AN EVALUATION OF THE SOURCES OF LOCAL GOVERNMENT REVENUES: A CASE STUDY OF KEFFI LOCAL GOVERNMENT COUNCIL OF NASARAWA STATE

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DECLARATION

I, SONGU ORTSERGA JOSEPH, do hereby declare that this thesis has been written by me and that it is a record of my own research work. It has not been presented in any previous application for a higher degree.

All quotations are indicated and the sources of information used in the review or in support of my arguments are specifically acknowledged by means of references.

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CERTIFICATION

The thesis entitled "An Evaluation of the Sources of Local Government revenues": A case Study of Keffi Local Government Council of Nasarawa State written by **SONGU ORTSERGA JOSEPH** meets the regulations governing the award of the degree of Master of Science (Economics) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This thesis is dedicated to God the father, Son and the Holy spirit.

This thesis is also dedicated to my late Father Mr. Songu Tseghem, who unfortunately did not live long to witness the growing to fruition of the tree he laboured hard to nurture all the day and night.

The thesis is also dedicated to my mother Mrs. Nyiefa Songu for her unflinching support. It is similarly dedicated to my dear wife and three children for their endurance, tolerance and pains of loneliness due to the absence of a faithful and lovely husband and father.

Lastly, the thesis is also dedicated to my friends and all well-wishers for their moral and financial support given to me during the course of writting the thesis.

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ABSTRACT

This research thesis is on an evaluation of the Sources of Local Government Revenues: A case study of Keffi Local Government Council of Nasarawa state. The rationale for the study is to examine the sources of the local government council revenues and discuss other untapped or inadequately tapped internal sources of revenue available to Keffi Local Government Council.

The study is also to determine the effects of sourcing and mobilising financial resources for the growth and development of the council and its inhabitants in the context of a changing policy environment.

The study recognised that one of the main causes of the failure of the local government system is lack of adequate funds to carry out development projects at the grass roots. Most of the Revenue accruing to local government councils is only enough to be expended on over-heads. As a result, there is no capability to function very well coupled with poor performance, neglect of functions, low administrative efficiency and revenue generation potentials.

The study also used an econometric method of analysis (Multiple Regression) to determine the relationship between local governments total expenditures and its total revenues. The overall results shows that the total expenditure of the local government is depended on the local councils total revenues. There is high level of correlation between the

dependent variable (total expenditure) and the independent explanatory variables (internal revenues, federal statutory revenues and grants) which is the council's total revenues.

In summary therefore, the thesis has examined the existing sources of local government revenues, made recommendations on them and suggested some new sources.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the Study

The Local government Council represents the basic unit through which any nation administers her people at the grass-root level. The 1979 Constitution schedule 4 spells out the constitutional functions of Local government Councils (L.G.Cs). The Local Government councils are responsible for the provision of collective goods and services as well as the provision of other social and economic service for the Local communities. Such services among others are: primary and secondary education, road construction, public health and sanitation, housing and community development, waste treatment and water facilities, establishment, maintenance and regulation of slaughter slabs, markets, motor parks and public conveniences etc. These have raised the pattern of current and capital expenditures and the costs and expenses of these projects are met by local and external sources of revenue.

However, for the local government council to be effective and carry out their constitutional functions, they have to develop self-reliance and initiative in their activities including the financing of their development programmes. A necessary condition for independence is self-reliance. It is in view of this, that this thesis has concentrated on the case for sourcing of such local revenues in Keffi Local Government Council of Nasarawa state. From another vein, the data

available in Keffi Local Government Council shows that bulk of the Council's Local revenues comes from the Federal Government through statutory revenue allocations. Olubunmi (1991) remarked that the Local governments could raise substantial part of their revenue through the imposition of taxes, fees, fines and other miscellaneous sources but the bulk of their revenue was provided by the federal government through statutory allocation.

There has been a high dependence of local councils on federal government for their existence and welfare survival. The negative aspect is that, since the fortunes of the federal government itself and the welfare of the local governments, are directly tied to the situation in the world oil market over which they have no control, any fluctuations or glut in the world oil market, will affect such local councils adversely because of the transmission, contagion and spill over effects. Moreover, the data available shows that, the state government is not fully contributing the statutory 10 percent of their total recurrent revenue to Keffi Local Government Council.

Therefore, it is observed that local government councils and particularly Keffi Local Government have untapped or inadequately tapped sources of internal revenue which when mobilised and utilized can contribute to socio-economic rural development of the Local communities and their inhabitants.

1.2 Statement of The Research Problem

One of the main causes of the failure of Keffi local government council is inadequate funds to carry out developmental projects at the grass-roots. Most of the revenue accruing to local governments are not even enough to cover their recurrent expenditures. The per capita revenue has been dwindling over the years. The real services Keffi Local Government can provide on a per capita basis are deteriorating at a rapid rate. This is because revenues are rising slowly while expenditures are rising rapidly. The Keffi Local government must find way out from increased internal revenue, statutory revenue allocation and grants.

Local councils generally gets its fund from various sources such as internally generated revenues, statutory revenue allocation from the federal government, value added tax and grants from the state governments. Revenue from these sources have been inadequate for the expenditure needs of the local governments.

1.3 Justification of the Study

Sourcing for more revenues in Keffi Local Government Council is a necessary condition for develoment of the local communities and the entire people of the council. The researcher's choice of the local government is borne out of the slow rate of development and the poverty among the mass majority of the council's population.

High dependence of the council on the external allocations vis-a-vis local internal revenue efforts is another reason for the justification of this study. There is resource endowment (both manpower and material resources) in the council which are not tapped or inadequately tapped which when exploited can transform the council's internal financial revenue profile. This capacity and capability to effectively mobilise the large percentage of the local populace in the drive for socio-economic development in the local communities in Keffi is the focus of this project research work and hence the justification of the study.

Keffi Local Government Council is the second largest local governement area in Nasarawa state that shares a common boundary with the Federal Capital Territory, Abuja. It is predominantly an agricultural area with few financial institutions, many ethnic tribes and great potentialities for socio-economic rural development. Moreover, the researcher's choice of Keffi local government is based on his long stay (over eight years) and his familiarity with the social, economic and political trends, problems and developments in the area. Similarly, there is little or no any research project work carried out in Keffi Local Government Council on its internal revenue generation, hence the justification of this study.

1.4 Objectives of the Study

The research objectives derive directly from the research problems. Hence the objectives of the study are as follows:-

(i) To examine the sources of the local government council revenue and discuss other untapped or inadequately tapped internal sources of revenue available to Keffi Local Government Council.

(ii) To determine the effects of sourcing and mobilising financial resources for the growth and development of the council and its inhabitants in the context of a changing policy environment.

(iii) To recommend economic framework that could enhance and guide policy makers on revenue generation in the local government.

(iv) To analyse revenue performance and consider the need to establish an effective revenue collection machinery in Keffi Local Government Council.

1.5 Statement of Research Hypotheses

The research hypotheses flow directly from the research objectives. They are as follows:-

(1) There is inadequate revenue generation and mobilisation of financial resources in Keffi Local Government Council.

(2) The Local government councils are not heavily dependent on the externally accrued revenues from the federal

government statutory allocation.

(3) The case for revenue generation in Keffi local government council have a positive effect on the council's expenditure patterns and the socio-economic rural development of its communities.

Specifically, the above hypotheses are formulated or stated and will be tested against the alternatives that the null hypotheses do not hold. Hypotheses 1, 2 and 3 test for the relevance of revenue generation or sources of local government revenues as an aid for the socio-economic rural development of the local communities in Keffi Local Government council of Nasarawa state. These hypotheses will be tested by the data collected from the local government council in question.

1.6 Scope and Limitation of the Study

The study was limited to a period of eleven (11) years from 1987 to 1997. This period is wide enough to allow the researcher examine, determine and assess the revenue sources of Keffi Local government Council.

The main limitation of the study centred around inconsistent time-series and discontinuity of data. However, where applicable, the use of moving averages was adopted. The data available was considered as reliable enough to achieve the objectives of the study. Time and cost also precluded a detail coverage of the study.

1.7.0 Methodology

The methodology employed was by and large decriptive, analytical and statistical in scope. The study also used the ordinary least squares (OLS) method of analysis. A questionnaire on the general information of the Local government and issues surrounding revenue generation in Keffi local government council was administered and introduced.

1.7.1 Sources of Data Collection

Both primary and secondary data were used for this study. Data were obtained from various sources. Secondary sources included the National Revenue Allocation, Mobilisation and Fiscal commission, government Circulars, papers delivered at seminars and workshops, relevant legislations, official pronouncements of the Presidency and reports of commissions on local government administration. Other sources of secondary data were the libraries, journals and magazines. Primary data were obtained by using structured questionnaire.

1.7.2 Tools of Analysis of Data

Both analytical and descriptive tools were used for this study. Analytical tools included regression and correlation analysis, whereas descriptive tools included tables and percentages scores where possible and necessary.

The ordinary least square (OLS) method was used to obtain estimates of the parameters of the regression equation and was

interpreted to validate or reject the null hypotheses stated earlier on. The research was two-stages. The first stage was a reconnaissance survey of the study area. After which, concentration of the case study was in Keffi Local Government Council of Nassarawa State in Nigeria.

1.8 Organisation of the Research Study

The study consist of five (5) chapters. Chapter one is on introduction. It covers problems, objective, tools, the rationale and scope of the study with statement of hypotheses. It further identifies some of the obvious limitations which may preclude accurate analysis of data. This chapter also captures the methodology of the research study.

Chapter two discusses related literature. It opens up with a theoretical framework within which this study is located. It further considers both theoritical and empirical literature reviews inherent in the research project.

Chapter three presents an overview of local government structure, revenue sources and performance. Origins, trends of development and cash flow management in Keffi local government council was discussed. A review of various internal revenue generating efforts in Keffi Local Government Council was done. Analysis of revenue sources and performance in Keffi Local Government Council was attempted. An assessment of the machinery for revenue collection and administration in local government was examined.

Chapter four contains model specification and analysis of empirical results. It is here that the research work attempted to validate or reject the stated null hypothesis.

Finally, chapter five summarises and concludes the study. Appropriate recommendations are then made based on the findings of the research work.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Theoritical Framework

It is observed that all over the world, the structure, the form and the functions of the local government are determined by the political beliefs of the people who control the central government. Two Models of grass-root government have been identified. Under the first model, there is a strong centre where policies are determined and are administered by local units which act as agents. As part of this arrangement, the government would usually make funds available to the local government units to enable them provide the services for which they are responsible. The local government would either have no power at all of raising revenue or if they had such power, would be very limited, and in financial terms, unimportant.

Under the second model, real political authority is decentralised to lower levels of government. The native authorities may raise substantial part of their revenue through the imposition of local taxes. The bulk of their revenue is, however, provided by the central government through statutory allocations (Fayemi, 1991). The local unit usually operates under a council which may consist of persons elected through democratic process by the local inhabitants or through persons appointed by the government to run the affairs of the local inhabitants.

This latter method which was adopted by Britain was

imposed on Nigeria by the colonial government for two reasons.

(1) It was easier for the administrators to adopt the system they knew and were trained on.

(2) It enhanced the philosophy of indirect rule.

Thus, the Nigeria local council or Native authority operated on the traditional British pattern from inception. In the early 1950s, the nationalists had started the battle for self rule. That struggle led to the Macpherson Constitution of 1951. Soon after the constitution had been adopted, the then Eastern and Western Regions changed their local government system to reflect the ideology of independence at the time. Due probably to the form of native administration which existed in the Northern Region prior to the advent of the colonial government, the system survived with some minor changes. The various regional approaches ended with the advent of military administration in 1966. The military governments introduced dynamic reforms in local administration. In general they favoured uniform structure for all parts of the country. It was not, however, easy to break with the past regional traditions. Inspite of the fact that the federal government had created states which were autonomous on matters of local administration, the patterns and structures of local government followed those adopted in the former regions.

2.2 REVIEW OF THE DEVELOPMENT OF LOCAL GOVERNMENT SYSTEM IN THE VARIOUS STATES (1966 TO DATE)

The discernable structure and framework of local administration during the military regimes from 1966 to 1976 may be conveniently considered under three separate groupings of state administrations.

2.2.1 Eastern State

The civil war had a considerable impact on these states. The pro-war local government system did not seem suitable for urgent development and reconstruction work. The south Eastern states evolved a system of development administration whereby local government councils were replaced by development councils. The development councils (described by some observers as decentralised state administration) made possible the involvement of local people in self help, community initiatives and grass root reconstruction works. This concept was later followed by the then East Central State and river State.

2.2.2 Western States

Except the city of Lagos, the western states comprised the states which formed former western region. The common local government law provided a three-tier structure consisting of Divisional councils, district councils and local councils. In practice the one tier form was found in some states and the two-tier was found in others. Due to poor

finance, the trend in most of these states was towards the "all purpose" district council and thus a single-tier local government system.

2.2.3 Northern States

The Northern states were made up of what used to be known as the northern region. They retained common features in their system of local government. In these states a three-tier structure of local government was in operation consisting of the Native Authority, District councils,the villages and the village group councils. Kwara state adopted a two-tier structure ahead of all other states in that part of the country. Whichever the structure (i.e. single-tier or multi-tier) adopted in the state, it still had a choice from two concepts of local government administration.

In 1974, the Public service Review Commission under the distinguished chairmanship of Chief Jerome Udoji examined the structure of local government administration. while it identified the major problems, some critics thought it failed to address the fundamental question of whether local government or local administration was required in Nigeria. Nevertheless, the commission favoured the single-tier structure and a relative independent form of local administration with minimum interference of the state ministry of local government.

2.2.4 The 1976 - 1979 Era

The Udoji commission identified some important changes that could be made in the structure of local administration. By 1976, when new guidelines were issued on the local government structure, the unresolved issue included:-

(1) The fundamental status of local government: should there be 'local administration' or local government?

(2) The tier concept: should the single tier or multi-tier be adopted in local government?

(3) Should there be a uniform structure of local government or should each state or a group of states continue to experiment on any model it desired?

(4) What function should the local government perform?

(5) How should local government be financed?

(6) The criteria for creating local government: what should the size of a viable local government be?

(7) What should be the relationship between the local government and its states government? Should various ministries deal directly with local government or should a single local government ministry deal with each local government?

The 1976 guidelines formed an important land mark in the evolution of local government in Nigeria. The guidelines were adopted through the promulgation of state government edicts thus embodying uniform provisions in the laws of all states in the federal republic of Nigeria. The reforms therefore, saw the emergence of a uniform structure of local government. The

local government was recognised. The functions of the local government were clearly defined. The human and financial resources were increased and guaranteed. The key reforms introduced by the 1976 guidelines include:

(a) There should be a single-tier system of local government throughout the country, and each is to be known as the local government authority with a population range of 150,000 to 800,000. No town or city should be split into two or more local government authorities no matter the population. The local government can delegate some of its functions to subordinate councils created by the authority provided that the subordinate council derived their funds from the allocations of the "Parent" local government.

(b) The local government will be largely elected - the elected members being at 75 percentage of the total membership.

(c) Each local government council will have a finance and general purpose committee and an education committee.

During this era, a committee, Orewa Committee, considered the accounting and financial management system for the new local government that had emerged. That accounting system consisting of financial memoranda was to be a nation wide basis by all the local governments in the country. Reference will be made to the accounting system as the national model for local government administrations.

2.2.5 **1979 to Date**

The main provisions of the 1976 reforms were entrenched in the 1979 constitution. That constitution guaranteed a system of democratically elected local government, specified a list of functions for the local government and made it mandatory for the federal and state governments to make direct financial grants to the local government. For the period of civilian administration, elections were never held at local government level. Chairmen and councillors were handpicked by the governors.

Since they were not elected, the chairmen and councillors were appendages of the state administration. The then Ministries of local government had direct control over the local governments. The ministry meddled extensively in the affairs of local governments. state governors even created additional local governments contrary to the provisions of the 1979 federal constitution.

Realising that the defunct civilian administration (1979 -1983) made it imposible to achieve the aims and objectives of the 1976 reformed local government system, the then Chief of Staff, Supreme Headquarters, Major-General Tunde Idiagbon set up a 20-man committee under the distinguished chairmanship of Alhaji Ibrahim Dasuki the now deposed sultan of Sokoto to, among other things, re-examine the existing structure, functions and financial resources of local governments. The committee noted that the system of local government in the country after the 1976 reform had more of operational problems

than structural problems.

On creation of new local governments, the committee recommended that the new local governments should not be created at less than 10 yearly intervals. The committee recommended the following criteria for the creation of new local governments:-

(i) A minimum population of between 100,000 and 150,000

(ii) A minimum tax paying population of 20,000

(iii) Geographical contiguity

(iv) Tradition, association and wishes of the community in the area

(v) Financial viability of the area in question - ability to generate internally at least 50 percent of the revenue required to fund the local government annual recurrent expenditure and

(vi) Administrative convenience.

The committee also recommended that the federal government should fashion out an administrative arrangement for the federal capital Teritory which will guarantee the equal right of the inhabitants of the area.

The government noted the recommendations. A municipal government for Abuja city and four development area administrations were to be set up in the Federal Capital Territory. Although the financial and human resources of the local government had increased considerably, they were still heavily dependent on and controlled by the state ministries of local government. The state ministries of local government

exercised supervisory power over the local government and issued instructions to regulate the performance of the functions assigned to them.

In October, 1988, the Federal Military government disbanded state Ministries of Local government and transfered the regulatory fuctions to the office of the Military governor. Under the new dispensation, the local government is relatively autonomous. In the same month, the federal government was to take under the civil service reforms, 1988.

By the transition to civil rule programme, the administration of local government were to be transferred to democratically elected persons before handing over the state and federal governments to civilians. A new constitution "the constitution of the Federal Republic of Nigeria (promulgation decree 1989) was adopted by the military government. The constitution however, became operational with effect from 1st October, 1992. Because of this arrangement, it became necessary to enact an enabling law to operate the local government in accordance with the new constitutional provisions. That law now known as "Local government (basic constitutional and transitional provisions) Decree 1989 was enacted on the 17th day of May, 1989. This research project captures the second model and the analysis will be purely conceptualised within this theoritical framework.

2.3 THEORITICAL LITERATURE REVIEW

The rationale behind the case for local government

revenue generation as it affects socio-economic rural development has continued to stimulate economic research in an increasing number of both developed and developing countries for the past four decades now. These developments have been influenced primarily by government policies and legislations in a federal fiscal structure. The nature and conditions of the financial relations in any federal system of government is crucial to the survival of such a system. Thus, in most if not all federal countries, one of the most constant sources of intergovernmental wrangles centres on the problem of securing adequate financial resources on the part of the lower levels of government to discharge essential political constitutional responsibilities.

Graham (1964) and Maxwell (1969) have given three reasons for the transfer of revenue resources from the higher to lower levels of government in a federation:

(i) This is due to the nature of the functions and revenue resources of the three levels of government, which always shows an imbalance between the revenues and the responsibilities. It then becomes the responsibility of the higher level of government to reconcile such an imbalance by making transfers of financial resources which are referred to as "deficiency" transfers or "balancing".

(ii) The second reason stems from the variations in the revenue- raising capacities of the lower levels of government. Transfers or allocations of this kind are

usually referred to as "equalization" transfers (Graham 1964 page 9).

(iii) Finally, there are certain resource transfers, which are designed primarily to encourage particular state or local activities. This type of transfer, variously known as "stimulation", "incentive" or "promotional" transfers are usually made with specific directions as to their disbursement. They are, therefore, of necessity condition upon their being spent for the purpose for which they are meant. Hence they are treated in the literature as synonymous with "functional" or "conditional" transfers (Graham, 1964 page 10).

Aronson and Maxwell (1977) in their studies of government finance, particularly in Unites States of America (USA) asserted that, federal allocations to state and local governments, which amounted to less than $2 billion in the fiscal year 1949, approached to $60 billion in 1976. Not only did the amount of such allocations increased very substantially, but their structure has been changed in important ways. A general revenue sharing programme was enacted in 1972, and such revenue allocation was to finance community development, manpower training, urban mass transportation etc and have been consolidated under the special revenue sharing scheme (Maxwell, 1969, page 67).

Buchanan (1950) writing on federalism and fiscal equity emphasised the concept of "fiscal residuum" which he defines as "the balance between the contributions made and the value

of the public services returned to the individuals". He proposed that the way to accomplish this is through the unequal tax treatment of equals by the cental government. By this he meant that citizens in a rich state or local government should be taxed more heavily than their counterparts in a poor state or locality. This proposition of a "geographically discriminatory central income taxation" argues Buchanan, is the best means of securing the type of inter-governmental fiscal adjustment and hence a case for diversification of local revenues to achieve maximum equity between and among local governments for the development of their local commuities. Graham (1964) examined and found Buchanan's theoretical model adequate but too remote empirically to be taken seriously as a proposition, if transfers is to be accorded with the principle of fiscal equity.

The rationale behind revenue generation and mobilisation of local government revenues is echoed by Olowononi (1998). He emphasised that, problems associated with enormous difficulty in the decision making process coupled with poverty, inefficient and dishonest tax administration, lack of systematic keeping of account and poor attitudes towards tax compliance, inadequate development of financial institutions and capital markets have limited the power of the local governments to raise adequate resources for sustainable rural development.

The 1979 federal constitution gave powers to the local

governments to generate revenue from property tax, market, and trading licences and fees, motor park, rates, community tax and some user charges to mention but just few of these. However, internal revenues have been declining in relative terms since 1981. Omorogiuwa (1983) noted that, the proportion of internal revenue moves inversely with the federal and state allocation to local government. Before the local government began to have direct access to federation account, they were raising higher proportion of their total revenue. For example, independent revenue in Nigeria ranged between 57 to 72 percent for local governments total revenue in 1967/1970. We can see from the above that, most local councils are now highly dependent on external sources of revenue vis-a-vis internal mobilisation of revenue efforts.

The case for the mobilisation of local government revenues is stressed by Mbanefoh (1990), the Aboyade committee (1977) and Okigbo commission (1980) on revenue allocation. They all support the idea of raising bond and borrowing from the capital market as panacea for the shortage of local internal revenue base.

According to Mbanefoh, such loans should be used in purely commercial ventures among which could be refuse disposal, nursery schools, health centres, motor parks, markets, water supply and feeder roads.

Three prominent authors on fiscal federalism; Graham (1964), Scott (1950), and Break (1967) have similar basic framework of ideas underlying intergovernmental transfers of

revenue resources. Even though their lines of argument, direction and concludion differs due to their orientation and approaches to the issues, they have however come to the final agreement that sourcing of local government revenue is an effective instrument, mechanism or device of fiscal adjustment, reorganisation and redistribution of the fiscal gap (imbalance) created in the lower levels of government in the federal system. They conclude that the amount of financial resources available to the lower tiers of government will enhance the rate of socio-economic development and the general welfare of the local populace. The writers, particularly Scott, further remarked that, when revenue resources are properly sourced and mobilised, there will be the principle of horizontal equity and efficiency of resources' exploitation, allocation and the overall objective of cooperative fiscal federalism will be achieved which includes the doctrine of financial responsibility and the maximisation of local, state and national economic welfare, growth and development.

In line with the pattern of the federal government as reviewed by literature, the revenue of the local governments may be classified under two broad categories namely, statutory allocations from the federal government and states and secondly, the internally generated revenue by the local councils themselves.

2.3.1 **Statutory Allocations - Federal Government**

Under the 1979 constitution, the federal government is to pay all revenues collected by it into the "federal Account", except the proceeds from personal income tax of the personnel of the Armed forces, the Police, Ministry of External affairs, and residents of the Federal capital Territory.

The federally collected revenue which are credited to the federation account include the following:-

(a) Petroleum profits tax, rents and Royalties

(b) Revenue collected by the federal inland revenue department

(c) Customs and Excise duties

(d) Excess of NNPC Account over ₦10 million.

The proceeds of the federal account are shared between the federal government, the state governments and the local governments. The Federal, States and Local governments share the proceeds of the federation account in the following ratio:

Federal Government	55 percent
State government	35 percent
Local Government Councils	10 percent
	100 percent

The 35 percent accruing to the states which is paid into the state joint Account is in turn shared as follows:

30.5 percent - Direct to the states

2.5 percent - to mineral producing areas on derivation basis;

1.0 percent - for amelioration ecological problems,

1.5 percent - for development of oil producing areas.

The respective share of the various government accounts is know as "Statutory Allocation".

During the then president Ibrahim Babangida's speech on the eve of his administration's fourth year in office, he announced that the Armed Forces Rulling Council (AFRC) had approved a new revenue formular as follows:

Federal Government	-	50 percent
States	-	30 percent
Local government councils	-	15percent
Special Funds	-	5 percent
		100 percent

The AFRC, also decided that surplus arising from the sale of gas should be separately accounted for and in the same manner as the sale of petroleum for the purpose of payment into the "Federation Account".

From the 15% direct allocation to the then 453 local government in the Federation, fund is allocated as follows:

40% on the basis of equality

40% on the basis of population

11.25% for direct primary school enrolment

3.75% for inverse primary school enrolment, and

5% for internally generated revenue effort.

Under the present dispensation the revenue formula is as

follows:

Federal government	-	48.5 percent
States	-	24.00 percent
Local government	-	20.00 percent
Special funds	-	7.5 percent
		100.00 percent

The local governments share from the 20 percent is the dominant source of her external revenue. The internally generated revenue as maintained and practically observable in most local governments is inadequate to meet the expenditure needs of the local councils (Olu Bunmi, 1991). This therefore calls for mobilising and diversifying these sources accordingly.

2.3.2 Statutory Allocation - States

Section 149 of the 1979 constitution provides that 'each state shall pay to the local government councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly. The Revenue Act 1981 stipulated 10 percent of the state total revenue.

The Local Government share of the federation account is also to be paid to them through the states. Such state is required to maintain a special account called "State joint Local government Account" into which shall be paid the allocation to its councils from the federation account.

The total amount (i.e. 10 percent share of federation

account and 10 percent share of state's total revenue) standing to the credit of local government councils in the state joint local government account is to be distributed among the local government councils on such terms and in such manner as may be prescribed by the House of Assembly of each state.

The civilian administration muddled up this whole arrangement and many states did not pass on the proceeds of the state joint local government account to the respective local government councils as when they were due.

2.3.3 Internally Generated Revenue

Decree number 15 of 1989 constitution does not specifically list the type of revenues a local government may collect. However, the functions and scope of services stipulated in Section 27 and 28 of Decree No. 15, 1989 indicated clearly the sources of revenue to a local government.

The revenue realisable from the sources listed in the constitution may be summarised as follows:-

(1) Rates, Radio/television licence fees.

(2) Fees/charges for use of cementeries and burial ground

(3) Bicycles, trucks, canoes, wheel barrows and car licensing fees.

(4) Fees/charge for use of slaughter house, slaughter slabs, markets and motor parks.

(5) Fees/charge for registration of births, deaths and marriages.

(6) Property and tenement rates.

(7) Outdoor advertising fees/charges.

(8) Fees/registration charges for shops and kiosks restaurants, bakeries, other places for sale of food to the public laundaries.

(9) Liquor licensing fees.

With respect to a local government budget, the above internal sources of revenue are further grouped into eight heads as follows:-

Revenue Head	Summary Title
1001	Local Taxes
1002	Tenement Rates
1003	Local Licences, fees and fines
1004	Earnings from commercial Undertakings.
1005	Rents on local government properties
1006	Interest payments and dividends
1007	Re-inbursements
1008	Miscellaneous

Local government finance depend greatly on internally generated revenue since the amount of revenue generated in this regard depends on the efforts of council officials. Whilst discussing each revenue head therefore, the modes of collection as obtained in most local government councils will

be discussed so as to see if there are loop holes in the systems and ammendments, which could lead to maximization of revenue suggested.

Head 1001: Local Taxes: This form of revenue is peculiar to local government councils in the northern parts of the country where cattle are reared, and taxes called jangali are charged according to cattle head.

Head 1002: **Tenement Rates:** This is the major sources of internal revenue in all the councils. These rates are charged on industrial and residential buildings in any local government area. There are certain criteria considered before rates are paid by rate payers. For the purpose of this thesis however, I will just state that assessment of properties of buildings for rates are carried out by professional who are referred to as "valuers". Apart from the rates collected from private, industrial and residential buildings, the federal and state governments also pay local government councils what is referred to as "contributions in lieu of rates". As the name implies, these are not actual rates payable, but "contributions made to councils in respect of government's properties within the councils" jurisdictions including diplomatic missions.

When assessments of rates have been made by valuers, bills are written out in respect of each property. These

bills are then served on rate payers to inform them of their civic duties. They are thus expected to either accept or object the assessments. Objection of assessments is expected to be communicated to the council within thirty days of service of bills.

If payments are not made by some rate payers within a certain time, to enhance revenue generation, reminder letters are sent to these defaulters to remind them of the need to pay. After a certain time, if some of these defaulters still refuse to pay, payment is enforced by charging the defaulters to court and the court orders would be passed on them to pay within a stipulated time.

Head 1003: **Local Licences fees and Fines:** There are various items placed under this head. If you pick any council's budget, you are likely to find about one hundred items under this head. This is because the budgets have been prepared in line with a national format. They are fees chargeable for providing certain services for the people or fees payable as contribution to local services or recognition by government for carrying on lawful trades. Of importance under this head are Radio and Television licence fees, trade permits licence fees, advertisement control licence fees, food and regulated premises fees and liquor licence fees.

For some of these items, fees are fixed e.g. the fee chargeable for radio and television licence in most councils

is ₦10 per set. For some others, assessments are based on liquor licence, wholesale liquor sellers are assessed differently from retailers.

As this revenue head is another major source of internally generated revenue, it is important that appropriate bases of assessment be adopted and if possible standardised. This will block loop holes that may be created if the system in operation is based on irrational reasoning.

After assessments have been made, bills are served on prospective revenue payers. Most local government councils have revenue generation task forces which sometimes go about their areas of jurisdiction to ensure that members of the public have obtained their licence permits as appropriate. Defaulters are usually served warning letters and advised to come and pay. Revenue can however only be maximised if efficient coverage of areas are achieved. We must note that maximisation of revenue implies adequate and efficient local government finance.

<u>Head 1004:</u> **Earnings from Commercial Undertaking:** Under this head can be found collections realised from Markets, motor parks and shopping centres.

Tolls are collected from ware points and categories of receipts depicting stallage fees are issued to different categories of stall holders. Tickets are issued in the case of motor park fees. These collections are made on the spot by

council officials posted to these markets and motor parks.

Head 1005: Rent on Local Government Properties: These are fees charged on council hall sand rents derivable from staff quarters. Payments are made to the councils by users of halls after approvals have been given by the councils for the use of the halls. With respect to rents from staff quarters, monthly deductions are effected from the salaries of officials who occupy such quarters.

Head 1006: Interest Payments and Dividends: For most councils, interest payments are basically derived from fixed deposits lodged with banks. Dividends if received would be in respect of investments in organisations, but these are not common.

The revenue realisable as interests will depend on the amount of money placed on fixed deposits. Cheques are usually sent by the council's bankers to effect payments of these interests.

Head 1007: Re-imbursements: These are revenue receivable in respect of loans advanced to members of staff of a council or any such loan to any organisation. From experience, this is not an important revenue source.

Head 1008: Miscellaneous: As the name implies, it consists of various items. Some of the items found under this head are however peculiar to certain local government councils. That is, the list of items of revenue are not uniform for all councils. There are some items which yield substantial amounts of money under this head. Some examples are environmental and other fines, hire of motor hearse, hire of chairs, tables and canopies.

From another development, local government councils are supposed to receive a variety of the discretionary grants from both federal, states and even other voluntary organisations and international financialinstitutions/bodies or even members of staff of a council. As it is noted in Head 1007, this is not an important revenue source as it is no more forth coming from the above sources.

Literature is explicit that from 1994, receipts from value added tax have constituted a formidable source of revenue for the local government councils. In summary, local government revenues are generally classified by sources, source may be subdivided. By tradition current literature reviews that the local government uses Heads and sub-heads for classification of revenues as shown above. Collection of revenue is primarily a responsibility of the accounting officers and treasurer. They, however, collect revenue by appointing individual revenue collectors (Olubunmi, 1991).

2.4 EMPIRICAL LITERATURE REVIEW

According to the world Bank Report (1997), history was made in 1992 when Lagos Island Local Government raised ₦100 million from the capital market. However, it must be stressed that the success of bonds issued by local governments will depend on whether or not they are tied to financing well conceived viable projects which can generate adequate revenue to service the loan. Omorogiuwa (1983) further asserted that the case for the sourcing of local government revenue is stemmed out of the drastic decline in the production, export and prices of oil in the world market, economic recession and conservation measures in the industrial oil consuming countries, de-stock piling of oil by members of International Energy Agency disagreement within OPEC on pricing and quota policies.

All these according to him are pointers to the fact that if the local government councils have to perform their constitutional functions as spelt out in Schedule IV of the 1979 constitution, they must find out viable revenue sources by looking more inwards.

The Report (1978/1979) of the committee on physical and financial performance of local government councils in Nigeria disclosed that out of the 189 local governments studies in 12 states,only 32 (or 16.9 percent) could generate over 50 percent of their internal revenue from internal sources. About 45 local government councils raised less than 31 percent

of their total revenue while 105 were within the range of 1 to 30 percent in 1978/79. In that year, the average for Oyo state local government councils was 39 percent and for Lagos state, 47 percent. It was 65 percent for the Lagos City council.

Since the federal and state allocations became statutory, in 1981, the relative share of internal revenue declined sharply to less than 10 percent of total revenue for most of the local government councils. Since then, the local government councils revenue from independent internal sources had been declining over time. The obvious inference is that the local government councils in Nigeria and Keffi Local Government in particular lack self-reliance and initiative in sourcing and mobilising their internal revenue resources in financing their needs. There is therefore an over dependence on "external sources" which also accounts for most local government budget deficits.

An empirical review of local government by Okunroumu (1995) showed that revenue from internal sources accounted for an average of 6.5 percent of the total current revenue while statutory allocations from the federal government account for 84.9 percent. Thus, there is also a high dependence on statutory allocation from the federation account by the local government in performing their statutory functions. It is in view of this dependence trend of the local government on the federal government for revenue allocation that calls for the

need of sourcing, generating and mobilising local revenues for the sustenance of socio-economic rural development of the local communities which is the focus of this project research work.

From the above, we can conclude that as a whole, literature is rich with several theoretical and empirical approaches for the consideration and explanation of the project research study. Amongst areas which needs at least some level of attention is related to the strategies and approaches that can effectively be adopted to improve the local internal revenue efforts. This research work will make an attempt to evaluate the sources of local government revenue and to assess and analyse the impact of revenue performance in Keffi Local Government Council from 1987 to 1997 as a new evidence for fiscal policy formulation in particular and local government revenue generation generally in the context of a changing policy environment.

CHAPTER THREE

AN OVERVIEW OF LOCAL GOVERNMENT STRUCTURE, REVENUE SOURCES AND PERFORMANCE

3.1 Local government Organisation, Structure and Administrative Reforms.

The executive, legislative, administrative, financial and structure of the local government can be found in the following three documents:-

(1) "the implementation guidelines on the application of the civil service Reforms in the local government service" published in October, 1988 by the government printer.

(2) Local government (Basic constitutional and transitional Provision) decree No. 15, 1989 and its 1991 amendments (No. 1-3).

(3) The constitution of the Federal Republic of Nigeria (Promulgation) Decree No. 12, 1989.

Although the new structure is more fully explained in the implementation guidelines, the enabling law for now is Decree No. 15 of 1989 constitution. The organisation chart is shown at the end of this chapter.

According to the report of the Presidential Task Force on Civil Service Reforms, the structural changes envisaged are to ensure:

(1) Overall Management efficiency and effectiveness.

(2) High degree of specialisation

(3) Optimum span of control and clear lines of authority and responsibility.

(4) Job satisfaction.

(5) The existence in all Ministries of clearly defined departments responsible for the basic management functions of planning research, data and information, personnel management, finance and supplies.

The organisational structure of local government consist of the following departments:

(i) One (1) Department of Personnel Management;

(ii) One (1) Department of Finance, Supplies, Planning, Research and Statistics,

(iii) Not more than four (4) "Operations" Department reflecting the basic functions and areas of concern to local government as follows:-

(a) Education;

(b) Agriculture and Natural resources;

(c) Works, Housing, Land and Survey; and

(d) Medical and Health.

No local government is allowed to have more than six (6) departments in all. Therefore, any expansion in the local government shall be accommodated through the sub-divisions below the level of department provided that, in each case, the span of control does not exceed six (6).

Each Department is sub-divided into divisions to reflect broad professional areas within a department. Each division

is sub-divided into branches to reflect sub professional areas. Each branch is sub-divided into sections to reflect specialized activities within a sub-professional area. In all cases the span of control is not to exceed six (6).

The departments, divisions, branches and sections of a local government is headed as in approved scheme of service for local government employees. Such employees includes amongst others as; the chairman who is the chief executive and Accounting Officer, the Deputy chairman who acts for the chairman, the supervisory councillors who are the political heads of their respective departments, the Secretary to the Local Government, The Local Government Treasurer etc. Each local government have a junior staff management committee (JSMC). The JSMC have responsibility for the appointment, promotion and discipline of officers on grade level 01 to 06. The appointment, promotion and discipline of officers on grade level 07 and above is the responsibility of the local government service commission. The local government service commission is the apex administrative body of the local government.

3.1.1 Accounting and Financial Management

The formulation of the financial memoranda, accounting codes and financial procedures, guidelines and circulars is vested in the local government department of the governor's office.

The Treasurer is the Chief accounts Officer. He is also the chief financial adviser to the local government. He is responsible for budgetary control.

3.1.2 Auditing

A major land mark in practise is the establishment of the office of the Auditor-General for local government. Audit functions is now carried out at two levels. The external auditing and internal auditing. The auditor-general is appointed by the governor of the state he has the power to;

(i) To carry out on a regular basis, the auditing of local government accounts.

(ii) Have power to sanction and surcharge any officer as stipulated in the guidelines governing officers and sanction. However, appeals against such decisions is liable to the public account committee which is now a permanent body of government with power to hear and determine such appeals;

(iii) Be the chairman of the local government Audit Alarm committee

(iv) Have access to the state governor through the governor's respresentative on the Audit Alarm Committee;

(v) Notify the public accounts committee of audit Alarm of significant importance and serious pre-payment Audit queries for which the accounting officer of the local government is responsible or liable.

In addition, any other sensitive issue which, because of its urgency, can not wait until the committee is convened, shall be dealt with by the auditor-general of local government audit.

There is an internal audit department which is to be headed by a qualified accountant to provide a complete and continous audit of the accounts of the local government.

3.1.3 The Audit Alarm System

There is an established Alarm system. The local government Audit Alarm committee in each state comprises the following:

(i) Auditor-General of local government audit.

(ii) Director of Local government Inspectorate (former Chief Inspector of local governement representing governor's office.

(iii) Representative of the state accounting general's office.

The work of the audit alarm Committee is facilitated by the following local government officials:

(i) Head of Personnel Management

(ii) Treasurer to local government and

(iii) Head of internal Audit.

It is doubtful whether an internal auditor who is an employee of local government will be sufficiently independent to raise audit alarm against his Chief Executive and Senior council officials. May be the internal auditor should be

administratively responsible to the auditor general of local government. However the local government councils are to render monthly returns of receipts and expenditure to the auditor-general of the local government audit with copies to the governor's office not latter than the third week of the following month.

3.1.4 Expenditure Limits

The expenditure limits fixed for the councils and functionaries seem arbitrary. since the purpose of such control are not stated, it is therefore difficult to advance a constructive criticism on the issue. One can however make an assumption that the limits are probably set for one or two purposes, namely;

- To enable the governor's office, to closely monitor and control councils spending pattern;
- To protect the meagre resources of the council from being frittered away through various forms of abuse such as have occured in the past.

If one is right in this assumption, then there is a basis to say that the set limits are unnecessary 'over regulation' for obvious reasons or rather from the financial control point of view. For instance:-

(i) The councils budget would have been thoroughly evaluated before a 'stamp of approval' is given by the governor's office; this is the first essential control.

(ii) Budget implementation guidelines contain sufficient controls which must be complied with by the chairman and council officials.

(iii) The audit alarm system is in place, and there is the state auditor-general for local governments with very wide powers of sanction, surcharge etc.

(iv) The local government financial memoranda is itself replete with rules and reguations (which have the force of Law) on all types of expenditure, and taken with (1) and (iii) above, it would not have been necessary to impose further controls which can only be counter productive in terms of bureaucratic delays, bottle-necks, corruption and other malpractices they can create.

The expenditure limit seems to undermine the autonomy of the local government, and undesirable interference in the affairs of a supposedly democratically elected political choice of the local government.

ORGANISATION STRUCTURE OF LOCAL GOVERNMENTS.

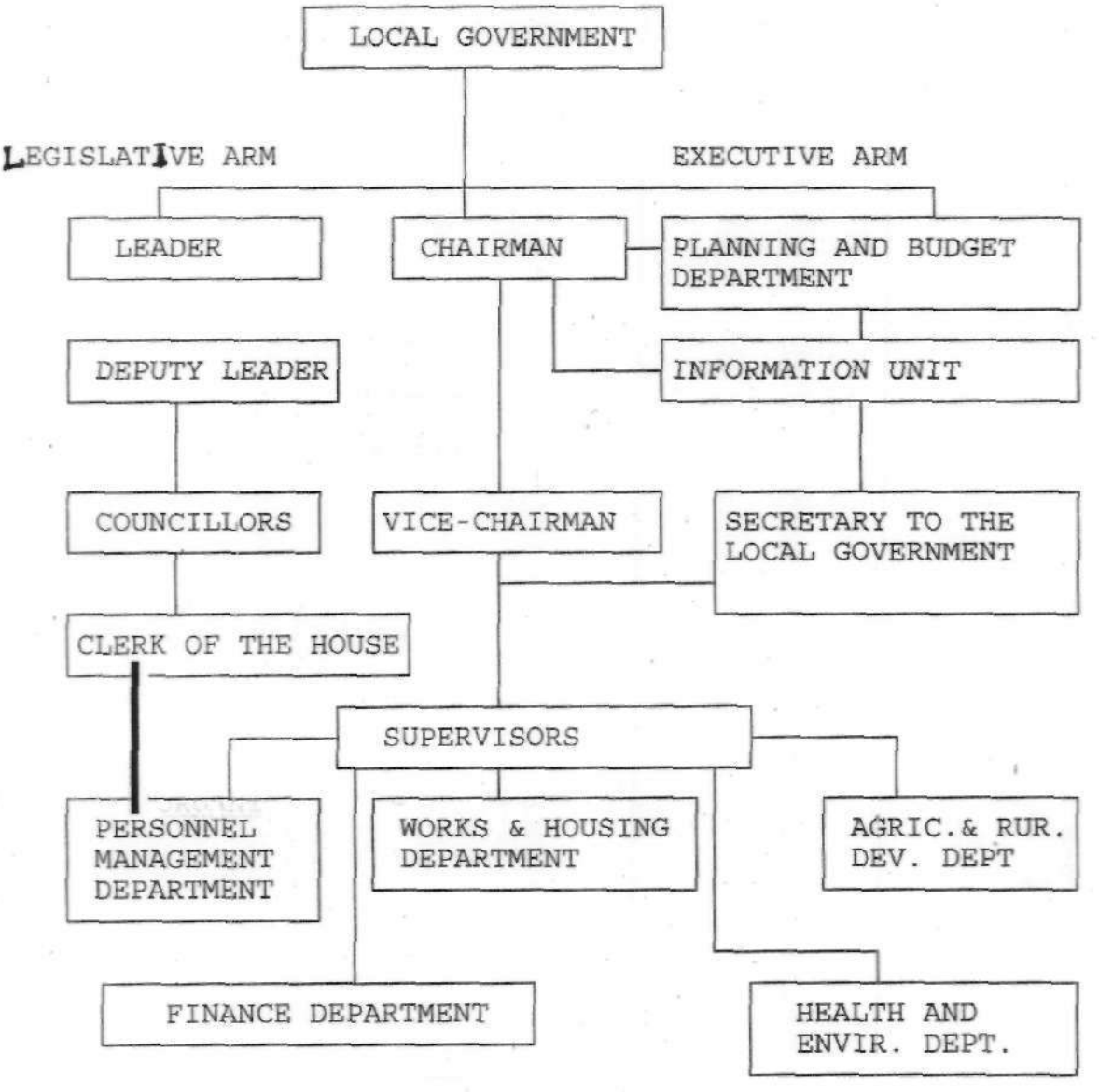


Fig. 1: The Organisational Structure of Local Governments.

3.2 Local government Revenues: Sources and Performance

Generally, the revenues accruing to the local governments in Nigeria consist mainly of designated tax and non-tax financial flows which are generally categorised on the basis of whether they are internally or externally sourced or generated. The internal source include, in the main, those revenue heads devolved to the local governments, while the external source include statutory allocation, a variety of discretionary grants, and from 1994, receipts from Value Added Tax (VAT). It is pertinent to assert that, the respective powers and fiscal jurisdiction of each of the three levels of government that make up the Nigerian Federation (i.e. Federal, states and local governments) are provided by the relevant statutes and legislations.

Similarly, the powers over tax revenues both in terms of which level of government possesses responsibility for (tax) legislation and which has responsibility for administration and collection, or indeed, for both legislation and administration, are presented in Table 3.1. In summary, the table "reveals" what is today, not only common knowledge but a fact which constitutes the major issue of contention in the fiscal relationship between the three levels of government, more especially between the federal government on the one hand, and the states and local governements on the other. The figures in Table 3.1. Succinctly confirm the fact that the major revenue heads including import duties, mining rents and

royalties, petroleum profit tax, etc, which taken together, account for at least 80% of total recurrent government revenues, fall under the legislative and administrative jurisdiction of the federal government, while the more mundane, "less buoyant and generally inelastic" sources are devolved to the fiscal jurisdictions of states and local governments. Thus, many see the transfer of some of the federal government's revenue powers to the states and local governments as the solution to the perennial fiscal stress of these levels of governments.

Indeed, the predominant view appears to be that states and local governments cannot improve their financial positions by working within the boundaries of their current revenue powers. This research project work is predicated and captures on the belief that states and local governments are currently not exerting sufficient effort and innovativeness to improve their positions within the limits of their statutory jurisdictions. The position of this research project study is essentially that states and local governments are not optimally exploiting their revenue powers. As a result, an attempt will be made through recommendation on how to source out local revenues in Keffi local government council in particular for the sustanance of socio-economic rural development of its communities.

Table 3.1: Nigeria's major Taxes, 1990.

		Jurisdiction	
S/No	Type of Tax	Law	Admin.
1	Import duties	Federal	Federal
2	Excise duties	Federal	Federal
3	Export duties*	Federal	Federal
4	Mining Rents and Royalties	Federal	Federal
5	Petroleum profit tax	Federal	Federal
6.	Companies income Tax	Federal	Federal
7.	Capital gains Tax	Federal	Federal
8.	Personal income tax (other than those listed in 9)	Federal	State
9.	Personal Income Tax: Armed Force, External Affairs Officers, non-residents, Residents of the federal Capital territory and Nigerian Police Force	Federal	Federal
10.	Licenses fees on television and wireless radio	Federal	Federal
11.	Stamp duties	Federal	Fed./states
12.	Capital Transfer Tax (CTT)	Federal	States
13.	Sales Tax**	Federal	States
14.	Pools Beeting and other betting taxes	states	States
15.	Motor vehicle and drivers' Licenses	States	States
16.	entertainment Tax	States	States
17.	Land Registration and Survey fees	States	States
18.	Property Taxes and Rating	States	Local
19.	Market Trading Lic. & fees	States	Local

1. The peculiar status of the federal capital territory has not been taken into consideration in respect of this table.
* *Listed, but no longer imposed.*
** This has been replaced by the Value Added Tax (VAT) in 1993.

Source: Constitution of the Federal Republic of Nigeria and other Legislation to date.

Table 3.2 presents the structure/composite picture of local governments revenue in the country over a 7-year period (1991-1997). The revenue receipts are categorised into internal revenues i.e. revenues collected from designated local taxes and miscellaneous revenues, and external revenues i.e. revenues accruing from the federation account. The table shows the total recurrent revenue receipts. The proportion of the total revenue (represented by internally generated revenues) is also shown in percentage terms over the 7 year period.

It is noteworthy to say that, the figures are presented on state basis and therefore the revenue performance of individual local government can only be based on state averages. Nevertheless, the table provides a very useful basis for analysis. A very clear picture that emerges from the table lends credence to our earlier contention that states and local governments depends heavily on external sources of funds to finance their recurrent budgets and in consequence their capital budgets. This is because the general picture sketched by the figures in this table is one of dismally low revenue performance by local governments in the country. The local governments revenue performance has not shown any appreciable improvement over the 7 - year period. Of particular interest is the fact that only in Lagos state alone have local governments internal revenue performance shown any significant improvement from 19.3% in 1991 to 20.5% in 1992; 2.8% in 1993; 30.1% in 1994; 34.1% in 1995 and so on.

Table 3.2: Revenues of Local Governments (₦ million)– 1991 and 19

	1991				1992			
State	Ext.	Int.	Total Revenue	% of Int. Tr.	Ext.	Int.	Total Rev.	% of Int. Tr.
Akwa Ibom	362.3	5.6	367.9	1.5	362.5	5.9	368.4	1.6
Anambra	477.6	34.5	512.1	6.7	478.4	36.2	514.6	7.0
Bauchi	366.5	16.2	382.7	4.2	366.9	17.0	383.9	4.4
Bendel	393.5	20.1	413.6	4.8	394.2	21.1	415.2	5.0
Benue	372.6	13.3	385.9	3.4	372.8	14.0	386.7	3.6
Borno	413.9	11.3	425.2	2.6	414.2	11.9	426.0	2.7
Cross River	231.9	3.5	235.4	1.4	232.1	3.7	235.8	1.5
Gongola	378.6	16.4	395.0	4.1	378.9	17.3	396.1	4.3
Imo	493.8	46.1	539.9	8.5	495.3	48.4	543.8	9.0
Kaduna	291.4	19.0	310.4	6.1	292.0	19.9	311.9	6.3
Kano	639.5	31.5	617.1	4.6	640.6	33.1	673.7	5.0
Katsina	380.4	24.7	405.2	6.0	381.2	25.9	407.2	6.3
Kwara	304.9	15.1	319.9	4.7	305.3	15.8	321.1	3.0
Lagos	408.3	97.9	506.2	19.3	416.1	107.7	523.7	20.5
Niger	256.1	12.7	268.8	4.7	256.2	13.3	269.5	5.0
Ogun	294.7	19.5	314.2	6.2	295.3	20.4	315.7	6.4
Ondo	407.1	10.7	417.8	2.5	408.0	11.2	419.2	2.6
Oyo	608.9	15.0	623.9	2.4	610.8	15.5	626.2	2.4
Plateau	326.1	15.8	341.9	4.6	326.4	15.6	342.9	4.8
Rivers	319.4	9.8	329.2	3.0	322.2	20.3	330.3	3.2
Sokoto	538.1	4.8	542.8	0.8	538.4	5.1	543.4	1.0
F.C.T	147.4	0.0	147.4	0.0	147.4	0.0	147.4	0.0
Total	8,412.8	443.7	8,856.5	0	8,432.7	470.4	8,903.1	-

SOURCE: Computed from FRN: National Rolling Plan, 1991 - 93, Vol. 1, pp. 48-49.

* Includes statutory allocation from the federation account and states governments contribution of 10 percent internally generated revenues.

Table 3.2.1: Summary of Local Governments' Finances in 1993, 1994 and 1995 (₦ million)

	1993 (₦ Million)				1994 (₦ Million)				1995 (₦ Million)			
States	Ext.	Int.	Total Rev.	% of Int. T.R	Ext.	Int.	Total Rev.	% of Int. T.R	Ext.	Int.	Total Rev.	% of Int. T.R.
Abia	564.6	41.6	606.2	6.8	541.5	46.2	587.7	7.9	618.2	59.4	677.6	8.8
Adamawa	358.2	14.1	372.3	3.7	372.2	18.2	390.4	4.7	597.3	33.1	630.4	5.3
Akwa Ibom	874.2	29.9	904.1	3.3	779.2	35.3	814.5	4.3	960.2	36.2	996.4	3.6
Anambra	528.0	33.0	561.0	5.8	474.0	45.4	519.4	8.7	383.5	64.5	448.0	14.4
Bauchi	721.8	30.5	752.3	4.1	658.0	22.0	680.0	3.2	775.6	49.4	825.0	6.0
Benue	747.7	38.2	785.9	4.8	562.3	60.5	622.8	9.7	613.0	93.2	706.2	13.2
Borno	705.1	28.9	734.0	4.0	665.5	43.8	709.3	6.2	1,011.5	81.5	1,093.0	75.0
Cross River	434.5	18.5	453.0	4.1	421.3	15.9	437.2	3.6	617.0	28.3	645.3	4.4
Delta	632.3	22.6	654.9	3.5	575.9	34.9	610.8	5.7	721.4	53.6	775.0	7.0
Edo	481.0	14.8	495.8	3.0	337.4	14.9	352.3	4.2	808.9	31.3	840.2	3.7
Enugu	657.8	20.5	678.3	3.0	594.5	27.3	621.8	4.4	625.9	70.5	696.4	10.1
Imo	695.4	30.9	726.3	4.3	641.4	30.4	671.8	4.5	605.7	46.3	652.0	7.1
Jigawa	652.9	10.1	663.0	1.5	656.6	22.0	678.8	4.5	695.7	46.3	652.0	7.1
Kaduna	663.3	26.2	689.5	3.8	609.8	35.8	645.6	5.5	875.5	74.9	850.4	7.9
Kano	905.4	77.7	983.6	7.9	1,112.5	80.6	1,193.1	6.8	1,561.2	75.0	1,636.2	4.6
Katsina	585.2	29.7	614.9	4.8	361.8	21.8	383.6	5.7	664.3	27.9	692.2	4.0
Kebbi	392.3	5.5	397.8	1.4	494.6	7.8	502.4	1.6	610.8	20.0	650.8	3.1
Kogi	595.1	11.8	606.9	2.0	554.8	13.3	568.1	2.3	493.6	21.3	514.9	4.1

Kwara	467.2	12.2	479.4	2.5	419.0	15.8	434.6	3.6	426.1	10.1	446.4	4.5
Lagos	808.8	310.9	1,119.7	27.8	742.7	320.4	1,063.1	30.1	1,069.1	553.7	1,622.8	34.1
Niger	391.6	9.1	400.7	2.3	388.6	26.0	414.6	6.3	45.0	30.6	615.6	5.0
Ogun	318.3	31.9	350.2	9.1	345.2	38.7	383.9	10.1	600.6	57.3	6,578.7	8.7
Ondo	749.0	23.5	772.5	1.0	761.2	24.7	785.9	3.1	880.2	42.5	922.7	4.6
Osun	738.5	16.1	754.6	2.1	792.3	16.7	809.0	2.1	853.7	33.1	886.8	3.7
Oyo	939.5	39.5	979.0	4.0	792.4	33.3	825.7	4.0	804.5	62.1	866.6	7.2
Plateau	640.0	21.8	661.8	3.3	658.0	22.0	680.0	3.2	913.9	49.4	963.3	5.1
Rivers	785.2	42.6	827.7	5.1	756.3	39.2	795.5	5.0	818.8	116.0	934.8	12.4
Sokoto	852.7	21.8	874.5	2.5	754.9	19.7	774.4	2.5	1,258.5	32.2	1,290.8	2.5
Taraba	291.7	17.2	308.9	5.6	317.5	32.8	350.3	9.4	365.9	18.7	384.6	4.9
Yobe	395.6	12.6	408.2	1.1	528.0	25.2	553.2	4.6	657.0	46.8	703.8	6.6
Total	18,573.4	1,043.3	19,616.7	-	17,669.4	1,190.6	18,860.0	-	22,712.6	1,970.6	24,682.7	-

SOURCE: Computed from CBN annual Report and Statement of Accounts Dec. 1995

** *Includes from* 1994, Stanuory allocation from Federation Account and 10 percent of State's internally generated revenues and local governments share of VAT proceeds.

Table 3.2.2: Summary of Local Governments' Finances in 1996/1997

	1996 (₦ Million)				1997 (₦ Million)			
States	Ext.	Int.	Total Rev.	% of Int. T.R.	Ext.	Int.	Total Rev.	% of Int. T.R
Abia	396.1	61.3	457.4	13.4	583.2	59.8	643.5	9.3
Adamawa	418.0	18.7	436.7	4.3	851.5	44.5	896	4.9
Akwa Ibom	828.3	48.8	877.1	5.6	931.3	77.1	1008.4	7.6
Anambra	460.6	96.0	556.6	17.2	650.9	72.5	723.4	10.0
Bauchi	924.6	44.4	969	4.6	1,058.1	56.0	1114.1	5.0
Bayelsa	285.9	7.7	293.6	2.6	427.1	12.6	439.7	2.8
Benue	830.4	103.7	934.1	11.1	890.2	166.8	1057	15.7
Borno	900.0	136.7	1046.7	13.1	1,279.9	86.2	1,366.1	6.3
Cross River	580.7	36.0	616.7	5.8	807.2	27.2	834.4	3.2
Delta	801.3	58.9	860.2	6.8	1,073.8	62.1	1,135.9	5.4
Ebonyi	127.1	36.1	163.2	22.1	470.8	22.3	493.1	4.5
Edo	473.3	48.1	521.4	9.2	680.3	57.6	737.5	7.8
Ekiti	296.9	15.1	312	4.8	519.7	22.6	542.3	4.2
Enugu	575.6	49.7	625.3	7.9	383.2	33.8	417	8.1
Gombe	334.9	14.5	349.4	4.1	578.3	49.2	627.5	7.8
Imo	542.4	76.8	619.2	12.4	639.7	58.7	698.4	8.4
Jigawa	572.3	28.9	601.2	4.8	506.6	18.9	525.5	3.6
Kaduna	733.4	51.6	785	6.6	989.1	57.4	1046.5	5.5
Kano	1508.4	82.2	1590.6	5.2	1665.3	85.0	1750.3	4.8
Katsina	1060.0	43.1	1103.1	3.9	1598.6	67.7	1666.3	4.1
Kebbi	319.8	13.2	333	3.9	435.0	43.5	478.5	9.1
Kogi	280.0	11.7	291.7	4.0	489.9	36.1	526	6.9
Kwara	384.3	15.0	399.3	3.7	527.6	18.1	545.7	3.3
Lagos	1677.9	527.7	2205.6	23.9	1975.9	635.4	2611.3	24.3
Nasarawa	290.4	11.3	301.7	3.7	509.8	21.5	531.3	4.0
Niger	728.4	41.8	770.2	5.4	888.3	47.9	936.2	5.1
Ogun	336.6	43.4	380	11.4	431.7	47.4	479.1	9.9
Ondo	275.3	16.1	291.4	5.5	584.6	31.7	616.3	5.1
Osun	540.7	19.9	560.6	3.5	860.0	37.0	897	4.1
Oyo	537.8	57.7	595.5	9.6	1,066.8	62.8	1129.6	5.5
Plateau	580.3	39.9	620.2	6.4	653.3	48.4	701.7	6.9

Rivers	960.6	25.7	986.3	2.6	296.0	56.8	352.8	16.1
Sokoto	886.9	35.6	922.5	3.8	1,020.3	37.4	1057.7	3.5
Taraba	247.9	23.3	271.2	8.6	426.1	29.2	455.3	6.4
Yobe	383.8	21.6	405.4	5.3	539.2	43.9	583.1	7.5
Zamfara	569.8	16.3	586.1	2.7	659.5	22.4	681.9	3.3
FCT Abuja	181.8	48.6	230.4	21.1	351.9	158.1	510	31

Source: Computed from CBN Annual report and statement of Accounts Dec. 1997, pp. 89-90.

It is observed that states in which local governments have shown a relatively high level of revenue performance (besides Lagos) include; Anambra, Imo, Kano, Ogun, Benue, Enugu and Rivers. But even in these states however, revenue performance (i.e. internal revenue as a percentage of total recurrent revenues) have remained in large part between 8 and 10 percent. A national average of local government revenue performance on the basis of the data on table 3.2 over the 7 year period will look something like the following:

YEARS	PERCENTAGE OF REVENUE PERFORMANCE (%)
1991	5.0
1992	5.3
1993	5.3
1994	6.3
1995	8.0
1996	8.5
1997	9.0

Although, the national average performance improved slightly between 1995, 1996 and 1997, this improvement is due in large part to the improvement of the revenue performance of

the few local governments, across the country which have increased their revenue efforts. The bulk of local governments, particularly those which can be classified as "rural" have performance levels far below the national average for the 1991 - 1997 period. However, a few local governments have demonstrated high levels of performance which are far ahead of the national average over the years. The fact that a composite data for the local governments is used tends to hide the potentials of their revenue performance. The above reasons notwithstanding, it is glaring and quite validly drawn that local government have not made any appreciable efforts towards reforming and strenthening their internal revenue capacities. Revenue efforts have remained quite low in most local governments across the federation.

We can therefore make a strong case for enhancing local governments internal revenue performance. In this respect, we need to examined the designated revenue sources available to the local government. From the sharing of major tax (revenue) heads shown in table 3.1, only two sources fall into the administration (and collection) jurisdiction of local governments, these are; property taxes/ratings and market trading licenses/fees. Taking a more detailed look at the general revenue sources of local governments as contained in the local government financial memoranda (a document which provides the statutory basis for fiscal/financial operations of local governments in Nigeria). We can identify the following revenue sources (and Heads).

3.3 Internal Revenue of Local Governments: Sources and Composition:

Head	Details
1001	Taxes
1002	Rates
1003	Local licenses, fees and fines
1004	Earnings from commercial undertaking
1005	Rent on government property
1006	Interest payments and dividends
1007	Miscellaneous

Out of these seven internal or own - revenue sources available to local governments, rates (1002); local licenses, fees and fines (1003), and Earnings from commercial undertakings (1004) account for at least, 85% of most local governments internal revenues.

In particular, earnings from commercial undertakings consisting mainly of revenues from market stalls/lock ups, kiosks and motor parks appear to constitute the "mainstay" of local revenues especially for local governments which can be designated as being rural. A number of the more urban based local governments have had varying degrees of success with property/tenement rating as well as a variety of user-charges. The main fact of local governments internal revenues, however, remain unchanged; they constitute, in general, very small proportion of their (local government) total revenue

requirements.

A number of factors have been identified and used by the World Bank (1997) to explain low revenue performance by local government councils generally. Among these are:-

1. The poor tax base of local governments, a factor which many argue, makes it difficult, if not impossible, for most local governments to make any significant improvements in the local revenues, even with the best of efforts.
2. The lack of incentives and poor efforts on the part of local governments to increase their internal revenue since they believe that the bulk of their recurrent or operational cost can be obtained through revenues from statutory allocation.
3. Encroachment on local government tax jurisdications by their levels of government, particularly state governments.
4. The inadequacy of trained personnel to man key positions in the local government.
5. Frequent changes of policy makers, particularly the political leadership of local governments. This particular factor, it has been argued, makes it difficult to sustain fiscal policies relating to resource allocation and management.
6. The case with which mismanagement and corruption occur in the local government without attendant sanctions/penalties on culprits.

Having examined the sources and composition of local government revenues, the conclusion is that, local governments currently performs very poorly in generating revenues from sources statutorily devolved to them, a number of which have high revenue potentials. Consequently, they have come to depend rather too heavily on external sources particularly from the Federation Account. It is therefore, noted among other things, that if local governments are to be effective and efficient in the performance of their statutory constitutional functions, they need to move away from this fiscal dependency syndrome.

3.4 Trends and Historical Background of Keffi Local Government Council

Keffi town was founded in 1802 by a Fulani Cattle rearer from Katsina named abdul-zanga. It is a very ancient local government council of Nasarawa state. Formerly part of then Nasarawa Native authority (N.N.A.) under defunct Benue Province, but with the creation of the twelve states in 1967, it became one of the local government areas under the defunct Benue-Plateau state. It remained thus, until when the present Kokona Local Government area was carved out from it in October, 1996, by the then Sani Abacha Military administration.

It is the second local government area in Nassarawa state that shares a common boundary with the Federal Capital Territory, Abuba. It occupies an area of 6,019 square kilometers with a projected population of 276,435 and it is

predominantly an agricultural area with major crops like yam, maize, guineacorn, beans, cassava, potatoes etc. Other occupation like fishing, civil service, trading and commerce also thrive along side. The area has one administrative district-Keffi town with one Chiefdom - Keffi emirate with Headquarters in Keffi ruled by an emir. There is a post-secondary institution, the college of Arts, Science and Technology, Keffi, which prepares students in Basic, Remedial and Diploma programmes for University entry and other tertiary institutions.

The local government council has four commercial banks, good shops, cinema Hall and luxurious hotels and an airstrip. Among the inhabitants are Hausa, Fulani, Gwandara, Gwari, Yaskwa, Koro, Afo, Gade, Mada, Eggon, and Tonis. Other tribes are Ibos, Yorubas and Tivs who contribute in no small way to the economic social and political development of the council. The local government council's financial resources is through internally generated revenue and federal revenue allocations.

3.4.1 Organisational Structure of Keffi Local Government Council.

The organisational structure of Keffi Local Government Council consist of the following six departments:

Department of Personnel Management, Department of Finance and Supplies, Department of Agriculture and Natural Resources, Department of Works, Housing, Land and Survey, Department of Medical and Health and Department of Education. Similarly,

the local government have a finance and general purposes committee. The chairman (or as the case may be) is the chief executive and accounting officer of the local government. As a monthly routine, the chairman must require the treasurer to submit for examination by the finance and general purposes committee, the revenue and expenditure abstracts. This is important in that it will enable the funds management committee to know the financial position of the council for the purpose of settling contractors and arranging for revenue drive.

There is an audit alarm committee which is facilitated by the following local government officials; head of Personnel Management, Treasurer and Head of Internal audit. These have the means of defecting illegal or irregular payments.

Also the Treasurer and Head of Personnel Management are signatories to the cheques. They do not need to raise any alarm, they can just refuse to sign. The chairman is responsible to account to the public accounts committee for all monies voted for each department of the local government and he is pecuniarly liable.

3.4.2 Cash Flow Management

The Finance and General purposes committee serves as the cabinet of the Keffi Local Government. The committee is made up of the chairman of the local government as chairman, the deputy chairman of the local government as Vice-Chairman, all supervisors and not more than two councillors as members.

The main financial function of the committee is to regulate and control the finance of the local government, consider and award contracts, consider and moderate budgets actualisation and implementation. Through the medium of this committee the chairman can effectively regulate expenditure and relate commitments to the liquidity of the council through cash flow statement prepared by the council treasurer.

A funds allocation committee is established in Keffi Local Government Council comprising of the Chairman, the Vice-chairman, supervisor for Finance, the Secretary to the Local government, the treasurer and the Head of Personnel Management. The functions of the funds Allocation committee include inter alia:

(a) Receiving and considering monthly expenditure proposals of all departments as collected by the Treasurer and to direct the treasurer in the preparation of monthly cash flow statements.

(b) Arranging and timing payment of contractors and approving all disbursement from the coffers of the council. Attention is given to the payment of personnel emoluments.

(c) Examining the monthly financial statements prepared by the treasurer and submitting same to the Legislature for consideration. The council treasurer is the Chief Financial Manager of the council. He uses the policies and procedures laid down in the financial memoranda to achieve the financial objectives of the local government.

The treasurer reports to the finance and general purposes committee.

He uses the services of the revenue collectors and other accounting support staff to conduct good financial management. The finance function in the local government is broken down into three elements:

(i) Sourcing funds for the local government council

(ii) General administration of the use of availabele funds, and

(iii) Control of funds entrusted to the treasury.

The Organisational Structure is depicted in figure 2 below.

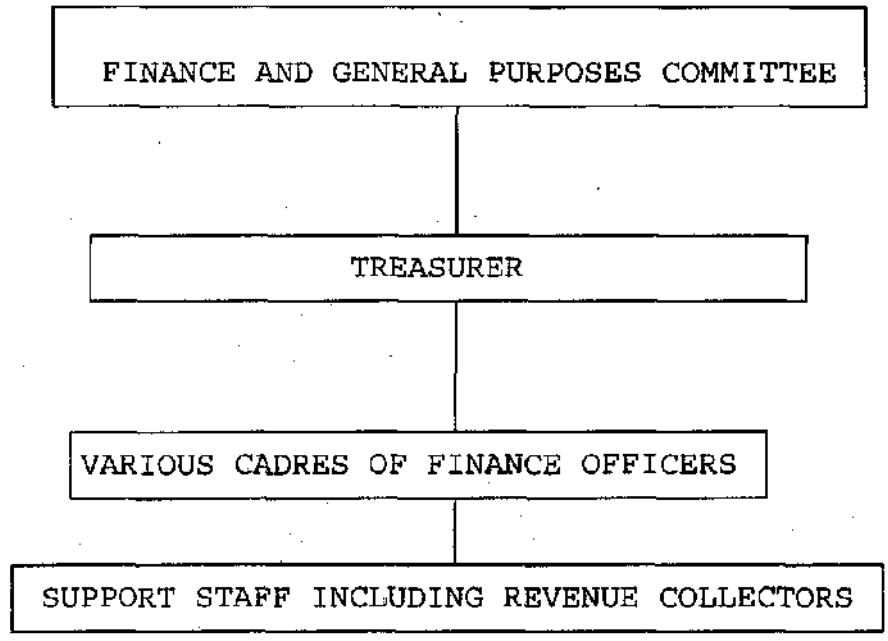


Fig. 2: Organisational Structure for the Finance Function in Keffi Local Government Council.

3.4.3 Review of revenue Generating Efforts in Keffi Local Government Council

Keffi Local Government revenue depend greatly on internally generated revenue and the amount of revenue generated in this regard depends on the efforts of council officials - revenue collectors. These sources consists of Local Taxes and rates, user charges, administrative revenue (i.e. licensing fees, fines) and so on. The importance of local taxation (community tax) rests largely on the fact that the bulk of the tax payers live in the respective local areas. Taxes called Jangali are charged according to cattle head. The revenue in this source has been rising over the years

except in 1996, where ₦62,510 was collected which shows drastic fall of 11.51 percent compared with 1995 value of ₦542,875. Tenement (property rates) is another source of internal revenue for the local council, but it is not being effectively tapped. The data shows that the year 1989, 1991, 1992 and 1996 could not bring in revenue for the local council and attempts to bring the defaulters to book could not yield results due to political reasons. Revenues from local licenses, fees and fines, earnings from commercial undertakings, rent on local government property have constituted a formidable sources of internal revenue for the local council. User charges for publicly produced goods and services like market stalls, motor park fees are administrative revenue which the council officials collects in the performance of its duties. They have constituted over 80 percent of its internal revenue. Revenues on interest payment and dividends have been minimal. There was no revenue on this head in the years 1995 to 1997 due to low performance and investments in the council.

Re-imbursements/grants from both the federal, state and other sources have not been forth coming. Before 1981 the local government council received grants merely as occasional crumbs dropping from the table of the federal and state governments. The state government granted ₦21,009.50 to the council in 1987, ₦10,239.40 in 1990 and ₦22,399 in 1991. From 1992 to 1997 period of the research study, it shows that the state government has not been contributing the statutory 10

percent of their total recurrent revenue to Keffi Local Government Council. Another formidable revenue efforts for the local government is miscellaneous sources. Some examples are environmental and other fines, hire of motor hearse, chairs, houses, tables, canopies and etc. The revenue generated through this source is the highest amount especially, the sum of ₦341,095.10; ₦510,752; ₦441,961; ₦816,889.52; ₦518,773.91; ₦122,605.44; and ₦317,558 for the years 1987, 1989, 1990, 1991, 1993, 1994, 1995 respectively. The last two years from 1996 to 1997 shows a decline from ₦85,194 to ₦40,495 respectively. This indicates a fall of 47.53 percent in 1997 accordingly.

Finally, the external source is through statutory allocation from the federal government. This actually forms the bulk of the council's financial profile. However, the external source is exogenous because the local government council has no control over them. In addition, since about 85 percent of the federal government revenue comes from the oil sector, the volatile nature of the fluctuations in the world oil production and prices also affect directly the revenue of the local government council. This explains why there is fluctuation in the federal allocation to the council. In 1987, the value was ₦20,999.60, it declined in 1989 by ₦16,315,399, rose up in 1990 by ₦20,253,122 and declined again in 1991 by ₦19,565,399.18. Generally, the statutory allocations have been on the increase from 1992 to 1997 but with a decreasing rate (see tables 3.3 and 3.4 below).

Table 3.3: Internal Revenue Effort (1987 - 1997).

	Internal Revenue			Statutory Allocation			
Year	Estimated	Actual	% of Actual to Estimated	Estimated	Actual	%of Estimated to Actual	% of Actual Statutory Allocation to Actual Internal Revenue
1987	1,500.000	907,758.60	60.52	40,000,356.40	20,999,960	190.48	2313.39
1988	1,585,000	712,025.99	44.92	32,788,431	19,934,511	164.48	2799.69
1989	1,000,000	870,700.50	87.07	29,880,076.40	16,315,399	183.14	1873.82
1990	1,800,000	914,606.72	50.81	18,994,567	20,253,122	93.79	2214.41
1991	1,700,000	816,890.90	48.05	23,400,560	19,565,399.18	119.60	2395.11
1992	1,700,000	545,250.61	32.07	30,000,319.40	25,364,113	118.28	4651.83
1993	2;000,000	1,372,868.85	68.64	29,119,345.40	34,249,828.56	85.02	2494
1994	1,500,000	1,279,966.43	85.33	27,000,000	35,835,044	75.35	2799.69
1995	1,200,000	2,249,327.70	187.44	23,049,778.50	34,249,828.56	67.30	1522.67
1996	2,585,000	2,067,465.86	79.80	32,947,000.50	39,122,578.47	84.21	1892.30
1997	1,500,000	1,424,359.38	94.96	38,970,000	39,443,232.20	98.40	2769.19

Source: Field Survey in Keffi Local Government Revenue Office, 1998.

Table 3.4: Actual Revenue Summary (1987 - 1997).

Code	Detail of Revenue	1987	1988	1989	1990	1991	1992	1993	19994	1995	1996	1997
1001	Taxes	119,321	47,935	42,951	-	340,592	160,540	117,480	234,780	542,875	62,510	-
1002	Rates	1,889	1,798.50	-	30,791	-	-	3,050	1,990	4,390	-	50,397.40
1003	Local licenses fees and fines	1,889	20,775.60	69,138	92,136	173,102.80	146,459	148,407	252,639	535,111	570,305	79,921
1004	Earnings from commercial undertakings	312,431	516,119	216,417	147,430	161,260	172,721	206,099	284,755	844,345	49,783	- 70,192.50
1005	Rent in local government property	41,346.50	19,311.89	31,462.50	4,691.50	3,588.08	1,710.38	3,201.50	14,244.88	5,048.73	45,091.80	89,374
1006	Interest payment and dividends	71,988	6,9,345	-	219,436	115,947.15	27,416.12	375,859.09	368,902.91	-	-	-
1007	Grants	21,009.50	-	-	10,239.40	22,399	-	-	-	-	-	-
1008	Miscellaneous	341,095.10	36,741.50	510,732	441,961	816,889.52	36,413.61	518,733.91	122,605.44	317,558	85,194	40,495
1009	Statutory Allocation	20,999,960	19,934,511	16,315,399	20,253,122	19,565,399	25,364,113	34,249,828.56	35,835,944	34,249,828.56	39,112,578.47	39,443,232.20

Source: Field survey Keffi Local Government Council, Revenue Office, 1998.

The internal revenue efforts (Table 3.3) above shows that estimated internal revenue targets were not met during the years under review, except in 1995. The percentage of actual statutory allocation to actual internal revenue in the years under review is very high due to the fact that, bulk of the council's total revenue is from external allocation from the federal government.

Table 3.4 also shows the structure of internal revenue of Keffi Local Government in Nasarawa state. Out of these seven internal or own-revenue sources available to the local council taxes (1001); local licenses, fees and fines (1003); and earnings from commercial undertakings (1004); account for at least 85 percent of the council's internal revenues. In particular, earnings from commercial venutures consisting of revenues from market stalls, shops, motor parks appears to have contributed the bulk of local revenue since the local government council is semi-urban in nature. It is becoming a fast growing commercial council with the proximity to the Federal Capital Territory, Abuja. Interest payments and dividends (1006) and grants from various sources (1007) have not contributed much for the local government counil generally.

Miscellaneous (1008) have contributed from 1987 - 1997 about 80 percent revenue for the local council. The highest contribution under this head was in 1991 with almost 90 percent internal revenue. Rates (1002), Rent in local government property (1005) have not contributed so much,

particularly property/tenement rating as well as variety of charges. The local government has not experimented much. That is why we have seen that local government internal revenues have contributed very small proportion of her total revenue requirements.

3.4.4 Analysis of Revenue Sources and Performance in Keffi Local Government Council.

The statutory functions which Keffi Local Government Council have performed most under the period of review (1987 - 1997) include among others as the provision and maintenance of primary education, markets and motor parks, bridges and culverts, dispensaries and maternities, community development and water supply.

In performing these functions the local council raises various tax and non-tax revenues. The councils main sources of revenue, shown in table 3.5 below comprises statutory revenue allocation, which accounted for 94.98 percent of the total current revenue in 1996 and 96.51 percent of the total current revenue in 1997 for the council. State allocation or grants have not been forthcoming to the council during the years, except for the years 1987, 1990 and 1991 which accounted for about 0.10 percent, 0.05 percent and 0.11 percent of the total current revenue respectively.

Internally generated revenue accounted for about 5.02 percent of the total current revenue in 1996 and 3.49 percent was internally generated by the local council from the total current revenue in 1997 accordingly. It can be seen from

table 3.5 therefore that Keffi Local Government Council's share of the federation account revenue constituted the bulk of revenue accruing to the local government council during the years under review. The percentage of actual statutory allocation to actual internal revenue is very high especially for the years 1988, 1992, 1994 and 1997 with percentages of 2799.69, 4651.83, 2799.69 and 2769.19 respectively. These have accepted, confirmed and validated the stated hypothesis that, there is inadequate sources and mobilisation of the internal revenue resosurces in the local council.

Secondly, this also reflect the narrow revenue base of the Keffi local council in particular and local governments in Nigeria generally. The local government council is currently performing below the national average levels. For the local government council to be effective in carrying out its functions, she has to find out other sources and mobilise the existing resources for socio-economic rural development of its communities.

Table 3.5: Total Expenditure and revenue Profile of Keffi Local Government Council (1987 - 1997).

Year	Total Expenditure of the local government (N million)	Internally generated revenue by the local government (N million)	Federal statutory revenue to the local government (N million)	Grants in aid for the local government (N million)
1987	20,307,953.30	907,758.60	20,999,960	21,009.50
1988	19,705,816.50	712,025.99	19,934.511	-
1989	20,757,572	870,700.50	16,35,399	-
1990	13,872,140.10	914,606.72	20,253,122	10,239.40
1991	34,180,982.10	816,690.90	19,565,399.18	22,399
1992	30,614,527.40	545,250.61	25,364,113	-
1993	37,879,752.40	1,372,868.85	34,249,828.56	-
1994	41,048,154.40	1,279,966.43	35,835,044	-
1995	41,046,485.30	2,249,327.70	34,249,828.56	-
1996	42,911,437.90	2,067,465.85	39,122,578.47	-
1997	42,129,274.75	1,124,359.38	39,443,232.20	-
Total	313,837,865	13,161,121.42	305,333.051.97	53,647.90

Source: Field Survey in Keffi Local Government Council, Revenue Office, 1998.

Table 3.6 below similarly shows that the percentage of total revenue available to the local government in 1996/1997 locally generated was 4.26. All these are indications that the revenue performance was very poor. The table shows that it is only in 1995 that the internal revenue as percentage of total revenue rose up to 6.16. This dropped to 5.02 and 3.49 in 1996 and 1997 respectively.

Comparative analysis with other local government in other states such as Yobe, Anambra, Plateau, Kaduna, Benue, Ogun, sokoto and Lagos in Table 3.7 below shows that Keffi Local Government Council has not made appreciable efforts towards

mobilising internal revenue and hence a case for sourcing of her internal local revenue base is now established which also supports the stated hypotheses in the research project.

Table 3.6: Revenue Performance of Keffi Local Government Council (1987-1997)..

Year	External Sources (₦ million)	Internal Sources (₦ million)	Total (₦ million)	Internal Rev. As % of Total Revenue
1987	21,020,969.50	907,758.60	21,949,737.60	4.14
1988	19,934,511	712,025.99	20.646,536.99	3.45
1989	16,315,399	870,700.50	17,186,099.50	5.07
1990	20,263,361.40	914,606.72	21,177,968.12	4.51
1991	19,587,798.18	816,890.90	20,404,689.08	4.00
1992	25,364,113	545,250.61	25,409,363.61	2.12
1993	34,249,828.56	1,372,868.85	35,622,697.41	3.85
1994	35,835,044	1,279,966.43	37,115,010.43	3.45
1995	34,249,828.56	2,249,327.70	36,499,156.26	6.16
1996	39,122,578.47	2,067,465.86	41,190,044.33	5.02
1997	39,443,232.20	1,424,359.38	40,867,591.58	3.49

Source: Computed from the total Rvenue Profile of Keffi Local Government council, 1998.

Table 3.7: Revenue Performance of Local Goverments (1995).

Year	Ext. sources (₦ million)	Internal Sources (₦ million)	Total (₦ million)	Internal Revenue as % of Total Revenue
Abia	618.2	69.4	677.6	8.8
Aambra	383.5	64.5	448.0	14.4
Benue	613.0	93.2	706.5	13.2
Borno	1,011.5	81.5	1093.0	75.0
Kaduna	875.5	74.9	850.0	7.9
Kebbi	630.0	20.0	650.0	3.1
Kogi	493.6	21.3	514.9	4.1
Lagos	1069.1	553.7	1622.8	34.1
Niger	585.0	30.6	615.6	5.0
Ogun	600.0	57.3	657.9	8.7
Plateau	913.9	49.4	963.3	5.1
Rivers	818.8	116.0	934.8	12.4
Sokoto	1258.5	32.3	1290.8	26.5
Taraba	365.9	18.7	384.6	4.9
Yobe	657.0	46.8	703.8	6.6

Source: World Bank, Evaluation of Revenue Powers and Responsibilities of the Government in Nigeria study Poject Submitted to National Revenue Mobilisation, allocation and fiscal Commission, The Presidency, Abuja, September, 1997.

Table 3.8 below shows details of revenue expenditure which is currently on the increase in the Local council. Both recurrent and capital expenditure for the years 1988, 1990, 1993, 1995, 1997, 1991 and 1996 respectively was higher than the estimated values. This also shows about 70 percent rise in the levels of expenditure over the total revenue available to the council. The local government council must avoid conspicuous pattern of expenditure and consumption levels. There must be prudence in spending.

Table 3.8: Details of Revenue Expenditures (1987 - 1997).

EXPENDITURE			
RECURRENT		CAPITAL	
ESTIMATED	ACTUAL	ESTIMATED	ACTUAL
1,300.00	1,197,245.30	18,784,567	19,110,708
1,658,289	1,943,611	20,198,285	17,760,205.50
1,500,000	1,467,864	23,400,560	19,289,708
1,700,000	2,11,935.60	18,994,567	11,760,205.50
2,000,000	2,067,426	26,400,560	32,113,556.10
1,700,000	1,734,451	29,341,197.50	28,880,076.40
1,200,000	1,634,560	39,113,556.10	36,245,192.40
2,425,000	1,714,335	40,988,115	39,334,119.40
1,500,000	2,067,488.80	40,119,000	38,978,997.50
2,690,000	2,298,496.90	38,690,229.60	40,612,941
2,560,250	2,340,790.75	41,210,580	39,788,484

Source: Field survey in Keffi Local government Council Revenue Office, 1998.

3.5: Assessment of the Machinery for Revenue collection in Local Government.

This project research thesis attempts an assessment of the adequacy of the machinery for revenue collection and administration at the local government levels, bearing in mind, that attempts at revenue generation will be meaningless without a sound machinery for collection and administration.

The financial memoranda (6:1) provides that "all revenues and other monies due to a local government shall be received

either by the cashier in the treasury or by a revenue collector". Consequently, the revenue unit or section is located in the treasury with its own complementary staff usually consisting of a revenue officer and a number of other supporting staff. Clearly, the revenue collection machinery at the local government level is usually less organised than its state counterpart. A major feature of revenue collection at the local government level is the preponderance of revenue receipt carrying personnel designated as "Revenue Collectors" who are appointed by the local government and charged with the important responsibility of collecting revenues for and on behalf of the local government.

Although the financial memoranda specify in details, the duties and responsibilities of revenue collectors as well as the procedures for collection, care and custody of local government revenues. The rather loose organisational structure and the multiplicity of officers charge with revenue collection responsibilities often account, in large part, for the problems associated with revenue collection at the local government level.

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3.5.1 Mode of Collection

The method or mode of collection is often a crucial determinant of a number of lapses associated with revenue collection. Where collection is at source like the PAYE, the problem of evasion is often minimised, but where the collection is direct, like in the case of directly assessed

income tax or the bulk of local government revenues, the incidence of evasion is usually quite high. Not only that, sharp practices are usally easier under such an arrangement. It is observed that the bulk of revenues in local government are collected directly, hence the high incidence of leakages.

The prevailing structure of rates, licenses and fees is of course, a major determinant of the revenue levels that are collectable. Although, it is observed that a number of states have, in recent years, reviewed the levels of their rates, fees and other user-charges, prevailing rates, etc., in many states and most local governments particularly Keffi Local Government Council, such rates, fees and lecenses are ridiculously low. Most of the rates and fees collected by local governments as revenues are completely out of touch with the realities of our time.

3.5.2 Accounting and Audit Controls

A point of interest in many states and local goverments is that reasonably sound accounting systems and audit practices exist to ensure adequate controls over revenue receipts and fund disbursements. Contrary to generally held views that accounting and auditing practices in government are usually cumbersome and counter-productive, it is observed that the accounting frameworks and audit procedures outlined in the financial instructions and financial memoranda respectively, are reasonably sound enough to forestal waste, misappropriation and embezzlement all of which are rampant in

the fiscal and financial operations of both levels of government. The problem is however, that of adherence to laid down rules and regulations. The field work survey conducted in the course of my investigation in Keffi Local Government identified the poor attitude to financial rules and regulations as one of the major reasons militating against effective control and consequently, accounting for the loss and misappropriation of colossal sums of public funds.

The poor attitude to financial rules and regulations manifest in a variety of ways. One of this is the non-challant attitude to audit queries. It is also observed that, the most frequent basis of such queries include; irregular or wrong payments, shortages and losses of cash by cashiers and others handling government funds, payment to ghost workers and offenses relating to the general contravention of financial rules and regulations.

CHAPTER FOUR

MODEL SPECIFICATION AND ANALYSIS OF EMPIRICAL RESULTS

It has been shown from the foregoing chapters that the total finances/ revenues of the local government comes from three (3) main sources; namely, internal revenue, statutory revenue allocation and grants.

4.1 The Model

A four variable model which has one dependent variable and three explanatory variables was therefore developed. The dependent variable, local government expenditure is regressed on the internal revenues, the statutory revenue allocation and the grants. The model is therefore a multiple regression one. This is represented below as:-

$$TE\ (LG)t = a_0 + a_1IR_t + a_2SR_t + a_3GR_t + U_t \quad \ldots.(1)$$

$$a_0,\ a_1,\ a_2,\ \text{and}\ a_3 > 0.$$

where

$TE(LG)_t$ = Total expenditure of the local government over period of time, t

IR_t = Internal Revenue over period of time, t

SR_t = Statutory Revenue over period of time, t

GR_t = Grants in - aid over period of time, t

U_t = Error term or disturbance term over period of time, t.

a_0, a_1, a_2 and a_3 are co-efficient parameters of the model equation to be estimated.

From the above model, TE is the total expendtiture of the local government over the period of time which is eleven (11 years) from 1987 - 1997. It is the total expenditure of the local government which is also the dependent variable.

IR is the internal Revenue of the local government council which comprises of local Taxes, rates, user-charges, administrative revenues and so on. It is one of the independent explanatory variables.

SR is the statutory federal revenue allocations to the local government councils to which Keffi is one. The value added tax (VAT) component is included in this variable.

GR is the variety of discretionary grants from both the federal, state and other external sources. This is an independent variable, which the local government has no control. It is observed that, the state government has not been given the local government the 10 percent statutory revenue from the total recurrent revenue of the state.

U is the disturbance or error term. All regressors in the equation are exogenous; the equation is therefore in the reduced form an ordinary least squares estimation procedure and is both unbiased and efficient-Assuming of course that all other assumptions of the ordinary least squares estimation procedure hold.

a_1 is expected to be positive thus indicating local government expenditures rise with a rise in internal revenue. It indicate further that the case for internal revenue generation in Keffi local government council has a causal

relationship in the socio-economic rural development of its communities.

a_2 is also expected to be positive as local government expenditure varies directly with variation in statutory revenue.

a_3 is expected to be positive showing that the local governments' expenditures varies directly with the amount of grant received.

4.2 Analysis of Empirical Results

The computed regression output/results is represented in the following stochastic summary form:-

$$Y = -571174.72 + 8.1776176IR + 0.869958SR + 298.72385GR \quad \ldots. \quad (2)$$

(1.33) (2.09) (1.05)

$R^2 = 0.77$

DW = (0.2243)

In the multiple regression results above, it shows a positive relationship that exists between the local government revenues and the socio-economic development of its rural communities. The total expenditure of the local government is depended on the local council's total revenues.

The explanatory variables which are, internal revenues, federal revenues and grants with approximate values of 8.18, 0.87 and 298.7 respectively, explains 77 percent (coefficient of determination) of the total variation in the dependent variable which is the total expenditure of the local government council. The coefficient of determination (R^2 = 0.77) is high and therefore a good measure of explanation of

the relationship that exists between the total expenditures and the council's total revenues. The goodness of fit is highly significant and explanatory. The coefficient parameter estimates are also statistically significant at the 5 percent level.

From the above results, it can be interpreted that for every increase in the total revenue there will be a corresponding increase in the total expenditure.

For instance, an increase of ₦1 billion revenue for the local government council as contributions made by internal revenue source will show an expenditure increase or rise of ₦818 million for the local council. Again, an increase of ₦1 billion revenue for the local government council as contributions made by federal statutory revenue allocations will show an expenditure increase or rise of ₦870 million for the local government council. similarly, an increase of ₦1 billion revenue for the local government council as contributions received through grants-in-aid will show an expenditure increase or rise of ₦298 million for the local government council.

The intercept which is - 571174.72 indicates the predicted value of the local government expenditure when the total revenue is zero, (0). This shows that if there is no contributions made by the three revenue sources (internal revenue, statutory allocation and grants), there can be no expenditure for the local government in question, hence its negative value.

From the results, it generally shows that, there is high level of correlation between the dependent and independent variables. The Durbin Watson Statistic Value (DW = 0.2243) for the explanatory variables show that there is positive serial correlation (auto correlation) among the explanatory powers of the multiple regression equation. This is possible due to the presence and effect of multi-colinearity. The explanatory variables have a strong time trend - the data consists of a series of observations on the variables over a number of times (for eleven year period, 1987 - 1997) in this research thesis.

4.3 Testing the Research Hypotheses

Basically, the project research hypotheses to be tested are as follows:

1. There is inadequate revenue generation and mobilisation of financial resources in Keffi Local Government Council.
2. The local government councils are not heavily dependent on the externally accrued revenues from the federal government statutory allocation.
3. The case for revenue generation in Keffi Local government council have a positive effect on the council's expenditure patterns and the socio-economic rural development of its communities.

The data collected from the local government council was computed and the "t" Statistical values for:

Internal revenue = 1.33

Federal revenue = 2.09

Grants = 1.05

D.F = 7

Vto.05 = 1.895 were obtained.

From the above computed results, the first hypothesis statistically stated, Ho:bi = 0 and Hi:bi ≠ 0, where bi = 1 above. It shows from the results that, tc = 1.33 whereas vto.05 = 1.895. since the critical value is greater than the computed value, we accept the null hypothesis 1 and conclude that, there is inadequate revenue generation and poor mobilisation of financial resources in Keffi Local government Council.

The second hypothesis statistically stated, Ho:bi = 0 and Hi:bi ≠ 0, where bi = 2 above. It shows that, tc = 2.09 whereas vto.05 = 1.895. since the critical value is smaller than the computed value, we reject the null hypotheses 2 and conclude that, Keffi Local Government Council heavily depends on the federal statutory allocations for her expenditure needs as well as the provision of other social and economic services for the local communities.

The third hypothesis statistically stated, Ho:bi = 0 and Hi:bi ≠ 0, where bi = 3 above. It shows that tc = 1.05 whereas vto.05 = 1.895. since the critical value is greater than the computed value, we accept the null hypothesis 3 and infer that revenue generation in Keffi Local Government Council have positive effect on the council's expenditure

patterns and socio-economic rural development of its communities.

Finally, from the empirical results interpreted and analysed, it is glaringly observed that Keffi Local Government Council in particular and local governments generally need to pursue, mobilise and exploit more vigorously their internally generated revenue efforts which is the focus of this research thesis.

CHAPTER FIVE

SUMMARY,FINDINGS,CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Research Project Study

The study is to evaluate the sources of local government revenues. A case study of Keffi local government council of Nasarawa state in Nigeria was considered and researched on. A simple structured questionnaire was introduced on the revenue powers and responsibilities. It consist of three parts. Part I, for the local government Director of Personnel and the general Informatuon about the local governement. Part II, for the local government Treasurer/Revenue Officer. This also comprised of the issues surrounding revenue generation and statutory functions of local governments. Finally part III, for the local government Auditor. This also comprised of issues surrounding internal control measures.

Three hypotheses were tested with the data collected in the local council. The results revealed that there is inadequate revenue generation and mobilisation of financial resources in the council. It further revealed that the local council is heavily dependent on the federal government statutory allocation. The empirical results finally confirmed that local government expenditure is directly related and affected by its total revenues. Percentage scores, tables and multiple regression model of analysis was adopted. Revenue performance analysis was carried out generally among local governments and with a case study of Keffi Local Government

Council of Nasarawa state of Nigeria in particular. An assessment of the machinery for revenue collection and administration in local governments was examined.

5.2 Findings of The Research Thesis

The findings shows that revenue generation/sourcing of local government revenues has a positive relationship to the socio-economic rural development of Keffi Local Government Council. There is inadequate mobilisation of the internal revenue of the local government council. The council's major external sources of income accounting to about 95% is from the federal revenue allocation. The revenue generated internally in the council for 1996/97 was just 4.26 percent.

The findings reveals that state allocation and grants have not being forthcoming to the council particularly from 1992 to date. The local government councils have the resource potentials and manpower capability and capacity to exploit and mobilise its internal revenue base for the growth and development of its rural communities.

5.3 Conclusions of the Study

The findings lead to the conclusion that revenue generation or sourcing of the local government revenue is not only relevant in the local government councils' financial administration, but the head-light in enhancing the socio-economic rural growth and development of the local councils generally.

The project research seeks to analyse measures which Keffi Local Government Council can take to increase their dependence on internally generated revenue. This is because there is a positive relationship of such internal revenue generated to the socio-economic rural development of the council in question. Looking at the data, the percentage of total revenue available to the local government in 1996/97 locally generated was just 4.26 percent, very low indeed.

The over-dependence of the local government council on external sources for revenue is making it difficult for her to deliver the goods. To be able to perform its constitutional functions, it has become necessary for the local government to look inward for alternative sources of revenue that are not vulnerable to world market conditions and political manipulations. The statutory sources are dependent on oil earning up to 85 percent and are exogenous because the local government has no control over them. The federation account into which the total federally collected revenue from company income tax, customs duties, petroleum profit tax, mining rents and royalties, earnings by the NNPC from direct sales, pipe line licenses and other fees as well as the surpluses arising from the sale of gas is paid to is shared according to the existing formula in which the federal, state and local government get 48.5, 24 and 20 percent respectively, while the rest of 7.5 percent goes to the special fund account administered by the federal government. The bulk of the revenue paid into the federal account is generated from the

oil sector. The volatile nature of fluctuations in prices of petroleum products in the world market has adversely affected the revenue of all levels of government.

This is an unfortunate development as all the local governments derive the bulk of their revenue from the federation account. It is noted that, oil revenue accounts for about 85 percent of the federation account out of which local government get 20 percent. The state governments which are expected to contribute 10 percent of their internal revenue to the local governments also derive about 90 percent of their recurrent revenue from the federation account. It is observed in the course of this research project thesis that, state statutory allocation to Keffi Local Government Council is no more forthcoming particularly from 1992 to date. Grants-in-Aid generally have no signficant effects on the revenue/finances of the local government council in question.

All these are pointers to the fact that if the local government councils generally and Keffi Local Government Council in particular have to perform their constitutional functions as spelt out in schedule IV to the 1979 constitution, they must source their revenues by looking more inwards.

5.4 Observations and Recommendation on Improving the Revenue Base of Local Governments Generally

Local government are generally expected to perform a wide range of statutory functions not just in the traditional area

of maintaining law and order but also in the provision of social infrastructure and the promotion and management of development. To do these effectively and efficiently, requires huge amount of resources for which the local governments have depended heavily on external sources.

In order to raise funds sufficient and adequate to effectively address the myriad of development problems and challenges facing them, local governments have to demonstrate more imagination and exert greater efforts in generating a substantial portion of their revenue requirements from sources within the respective jurisdiction of their revenue powers. In order to achieve any appreciable degree of enhanced revenue performance, the following measures are recommended among others.

There should be appropriate legislation designed to make it mandatory for local governments to be able to finance a significant part of their recurrent expenditures, particularly on staff emoluments. This measure has an in-built capacity to make local government bureaucracies not only efficient but also imaginative in their search for new revenue sources and better focused service delivery system. It is recommended that the local governments should be able to finance, at least, 50% percent of such costs. It is strongly believed that so long as local governments continue to be assured by the federal allocation that no matter what happens, they will be able to at least, pay staff salaries and other personnel emoluments, they are likely to lack the driving or necessary

force to look inward. This is particularly true of most local governments.

Local governments should be encouraged to undertake very critical reviews of their revenue heads with a view to streamlining them in the light of major developments in the economy. While it is important to have more comprehensive tax bases, local governments should ensure that items listed as relics of tax regimes that had relevance under a different socio-economic environment has long faced radical institutional changes.

There exist potentially high yielding sources of personal income tax and property/tenement rates, the exploitation of which continue to be ignored for both political as well as other institutional reasons. These two sources have great potentials and as such, efforts should be made to encourage local governments to exploit these as well as other sources which equally have potentials but continue to be ignored.

The importance of a sound machinery for revenue collection and administration cannot be over-emphasised. Therefore, in taking steps to strengthen revenue capacities and performance of local governments, appropriate measures should equally be taken to over-haul and reform the machinery for collection and administration of revenue. It is believed that the following recommendations are central to enhancing the revenue base and capacities of local governments on a sustainable basis.

There should be provision of adequate equipment and

facilities necessary for revenue collection. The local governments should be encouraged not only to provide those facilities and equipment that are necessary for revenue collection like vehicles and funds for travelling, but also for keeping proper records of revenues collected and collectable, like computers.

Related to the above is the need to attract the right calibre of personnel with requisite qualifications, training and attitudes to take appointments with the respective Revenue units in the local governments.

In particular, the revenue units of local governments should be made independent of the treasury so as to accord it the necessary authority to function more effectively.

The use of private consultants for revenue collection be discouraged. It is noted that this is already in line with existing government policy but its enforcement need be given attention.

A general and comprehensive review of existing rates, fees and licenses as to their continuing relevance, level and potentials is recommendable. Revenue courts to be established. It is also noted that a number of states have passed legislation setting up revenue courts but most of them have remained moribund. There should be imposition of sanctions and penalties for the financial offences committed.

There should be special trainings organised for staff of the revenue boards (states,) revenue units (local governments) and other accounting and audit staff with responsibility for

revenue collection and administration.

5.5 Measures and Recommendations In Keffi Local Government Council of Nasarawa State In Particular

The research project study attempts to make a justifiable case for the sources of local government revenues: A case study of Keffi Local Government Council which is semi-urban in nature certainly requires a buoyant source of revenue to be able to meet their heavy and increasing demands for services.

In view of the above, the following measures are recommended among others to be adopted to improve revenue generation, collection and management in Keffi Local Government Council of Nasarawa state in Nigeria.

There should be effective and efficient tax administration and the high rate of tax evasion controlled. Taxes should be imposed on lands so as to raise land values and to dispose such lands for construction, farming and other economic activities. It will break the control of the feudal lords/Royal Families and the wealthy class monopoly of such lands in Keffi Local Government Council.

There should be comprehensive review of existing rates, fees and licenses in order to make them relevant. Property/tenement rating appears to be one of the obvious choices with its added advantages. The administration of property rate is comparatively cheap and simple. Property rate is a stable source of revenue and evasion is difficult. Generally, it will not be easy for the local government to overcome its vast development problems unless the local

government is given property rating powers. Where such powers exist already, they should not be invoked rather, there should be the political will to enforce such laws accordingly. With declining oil revenue, it is no longer safe for local government councils generally to depend largely on statutory allocation to solve their numerous problems.

In other words, there should be the re-introduction or re-structuring of urban or semi-urban property/tenement rate. Property tax has great potentials as a source of local government revenue. In levying property tax, small quantity of property should be exempted and the rate be made proportional. Local governments could focus initially on income yielding property.

In addition to property rate, the local governement should raise loans and form partnership with the private sector to operate viable and profit-oriented enterprises. Mini Buses for intra and inter local government(s) transport services could be a viable investment with the money raised from the loan. At the end of it, this could result into a positive effect as such investments have a tendency (when well managed and maintained) to accelerate and increase the financial profile of the council in question.

The local government should be wise and prudent in its pattern of expenditure and be result-oriented. In fact, the council should be able to finance at least 55 percent of its recurrent expenditure from internal sources. In other to do this, it should undertake very critical review of its internal

revenue sources.

From another development, the local government should make determined efforts to exploit fully its financial resources for the development of its rural communities. To do this successfully, the council need to establish an effective revenue collection machinery. The quality of revenue collectors and their condition of services should be motivated. This can be done through training of revenue collectors and provisions of vehicles and other incentives for effective revenue drive in the local government council accordingly.

This to some degree will ameliorate the inefficiency of revenue collectors, problems of management and corruption and lack of proper keeping of revenue records.

The field survey conducted in Keffi Local government Area shows that, there is no planning, research and statistics unit. I strongly recommend for the establishment of this unit in the local government. This is because the development of modern local government service depends on the planning, research and statistics unit which supplies the necessary information on policies and means of articulating and implementing them for the overall benefit of the local government council as a whole.

The local government has high potential for solid minerals exploitation. I recommend that the local government should map and determine through geologic assay (survey) its own resources and reserves. The local government should have

its present sites examined by a professional geologic team and assessed for economic value in order to determine which areas are the best to exploit.

The mineral resources existing in the local government council include tin, tantalite, baryte, wolframite, dolomite, tourmaline, garnet, topax, felspar, berry, etc. Careful market research on existing local and national markets for these minerals should be conducted. The local government should determine with an assessment which minerals are competitively valued to be sold in international markets and under what conditions. This will ultimately increase the revenue profile of the local council when it is successfully executed.

Again, it is seen that, the local expenditures are increasing especially for personnel services. This trend is not sustainable without new sources of revenue. The local government council can not depend on internally generated revenue to finance many of the innovative programmes of the communities, it must find external finance and develop innovative mechanisms for tapping new sources of funds. This involves initiating dialogues with Nigerian Businessmen, foreign private investors, multilateral development agencies, and developing new incentive programmes to attract and retain private capital in the local government Council.

I similarly recommend that Agro-industrial development should be given a priority in the local government council. This will enhance the local production base upon which agro-

industries will depend for their raw material. Looking at the field survey carried out in the local government council, it reveals that there is no any manufacturing industries. There should be appropriate incentive system, priority access to land, support of the few local institutions, development of information material and trade fare to make external investors aware of the good possibilities offered by the local government council in particular and the state as a whole.

The above strategy could reduce risks to subsistence farming by increasing productivity using the following steps:-

- Strengthen capacity of local agricultural development agency to provide best service to farmers.
- Consider investment under the fadama programme as paramount.
- Expand the local network with both internal and external research institutes to ensure that the best improved cultivators and management practices are brought to the local government council and the farmers.

There are a lot of agricultural resources in the local government council, they include:-

- Root and tuber crops - cassava and yams provide good opportunity for value addition. Some common products for cassava include gari, chips, flour and paste (for use in pharmaceuticals). This can encourage multi-purpose factories capable of providing high premium cassava products for exports. The products which are not

exported can be used as ingredients for local feeds.

Oil seeds - include soya beans, egusi, melon and beniseed. The local government has favourable soils, rainfall and climate for the increased production of these crops which can then be transformed into valuable exports which inturn can generate income for the local government council.

Tree crops - Mangos have good investment opportunities for juices and jams and can also be processed as sliced dried fruit or paste for exports. Cashew is a very sought - after product with high income earning capabilities.

Vegetables - Tomatoes and peppers can be exported after basic transformation. Tomato paste, in particular, has high demand both locally and internationally. This can be done with key partners like the various farmer associations and cooperatives active in the state to ensure that they play an active role in the process. This sort of planning and strategies focused on the economic and the material condition necessary for rural progress is essential if the local government council is to rise up to its potential. This conceptual foundation is an extremely practical contribution and could provide the impetus to catapult Nasarawa state in general and Keffi Local Government Council in particular into the forefront of Nigeria's development.

In the final analysis, if these recommendations/

suggestions are taken as measures and strategies, it will by and large address the issues of low revenue base, low taxable effort, high rate of tax evasion, problem of manpower for property rate collection and low rate of agro-industrial development and capacity building initiative in Keffi Local Government Council in particular and local government council generally in the context of a changing policy environment.

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APPENDIX: ASSESSMENT QUESTIONNAIRE

Assessment Questionnaire/Field Work Survey on an Evaluation of the Sources of Local Government Revenues: A Case Study of Keffi Local Government Council of Nasarawa State.

Post Graduate School
Faculty of Social Sciences
Department of Economics
Ahmadu Bello University,
Zaria
Kaduna State

Dear Sir,

The Investigator/Researcher is conducting a research thesis on: An Evaluation of the Sources of Local Government Revenues: A Case Study of Keffi Local Government Council of Nasarawa State.

The aim of this study is to examine the sources of the Local Government Council's revenue and to determine the effects of sourcing and mobilizing financial resources and to finally recommed economic framework that could enhance and guide policy makers on revenue generation in the Local Governments generally and Keffi Local Council in particular.

Please feel free to supply the necessary information/ answers required.

All the information, answers and responses supplied and provided will be for academic work only and hence will be treated strictly confidential.

Thank you, please.

Yours sincerely,

KASHIM IBRAHIM LIBRARY
RECEIVED
31 OCT 2000
ZARIA NIGERIA
Ahmadu Bello University

SONGU ORTSERGA JOSEPH
M.Sc. (Economics) STUDENT.

APPENDIX 1

Evaluation of the Revenue Powers and Responsibilities of Keffi Local Government Council

Questionnaire 1: <u>For Local Government Director of Personnel</u>

A. Personal Data

1. Your substantive designation:_____
2. L.G.A.:_____
3. State:_____
4. Highest Educational Qualifications:_____
5. Previous Working Experience:_____

Place (Organisation)	Position	Year	
		From	To

B. General Information About the Local Government

1. Population of the Local Government (as per the 1991 census Figures):_____
2. Main occupation(s) of the people in the L.G.C._____
   _____
3. Location of the Local government (tick one)
   (a) Urban
   (b) Rural
   (c) Semi-Urban
4. List of manufacturing Industries in L.G.C._____
   i:_____
   ii:_____
   iii:_____

5. Number of Educational Institutions in the L.G.C.:_____
   1. Primary schools:_____
   2. Post Primary:_____
   3. Adult Education Classes:_____
   4. Tertiary Institution:_____
6. Number of socio-economic facilities in the L.G.C.
   i. Banks:_____
   ii. Water; No. of Communities served:_____
   iii. Electricity: No. of Community served:_____
   iv. Roads: No. of Community linked:_____
   v. Health: No. of communities served: _____
7. Do you have planning, research and statistics unit in your local government:_____
8. If yes, when was the unit established: _____
9. Please, specify the functions assigned to the unit
   i:_____
   ii:_____
   iii:_____
   iv:_____

APPENDIX II

Evaluation of the Revenue Powers and Responsibilities of Keffi Local Government Council

Questionnaire II:<u>For Local Government Treasurers and revenue Officers</u>.

A. Personal Data

1. Your substantive designation:_____
2. L.G.A.:_____
3. State:_____
4. Highest Educational Qualifications:_____
5. Previous Working Experience:_____

Place (Organisation)	Position	Year	
		From	To

Section B: Issues Surrounding Revenue Generation

1. What percentage of total revenue available to the Local Government in 1996/97 was locally generated :_____
2. If the percentage is too low, what factors do you think are responsible?
   i. Tax evasion
   ii. Low level of commitment by Revenue officers
   iii. Revenue base is too low
   iv. Lack of incentive to revenue collections
   v. Corrupt practices

vi. Others (specify):_____

3. How would you describe the revenue effort of your Local Government from internal sources?

i. Very satisfactory

ii. Satisfactory

iii. Unsatisfactory

4. If your local government revenue have been unsatisfactory, what would you suggest as the causes;

i. _____

ii. _____

iii. _____

iv. _____

v. _____

5. Please indicate your level of satisfaction with the following aspect of revenue collection.

		Very satisfactory	Fairly satisfactory	Satisfactory	Not satisfactory
i	Assessment				
ii	Basis of Assessment				
iii	Structure and functions of revenue Dept.				
iv	Organisation of the revenue Dept.				
v	Quality of the revenue collections				
vi	Viability of revenue sources.				
vii	Condition of services for revenue collectors				

6. Since 1976 Local Government Reforms in Nigeria, How Important has Been Each of The following Problems to Revenue Generation? (Tick one answer for each Problem)

		One of the most Important	Very Important	Least Important	Not Applicable
i	Low revenue base				
ii	Low taxable effort				
iii	High rate of tax evasion				
iv	Problem of manpower for property rate collection				
v	Inefficiency of revenue collectors				
vi	Problem of mismanagement and corruption				
vii	Lack of proper keeping of revenue records				

7. Suggests five (5) measures you can consider necessary for an improvement of Revenue collection and management in your Local Government.

(a) _____

(b) _____

(c) _____

(d) _____

(e) _____

Section C: Statutory Function of Local Government

8. (a) Which of the following statutory functions your Local Government have performed most since 1987 (Please rank from i-ix)

i _____ market and motor parks

ii _____ Local roads, bridges and culverts

iii _____ Dispensaries and maternities

iv _____ Registration of births, deaths and marriage

v _____ Community health

vi _____ Agricultural services

vii _____ Community development agency

viii_____ Public housing

ix _____ Water supply.

(b) Indicate against functions, the extent to which you are satisfied with the level of performance in the past 10 years.

i _____

ii _____

iii _____

iv _____

v _____

vi _____

vii _____

viii_____

ix _____

9(a). Do you find the allocation of revenue powers (fiscal jurisdiction) of the Local Government consistent with satisfactory responsibilities?_____

(b) If No, what modification(s) would you suggest to improve on the allocation of fiscal powers for the Local Government Council?

i. _____

ii. _____

iii. _____

APPENDIX III

Evaluation of The Revenue Powers and Responsibilities of Keffi Local Government Council

Questionnaire III: For The Local Government Auditors

Section A: Personal Data

1. Your Substantive Designation:_____
2. L.G.A. :_____
3. State :_____
4. Highest Educational Qualification:_____
5. Previous working experience:_____

	Place (organisation)	Position held	Year	
			From	To

Section B: **Issues Surrounding Internal Control Measures**

1. Please indicate your level of satisfaction on the following internal control measures.

	Internal Control measures	Very satisfactory	Fairly satisfactory	Satisfactory	Not satisfactory
a	Control through Audit				
b	Budgetary control				
c	Control through the setting of payment voucher by the CCV				
d	Financial controls				
e	Revenue, expenditure and store control				
f	Institutionalisation of administrative and statutory measures				
g	Control by the policy maker and career officers in form of inspection				
h	Application of sanctions through the Auditor General				

2. What common problem do you see as associated with Institutionalisation of internal control measure (Please tick one or more of the following)

a. Imposition on the work of internal audit by the Chairman of the local government.

b. Non-adherance to financial regulations of FM

c. The difficulty of exerting audit queries and sanctions

d. Ineffective internal audit

e. Ineffective use of audit Alarm system in the LG

3. Between January 1993 and September 1997, how many audit queries did you issue and to whom?

Year	Nature of offences	Officers concerned	Response by the Officers concerned	Penalty imposed (if any)

4. Was the Audit Alarm in the Local government raised during the period 1993-1997?

Yes [ ] No [ ]

5. If yes, against whom and for what amount of money?

	Officer/Rank	Amount
1		
2		
3		
4		
5		

6. What action did the audit alarm committee take, if any alarm was raised during the period?

1. _____

2. _____

3. _____

4. _____

5. _____

7. What common problems do you see as associated with the management of Local Government finances? (Please tick one or more of the following).

a. Non-adherance to financial regulations

b. Rampant cases of missing vouchers and unvouched expenditure

c. No-preparation of Bank reconciliation statements

d. Lapses in Internal controls.

e. Unauthorized and or over-expenditure

f. Non-retirement of loans and advances

8. Suggest five (5) measures to make Internal control measures more effective and efficient.

a. _____

b. _____

c. _____

d. _____

e. _____

9. What appropriate measures would you suggest to ensure Internal control measures in the Revenue collecting agencies?

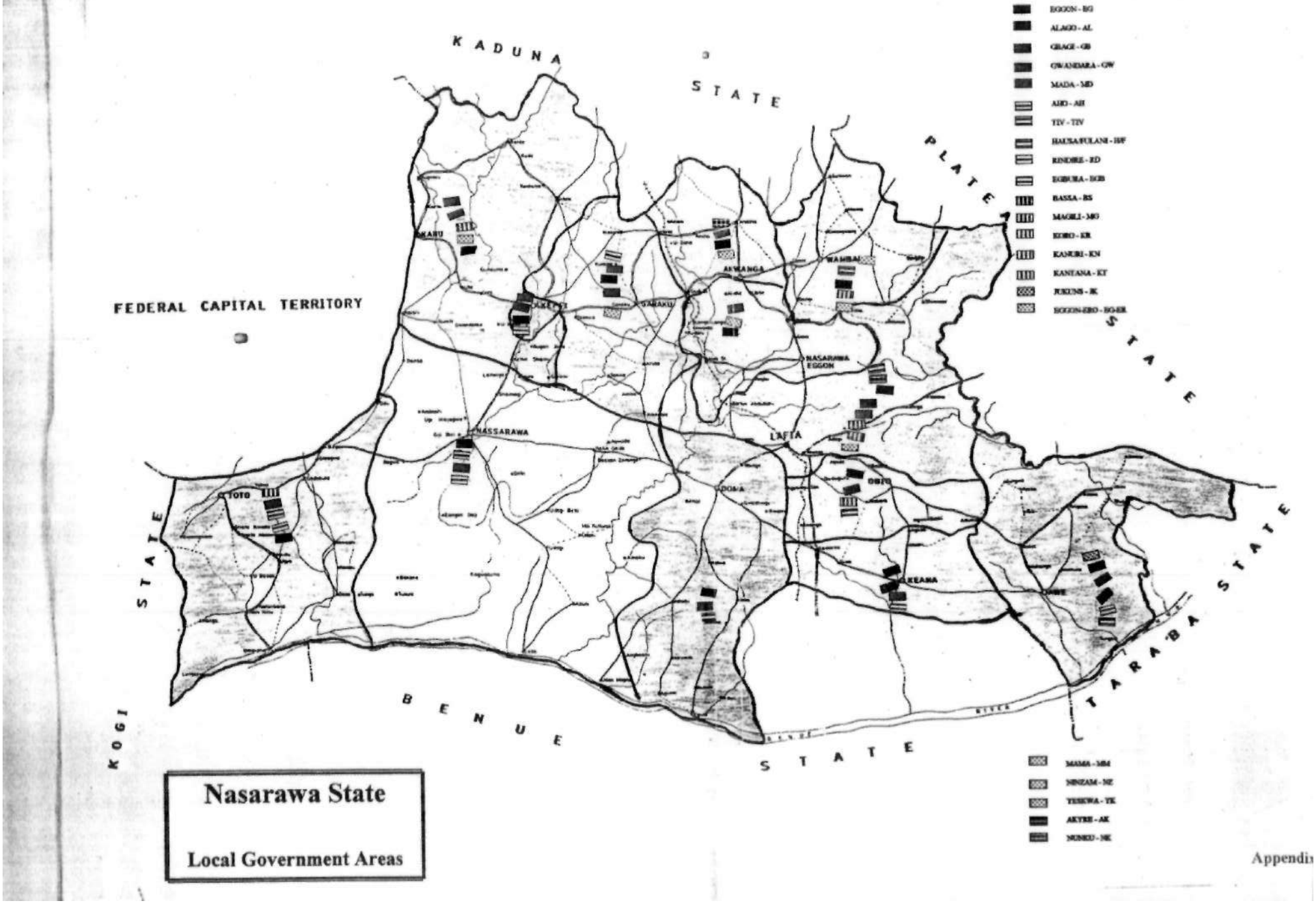
a. _____

b. _____

c. _____

d. _____

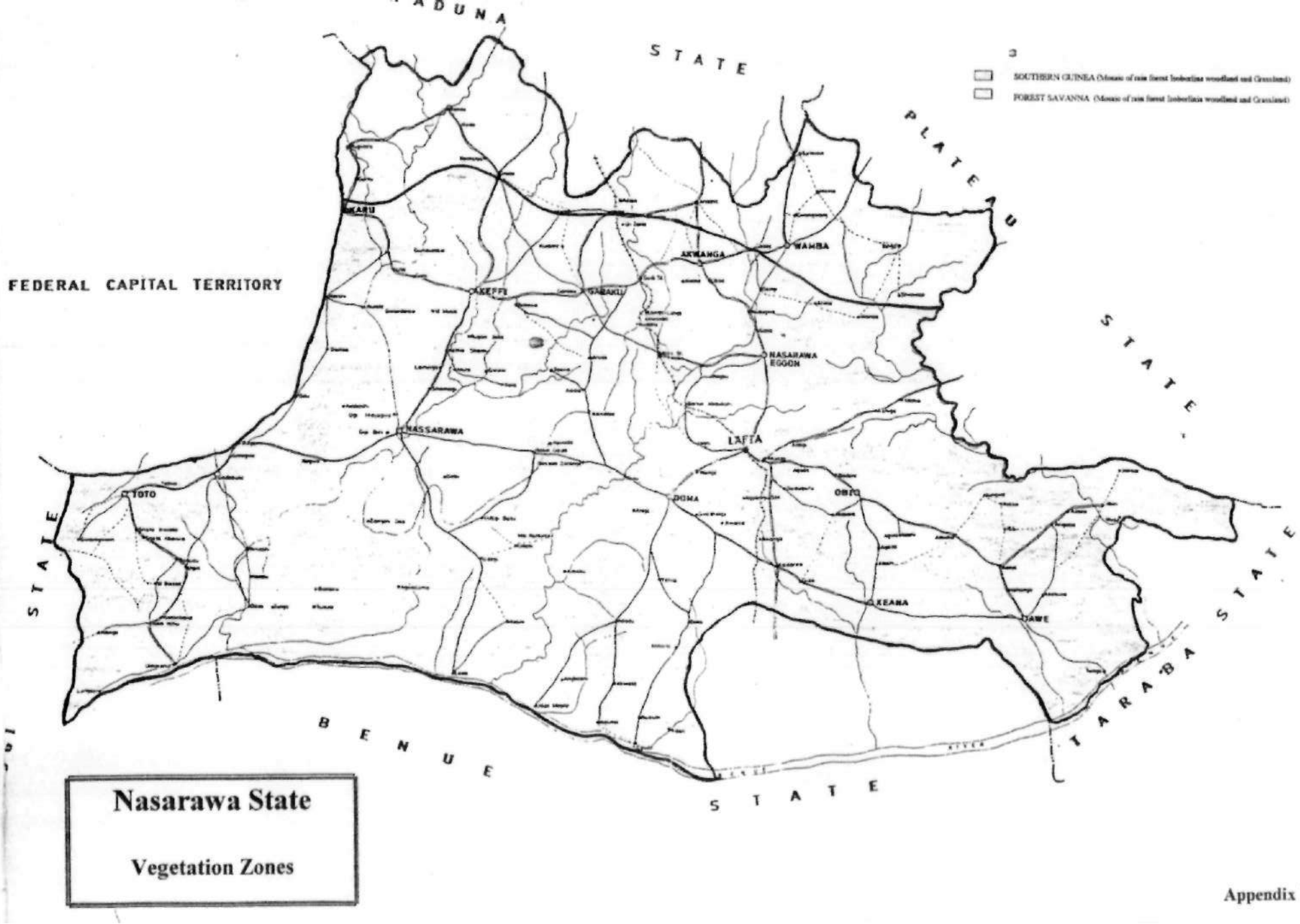
e. _____



Nasarawa State

Local Government Areas

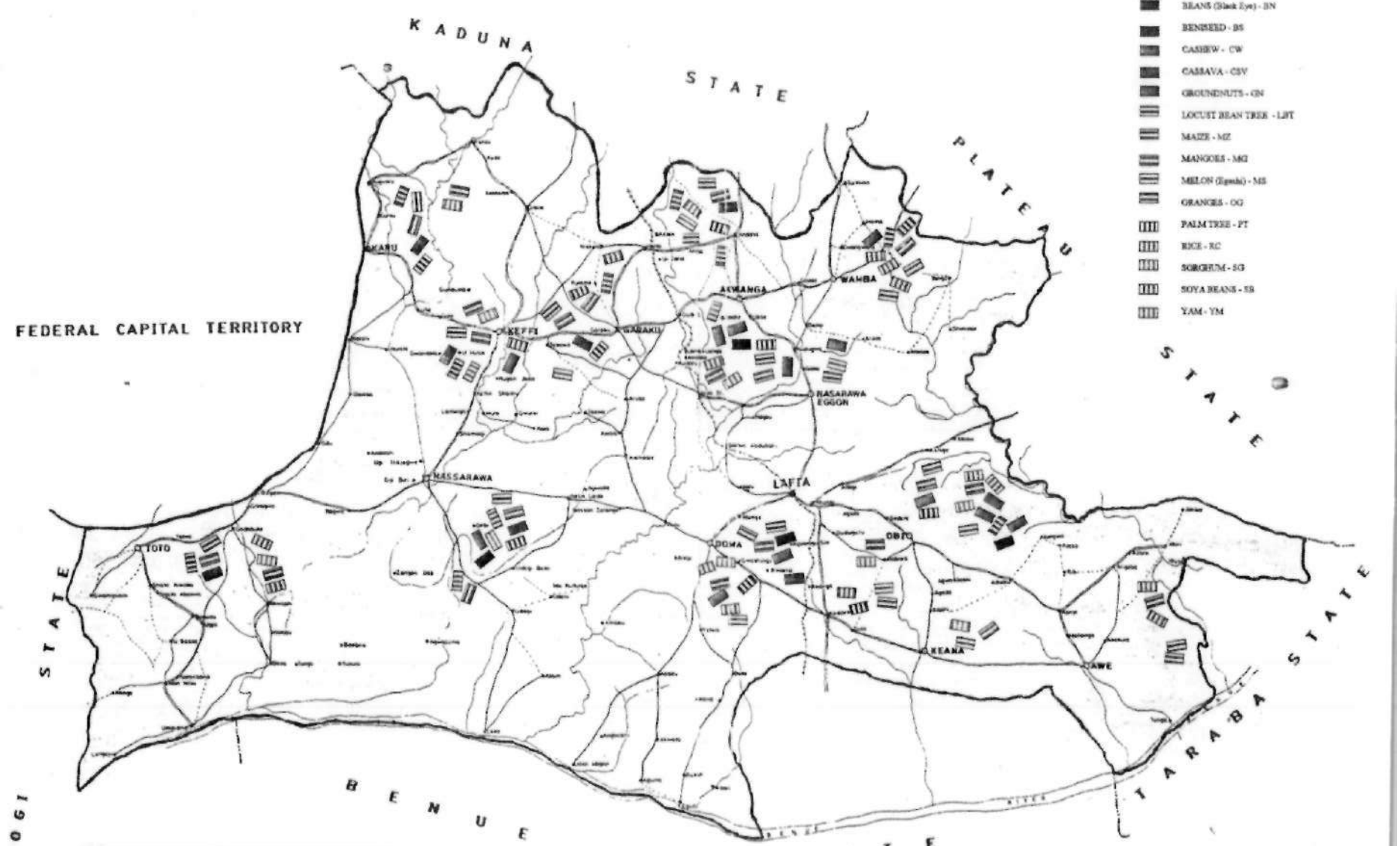
Appendi



Nasarawa State

Vegetation Zones

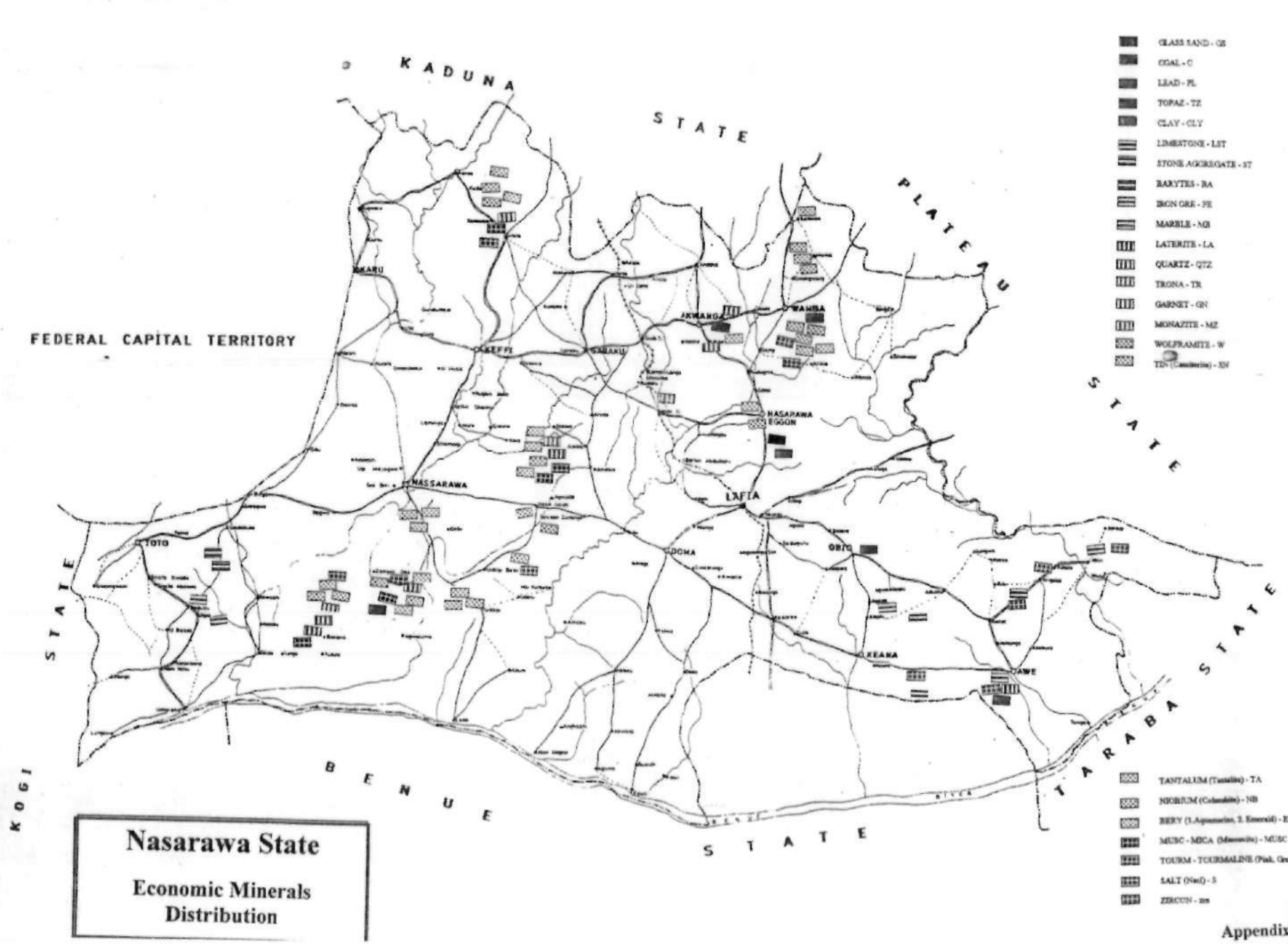
Appendix B



Nasarawa State

Agricultural Crop Distribution

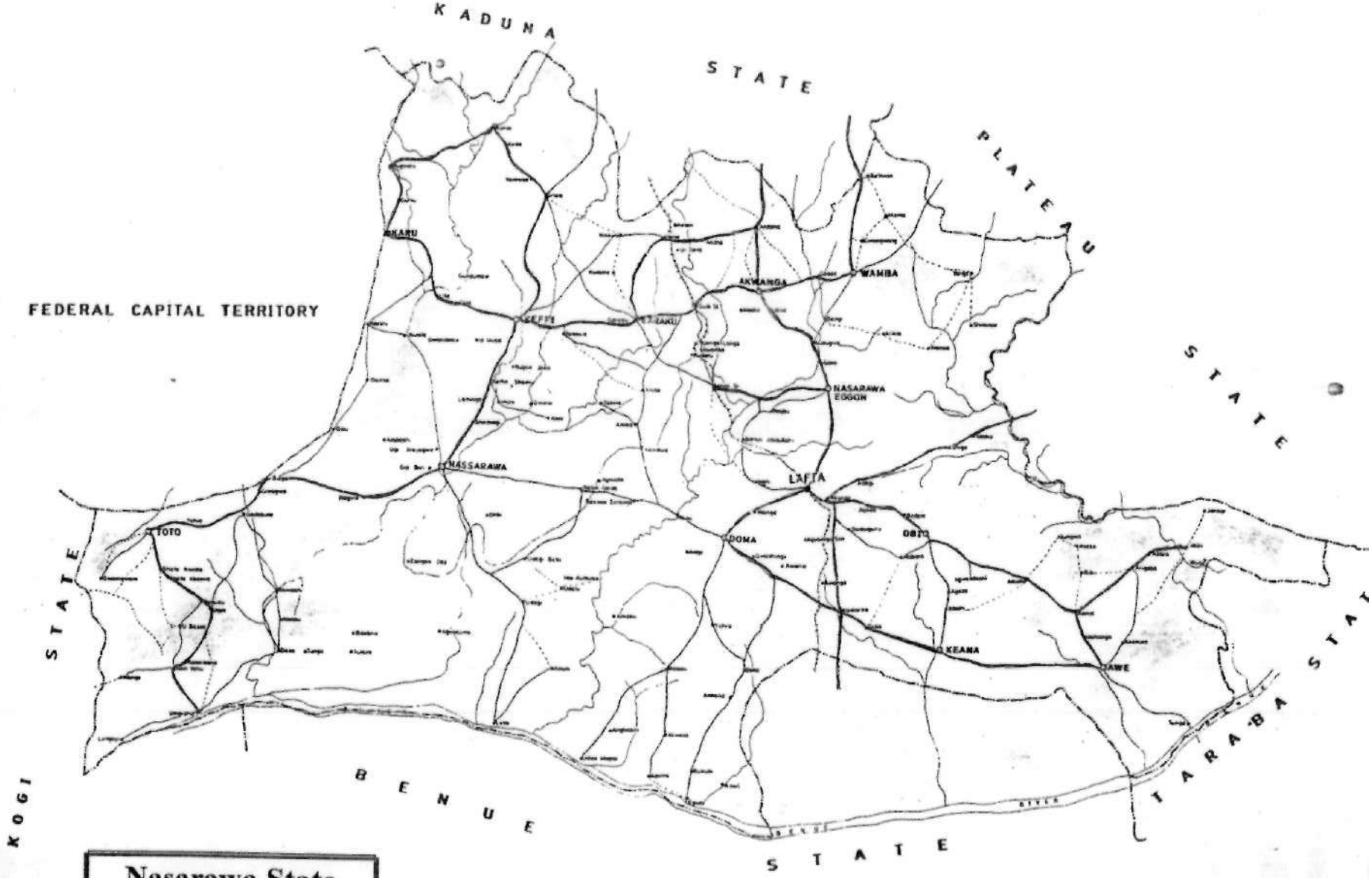
Appendix



Nasarawa State

Economic Minerals Distribution

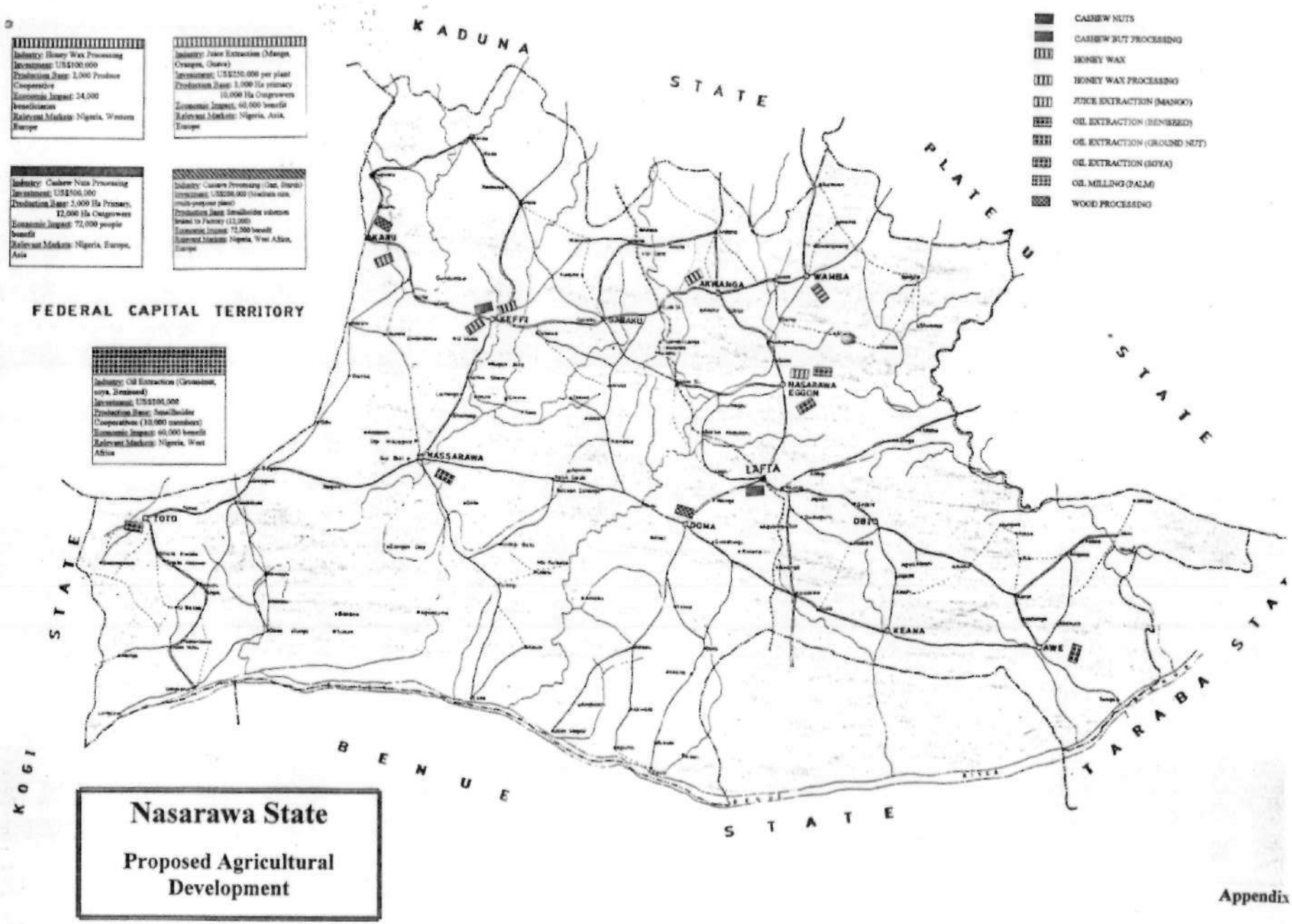
Appendix



Nasarawa State

Road Network

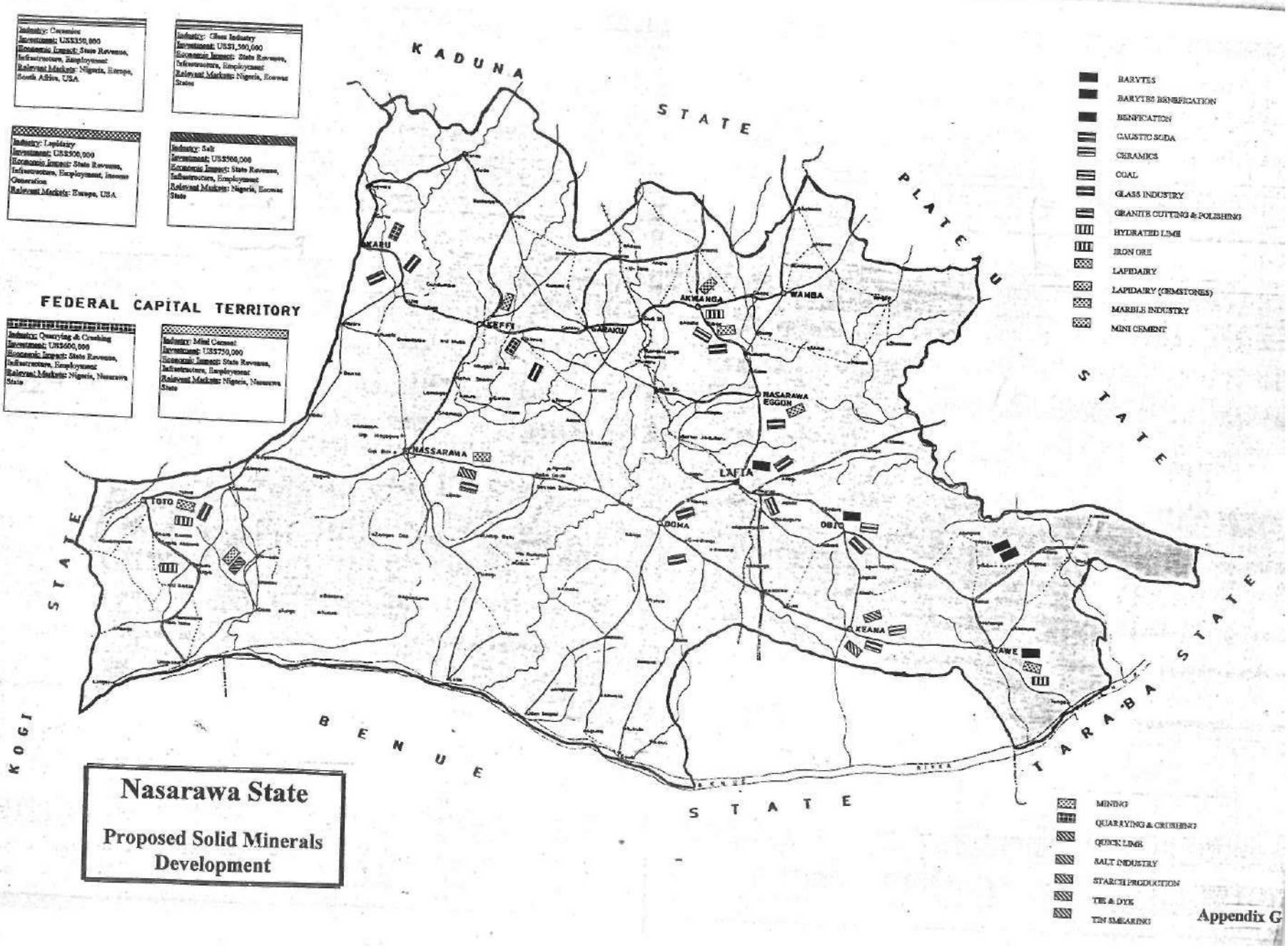
Appendix E



Nasarawa State

Proposed Agricultural Development

Appendix F


Industry: Ceramics
Investment: US$350,000
Economic Impact: State Revenue, Infrastructure, Employment
Relevant Markets: Nigeria, Europe, South Africa, USA
Industry: Glass Industry
Investment: US$1,500,000
Economic Impact: State Revenue, Infrastructure, Employment
Relevant Markets: Nigeria, Kaduna States
Industry: Lapidairy
Investment: US$300,000
Economic Impact: State Revenue, Infrastructure, Employment, Income Generation
Relevant Markets: Europe, USA
Industry: Salt
Investment: US$500,000
Economic Impact: State Revenue, Infrastructure, Employment
Relevant Markets: Nigeria, Kaduna State
FEDERAL CAPITAL TERRITORY
Industry: Quarrying & Crushing
Investment: US$600,000
Economic Impact: State Revenue, Infrastructure, Employment
Relevant Markets: Nigeria, Nasarawa State
Industry: Mini Cement
Investment: US$750,000
Economic Impact: State Revenue, Infrastructure, Employment
Relevant Markets: Nigeria, Nasarawa State
KADUNA STATE
PLATEAU STATE
KOGI STATE
BENUE STATE
TARABA STATE
KARU
KEFFI
AKWANGA
WAMBA
GARAKU
NASARAWA EGGON
NASSARAWA
LAFIA
Toto
OBI
KEANA
AWE
BARYTES
BARYTES BENEFICATION
BENEFICATION
CAUSTIC SODA
CERAMICS
COAL
GLASS INDUSTRY
GRANITE CUTTING & POLISHING
HYDRATED LIME
IRON ORE
LAPIDAIRY
LAPIDAIRY (GEMSTONES)
MARBLE INDUSTRY
MINI CEMENT
MINING
QUARRYING & CRUSHING
QUICK LIME
SALT INDUSTRY
STARCH PRODUCTION
TIE & DYE
TIN SMEARING
Nasarawa State
Proposed Solid Minerals Development

Appendix G