# Local Government Autonomy and Fiscal Viability in Nigeria: Evidence from Taraba State

**[1]Umar Elems MAHMUD, PhD and [1]Yusuf Abdullahi OGWUZEBE, PhD**

[1]Department of Public Administration, Nasarawa State University Keffi
Email: elemsumarmahmud@gmail.com, & wambai@yahoo.com

## Abstract

As a tier in the politico-fiscal federalism arrangement of Nigeria, the local government has a constitutional mandate to deliver governance at the critical grassroot level, for the attainment of politico-economic development and globalism. The capacity of a local government to deliver on the mandate, however, is dependent on its fiscal pedigree. This study contends that the inadequate fiscal capacity of the local government in Nigeria is a consequence of the contrived constitutional and legal machinations, intended to institutionalise dependency in the inter-governmental fiscal relations. The objective of this study is to examine the viability of the much coveted local government autonomy, in the light of the weak fiscal capacity. Given the level of imbalance in the existing fiscal relations among the various tiers of government, Equilibrium Theory provided the framework of the study. In the expository analysis, adopting documentary research method, data were gathered from published sources, including local government councils' records, Nigeria's Constitutions (as amended), Federation Revenue Act 2002, and academic journals, among others. Oral telephone interviews were also held with some top officials of council managements, to clarify observed ambiguities. It was found that the forces of the constitutional assignment of "dehydrated" revenue sources to local governments, the "inequitable" revenue allocation formula prescribed by the Legislature, and the weak institutional apparatuses, interplayed to clog or wither the kinetic energy in local government councils, thereby reducing the effort to inert status. In conclusion, local government autonomy, without fiscal viability, as the case of Taraba State, may be counter-productive. It was therefore recommended, among others, that constitutional and legal reforms, aimed at adjusting the extant fiscal imbalance, should be undertaken by the Federal Government, and other relevant authorities.

**Keywords** Local Government, Local Autonomy, Fiscal Viability, Grassroot Development, Constitution, Intergovernmental Fiscal Relations.

## Introduction

Section 2 (2) of the 1999 Constitution of the Federal Republic of Nigeria (as amended) provides for federal character. In sections 3(1) and 7(1), the federating states and local government councils are established. The origin, nature and character of the local government system in Nigeria are therefore, firmly rooted in Nigeria's Constitution.

Similarly, the Fourth Schedule of the 1999 Constitution (as amended) enumerates an array of the functions of local government councils, traversing a myriad of responsibilities which place an onerous burden on the councils, particularly against the backdrop of their proximity to the rural dwellers who constitute a high proportion of the human population. In a very concise manner, Anyanwu (1997) presented a table of the allocation of responsibilities in Nigeria among the federating tiers of government, as contained in 1989 Constitution (as amended). Furthermore, the author presented the respective "tax jurisdictions and major taxes", and "right to revenue", in the same Constitution, as highlighted in Table 1 and Table 2. respectively:

Table 1: Allocation of Fiscal Responsibilities in Nigeria by 1989 Constitution (as amended).

| **Government Tier** | **Expenditure** |
|---|---|
| Federal only | Defence<br>Foreign Affairs<br>International trade including export marketing<br>Currency, banking, borrowing, exchange control,<br>Use of water resources,<br>Shipping, federal trunk roads,<br>Elections<br>Aviation, Railways, Postal Services<br>Regulation of Labour, Inter-state commerce, telecommunications, immigration,<br>Mines and minerals, nuclear energy, citizenship and naturalisation rights,<br>Social security, insurance, national statistical system (census, birth, deaths, etc)<br>Guidelines and basis for minimum education,<br>Business registration<br>Price control |
| Federal and State (shared) | Health, social welfare<br>Education (post primary/technology)<br>Culture<br>Antiquities<br>Monuments, archives<br>Statistics, stamp duties<br>Commerce, industry<br>Electricity (generation, transmission, distribution)<br>Research surveys |
| State only | Residual power i.e any subject not assigned to federal or local government level by the constitution |
| Local Government | Economic Planning and Development<br>Health services,<br>Land use,<br>Control and regulation of advertisements, pets, small businesses<br>Markets, public conveniences<br>Social welfare sewage and refuse disposal, registration of birth, deaths, marriages<br>Primary, adult and vocational education<br>Development of agriculture and natural resources |

Source: Anyawu (1997)

A cursory perusal of Table 1 indicates that local governments were charged largely with responsibilities which directly affect the rural populace, where the teeming population resides. Given that contemporary thinking emphasizes strategies aimed at decongesting the rather overflown urban areas, through counterurbanisation policies, the rural areas should witness an upsurge in population density, if the policies are effectively implemented. Thus, primary and vocational education, primary healthcare, economic planning and development, agricultural, and natural resources and rural development would collectively, among others, place huge fiscal burden on councils.

In Table 2, the revenue or tax jurisdiction under the 1989 Constitution is highlighted.

Table 2: Revenue or Tax Jurisdiction Under 1989 Constitution (as amended).

| Federal | State | Local |
|---|---|---|
| 1. Import<br>2. Excise duties<br>3. Export duties<br>4. Mining rents and royalties<br>5. Petroleum profits tax<br>6. Companies income tax<br>7. Capital gains tax (legal basis)<br>8. Personal income tax (legal basis)<br>9. Value added tax (VAT) | 1. Football pools and other beating taxes<br>2. Entertainment taxes and estate duties<br>3. Gift tax<br>4. Land tax other than on agricultural land<br>5. Land registration fees<br>6. Capital gains tax (administration)<br>7. Personal income tax (administration)<br>8. Stamp duties | 1. Rates<br>2. Tenement rates<br>3. Market and trading licences and fees<br>4. Motor park duties<br>5. Advertisement fees<br>6. Entertainment tax<br>7. Radio/television licences |

Source: Anyanwu (1997).

Perusing Table 2, it could be observed that with the exception of tenement (property) rates, other revenue sources: bicycle licences, motor park fees, radio liciences, entertainment fees, advertisement fees, *et cetera*, are considerably sundry in nature. For example, available data on local government's revenues for the period 1993-1996 indicated that internally generated revenue as percentages of total annual receipts were for 5.21% (1993), 6.27% (1994), 7.98% (1995) and 8.11% (1993) respectively (Anyanwu, 1997). More recent reports indicated that the contributions averaged 10-20 per cent in highly urbanized and commercial cities as Lagos, Port-Harcourt, Kano and Benin City; while the contribution remained as low as 3 to 5 per cent in predominantly rural local governments, with very minimal commercial activities (Kanyo, 2018).

In order to augment revenues from the traditional sources therefore, councils have veered into risky businesses in property development (shops, halls, malls, etc) and sometimes, trading. Either case, council managements have staked councils' lean resources in business which risks they are incompetent to discern and manage. Besides, the scenario has engendered the opportunity to practise corruption and gross mismanagement.

Given the constitutional base of local government system in Nigeria, it is surmised that the drafters of the 1999 Constitution (as amended) were sympathetic to the course of grassroot development, which could be more effectively achieved via a level of government operating at the same hemisphere as the local populace. Unfortunately, the same section 7(1), which guaranteed the existence of local government system introduced a major clog in the wheel, to wit: "…and accordingly the government of every State shall, subject to section 8 of this constitution, ensure their existence under a Law which provides for the establishment, structure, composition, finance and functions of such councils".

This contradiction has hung a major albatross on the neck of councils by reducing their existence, tenure, *modus operandi* and *modus vivendi* to the whims and caprices of state governments.

In an attempt to wriggle out of the stranglehold of state governments, councils have, more recently, presented vehement opposition to the excessive control. While the protagonists of council autonomy argue strongly for financial independence as the foundation, the antagonists hold the view that financial autonomy is inappropriate, given the "calibre and quality" of leadership that holds sway at the local level. To be sure, the latter group comprises of the political elite godfathers and beneficiaries of the oppressive system. Irrespective of the position in the polemics, the cardinal issue to resolve, however, is whether local government councils are capable of delivering on their numerous responsibilities, vis-à-vis their financial capacity, under the extant and existing fiscal federalism. Against this backdrop, therefore, this study is intended to examine the nexus between capacity and viability of local government councils, with particular reference to Taraba State, Nigeria.

## Statement of the Problem

In assessing the performance of local government councils in Nigeria, much blame has been heaped on the noticeable failure, often ascribed by analysts to "sundry factors", including corruption, undue interference and choking control by state governments, among many others. This study contends that any emphasis which undermines the severity of the original seed of incapacity sown by the disequilibrium entrenched in the fiscal federalist arrangement as provided in the Constitution misses the fundamental issues. In the circumstance, literature and previous studies mostly focused efforts at the leeward side of the ailment. As a departure this study focuses on the analysis of the fundamental source of local governments' fiscal incapacity which is the extant lopsided intergovernmental fiscal relations from which other problems affecting local government in the country are derived.

Flowing from the foregoing, the major objective of this study is to analyse the federalist fiscal arrangement, and the implications for local government councils' autonomy, in the absence of fiscal incapacity or viability. Other objectives include: to examine the relative potentiality of local governments' tax jurisdictions in generating substantial revenue; and to identify and proffer policy options, for enhancing council's fiscal capacity.

## Review of Literature and Theoretical Underpinning

### Conceptual Clarifications

Several concepts have been employed in the study, the clarifications of which are necessary, for insights into their operational connotations.

### Local Government Autonomy

Local government is a population, occupying a defined territory, with a locally authorized and governing body. It is a legal entity, with power to provide assigned public services, and a substantial degree of autonomy, including legal or actual power to raise part of its revenue (Blair, 1977). The Guidelines for Local Government Reform (1976) defined local government as government at the local level established by law to exercise specific powers within defined areas (and) to initiate and direct the provision of services and to determine and implement projects so as to complement the activities of the state and federal government in their areas, and to ensure local initiatives and responses to local needs and conditions.

More explicitly, the Guideline for Local Government Reform (1976) defined a local government as:

> Government at local level exercised through representative councils established by law to exercise specific powers defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial power to initiate and direct the provision of services and to determine and implement projects so as to complement the activities of the state and federal 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 institutes , that local initiative and responses to local head and conditions are maximised.

Implicit in the definition is that a local government in Nigeria derives its origin, responsibilities and functional jurisdiction from the Constitution. This jurisdictional power, subject to constitutional and legal limitations, is the subject matter of local government autonomy.

## Fiscal Autonomy

Fiscal autonomy is the independent authority of a governmental tier to prospect for and earn revenues and incur expenditure over its area of jurisdiction. In a federalist arrangement, with decentralized fiscal federalism, as in Nigeria, the Constitution allocates responsibilities and assign revenue jurisdictions or sources, commensurate with the responsibilities, among the tiers (Anyanwu, 1997). This responsibility-revenue balance or match is a critical consideration in striking a nexus between efficiency and equity, when saddling governmental tiers with the task of providing services (governance) to its citizenry (Anyanwu, 1995; Musgrave & Musgrave, 1980).

Flowing from the concept of fiscal autonomy is the related capacity to impose and enforce taxes, levies and other revenue generating executions on the citizenry, within the legally assigned fiscal jurisdiction. The aim is to mobilise the required financial resources to meet the cost of governance.

In this regard, Abayomi and Oladeji (1994) noted that the ability of a government to levy and enforce a revenue instrument presents the hall-mark of the government's fiscal capacity. Implicit in the note are two key elements of fiscal capacity: legal authority to impose levies; and ability to enforce compliance of the eligible taxpayers. Given the assumption of a legal authority, the existence of a robust and effective revenue collecting machinery is a *sine qua non,* for successful yield.

## Fiscal Viability

Olaniyi and Abiola (2008) defined the ability of a governmental tier to raise the needed revenue to cover the expenditure in the discharge of its assigned obligations to the citizens defines its fiscal position. Where the taxable capacity or revenue generation is less than the needs or expenditure, there is a deficit in or weak fiscal capacity. The converse holds when the fiscal capacity is greater than the expenditure needs. The latter position is favourable, particularly when it is sustainable. Such [position guarantees the financial viability of local tier of government, and reduces its dependence on other tiers. However, the fiscal capacity is a function of the revenue potentials of the sources, and the ability of the local government to effectively harness the potentials.

## Revenue and Taxing Jurisdictions

In a well-conceived arrangement, each tier of government in a federal system should enjoy assignment of revenue sources commensurate with its responsibilities, guided by the need to minimize cost (or promote efficiency) and the desire to rationalize revenue needs (equity) (Anyanwu, 1997).

Other considerations in assigning tax jurisdictions include progressive redistribution, economic stablisation, equality in distribution of tax revenue among governmental tiers and, mobility of factors of production, all of which are preferably allocated to the central government. On the other hand, residence-based taxes, or consumption and excise taxes are better assigned to sub-national governments; while taxes on factors which are totally immobile should be conceded to the municipal tiers. In general, however, benefit taxes and user charges are indifferent with respect to governmental tier, as noted by Musgrave (1959) and Habu (2018).

## Review of Literature

The customary view of analysts when the poor governance of local government councils in Nigeria is discussed directs all excuses to the unfavourable revenue allocation arrangement under which the formula marginalizes the councils.

Nyong (1999), buttressing this assertion, writes that in fiscal federalism, the contending issues is the revenue formula, since the formula determines the procedure for sharing the nationally accrued revenues among the federating tiers of government. The ability or otherwise of a tier of government to deliver on its mandate, therefore, is strongly tied to how much is assigned, vis-à-vis the responsibilities.

Whereas the “orthodox” view of the financial bane of local governments in Nigeria focuses extensively on the disproportionate characteristics of the revenue allocation formula, it is the contention of this study that, rather, the fundamental source of the marginalization is rooted in the biased arrangement in the Constitutions (1979 and 1989, as amended). It is the Constitutions that set the tone for the imbalance in Nigeria’s inter-governmental fiscal irrationality within the decentralised politico-economic structure. Notwithstanding the position of councils, it is reasonable to surmise that due consideration of the geographical range of externalities and economies of scale exacted much influence in the assignment of fiscal responsibilities and revenue jurisdictions to the various tiers of government by the Constitution. This is, because annotated explanations on the principles which guided the assignment of the junctions were omitted. Other sources’ of local government’s marginalisation, which include management of local government councils’ finances and the Revenue Allocation Act, are also examined.

### Joint Management of Local Government Finance

Arising from the foregoing, it is discernable that the Constitution is the author of the financial dependence of councils on other governmental tiers, particularly on the “supervising” sub-national government. Another source of erosion in councils’ financial autonomy is the operation of the State Joint Local Government Account (JAAC). Although the contents of the Account ought to be the sole property of councils, sections (5), (6), (7) and (8) of the 1999 Constitution provide for its joint management and operation between the state and local councils. Under the tiger-and-goat relationship, councils concede to the dictates of their sub-national government masters. In this regard, it is widely alleged that councils are often denied access to funds utilization, resulting in incapacity and poor performance. Recently, there as been calls by the political class, including the National Assembly and the Federal Government to effect local governments financial autonomy by channeling funds allocated to local government direct to the beneficiary councils’. A similar autonomy has been restored to state Houses of Assembly and judiciary.

### 2. Revenue Allocation and Distribution of the Federation Account

The Allocation of Revenue (Federation Account) Act 2002 (as amended) prescribes the basis for the distribution of revenue accruing to the Federation Account among the Federal and State Governments and the Local Government Councils in the States. The Act also provides the formula for distribution among the States and the proportion of the total revenue of each State to be distributed to the State Joint Local Government Account, based on the source of the earnings.

Accordingly, the approved basis prescribes the formula expressed as follows, in per centages:

| | |
|---|---|
| Federal Government | 56.00 |
| State Government | 24.00 |
| Local Government Councils | 20.00 |

State governments are also enjoined to allocate a 10 percent of "other revenues" accrued to the state to local government councils, to boost councils' total earnings.

The reservation about the formula is premised on the allocation of a derisory 20 per cent to all 774 councils in Nigeria. When viewed against the humongous responsibilities, the arrangement is incapacitating. To be sure, providing primary health care and basic education alone requires huge funding. Agriculture and rural development, which fall squarely within the purview of local government economic responsibility, also requires huge funding, without which a major threat to national food security can arise.

## Implications of Poor Funding for Governance

The sum total of the devastating effect of fiscal incapacity is the observed weak financial state of local governments, in relation to their constitutional responsibilities. Ukiwo (2006), reflecting on the situation, noted that the vision of 1976 Local Government Reform policy drafters to bring governance and development to the door-step of the rural dwellers, has been counter-productive, because policy outcomes are in deficit of expectations.

Alo (2012) identified absence of fiscal autonomy and overdependence on federally accrued revenue as the major challenges of local councils. To King (1988), until local governments are adequately financed, not much should be expected in terms of performance. To be sure, a myriad of other problems places a hurdle on the path of local government councils to performance, and retard efforts at governance. While Oviosuyi (2010) and Adewunmi (1999) stressed weak budgetary procedures, Adamolekun (2011) emphasised personnel quality and work attitude, as major retardants to local government performance on governance.

Other scholars: Oviasuji, Isiraoje, Idada and Owasoyi (2010), Ujo (2005), Zwingina (2003) Mabonguje (1995) and Akpan (1965), and dentified administrative weakness, politicization, corruption and the unending quest for additional local governments as militating factors. In any case, irrespective of the position, that local governments in Nigeria are weakly formed is incontrovertible.

## Theoretical Framework

The end-product of the abysmally weak financial condition of local governments in Nigeria, and indeed Taraba State, is deeply rooted in a tripod of a well mechanised trap: first, "constitutional disarmament"; second, legal marginalisation; and third, institutional inadequacies. While constitutional disarmament "disenabled" councils via assignment of poor-yield revenue sources, the Revenue Allocation Act 2000 marginalized local governments, by allocating a paltry 20 per cent to all 774 councils. Compounding the situation is the weak institutional environment in which councils operate.

Given the setting, it is contended that the architecture of the fiscal federalist arrangement was intended to create dependency in the intergovernmental relations, with a progressively scorching effect towards the third tier; by tactfully or brazenly eliminating equilibrium position and creating a situation of inequality in the fiscal co-existence. Accordly, Equalibium Theory is adopted in this study.

Equilibrium theory, propounded by Jefferson (in Modibbo, 2017), posits that federalism works optimally when socio-economic balance exists among the federating units. In this regard, the theory suggests that resources should be equitably shared among the constituents, in order to achieve an equilibrium position, characterised by stability and even development. The utility of the theory lies in its ability to provide an insight into the imbalance in the intergovernmental fiscal federalist relations, and the implications for equity.

## Methodology

Being expository in design, the study adopted documentary method. Data or information were therefore, gathered from published sources, including in-house publications of relevant federal government agencies, notably ministries, tax authorities, the Constitution, Acts of the National Assembly of Nigeria; academic and professional journals, textbooks, and records of selected local government councils. Oral interviews were also held with several council management officials via telephone, for clarifications where ambiguity was observed. The method has been widely used in the Social Silences (Akinsanya, 2017; Lee & Liu, 1988).

## Data Analysis and Discussion

The analysis is offered in line with the identified sources of local government finances, with the major objective to highlight the fundamental disequilibrium and the attendant disadvantaged position of local councils in the fiscal federalism. Accordingly, the presentation is ordered in the following sequence: constitutional assignment of fiscal responsibilities and tax jurisdiction, legal revenue allocation and institutional deficiencies.

## Constitutional Assignment of Fiscal Domain

Table 3 presents the relative contributions of internally generated revenue (IGR) as per centages of total revenue for the periods 1993-1996, and 2016-2018.

Table 3: Per Centage (%) Contributions of Internally Generated Local Government Revenue to Total Revenue in Nigeria, 1993, 1996 and 2016-2018.

| S/No | Year | % of IGR to Total Revenue | % of Dependence of councils on Statutory Allocations |
|---|---|---|---|
| 1 | 1993 | 5.21 | 94.79 |
| 2 | 1994 | 6.27 | 93.73 |
| 3 | 1995 | 7.98 | 92.02 |
| 4 | 1996 | 8.11 | 91.89 |
| 5 | 2016** | 10-12 | 90.00-88.00 |
| 6 | 2017** | 10-16 | 90.00-84.00 |
| 7 | 2018** | 10-20 | 90.00-75.00 |

**Sources: Central Bank of Nigeria, 1996 in Anyanwu (1997), ** Akonyo (2018)**

From a perusal of Table 3, it is discernable that local government councils in Nigeria depended up to 91.8 per cent on statutory receipts from other tiers of government during the period, 1993-2018. With the exception of few local governments in Lagos, Port-Harcourt and Kano, which achieved IGR contributions of between 12.0 and 20.0 per cent of total annual receipts (FIRS, 2018), others were down at an average low of 8.21 per cent. In more recent times with declining tax consciousness, the average would have plummeted to as low as 3 per cent, in remote rural councils given that radio and car licence fees are now “irrelevant”.

A recast of the Tax Jurisdiction at Table 2 reveals the weak fiscal foundation and the consequent low taxing capacity of local councils. The questions repeatedly asked by council management during the interview session included: how much revenues are collectible from sundry activities by artisans who are engaged in petty trading? What entertainment services are provided in villages where basic social amenities are lacking? Who licenses their radio and television sets in contemporary Nigeria? Can any local tax collector approach members of the elite class who own the taxable real property in their country homes?, and so on.

Put succinctly, the questions ask of the volume and value of the revenue sources as a platform for generating meaningful revenues to meet the budgets (recurrent and capital) of councils. Answers to the questions are largely in the negative, leading to the inference that overtly or covertly, the Constitution planted the now grown seeds of local government councils' fiscal incapacity.

### Legal Impediment

The Nigerian Constitution empowers the National Assembly (NASS) to legislate as appropriate, on the distribution of all federally collected revenues from the Federation Account. In this wise, NASS through extant and laws provides for distribution, through a sharing formula, among the federating tiers. As noted, the 2002 Allocation of Revenue (Federation Account, etc) Act prescribed a formula in which only 20 per cent was appropriated to all 774 local councils. In the circumstance, it is surmised that the Act envisaged that councils should rely extensively on IGR; while statutory receipts would "argument" the latter source. The futility of this assumption is the crystallization of the undersirable low revenue accruals, and the resultant weak fiscal capacity and poor service delivery.

### Weak Fiscal Institutions

In examining the challenges of local government finances, recourse to the Constitution and legal impediments are fundamental. However, weak institutions also produced the catalyst by which the problem was aggravated. Assuming, without conceding, that the constitutional and legal environment were highly conducive and motivating, the germane question is whether or not the institutional infrastructure in their deplorable states were capable of adequately or optimally harnessing the opportunities available in IGR sources.

Answer to this puzzle maybe available when an examination of the efficacy and efficiency of the institutional arrangement for driving compliance with extant revenue laws is undertaken. The key institutional issues include overlapping local government by-laws relating to taxation, double taxation, weak enforcement apparatuses, low quality and inadequacy of personnel, low fidelity of tax collectors and administrators, poor accountability by tax authorities and custodians of collections, weak strategic policy framework for countering large scale evasion, inadequate public enlightenment of tax obligors for voluntary compliance, based on recognition and acceptance of civic obligation and political interference, among others.

### Evidence from Taraba State

The First Schedule, Part 1 of the 1999 Constitution (as amended) outlines the federating States of Nigeria and the component Local Government Areas. In the Schedule, Taraba State is listed, with 16 Local Government Areas.

Notwithstanding the enormity of its vast geographical land, Taraba State is predominantly very low on economy. A substantial proportion of the economy is agrarian. Rural life, with the attendant poor infrastructure, characterises the country side. Although cash crop such as millet, corn and yam are grown, earnings are not substantial, because of their primary nature, and the unfavourable market forces, resulting in low produce pricing. Given the economic structure, the tax base is narrow. In the typical rural areas, petty trading, motor park activities, motor cycle transportation, subsistence agricultural produce, livestock, cottage industries (cassava grinding, outboard marin transportation, block moulding, saw milling, etc), birth/death registrations, marriage registration, and commercial ventures, constitute the major revenue sources.

Responses to survey enquires by top local council officials put the average monthly contributions of IGR to total monthly revenue receipts of the average council at between 3 and 5 per cent, as presented in Table 4.

Table 4: Proportions of Federal State and Internally Generated Revenue by Local Government in Taraba State as Per centages of the Revenue Receipts, 2010-2018

| Year | Federation Account and State (%) | IGR (%) |
|---|---|---|
| 2010 | 95.0 | 5.0 |
| 2011 | 96.0 | 4.0 |
| 2012 | 97.0 | 3.0 |
| 2013 | 96.5 | 35 |
| 2014 | 95.0 | 5.0 |
| 2015 | 95.0 | 5.0 |
| 2016 | 94.3 | 5.2 |
| 2017 | 95.4 | 5.7 |
| 2018 | 95.0 | 5.0 |

**Source: Field Survey, 2019**

Council management official reported that major sources of IGR included: taxes (73-9%), rates (13.1%), license (8.7%), and others (4.7%) respectively.

On the methods of collection, market-ay drive, house-to-house drive, payment to District Heads and community associations were widely employed, with house-to-house drive yielding 54.4 per cent, while market-day yielded 21.7 per cent.

When therefore allocations from national and sub-national sources are delayed or denied, all financial obligations are put in abeyance. Expectedly, the experience of Taraba local governments is shared by other rural councils in Nigeria, except for the highly urbanised and commercial ones. If therefore a typical local government must depend on external sources (other tiers of government) for survival, is the viability of such institution not fundamentally questionable?

In answering the question, recourse is made to the note of caution offered by Mabongaje (1995) to the effect that rather than view a local government as a free gift from the higher tiers of government, the creation of a local government should be better conceived as a decision to foster grassroot development. Therefore, demand for local governments must be underpinned by the ability and willingness to sustain the structure, by adequately harnessing available internal revenue sources, for governance. Until this condition is satisfied, agitation for, and indeed creation of a local governments tantamount to creating dependencies and unviable edifices. The on-going debate on local government, autonomy notwithstanding, the second and very critical leg of the consideration is the ability and willingness of councils to be alive to the onerous task of optimally harnessing the available, IGR resources, however lean they may be. But without assurance of financial viability, mere autonomy is akin to a bank's paper profit.

In summary, the major finding of this study is that the Constitution, Revenue Act 2002, and the weakly formed institutions cooperated to financially incapacitate local governments in Nigeria, thus clogging their wheel of governance.

## Conclusion

Local governments as agents of grass root or rural development are as relevant insofar as they are capable of discharging their constitutional and legal mandates. To achieve such lofty heights in governance, a strong financial muscle is a *sine qua non.*

Unfortunately, however, the extant constitutional, legal and institutional arrangements are antithetic to the realization of the objectives set for councils. Among the challenges, the Constitution, and its assignment of responsibilities and taxing capacity, remain a major hurdle. In the circumstance, councils are overly dependent on external sources, instead of the preferred heavy reliance on internal resources. Consequently, local government council autonomy without the pre-requisite financial viability is a nullity.

## Recommendations

The following policy recommendations are offered, in the light of the findings:

i. First, the Constitution should be amended to assign more juicy taxable items and revenue earning resources to local government councils.

ii. Second, the Act prescribing the revenue sharing formula should be amended, to appropriate a higher per centage, of atleast 27, to local councils, particularly because poor rural development is a major challenge in Nigeria. If rural development is achieved, counter-urbanisation will follow naturally.

iii. Third, local councils should retool existing revenue-drive apparatuses, for efficiency, effective bite and improved results. In this regard, existing by-laws should be reviewed to prescribe stiffer penalties for default, under any guise.

iv. Fourth, favouritism in assessment and collection, based on nepotism or political class, etc, should be avoided. Corruption, double taxation or all vices which hitherto eroded tax payers' confidence should also be discontinued.

v. Fifth and above all, there is need to invest adequately in public alignment and socialization, to engender voluntary compliance. Ignorance and resistance are costly and may be very obstructive in revenue drive. To the contrariwise, there is evidence of a strong association of tax yield with voluntary compliance. The Federal Inland Revenue Service, in realization of this correlation, designed several products aimed at eliciting voluntary compliance. Two of such products are the Voluntary Assets and Income Declaration Scheme (VAIDS) and timely payment draw back. While the former incentivises obligors to voluntarily declare true assets and income for proper assessment, the latter product provides opportunity for an obligor who achieved timely full payment and to draw back a portion of the amount so timely paid.

## References

Abayomi, Y.O. & Oladeji, L.G. (1994). Financing local government administration in Nigeria, 1980-1996 *Central Bank of Nigeria, Economic and Financial Review,* 32(1); 26.

Adamolekun, L. (2001). *Public administration in Africa: Main issues and selected country studies,* 2nd ED., Ibadon, Nigeria, Evans Brothers (Nigeria publishers) limited

Adewunmi, A. (1999). *Studies in comparative local government and practice of administration*, Lagos, Nigeria, Africana Education Press Ltd.

Akinsanya, A.A. (2017). Improving the performance of Nigerian public enterprises: The experience of Western Nigeria 1949-1966, *Keffi Journal of Public Policy and Administration,* 5(1); 52-53.

Akpan, N. (1965). The development of local government in Eastern Nigeria, *Journal of Local Government Overseas*, 4(2); 121.

Allocation of Revenue (Federation Account, etc) Act 2000, Abuja, *Federal Republic of Nigeria*

Alo, E.N. (2012). Fiscal federalism and local government finance in Nigeria, *World Journal of Education*, 2(5); 77.

Anyanwu, J.C. (1995). *Public finance: Theory and practice in Nigeria,* Onitsha, Nigeria, JOANEE Educational Publishers Ltd.

Anyanwu, J.C. (1997). *Nigeria public finance,* Onitsha, Nigeria, JOANEE Educational Publishers Ltd.

Federal Republic of Nigeria (1989). 1989 *Constitution of Nigeria* (as amended)

Federal Republic of Nigeria (1999), 1999 *Constitution of Nigeria* (as amended)

Federal Republic of Nigeria (2002). *Allocation of Revenue (Federation Account) Act.*

Federal Republic of Nigeria (2011). *1999 Constitution of the Federal Republic of Nigeria (with Amendments 2011).*

Federal Inland Revenue Service of Nigeria (2018). 2016-2018 tax revenue collections statistics, Abuja, the *taxMAGAZINE,* Special Edition p.39.

Habu, I.S. (2018). *Politics, concept, principles and issues*, Zaria, Nigeria, Faith International Publishers.

Kanyo, J.B. (2018). Tax defaulters and the damage they do to the economy, *lecture delivered at the Institute of Tax Administration,* Lagos, November.

King, M.C. (1988). *Localism and nation building,* Ibadan, Nigeria, Spectrum Books.

Lee, M.L. & Liu, B. (1988). Measuring socio-economic effect when using income as quality of life indicator, American *Journal of Economics and Sociology,* 47(2); 197.

Mabonguje, A. (1995). Local governance and the concept of social capital, *Workshop on governance and democracy,* Ile-Ife, Nigeria, Obafemi Awolowo University, Malthouse Press Ltd.

Modibbo, A.S. (2017). Nigeria and the challenge of fiscal federalism, *Keffi Journal of Public Policy and Administration,* 5(1); 128.

Masgrave, R.A. & Musgrave P.B (1980). *Public finance in theory and practice*, N.Y., McGraw-Hill Book Company.

Musgrave, R.A. (1959). *The theory of public finance,* N.Y. McGraw-Hill, Book Company.

Nyong, M. (1999). Fiscal federalism, revenue allocation formula and economic development in Nigeria, *Nigerian Financial Review,* 7(3); 66.

Olaniyi, O. and Abiola A.G. (2008). Reform of the fiscal system and medium term framework in nigeria, *Journal of Development and Society*, Special Edition, Abuja, Nigeria, University of Abuja

Oviasuyi, P.O., Idada, W. and Isiraojie, L. (2010). Constraints of local government administration in Nigeria, *Journal of Social Science,* 24(2); 38.

Ujo, A.A. (2005). *Principles and practice of local government in Nigeria,* Abuja, Nigeria, Tafida Publishers Ltd.

Zwingina, J. (2003). The decision to scrap local governments: Issues in local government administration in Nigeria, *Journal of Management*, 11(2); 71.