515.75	2.118238224%
IGR LOCAL GOVT.	2,618,055.27	0.573164769%
EXCESS CRUDE OIL	85,097,O68.94	18.63010395%
TOTAL	**456,771,841.79**	**100%**

Table 10 shows that:
Federal Allocation is **57.66%** of total revenue in 2007
VAT is ……………... **21.01%** „
10% of State IGR is... **2.12%** „
IGR Local Govt. is … **0.57%** „
Excess Crude Oil is …**18.63%** „

TABLE 11: Analysis of 2008 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	352,813,123.64	38.74621778
VAT	114,025,408.60	12.52236104
10% STATE IGR	94,516,799.71	10.3799101
IGR LOCAL GOVT.	26,477,277.91	2.907755714
EXCESS CRUDE OIL	322,741,747.71	35.44375536
TOTAL	**910,574,357.57**	**100**

In the Table 11 above, it is shown that:
Federal Allocation is **38.75%** of the total revenue in 2008
VAT is ………………**12.52%** „
10% State IGR is ……**10.38%** „
IGR Local Govt. is ….**2.91%** „
Excess Crude Oil is …**35.44%** „

TABLE 12: Analysis of 2009 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	392,088,100.44	69.71294523
VAT	11,398,977.02	2.026728839
10% STATE IGR	18,821,269.65	3.34640643
IGR LOCAL GOVT.	8,119,707.12	1.443677319
EXCESS CRUDE OIL	133,320,408.49	23.70426015
TOTAL	**562,432,270.12**	**100**

In the Table 12 above, it is shown that:
Federal Allocation is **69.71%** of the total revenue in 2009
VAT is ………………**2.03%** „
10% State IGR is ……**3.35%** „
IGR Local Govt. is ….**1.44%** „
Excess Crude Oil is …**23.70%** „

TABLE 13: Analysis of 2010 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	391,422,881.86	69.59466991
VAT	210,000.00	0.037337829
10% STATE IGR	11,967,423.13	2.127798095
IGR LOCAL GOVT.	158,831,965.13	28.24019417
EXCESS CRUDE OIL		
TOTAL	**562,432,270.12**	**100**

In the Table 13 above, it is shown that:
Federal Allocation is **69.59%** of the total revenue in 2010
VAT is ………………**0.04%** „
10% State IGR is ……**2.13%** „
IGR Local Govt. is ….**28.24%** „
Excess Crude Oil is …**0.00%** „

TABLE 14: Analysis of 2011 Revenue, using descriptive statistics (simple percentage)

FEDERAL ALLOCATION	577,849,591.39	89.5992371
VAT	52,012,414.52	8.064854125
10% STATE IGR	781,515.51	0.121178927
IGR LOCAL GOVT.	14,283,388.80	2.214729851
EXCESS CRUDE OIL		
TOTAL	**644,926,910.22**	**100**

In the Table 14 above, it is shown that:
Federal Allocation is **89.60%** of the total revenue in 2011
VAT is ………………**8.06%** „
10% State IGR is ……**0.12%** „
IGR Local Govt. is ….**2.21%** „
Excess Crude Oil is …**0.00%** „

To what extent did Iwo Local Government Area exploit the sources of self-financing (Internally Generated Revenue) available to her?

The data collected revealed that Internally Generated Revenue effort of Iwo Local Government was very poor because it accounted for less than 4% of the total revenue as indicated earlier in the tables above. This research gathered some reasons why IGR was not fully exploited in Iwo Local Government through face-to-face interview with some senior career officers in the Rate section. These reasons according to the respondents include the following:

(i) Tax payers' attitude towards tax
(ii) Lack of working tools
(iii) Political will on the part of political functionaries
(iv) Lack of trust people has in government

(i) Tax payers' attitude: The tax/rate collectors relate their experience in the hand of people that they are always hostile with them and not ready to pay anything unless they were forced to do so, some may even run away before rate collectors could get to there place.

(ii) Lack of working tools: That the council is not helping the matter particularly in the area of mobility that will convey the tax collectors to all the remote areas in the council to collect rate, tax, fine and issuance of licenses to the people in the remote villages.

(iii) Lack of Political will: The local government political functionaries are shying away from the issue of tax, rate, and fine because they don't want to be held accountable to the people on what they use the money for. It was also gathered that the little effort of career officers towards revenue generation were being frustrated by the politicians. For instance, if there is any social functions and road are blocked, instead of paying the permission fees for using the public road their arguments are: we are Chairman's uncle or brother, we are councilors' relative etc go and tell your boss we wouldn't pay anything and if they are reported nothing will come out of it. All these are affecting the IGR of this council (Iwo LGA.)

(v) Lack of trust: The people have no trust in government, their believe is that whatever money paid in the name of tax or fine will be embezzled by both career officers and politicians. All these factors accounted for poor IGR in Iwo Local Government.

Potentials Revenue Sources to Iwo Local Government

This study also unravels other potentials Revenue Sources which this local government could tap to improve its financial base. These include:

- Establishment of Cottage Industries
- Housing Construction
- Farming
- Engaging in Commercial Ventures
- Transport business

Of all these potentials sources of revenue to Iwo L.G., farming was identified by the respondents as the most veritable source of revenue because Iwo is endowed with abundant fertile land for agricultural purposes which means that if this council can embark on both small and large scale farming it will improve her financial base.

Financial Management in Iwo Local Government

The issue of financial management in Iwo Local Government – this study discovered that Iwo Local Government Council has a department called Budget Statistics and Planning which ensures that all activities of government particularly all expenditures are in line with approved budget. There is also a due process unit which ensures that expenditure is in line with Financial Memoranda and Circulars from the state government that contains rules and regulations guiding the disbursement of local funds. It was also reported that a times the council follows directives from federal government through the state ministry of local government before it can implement anything in the budget. Therefore, this financial regulation put in place disallows the council from all expenditure that is not in line with budget.

The Financial relationship

On the question of financial relationship of Local government with State and federal governments, our findings revealed that there is a relationship between the local government and state government because the 1999 constitution put the control of the local government under the State House of Assembly and by extension the state government. And there exist an Account called State Joint Local Government Account which is just a pull where all money coming from Federal Allocation and 10% State IGR are kept or pull together before they are shared according to the approved indices by the State House of Assembly. These indices include: 75% Equality, 2.5% Land Mass, 15% Population, and 7.5% IGR effort of LGA.

One of the respondents expresses his view on State Joint Local Government Account: that it works in two ways i.e. it has advantages and disadvantages. To start with the merits of State Joint Local Government Account – it provides an avenue for the state government to monitor the activities of the local government. This practice also ensures even development in the state using the above stated indices in revenue sharing among the local governments in the states. The disadvantages on the other hand are – State Joint Local Government Account has been manipulated by some State Governors to the extent that allocations coming to local governments are diverted at the state level to a project that is not of direct benefit to the local government, Corruption: a times money are released to the ALGON members to execute some projects without passing through the local government and lastly, delay in the release of allocation to the local government by the state also cause set-back in the execution of capital project at the local government.

Conclusion and Recommendations

Local government councils in Nigeria are charged with a number of responsibilities most of which touch on the welfare and living standards of large segments of the country's population particularly those living in the rural areas. Since the 1976 reforms, however, the councils have been grappling with a plethora of problems, relating, in large measure, to the delimitation of their fiscal jurisdiction and protection of their revenue rights. There has also been a severe erosion of their fiscal autonomy. These, combined with other institutional and structural problems, have rendered them functionally impotent in the areas of revenue generation and effective service delivery. Unfortunately, the 1999 Constitution of the Federal Republic of Nigeria appears to contain provisions which are likely to worsen the hitherto shaky existence of local government councils.

Therefore, this paper has been able to establish that, not only has Iwo local government council not generated adequate revenue from their internal sources, it has also fallen prey to a characteristic over-dependence on Federal Allocation. This scenario is clearly presented in tables 2 – 15 under the summary and discussion of the findings of this study.

This paper identified various sources of financing local governments in Nigeria. It also explains financial relationship of Nigerian local government vis-à-vis State and Federal Government using theory of decentralization. This study realizes the roles of local governments in improving the living standards of the people. It also submits that no local government can perform creditably without adequate finance. In view of the above, there is need to improve both external and internal sources of revenue and to rationalize its expenditure patterns so as to, at least, achieve optimum performance. It is in this vein that the following suggestions are made.

- There is the need to put a mechanism in place to promote transparency and accountability at all levels of governance. Statutory allocation of local government councils should be reviewed upward. Prompt release of allocations from federation accounts should be looked into to avoid delay in executing council developmental projects. Local councils are also advised to look for ways of attracting industries to their areas which will propel economic development, employment and increase their revenue base. In this regard, it will be crucial to strengthen institutions' horizontal accountability and anti-corruption bodies in order to build up the economic and revenue base of the councils. Civil society organizations, particularly at the local level, should be reoriented and empowered to hold elected officials accountable
- That the local governments should increase their revenue base by laying more emphasis on the internal revenue sources, especially those areas that have not been fully exploited such as cottage industries, farming, transport business, commercial ventures, housing construction and privatization of service delivery.
- There is a need for control which need not be expressed in terms of curbing and restricting local government domain and competence. This way, local government can actually be stronger with, not without, central government support, if such central control does not affect the basis of decentralization by devolution.
- The local government should also make conscious efforts to enlighten their residents on the need to pay their taxes as at when due and the council should let the people see how it spent their money in terms of service delivery or project executed. Doing this will encourage the citizens to pay their tax willingly.
- Rather than running a joint state-local government account, states should play a supervisory role by creating mechanisms for monitoring and doing periodic auditing of local government account so as to check mismanagement of revenue arising from the corrupt practices of both the career staff and political office holders in the local government

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