.ACT OF INTERGOVERNMENTAL FISCAL RELATIONS ON LOCAL GOVERNMENT PERFORMANCE IN ADAMAWA STATE.

1992 - 1996.

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(IN PARTIAL FULFILMENT OF REQUIREMENTS FOR THE AWARD OF MASTERS IN PUBLIC ADMINISTRATION - LOCAL GOVERNMENT, BY THE POST-GRADUATE SCHOOL OF AHMADU BELLO UNIVERSITY, ZARIA).

DECLARATION

I hereby declare that this thesis is a product of an independent survey carried out by me; that no part of it has ever been published nor submitted to any University for a degree and that all information derived from all published and unpublished works have been duly acknowledged.



Elias Dah Billambo

June 1999.

DEDICATION

This work is dedicated to:

- Almighty God for His infinite mercy and blessings on mankind in general and to me and my family in particular.
- All members of my immediate and extended family for their care and love for me.

CERTIFICATION

This thesis titled "Impact of Intergovernmental Fiscal Relations on Local Government Performance in Adamawa State 1992-96" by Elias Dah Billambo, has met all the regulations governing the award of the Degree of Masters in Public Administration - Local Government of Ahmadu Bello University Zaria and is approved for its contribution to knowledge and literary presentation.

Chairman Supervisory Committee	10-10-99 Date
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Dean *Post-Graduate School*	24/03/0 Date

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ABSTRACT

This thesis is an attempt to identify and assess the effects (positive and negative) of fiscal relationship between state and local governments on the capability of the latter to provide basic services and infrastrurai facilities at grassroots level. The goal of the study is to find ways of reducing or eliminating the negative effects and of enhancing the positive effects so that local governments could fulfil their role as the third tier of government in the state in particular and in the federation in general.

To achieve this goal, three local government areas (Demsa, Fufore and Mubi North) in Adamawa State were selected for in depth study and for testing of three hypotheses.

A total of 266 questionnaires were administered out of which 254 were filled and returned by respondents sampled from the state civil service, Local Governments and target communities. Some data were also extracted from secondary sources obtained from the Department of Local Government Affairs, the three Local Governments and the National Revenue mobilisation and Fiscal Commission Zonal Office Yola.

Among our findings are that:-

On the positive side, the intervention of state government in Local Government budgetary process helps to curb or check the mismanagement of public funds by top functionaries at that level. On the negative side, such intervention causes delay in project implementation and sometimes distortion of

reality in terms of people's felt needs vis-a-vis imposed areas of priority by the state government.

The internal revenue base and efforts of local governments are still far from reducing their over dependence on statutory Allocation and so there can be no fiscal autonomy for them.

The rate of mismanagement of public funds by local government top functionaries is a great contributory factor to their inability to perform.

Based on these findings, the study recommends that:-

There should be strict compliance with the provisions of the Model Financial Memoranda for Local Governments in Nigeria in relation to budgetary process and financial management.

There should be a new body established by the state government to take charge of Revenue mobilization, collection and disbursement to all local governments in the state.

External auditors from the office of Auditor-General for Local Governments should be more serious with their statutory responsibilities in order to arrest the ugly situation (gross violation of rules and regulations governing Accountability and probity in public office) in Local Governments.

Democratization of local government system in Nigeria is the final solution to all the problems highlighted above.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Nigeria's federal system of government which started in 1954 was essentially characterised by the emergence of three powerful regions in view of their enormous wealth and experienced politicians. The relationship between the regions and native Authorities was that of superior - subordinate relationship. The creation, and survival of Native Authorities was at the discretion of the regions. The practices continued up to 1966 when the military for the first time, swept away the civilian structure and took over the task of governance. Characteristically the hierarchical command structure of the military was brought to bear on inter-governmental relations in Nigeria. Superior officers occupied positions at the federal level while subordinate officers took charge of the states. The military government sought to ensure uniformity in the operation of local governments all over the country. It was to achieve this goal of uniformity that the 1976 local government reform was carried out.

Although the 1979 constitution empowered state governments to create local governments on account of their greater understanding of their environment, in practice, Federal Government under a military dispensation has been creating them. One important aspect of inter-government relations in Nigeria and which has been generating frequent frictions among the

various levels of government has been fiscal federalism. Federal government which is at the apex of the pyramidal structure of Nigerian federation controls financial resources that are generally richer. With respect to the financial resources at the disposal of local governments to undertake development projects, Oyelakin has this to say:-

> ***Most Local Governments in Nigeria are in deep financial crises. Indeed, many of them exist only to pay salaries with little or nothing left for investment on capital development and the provision of such basic infrastructural facilities as feeder roads, rural electrification and primary health centres which impact directly on the living conditions of the preponderant majority of Nigerians.*** [2].

This precarious financial position of local governments would hardly allow them to tackle the development problems at the grassroots as they are required to. The 20% Statutory Allocation to them is perceived by some analysts as inadequate given the enormity of their constitutional responsibilities. Most of the local governments have poor internal revenue base which makes them heavily dependent on Federal Statutory Allocation to pay salaries and meet up the growing needs and aspirations of their local environments.

The 1979 constitution provides for the establishment of a state-local government Joint Account into which local government Statutory Allocations

from the federation Account and from the state governments were to be paid. As at the time of this research majority of local governments in Nigeria refused to honour this constitutional obligations. Worse still most states were guilty of diverting local governments share of the federal account. This constitutional practice by most states to a considerable extent, has incapacitated the efficiency of local governments in the country. It was largely this brazen practices of most states of the federation that underpinned the policy of direct funding to local governments which was adopted in July, 1988. This policy change which was incorporated into 1989 constitution section 160 sub section 4 necessitated an upward review from 10% to 15% in 1990 of the Statutory Allocations from the federation account.

However, in 1992, realising the desirability of inducing rapid grassroots socio-economic development, the Federal Government thought it imperative to increase Statutory Allocations for the local government from 15% to 20%. In addition to this, each state government is expected to pay 10% of its internally generated revenue to the local governments, within the state or the portion of 10% internal revenue of states not remitted to the local governments will now be deducted at source on quarterly basis.

Despite this effort by the Federal Government to ensure viability of local governments in Nigeria, most of them are still characterised by acute paucity of resources to enable them pursue aggressive rural transformation policies. What could have accounted for this condition of most local

Governments in Nigeria?

Scholars have identified factors such as brazen culture of embezzlement by local government officials, mismanagement of resources, refusal of many State Governments to make Statutory contributions to local governments etc. as accountable for the persistent financial problems of local government councils [3].

Though local governments occupy strategic position in the sense that they have greater proximity to the mass of the people at the grassroots, their operations have always been characterised by acute paucity of resources needed to prosecute effectively and efficiently their constitutionally assigned responsibilities.

The federal government's policy of uniform operational framework for Local Governments must be reviewed to allow for operational base on the peculiarities and internal dynamics of the various local governments in the country. A wide consensus seems to be crystalizing behind the view that it is this uniform structure of local government in Nigeria that is significantly responsible for their poor performance. Other analysis are also of the view that the overwhelming powers of federal government and the state governments over local governments in financial matters is mainly responsible for their poor performance in terms of services delivery and provisions of infrastructural facilities. [4]

1.2 STATEMENT OF THE PROBLEM

The philosophy underlying constitutional recognition of local government as the third tier of government in Nigeria's federal arrangement is the desire to perceive and articulate the preferences and aspirations of the mass of the people at the grassroots level. In a country as geographically vast and socio-culturally diverse as Nigeria, the imperative of constituting a power structure with immense responsive capability at the grassroots level is desirable. There is no gain-saying the point that Nigeria is a country that is tremendously endowed with both human and material resources most of which are lurked at the grassroots level. Given the physical and the psychological distance between the federal, state governments and the mass of the people in our rural formations, the goal of developments would hardly be realised without an enduring power structure at the grassroots level.

The proximity of local government to the people at the grassroots essentially suggest that they are in a better position to appreciate the multiple socio-economic and political problems at that level and to tackle them with admirable efficacy and efficiency. Support for local governments at the grassroots is largely dependent on the tangible and intangible services they can render to the people. Efficient service delivery is therefore the basis of support and empathy local governments can enjoy at the grassroots. Be that as it may, local governments in Nigeria's federal

structure are widely perceived as both financially and materially weak that they hardly respond efficiently to the growing needs of their people. What is really responsible for the growing inability of local governments to solve the developmental problems of people at grassroots level? Could it be a problem of lack of adequate autonomy of local governments to handle their own affairs without interference from above? Could it be a problem of inadequate financial resources? Could it be a problem of mismanagement of the scarce resources available to local government? These and perhaps other important questions constitute the research questions or problems for investigation in this study.

In a federal system, there is a decentralisation of powers and functions amongst the various tiers of government defining political roles and functions. This decentralisation of power is also expressed fiscally in the form of how the revenue derived federally are also shared between the various tiers of government. The concern of this Thesis is with how local governments could effectively function in relation to their constitutionally defined powers and the level of fiscal allocation from the center. It is argued in this thesis that the amount of revenue received by the third tier of government has a direct effect on its ability to perform these roles and functions. The position is that the fiscal allocations to local governments is insufficient and this incapacitates the third tier of government. Other constraints are also highlighted but the major thrust of this thesis is that

insufficient revenue compels local governments to perform very poorly. In other words, interference from the centre and state, all tend to reduce the capacity of the local governments to provide the necessary services to the people.

1.3 OBJECTIVES OF THE STUDY

The general objectives of this study is to demonstrate with facts and figures that the powers of state governments to tamper with local governments funds accruing from the federation account and to interfere with decision making process at the local governments level on what services and projects to provide have direct (and sometimes negative) impact on the level of local government performance in these areas, that is, service delivery and provision of infrastructural facilities.

In this regard, the specific objectives are:

a) to define and critically examine the areas of intergovernmental fiscal relationship between states and local governments;

b) to identify and discuss the negative and positive effects of such relationship on local governments capacity to perform their developmental functions;

c) to show how far the relative autonomy of local governments has been affected by state government actions and decisions relating to budgeting and revenue generation.

1.4 SCOPE OF THE STUDY

In this study, the concept of scope covers three things, namely period of time, specific issues addressed and the local government areas selected for data collection, presentation and analysis.

a) Period of time Covered

This study covers a period of five years, 1992-96 for the following reasons:

- During this period, Adamawa State had settled down, having been carved out of the defunct Gongola State in 1991. The other state carved out is Taraba a relatively newer state than Adamawa.
- Local Governments throughout the federation enjoyed a high degree of fiscal autonomy in terms of direct funding from the federation account and approval of budgets by elected councils under the presidential system of government at local level.

b) Specific issues Addressed

These include salient aspects of intergovernmental fiscal relations and their effect on local government capability to perform developmental functions. Such issues are:

- revenue allocation formula.
- disbursement of funds from the federation account to local governments;

- powers of local government to explore and generate revenue from internal sources'
- revenue - generation efforts of local governments;
- state government contribution to local government fund;
- provision of health and medical services, potable water, feeder roads in rural areas, markets and financial assistance to communities for self-help projects.

c) Selected Local Government Areas

In depth study of issues related to intergovernmental fiscal relations, as spelt out above, is carried out in three local government areas of the state. These local governments are Mubi, from Adamawa North Senatorial District, Fufore from Adamawa Central Senatorial district and Demsa from Adamawa South Senatorial District. Two of local governments Mubi and Fufore were created in 1976 after the Nationwide Reform of Local Government System in Nigeria. Demsa Local Government was created in 1991. The three LGAs represent the Urban, semi-urban and rural local government areas of the state.

1.5 HYPOTHESES

The following hypotheses are tested:

1. That the powers of state government to interfere with local government budgetary process in Adamawa (like in other states) have more negative than positive impact on the capability of local

governments to provide basic services and infrastructural facilities at grassroots level.

2. That the internal revenue base and revenue generation efforts of local governments in the state are too poor to enhance their fiscal autonomy and capability to perform.

3. that the poor handling of financial responsibilities by top functionaries of local governments in the state is a hindrance to their capability to provide basic services at grassroots level.

1.6 DEFINITION OF CONCEPT

For the purpose of this study, we defined the concepts of local government, Federalism, intergovernmental regulations (including fiscal relations) and performance.

(a) LOCAL GOVERNMENT:

The United Nations defined local government as:-

> ***'a political subdivision of a nation (or in the a federation) a state which is constituted by law and has substantial control of local affairs including the powers to impose taxes or to contract labour; such an entity is elected or otherwise locally selected'5.***

The UN definition of local government brings into sharp focus four salient attributes:

(a) Local Government is a lower level of government than state or federal;

(b) It is usually constituted by law and has certain defined responsibilities;

(c) It is normally elected or selected.

(d) It has powers to control local affairs including its resources.

Similarly, the official document on the 1976 reformed system of local government of the Federal Republic of Nigeria conceptualizes local government as:-

> ***'government at local level exercised through representative councils established by law to exercise powers within defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial powers to initiate and direct the provision of services and to determine and implement programmes so as to complement the activities of the state and federal government in their areas and to ensure through devolution of functions to these councils and through the active participation of the people and their traditional institutions, that local initiative and response to local needs and conditions are maximised'[6].***

From this definition embodied in the 1976 local government reforms guidelines, three critical issues could be identified. These are:

(a) Local governments are catalysts for stimulating active interest in the people in democratic participation in local affairs;

(b) Local governments are institutional power structure committed to the mobilization of both human and material resources available at the grassroots; and

(c) Local governments are instruments for efficient and expedient social services delivery to the mass of the people at the grassroots.

It is largely on account of these three critical functions expected to be

performed by local governments that overwhelming emphasis is placed on the election or selection of local people who are assumed to have acquired a grasp and participatory perception of the local environment.

(b) **FEDERALISM**

Federalism is a system of socio-political organisation that is always akin to a society essentially characterised by a complex heterogeneity. It is a well thought-out system that emphasizes on the creation of multiple centres of power which should be acutely sensitive and responsive to the peculiarities of its operational environment. Federal arrangement is more suitable for societies that are territorially and ethnically diverse. Thus, it is always the desire to keep the diverse ethnic groups together necessarily neutralizing their distinct identifies that dictates a federal option for a given society,

Eleazu conceives of federalism as a "means where similarities are harmonised and differences accommodated"[7]. Thus federal arrangements seek to promote a feeling of oneness in an otherwise pluralistic authority between states and central government, each having the final say regarding matters belonging to its sphere. This view suggests that a political system organised under the framework of federalism must have several component units with a central unit primarily responsible for promoting their common interests.

From the foregoing views on federalism, we can deduce the following defining characteristics:

(a) It is a system desired by a society that is ethnically pluralistic and territorially vast;

(b) It is characterised by dual or multiple centres of power;

(c) Component units are ultimately under the control of the central government;

(d) Sharing of power among the component units is constitutionally determined;

(e) Mutual respect for each others' defined sphere of jurisdiction; and

(f) All the centres of power must seek to promote the overall unity of the nation.

However, within the Nigerian context, federalism is essentially characterised by three notable centres of power, the federal, state and local governments. These three tiers of power structure are theocratically coordinated and independent as each has its function clearly spelt out in the constitution with corresponding quantum of power required for the effective and efficient performance of the functions.

In the constitutional division of power among the federal, state and local government in Nigeria, local government as the Third tier has the least quantum of power but with enormous responsibilities to the mass of people at the grassroots. Since 1976 when local governments were constitutionally

recognised as constituting the third tier of government in Nigeria, they have had to agitate for greater autonomy to enable them respond promptly and efficiently to the growing needs and aspirations of the environment. In discussing local government in a federal setting within the Nigerian experience, greater focus is on intergovernmental relations and how this has affected the dispensation of constitutional functions of local government.

(c) **INTERGOVERNMENTAL RELATIONS**

Elekwa defined inter-governmental relations as "the patterns of cooperative relationships between various levels of government in a federal governmental system."[8] Intergovernmental relations is quite desirable for the effective coordination and harmonization of policies and their implementation to foster national development. H.N. Nwosu identifies the following as the rationale for Inter-governmental relations in a federal framework.

I) To promote peace and harmony among the three levels of government.

ii) To enhance the emergence of cooperative rather than competitive federation.

iii) To ensure effective and efficient utilization of available human and material resources among the various levels of government.

iv) To accelerate the achievement of self-reliant economy.

v) To minimize inter-jurisdiction conflict among the various levels of government.

vi) To tackle problems of rural and urban poverty, ignorance and suffering of the people.

vii) To foster greater national integration through the activities of the various levels of government?

d) PERFORMANCE:

This concept is defined here as:-

I) The extent to which a local government is able to meet its set target (as contained in its annual budget) in terms of service-delivery and provision of infrastructure at grassroots level.

ii) The extent to which people's needs are met by the services and infrastructures provided by a local government as can be seen and measured practically.[10]

1.7 RESEARCH METHODOLOGY

1.7:1 This study is an attempt to assess the impact of inter-governmental fiscal relations on the capability of local governments to provide basic services and infrastructural facilities. For the purpose of this work, inter-governmental fiscal relation is limited to relationship between Adamawa State Government and Local Governments in the specific areas of:-

a. Local Government budget approval by the state government.

b. Guidelines contained in the call circulars issued by the State government.

c. Encroachment on local government internal revenue sources by the state government.

d. Disbursement of funds to local governments from the federation accounts.

e. Spending limits imposed on local governments councils by the state government.

f. Imposition of extra-budgetary expenses on local governments by the state governments.

To assess the impact of these areas of relationship on local government performance, we needed data form:

i. the state government agencies responsible for such relationship.

ii. the three local governments selected for in depth study.

iii. Communities where services and infrastructures are provided.

1.7:2 SAMPLING TECHNIQUES

The primary data required for this study were generated from the three sources mentioned above. Some of the respondents were intentionally picked because of their relevance and knowledge of issues involved, especially at state and local government levels, while those at community level were randomly picked from four strata of each community. A total of 266 questionnaires were sent out as shown in table 1.1. below.

Table 1.1 **TOTAL RESPONDENTS SAMPLED FROM THE STATE AGENCIES, LOCAL GOVERNMENTS AND COMMUNITIES.**

STATE AGENCIES		LOCAL GOVT.		COMMUNITIES	
Functionaries	No	Functionaries	No	Functionaries	No.
Director Gen.	1	L.G. Chairman	3	Village Head	9
Director (L.G)	1	Sec. to L.G.	3	(3x3)	9
Director (Insp.)		Treasurers.	3	Leaders of CBAS	
& Monitoring				(4X9)	36
		H. O. Ds (3x5)	15	Leaders of	
				occupational Groups	
Director (Plan &	1	Sectional			
		Heads (3x5x3)	45	(5x9)	45
Director (Fin.&	1	Sup.	12	Heads of House	
supply)		Councillors		holds (10x9)	90
		(3x4)			
Total	5		81		180

Source: Field work by the Author.

1.7:3 SECONDARY DATA

Secondary data for this thesis were extracted from records in the state agency (Department of local government and chieftaincy affairs) and the three local governments. These records include:-

I. the call circulars sent to local governments on their annual budgets:

ii. the approved budget;

iii. local government revenue charts and receipt books used.

iv. Local Government accounts on revenue from all sources and on capital projects;

v. Revenue sharing formula used by the state government to disburse revenue from the federation account to all local governments in Adamawa state.

1.8 CHAPTER ARRANGEMENT/PLAN OF THE WORK.

There are five chapters in this work. The remaining four chapters contain the following issues and discussions:

Chapter two contains the theoretical background of inter-governmental relations in a federal system and detailed discussion of inter-governmental relations in Nigeria with particular reference to revenue allocation formula over the years; their socio-economic and political implication at federal, state and local government levels. The chapter ends with possible suggestions by scholars and their relevance to this study.

Chapter three deals with fiscal relationship between state and local government within the institutional framework of the 1976 local government reforms as subsequently amended by state edicts dealing with local government Administration. In this chapter, specific references are made to powers of state government over local governments on budget preparation and approval, borrowing of funds from banks, project implementation, revenue generation, disbursement of funds to local government, inspection of local government programmes, auditing of accounts and assessment of performance from time to time. The purpose of this chapter is to create the background for the next chapter (which deals with the background for the

next chapter (which deals with presentation and analysis of data).

Chapter four is the heart of the matter where data are presented and analysed to test the three hypotheses formulated for the thesis. Our findings form the field enabled us to draw some conclusions as contained in the last chapter.

Chapter five concluded the work with a summary of findings on the capability of local governments to measure up to the expectations of the masses, observers and state government functionaries who play very significant role in determining the behaviour and performance of local governments.

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7. **ELEAZU UMA:**

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9. **NWOSU H. N.**

"Intergovernmental Relations in Nigeria" in M. I. Clark and P.C. Nroli (eds) Ibid. P. 51.

10. Definition by the Authur for the Purpose of this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 HISTORICAL BACKGROUND OF INTERGOVERNMENTAL FISCAL RELATIONS IN NIGERIA

Any history of Nigerian Federalism is incomplete without the analysis of Revenue Allocation System by which the Federal Government relates to the other tiers of government financially. Inspite of its centrality to the discussion of federalism and balance of power, works on Nigerian Government and Politics has always treated Revenue Allocation as Secondary issues. The issue of Revenue Allocation have been given less attention than it deserves in scholarly discussions and research works. This is perhaps due to its sensivity and sensationality at political (power) level during constitutional conferences and in memoranda usually submitted to commissions set up to look into and work out suitable formula for revenue sharing by and among the three tiers of government.

In order to carry out their assigned responsibilities effectively, the various tiers of government need proper financing. In the case of local governments, finance is central to their operations since the local governments that are not urban-based have to address fully, the issues of rural development. It is therefore necessary to take a brief look into the various revenue allocation efforts historically and acquaint ourselves with percentage allocation to the various tiers of government.

Revenue allocation has its origin in the Richards Constitution of 1945. Although this constitution was not strictly federal, the creation of the regional level of government immediately raised the question of allocating revenue among the central, the new regional centres and the old Native Administrations. The first step taken by Governor Richards was to declare certain sources of revenue as regional [1]. The second was the appointment of a commission to study and advise government on how to apportion the rest of the Nigerian revenue (called 'non-declared' revenue) both vertically among the three tiers of government and horizontally among the three regional administrations. An ad hoc committee was headed by Sir Sydney Phillipson in 1946 to recommend the method of sharing this 'non-declared' revenue. The principle of derivation was recommended, and this was determined by the amount of revenue contributed to the federal centre. The calculation of such proportional contribution was based on the share of each region in import duties on tobacco, cigarette and matches [2]. But this principle suffered from the problem of non-availability of convincing data on the volume of trade that entered each region. It was observed that data on which Phillipson based his recommendation were faulty and it was alleged that the Eastern Region was gaining disproportionately[3]. By 1948, the Northern Region was clamoring for a review of the formula which led to the creation of another ad hoc commission.

This commission, called the Hicks Commission in their recommendation de-emphasized derivation and introduced 'need' and 'national interest' as two other principles. But in the absence of any reliable measure of the needs of people of the three regions, 'needs' was taken as synonymous with population; and in the absence of a reliable population census, figures were arrived at from the number of adult male tax payers. This put the Northern Region in an advantageous position and has made census one of the most politically sensitive exercise in Nigeria[4]. The emphasis on population as the major determining factor faced strong opposition from the Western Regional Elites such that by 1953, a new ad hoc committee was set up.

The new commissioner was Sir Louis Chick who has charged with finding acceptable principles by which derivation could be successfully implemented. What emerged between 1954 and 1959 when the proposals were operated was a clear financial boom for the Western Region - because of export duties on cocoa and marketing board profits. [5]

Another committee: The Raisman-Trees Commission was set up to correct inequalities identified in the previous formula. It subsequently recommended that the application of derivation be narrowed by widening the base of regional revenues. Thus the regions could obtain 'independent revenues' from income taxes, export taxes, produce purchase taxes, tax on motor tobacco. The federal government retained exclusive jurisdiction over

custom duties, excise and sales taxes, and companies income taxes[6].

The most remarkable proposal from the Raisman Trees Commission was the Distributable Pool Account - D.P.A. These are revenues from other taxes which were not declared federal nor regional. The D.P.A. was constituted through 30% of mining royalties and 30% of general import revenue which were to be allocated to the regions in the following proportion: North 40%, West 24%, East 31% and Southern Cameroons 5%[7].

The Raisman Tress report was a major Landmark in the history of revenue sharing in Nigeria. It was operated until 1966 with a minor amendment in 1964. This however, had little impact on the Raisman Trees proposal. However, the advent of Military rule, the restructuring of the federation through the creation of twelve states which replaced the regions; and finally the emergence of oil as the dominant revenue source called for new formula.

The crisis of Nigerian federalism which culminated into secession and the subsequent civil war led to the emergence and dominance of centrifugal forces which led to a strong centralised federal structure. The implication of this for revenue sharing is that the subsequent Dina Commission that was set up recommended the retention of a huge chunk of revenue by the federal centre. This complemented the new political strength of the Federal Military Government. Most of the other proposals of the commission were rejected; and in the era of military rule, the revenue sharing formula was approached

through decrees' No. 15 of 1967, No. 13 of 1970, No.9 of 1971 and No. [6] 1975 [8]. These decrees had the net effect of altering the make-up of the D.P.A. such that from 1970, 2/5 of all export duties was distributed through the D.P.A. in contrast to the earlier practice when the whole of this revenue was returned to the regions according to derivation. As from central government and the other 50% credited to the States through the D.P.A. [9]

The major achievements of these early efforts at revenue allocation include:-

- the establishment of state or regional autonomy over source of revenue;
- the establishment of federal government exclusive control of some revenue resources;
- the creation of a distributable pool account into which other revenues (including import and export tax, mining rents and royalties, etc), were paid which was subsequently distributed between the federal, and regional/state governments;
- the development of revenue allocation principles, such as derivation, population, even development, etc. on the basis of which funds in the D.P.A. are shared among states or regions as the case may be. (There have been three major efforts at evolving a revenue sharing formula for Nigeria which have had direct impact on the efficiency of local governments)

THE ABOYADE REPORT:

The Aboyade Technical Committee was set up in 1977 in order to review the inter-governmental tax jurisdiction and revenue allocation with a view to injecting better efficiency in the working of fiscal federalism. Its recommendations at the vertical level were as follows:-

Federal Government	-	57%
State Government	-	30%
Local Government	-	10%
Special Grants Accounts		**3%**
		100%

In addition to the Local Government share of 10%, each state government was also to contribute 10% of its total revenue receipts to the share of its constituent local governments from its fund.

On the horizontal level of allocation, the Aboyade Committee suggested that the 30% share of the states be shared among them using the following criteria and indicated percentages:

Equality of access to development opportunities	-	25%
National Minimum standards for National Integration	-	22%
Abortive Capacity	-	20%

Independent Revenue Tax Effort	-	18%
Fiscal Efficiency	-	15%
		100%

The above principles suggested were, according to Aboyade "Value-neutral principles'10. But they were not seen with the aim of appending it for the first time in the constitution. The members of the Constituent Assembly who for any reason had something to comment on the report derided it and described it as too technical, abstract and impracticable for the incoming civilian administration.

THE OKIGBO REPORT

Following the rejection of the Aboyade report, the Okibgo Committee was set up to look at the protests and rejection that greeted the previous exercise. The commission used the levels of expenditure by each tier of government (both recurrent and capital) as the basis for determining the relative weights for allocating revenue among the three tiers of government, and therefore recommended that the Federation Account should be shared using the following percentages:

Federal Government	-	53%
State Government	-	30%
Local Government	-	10%
		93%

Special Fund to be applied as follows:

Initial development of FCT	2.5
Mineral producing areas	2.0
Ecological and other disaster	1.0
Revenue equalisation fund	1.5
	———
	7.0%
	=====
	100%

It is important to highlight that the Okigbo commission recommended that a satisfactory allocation system should strive to satisfy the twin objectives of equity and efficiency, which strengthen the effort of the federal government in managing the national economy and most importantly, in ensuring that adequate funds flowed to the states and local governments.

On horizontal allocation, it is important to note that the Government white paper, the 1981 Act and the 1984 Decree all accepted the Okigbo recommendation with respect to horizontal sharing. It should also be noted that the Governmentn white paper recommended 8% instead of Okigbo's 10% for local governments; this was however subsequently rectified by the 1981 Act and its amendment in 1984. The commission further recommended that each state government was to contribute to the State

Local Government Joint Account (SJLGA) for sharing among the Local Governments in the state, 5.5% of the state governments total revenue.

THE DANJUMA COMMISSION

In 1990, the Federal Government approved a permanent and not ad hoc commission to tackle the problem of revenue sharing: The National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC). It was among other things charged with monitoring the accruals and disbursement of revenue from the Federation Account, the State Joint Account, the Local Government Joint Account and the special purposes Accounts, to the three tiers of government.

In its submission, it recommended 47%, for Federal 30% for State and local governments 15%. The A.F.R.C. increased the Federal share to 50% but retained the local government figure. The dissolution of the primary education board prompted a 5% fund to be contributed by the three tiers of government to manage primary education. However,, the local governments share was increased from 15% to 20% share of the federation account and state's share was reduced from 30 to 25%[11].

In concluding this section on revenue sharing which is central to the effectiveness of local government administration in Nigeria, it is quite noticeable that until the Okigbo report, there had been no concerted effort to directly allocate federal funds to the local governments and this in itself could have a negative impact on the capacity of these local administrative

units to effectively perform their constitutionally assigned functions.

2.2 RESOURCE-SHARING AND LOCAL GOVERNMENT ADMINISTRATION

The question can be posed: apart from relieving local governments of financial hardship, what are the other aims of revenue sharing? To some extent, it is meant to place responsibility for local functions under local control and to provide local governments with the authority and resources they need to serve their communities more effectively. Thus revenue or resources sharing whether from the federal to local, or state to local institutions, is both a fiscal tool to help state and local governments as well as political tool to decentralize public decision making.

Concomitant to decentralized decision-making is the view that this would result in more efficient use of resources by officials who are closer to the people and could effectively deal with local problems. The decentralization of policy making is regarded as one of the major philosophical premises for revenue sharing. This should be the case because the states and local governments which are closer to the people are expected to have a greater say in the use of national resources.

Revenue-sharing relieves fiscally hard-pressing local governments, gives real meaning to the rhetoric of decentralization and it also serves to restore intergovernmental fiscal balance. Federal funding in this case brings a new sense of accountability and a new burst of energy to local

governments. In this case, revenue invigorates a viral local government system. However, with increased funding, accountability has been the recurring problematic decimal in inter-governmental relations, although this seems to be taken care of by making the states fiscal middlemen initially. This arrangement also generated its own problems because fiscally hard-pressed state governments do divert local governments allocations to their own use. The states therefore tend to become funnels rather than tunnels. In the present dispensation local governments get their revenue directly from the federal government, but the problem is: how does this aid the ideal of decentralization implicit in a federal arrangement?

Implicitly in the above problematic is the conception of the local government itself as mere institutional extension of the administrative arms of the states and federal governments. Stated differently, it has been observed that local government is an instruments used by the states governments to achieve its purposes at the local level or as an alternative machinery for the provision of essential socio-economic services. This is incompatible with the requirements of a responsible government. Subsequently, the term "Local Government" has been aptly described as:- "an essential instrument of National or State Government for the performance of certain basic services which can best be (decided upon and) administered locally on the intimidate knowledge of the needs, conditions and peculiarities of the areas concerned. It unites the people in a defined

area in a common organisation whose functions are essentially complimentary to those of the central government and in the interest of the local residents for the

satisfaction of common community needs. It is a means by which a local community satisfies jointly its common problems and needs which would have been difficult by individuals. Consequently, its effectiveness is judged through the developments it generates, social amenities it provides to what extent that it has catered satisfactorily for the happiness and general-well being of the communities it has been established to serve. [12]

Local governments has to be conceived of as political institution for "home rule" or"democratic participation: in the process of governance at the grassroots in which case it has to enjoy a policy-determining voice in the running of local affairs. But the question arises: Can these ideals of 'local government' be achieved without some measure of fiscal autonomy from the states and the federal government? Are the problems of local governments only attributable to the 'smallness' of revenue allocated to them? The total revenue allocated to local governments between 1981 to 1993 is N35 billion, that is within a period of 11 years. [13.] While on a comparative basis, within a period of two years, the states shared N27 billion. Can local governments show anything for this huge sum of money allocated to them during that period?.

Although there is no hard and fast rule about the size of local government in jurisdictional and population terms, they must at least have potential fiscal and leadership resources to be able to develop programmes, employ competent staff and manage the variety of local services expected of modern local government. Inspite of these ideal requirements of local government units, there has never been an agreement over what should be the optimum size of local government. The debate over time, has been diverse. Scholars and practitioners have supported large local governments while politicians have supported small 'ones'. Government stipulated large local governments for the country in 1976:

> In order to achieve sufficiently large scales operations to be able to perform all types of functions economically..... local government .....serve total populations between 150,000 and 800,000 provided that these limits may be varied in exceptional geographical circumstances and provided further that there should be no upper limit to the size of local governments covering major towns so as to ensure that each town is within a single unit. [14]

But during the period of constitutional government in 1979 to 1983, most state governments split their existing local governments into smaller units with the principal aim of bringing government closer to the people and make them real centres of local power and authority; thereby promoting grassroots democracy. [15]

In support of smaller local governments, it is argued that it is easier and cheaper for citizens to understand political issues in a small community and, in particular, to acquire information on alternative policies either by directly or indirectly participating in local politics. In support of this is the Aristotelian argument that:

> a state cannot be made out of ten citizens,
>
> and that which is made out of ten thousand
>
> is no longer a state. [16]

The above postulation may not hold true for modern societies in this era of technological development. Secondly, the smaller the local government, the closer will be the relation between decisions on expenditure and their actual impact on the citizenry.

The argument against small local governments will also suffice for large local governments. For instance, in 1976, after the nation-wide local government reforms in Nigeria, about 301 units emerged but it has since more than doubled this number (774 in 1997). The large numbers of local government means more problems of control, management and monitoring for the other two tiers of government. It has also been argued that the more local governments the more likelihood of boundary problems - that is inter-governmental externalities which will create friction between communities. This is quite true in Nigeria where there are recurring boundary problems not necessarily between local governments but between communities which fall

within different jurisdictions of local administration. [17].

In a summative sense, we can posit that extremely large and extremely small local governments may not be the deal for Nigeria; rather a compromise seems more feasible whereby the commitment to 'grass-roots' democracy and 'local freedom' and the requirements of efficiency in the administration of services and the 'provision of local-micro-services' should be the guilding principles and not size and population which are subjectively determined variables in the creation of local governments.

In the present dispensation, the formulae used for revenue-sharing include land mass and population, therefore, the determination of what should constitute a local government becomes important. Similarly the more local governments whatever their size, enjoy the equality principle in revenue sharing. This could partially explain the proliferation of local governments in Nigeria apart from the unending desire to have an increased number of elective and appointive offices available to every locality if possible.

A problem area is that of federal-state-local government relations. The relationship between state and local governments in Nigeria over the years, since 1976 can be classified as constitutional, political, administrative and occasionally judicial. Problems arise in these areas because local governments are creatures of the state governments constitutionally. Since local Government powers derive from state government these powers could

as well be modified or withdrawn from them. The constitutional aspect of the relationship has remained with us under any form of government or Military.

Under the local government (Basic Constitutional and Transitional Provisions) Decree 7 of 1997, the scope and powers of the Local government are spelt out and the Head of State is empowered to dissolve any erring council and appoint an administrator for such an area. This decree under military rule is different from the constitutional provisions under partisan politics, whereby the state government has the right to dissolve and probe local governments.

2.3 LEGAL IMPLICATIONS OF STATE - LOCAL GOVERNMENT RELATIONS

Relationships between levels of government have a lot to do with the attitudes and behaviour of the functionaries at each level. Two types of relationship can be distinguished in inter-governmental relations namely superior-subordinate or master-servant and bargaining/negotiating or partners in progress relationship. In their dealings with local governments, state government always assume an air of superiority. Thus between the two levels of government, a superior, - inferior/subordinate type of relationship can be identified.

At present in Nigeria the state-local government relationship which limits the extent of local government powers and resource base is characterised by vertical patterns of interaction poor horizontal relationship which limits the extent of cooperative inter-action between them and a

structure in which a master servant relationship evolves between the two levels of government. The poor horizontal relationship and the dependent structure of the state-local government interactions are a direct consequence of the superiority-inferiority complex between the officials of the two governments.

In Nigeria local governments are the creatures of the state government and are therefore subordinate to it. But the degree of subordination depends on the attitude of those controlling the state government. However, the relationship between the local government and state is primarily determined by the conception of the role which the later should play in the political process by the former - for example local governments (past and present) are agents of political control. Instead of seeing local governments as a political institution in the process of governance at the grassroot, they are often seen and treated by State Governments as" an instrument with which to achieve its purposes at the local level and as an alternative machinery for the provision of socio-economic services" [18]. Very rarely are local government officials seen and consciously used by policy makers and officials of the state government as means of promoting democratic values and practices unlike in Britain, for example, where the concept of local government implies some measures of self-government by the local community in those spheres of activities assigned to it and within the general larger framework of the central

government. From the practical stand point, local governments in Nigeria are more of agents of the state government than the English type of local government which is treated as independent base for the social economic and political life of the community.

The real determinant of state-local government relationship is to be found in the attitude of central (state) government as manifested in various policy circulars (legislative, administrative, judicial and financial) and regulations as well as in the behaviour of its field staff towards local government generally. Under the present dispensation, local governments are expected to enjoy some measures of autonomy from the state government. Their incorporation into the constitution is to ensure that the state government cannot increase or decrease the number or tamper with the list of functions assigned to them just any-how. The state government is expected to promote the course of local government and give necessary advise and direction. [19]

The undue interference of the state governments in local governments made nonsense of the whole idea of autonomy between 1976 - 1983. The governor, for example, could nominate one quarter of the councillors and had to approve the appointments of chairmen of the councils[20].

Funds meant for local governments were not usually sent to them in good time by the state government which was also empowered to dissolve

any local government council that was found guilty of dereliction of duty. The powers of the state government over the local government councils were too wide and it was difficult to see how the latter could have an appreciable degree of independence in discharging their legitimate duties.

Local governments since colonial period up to date have been subjected to various controls which result in marked commulative effect. Thus whilst they exercise some discretionary powers or exercise some measures of autonomy, they are in general forced to comply with overall central policy. Consequently, they tend to look to the state government for guidance even when it is not legally or practically required. This attitude of dependence is the direct consequence of the state government attitude of paternalism over the years which have the effect of robbing local governments of initiative and make them act as administrative units.

The 1976 reform envisaged a partnership relationship between the states and local governments but in practical operation of the provisions of the law, many state governments were not able to fulfil their promotional role which reduced local governments to be pawn on state governments' political chess board. The result was circumvention of the provisions of the law and the removal of members or dissolution of the local government councils. Allied with these problems was the provision in the local government edict which empowered the governor to approve the nomination and appointment or election of chairmen and supervisory councillors for each local

government from among the list of names recommended by the council. State Governors exploited this provision more to their own advantage than the interest of local governments. Within the provision of the 1979 Nigerian constitution, local governments were given a pride of place under section 7 which guarantees democratically elected local government councils.[21] The civilian State Governors who took over the reigns of governments in October, 1979 were not quite certain of the limits of their authority over local Governments and therefore used their executive powers to dissolve local governments councils and appointed management committees. Local Governments did not have elected councils but management committees up to December, 1983 when the military took over again and appointed sole administrators.

The other areas of control over local government by state governments include power to approve the budgets of the former, to inspect their programmes, projects on the ground, books of account and to attend meetings of the councils all by local government inspectors appointed by and acting for the defunct ministry for local governments. The exercise of these powers became so detrimental to local governments that the federal government had to abolish the ministry throughout the federation in 1987. In its place is a department or Bureau for local government and chieftaincy airfairs in each state. It must be stated in clear terms that it has been very difficult to observe any difference between the ministry for local government

and the department replacing it since 1987. This is because the same functions and powers exercised by the defunct ministry are what the department now does. Thus the superior-subordinate relationship between the state and local governments still exists.

State governments are empowered through the new department, and local government edicts to establish state joint Local Government Accounts into which the statutory allocation from both the federal and state governments will be paid. This is to prevent the diversion of local government funds. But unfortunately state governments have not been able to meet their own financial obligations. Thus the statutory allocation has been the main source of local government finance. Whereas the state government often lay claim to having the primary responsibility of establishing and developing local governments; their financial support in this regard has been very negligible where they pay at all. There is no doubt that finance is the bedrock of any local government and it forms the most important element in the relationship between state and local governments. The department therefore, is expected to help local governments secure adequate financial resources instead of crippling the institutions through its failure to meet its statutory financial obligations to local governments.

THEORETICAL FRAMEWORK

Having gone through a number of write up containing ideas, views and policy statements on intergovernmental relations in general and

intergovernmental fiscal relations in particulars, we need a suitable theory to explain the failure of local governments in Nigeria to meet up to the expectations of the masses. We need a theory to explain the fundamental problem of local government in Nigeria. Scholars have argued times without number that the problem with local governments in Nigeria is not necessarily that of shortage of funds, nor shortage of qualified man powers, because efforts have been made to provide these resources in reasonable quantity and quality by the federal and state governments over the years. Yet, there has been no remarkable improvement in the performance of local governments in the areas of service delivery to the masses and resource-management. And so, the problem with local government as a third tier of government in Nigeria is that of elitism. Thus, our theoretical framework to explain the failure of local governments to perform is Elite Theory by writers. Like Amin Baran and Sweezy. According to this theory, local elites in Developing Countries (including Nigeria) are by their nature, a factor contributing to the undevelopment of their societies. This is based on the objective situation in which the elites find themselves. The objective situation is composed of conspicuous consumption, investment in housing, risk-aversion, avoidance of investment in productive ventures, corruption, lack of transparency and accountability in resource - management, export of their savings to be deposited with foreign banks for security. The elites are the top civil servants at federal, state and local levels, their political heads

like Ministers, commissioners and Local Government chairmen and their contractor-collaborators. It is the interaction between these members of the elite group that defines the nature of intergovernmental fiscal relations which in turn determines what percentage of National Revenue that should go to each tier of government. Its is the behaviour of the local elites (chairmen, councillors and top civil servants in local governments) that determines what percentage of actual revenue received from the central purse that should be spent on infrastructures and services to the masses at grassroots level.

According to Amin and Baran, the only way to change the situation (exploitation of the masses by the elites) is by political and social revolution. The political revolution is democracy whereby the masses have powers to elect and remove public officers, to come out openly to criticize the misdeeds of the officers, to make the public officers accountable for their stewardship and if possible refund to the government and if possible refund to the government treasury, illegal accumulation of wealth. Social revolution is general education which makes members of the public to be aware of what happens in and outside government circle. It also prepares more people for political activities including ability to stand for election and capture political power for better performance in government.

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15. This was mere slogan chanted by them politicians, especially state governors to gain some cheap popularity.

16. Quoted in Bello-Imam, "Optimal size of a Local Government" NPSA Proceedings of 1982. P. 448.

17. The boundary disputes in Modakake, Ile-Ife in Osun State and Takum in Taraba State are cases in point. These disputes claimed many lives and destroyed properties worth millions of naira.

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19. It was for these reasons that the Ministry for Local Government existed till 1987. The Department/Bureau the Ministry which replaced the Ministry in 1987, is expected to fulfill the same role of adviser to local governments.

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CHAPTER THREE

INSTITUTIONAL FRAMEWORK OF STATE-LOCAL GOVERNMENT RELATIONS (IN ADAMAWA STATE) UNDER THE 1976 REFORM

3.1 Objectives of the Reform

It is generally acknowledged that the 1976 reform of local government is one of the most radical measures introduced since the inception of military rule in Nigeria. It is radical in two fundamental aspects: first unlike preceding local government reforms, it established a comprehensive standarlization of a system of local government within a national framework and secondly it brought about the "fragmentation" of various discrete units and the creation of new ones [1]. Moreover the 1976 reform introduced another phase of state - local government relations. The nation-wide reform introduced democratic or representative from of local government which requires that local people should participate in the process of decision making concerning local affairs. As pointed out in the "Guidelines for Local Government Reform" the then Chief of Staff Supreme Headquarters summarized the main aims and the objectives of the reform which were motivated by the necessity to identify the ills of local governments, and to stabilise and rationalise government at the local level. According to the Chief of Staff " the reform is not only important and desirable in itself but it is also a crucial element in the political programme of the Federal Military Government"[2].

The aims and functions of local government as given in the federal Guidelines and subsequently in State Edicts were as follows:

(i) To make appropriate services and development activities responsive to local wishes and initiatives by devolving or delegating them to local representative bodies.

(ii) To facilitate the exercise of democratic self government close to the local levels of our society and to encourage initiative and leadership potential.

(iii) To mobilize human and material resources through the involvement of members of the public in their local government.

(iv) To provide a two way channel of communication between local communities and government [3].

Local government was defined as a government at the grass roots level " through representative councils established by law to exercise specific powers within defined areas.[4]. This is a revolutionary departure from the immediate past (1968-1976) when most local Governments had directives of what should be done from central functionaries stationed either at the state head quarters or within the localities. To regulate and discharge their functions for rural and urban areas with populations ranging between 150,000-800,000, it was stipulated that membership of local Government councils should be predominantly elected either by direct or

indirect elections from local Communities[5]. Such councils would hold office for three years unless dissolved by the state government for incompetency or incapability. Furthermore the guidelines recommend that council should exercise "political control over departments of their local government through supervisory councillors:[6]. A local Government Service Board was also set up to be responsible for all employment, posting and discipline of some category of staff. To secure sufficient supplies of qualified staff from the national pool, local government personnel were to be graded and enjoy the same salaries, pensions and gratitude as those of their counter-part in the state and federal service. Local Governments were also to derive their financial resources from local sources and state and federal government as grants.

The main rationale for this innovation was rested on the expectation that old practice of aloofness, master-servant relationship, controls and strife among levels of government would disappear, yielding place for superior concept and practice of partners in progress, mutual; consultations, cooperation and participatory democracy at all levels.[7]. It is to the credit of the reform that the new local government system was enshrined for the first time in the constitution of the federal republic of Nigeria in (1979) (vide section 7 chapter 1 and part II fourth schedule of the constitution). A system of local government to be run by democratically elected local Government Council is guaranteed under the constitution of the Federal Republic of

Nigeria 1979. This marks the creation of a third tier of government in addition to the federal and State Government. The constitution also specified the main functions of the local government and provided for statutory allocation of the Federation Account to the local government through the state joint local Government Account. The establishment, structure, composition, finance and functions of such councils were, however, left to the state government [7].

Thus the reform guaranteed functional responsibilities without power. Local Governments thus found themselves in a political anathema- of responsibility without power which makes a mockery of democratic local government. Factors responsible for the lack of autonomy are over dependence of local governments on statutory allocations, lack of confidence in local governments, the desire to maintain a uniform standard of public services throughout the state and that local government were seen as administrative rather than political structures.

3.2 AREAS OF STATE-LOCAL RELATIONSHIP

3.2.1. INSPECTION AND AUDITING

As clearly pointed out in the Gongola State Local Government Edict 1977, the account kept by a local government shall be subject at all times to audit by an auditor appointed in respect of the local government as such internals as the commissioner may direct. A Local government shall make available at all times the account subject to audit together with all books,

papers, vouchers, cash and money relating these for inspection by the auditor or inspector appointed in respect of the local government. And it shall be the duty of the auditor at every audit held by him.-

(i) To disallow account which contrary to law or to financial memoranda or is unsupported by proper records or accounts which he considered unreasonable.

(ii) To surcharge any sum which has not been duly brought into account upon the person by whom that sum aught to have been brought into account.

(iii) To surcharge any sum which has not been duly brought into account upon the person buy whom the sum aught to have been brought into account.

(iv) Surcharge the account of any loss or deficiency upon any person by whose negligence or misconduct the loss or summon such person to produce any document requested[8].

Moreover the local government Edict of 1977 provided that the commissioner shall appoint in respect of any local government or group of local government a local government inspector who shall:-

(i) Have the right to attend all council and committee meetings.

(ii) At all reasonable times have access to and be entitled to inspect all books accounts and records of a council and

(iii) May advice a local government in regard to any of its functions[9].

This led to the creation of an inspectorate Division within the Ministry for local government as well as Zonal Inspectorate Offices to carry out these functions. Thus the importance of the powers of an auditor and inspectors of local government lies as much as a threat they poss to local autonomy and initiative than in their actual innovation by the State Government.

3.2.2. FINANCIAL RELATIONSHIP

To enable Local government in Nigeria and indeed in Gongola 'state to achieve stability in the financial affairs, they needed an independent source of tax revenue such as is available to local governments in many other countries. As pointed out by the Military Governor of Gongola State in his address to Emirs and chiefs in May, 1976 "these reform will give local government bodies some statutory powers and independent a venue of their own to leave at least 20% surplus for allocations to development account in addition to specific grant from Government [10]. Furthermore, section 101 of "The Gongola State Local Government Edict 1977" clearly specified sources of revenue to local Governments. According to this section " the revenue and other funds of a local government shall consist of all sums of money or funds as are lawfully in possession of a local government. These sources are:-

(i) Money derived from community tax and any rate imposed by the local government.

(ii) Money derived from licences, permits, dues charges or fees.

(iii) Receipts derived from any public utility concerned or and service or undertaking belonging to or maintained by a local government as a whole or in part

(iv) Money payable to a local government under the provision of any other enactment.

(v) Rents derived from the renting or leasing of any building or/land belonging to a local government.

(vi) Statutory allocations or grants in aid out of the general revenue of Nigeria or of the state or other public revenue.

(vii) Any sums of money which may lawfully be assigned to a local government by any public corporation.

(viii) Interest on the investment funds of a local government.

(ix) Such sums of money as may be paid to a local government by a joint board.

(x) Any other money lawfully derived by a local government from any other sources not specifically mentioned in this section[11].

Furthermore, section 104 and 105 of "the Gongola State Local \Government Edict 1977 also empowered a local government from time to time to raise loans within Nigeria and or to obtain advance from banks by overdraft upon the credit of the local government in order to fulfill its lawful functions. What is really desirable is not complete independence for local government in taxation field, but a degree of dependence or controlled

independence in keeping with their status as semi autonomous bodies. Infact, local governments in the very great majority of countries are not truly independent in the field of local taxation as the central government has control over the rate of tax to be levied or the tax base or exercise control through the approval of the estimates of local government. For in stance section 110 of the said Local Government Edict 197 authorise the commissioner to issue written restrictions for the better control and management instructions of the financial business of local government in the state. Also according to section 116 of the Edict, "Local government shall be a rating authority subject to general directives issued by the Government....." and make bylaws on fees and charges. The ministry for local Government must therefore play a leading role in obtaining for local government adequate taxation and revenue sources to enable them discharge their functions in an efficient manner.

The controls over local governemt finances may be divided into two viz-internal and external controls. Under internal control falls the preparation of annual and supplementary estimates and various procedures detailed in the financial memoranda. External control include the following:-

(a) The government approval of annual and supplementary estimates

(b) External audit.

(c) Inspection of accounts by government officers.

(d) The control of locals government activities through government grants and approval of borrowing.

(e) The determination of salary scales for local government officers by the Government itself or through the setting by of a local government service commission.

(f) The insurance by the Government of financial memoranda containing a detailed quotations the control of finances of local government and keeping of accounts.

The great majority of these external controls were exercised by or through the ministry responsible for local government. The revenue yielding activities present an area in which state government can usurp powers of local government. The success or failure and effectiveness of local government must in the final analysis depend on the financial resources available to local government. Before 1976, no local taxes could be assessed and collected locally. This means that local governments were merely agents of the State Government in the tax sphere and this position did not encourage the development of much needed sense of financial stability.

Between 1954-1958 when the Federal financial system evolved in Nigeria, very little attention was given to the issue of State-local finance. Even before Nigeria become a federation, local authorities did not have their own independent tax jurisdiction. Right from the beginning the direct tax

which was introduced early in the century was regarded as a government and not native authority tax. The native authorities were merely the government agencies in collecting the tax. Although they were allowed to retain a substantial proportion of the tax revenue for their own use, the Native authorities could not vary the tax rates and how much they could retain was determined entirely by the regional government. For instance in Gongola State the rate of community tax was fixed by state government and the assessment of each local government had to be approved by the ministry for local government on behalf of the State Government. Before 1966, the regional government exercised general supervisory control over Native Authority finances through the district Officers and Residents. The Regional Government continued to be the watchdog of local government finances. This situations continued up to 1976. It was not until the 1976 local government reform that part of the solution to this problems was found when some revenue items such as:-

(a) Markets and motor parts.

(b) Slaughter houses and slabs

(c) Registration of births deaths and marriages.

(d) Grazing grounds

(e) Licencing supervision and regulation of bake houses, control and sale of bicycle. etc.

(f) Collection of vehicle parking fees.

(g) Collection of property and other rates and so forth were made exclusively for local government.

To enable local governments achieve stability in their financial affairs they need independent sources of revenue such as are available to local governments in many other countries. The nature of the independent tax could vary from one state to the other but it should be capable of producing sufficient income to enable the local government to finance a substantial part of their expenditure from this source within limits to be provided by each state. Local governments should be given the power to vary rates of the independent revenue sources allocated to them. But as it is presently, especially in Adamawa State, any change in rates would require the approval of the state government through the Department of local government Affairs.

3.2.3. ESTIMATES

The importance of a sound and effective management of the finances of local government can not be over stressed. Without an effective financial management the policies adopted by a local government may not be successfully implemented. The present financial management in local government has not proceeded beyond the point of exercising control over expenditure incurred. There is need for greater attention to be centered on the development of service and facilities rather than the number of staff employed and the cost of materials purchased. Budget statement and

memoranda supporting the estimates should be prepared so as to reflect the development of policy so that at the end of the year the budgetary achievements could be considered in terms of progress in the provision of services and amenities in addition to the monetary aspect. Of all financial controls exercised over local government the most important and far reaching is the preparation, approval or disapproval of estimates of both recurrent and capital expenditure. Through this, the Department of local government is able to influence the direction of local government as regards recurrent and capital expenditures as well as the general financial management of local government.

When considering estimates the Ministry now Department should consider the financial stability of local government and to ensure that the estimates are framed in accordance with and adequately reflected the state government policy including the priorities to be given to certain types of schemes and new development projects. The department also ensures that the proposals are realistic and revenue estimates not inflated. In developing countries like Nigeria the state government understandably need to approve the whole of the estimates of local government. In more developed countries this requirements are considerably relaxed or virtually non-existent save in relation to services which are grant aided by the central government. While it is necessary to exercise control over local government estimates, the department should pay special regard to certain matters. Prompt

consideration of estimates and early notification of approval or disapproval will further the development of good relationship while the issuance of letter for such disapproval without adequate reasons for such action is likely to be ill-received and can result to frustration and distrust.

The impact of inter-Governmental relations on local government autonomy is felt in area of budget preparation and fiscal policy. Budgetary decision-making constitutes one of the most critical ingredients that shape the nature of public policy. Therefore the degree of local administrative autonomy secured by a given community is determined to a large extent to which local governments are allowed (or not allow) to control budgetary decision making. For instance section 111 of The Gongola State Local Government Edict 1977 clearly stated that:-

(a) Every local government shall in each year prepare in accordance with any general directive made by the state government a detailed estimate of its revenue and expenditure for the financial year.

(b) Consider and approve such estimate.

(c) Submit to the government a copy of the approved estimate by the local government and of the resolution of the local government council giving such approval.

Similarly the state executive council shall consider an annual estimate submitted by a local government in order to ensure that it is not inconsistent with the general budgetary measures adopted for the state for the

proceeding financial year and if the estimate is found to be in-consistent the executive council ,may give such directive as may be appropriate in the circumstance of the local government concerned and such local government shall comply with such directives.

In addition, section 112 of The Local Government Edict 1977 clearly states that "where it appears to a local government council in any year that expenditure for any specified purpose is desirable and no sufficient provision thereof has been made in the estimate for such year a council may submit a supplementary estimate to the governor for approval. Similarly section 113 of the local government Edict authorised the Governor in any financial year where it appears necessary may direct a local government to prepare a revised estimate of revenue and expenditure in respect of that year. Thus though section 111 of the local government Edict as pointed above empowers a local government to prepare and approve its annual estimates before sending a copy to the state executive council you find that in practice it is not so.

The commanding role which the Ministry now Department of local government plays in the preparation of local government estimates is indicated by the fact that the budgetary process beings with a call circular. The circular may impose major restriction on local autonomy, the proportion of total spending to be allocated to recurrent and capital expenditure and ratio of personal emoluments and other charges. In Adamawa State for

instance all advance proposals are prepared in accordance with state Government budgetary policy and submitted to the Department for scrutiny and approval. For Example the following circulars from Ministry for local government indicate the extent to which the state Government through the ministry for local government were able to direct, and control the preparation and execution of local government budget:-

(1) Circular letter reference No. MLGCD/F/EST/15/VOL.III/344 of 15th October, 1979 directed all local governments on preparation checking and presentation of 1980/81 local government estimates and stressed the need that all advanced proposal should be prepared and submitted to the ministry for approval before included in the draft estimate. In addition the circular further warned that deficit budgets by local governments would not be tolerated. Estimates should reflect surplus.

(2) Similarly the following circulars reference nos. MLGCD/F/EST/15/454 of 20th October, 1981 and GG/ML/S.588/VOL.1/21 of 1st April, 1982 directed that:-

(i) No new items of either revenue or expenditure may be proposed on any of their annual estimates without prior approval of the government. Inclusion of such items in the estimates should obtain the ministry's approval as required by F.M. 97 (F. M. Financial Memoranda

(ii) Capital expenditure estimates should always be drawn from approved list of development plan projects.

(iii) No staff whether permanent or daily rated should be employed until an approval is sought and obtained from the ministry.

(iv) Other expenditure except salaries should not be incurred on capital projects and other charges under recurrent expenditure.

In summary government agencies have retained virtually unfettered authority under the 1976 local government reform to challenge local budget proposals and to insist upon revision of local government estimates. Local government estimates are subject to approval by the state government who may refuse to approve them until changes have been made in accordance with directives. Since the estimates were not merely the financial reflection of policy it follows that the whole emphasis of local government policy is effectively controlled by the government and this include policy in relation to revenue and taxes as well as expenditure. In such circumstance it is difficulty to encourage a local government to pursue a truly independent policy in relation to the imposition of local taxation. State Government should allow local government initiatives and autonomy in determining the contents of their annual estimates. A detailed scrutiny of items in the estimate should focus on the adherence of guidelines issued by the government and to ensure that the proposed budgetary expenditure are

within the financial resources of local government.

3.3 FUNCTIONAL PERFORMANCE BY LOCAL GOVERNMENT

An important indicator of local autonomy is the extent to which social and economic functions have been devoted to and actually performed by independent units of local governments. Under the local government Edicts of 1977, local governments are granted exclusive responsibility to perform and extensive list of functions within their geographical boundaries. Close scutiny however, reveals that only a small number of the services found on the exclusive list (markets motor Parks, Sanitary Inspection, refuse disposal, slaughter horse and slabs and so on) are of serious concern for the health, safety and social and economic welfare of the local government, particularly the bulk of the rural populace.

In addition not all local governments actually perform each of the exclusive functions delegated to them under the Edict. Investigation, however reveals that many local governments could not assume responsibility for undertaking all of the functions on the exclusive list. Only these functions Markets, motor parks, sanitary inspection, slaughters slabs and slabs) are performed by 90% of the Local governments. Most local governments don't provide grazing grounds community and recreation centres, parks, gardens and so forth. The arrangement of the administration and payments of Government grants to local governments were often unsatisfactory with the result that the grant structure failed to achieve the

main purpose of providing regular support to local governments. Two of the problems associated with the grant arrangements were the delays in paying such grants and or the complete failure to pay a certain grants to local governments. For example in a government circular reference number GG/MLG/S.150/315 of 31st October, 1978 the state Government clearly stated that no more grants will be paid to local Governments unless and until all their records are brought up to date. The ambivalent attitude adopted by the State government in regards to the payments of grants to local governments should be replaced by a more positive and realistic attitude.

All State Government should accept the need to honour their financial obligations to local Government by prompt and regular payments of grants and other financial allocations to local Governments. On the other hand local Government must recognise that funds so provided by the state and Federal Government must by properly utilised for the development of service and that wastage and mis-appropriations must as far as possible be eliminated.

The role played by Ministry for local Government in delaying such grants and the confusion surrounding the quarterly allocations of federal and State Government grants to local government further constrained local financial autonomy and flexibility.

Furthermore, heavy dependence upon higher level grant posed a serious threats to the political and administrative autonomy and independence action of local governments. In the light of their excessive and growing reliance on external grants, local governments tended to the more of "a disbursing agents of the state and Federal Government" rather than an "autonomous third tier of Government[12]. Local governments have been limited to those revenue sources and levels which the state Government authorised them to tap. By and large growing sources of revenue for themselves leaving local Government to struggle to obtain from diminishing range of inelastic taxes, rates and fees.

Consequently, local governments have been forced to rely increasingly on undependable state and federal Government to meet their additional responsibilities and rising expenses. Thus the growing dependence of local government on federal monies has serious implications for local autonomy. The heavy dependence of local government on federal grants can be seen from the table below. The table shows the percentage of grants from the total revenue of all the seventeen local governments of Gongola State from 1977/78-1984 financial year.

TABLE 3. **FEDERAL AND STATE GOVERNMENT GRANTS RECEIVED BY LOCAL GOVERNMENT IN GONGOLA STATE AS A PERCENTAGE OF TOTAL REVENUE FROM 1977-1984**

YEAR	TOTAL REVENUE OF LOCAL GOVTS. IN THE YEAR	TOTAL FEDERAL GOVT. GRANT RECEIVED OUT OF TOTAL REVENUE	GRANTS AS A PERCENTAGE OF TOTAL LOCAL GOVT. REVENUE
	₦	₦	
1977/78	32,746,251.00	28,935,370.00	0.88
1978/89	39,729,370.00	31,550,680.00	0.79
1979/80	45,814,200.00	37,680,050.00	0.82
1980	42,631,160.00	35,046,470.00	0.82
1981	87,425,040.00	80,800,590.00	0.92
1982	91,403,100.00	84,254,390.00	0.92
1983	98,106,520.00	90,295,850.00	0.92
1984	56,680,991.00	44,481,437.00	0.78

Source: **Ministry for Local government, Inspectorate Division, Yola.**

This table shows the extent to which the local government totally depended on statutory allocations or grants from the federal Government. In response to the hue and cry against the erosion of local government fiscal autonomy by state government throughout the federation, the federal Government announced the abolition of Ministries for local government in 1987. One would have thought that that would solve the problem of state -local control. From all indications since then, there has been no difference between the functions and powers of the defunct ministry and those of the

new department, which has powers to:-

(a) Issue call circular on budget preparation to all local governments.

(b) Give Directives to all local governments on specific projects to include in annual budgets.

(c) Approve local government budgets.

(d) Approve sources of internal revenue and new rates to charge.

(e) Inspect local government projects and accounts to enforce compliance with budget provision as approved by the Department.

(f) Compel local governments to contribute to what the department call "common Services"

The impact of all these on local government capability to perform is assessed in the next chapter.

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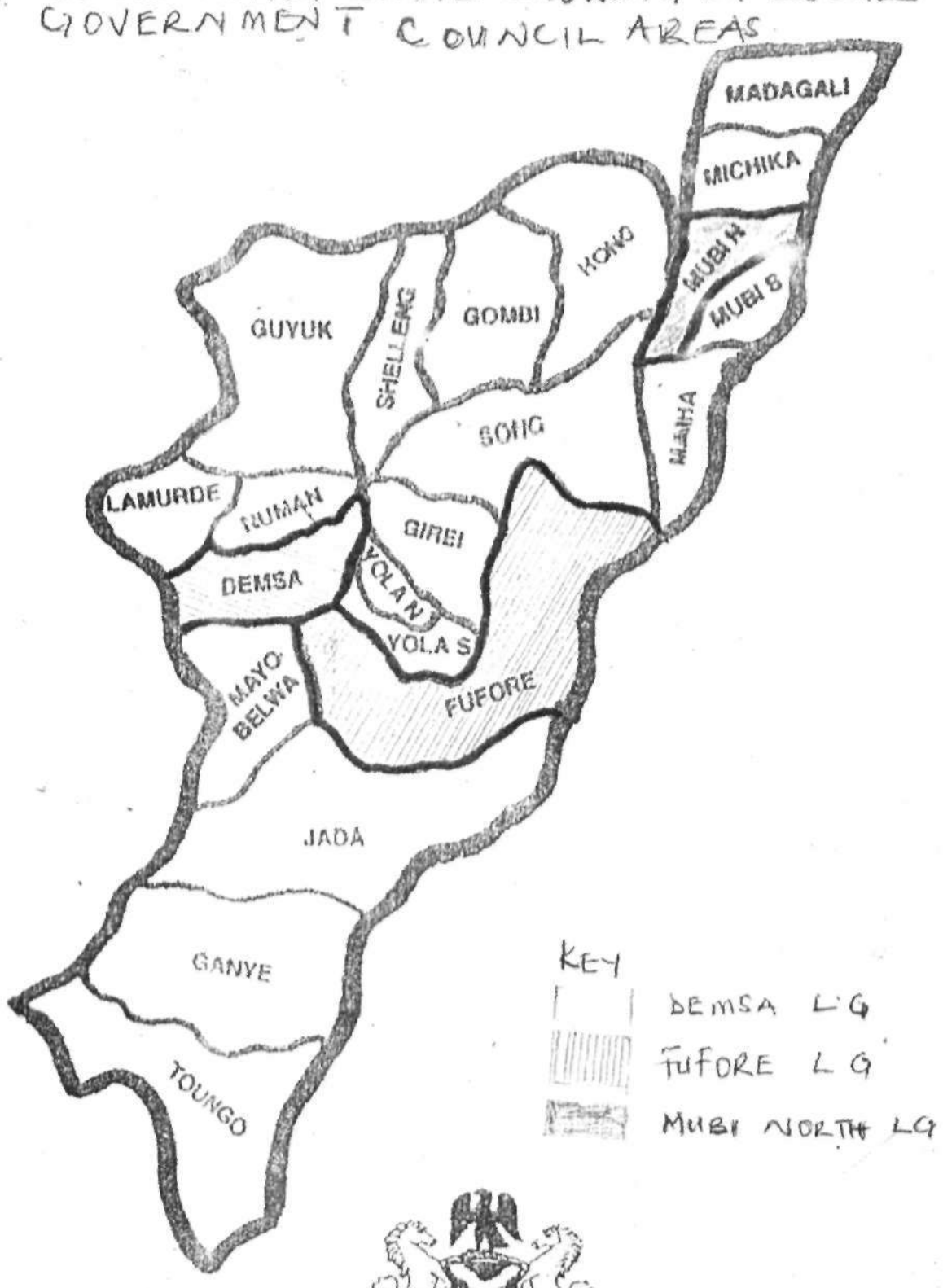
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Map of Nigeria showing the 36 States and their Capitals



MAP OF ADAMAWA STATE SHOWING 21 LOCAL GOVERNMENT COUNCIL AREAS



Adamawa State of Nigeria

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS.

4.1 Socio-economic profile of the Selected Local Govt Area.

In chapter one, we stated that an in-depth study of the impact of intergovernmental fiscal relations on local government performance would be carried out in three LGA's namely Mubi North, Fufore and Densa. These LGAs are picked or selected from the North, Central and south senatorial districts of Adamawa State respectively. They represent urban, semi-urban and rural LGAs. The three local governments have the same political and organizational structures, the same financial memoranda to work with, they receive the same call circulars and policy directives from the federal and State government, prepare their budgets the same time, use the same budget format and they start budget preparation the same period of the year. Other common features of the local government are budgetary process, items of expenditure and revenue sources in the annual budgets, officers responsible for budget preparation, approval and implementation, books of accounts and other financial records, process of awarding contracts for project implementation etc.

Areas of difference between the local government areas which need some mentioning below are the types and population of people, occupations and socio-economic activities, availability of infratructural facilities level of socio-economic development of the people as determined by government

There are seven big branches of commercial and development banks in the town. These are African Continental Bank, Bank of the North, Union Bank, United Bank for Africa, Afribank, Peoples Bank and Nigerian Agricultural and Co-operative Bank. These Banks provide banking services in all ramification to boost the economic and business activities of the town[3].

Other facilities that enhance and promote economic activities of the town are five large motor parks at Betso, Muchala, Mayo Barni and Gaja areas of the town; two large market places at the old and new sites; electricity supplied by the National Electric Power Authority (NEPA); pipe borne water from a large dam and bore holes.

In the social services sector, Mubi North Local Government Area is blessed with sixty primary schools, thirteen secondary schools, one Federal Polytechnic, one General Hospital, twenty-two health centres and eleven dispensaries. All these and other facilities too many to mention, make the Local Government Area the second most urban and metropolitan after Yola the capital of Adamawa State. [4]

The importance of these facilities to the Local Government is in the areas of internal revenue generation, economic strength of residents for purposes of direct participation in project implementation and high level of peoples awareness about the need to pay taxes, levies, fees and charges to State and Local Government agencies in the town.

4.1.2 FUFORE LOCAL GOVERNMENT AREA

This Local Government Area was also created in 1976 after the Nationwide Reform. It has a population of 309,461, comprising six ethnic groups such as Fulani, Hausa, Bata, Verre, Chamba and Laka.[5] Fulani Verre and Chamba are the dominant ethnic groups followed by Hausa and Bata in terms of population and economic activities. Fufore town is about 20 kilometers from Yola.

The major occupations of the people are cattle rearing, farming, trading and fishing in that order of importance. Commercial activities of the Local Government Area are mainly concentrated in Fufore town where you have three commercial banks (Habib Nigeria Bank, First Bank and Fofore Community Bank), three large markets and five major motor parks located at Fufore West, Chigari, Malabu and Wuro Bokki. Electricity is supplied by NEPA and connected from Yola town.

The Local Government Area is having 101 primary schools, eleven post-primary schools, nine health centres (and clinics) and 32 dispensaries scattered all over the geographical area. There is no General Hospital perhaps due to the closeness of the Local Government headquarters to Yola.[6]

Fufore town is linked with Yola by Trunk A road. Many workers in Fufore Local Government live in and commute from Yola daily. Fufore is a semi-urban area.

occupation and availability of socio-economic facilities.

The significance of these profiles to the study is to prepare the reader's mind for the difference in level of performance of the three Local Governments in the areas of service delivery and internal revenue generation, which are also influenced but not solely determined by the type of fiscal relationship between the State and Local Governments.

4.2 TESTING OF HYPOTHESIS

To assess the impact or effects of intergovernmental fiscal relations on Local Government performance, we set out to test three hypotheses in this study, as stated in chapter one, section 1.5. To test these hypotheses, we generated data from primary and secondary sources. The primary data are generated through administering of questionnaires to three strata of respondents, namely, State government officials (civil servants) responsible for Local Government Affairs as the first stratum; Local Government officials directly involved in planning for and delivery of services and generation of internal revenue as the second stratum and members of target communities who are beneficiaries of Local Government services and projects as the third stratum. Table 1.1 in chapter one shows the composition of the strata of respondents for this study. On the whole, 266 questionnaires were administered. Out of this number, 254, that is 96.2% of the total questionnaire were filled and returned. Table 4.1 below shows the breakdown of questionnaires served and returned stratum by stratum.

TABLE 4.1 NUMBER OF QUESTIONARIES SERVED AND RETURNED

	Types of Respondents	Number of Ques. served	Number of Ques. returned	Percentage
1.	State Govt. Officials	5	5	100
2	Local Govt. Officials	81	78	95.3
3	Community Members	180	171	95.0
	TOTAL	**266**	**254**	

Source: Field survey by the Author (Nov. 1998)

The target communities where projects are provided by the Local Governments and where questionnaires were served are as follows:

1. Mubi North LGA.: Mura, Gude, Muvul, Bulurde, Mbeko Road, Kokuwa, Kirya Jambala, Ilorin Road and Mubi Central.
2. Fufore LGA.: Fufore town, Chigari, Mayolnne, Mayo-Farang Jamo-Jani, Bilachi, Malabu.
3. Demsa LGA.: Demsa town, Borrong Dong and Bille

4.2.1 HYPOTHESIS ONE

The first hypothesis for this study is that the powers of the State Government to interfere with Local Government budgetary process have more negative than positive impact on the capability of Local Government to provide services and infrastructural facilities at grassroots level.

The Budgetary process: This begins only after a call circular is received from the State Government through the Department of Local

Government Affairs. The call circular contains directives on percentage of total revenue to be spent on capital and recurrent costs, areas of priority (needs) of the people to lay emphasis on and by what percentage of total revenue, what internal sources of revenue to tap and specific percentage of the internal revenue that should be spent on what during the year. The call circular also limits each local government to specific amount to expect from the federation account (as worked out by the state and federal government officials but not by the local government). A typical example of call circulars from the state to local governments on budget preparation is that of November 1993 for the 1994 fiscal year with Ref. No. GHY/DG/S.202/505 from the deputy governor's office to all local government chairmen in Adamawa State. The highlights of the circular title 1994 Budget Guideline" are:-

- that each local government should use the 1993 actual receipts from the Federation Account for 1994 fiscal year excluding loans and other releases from the stabilization fund in preparing the 1994 Draft budget before the projected share of each local government from the federation account for 1994 is worked out.
- that to avoid spending all local government revenue on running the government machinery alone, the following expenditure distribution per total revenue should be followed.

a) Not more than 15% for consolidated revenue fund changes;

b) Not more than 30% for personnel cost.

c) Not more than 25% for overhead costs,

d) Not less than 20% for transfer to capital development fund.

- that inspite of the peculiarities of local governments, total recurrent expenditure should be within 80% of total revenue.
- that each local government should aim at producing balanced budget. No deficit budget will be allowed.
- that there should be no external nor internal borrowing.

The contents of this circular were repeated and sent to all local governments in the state in 1995, and 1996 with few amendments to the framing of some sentences. The main substance is the same, that is that local governments have no powers to decide on what percentage or fraction of total revenue available to them that should be spent on providing basic services and facilities to the people the grassroots level. The call circulars are replications of budget guideline to all local governments throughout the federation from the Presidency (States and Local Government Affairs Office, Abuja).[8]

b) **BUDGET DEFENCE BY LOCAL GOVERNMENT CHAIRMAN AND TREASURERS BEFORE STATE OFFICIALS**

It is always mandatory for all local governments to defend their annual budgets before state government officials in the department of local government affairs(Governor's Office). At such forum, each local

government is expected or required to justify the following items in the budget.

I. revenue forecast from internal sources by showing how the local government shall generate projected revenue. If it cannot do this, the figure is arbitrarily slashed down. On the other hand, if the forecast is unreasonably too low, the state government officials could hike it and ask the local government to increase its revenue generation efforts in order to meet up the imposed figure.

ii. recurrent expenditure in comparison with capital expenditure. If the former is too high, to the detriment of the latter, a local government could be asked to review or revise the latter upward and the former downward to be able to meet some basic needs of the people.

iii financial implications of the loans for capital development projects during the period of repayment. Any local government that fails to provide satisfactory response to these issues may have its loans (as contained in the draft budget) canceled or scaled down.

iv. powers to charge fees and to collect revenue from some internal sources. [9]

Some sources of internal revenue to local governments in the state are subjects of controversy and sources of quarrel between state and local governments. Examples of such sources are the large markets in urban centres like Yola and Mubi, vehicle licence, property tax and commercial

undertakings like transport service. Local Governments are required to obtain express permission to go into any of these sources before they are reflected in their annual budgets. Where a local government fails to do so, its budget can be returned for necessary amendment to the areas of controversy.

In our field survey for this study, we requested local government officials as respondents to express their opinion about the impact of these areas of fiscal relationship on the capacity of local governments to render social services at grassroots level.

The responses we got are presented below:-

First we requested the respondents to state how helpful are the various aspects of state government intervention in local government budgetary process. (Very helpful, Helpful, not helpful and no comment).

The following table presents the grading by respondents.

Table 4.2 OPINION OF RESPONDENTS (LOCAL GOVT. OFFICIALS) ON THE INTERVENTION OF STATE GOVERNMENT IN L.G. BUDGETARY PROCESS.

Very Helpful		Helpful		Not Helpful		No Comment		Total
Figure	%	Fig.	%	Fig.	%	Fig.	%	
10	12.8	46	59	15	19.2	7	9	78

Source: Field survey by the Author (Nov. 1998)

Table 4.2 above shows that majority of local government officials appreciate the role of state government officials in local government

budgetary process. Asked further to say why they felt that the intervention of the state officials is helpful or very helpful, they pointed to the fact that:

a) most local governments where they had worked before lacked the capable hands to prepare implementable budgets, especially in the areas of revenue forecast and expenditure projection;

b) in many cases, local government treasurers do not comply with the provisions of the model financial memoranda in terms of certain forms to fill as basis for budget preparation. Such treasurers are either incompetent or unqualified.

c) some chairmen of local government are ignorant of their financial responsibilities and so would want to impose projects which must be included in annual budgets without consideration about where the revenue shall come from to implement such projects.

d) in majority of cases recurrent expenditure of most local governments takes more than 95% of total revenue; and so, without the intervention of state officials, such local governments will have nothing left for capital development projects, meaning that such local governments would exist only to maintain or service the machinery of government (local bureaucracy) to the detriment of the masses.

e) Some local government chairmen are fund of reckless spending through loans (borrowing from commercial banks); but this can be

checked through state intervention in budgetary process (when defending the budgets). [10]

Contrary to these views expressed by majority of our respondents (at local government level) those who oppose state government intervention hold the views that:-

1. it causes a lot of delay before local government budgets and supplementary budgets are approved and released for implementation;
2. local governments are closer to the people at grassroots level and should therefore know better what their felt needs are rather than imposing priority projects on them from above;
3. if left alone, some local governments could save beyond 25-30% of their total revenue for capital development projects, depending upon their economic potentials and internal revenue - generation efforts[1]

Still in the area of budgeting at local government level respondents were asked to suggest aspects that should be looked into critically for possible amendment; so as to achieve effective and efficient management of scarce financial resources. Their responses are presented in table 4.3 below:

5. that budget objectives and targets in terms of development of communities should be closely related rather than the imagination of the person(s) preparing local government budgets. [12]

From the response given so far, it can easily be deduced that the intervention of state government officials in local government budgetary process is accepted perhaps until such a time that local government institution in Nigeria becomes a mature vehicle for grassroots development. In order words, the relationship between state and local governments on budget preparation and approval has more positive than negative impact on the capability of local governments to deliver services to the people at grassroot level. This conclusion is borne out of the fact that budgeting at any level of government is the framework and plan of action that determines how resources can be equitable allocated between different competing needs of a society. The extent to which it is properly or poorly prepared determines the extent to which development activities, programmes and projects are carried out. Therefore if the state government intervention is considered positive, them the capability of local governments to provide services at grassroots level is enhanced.

4.2.2. HYPOTHESIS TWO

The second hypothesis for this work is that the internal revenue base and revenue generation efforts of local governments in the state are too poor to enhance their fiscal autonomy and capability to provide the

basic needs of people at grassroots level.

During the period under review (1992-1996) local governments in Nigeria in general, enjoyed what some people regarded as fiscal autonomy. This is because of the direct disbursement of statutory revenue of local governments to them from the Federation Account instead of passing it through the state governments. Whatever the amount of revenue that local governments may derive from their share of the National Revenue some scholars have argued that it is not sufficient condition for fiscal autonomy of third tier of government in the real sense of the term. This is because, local government do not have control over the external sources from, where the National Revenue is derived, neither can local governments predict how much they would get at any point in time for those and other factors associated with the National Revenue, local governments cannot plan for meaningful development. Even the external revenue estimates in their annual budgets are mere guess work which cannot be relied upon for meaningful development. Therefore, the most important source of fiscal autonomy for local governments is internal revenue which they should be able to control, determine and predict.

Table 4.4 below presents the situation of internal revenue in the three local governments selected for this study.

Table 4.4. **TOTAL ACTUAL REVENUE OF THE THREE LOCAL GOVTS FROM EXTERNAL AND INTERNAL SOURCES (1992-1996)**

Year	Demsa Local Govt.			Fufore Local Govt.			Mubi North Local Govt.		
	Ext	Lit	Total	Ext	Int	Total	Ext	Int	Tota
1992	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
	(97.6)	2.4	39,196.1	(97.1)		2.9)	39,567.3	(2.0)	40,37
	38,262.5	934.6		31,345.9	906.1	32,252.0	(98)	808.2	
1993	(98.3)	(1.7)	39223.4	(98.8)	(1.1)	36,883.0	(94.1)	(5.9)	5089
				36,000.0	839.4		47,901.1	998.1	
1994	(97.5)	(2.5)	34398.9	(97.6)	(2.4)	38717.7	(98.2)	(1.8)	4321
	33,553.6	846.3		37,892.1	923.1		42,457.3	756.3	
1995	(98.1)	(2.2)	42709.9	(977.3)	(2.7)	38936.2	(98)	(2)	5238
	41,771.4	938.5		53,319.9	1,044.1		51,197.8	1,186.6	
1996	(98.1)	(1.9)	47050.6	(98.3)	(1.7)	54233.5	(98)	(2)	49,41
	46,164.2	886.4		53,319.9	913.6		48,319.5	1,091.4	

Source: Department of Local Govt. Affairs Governor's office, Yola Oct. 1998.

Table 4.4. above shows very clearly that the internal revenue of the three local governments has nothing to write home about when compared to total revenue for each year. On the average, no local government generated internal revenue that was more than 3% of total revenue in the five year period. The highest performance was 5.9% of total revenue by Mubi North Local Government in 1993 while the least was 1.1% by Fufore local government in 1993.

Further investigation revealed that the major sources of internal revenue to local governments in the state are markets, motor parks and commercial undertaking (transport service). Other sources like licences, rates and fees yielded very little or nothing Mubi and Yola have

advantages of large population of inhabitants and buoyant economic activities as the main sources of internal revenue. The markets and motor parks in these urban centres are always very busy. But in rural areas like Demsa and Fufore, markets are held twice or once a week, while the motor parks are busy only on such market days. Therefore, very little can be generated from such sources no matter the amount of efforts put in by revenue collectors. This poor state of affairs makes local governments to be continuously over dependent on statutory Allocation from the federation account.

At this juncture, it is important to discuss the basis (formula) for statutory allocation to local governments from the federation formula for sharing revenue to the three tiers of government at National level and between local governments at the state level.

It would be remembered that local government share of the Federation Account rose from 15% to 20% in 1992. The 20% for local governments is shared in accordance with a formula recommended by the National Revenue Mobilisation, Allocation and Fiscal Commission, the Presidency, Abuja and approved by the country's highest policy making body (the Provisional Ruling Council) from time to time. Between 1992 and 1996, the formula approved by the Provisional Ruling Council formerly known as the Armed Forces Ruling Council is as follows:-

i	Equality	40%
ii.	Population	30%
iii.	Social Development Factor	10%
iv.	Landmass and Terrain	10%
v.	Internal Revenue Effort	10%
		——
		100
		===

This formula has far-reaching effects on the amount of revenue received by each local government in a state. First, there is the problem of inaccurate and unreliable data on all the factors making up the formula. For instance, how reliable are the data on population (using projection with 3.5% annual increase from the 1991 population census of Nigeria)? Second, how easy is it to determine and give weight to factors or indices constituting social development factor, that is, primary school enrolment, hospital beds, water supply spread and rainfall proportion? Third, who determines (and how factors of land mas and terrain such as step slopes, rugged terrain and swampy or soft sub-soil? Fourth, what constitute internal revenue efforts in a rural local government where the sources are inelastic, archaic and out of tune with current economic realities of the country?

Our conclusion from these issues is that the only fairly objective criteria of the Revenue Allocation Formula are equality (40%) and population (30%). The rest are subject to manipulation and distortion by whoever is applying the formula to disburse revenue from the federation account.

With particular reference to Adamawa state, the revenue allocation formula has been a source of discontent and grudges by some local governments which the criteria discussed above do not seem to favour. [13] Demsa and Fufore for example are cases in point. Our respondents (local government officials) for instance argued that the criteria like social development factor (SDP), land terrain and internal revenue efforts are not favourable to their ruralness. They also argued that population as a major element of the formula does not favour them. What all these and other arguments sum up to is that the Revenue Allocation Formula is discriminatory and therefore can have adverse effects not only on their financial autonomy but also on their capability to provide basic services to people at the grassroots level.

It was in realisation of these infavourable conditions that in 1995, Adamawa state government introduced some measures to boost internal revenue of all local governments. These measures are:-

a) the setting up of Monitoring Team at State Level to see to the activities of all local government councils and brief the military

administrator from time to time.

b) checking the fraudulent activities of fake revenue collectors that defraud the local government councils of some huge sums of money through introduction of revenue collectors badges for easy identification of genuine revenue collectors.

c) enforcement of the maintenance of revenue collectors chart to ensure effective monitoring with a view to taking immediate action on defaulters and possible identified loop holes.

d) Regular review of Revenue Generation system for the correction of possible identified loopholes.

e) setting up of Task forces on revenue generation, the membership of which include council members and Heads of Departments to go out from time to time to ensure effective supervision.[14]

The question is, how effective have these measures been since their introduction? Table 4.5 below shows the assessment of the measures by our local government respondents in the three local governments selected for study.

Table 4.5 **ASSESSMENT OF NEW MEASURES INTRODUCED IN 1995 TO BOOST INTERNAL REVENUE OF LOCAL GOVT'S IN ADAMAWA STATE.**

MEASURES		ASSESSMENT									
		Very effective		Effective		Not Effective		No comment		TOTAL	
		Fig	%	Fig	%	Fig	%	Fig	%	Fig	%
1	Monitoring team	6	7.7	28	36	40	51	4	5.3	78	100
2	Revenue collectors' badges	16	21	38	48.7	21	27	3	3,8	78	100
3	Revenue Collectors chart	8	10	13	16.7	46	59	11	14	78	100
4	Review of revenue - generation system	3	3.8	18	23.1	44	56.4	13	16.7	78	100
5	Task forces	28	36	36	4.6	10	13	4	5	78	100

Source: Field survey by the Author (Nov. 1998)

Table 4.5 above presents the picture of respondents assessment of the measures introduced by Adamawa State Government in 1995 to boost internal revenue of local governments. It can be seen from the table that the most effective measures are the task forces rated by 28 and 36 respondents as very effective and effective respectively and introduction of Revenue Collector Badges rated by 16 and 38 respondents as very effective and effective respectively. Other measures like monitoring team, revenue collectors chart and review of revenue generation system are considered not effective.

It can be concluded from our data and analysis so far that internal revenue of local governments still has a long way to go in ensuring the fiscal autonomy of the third their of government in Adamawa State in particular and perhaps in Nigeria in general. If "he who pays the pipers dictates the tune" as the saying goes, the level of local government performance in the area of service delivery at grassroots level, shall continue to be dictated by the Federal Government that holds the National Purse for all the three tiers of government in Nigeria. Such dictation is dished out and handed down to local governments through issuance of Budget Guidelines from the Presidency.

4.2.3. HYPOTHESIS THREE

The third hypothesis to be tested in this work is:-

that the way top functionaries of local governments perform their financial responsibilities is largely responsible for the inability of local governments to deliver basic services at grassroots level.

For the purpose of this study, top functionaries of local governments are the chairmen, secretaries, councillors, and Heads of Departments, especially Treasurers, heads of works Departments and Directors of Personnel Management. Their financial responsibilities include the following. [15]

I) Chairman

a) Appointment of officers controlling votes (OCVS's) i.e Heads of Departments or their assistants.

b) Using the finance and General purposes Committee to act for and on behalf of the local government on all financial matters.

c) To ensure that all financial rules and regulations especially on spending limits of functionaries are complied with strictly.

d) To ensure that local government treasury monthly checks are being performed as laid down in the financial memoranda (FM).

f) To ensure that all monthly reconciliations are being carried out

g) To appoint annual board of survey for every allocated and other stores in the local government early each financial year and to ensure a successful exercise.

h) To consider financial report and returns periodically, especially the Bank Reconciliation Statement and the Balance Sheet and the Annual Accounts.

I) To personally carry out financial control duties.

ii) **LOCAL GOVERNMENT TREASURER**

In addition to running the finance Department in accordance with the provisions of the financial memoranda, it is the special

responsibility of the Treasurer to:-

a) ensure proper treasury operation;

b) advice the local government on all financial affairs and treasury accounts:

c) ensure the submission of all financial statements monthly from all departments in the local government;

d) coordinate local government Annual estimates

e) assist in the proper monitoring of the implementation of approved budgets;

f) promote treasury and stores accounting;

g) ensure that all revenues due to the local government are collect and accounted for promptly.

iii. SUPERVISORY COUNCILLORS

a) to consider annual estimate as members of the finance and general purposes committee before forwarding same to the whole house of the local government council.

b) to ensure that monthly statement of accounts are prepared, considered and forwarded to the local government council;

c) to approve in writing, all expenditure items emanating from their departments;

d) to consider and award all major contracts as members of the finance and general purposes committee.

iv. **HEADS OF DEPARTMENTS AS OFFICERS CONTROLLING VOTES**

a) to comply strictly with the provision of the F. M. circulars from the state government and all rules and regulations regarding spending of public funds;

b) to make all requests for spending within the limits as fixed from time to time by the State Governments.

c) to ensure that departmental accounts are properly kept and reconciled with main accounts in the treasury.

The extent to which these responsibilities are effectively carried,out can be assessed by state government officials called local government inspectors who go round from one local government to another to inspect all books of accounts and financial records from time to time. In Adamawa State, these inspectors are situated in five zonal offices in Mubi, Numan Gomb, Yola and Ganye. They write and submit reports to the Department of Local Government affairs, governors office, Yola each time they go out on inspection of local governments. The highlights of their reports for 1993, 1994, 1995 and 1996 are as follows:-

a) Majority of local government chairmen and sole administrators were guilty of financial recklessness due to:-

I. deliberate intention to disregard financial rules and regulations contained in the F. M. and Government circulars.

ii. lack of honest professional advice from Treasurers who themselves are either incompetent or fraudulent.

iii. inexperience of the Chief Executives especially, the elected ones who did not have any previous training nor experience in financial management;

iv. inability to withstand pressure from party supporters and some local government councillors who wanted 'compensation' for their loyalty and struggle to get the chairmen into office through election. [16.]

b) Some local government Treasurer[5] were found guilty of:-

- giving wrong and unprofessional advice to the chairmen, finance and general purpose committee and the council on major financial transactions

between the local governments and contractors, Banks and other creditors;

- failure to keep up-to-date records of financial transactions and accounts either to cover up fraud or due to incompetence.
- failure of reconcile departmental vote books with the treasury main ledgers either due to negligence of duty or attempt to defraud the

local governments.

- failure to inability to prepare final accounts for five or more years due to incompetence.

c) Some Heads of Departments were guilty of the same offences as the Treasurers due to reasons like:-

i. deliberate act to defraud the local government;

ii. lack of skill in financial management;

iii. pressure from the chairmen;

iv. shortage of subordinate accounting staff to keep proper records of financial transactions. [17]

The ultimate effect of these and other lapses is the inability of local governments to provide basic services for people at grassroots level. This conclusion is collaborated by facts and figures in table 4.6 below.

Table 4.6: **Actual Revenue and Actual Expenditure Pattern of Demsa, Fufore and Mubi Local Governments between 1992 and 1996.**

1	2	3	4	5	6	7	8	9
Years	L/Govts	Actual Recurrent exp.	% of total exp.	Actual capital Exp.	% of Total Exp.	Total Exp.	Total Revenue	Difference between total rev. and total expend.
1992	Demsa	13762.3	82.6	2890.5	17.4	16652.8	39196.1	+22,543.3
1993	"	16011.2	80.7	3830	19.3	19841.2	39223.4	+19,382.2
1994	"	23417	86.5	3640	13.5	27057	34398.9	7341.9
1996	"	18837.6	86.7	2880	13.3	21717.6	42709.9	+20,992.3
		29398.5	81.3	6740	18.7	36138.5	47050.6	+10.912.1
1992	Fufore	10292.8	68.4	4760.2	31.6	15053	32252	+17,199.0
1993	"	23254	61.5	14546.4	38.5	37800.4	32283	-5.517.4

Source: Demsa, Fufore and Mubi Local Govts. (Nov. 1998)

1	2	3	4	5	6	7	8	9
Years	L/Govts	Actual Recurrent exp.	% of total exp.	Actual capital Exp.	% of Total Exp.	Total Exp.	Total Revenue	Difference between total rev and total expend.
1994	Fufore	36254.3	79.4	9432.8	20.6	45686.1	38717.7	-6968.4
1995	"	34635.8	48.3	51078.7	51.7	71714.5	38936.2	-32778.3
1996	"	28116.8	64.5	15448.2	35.5	43565	54233.5	+10,668.5
1992	Mubi	15906.1	48	17270	52	33176.1	40376	+7,199.9
1993	"	27336.3	56.2	21310	43.8	48646.3	50899.2	+2,252.9
1994	"	33456.4	72.1	12916.6	27.5	46373	43213.6	-3159.4
1995	"	31131.2	48.5	33000	51.5	64131.2	52384.4	-11746.8
1996	"	67832.1	87	10220	13	78052.1	49410.9	-28641.2

Source: Finance and supplies departments, Damsa, Fufore and Mubi Local Governments (November, 1998)

Table 4.6 above has brought out a clear picture of financial recklessness in local governments. Let us look at them one by one.

The table shows the actual revenue and expenditure pattern of Demsa, Fufore and Mubi Local government for five years (1992-1996). Demsa local government spent less than 20% of total expenditure on capital projects and more than 90% on recurrent items (allowances, salaries and overhead cost). This pattern of expenditure is in violation of the call circular from the federal and state governments which provided that not less than 20% of total expenditure should be capital expenditure. The other interesting aspect of the picture shown by the table is the difference between total revenue and total expenditure. It is interesting to note that Demsa local government which could not spend up to 20% of total expenditure to provide capital projects was able to have surplus fund each year as shown in column 9 of the table. This is slightly different in Fufore local government which spent more than 30% of total expenditure for capital projects but ended up with deficit budget in 1993, 1994 and 1995 as shown in column 9 of table 4.6. The deficit budget shows the debt owed to contractors who executed the projects and were not paid in those years. Mubi local government is the most guilty of financial recklessness. The table shows an impressive proportion of total expenditure given to capital projects (more than 40% in 1992, 1993 and 1995. But the sad side of the situation is the huge debts incurred by the local government throughout the five year period (1992-1996).

The analysis of data presented so far proves the third hypothesis which

is, that the way top functionaries of local governments perform their financial responsibilities is largely responsible for the inability of local governments to deliver basic services at grassroot level. In other words, it is not the fiscal relationship between the state and local governments alone that constitutes the hindrance to the capability of local governments to perform their developmental functions, but the recklessness of the top functionaries in handling funds available to their local governments.

4.3 PEOPLE'S REACTION TO LOCAL GOVERNMENT PERFORMANCE

To conclude our investigation on service delivery by local governments, we went down to the people at grassroots level for their opinion and assessment. First we asked if they were aware of any project provided by their local governments during the period under review. The answer was overwhelmingly in the affirmative (YES) by all the 171 community members serving as our respondents. Second, we asked them to mention the specific projects that were provided by the local governments. Their responses are as shown in table 4.7 below:

Table 4.7 Capital Projects provided by Demsa, Fufore and Mubi Local Governments to some communities between 1992 - 1996.

Local Govt.	No	Communities	No	Projects
Demsa	1	New Demsa	a	Construction of 5 new stalls in main market
			b	Repair of Dispensary equipment
			c	Repair of L.G. Secretariat offices
			d	Purchase of furniture for some offices in the L.G. Secretariat.
		Dong	a.	Rehabilitation of 4 feeder roads.
			b.	Digging of 15 new wells.
			c.	Purchase of Dispensary equipment and drugs.
		Borrong	a	Rehabilitation of village market
			b	Purchase of materials to assist self-up groups
Fufore	1.	Chigari Community		Fencing of cemetery (burial ground)
	2.	Mayo-Ine		Renovation of district house
	3.	Farrang		Fencing of dispensary
	4.	Jauro-Jani		Extension of water pipe-line to some places in the community
	5.	Bilachi		Construction of new dispensary.

Mubi	1.	Muva community		Construction of Health Centre
	2.	Bulurde 'A'		Construction of drainage
	3.	Mubi		Construction of new secretariat
	4.	Kokuwa		Construction of drainage
	5.	Kirya Jambala		Construction of culvert
	6.	Ilorin Road Area		Rehabilitation of drainage.

Source: Demsa, Fufore and Mubi Local Govts Dept of Works and Housing (November, 1998.)

It is one thing to provide projects, it is quite another for the people to derive any benefit from them. That was why we requested our respondents (target community members) to assess the adequacy of the projects to meet their basic needs. Their assessment is presented in table 4.8 below

MUBI	Muva		New health centre (on-going)	-	-	-	10	10
	Bulwide		Rehabilitation of Drainage	6	2	1	1	10
	Kokuwa		Rehabilitation of drainage	5	3	1	1	10
	Township		New secretariat extension	-	-	-	10	10
	Kirya-Jambala		Construction of culvert	8	2	-	-	10
	Ilorin Road		Rehabilitation of drainage	5	3	-	1	9

Source: Works and housing Depts, Demsa, Fufore and Mubi Local Governments (Nov. 1998)

In carrying out this assessment, we sent out 180 questionnaires (through community development village level workers) to the 14 target communities in the 3 local government areas, that is, 60 to each Local Government area. We told the Research Assistants to give equal member of questionnaires to each target community in each Local government area. For instance, the 60 questionnaires sent to Demsa L.G.A. were divided into three equally (20) for each community, while the 60 sent to Fufore were divided into 5 equally (12) for each of the 5 communities and Mubi's 60 were split into 6, giving 10 to each community. 171 of the 180 questionnaires were filled and returned. Actual number of questionnaires returned by each community is shown in column 4e of table 4.8 above. Each respondent was asked to assess whether each project implemented by the local governments was adequate fairly adequate, not adequate or has no comment in terms of

meeting their basic needs. The result is what we have in column 4a-e in the table.

In the three selected communities of Demsa LGA. nine projects were provided. Out of these nine, the communities rated only 3 as adequate, 2 as fairly adequate, and said "no comment" on 4. The interesting thing about the assessment is the "no comment" by the communities on projects that are not of direct benefits to them. Examples are the repairs of L.G. secretariat and purchase of furniture for L.G. offices.

In Fufore L.G.A. two of the five projects are rated as adequate, two fairly adequate and one with no comment. Again, the project with "no comment" is the one with no direct benefit to the people, that is, the renovation of District Head's House in Mayo-Ine.

The situation in Mubi Local government area is slightly different from the situations in Demsa and Fufore. Out of the six projects provided by Mubi Local Government, four are considered adequate while two have "one comment" on them by our respondents. The two projects are the new health centre and extension of the local government secretariat.

From the presentation and analysis of data done so far in this chapter, we can summarise our findings as follows:-

1. that the intervention of state and federal governments in local government budgetary process through issuance of call circulars and approval of annual budgets (by the state government) has more positive than negative effects on the capability of local

governments to provide basic services to people at grassroots level.

2. that such intervention goes a long way in checking some of the excesses of local government top functionaries in the areas of:-

a) over estimation of revenue and expenditure especially recurrent expenditure to the detriment of capital expenditure.

b) unrealistic revenue forecast based on no statistics about internal sources;

c) loans which may not be looked for to implement revenue-yielding projects.

d) over dependence on statutory allocation from the federation account.

e) unrealistic budget objectives and targets set by local governments due to ignorance or imcompetence on the part of some Treasurers who prepare local government budgets.

3. that the importance of budgeting to any formal organisation cannot be over-emphasized. It serves as a plan of action and as a means of allocating and managing scarce financial and material resources. Therefore, its preparation must be taken more serious than some local government treasurers, the cabinet and council do at present. As a legal instrument that empowers government functionaries to collect and spend public funds, a local government budget must be handled by competent hands.

4. that the internal revenue efforts of local government do not contribute anything to the enhancement of fiscal autonomy of the third tier of government. The percentage contribution of internal revenue to the total revenue is insignificant. On the average, internal revenue contributes just 3% of total revenue each year. The remaining 97% comes from external sources particularly the federation account. The implications of this are:-

   i) inability of local governments to plan for any meaningful development.

   This is because they do not control and therefore cannot predict what to expect from the federation account.

   ii) inability to meet the rising expectations of people at grassroots level.

5. That some of the measures introduced by Adamawa State Government in 1995 to improve internal revenue of local governments have started yielding positive results. Such measures include the setting up of revenue collection task forces and introduction of revenue collectors' badges for easy identification of genuine revenue collectors in markets, motor pars and along highways.

6. that the poor performance of financial functions by top functionaries of local governments is a major contributory factor to the inability of most local governments to provide basic services to the people at grassroots level.

Our recommendations to these problems are discussed in the next chapter to conclude this study. Suffice it to say here that our second and third hypotheses have been tested positive while the first one is not. However, the three of them have enabled us to bring out facts and figures about the weakness of local governments in Adamawa State and perhaps in Nigeria.

NOTES AND REFERENCES

1. Information obtained from the inspectorate division, Department of Local Government and Chieftaincy Affairs, Military Administrators Office, Yola in Nov. 1998.
2. Director's Annual Report on "Local Government Fiscal Performance in Adamawa State 1996". (Director of Monitoring and Evaluation, Dept. of L.G. and Chieftaincy Affairs, Yola. 1996)P.8
3. Field work by the Author (See Questionnaire Section One on Socio-economic profile of local government areas) Nov. 1998.
4. Field work by the Author in Nov. 1998
5. Field work by the Author (see questionnaire section one). Nov. 1998.
6. Field work by the Author.
7. Field work by the Author.
8. Since the establishment of the body called Ministry of states and local government affairs in 1992, now changed to states ad local government affairs office in the presidency, it has always engaged in issuance of what it calls" Budget Guidelines" to all through LGs the Department of Local Government Affairs, Governor's office.
9. The Director General/permanent Secretary Local Government Affairs in the Department of local government affairs is the presiding officer at the meetings for Defense of local government Budgets. He ensures that each local government complies with budget guidelines as contained in call circulars earlier sent to all local governments.

10. These views are almost in agreement with some reports submitted by local government inspectors and external auditors from the office of Auditor General (Local Government).

11. These are the views of our respondents who felt that the intervention of State Government in budgetary process was not helpful. They are 15 out of 78 respondents, that is 19.2% of them.

12. These are views expressed by our respondents during interview with them in their various local governments in November, 1998.

13. This writer was priviledge to participate in the disbursement of statutory allocation to local governments in Adamawa State (as Director of Local Govt. Affairs) between 1991-1996. He could still remember how some local govt. chairmen complained about the unfavourable nature of the Revenue Allocation Formula to their local governments.

14. Adamawa State of Nigeria.

A submission to the Presidential Monitoring Committee on the 1995 Budget Performance of States and Local Government Volume II. Nov. 1995. (Dept. of Local Govt. Affairs, Yola. 1995) P. 3 - 4.

15. Federal Republic of Nigeria.

Model Financial Memoranda for local government in Nigeria (The Presidency, Abuja 1992). Chapter Two.

16. Reports submitted by local government inspectors from Mubi and Numan Zonal Office for the first six months of 1994 financial year, in August. 1994.

17. See Director's Annual Report for the year 1995 submitted to the Military Administrator and Adamawa State Executive Council in Feb. 1996 (Dept. of Local Govt. Affairs, Military Administrators's Office, Yola. 1996).

Governments play very important role in determining what local governments should do, when and how in terms of service-delivery and provision of basic infrustrastructures at local level. That is to say that a kind of master-servant relationship still exists between state and local governments.

9. The master-servant relationship between State and Local governments is exhibited or shown through many areas of contact between them such as:-

- Insurance of call circulars to local governments on their annual budgets.
- Approval of annual budgets by State government functionaries, including approval of projects to provide and sources of internal revenue to local governments.
- Fixing of spending limits up to certain level for each category of top functionaries.
- Deductions from local governments statutory allocation from the federation Account.

10. Inspire of constitutional provision since 1981 that state Government[7] should contribute 10% of their internally generated revenue to local governments funds, many states in Nigeria have not fulfilled this obligation thereby weakening the financial capacity of the third tier of governments and their capacity to perform their statutory functions.

In chapter three of this work, we discussed the specifics of Local government relationship in Nigeria in general and in Adamawa State in particular. This chapter is a preparatory background for presentation and analysis of data. Among other things we discussed (in that chapter) the issues of:-

(a) The constitutional powers of state House of Assembly (as per the 1979 constitution) to create and guarantee the existence of local governments through democratically elected councils. This led to the proliferation of local governments between 1981-1983, that is during the second Republic.

(b) The powers of state Governments to dissolve local Government councils and or remove chairman from office if they failed to carry out their statutory functionaries. this led to dissolution and appointment of caretaker committees between 1980 and 1983.

(c) The supervisory role and controlling powers of Ministries for local government over local governments before their abolishing in 1987 by the federal Military Government such powers had crippling effects on local governments in the areas of finance, manpower development, decision-making, performance of functions and grassroots development. The Ministries had powers to carry out the following functions:-

i To inspect local government accounts and all financial records from time to time with a view to ensuring that proper records are kept and accurately too.

ii To surcharge any erring officer who deliberately or negligently misappropriate public funds

iii To appoint external auditors annually for thorough auditing of all local government Accounts and financial records and stores records.

iv To assist local governments in installing and operating sound Accounting and internal Auditing systems.

v To issue call circulars on annual budgets to local governments and to approve such budgets after due amendment.

vi To attend any local government council and Committee meetings.

vii To advise any local government in regard to any of its functions.

(d) Under the new dispensation, whereby the Ministry for local government has been scrapped and renamed department or Bureau for local government Affairs all the above mentioned functions are still being performed. The only power taken away from the bureau since 1994 is the passing of local governments statutory allocation from the federation Account through it (the bureau) to local governments. This was done by the federal government to reduce cases of diversion of local government funds.

5.2 Research Findings and their Implications

In chapter four of this work, we tested three hypothesis which brought out the following summary of findings.

1. Fiscal relationship between the Adamawa State Government and her local governments in the specific area of budgetary process has more positive than negative effects on the capacity of local government to perform their statutory functions, especially provision of basic facilities at grassroots level.

2. One negative impact is mainly concerned with the usually delay in releasing the approved budget to local government ns. The implication of this is the problem of delay in carrying out capital projects during the year. Such delay can lead to inability to complete projects thereby delaying the process of grassroots development in local government areas.

3. The delay in starting implementation of capital projects can also lead to inability to complete them especially when and if prices of materials and labour jump up, thereby distorting the budget for the year.

4 The other negative impact of State Government intervention in local government budgetary process has to do with arbitrary imposition of internal Revenue figures (either by scaling them down or jerking them up). If scaled down, a local government is most likely going to reduce in its efforts to generate revenue from internal sources. If jerked, up a local government is likely going to over burden the masses with taxes fee, rates and charges which they are not able to bear. This is what usually lead to clashes between the people and their local governments at road-blocks, in

markets and motor parks.

5. The internal revenue of local governments has not been able to improve their fiscal autonomy and so, there still exists an unacceptable degree of over dependence on the statutory allocation from the federation Account year in year out. In spite of some measures introduced by Adamawa State Government in 1995 to improve the situation, not much has changed in terms of revenue collection from internal sources. The far-reaching implication of this situation is that local Government shall continue to remain the weeping babies of state governments which shall continue to dictate what the latter should do, how, when and where.

6. The inability of local governments to generate reasonable revenue from internal sources (some of which are inelastic, outdated and unproductive) such as dog licences, rates and fees etc. the bicycles licence, makes nonsense of planning and budgeting for grassroots development. If there is no degree of certainty in the amount of revenue to generate from internal sources which local governments are expected to control, then how can there be any meaningful planning for development? Similarly if there is no certainty about what to expect from the federation Account which local governments do not control and cannot predict, then planning for development at grassroots level is meaningless.

7. Some criteria in the current revenue allocation formula such as Social Development factor land size and internal revenue efforts are not favourable to rural local government areas where primary schools and health institutions are very few and so can not be considered as significant to determine part of the statutory Allocation that could or should go to them from the federation Account. Similarly the internal revenue efforts of rural local governments[7] can not be impressive enough to attract any reasonable share of the statutory Allocation. What these factors mean is that the revenue allocation formula is disadvantageous to rural local governments and so could reduce their capacity to provide basic facilities at grassroots level.

8. Top functionaries of local government such as Chairmen, Councillors., Secretary to local governments, Treasurers and the other heads of Department have very important roles to play in financial management which could lead to capacity to provide basic facilities. But our investigation revealed that almost all of these officials were guilty of deliberate act to defraud the local governments or professional incompetence on the part of some Treasurers and administrative inexperience of chairman and councillors.

9. These and other offences have contributed in no small measures to over spending (deficit budgeting and excessive loans from banks and inability of the three local government to provide

meaningful facilities to their people in the selected target communities.

10. Some of the capital projects implemented by the three selected local governments are those that serve the interest of local government officials and not those of the masses. Examples of such projects are the extension of the local government Secretariat, purchases of furniture for offices and renovation of District Heads House.

5.3 RECOMMENDATION

On the basis of our findings summarised above, and on the basis of issues discussed in the review of related literature, we make the following recommendations:

5.3.1 Intervention of State Government in Local Government Budgetary Process:

In our presentation and analysis of data, we identified and discussed some negative effects of State Government intervention in local government budgetary process to include delay in approving and releasing annual budgets, imposition of revenue figures on local governments and imposition of projects that may not reflect the needs of the communities for whom they are provided. To solve these and other related problems, we recommend that:-

1 Local governments should comply strictly with the provisions of the financial Memoranda (F.M.) chapter 3 which clearly spell out the time table for preparation of annual budgets (1st June to 10th

December,) the procedure and content of a budget. among the provisions of the F.M. with regard to budgetary process and time table are:

(a) that call circulars for budget preparation are sent out to the Treasurer by the Executive Committee of a local Government not the State Government by 1st June .

(b) That the Treasurer shall in turn send call circular to all Heads of Departments for preparation of department estimates of revenue and expenditure by 10th June

(c) That all Department Estimates should reach the treasurers desk by 10th July.

(d) That the Treasurer should consolidate or put together all Departmental proposal and submit a draft budget to the executive Committee by 31st July.

(e) That the Executive committee should complete its deliberation on the draft budget and submit to the Local government council by 31st August.

(f) That the local government council should complete its deliberations amend and approve the budget by 15th December.

(g) That copies of the approved budget be forwarded to the state Governor for his information only) by 31st December.

If these guidelines are strictly complied with, the problem of time wasting by the State Government before releasing approved budgets to local governments will not arise.

2. Local Governments should establish in their Treasuries, units responsible for planning research and statistics as recommended by the Technical committee on application of the 1988 Civil Service Reforms (as amended by the Allison Ay ida Committee on the review of the reforms in 1995) at local Government level, the planning research and statistics units in a local government(as recommended by the Financial Memoranda chapter 42) is responsible for preparation of the executive committee's call circular which shall contain.

a Information and basic data on peoples felt needs and priorities for the year which would inform budget objectives and target in terms of infrastructural facilities to provide.

b. Projects to pick from the local governments rolling plan for the year in addition to any new one to embark upon.

c. Other general guidelines to be followed by Departments in the preparation of their annual estimates to reflect local governments policy and priorities in regard to the discharge of functions and provision of services at the grassroots level.

If this is done, the problem of imposing projects or priority on local governments by the state government will not arise.

3. The establishment and affective functioning of the said unit for planning research and statistics in every local government will also assist in revenue forecasting based on reality of data on revenue sources, population of people, their occupation locations,

potentials and resources form which revenue can be tapped for and by local governments. This will solve the problem of arbitrary imposition of figures of internal revenue on local governments by the state government which is a bit far from the people at local or grassroots level.

5.3.2. Internal Revenue base of Local Governments.

Our investigation revealed that no local government on the average, could contributed more than 3% of its total revenue in any fiscal year. As such, its fiscal autonomy remains a far-cry. In other words, local governments over dependence on statutory Allocation from the federation account shall remain for a long time to come. Such over dependence has negative effects on their capability to perform their functions.

To solve this perennial problem of local governments, we recommend that:-

(a) A body known as Local Government Revenue Moblisation and Distribution Board be established to carry out the following functions for all local governments in the state:-

(i) To identify and document all sources of internal revenue due to local governments, as spelt out in the state local government edict.

(ii) To employ and deplore revenue collectors to all nooks and corners of all local government areas to enlighten members of the public on the internal sources of revenue, time of collection, amount to pay per person, purpose of payment which must

of the subject areas and get them acquainted with basic principles to guide them in their day-to-day involvement in management of funds and projects.

(b) External auditors from the office of Audit General for local government should go round to all local governments from time to time to enforce the provisions of the financial memoranda chapter 39, that is EXTERNAL AUDIT QUERIES AND SANCTIONS. among other things, the chapter says the auditors General shall:-

- have power to carry out on regular basis, the auditing of local government account.
- Have power to sanction and surcharge any officer.
- Have access to project sites for purpose of auditing or monitoring contract performance.

Some of the common offences for which officers (including top functionaries) can be quarried and penalised are:

1. Inflation of Contract:

If committed by the Chief Executive and Accounting officers, the Auditor shall report to both the state Governor and the Public Accounts Committee. If the offence is committed by any other officer appropriate surcharge shall be imposed and the officer removed from the schedule. This should be done within 30 days of discovery.

2. Unauthorised Variation of Contract:

Same measures and penally as above.

3. payment for Jobs done:

(a) If the payment is mobilisation fee, money should be recovered from the beneficiary and blacklist the affected contractor with in 30 days of discovery.

(b) If the payment is made through inssuance of false certificate of completion, the matter should be referred to the police for persecution, within 21 days.

4. Poor Quantity Work (buildings, Tarred Roads).

Blacklist the contractor, demote the officer who certified the job, within 42 days of discovery.

These are just very few steps which external auditors from the office of auditor-General (LG) are empowered to take so as to introduce sanity into financial management at local government level. In the final analysis, the most effective and most enduring solution to the perennial problem of weak and inefficient local government capability to fulfil its constitutional role as a third tier of government is true democratisation of the council. It is true democratisation of the council that will produce the following results:

(a) Election of capable hands (in terms of genuine commitment to the course and aspirations of the masses) to take charge of policy making, planning and management of source resources.

(b) Removal of corrupt representatives (who aid and abet corrupt practises in local governments) from office through the Recall system recommended in the Nigeria constitution.

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APPENDIX I

QUESTIONNAIRE ON

IMPACT OF INTER-GOVERNMENTAL FISCAL RELATIONS ON LOCAL GOVERNMENT PERFORMANCE IN ADAWAMA STATE - 1992 - 1996.

SECTION ONE: LOCAL GOVERNMENT PROFILE

1.1. Name of the Local Government _____

1.2 Date of Creation _____

1.3 Population _____

1.4 Distance from state capital _____

1.5 Number of districts and village areas

a) Districts _____

b) Village Areas _____

1.6 Major Ethnic groups in the local Government Area

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

1.7 Major Economic activities in the local government area

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

1.8 Major socio-economic facilities in the local govt. area

a) Number of primary schools _____

b) Number of secondary schools _____

c) " of post secondary schools _____

d) " of general hospitals _____

e) " of health centre _____

f) " of Dispensaries _____

g) Main markets

1. _____
2. _____
3. _____
4. _____
5. _____

h) Number of Motor parks

1. _____
2. _____
3. _____
4. _____
5. _____

I) Banks

1. _____
2. _____
3. _____
4. _____
5. _____

j) Sources of Water supply

1. _____
2. _____
3. _____

k) Electricity

1. _____
2. _____
3. _____

l) Tank 'A' & 'B' Roads

1. _____
2. _____
3. _____

SECTION TWO

FISCAL OPERATIONS OF THE LOCAL GOVERNMENT

3.1 ANNUAL BUDGETS

A) ESTIMATED CAPITAL PROJECTS OR EXPENDITURE

SECTORS	1992	1993	1994	1995	1996
GENERAL ADMINISTRATION					
SOCIAL DEVELOPMENT					
ECONOMIC DEVELOPMENT					
ENVIRONMENTAL DEVELOPMENT					
TOTAL					

(B) RECURRENT EXPENDITURE

S/NO	1992			1993			1994		
	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL
1	PERSONAL MANAGEMENT								
2	TREASURY								
3	PRIMARY HEALTH CARE								
4	AGRIC.								
5	WORKS								
	TOTAL								

RECURRENT EXPENDITURE

S/NO	1995			1995		
	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL
1	PERSONAL MANAGEMENT					
2	TREASURY					
3	PRIMARY HEALTH CARE					
4	AGRIC.					
5	WORKS					
	TOTAL					

c) **ESTIMATE REVENUE**

SOURCES	1992	1993	1994	1995	1996
FEDERATION ACCOUNT					
STATE CONTRIBUTION					
INTERNAL REVENUE					
LOANS (IF ANY)					
TOTAL					

D) **ACTUAL EXPENDITURE**

(CAPITAL PROJECTS)

SECTORS	1992	1993	1994	1995	1996
GENERAL ADMINISTRATION					
SOCIAL DEVELOPMENT					
ECONOMIC DEVELOPMENT					
TOTAL					

(E) LOCAL PROJECTS IN THE LOCAL GOVERNMENT AREA

S/NO	NAMES OR DESCRIPTION OF PROJECTS	LOCATION IN THE LOCAL GOVT.	YEAR OF STARTING	YEAR OF COMPLETION	AMOUNT SPENT
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

(f) **RECURRENT EXPENDITURE ACTUAL**

DEPARTMENT	1992			1993			1994		
	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL	PER. EMOLU.	OVER HEAD COST	TOTAL
PERSONAL MANAGEMENT									
TREASURY									
PRIMARY HEALTH CARE									
AGRIC.									
WORKS									
TOTAL									

(f) RECURRENT EXPENDITURE ACTUAL

DEPARTMENT	1995			1996		
	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL	PERSONAL EMOLUMENT	OVER HEAD COST	TOTAL
PERSONAL MANAGEMENT						
TREASURY						
PRIMARY HEALTH CARE						
AGRIC.						
WORKS						
TOTAL						

SECTION THREE

ROLE OF STATE GOVERNMENT IN FISCAL OPERATION OF LOCAL GOVERNMENTS.

4.1 BUDGETING:

a) What role does the state government functionaries play in local government budgetary process?

_____

_____

_____

_____

b) What is your opinion about the role of the state governments?

i) very helpful

ii) Helpful

iii) Not helpful

iv) No comment

c) If not helpful, what do you suggest the state government should do to local government budgets?

_____

_____

_____

_____

d) Which aspects(s) of local government budget would you suggest should be reviewed for efficient management of scarce financial resources.

i) Capital expenditure

ii) Recurrent expenditure (personal Emolument overhead costs)

iii) Internal Revenue estimate

iv) Fiscal/Monetary Policies

v) Objectives and set targets.

e) What is your assessment of call circulars from the Department of Local Government and Chieftaincy affairs?

i) Very helpful

ii) Helpful,

iii) Not helpful

iv) Not comment

(f) If the call circulars are not helpful, what aspect (s) would you suggest should be amended or dropped?

1 _____

2 _____

3 _____

4 _____

5 _____

4.2 IMPLEMENTATION OF CAPITAL PROJECTS

a) What is the spending limits of your local government in according and implementing contracts for capital projects?

_____

_____

_____

_____

b) What is the impact of this spending limits on management of funds by your Local Government?

i) Very effective

ii) effective

iii) not effective

iv) negative

c) Give reasons for your answer:

1 _____

2 _____

3 _____

4 _____

5 _____

4.3 Control of local government finance:-

a) What is your assessment of the formula used in disbursing funds to local government from the federation accounts?

i) very satisfactory

ii) satisfactory

iii) not satisfactory

b) If not satisfactory, what changes would you suggest in the criteria what make up the formula?

1 _____

2 _____

3 _____

c) Does the state government temper with local government allocation from the federation account?

yes [ ] No [ ]

d) If yes, what are the deductions for.

1 _____

2 _____

3 _____

4 _____

5 _____

e) Does your local government borrow from Banks?

Yes [ ] No [ ]

f) If yes, what are the loans meant for? State the years of procurement:

1 _____

2 _____

3 _____

4 _____

5 _____

g) Are such loans guaranteed by the State Govt.?

Yes [ ] No [ ]

h) Have they been repaid?

Yes [ ] No [ ]

i) If No, why? if Yes, When?

1 _____

2 _____

3 _____

4 _____

5 _____

SECTION FOUR
FINANCIAL MANAGEMENT RESPONSIBILITIES OF LOCAL GOVERNMENT TOP FUNCTIONARIES

5.1 Briefly state the functions of treasurer, H. O. D., LGC, FGPC and the Chairman,

a) 1 _____

2 _____

3 _____

4 _____

5 _____

6. _____

b) Which functions out of the lists mentioned above,

does the state government interfare with?

1 _____

2 _____

3 _____

4 _____

5 _____

6. _____

c) What is the impact of such interference on local government performance,

in the area of service delivery?

1 _____

2 _____

3 _____

4 _____

5 _____

6. _____

d) What suggestions would you offer to improve the relationship between the state and local government functionaries?

1 _____

2 _____

3 _____

4 _____

5 _____

SECTION FIVE

PEOPLE'S ASSESSMENT OF LOCAL GOVERNMENT

PERFORMANCE IN THE ARS OF SERVICE DELIVERY

6.1 QUESTIONS FOR COMMUNITY MEMBERS/LEADERS.

a) Are you aware of any project provided by your local government between 1992 and 1996?

Yes [ ] No [ ]

b) If yes, please name them

1 _____

2 _____

3 _____

4 _____

5 _____

6. _____

7. _____

8. _____

9. _____

10. _____

c) Are these projects adequate for the populations of your districts or village area.

i) Very adequate

ii) Adequate

iii) Not Adequate

d) What would you suggest should be done to improve the standard of the project(s)

1. Provide more funds,
2. Provide more staff,
3. Provide more equipment
4. Take-over by the community.

(e) Which project would you suggest should be directly funded or take over by either the state or federal government?

S/NO	NAME OF PROJECT WHICH GOVERNMENT SHOULD TAKE-OVER	REASONS
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

SECTION SIX

QUESTION FOR STATE FUNCTIONARIES RESPONSIBLE

FOR LOCAL GOVERNMENT AFFAIRS

6.1 How would you assess the Budgets prepared by Local Government in the state.

i) Very realistic

ii) Realistic

iii) Unrealistic

6.2 If unrealistic, in what specific areas?

1. Revenue estimate
2. Capital expenditure estimate
3. Recurrent expenditure estimate
4. Objectives and targets
5. Any other area of the budget

6.3 What do you feel is responsible for 7.2 above/

1. Inexperience of staff preparing the budget
2. Deliberate attempt to create false impression.
3. Imposition of projects by councillors or chairman of local governments.

6.4 What does your office do to assist local governments in preparing their budgets?

1 _____

2 _____

3 _____

4 _____

5 _____

6.5 Do inspectors go round to local governments for other activities limits from some sources?

- inspection of books and projects?
- undating of local government accounts
- other functions.

Yes [ ] No [ ]

6.6 What is your assessment of local government efforts to generate revenue from internal sources?

i) very satisfactory

ii) satisfactory

iii) fair satisfactory

iv) not satisfactory

6.7 If not satisfactory, what factors would you sat are responsible?

1 _____

2 _____

3 _____

4 _____

5 _____

6.8 How would you assess the way local government finances are managed by to officials like chairman, H. O. D.s and councillors?

i) very satisfactory

ii) satisfactory

iii) fair satisfactory

iv) not satisfactory

6.9 If not satisfactory what do you think are the factors responsible?

1 _____

2 _____

3 _____

4 _____

5 _____

7.0 What would you suggest should be done as solutions to 7.9 above?

1 _____

2 _____

3 _____

4 _____

5 _____