



THE IMPACT OF REVENUE ALLOCATION OF LOCAL GOVERNMENT ON PUBLIC SERVICE DELIVERY

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Abstract

This research work titled seeks to examine the role of revenue allocation as a driving force that engenders the much needed economic developments at the grassroots level. This study focus on how much of the nation's financial resources are allocated to local administration for the provision of social amenities for the masses. Several administrative reforms aimed at enhancing the performance of local governments and facilitating grassroots development in Nigeria has all failed to achieve their objectives. The study therefore recommends a review of the vertical allocation formula and immediate curtailment of the discretionary powers of the Federal Government in the operation of the Federation Accounts.

Keywords; Local Government and Local Government Functions, Appraisal of Existing Internally Generated Revenue (IGR) Structure, Revenue Allocation System in Nigeria.

Introduction

One of the most important and fundamental determinants of the strength of a nation is the abundance of its resources as well as its utilization for economic growth and development. Again, the distribution of these national resources through revenue allocation among the various tiers of government cannot be over-emphasized.

In any country, revenue allocation and the sharing system is a major function and responsibility of government. However, this has been a controversial issue in Nigeria and other developing world. It is worthy of note that the primary function of local authorities is to provide meaningful social amenities for its citizenry. This is usually done in the context of what is known as the Public Service Delivery.

Revenue allocation refers to a process of distributing revenue derived annually from the nation's wealth to the various states and local governments that make up the Nigerian Federation which was sequel to regionalization principle, brought about by the Richard's constitution of 1946. Since then, the issue of sharing revenue had become and, is still volatile and controversial, efforts to rationally resolve the issue are often expressed by the setting up of revenue review commission to guide the actual sharing modalities.

Presently, the constitutional position of the third tier of government (Local Governments) has left much to be desired in the politics of revenue sharing.

The revenue allocation pattern is a major concern in the Nigerian fiscal federalism. There is a high degree of dependence of local governments on revenue from the federal government and, since 1998 to date, according to Francis O. Obiahu (2006), only a meager 20% is allocated to all the seven hundred and seventy-four local governments in Nigeria.

That local government as an institution has maintained its relevance in governance and, especially in the promotion of social and economic development in modern societies raises no doubt or controversy at all.

Whatever the name given to this institution, and whatever status that is accorded it, governments in modern societies have agreed on the indispensability of local governments as an institution for governance at the grassroots level. To this end, scholars of governance and development administrators have sustained enough intellectual interest in promoting the cause of local government both in the developing and developed countries of the world.

Conceptual Clarifications/ Literature Review

Local Government and Local Government Functions

Local government can be seen as a political authority under the state government for decentralizing political power and delegation of authority.

It is the administration under local committees to maintain law and order based on a range of social amenities and to encourage cooperation and participation of people at the grassroots' level in order to improve their living conditions.



In his book titled “An X-ray of Local Government Administration in Nigeria” Fajobi O.F. (2010) postulated that local government is the primary government that touches **people’s lives while responding to their social, political and economic needs.** In this context, this makes the people at the local level to participate fully in government activities including local resources for development which also points to the issue of resource mobilization and service provision.

In Nigeria, all the local governments perform the same functions which include;

Collection of rates and issuance of licenses;

- a. Street naming and enumeration;
- b. Planning for economic development schemes;
- c. Refuse disposal;
- d. Provision of social amenities;
- e. Establishment of public areas such as markets, motor parks, television viewing centers; public toilets etc;
- f. Provision of quality education to local population;
- g. Provision of Primary Health Care;
- h. Providing farmers with adequate agricultural inputs for maximum food production, among others.

Local Government Administrative Structure

The local government administrative structure comprise of;

- a. The Chairman
- b. The Vice Chairman
- c. The Secretary
- d. Supervisors
- e. Heads of Local Government Administration (Director of General Services and Administration , Director of Finance, Director of Agriculture, Director of Medical and Health, and Director of Education)

Administration and Fiscal Planning

The quest for sustainable rural development; No doubt that the raison d’être of a local government is to collect its revenue efficiently and use that revenue to provide infrastructural development for its tax payers. Local government as third tier of government cannot, therefore be ideal, from the financial view-lens if it collects its revenue in ship-shod manner and devotes a large percentage of it to the maintenance of heavy administrative set-up, with a relatively small proportion of the revenue left for the provision of basic infrastructures and quality public services which are of direct benefit to the local inhabitants.

It is suffice to critically examine local government accountability in respect of budget and budgeting system in order to improve sustainable development at the local level. It is therefore necessary to study deeply the main source of revenue for local government in Nigeria and, determine how the resources are utilized to deliver public services to the people.

Meanwhile, the findings in this study reveal that less than five percent (5%) of the statutory allocation that accrued to the local government under consideration is being expended on infrastructural development and provision of basic amenities for citizenry, out of which less than 10% is used for personnel expenditure as the cost of delivering social needs by local government in Nigeria.

According to Awotokun (2005) the term local government in Nigeria attracted serious attention both nationally and internationally since the 1976 reform. It is the reform that opened the rural area to meaningful development in terms of input that could benefit the rural people.

He argued further that this leads to establishment of the Revenue Allocation Commission. He opined that the funds made available to the local governments by both federal and state governments coupled with its internally generated revenue should be used to improve on the lives of the people within the local government area of operation through the following initiating and attracting developmental projects in local government such as access roads, water, rural electricity, communal services, construction of waterways; and personal welfare in such areas as education, housing and health care service delivery system.

The local government is equally responsible for the provision of credit facilities for arts & crafts and small businesses and to also encourage the formation of cooperative societies and, other economic groupings.

Ajayi (2002) posited that local government as a public business consumes huge resources in providing vital public services for the rural people. As a consequence, local governments have to effectively identify and target essential infrastructures and social services at any given point in time. It is also important to have a verifiable system in place in order to track expenditure



on projects and be able to determine if the allocation of financial resources have impacts on the lives of the generality of the people.

So it is imperative that any work done within the social responsibility areas should have strong focus on public service delivery within the local government environment. The most immediate need is to improve on the capacity of citizens to engage in meaningful social and economic activities.

Lawal (2002) also argued that the area that seems lacking is the area of weak institution which leads to embezzlement and misappropriation of public finances. In the contents of the guidelines for Local Government Reform of 1976, Local Government in Nigeria stands for; "Government at the local level exercised through representative councils established by law to exercise specific powers within defined areas.

These powers should give the council substantial control over local affairs as well as the staff of institutional and financial powers in order to initiate and direct the provisions of public services and to determine implementation of projects so as to complement the activities of the states and to ensure through the devolution of functions to these councils and through the active participation of the people and their traditional institutions, that local initiative and response to local needs and conditions are maximized".

Mukoro (2002) suggests that there are two major operational terms within which the subject-matter revolves. These are the idea of local government and that of administration. Both are the two inter-related words that capture the essence of government at the grassroots level. A government is a collectivity of power and authorities whose major tasks center on designing policies and programmes that address the demands of the people and still provides good life for the entire citizenry. The smooth running of governments, the translation of policies and programmes into concrete reality together, with rendering of useful advice fall within the purview of the duties of the administrative arm of government.

A better and broader understanding of the concept of administration can be deduced from the works of Adamolekun (1983). In his variety of definitions, he gave seven different dimensions to the definitions and chose three to mean administration in its general sense.

These are;

1. Performance of executive duties as management, direction and superintendence.
2. The totality of activity of a state in the exercise of its political powers including the action of the legislature and executive arm of government.
3. The management of public affairs as distinguished from the executive or political function of policy-making.
4. The principles, practices and rationalized techniques employed in achieving the objectives of an organization.
5. Administrative management: the phrase of business management that
6. plans organizes and controls the activities of an organization.
7. A body of persons who are responsible for managing a business or an institution, vii Administration; a group constituting the political executive in a presidential system of government.

Adamolekun further categorized i, iv and v as the general outlook of administration while ii, iii and vii broadly refers to governmental administration. As a result of this, one can see that both government and administration are inseparably linked together with one depending on the other.

Specifically however, Awolowo (1952) noted that a local government can be regarded as a "system of government wherein local councils make, accept responsibility for and, implement their own decisions subject only to such control as may be exercised by the people through their regional governance".

This definition given by Chief Obafemi Awolowo in a debate in the old Western house of assembly connotes a similar meaning given by Whalem (1976) when he posited that a local government refers to "a territorial population, an institutional structure for legislative, executive or administrative purposes, a separate legal entity, a range of powers and functions, authorized delegation from the appropriate central or immediate legislature and, within the ambit of such delegation autonomy including fiscal autonomy.

In a much more practical manner, Alex Gboyega (1987) gives an apt understanding of what local government truly stands for by opining that; "local government enables services by local importance only, to be locally administered, provides education



in citizenship, provides training in political leadership, makes available to the central government information about localities which is essential for adequately meeting their needs efficiently and minimizes concentration of political power by diffusing it. These values it has added, also promotes democracy and no doubt contributes immensely to the development of a democratic climate"

For a better point of emphasis, it has to be stated that the 1999 Constitution of the Federal Republic of Nigeria provides in section 7(1) that: "The system of local government by democratically elected government of every state shall, subject to section(S) of this constitution ensure their existence under a law which provides for the establishment, structure, composition, finance and functions of such councils.

Local government as constituting the third tier of government with defined boundaries, specified functions and powers to manage her financial and human resources is being put in place to overhaul the Nigeria's political and administrative machineries in order to be able to install an effective governmental system.

Amongst some of the specific functions prescribed for local governments to perform as sustained in the guidelines of Local Government Reforms of 1976 are:

1. To make appropriate service and development activities responsive to local wishes and initiatives by devolving or delegating them to local representative bodies.
2. To facilitate the exercise of democratic self-government close to the local levels of our society and to encourage more initiative and leadership potentials.
3. To mobilize human and material resources through the involvement of members of the public in their local development,
4. To provide a two-way channel of communication between local communities and government.
5. The guidelines further stated that in general, the functions which local government bodies perform must be those:
 - a. Which require detailed local knowledge for efficient performance.
 - b. In which success depends on community responsiveness and participation.
 - c. Which are of a personal nature requiring provision close to where the affected individual lives.

Those statutory responsibilities extended to the very specifics in the second and third page of the reform guidelines where government spelt out market and motor parks, sanitary inspection, refuse and night-soil disposal, public convenience, collection of property rates, community tax and other designated revenue, nursery, primary and adult education, among several other functions.

An important aspect of the functions to be performed by the local government is given flesh by the 1999 Constitution when it clearly specified in the fourth schedule that local governments should involve in:

- a) The consideration and making of recommendations to a state commission on economic planning.
Collection of rates etc. It went further to highlight all the prescriptions in the 1976 Reform Guideline. An interesting part of this constitution is the aspect which places the following under local governments:
 - i. The provision and maintenance of primary education.
 - ii. The development of agriculture and natural resources other than the exploitation of minerals.
 - iii. The provision and maintenance of health services ND,
 - iv. Such other functions as may be conferred on a local government council by the House of Assembly of the state.

In order to finance the enormous functions placed on it by the constitution, the local government sources its revenue from such avenues like property rating, community or poll tax, grants loans and statutory allocation.

Sources of Local Government Revenue

Finance plays an important role in the life of any organization. It embodies allocation raising and spending of money through prudent budgeting, management of available resources and efficient allocation of values. Aluko (1987) described it as "that vital ingredient that sustains the life and motion of an organization which enables it to perform its most essential functions". As far as the national wealth permits, complete power to secure regular and adequate revenue may be regarded as indispensable ingredient in every constitution.

So any government that has fund to perform its statutory functions is not a government in the real sense of the word. There is no doubt that local governments are expected to be agents of change; and development in the various localities. They are expected to provide the local communities with essential services. The civil servants in the local governments have to be



paid, offices have to be constructed and, social services like health clinics, schools, play-grounds, motor-parks, markets, maintenance of good sanitary conditions among other facilities have to be provided. To realize these lofty and basic functions, local government must have a steady source of income.

It is therefore expedient to consider the available sources of revenue to local governments in order to expose patent and non-potent revenue sources. Ideally, the sources of revenue can be classified into two broad categories namely: Internally Generated Revenue and Externally Generated Revenue.

Internally Generated Revenue (IGR)

These are revenues accruing to the local initiatives of local government officials and backed up by the constitution as contained in the first schedule of the 1999 constitution. They are seven in number and are listed with the following sub-heads:

Rates

- i. Tenement Rates
- ii. Grants in lieu of rates on Federal Government Property,
- iii. Grants in lieu of rates on State Government Property.

Local Licenses Fees and Fines

The revenue items under this sub-head are as many one hundred or more including liquor license, advertisement control, trade license, towing of vehicles, court fines and etc to mention, but a few.

Earnings from Commercial Undertakings

These include

- i. Market tolls, Stall fees.
- ii. Motor Parks, Okada Parks.
- iii. Shopping Centre and Plaza.

Rents on Local Government Property

Every local government is expected to invest in viable properties such as shopping complexes, agricultural outfits, horticultural ventures and such other investment as construction of halls and staff quarters. These properties are expected to yield revenue to the local government rent, hire and patronage.

Interests, Payments and Dividends

The local governments are supposed to embark on projects and investments that will yield dividends to them. Such investments are expected to come from excesses and savings made from surplus revenue.

Grants

States, Federal Government or the Public can release some sort of donation or fund/grant to local governments in time of special needs.

Miscellaneous

This sub-head covers a wide range of sources depending on how ingenious and creative a local government could be in applying wits to generating funds for its council. A good example is Lagos State where a local government like Ikeja Local Government is richer than come States in Nigeria. The whole point being made here is that every local government is expected to have an aggressive drive towards ensuring that it has strong financial base that will make a council viable.

Appraisal of Existing Internally Generated Revenue (IGR) Structure

Ezero (2003) observes that "words are indeed cheap but the corresponding actions to the pronounced words are undoubtedly expensive. This underscores the variance between the listed sources of Internally Generated Revenue in the 1999 Constitution and the actual practice in various local governments in Nigeria. In practice, apart from federal allocation to local governments, most of the other Internally Generated Revenue sources are either left un-tapped or under-tapped. It is worrisome however, to observe that such sources as tenement rates, liquor license, motor-parks fees and the likes are not properly tapped. In Ibadan for example, most landlords do not even know anything about tenement rates. Motor parks are often abandoned by commuters and, instead the commuter drivers stay along the roads to pick- up passengers rather than stay in the parks to pay appropriate levies to government for the development of their local government area.



It is common sight in Ibadan South-West Local Government to see vehicles parked indiscriminately along major roads and highways before the present administration, which now imposes various levels of fine to erring motorists. In this way a great amount of revenue is recorded. Moreover, it is expected that the local government will begin to construct standard parking lots that will generate revenue into the coffers of the local government.

In most local governments in this country where vegetation is highly favorable to agriculture, it is observed, pitifully, that agricultural initiatives which ought to be a major source of employment opportunity for our teeming school leavers has not been fully recognized and effectively developed. Related cases of total neglect, indifference and underutilization abound practically everywhere in Nigeria.

EXTERNALLY GENERATED REVENUE (EGR)

Externally Generated Revenues are revenues that accrue to local governments outside the local community within which local governments are situated. Alternatively, they could be revenues that are statutory revenues fondly called statutory allocations. This form of revenue can be classified into three main sources namely:

- i. Federal Allocation
- ii. State Allocation
- iii. Value Added Tax (VAT)

Federal Allocation

Statutorily, sub-section 3 of section 162 of the 1999 Constitution made it compulsory for the Federal Government to pay the Local Governments their due share of the federally collected revenue. The National Revenue Mobilization, Allocation and Fiscal Commission (NRMAFC) recently sent a revenue sharing formula to the National Assembly. The old formula is presented as follows:

Federal Government	41.3%
State Governments	31.4%
Local Governments	16.0%
Basic Education Skill Acquisition	7.0%
Special Funds	4.3%
Total=	100%

The revenue allocation formula now in use came into effect on 10th July, 1992 with the promulgation of the 'Allocation of Revenue' (Federation Account etc) Amendment Decree of 1992. It provides as follows: Vertical Allocation (between tiers of government from the Federation Account)

- a) Federal Government 48.5%
- b) State Governments 24%
- c) Local Governments 20%
- d) Special Fund 7.5%

The Special Fund allocation was applied as follows:

- i. Development of Federal Capital Territory 1%
- ii. General ecological problems 2%
- iii. Development of mineral producing areas 3%
- iv. Derivation 1%
- v. Stabilization account balance of Special Funds.

State Allocation

Local Governments are also entitled to 20% of the Internally Generated Revenue of the State Governments.

Revenue Allocation System in Nigeria

A large body of literature exists on Nigeria's Fiscal Federalism particularly with reference to revenue allocation. Despite the profound and lengthy discussions that have taken place on the subject for about four decades, consensus has not been reached concerning the optimal formula to adopt. Thus, the issue of revenue allocation has been a recurring theme in Nigeria's Fiscal Federalism.



There is the problem of how allocate revenue to the different tiers of government in relation to the constitutionally assigned functions. The discordance between fiscal capacity of the various levels of government and their expenditure responsibilities brings to the fore, the low-correspondence problem which is a striking feature of the Nigeria's federal finance.

There is also the problem of how revenues should be shared among the States and Local Councils.

Since the late 1940s, several criteria have been used to allocate revenues among the regions or states. The principle deduced include derivation, fiscal autonomy, national interest, equality of states, population and balanced social development. Each of these principles has attracted a number of criticisms from fiscal federalists, economists, social scientists, among others. Ekpo (1994) asserted that the dialectics of revenue allocation has more ominous reverberations for Nigeria's federalism than hitherto acknowledged, especially by the post-independence Revenue Allocation Commission.

Value Added Tax (VAT)

Local governments are also entitled to 25% share of the Value Added Tax (VAT) proceeds. Apart from stator allocations to local governments, state and federal governments can also provide special grants to the local governments to assist them to perform certain functions. Gboyega et, al (1990) identified matching grants as an example in which case the state or federal government provides money or facilities to cover a certain percentage of the most required to carry out a particular program me by the local government.

For example, between 1976 and 1979, the federal government subsidized the Universal Primary Education (UPE). Currently, the Universal Basic Education (UBE) is being subsidized by the federal government.

The inability of local governments to raise substantial portions of their total recurrent revenue requirements from internal sources which, according to Adamolekun (1984) undermined the autonomy that is implicit in the idea of a third tier government, has of course, become common-place knowledge. The reasons for this range from the very narrow revenue base imposed on local government by the statutory distribution of tax-raising powers to the continuous infringement of their revenue rights by the state governments, in particular.

In the same vein, Akindele et al, (1990) observed that the expenditure requirements of each tier of government in Nigeria, particularly, 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 a surplus- spending unit.

The Issues of Equity and Efficiency in Nigeria's Revenue Allocation System

Revenue sharing, alternatively or otherwise referred to as intergovernmental grants, can be used for different purposes, (Taiwo and Afolabi 1986). Revenue allocation therefore, is used as a tool to adjust 'unequal' living conditions. According to the World Bank, the formula for revenue sharing should take needs and capacity of beneficiaries into consideration. An appropriate revenue allocation among the various tiers of government should bring about a more equitable distribution of revenue among the states in order to achieve a balanced development of the federation.

Inter-governmental fiscal relations are modalities for the transfer of purchasing power from the richer to poorer states in order to reduce the inequality in the provision of quality services in all localities and, to ensure equity and social cohesion in a country, (Ehajeminto et al, 1999). But the pertinent question to be asked here is how many transfers should be made from the central government to states and local government in to ensure equity and social cohesion?.

The centralization of Nigeria's fiscal federalism started with the report of the Dina Committee (1968). The report argued that an appropriate revenue allocation should bring a more equitable distribution among the states in order to achieve a balanced development of the federation.

The Committee stated that:

"We believe that fiscal arrangements in this country should reflect the new spirit of unity to which the nation is dedicated. It is in the spirit of a new -found unity that we have viewed all the sources of revenue of this country as the commonwealth of the country to be used for executing the kinds of program me which would undoubtedly maintain this unity'.

However, contrary to this assertion by the Dina Committee, Vincent (2001) was of the opinion that the country's revenue was not equitably shared among the various constituent units. According to him, since the abolition of the principle of fair shares by the military, the country's political, social and economic development has been the worst of it. Olawoyin (2006) noted that



under the existing revenue and responsibilities sharing arrangements, state and local governments have been experiencing enormous difficulties in performing their functions owing to inadequate funds.

The decision by the founding fathers of Nigeria to adopt a federal system of political administration has fundamental implications for the fiscal system and economic management of the country. The earliest literary works on the development of inter-governmental financial relations in Nigeria, which include those of Okwesili (2004) and Adeyemo (2001) attested to these facts. In their comprehensive write-ups, both authors traced the development of federal finance in the country and further highlighted the socio-political, economic and fiscal problems encountered in the course of financial cooperation among the evolving tiers of government between 1900 and 1965.

The authors discussed the emerging pattern of tax jurisdiction and revenue sharing between the central government and the sub-national units. They both offered suggestions for minimizing the friction and rancor which characterized federal finance in those early stages of the nation's development.

Some of the issues raised in these works became a subject of discourse among early scholars in the field, who observed that fiscal centralism as advocated was premature for the level of political awareness in the country. They favored a decentralized system whereby Regional/State Governments retained a stronger hold on tax jurisdiction and consequently, national finance. They also associated high decentralization with accelerated economic development, based on the experience of the 1960s. In the past, scholars like Aluko and Adedeji (1970) were averse to a rigidly centralized fiscal system because of the level of the crisis of confidence between politicians at the federal and state levels.

Mbanefoh (1990), when examining revenue allocation in the 1999 Constitution, reviewed the theoretical bases for inter-governmental fiscal cooperation in a federation, recommendations of the Political Bureau as regards vertical revenue appropriation and the version adopted by the Armed Forces Ruling Council. While commending the increased funding of the Federation Account as occasioned by the constitution, they went further to identify a few other areas that need more attention. Some of these were that the then newly established Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) was politicized with the requirement of the federal character in membership composition and, that the retention of the status quo in the state and local government finances left more to be desired when we consider the enormity of problems associated with the issues of state and local government finances in the country.

This development made Termunoriye (1999) to recommend a stable equilibrium which according to him, is achieved if there is no tendency to restructure the distribution of functions and/or taxing powers cum the allocation of financial resources to other levels of government.

The issue of revenue allocation can be resolved in the light of the efficiency costs of the assignment of functions subject to equity considerations.

Scott (1964) observed that "the equilibrium formula of equality of the sum of marginal benefits and average costs of provision of service for each function would be appropriate for equity and efficiency considerations"

Theoretical Framework

The Political Economy Approach (A)

It can be rightly argued that the revenue allocation system and indeed, the pattern of intergovernmental fiscal relations do not exist in vacuum.

Revenue allocation system in particular, is a product of the actions and interactions of groups in the society. More importantly, the economic theory of intergovernmental funds transfer tends to make analysis restrictive in that it focuses only on governments within a country and ignores the important role that non-governmental groups can play in the determination of the revenue allocation system. This has become increasingly relevant in the Nigerian case where civil groups continue to exert tremendous pressure on the government in respect of revenue allocation system. In many instances, some of the civil groups seek direct relevance in the determination of revenue allocation formula. They also seek to be direct recipients in intergovernmental fiscal relationship. As a way of overcoming these shortcomings as well as enriching this study, additional framework is adopted. This theory is the political economy approach.

As a theoretical framework for studying social and political phenomena, this theory is not a novel. It is, however, being used in the study of revenue allocation system and intergovernmental fiscal relations in general.



Political economy is concept and a field of study. As a concept, its usage and application cuts across virtually all the discipline in the social sciences.

It is a technical and yet useful tool of scientific analysis. Anifowose (1999) opines that “it provides for a holistic study of issues, phenomenon and policies in the society. It is in this context, that the study relates the revenue allocation system to the nature of Nigerian political economy in order to clearly illuminate on the trend, nature score and implications of the revenue that accrue to the local government administration.

Political economy approach to this issue would serve as totaling scientific mode of analysis and as a context within socio-economic approach. The study further adopts the fundamental thrust of the political economy approach by recognizing and taking into cognizance the political, economic and social consciousness of the relationships that characterize the politics of revenue allocation system.

A country’s public administrative system, according to Dele Olowu (2005), “Public Administration in Africa”, page 123, comprises the civil service, special purpose bodies and local authorities. The primary responsibilities of any public administrative system is to deliver services (schools, roads, water, infrastructures) that the private sector may not deliver at all, or to deliver services to those who cannot afford the market price of the product or service. In other words, governments owe their legitimacy and existence to the fact that the populace must continually derive benefits of public services especially at the grassroots level, i.e. local governments.

The method and strategy to achieve this lofty goal depends to a great extent, on the knowledge, capability and skill of managers of the allocated revenue to the local authorities while ensuring sincerity of purpose and social values of the society at large.

The Political Economy Approach (B)

Again, the revenue allocation has almost been carried out under the theoretical basis of what in general can be described as the economic theory of intergovernmental funds transfer. This theory attempts to examine the merits and weaknesses of such forms of governmental fiscal relationship.

This theory is useful in that not only does it expose us to the various forms of revenue transfers among or between different levels of government but also, it enables us to understand the value and limitations of each of these modes of revenue transfer.

In addition, it helps us to some extent to understand the conditions which may be conducive to these modes of inter-governmental revenue transfer.

This theoretical framework sounds important but still suffers some setback, which tend to reduce the potency of its analytical power. In the first instance, it is hardly concerned with the exposition of the consequences that the revenue allocation system may engender in relation to other issues that have implications for the society. As it is common governmental policies, some of the consequences; negative or positive may be intended or unintended, tangible or intangible, predictable or unpredictable. In addition, the theory appears to be static as it fails to tell us how group action affect or can affect determination of the pattern of revenue allocation system that is adopted. After all, it can be rightly argued that the revenue allocation system and indeed, the pattern of inter-governmental fiscal relations do not exist in a vacuum. Revenue allocation system, in particular, is a product of the actions and interactions of groups in the society.

More importantly, the economic theory of intergovernmental funds transfer tends to make analysis restrictive in that it focuses only on governments within a country and ignores the important role that non-governmental groups can play in the determination of the revenue allocation system. This has become increasingly relevant in the Nigerian case where civil groups continue to exert tremendous press sure on the government in respect of revenue allocation system. In many instances, some of these civil groups seek direct relevance in the determination of the revenue allocation system. They also strive to be direct recipients in the intergovernmental fiscal relationship.

Conclusion

The study observed that there is significant relationship between revenue allocation and Local Government performance in Ibadan South-West Local Government Area of Oyo State. For instance, this study revealed that Local Government’s structure



and management capabilities, pointed to the fact that public service delivery and performance is directly dependent on federal government revenue allocation system.

Also, the study discovered that revenue allocation to the Local Government from Federation Account is grossly inadequate. For instance, in the education, Health and Agricultural sectors which resulted in the poor performance of the Local Government in the area of provision of qualitative public services to the people?.

Furthermore, the study uncovered that effective accounting mechanism are extensively lacking and sometimes gives room for financial impropriety on the part of the council officials.

The research work observed that leadership style is premised on independent authority structure, of which bureaucratic rules was strictly followed. Bureaucracy, as a system of administration does not go without its own consequences such as over-emphasis on rules and regulations which usually translate into draw-backs on the speed of carrying out official functions.

Too much emphasis is laid on rules and procedures. Record-keeping and paper-work become more important as to bring about unnecessary delay in handling official matters. This study revealed that, there is too much officialdom and red-tapism. This is characteristic and evident in this Local Government. Again, the principle of quota system employed in the appointment, placement and promotion of administrative staff in order to reflect the geographical spread of the entire Local Government area also have it own merits and demerits. Therefore merit should not be compromised.

This research work discovered fully the enormous laxity in the area of Internally Generated Revenue (IGR) which undoubtedly is the bedrock of purposeful administrative system of any government. Most of the revenue officials like market managers, valuation officers lack adequate professional skill and training required, for proper discharge of their duties. This has oftentimes translated to the dwindling fortunes of the Local Government.

Recommendations

In view of the above findings, and as illustrated by the facts and figures analyzed and presented in this research work, the following are some of the recommendations for an improved performance in the Local Government Area. Some of the recommendations listed below should be taken into consideration for implementation:

- (i) It is appropriate computerized accounting procedures for receipts and payments of local government funds should be established in order to mitigate fraudulent ways of diverting Local Government revenue by the council workers.
- (ii) There is the need for upward review of the present allocation formula to the local government from the Federation Accounts without delay.
- (iii) Drastic actions should be taken against corrupt council officials who dip their hands into public funds that are meant for providing essential public services and utilities to the generality of the people.
- (iv) Periodic professional skills and training should be given to all cadres of local government employees in order to improve their performance on the job and finally, much is expected from the Government in the areas of service delivery. The sustainable service delivery in the areas of health, agriculture, education and social infrastructures for the people at the grassroots level should be the focal point of the Local Government.

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