

**LOCAL GOVERNMENT ADMINISTRATION AND REVENUE GENERATION IN
ILORIN WEST LOCAL GOVERNMENT AREA, KWARA STATE, NIGERIA**

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ABSTRACT

The paper traced the historical background of local government and examined the reasons for the creation of such government at the local level. The study examined the sources of revenue generation both internal and external and constitutional functions of local governments. The study relied on secondary data. Findings from the paper showed that Ilorin-West Local Government has weak capacity to generate revenue optimally for developmental purposes due to many factors which include non-recruitment of qualified revenue collectors, low job motivation and corruption, amongst others. The paper concluded that better training and job motivation could help revenue collector perform efficiently while proper utilization of revenue generation would encourage tax payer to pay their taxes regularly.

Key words: *Administration, Local Government, Revenue, Generation*

I Introduction

The idea behind the creation of Local Government in Nigeria is that the people at the local level are assumed to have the fullest awareness of their needs. Every local jurisdiction has its unique economic, social and physical characteristics and its historical tradition which are better understood by its people. Thus, the Local Government Areas are created to provide the services which the Federal and State Governments cannot easily undertake due to their remoteness from the local communities (Uhunmwangho and Epelle, 2008). Therefore, the only reasonable form of development is the one that comes from within, through the will and desires of the people.

Nigeria runs a federal system of government that consists of three tiers, that is, the federal, state and local governments. Each of these spheres has constitutionally assigned responsibilities to discharge. Orewa, (1983) said “it has been generally agreed that no central government can satisfactory conducts administration wholly from the capital through civil servants based at the

headquarters. Thus, the need for a form of decentralization, according to him, such practice will enable the government to reach out to the people at the local level". Tonwe (2007) states that with the amount and variety of work to be done country-wide by government, it is impossible for a single authority to undertake directly their performance and the government too does not have the requisite knowledge of all the diverse problems which are local in nature. In spite of its centrality to the development process at the grass root, the recurrent problems of local government in Nigeria is the ever dwindling revenue generation, discernible from budget deficits and paucity of funds for robust economic growth and development. Local Government is the nearest government to the people at the grass root in Nigeria. In fact, 70% of the Nigerian population reside in the Local Government areas. Consequently it has the responsibility to articulate the needs of these people and formulate plans and strategies to realizing them. Even the urbanized cities are broken into Local Government areas such that the activities of State Governments are interwoven with those of the Local Governments in particular. This development policy has created many avoidable problems some of which are massive rural-urban migration thereby over congestion and heating up the lives in the cities, infrastructural decay at the rural areas due to total neglect and abandonment, mass poverty in the country due to lack of proper harmonization of the nation's resources. Against this background, the study will examine local government administration and revenue generation in Ilorin-West Local Government of Kwara State.

II Objective of the study:

The objective of this study is to assess the extent to which Ilorin-West local government has been able to generate revenue for developmental purpose noting the achievements and challenges in its efforts.

III Research Questions

1. What are the sources of income generation by Ilorin-West Local Government?
2. To what extent has the Local Government been able to the generate revenue?
3. What are the impacts of revenue generation on the development of Ilorin-West?
4. What are the problems associated with revenue generation in Ilorin-West?

5. How can better revenue generation be enhanced and utilized in Ilorin-West Local Government?

IV Conceptual Clarification

Local Government

The United Nations office for public administration defines local government as a political subdivision of a nation or (in a federal system) State, which is constituted by law and has substantial control of local affairs including the powers to impose taxes or to exact labour for prescribed purpose. The 1976 local government reform defines local government as government at local level exercised through representative council established by law to exercise specific powers within defined areas. Lawal (2000) defines Local Government as a political sub-division of a nation in Federal system which is constituted by law and has substantial control of local affairs which includes the power to impose taxes or exact labor for prescribed purpose.

Revenue

Oladimeji (1985), describes revenue as the total income generated from federal, state and local government. He stated further that what makes local government as constitutional matters is the revenue sharing perspectives. Advance learning dictionary of current English (1992), defines revenue as the total annual income of the state collected for public use. It further described it as income, derived from taxation. Fayemi (1991) defines revenue as all tools of income to government such as taxes, rates, fees, fines, duties, penalties, rents, dues, proceeds and other receipt of government to which the legislature has the power of appropriation. He further classified government revenue into two kinds – recurrent revenue and capital revenue. Hepworth (1976) describes revenue as an income or funds rose to meet the expenditure. He added further that revenue is a rising resources needed to provide government services. He also stated the Longman dictionary of contemporary English (1995), defines revenue as money that a business or an organization receives over a period of time especially from selling goods or services. It also described revenue as money that government received from tax.

V Review of Related Literature

According to Vincent (2001), studies on tax and public revenue mobilization in Nigeria have shown a high degree of centralization. Emenuga (1993) states that the allocation of revenue to the tiers of government has to adhere strictly to the expenditure requirements of each tier, thus the federal government has become a surplus spending unit while for other functions, he proposes the determination of a tier's share through the aggregation of its basic expenditure needs. To reduce the gap between tax power and responsibilities, two types of revenue sources are allocated to each tier. These are independent revenue sources and direct allocation from the federation to which centrally collectable revenues are paid. Local government also receives allocations from state internal revenues. An agreed formula for vertical revenue sharing is used in sharing funds from the federation account. Another key issue in the practice of public revenue mobilization in Nigeria is how to distribute the bloc share from the federation account among the constituent units of each tier i.e. among the 36 states and the 774 local governments. This is called horizontal revenue sharing. In Nigeria, there are four categories in the vertical allocation list – federal, state, local governments, and the special fund. The allocation to the Federal Capital Territory (FCT) is accounted for under the special fund which is administered by the federal government.

Public revenue mobilization is one of the most keenly contested issues in Nigeria. A comprehensive review of the reports of the various commissions and government policies from the 1946 Philipsons Commission to the activities of the National Revenue Mobilization, allocation and fiscal commission established in 1989 could be found in Kayode (1993), Emenuga (1993) and Ekpo(1994).Local governments in Nigeria receive statutory allocations from the two higher tiers of government (federal and states). At present, revenue sharing formula, local governments receive 20 per cent from the federation account. They are also statutorily entitled to 10 per cent of states' internally generated revenue. As regards to Value Added Tax, local governments receive 30 percent in 1998. This was shared to local governments, on the following basis: equality (50 per cent): population (30 percent) and derivation (20 per cent). In 1999, local governments received 35 per cent of the VAT proceeds. The federal government controls all the major sources of revenue like import and excise duties, mining rents and royalties, which are

national in nature (foreign affairs, environment, immigration and defense) should be provided by the central government while those whose benefits are mainly localized should be assigned to the lower levels of government. Quasi-private goods or intermediate goods and services such as administration, health and welfare services should on account of efficiency petroleum sales tax, petroleum profit tax and companies income tax among other revenues sources.

Local Government taxes are minimal hence this limits their ability to raise independent revenue and so they depend solely on allocation from the federation account. Much of the revenue collected by the federal government and distributed among the different tiers of government using the vertical revenue allocation formula is from the federation account. But the federal government seems to exercise too much control over its distribution. So many deductions are made from the total revenue collected before the rest is distributed according to the sharing formula. The federal allocation to local governments for the period 1976 to 1997 showed steady increases during the periods. The allocation which stood at N100 million in 1976 jumped to N352.6 million in 1980, reflecting a compound growth rate of almost 29%. During the structural adjustments programme (SAP), federalal location to local governments increased remarkably by45.7%. This jump could be as a result of the increase in the number of local governments.

Hofer and Schedal (1978), described strategy as a game plan through which aims and objectives of an organizations are achieved. They further defined strategy as revenue generation as the fundamental pattern of present and planned resources department and environmental interaction that indicate how the organization will achieve its aims and objectives. Adeosun (1991), states that strategy to generate more revenue [should be given an adequate attention in local government system. This is because the federal and state statutory allocations are prone to external influence. He finally stated that the local government should respond promptly and adequately to the changing in the needs of their communities, decides the relative priorities, articulate plan and programmes, set target and standard, monitoring measures and mobilize financial resources with emphasis on those generated internally to accomplish agreed goals.

VI Theoretical Framework

The systems theory propounded by David Easton is relevant to this work. According to him, the political system is defined as the system of interactions in any society through which binding and authoritative decisions are made and implemented. Easton considers the political system to exist within an environment of other systems which include the physical, biological, social, psychological, among others, which shape it and are in turn affected by the political system through conscious transactions and exchange. In addition, Easton noted that the political system functions by getting inputs from its environment. Inputs are events in the environment, which evoke responses from the system. Inputs could be demands that values should be allocated in a particular way, or they could be supports that are expressions of approvals for particular decisions and complimentary services to the political structure; whereas outputs are decisions of the political system and the provision of amenities and welfare of its citizens. (Ifeayekwu, 2012).

The system approach is useful to the study of local government administration and revenue generation in Nigeria. Local governments in Nigeria do not function in isolation. They operate within economic, social and political environment, which shape its operations and are in turn shaped by it. While the government plays the important role of authoritative allocation of values, including the provision of social and essential infrastructure, it cannot perform this important task satisfactorily without the support, especially in the area of revenue generation. This understanding is at the heart of the revenue mobilization, taxation, rates and other income accruing exercises. Thus, in order to discharge its functions effectively, there is the need for efficient mobilization of revenue in the local governments. The federal and state governments as well as the citizens and market organizations provide supports to Ilorin West local government in its task of improving the well-being of the people of the area and giving them a sense of belonging. These supports bring development in the society.

VII Brief History of Local Government Administration in Nigeria

The history of local government in Nigeria dates back to the colonial days. The colonial administration was established based on indirect rule. This requires that administration should be carried out through traditional rulers and institutions. This led to the establishment of native

authorities in their most rudimentary forms from 1890s to 1930s. The main function of the native authority was to maintain law and order. The native authority ordinance recognized traditional authorities. In 1950s, the first largely elected local government council based on the British Whitehall model emerged in Lagos and regions. In 1960, there was a decline in the prestige and responsibilities of local authorities in the former Eastern and Westerns following local government amendment law of 1960 abolished the powers of councils to levy education and general rates on the basis of need. New structure was established in 1969/71 while local government reform was made in 1976 aimed to:

- a. make appropriate services and development activities responsive to local representatives by devolving or delegating them to local representative bodies.
- b. facilitate the exercise of democratic self-government close to the grass root of our society and to encourage initiative and leadership potential.
- c. mobilize human material resource through the involvement of members of the public in their local development and;
- d. provide a two-ways channel of communication between local communities and government (both State and Federal).

VIII History of Ilorin-West Local Government

Following the creation of Kwara State under the Decree No 14 of 27th of May, 1967 and the state local government reform of December 1968, Ilorin Native Authority like others, was further decentralized into three native authorities namely: (a) Ilorin (b) Igbomina-Ekiti (c) Oyun. Under this new reform, the state had eleven divisional authorities. Kwara State in her bid of ensuring viable status and progressive district/town administration under the native authority, created addition seventy four (74) districts and five (5) town councils in August 1970 (Anonymous). Consequently, the Ilorin Native Authority successful got one town council and ten (10) districts administration from the reform. However, the major coalition in the country's local government reform came in 1976 it was the reform that brought about a significant shift from the old order and the first time ever that the local government system adorned a national outlook. During this reform, the Ilorin Native Authority was further decentralized into three new local governments

namely: (a) Ilorin LGA (b) Asa LGA (c) Moro LGA. It will not be out of points to state that despite all the reforms since the inception of the state in 1967, the Emir of Ilorin still remained the only paramount traditional ruler in the emirate council.

However in an attempt to ensuring wider reform what we know as Ilorin Local Government was further split into Ilorin-West and Ilorin-East Local Government on August 27th 1991 by the Federal Government under President General Ibrahim Babangida. The Ilorin-West Local Government itself as we know it today however flagged off her administration system penultimate on October, 1991. The Local Government is regarded today as a premier Local Government. Ilorin-West Local Government Area of Kwara State is located between Latitude 8 30 North and Longitude 4 35 East. It is situated in the transitional zone between Northern and Southern parts of Nigeria.

Ilorin-West Local Government was created from the defunct Ilorin Local Government in October, 1991 and it is regarded today as the premier Local Government Council in the State not only because of its historical antecedent but also because it hosts the headquarters of the emirate council. The local government plays a dual role of the state capital at the same time the headquarter of the local government. According to the 2006 population figure, the local government has 364,666 people thereby putting it as the most populous local government area in the state. The local government is dominated by Muslims and the languages spoken are Yoruba, Hausa, Nupe and Fulani.

IX Reasons for the Creation of Local Government

Local government is created to serve as the third tier of government through which appropriate services and development are made in response to the wishes of local community through their representatives and intermediary between government at the center and local communities. It is also created to mobilize and utilize both human and material resources by engaging the people at the local level in the government activities and facilitate the exercise of democratic self – government closer to the grass root of the society and to exchange initiative and leadership potential.

X Functions of Local Government in Nigeria

The functions of local government are detailed in the Section 7 of the Nigeria Constitution and include: economic recommendations to the state, collection of taxes and fees, establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm, licensing of bicycles, trucks (other than mechanically propelled trucks), canoe, wheel barrows and carts (Fourth Schedule of the Federal Republic of Nigeria 1999). It is also responsible for naming roads and streets and numbering of houses, provision and maintenance of public transportation and refuse disposal, registration of births, death and marriage, assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribed by the House of Assembly of a State. Local government is mandated to control and regulate out-door advertising, movement and keeping of pets of all descriptions, shops, kiosks, restaurants and other places for sale of food to the public and laundries. The local government equally carries out duties on establishment, maintenance and regulation of markets, motor parks and public convenience, construction and maintenance of roads, streets, drains and other public highways, parks and open spaces (1999 Constitution).

XI Sources of Local Government Revenue in Nigeria

Ola and Tonwe (2005) note that the dearth of finance had always been one of the major handicaps that hinder local governments in the performance of their functions in the country. Interestingly, though the 1976 Local Government reform does not only streamline Local Government functions but also “clearly stated the functions and provisions for ensuring adequate human and financial resources. The revenue that accrues to Local Governments in Nigeria according to Olaoye et al (2009) is derived from two broad sources, namely: (a) External sources and (b) Internal sources.

External Sources: The external sources of Local Government revenue/finance include: statutory allocation from federation account in accordance with section 162(3) of the 1999 constitution of the Federal Republic of Nigeria. The revenue also accrues to local government from statutory allocation of State Government in its area of jurisdiction. Also, the local government receives

federal grants –in –aid, state grants-in –aid and borrowing from State Government and financial institutions and local government share of value added tax (VAT).

Internal Sources: The internal government revenue of Local Government includes local rates and commission paid to Local Government for assisting in the collection of some taxes or dues on behalf of the state government, market rates and levies excluding any market where state finance is involved, bicycle, truck, canoe, wheel-barrow and cart fees, other than mechanically propelled truck, permits and fines charged by customary courts. The local Government generates income from business investment, tenement rates, fees from schools established by the local government, shops and kiosk rates, on and off liquor license fees, slaughter slab fees, marriage, birth and death registration fees and street in the state capital. The local government also generates revenue through naming of street registration , excluding any street in the state, right of occupancy fees on lands in the rural areas, excluding those collected by the federal and state governments, cattle tax payable by cattle farmer only, merriment and road closure levy, religion places establishment permit fee, signboard and advertisement permit fees, vehicle radio license fees (to be imposed by the local government), radio and television license fees (other than radio and television transmitter). The local government generate money from wrong packing charges, public convenience sewage and refuse disposal fees, customary burial permit fees, fees collected from amusement centre established and operated by the local authorities and that of tourist centre and tourist attraction, rents, fees on private institutions, motor Park levies and domestic and license fees, etc. (Aibieyi 2011).

XII Sources of Revenue in Ilorin-West Local Government

Ilorin-West Local Government generate her revenue through share of federation account allocation; statutory allocation, value added tax (VAT) and excess crude and others. The council also generate revenue through independent revenue of federal/state/local government which include tax, licenses, fines, sales, earning, investment income, state 10% IGR and domestic loan.

XIII Data Presentation of Ilorin-West Local Government Revenue between 2013 and 2014

Table 1: Share of Federation Account Allocation

SHARE OF FEDERATION ACCOUNT ALLOCATION	2013	2014
	₦	₦
Statutory Allocation	888,735,390.00	457,268,246.00
Value Added Tax (VAT)	446,012,815.00	332,905,874.00
Excess Crude	119,842,105.00	106,566,367.00
SURE-P		
NNPC Refund	0	6,752,996.00
TOTAL	1,454,590,314.00	903,493,483.00

Source: Researcher's Field Survey, 2016

Table 1 shows that total amount of revenue amount to Ilorin-West Local Government was ₦1454,590,314.00 in 2013 and ₦903,493,483.00 in 2014 while the total amount were ₦2358083797.00 generated between 2013 and 2014 from Federal Account as statutory, value added tax(VAT), excess crude and NNPC refund.

Table 2: Independent Revenue of Federal/State/Local

INDEPENDENT REVENUE OF FEDERAL/STATE/LOCAL	2013	2014
Tax	2,367,250.00	989,580.00
Licenses – General	2,000,460.00	6,805,720.00
Frees – General	4,952,150.00	5,152,000.00
Fines – General	1,350,000.00	150,000,00
Sales – General		1,950,000.00
Earning – General	4,504,748.00	24,420,313.00
Rent on Government Building – General	0	0
Rent on Land and Others – General	0	0
Repayments – General	0	0

Investment Income	2,27.00	10,509.00
Interest Earned	0	0
Reimbursement – General	0	0
State 10% IGR	83,074,653.00	085,583,57.00
Domestic Loans	10,156,367.00	50,000,000.00
International Loans		
Total Revenue	108,405,855.00	148,036,479.00

Source: Researcher’s Field Survey, 2016

Table 2 shows that the total amount of revenue amount to Ilorin-West Local Government was ₦108,405,855.00 in 2013 and ₦148036479.00 in 2014 while the total amount were ₦256442334 generated between 2013 and 2014 from internal generated revenue.

XIV Summary of Findings

Based on the analysis carried out in this study, the following findings were made. It empirically showed that there is a significant relationship between statutory allocations to local government and the government developmental effort. Revenue from Value Added Tax has significant impact on government capital projects. Government development project is strongly influenced by allocation from excess crude account. There is also a relationship between internally generated revenue and government capital projects. There is improvement in the revenue generation. It shows that employees of local government need to be trained in revenue generation area.

XV Impacts of Revenue Generation in Ilorin-West Local Government Area

Ilorin-West Local Government uses generated revenue to execute projects such as building of shopping complex like Baboko, Oloje and Mandate shopping complex. The revenue was used to establish and maintain primary health care centre at Oloje clinic. Generated revenue was used to build public toilet at Ita-Ama, Alore Sawmill garage etc. More so, it is used to establish and maintenance of motor park. It is also used to provide electricity for communities. This can be seen in the area of installation of transformer e.g Wara-Osin, Aliara, Offa Garage, Egbejila communities of Ilorin-West Local Government Area.

XVI Problems of Revenue Generation in Ilorin-West Local Government Area

Bye law on revenue tariff affects the revenue generation in Ilorin-West local government since the bye law is not up to date. The Lack of security for revenue collectors- The revenue collectors are not provided security by the council and this makes it difficult for them to overcome any form of intimidation from the tax payers. There is non-availability of vehicles for revenue collectors and this affects the activities of the revenue collectors in terms of time consuming, wasting of energy and poor recognition given to them by the tax payers. There is high rate of corruption among revenue collectors which brings setback to development in Ilorin-West local government. Some amount of collected revenue will not be remitted to local government account while some revenue collectors prepare their own receipt(fake receipt) in order to enrich themselves at the expense of council. This is similar to previous study by Ugwu (2009) that misplacement of council funds by local government officials; some local government chairmen deposited local government allocations into private savings account and loan companies in which the local government had no account. This is done with the intention to collecting the accruable interests on such funds on maturity. He states that leadership failure and bad governance at all levels of government inhibits attracting external development assistance.

The poor service delivered to the community affect revenue generation. For instance, the borehole at Ojatun-tun market is not functioning, there is poor electricity supply in the markets and failure of the local government officials to evacuate drainage and heap refuse also affect revenue generation. This is because, there will be low turn up of tax payers since the council has failed to utilize the internally generated revenue in the interest of the payers.

XVII Conclusion

This study identified and examined various sources of revenue generation, the problems and impacts of revenue generation in Nigeria. The study revealed that local governments in Nigeria are confronted with several problems which include corruption on the part of revenue collectors, lack of bye-laws on revenue tariff and so on. It has become obvious that corruption

is the major issue in the developmental study of the local government councils in Ilorin-West Local Government of Kwara State, Nigeria.

XVIII Recommendations

The council should ensure that its legislative body makes an up-to-date tariff. Revenue collectors should be checked on regular basis by the internal auditor of the council in consonance with the provisions of financial regulation and any one found guilty of corrupt practices should be punished accordingly. Enough staff should be employed by the council to man the various revenue units of local government especially experts in the revenue section. The Ilorin-West local government authorities should not be over dependent on statutory allocation from the federal government. Provision of good incentive and remuneration should be made available to workers. Training and re-training programmes for the revenue officials should be organized frequently. Enlightenment campaigns on the revenue to be paid by individual should be carried out. Communication gadget, vehicle and motor cycles and security should be provided for the revenue personnel. There should be periodic monitoring of project. Political consideration in the allocation of contracts should be discouraged. Ilorin-West local government should embark on meaningful project so as to improve the standard of living in the community level or the local populace. This can be done through the provision of bore-hole, health services, schools and libraries.

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