



## Revenue Rights and Local Governments Development in Nigeria (2010-2020)

**Kabari, John Baribor, Ph.D**

Department of Public Administration, Ebonyi State University, Abakiliki, Nigeria

### Abstract:

The essence of reforming local government system in Nigeria was to decentralized governance, bring government closer to the people at the grass root and render social services pivotal in engendering national development. They are purposefully located and responsible for the governance of about 80 percent of the estimated 160 million people of the Nigerian population. Thus, they are said to be in a vintage position to aggregate and articulate the needs of the majority of Nigeria” and facilitate rural development through the application of the needed financial and resources in their operations. Fiscal problem is the most severe problem facing Local government in Nigeria. It is in the light of this problem that this paper focuses on the twin issues of revenue rights and fiscal jurisdiction of selected local government areas of Rivers State namely Khana and Gokana L. G.A and its attendant’s effect or implication on their development. Content analysis techniques and overlapping authority modes were used as methodology and theoretical framework respectively. In the finding it was discovered that inadequate revenue and restricted tax powers have been the bane on rural development in Nigeria. For a financially healthy local government to exist there is need for the allocation of responsibilities and functions in accordance with their taxing power and ability to internally generate fund. The constitutional provision that recognizes local governments’ power in this regard must give them full freedom to operate and this must be well guaranteed and adequately protected. These, coupled with the need to review revenue sharing formula, ranting of fiscal autonomy. Fiscal discipline as well as making local government

### ARTICLE INFO

#### *Article history:*

Received 15-Oct-21

Received in revised form 29-Nov-21

Accepted 13-Dec-21

**Available online 15-Dec-2021**

**Keywords:** Fiscal-federalism, local government, Revenue, Rights, Development

responsive, responsible and accountable to the people's will, this can set our local government free from the fiscal stress promoted and straightened by the 1999 constitution of our country Nigeria.

## I. INTRODUCTION

Local Governments are the third-tier administrative structure created in Nigeria to decentralize governance, bring government closer to the people at the grassroots and render social services (Agba, *et al.* 2013) pivotal in engendering national development. They are purposefully located and responsible for the governance of about 70 percent of the estimated 160 million people of the Nigerian population. Thus, they are said to be in a vintage position to aggregate and articulate the needs of the majority of Nigerians and facilitate rural development through the application of the needed financial and human resources in their operations. All speaking, from 1999 to 2013, local government operations and performance presents an enigma in terms of justifying the reason for their creation. The demands and expectations from local government councils over the years or within the period under review have been on the increase while the finance required to deliver the dividend of democracy and good administration at the grassroots continue to dwindle, inadequate mismanaged and misappropriated.

Local government administration in Nigeria have been characterized by bazaar mentality, poor accounting systems, unavailability of reliable data required for planning, over politicization, inadequate finance and poor revenue collection, greed, unnecessary government interference, lack of direction and corruption. The statutory allocations from the Federation Account because of poor management are said to be inadequate to cover the financial obligations of local government councils in terms of staff salaries, social services and serving of debts. This shows that finance is vital to the affairs of both public and private organizations to enhance good governance: it involves plan and control of financial resources as a separate activity (Husband and Dockery, 1977). Acknowledging this, Aborisade (1981) cited in Onah (2005, p.131) notes;

Finance is like a thread that runs round the cloth. If the thread is pulled wrongly at one end, it will affect the design of the cloth and destroy its beauty. That is finance. It must be handled with care; it must be disbursed absolutely according to the financial regulations.

The 1999 constitution of the Federal Republic of Nigeria in the spirit of the 1976 Local Government Reforms strategically position local governments a third-level of governance to provide public goods and services whose benefits and impacts are localized in nature (Egwaikhide, 2004). This point was made clear by Mbam (2012) he notes that local government councils in Nigeria being the closest to the people occupy a peculiar position as promoters of grassroots mobilizations and participation in governance, and catalyst for rural transformation and development. Thus, a well-managed and administered local government system is essential to national transformation and development. However, certain provisions of the Constitution under reference constitute a hindrance in the performance of local governments in the country. They by Implications turn local government councils as appendages of state government. For instance, Section 7(1) of the 1999 Constitution of the Federal Republic of Nigeria (as amended) provides that

The system of *local government* by democratically elected local government is under this constitution guaranteed, 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 function of such council.

The above provision implies that the autonomy of local government councils in Nigeria is at the mercy of the federal and state governments. In most cases, State Governors are known to act as centre referees while the state legislators act as linesman at the expense of the rural dwellers. The solely depend on federal allocations and State Governors through the release of funds from State Joint Local Government Accounts (SJLGAs) and grants to satisfy their felt needs. The resultant effect of this is the inadequate financial base of most local governments in Nigeria, which makes it practically difficult to carry out their constitutional functions effectively (Okoli, 1999). This raises the twin issue of revenue rights and tax-raising powers of Local Government. Nigeria embodied in fiscal federalism. Revenue rights are essentially enhancing arrangement relating to the assignment of functions and the allocation of tax-raising power among the components levels of government in any federal system, it involves two important criteria for it to be effective and meaningful namely (a) Administrative efficiency and fiscal independently (Akindele 2002).

Administrative Efficiency demands that a tax be assigned to the level of government that will administer it effectively and minimum cost while fiscal independence requires that each level of government should, as far as possible raise adequate resources from the revenue sources assigned to it to meet its needs and responsibilities, quite often, because of the conflict between the two major criteria - administration effectively and fiscal independence which result in over concentration of tax-raising power with the centre, it has been found necessary to make statutory provisions for revenue sharing. This arrangement makes its possible to allocate centrally collected revenues on the basis of giving principles or criteria between the levels of movement (i.e. vertically) and within the same level (i.e. horizontally), (Olowo-nomi, 1998).

Furthermore, the allocation of tax-raising powers often result in giving legal authority for a certain tax, while its collection could be entrusted to another level of government (Nyong, 1999). Most often than not this arrangement results in the sharing of the yield of revenue from the particular tax head between the level of government having the legal authority for the tax and the level entrusted with its collection. Thus, whether the revenues of a level of government accrue from sharing the proceeds of the central pool or federation account or any arrangement statutorily authorized, these revenue sources become the revenue rights of that level of government and so on.

Discussion on Revenue rights of local government most of necessity touch the issue of revenue allocation in association with the term fiscal federalism which form the basis of my literature review - fiscal federal is a system of taxation and public expenditure in which revenue-raising powers and control over expenditure are vested in the various tiers of government within a nation, ranging from the national government are smallest unit- the local government (Anyafu, 1996 cited in Dang. 2013). Basically, fiscal federalism emphasizes on how revenues are raised and allocated to different levels of government for development (Dang 2013).

According to Nyong (1999), fiscal federalism concerns the relationship among the various levels of government with respect to the sharing of the national cake, assigned functions and tax powers to the constituent units in a federation. He asserts that the important issue in fiscal federalism is revenue allocation formula, sharing of the national revenue among various tiers of government (vertical revenue sharing) as well as the distribution of revenue among states (horizontal revenue allocation). For Ekpo (2003), fiscal federalism is a mechanism in which relations arising from the political

decentralization of the public sector functions and responsibilities are resolved. The term deals with the allocation of resources among the three tiers and units of government, and institutions for the discharge of responsibilities assigned to each jurisdictional authority. The nature and well fashioned fiscal relations in any federal system are crucial to the continual existence of such systems. One of the cardinal principles of federalism is that no level of government is subordinate to one another, though there must be a central government for this arrangement. The important features of federalism are:

- (i) Division of powers among e levels off government
- (ii) Co-ordinate supremacy of each level of government
- (iii) Financial autonomy of each level of government

Wheare 1943 cited in Olowononi; the chief exponent of federalism has emphatically argued that all the tiers of government are co-ordinate in status. This implies as he maintained that if state authorities, for example, find that the services allotted to them are too expensive for them to perform, and if they call on the federal authority for grants and subsidy to assist them, then they are no longer co-ordinate with the federal government but subordinate to it. Consequently, in Wheare's contention, the financial subordination of the state and local governments as the case in the Nigerian experience from 1999 to 2013 "makes mockery of federalism no matter how carefully the legal forms may be preserved"

Although the question of how to generate, increase, allocate and expand revenue has constitute an issue in the Nigerian politics and governance since 1914, it was from 1946 that the issue of revenue sharing and allocation began to raise serious national debate since there was real fusion of fiscal operation in the country with the coming into effect of the Richards constitution which provided for Legislative Council for the whole country and Regional Councils with large devolution of powers and functions. Consequently, various Revenue Allocation Commissions were set up at different times to examine and settle the issue of revenue allocation among the three tiers of government- the federal, state and local government (Onwioduokit, 2002). Thus, it is apt to say, that the concept of fiscal federalism was first introduced in Nigeria in 1946 following the adoption of Richards Constitution (Vincent, 2000), the period 1947 to 1952 is a watershed in the beginning of sub-national governments because financial responsibilities were devolved to three regions-North, West and East. As Adesina (1998, p. 232) puts 'until Nigeria's independence, the most contentious aspect of the nation's federalism, revenue allocation, remained the responsibility of the colonial masters. Then, politicians accepted compromise as the price of access to the state office and thus to the revenue of the state'.

Fiscal federalism became deepened during the military epoch of 1966 to 1990s following the creation of states and local government perhaps as a means of spreading development across the country and satisfying agitations from potential ethnic groups. The era of military rule began with the creation of twelve states in 1967. As observed by some commentators on Nigerian government and politics, the creation of more states and local governments was a deliberate tactics and technique to compel dependency of state and local governments on the federal government. As at present, there is a Federal Government, 36 States, Federal Capital Territory and 774 Local Governments in Nigeria. Nigeria has engaged various commissions and committees since the colonial days, and yet this issue continues to be in the front burner of national discourse and debate. From 1946 to 2000, nine Commissions, six Military Decrees, one act of the Legislature and two Supreme Court judgments have been resorted to in defining and modifying fiscal relationships among the component parts of the federation

(Egwaikhide and Isumonah, 2001; Among these commissions are Philipson Commission (1946), Hicks-Philipson Commission (1951), Louis Chick Commission (1953, Jeremy Raisman Commission (1958), the Binns Commission (1964), Dina Commission (1968), the Aboyade Technical Committee on Revenue Allocation (1977), the Okigbo Commission (1980) and Danjuma Fiscal Commission (1988, Ekpo 2004, Imoh). It is believed that inadequate funding local government through the denial of their revenue rights, and tax-raising power has been the bane of rural development in Nigeria. For instance Rowland (1990:38) believed that denial of revenue right and tax-raising power of Local Government has brought about poor development in the rural areas. The 1999 constitution, 4<sup>th</sup> schedule, section 7 subsections 2 enumerated the Junctions of Local Government Council as a unit of administration with defined relative powers and authority - hence it has given states uncontrollable check and supervisory power over Local Governments in Nigeria. These situations have made Local Government make charges, stooges and by extension were appendages of state government. A case in point is Khana and Gokana Local Government Area in Rivers State.

It is the observed performance of Khana and Gokhana are obviously far below expectation, with their long year of existence, they do not have good feeder roads pipe borne-waters is grossly inadequate, the condition of the few health post built by the Local government councils are mere illusions of reality, as there is no form of government presence in them.

It is instructive to note that tax power of Local Government centres around inadequacy in terms of coverage, and non-buoyancy / inelasticity of this tax or revenue heads that falls under the jurisdiction of Local Government. Of all the different types of taxes, only four tax heads fall within the legal and administrative jurisdiction of Local Government- these are, licenses and fees on television and wireless radio, market and trading licenses and fees, motor park duties and advertising fees. In practice, only one tax head or source, (i.e. market) etc. is exploited by the Local Government. Interestingly also, even the tax head that is universally considered a local tax (i.e. property tax and rating), is in reality under the legal jurisdiction of the state as evidence under from the 1999 constitution which provides that tenement rate or private property can be assured by local government, but the levying of the rate will have to be prescribed by the state house of assembly see (4<sup>th</sup> schedule item J) of the 1999 constitution.

The residual legislative powers of Local Government to raise revenue are generally codified under Local government revenue heads 1001 (taxes) 1002 (rates); 1003 (Local licenses fees and fines); 1004 (earnings from commercial undertakers); 1005 (rent on Local government property); and 1006 (Interest payments and dividends). The first three heads (i.e. 1001 -1003), can be said to constitute the mainstay of Local governments "own" or internal revenues. The importance characteristics of all these sources however are their low revenue yields. Head 103, for instance covers an extensive ranges of items or sub-heads, 101 in all. Interestingly however, revenue from these internal sources amount to less than significant portion of the Local Government total recurrent revenue.

The inability of Local Governments to raise substantial portions of their total recurrent revenue requirements from internal sources has of course become common-place knowledge. Reasons for this have ranged from the very narrow revenue base imposed on the Local Government by the statutory distribution of tax powers to the continuous infringement of their revenue rights by the state governments in particular.

Generally, fiscal federations in Nigeria have shown a high degree of centralization. The expenditure requirements of each tier of government particularly the Local Government have been treated with contempt by the Federal Government in its allocation of revenue. As a result of this, while other tiers

remain pauperized, the federal government has largely remained a “surplus spending units”, as the lopsidedness in the fiscal operation of Nigerian federalism due to the exercise of too much control by the federal government. Between 1993 -1997 the federal government controlled 68% and 75% of total public sector expenditure compared to the 32% to 25% of the state and Local government during the same period.

This lopsidedness is without regard (by the federal government) to the fact that almost 80% of Nigerians live in the rural areas which rightly fall within the governmental axis of the local government. It is clear that all major sources of revenue - petroleum, profit tax, import duties mining rents and royalties and company tax falls within the controlling purview or jurisdiction of the federal government while the remaining two tiers of government particularly the Local government have jurisdiction over minor and poor-yielding revenue sources hence the problem of non-correspondence.

One can sum up by saying that the substantial mis-matched between function assigned to Local government on the one hand and the tax powers assigned to them, on the other hand. Coupled with this, is of course, the infringement on their revenue rights by the state government - both situations pose very serious questions as to the ability of local government to govern at the local level: in line with the stipulated expectation of the 1976 reform.

### Statement of the Problem

The twin issues of revenue rights and fiscal jurisdiction have remained, without doubt, the most dominant and contentious in the relationship between local government and the other two tiers-federal and state within the parameters of Nigerian federalism. As the local government system introduced by the 1976 reforms took firm root and consequently local government were included in the mainstream of the country’s inter-governmental fiscal relations, with a defined share (allocation) of the federation account, among other statutory provisions and administrative arrangement, it became clear that the most recurring problem which local government have to contend with is that of finance and the sizeable mismatch between their statutory function and responsibilities, and the flow of financial resources available to them, as well as the constraining limits of their tax power or fiscal jurisdiction. This development has taken for granted the claim that the success or failure and the *effectiveness* or ineffectiveness of local government is the *financial resources* available to the individual local government and the *ways these resources* are utilized. This problem in itself, is a product of the combination of the continuous erosion of the revenue rights of Local government, and the non-correspondence between their functions and /or responsibilities with the tax powers statutory assigned to them. Because of the substantial mismatch between function assigned to local government on one hand and the restricted tax raising powers assigned to them, on the other, coupled with the infringement of their revenue right as contained in section 7 (6a- b) of the 1999 constitution by state government. Local government especially Khana and Gokana are underperforming hence the:

- i. Dilapidated infrastructural facilities
- ii. Unavailability of social services to rural populace
- iii. Underdevelopment of Local communities.

Critics and observers believe that arising from the nature and pattern of fiscal federation (i.e. inter-governmental fiscal relations) which has been entrenched in 1999 constitution, the revenue allocation (revenue rights) meant for the third tier governance of Khana and Gokana of River State became a

purview of the state government leading to the failure of the Local government councils to achieve the principal objectives of their creation, which is ensuring rapid economic and rural development of their communities. The above problems necessitated this study. To address the above problems situations, the researcher posed the following research questions.

### Research Questions

The following research questions are posed to guide the study:

- 1 What are the effects of revenue rights of local government on the development needs of Khana and Gokana?
- 2 Does the statutory allocation to local government met the developmental needs of the Khana and Gokana LGA?
- 3 Does tax-raising powers of Local Government impacted on the development of infrastructural facilities in Khana and Gokana L.G.A in Rivers State?

### Objectives of the study

The broad objective of this study is to ascertain the implication of Local Government Revenue right on the development of Local Governments in Nigeria. However, the specific objectives are to:

- i. verify the effects of fiscal relations revenue rights and tax power on the development of Khana and Gokana LGA
- ii. ascertain the extent which the developmental needs of Khana and Gokana LGA have been met to address the challenges of poor infrastructural facilities of the area.
- iii. examine the implication of revenue rights on the development of Khana and Gokana Local Government in Rivers State.

## II. REVIEW OF RELATED LITERATURE

In this section, a review of related literature on fiscal federalism shall be undertaken to enable us discover the contributions made in the area as well as identify gaps which exist. The literature review will be categorized into empirical and theoretical reviews. In this connection, concerted efforts shall be made to study, understand and explicate the concept of fiscal federalism. This is done with a view to assessing its meaning, nature and implications. This is to provide background for the study and set the theoretical base upon which it is anchored.

### Fiscal Federalism

Anyanwu (1997) asserts that fiscal federalism implies the co-existence of both national and sub-national governments which perform economic functions required by the society or an association of two or more levels or tiers of government within a country. What this means is that the governments involved within a country interact and interrelate with each other on economic matters to achieve specific objectives. The method of taking collective decisions is also pre-determined.

For Ahamfule-Ofoeze (1999), fiscal federalism or simply fiscal relation addresses the question of pattern of revenue allocation and of course allocation of taxing power in a federation among components of government to ensure that each level of government possesses the financial capacity to really execute functions constitutionally assigned to it. It has been the most contentious issue and problems in many federal states as manifested in many revenue allocation formulae introduced at different periods in the case of Nigeria.

Apparently, Ootobo (2002) sees fiscal federalism as issues concerning the apportionment of centrally collected financial revenue and taxing powers vested in each tier of government. He notes that revenue allocation is a crucial issue because the federal government levies and collects a variety of taxes on behalf of the whole country. This revenue goes into the pool called the federation account. The sharing of the revenue from the federation account is based on what is called the federal revenue allocation formula. Uchendu (2004:246) believes it as a politico-economic arrangement whereby the public revenue of a federation is shared among the levels of government. These levels according to him are the centre, the federating states or provinces and local governments. What this implies is that fiscal federalism is an issue in intergovernmental relations and this refers to interactions between and among levels of government in a state system. Human beings are responsible and carry out the relationships between governments, but finance is the most critical element of these interactions (Maduabum, 2008).

In his contribution, Egwaikhade (2004:1) argued that it involves the problem of how to allocate revenue among the three tiers of government, such that each tier can carry out its constitutionally assigned functions. This can be taken to mean a system of government where revenue and expenditure functions are divided among the tiers of government in order to perform allotted duties.

Aluu (2006, p.82) defines fiscal federalism as when interactions in a federal system between the central government and sub-national governments are economic and bordering essentially on finance and or disbursement of grants. From this perspective, the old question in politics of who gets what, when and how is nowhere more evident than in the intergovernmental fiscal relation. Generally, the levels of government involved may negotiate for money, power and problem solving responsibility as those are on the bargaining table in virtually every major public issue (Benovertz, 1980)

The above definitions of fiscal federalism are related in one way or the other as they emphasize on sharing of economic resources and division of functions between or among different levels of government who interact in the performance of their functions within a given state. However, it can safely be stated that fiscal federalism is deeply rooted in a political arrangement called federalism. As the financial relationship between or among existing tiers of government, fiscal federalism deals with the system of transfer through which the federal government shares its revenue with the state and local governments. This is to say that it deals with intergovernmental fiscal relations or transfer as it describes the division of fiscal resources and responsibilities between or among tiers of government. On the implication of such transfers, Shah (1983), Broadway (1990) and Ekpo and Ndebbio (1998) have argued that fiscal transfers provide economic, political and social justifications which include efficiency, equity and stabilization objectives.

On the contrary, scholars like Amhad, Hewitt and Ruggiero (1997) assert that reliance on transfers and grants from central government to finance subnational government expenditure creates an incentive for sub-national governments to inflate expenditure and engage in perennial negotiations with the central governments to attract more grants and transfers. They believe that such competition among sub-national governments to secure larger portions of distributable central funds may lead to free riding, because sub-national governments have an incentive to inflate their budgets for fear of losing sharable revenues to competing jurisdiction. This could be why Obiajulu and Obi (2003, p.223), citing Wheare, observed that:

If the governmental authorities in a federation are to be coordinate with each other, in actual practice as in law, it is essential that there should be available to each of them, under its unfettered control, financial resources sufficient for the performance of the functions assigned to it under the constitution... financial subordination makes an end of federalism in fact, no matter how carefully the legal forms may be preserved.

This means that governments in a federation must be financially autonomous. In other words, no level of government must be subordinated financially, to the other. In this regard, each level of government must have financial resources that are adequate to execute its functions. Put differently, no level of government must depend on the other for funding its programmes.

From the foregoing, there is a gap in the related literature on the subject matter under investigation. This gap relates how to ensure that the federal revenue allocations meant for the third tier governance in Rivers State wholly get to the local governments within the state as released from the Federation Account to give room for effective third tier governance and development. This will require amending the 1999 constitution especially the section that deals with intergovernmental fiscal relations between or among the tiers of government in Nigeria.

### **Local Government**

Local Government (as a body of knowledge and a practice) it is encapsulated in a web like all other sub – discipline in social sciences. There are different views on the subject as there are many scholars. In the words of Ibietan, (2017), local government in a communal sense means ‘people’s political instrument to participate in resource allocation, distribution and power acquisition’ at the grassroots level’. An in depth analysis of this definition converges with the broad objectives of local government, which are political participation, efficient service delivery and resource mobilization. According to Ibietan (2017), political participation concerns the desire to involve local citizens in the management of local affairs. Efficient service delivery, which is closely related with the above factor, to ensure that the basic needs of local citizens are met as speedily and as efficiently as possible. Resource mobilization is to provide a framework within which local resource, both human and material, are effectively mobilized (Ademolekun, 2002). In the same vein, Ezeani (2006), posits that local government is generally seen as a essential agent of development and grassroots participation in the democratic process. Local government in developing countries is a panacea for national development. Akpan in Effiom (2001) describes local government as:

Breaking down of the country into smaller units or localities for the purpose of administration in the inhabitants of the different units or localities can play direct and full part through their elected representatives who exercise powers and undertake functions under general authority of the state or national government.

The reality of the Nigerian electoral practice and governance makes mincemeat of the above definition. According to Ibietan (2017), it is “arguable if elected representative are truly elected by the people”. From this scenario, there is usually a disconnection between the representatives and the masses at the grassroots. In the words of Ibietan (2017), as a corollary, people-oriented services and functions that can positively impact on the vast majority of rural/local dwellers are not delivered by the representatives. According to the national guidelines for reformation of Local Government (1976) local government is defined as “government at the local level exercised through representative councils established by law to exercise specific power within defined areas”. These powers should give the councils significant control over local affairs as well as the staff and institutional and financial

powers to formulate and direct the provision of essential services and to determine and implement projects so as to complement the activities of the State and Central Governments in their areas and to ensure through active participation of the people and their traditional institutions that local initiatives and response to local needs and conditions are maximized (Ibienta, 2017). The above definition is more comprehensive than the previous ones. According to Ojukwu (2013: 142), local government is a system of government at the grassroots level. The 1976 reform firmly established local governments throughout the federation as the third-tier of Government. Local government serves as the first level in the national rural development process. According to Ojukwu (2013) any rural development activity that ignores the first level (Local Government) is doomed to failure. Local government being the nearest government to the people, is one of the encouraging of the best mobilization for generating motivations and as including the much needed wider participation at the local level (Ojukwu, 2013).

In the same vein, Ojukwu, Okeke and Obiora (2014) see Local Government as a unit of government below the central, regional or State Government established by law to exercise political authority through a representative council within a defined area. Local government operates at the base level or rudimentary level of society. It works at the grass root level close to the people, impacting on their everyday lives. No other level of government whether State or National, enjoys a close proximity to the people as them (Ojukwu, Okeke and Obiora 2014). Local Government as the third tier of Government in Federal democracies had been the guinea pigs or sacrificial lambs in terms of innovative experiments in the reformation of the administrative systems at the grassroots.

According to the United Nation Division of Public Administration (2012:54) in (Ojukwu, Okeke and Obiora 2014), local government is a “political division of a nation (or in a federal system, a State) which is constituted law and has substantial control of local affairs including the powers to impose taxes or exact labour for prescribed purposes”, This government body is elected or otherwise locally selected. In the word of Whalen (1970) in Ojukwu, Okeke and Obiora (2014):

Each unit of Local Government in any system is assumed to possess the following characteristics, given territory and population, an institutional structure, a separate legal identity, a range of powers and functions authorized by delegation from the appropriate central or intermediate legislature and lastly within then the ambit of such delegation, autonomy subject always to the test of reasonableness.

Looking at the above definitions, London (1974) in Obiora, Okeke and Ojukwu (2014) defines Local Government as “a system of territorial units with defined boundaries, a legal system identity, an institutional structure, and power and duties laid down in general and special status and a degree of financial authority”. In what looks like corroborative assertion to the above definition, Robson (1980) in Ojukwu, Okeke and Obiora (2014) defines Local government in the following words:

In general, local government may be said to involve the conception of a territorial and non-sovereign community possessing the legal rights and the necessary organ to regulate its own affairs. This in turn pre-supposes the existence of a local authority with power to act independently of external control as well as the administration of its own affairs

From the above definition, it is a government set up by a central authority or State Government as a means of ensuring effective administration at the grass level. The main objectives of Local Government are political mobilization, efficient and speedy delivery and resource mobilization. A Local Government properly conceived must be people oriented. Its power must desire their legitimacy

from the will of the people. The objectives of the exercise of its power must be the people of its area of jurisdiction. The people must be both the participants and beneficiaries in every facet of its process. Its responsibility and accountability must be to the people whose interest it is designed to advance and protect (Ojukwu, Okeke & Obiora 2014). Local government is a viable instrument for rural transformation and for the delivery of social services to the people.

Lockard (1963, 1970) and Wraith (1972) in Ajieh (2014:2), explain local government as public organization authorized to decide and administer a united range of public policies with a relative small territory, which is a sub division of a regional or national government. It is at the base of pyramid of governmental institutions with the national government at the top and intermediate governments (State, regions and Provinces) occupying the middle range. Whalen (1970) as reported by Ajieh (2014) expounded in details the above definition when he observes that each unit of Local Government in any system is assumed to possess the under listed characteristics: a given territory, population, institutional structure for legislative, executive, and administrative purposes; a separate legal identity, a range of power and functions authorized by delegation from the appropriate central or intermediate legislature and lastly within the ambits of such legislative autonomy subject always to the limitation of common law such as the test of reasonableness.

On the basis of the above definitions summed together, we shall define local government as a government created within a government by means of which the affairs of a particular division or subdivision of a country or a State is managed by its own people, elected by them for themselves. In other words it is a product of the environment.

### III. Empirical Review

Akindele and Olaopa (2002) carried out a study on the topic “Fiscal federalism and Local Government finance in Nigeria”. The researchers examined problems facing local governments in Nigeria. A descriptive analytical method was used. Data collected through secondary source were descriptively analyzed. It was found that among the problems faced by local governments in Nigeria, the most recurrent ones are finance and the sizeable mismatch between the statutory function and responsibilities, and the constraining limits of tax- raising powers or fiscal jurisdiction. In their view, revenue generation and spending responsibilities, intergovernmental transfer and the administrative aspects of fiscal decentralization are, in fact, the real issues involved in inter-governmental fiscal relations or fiscal federalism as it is usually known. They see fiscal federalism as the allocation of tax-raising powers and expenditure responsibilities between levels of governments. The researchers further assert that the nitty-gritty of inter-governmental fiscal relations (IGFR) is concretely located within the definitional elucidation of the concept of federalism, though with economic blending. Along this line, they opine that the division of revenue and expenditure functions among tiers of government is usually done to enhance the governments’ effective provision of public goods and services at different levels to the citizens. The researchers recommended that a review of revenue sharing formula, the granting of fiscal autonomy and fiscal discipline as well as making local government responsive, responsible and accountable to the people will set local governments free from the fiscal stress promoted and strengthened by the 1999 constitution. They further assert that most of the discussions and controversies over the structure of fiscal federalism and the accompanying dynamics of IGFR have centered more on revenue- sharing than on sharing the responsibility and the authority for raising the revenues that go into the federation account.

In a related study, Ekpo (2004), undertook a research work on the topic “Intergovernmental fiscal Relations: the Nigerian Experience”. The researcher examined inter-governmental fiscal relation in

Nigeria — focusing on its evolution and challenges. Ekpo employed both historical and descriptive analytical methods in his study. Data collected through a secondary method were descriptively analyzed. First, he defined fiscal federalism as fiscal arrangement among different tiers of government in a federal structure. He asserts that fiscal federalism and intergovernmental fiscal relations are both terms that can be used interchangeably. Ekpo believes that Nigeria's fiscal federalism emanated from historical, economic, political, geographical, cultural and social factors. In all these, he argues, fiscal arrangements remain a controversial issue since 1946. His finding reveals that some of the problems facing intergovernmental fiscal relations in Nigeria include fiscal autonomy and independence, the federation account, derivation and problems of oil producing areas. He recommends that all stake holders must be committed to fine-tuning the process in the over all interest of the country since as he puts it, intergovernmental fiscal relation is not a smooth process.

Chikwendu and Nwanegbo (2005) studied “Local Government Autonomy under true federalism in Nigeria”. They assessed what federalism should be in its true model and the place of Local Government in such arrangement. The researchers also employed both historical and descriptive analytical methods. Thus data collected through secondary source were descriptively analyzed. The researchers noted that although federalism in Nigeria received enormous pre-eminence through the Littleton Constitution of 1954, proper fiscal federal attributes dropped in the country following Raisman's Commission of 1958 which not only de-emphasized derivation but also centralized resources on the federal government as well as introducing what it called “Distributable Pool Account” from where the federal government shared the nation's resources to the regions. Their finding reveals that the creation of “State Joint Local Government Account” by the 1999 constitution to be established and principally managed by states literally entrusts to the state governments, the guardianship of local government fund from federal government and opens up avenue for the states to have over- bearing input into local government finances. The researchers argue that for local government autonomy under Nigerian federalism to be achieved, there should be a reasonable freedom for local governments to perform their basic function of grassroots development.

In another development, Ugwu et al (2008) studied the topic “Federal — Local government seal Relations in Nigeria 1999-2007”. The study analyzed fiscal operations in the Nigerian local government with concentration on the period from 1999 to 2007. Although the researchers did not specifically state the research method adopted in their study, it can be inferred from their work that they adopted a descriptive analytical method and that the data collected through secondary source were descriptively analyzed.

For Ugwu, et al (2008) fiscal federalism or intergovernmental fiscal transfer or relations describes the division of fiscal resources and responsibilities among various tiers of government. From this perceptive, it deals with the problems arising from the situation of divided political- jurisdictions within an economically integrated polity. It equally covers efforts to define appropriate functions and finances of the various tiers of government as efficiently and complementarily as possible to maximize welfare of the political community. The researchers found that for most of the period of the study, the state governments did not fulfill their statutory mandates that local governments were heavily dependent on the federal allocations in order to meet both recurrent and capital expenditures, and that some states persistently defected in paying their statutory allocations within their jurisdiction. They therefore recommended that fiscal decentralization should be encouraged through financial and Political autonomy.

Although one acknowledges the contributions of the scholars whose works have been reviewed above, they appeared to concentrate on finance and statutory allocations and responsibilities. No prescription was made to ensure that the flow of financial resources available for the third tier governance gets to the local governments as released from the federation Account.

#### IV. THEORETICAL FRAMEWORK

Local government system in Nigeria needs a moderate amount of financial autonomy to be able to discharge its responsibilities effectively. Public revenue in a federal system assumes that there are benefits to be derived from decentralization. Public revenue decentralization occurs when lower tiers of government have statutory power to raise taxes and carry out spending activities within specified legal criteria. This is referred to as the Overlapping Authority mode propounded by Deil Wright (1978) on intergovernmental relationships. Public revenue decentralization occurs when much of the money is raised centrally but part of it is allocated to lower levels of government through some revenue-sharing formula otherwise known as administrative decentralization.

The main reason for decentralization is anchored on allocation sharing or efficiency grounds so it is possible to advance argument for decentralization in Nigeria where there are many ethnic groups. Oates (1993) contends that 'there are surely reasons, in principle to believe that policies formulated for the provision of infrastructure and even human capital that use sensitive to regional on local conditions are likely to be more effective in encouraging economic growth development than centrally determined policies that ignore this geographical differences. In spite of the position of the proponents of fiscal centralization that it can create problem relating to distributional and macroeconomics management. It has been argued that decentralization of spending responsibilities to lower level of governmental will ensure efficient allocation of resources for the provision of local public goods and services which mostly represent the aspirations of people at that level.

The inability of Local Government to raise substantial portions of their total recurrent revenue requirements from internal sources has of course become common place knowledge. Reasons for this have ranged from very narrow revenue base imposed on the Local government by the statutory distribution of tax powers to the continuous infringement on their revenue rights of the state government in particular.

Fiscal federations in Nigeria have shown a high degree of centralization. The expenditure requirements of each tier of the Nigerian government particularly. The local governments have been treated with contempt by the federal government in its allocations of revenue. As a result of this, while other tiers remain pauperized, the federal government has largely remained surplus- spending unit. The lopsidedness in the fiscal operation of Nigerian federation due to the exercise of much control by the federal government is so frustrating, it is without regard to the fact that almost 80% of Nigerian tier in the rural areas which rightly fall within the governmental areas of local government.

The utility of this theoretical model is not in doubt intergovernmental transaction in Nigeria with respect to finance flow within the levels of federal shade and local relations but with emphasis on local government areas. The model is therefore analytically fruitful in that it will assist us explain how fiscal centralization have affected the development and growth of our local government areas. It will also assist us in understanding and explaining the nature of fiscal relationship between the Rivers State government and the local governments within the state with particular reference to Khana and Gokhana local government area.

## V. DISCUSSION

In this section, an attempt is made to discuss the strategies that resulted in accomplishing the stated objectives; summary of review literature was highlighted for a better understanding and insight. Critique of theoretical framework from different scholars was also treated in the study. Discussion of findings, conclusion and recommendation were also made.

### Strategy for achieving the stated objectives

The various documents on the subject matter of this study were analyzed through the content analysis technique which included making inferences and drawing conclusions based on available information (Miles and Huberman, 1984; Asika, 1991; Obasi, 1999; Orji, 2009). Whereas data reduction in qualitative research of this nature was used to select, simplify, summarize, paraphrase, and subsume data is a large pattern; data display techniques was used to assemble and organize the information that helped in understanding situations and enhanced conclusion drawing, while conclusion drawing technique was applied to make inferences and meanings out of the reduced and displayed data (Obasi 1999, Orji 2009), through the conclusion draw technique the researcher noted the meanings and implications of specific contents from the various documents used (Orji, 2009). Essentially in order to elicit the information and data relevant to the study, the contents of the literature gathered were thoroughly read simplified, summarized, classified and assessed with focus on the released questions raised. Consequently, the conclusion was based on the interpretations and logical inferences drawn from the analysis of the information and data generated from the relevant documents.

### The effects of revenue rights and tax raising powers of Local government on the development of Khana and Gokana LGA.

The main issue surrounding the tax powers of Local government centres around, inadequacy, in terms of coverage, and the non-buoyancy / inelasticity of those tax or revenue heads that fall under the jurisdiction of Local government, only four tax heads fall within the legal and administrative jurisdiction of Local Government. These are licenses and fees on television and wireless radio, market and trading licenses and fees; motor park duties and advertising fees in practice, only one tax head or source (i.e. markets etc) is exploited by the Local government, interestingly also even the tax head that is universally considered a local tax, (i.e. property tax and rating) is in reality under the legal jurisdiction of the state as evidenced from 1999 constitution *which provides that tenancy rates or private property can be assessed by local governments*, but the levying of the rate will have to be prescribed by the state house of assembly (see item J in fourth schedule) of the 1999 constitution, so because of their narrow revenue base imposed on the Local government by statutory distribution of tax power to the continuous infringement on their revenue rights by the state government in particular. As a result of this, poor financial base Khana and Gokana Local Government cannot perform the functions for which they were created for.

Generally, studies on fiscal federalism in Nigeria have shown a high degree of centralization, the expenditure requirements of each tier of the Nigerian government particularly, the Local governments have been treated with contempt in its allocations of revenue. As a result of this, which other tiers remain pauperized, the federal government has largely remained a “surplus spending unit. This lopsidedness is without regard (by the federal government) to the fact that almost 80% of Nigerian lives in the rural areas which rightly fall within the governmental axis of the Local government.

It is clear that all major sources of revenue - petroleum, profit tax, import duties, mining rent and

royalties and company income tax, fall within the controlling purviews or jurisdiction of the Nigerian federal government, while the remaining two tiers of government particularly the Local government have jurisdiction over minor and poor-yielding revenue sources have the problem of non-correspondence - instance the substantial mis-match between functions assigned to Local governments on the one hand and the tax powers assigned to them, on the other hand, couple with is the deduction made on statutory allocation of local government by state government - infringing of their revenue right - manipulation section 162 (1) of the 1999 constitution to their own advantage.

ii. The Extent which the developmental needs of the people of Khana and Gokana have met

It is observed that the people of Khana and Gokana LGA of Rivers State have been deprived of the benefit of development in the key area of infrastructure, health care and education. Hence the meager and poor financial base of the Local government due to inadequate revenue *and* fiscal jurisdiction - it will be recalled that 13% derivation attached to the oil producing states has remain unchanged - the present revenue allocation formula to the other tires of government shows this federal government, 52.68%, state government 26.72%, Local Government, 20.60.

(Odoh, 2008:294) the above review shows that revenue allocation has largely remained in favour of the federal government from 1999 and 2010 to the detriment of state and local governments. The net effect of this situation is that the states and local governments are perpetually dependent on the federal government for their survival and variability. The constitution places the bulk of financial burden of local government on the federal and state governments. Since “he who plays the piper dictates the tune”

### **The implication of revenue rights on the development of Khana and Gokana Local Government in Rivers State**

Local Government as a third tier of government in Nigeria was principally created to ensure grass-root development. It is the contention of government that when there is even development in the rural areas, it will have corresponding positive impact in the state. As the third tier of government, Local government is strategically located to carry out those function known fully well of its proximity to the people, responsiveness and simplicity of operation.

But unfortunately Khana and Gokana local government have failed living up to the reason for its creation because of financial stress - it has almost become impossible to provide the basic essential services needed by the people without friction. The crux of the matter is the sharp gulf between the increasing demand for such provision and the financial resourcefulness of Khana and Gokana Local governments to meet such demands due to the inability of the local governments to internally generate adequate funds as a result of inadequate revenue rights and restricted fiscal jurisdiction.

## **VI. CONCLUSION AND RECOMMENDATIONS**

There cannot be a virile and dynamic local government system without ensuring that functions assigned to the local governments are properly aligned with tax powers or fiscal jurisdiction, and that designated revenue rights are guaranteed and adequately protected. Local government councils in Nigeria are charged with a number of responsibilities much of which touch on the welfare and living standards of large segments of the country’s population particularly those living in the rural areas. Since the 1976 reforms, however, the councils have been grappling with a plethora of problems, relating, in large measure, to the delimitation of their fiscal jurisdiction and protection of their revenue rights. There has also been a severe erosion of their fiscal autonomy. These, combined with other institutional and structural problems, have rendered them functionally impotent in the areas of revenue

generation and effective service delivery. Unfortunately, the 1999 constitution of the Federal Republic of Nigeria appears to contain provisions which are likely to worsen the hitherto shaky existence of the local government councils.

On a concluding note, we would contend that the amended solutions, if properly invoked, would emancipate the Nigerian local government councils from the manacling claws of constitutional strangulation and its accompanying operational dilemma with which they have staggered into the twenty-first century.

The following are considered crucial among other things to be done in order to empower the Nigerian Local Government.

- i. A complete review of the functions of each level of government will be very necessary. Such a review should take cognizance of the respective capabilities of each level of government to perform services assigned to it most effectively and efficiently. In this regard functions that are grassroots-based, like primary education, primary health care and agricultural production, should be wholly assigned to the local governments.
- ii. There is need for collective determination of the aggregate revenues required by the three tiers of Nigerian federalism as well as the oil and other mineral-producing communities of Nigeria. In other words, a balanced, fair, transparent and consensus-based framework for intergovernmental fiscal relations must be established.
- iii. With respect to the reassignment of tax powers, among other possible areas of reassignment.
- iv. In the light of the proposed realignment of functions, there will be need to give local governments a larger share of the federation account, something in the region of 35 and 40 percent. The local governments must be given some decree of financial autonomy through the restructuring of the taxing powers. In other words, expenditure needs must be matched with revenue rights and fiscal jurisdiction. That is, revenue and expenditure decentralization must support the fiscal profile of the local governments. This means that decentralization of functions should be matched by decentralization of revenue collection.
- v. The infringement of revenue rights of local governments particularly by the States should be checked. In the first place, any transfers, from states to local governments, statutorily determined should be enforced. Secondly, all revenues accruing to the local governments should be transferred directly to them. In other words, the provision of section 162(5) of the constitution should be reviewed.
- vi. The power to raise revenue and incur expenditure, as appropriate, independent of the close supervision and control of another body is very paramount in any democratic dispensation. Local governments should therefore be allowed not just to collect revenues from their assigned sources, but also prepare, discuss, and approve their annual budgets. The state control of such process facilitated by section 7(i) of the constitution should be reviewed. This revenue should allocate more resources to the local governments, given their closeness to the people compared to the remoteness of the federal and state governments to the same people.
- vii. Rights are of course necessarily accompanied by responsibilities, thus, fiscal discipline in terms of enhancement of local government's revenue efforts and the enforcement of efficiency

standards in spending by each level of the three tiers will be very necessary.

- viii. Responsibility and accountability should be the guiding principles and operational mechanism of those charged with the management of local government affairs

## REFERENCES

1. Adamolekun, L. (2002). Decentralization, subnational government and inter governmental relations. Spectrum books Limited
2. Adedeji, A. 1969. "Financing Local Governments in Nigeria" in *The future of Local Government in Nigeria: the report of the national conference on local government* April 29th - may 3rd. Ile-Ife: University of Ife press.
3. Ajieh, C.J.T. (2014). Praxis of local government administration in Nigeria: The Practioner's Companion. Port Harcourt: Pear Publishers.
4. Akindde, S.T and Olaopa 1. (2002) "Fiscal Federalism and Local Government Finance in Nigeria" selected paper of Nigeria Economic Society. 14p.
5. Akindele, S.T. And OR. Olaopa 1998. "Local Government Creation and Civil Strife in Nigeria: The causes, effects and challenges" in Kolawole, D, 1998. Ed.. Issues in Nigerian Government and Politics: Ibadan, Deekal publishers.
6. Alu, F.O (2006) Nigeria Local Government Finance: A Political Approach Enugu: John Jacobs Classic Publishers. 201 p
7. Aluko, J.O (2006) Corruption in Local Government System in Nigeria, Ibadan: Book Builders.28 Ip.
8. Anyanwu, J.C. 1995. : Revenue Allocation and Stable Fiscal Federalism in Nigeria: *Journal of Economic Management*, Vol. F, No. 2, 1-27. Anyanwu, J.C. 1997. : *Nigerian Public Finance*, Onitsha: .loanee Educational Publishers Limited p. 190. . Nigeria" in NES 1999. *ibid.* pp. 119-144.
9. Ekpo, HA (2004) "Intergovernmental Fiscal Relations: The Nigerian Experience" *www. Akpan Hekpo.comm I 2<sup>1</sup>* August 2004.
10. Ezeani, E. O. (2006) Fundamentals of public administration snap press Ltd: Enugu.
11. from:[http://www.Afghanistan.No/English/Our\\_Work/What\\_is\\_integrated\\_Rural\\_Development\\_/index.html](http://www.Afghanistan.No/English/Our_Work/What_is_integrated_Rural_Development_/index.html)
12. Ibienta.J. (2017). The role of local government in rural development Issues. *Knowledge review* 20 (2), 98 – 118.
13. Maduabum, C (2008). The Mechanics of Public Administration in Nigeria. Lagos concept Publication Ltd. 753p
14. Oates, W 1992. Fiscal Federalism New York: Harcourt Brace.
15. Ojukwu. U. G. (2013). Understanding rural and community development in Nigeria: Theory and practice. Rexcharles and Patrick Limited Nimo.
16. Okoli, F.C. and Onah Fab. 0. (2002) Public Administration in Nigeria: Nature, principles and application Enugu: John Jacob's classic publishing Ltd. 272p.

17. Olowu, D. 1982. Local Government Innovation in Nigeria and Brazil. "A comparative discussion of innovational transfers and intergovernmental relations" in Public Administration and Development vol. 2, Pp. 345-354
18. Onah, F.O. (2004) Intergovernmental Relations and Survival of the Local Governments in the 21st Century Nigeria. Nigerian Journal for Administrative and Local Government UNN 2(1) 96-109.
19. Ter-minassian, T. 1997. . Intergovernmental fiscal relations in a macroeconomic perspective: An overview. In Fiscal Federalism in theory and practice. Teresa ter-minassian ed. Washington D.C.: International monetary fund, pp. 3-24. — and John Craig 1997. Control of subnational government borrowing. In: Ter
20. Uchendu, O. (2004) "Ethnic Nationalism, Resource Control and Fiscal Federalism" in Onuoha Jonah and Okpoko Uche pat (eds) Ethnic Nationalism and Democratic Consolidation: Perspectives from Nigeria and the United States of America Nsukka: Great Ap Express Publishers Ltd. 2 14-250
21. Ugwu, S.C. Okechuwku Erne and Ifeanyi M.O (2008) Federal-Local Government Fiscal Relation in Nigeria. 1999-2007 in Ezeani E.O Ct al (eds) African Journal of Political and Administrative studies 4(1). 114-134