INTERNALLY GENERATED REVENUE AND LOCAL GOVERNMENT ADMINISTRATION IN UMUNNEOCHI LOCAL GOVERNMENT AREA OF ABIA STATE, 2007-2015

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Abstract

The debilitating political and other impacts of the abuse of internally generated revenues (IGRs) of Local Governments in Nigeria have been one of the most crucial challenges in Nigeria. The perpetual inability of local governments to tap into available resource base through improving their internally generated revenues in their jurisdiction, and the maintenance and management of IGR is due to the fact that the sub-national fiscal management is generally poor in Nigeria. While the extant literature has focused on the economic ramification, little attention seems to be paid on the political implication of this rampant abuse of the IGR, especially for the democratization process in the local government system in Nigeria. Hence this study examined the state of IGR in Abia State, using the Umunneochi Local Government Area as the focus of analysis. The analysis is anchored on Structural Functionalism. Qualitative data were generated using documentary method and these were analyzed using qualitative descriptive analysis. The study revealed that the bulk of IGR within the study period came from a single revenue head, in spite of the abundance of other sources from which revenues could be harnessed. The study noticed that there is extreme economic poverty and degradation of the political process, a complete breakdown of governance at the grassroots, a total loss of confidence in the democratic process, and an unwritten dictatorship of single parties that intimidate the people, under the direction of state government that illegally oust the status and powers of the third tier of government. The study recommends that, all the revenue items should be harnessed, and documented. Also there should be checks and balances in the local government system, and the Auditor General should timely visit to monitor the systems effectiveness.

Keywords: Internally Generated Revenue, Grassroots Governance, Third Tier of Government, Political Under-development, Dictatorship.

Introduction

Internally Generated Revenue (IGR) is the revenue that the local government generates within the area of its jurisdiction. In Nigeria, due to the revenue accruing from the sale of crude oil, the primary source of local government sustenance is from the Federal Allocation. It is the livewire of every local government. This revenue has been known to fluctuate in response to the fluctuations in the international market for crude oil. Because of this, it has been contended that the extent to which a local government can go in accomplishing its goal and distinguishing itself from the

mediocrity that local governance has become in Nigeria would largely depend on its IGR generation capacity. The capacity of local government to generate revenue internally is, in fact, one very crucial consideration for the creation of a local council. Contrary to this wise counsel, various studies as Akindele and Obiyan (2002), Ekpo and Ndebbio (1998), have shown that local governments in Nigeria depend solely on statutory allocations from the federal government. Over time however, revenue earnings from the federation account have been known to fluctuate, due to the reason cited above, and such fluctuations had resulted in the 'zero allocation' syndrome to local governments in Nigeria which had occasioned untold hardship for the teeming population of employees of the local governments and their dependants. This is to say nothing of the diminution in the capacity of the local governments to deliver democratic dividends to the grassroots. Given this scenario, the onus lies on the local government to work on their internal revenue efforts to be able to accomplish its goals in the local community.

A number of factors have been identified as being responsible for the non-optimal functioning of local governments in Nigeria. The two most fundamental hindrances identified are inadequate constitutional provisions to guarantee the autonomy of local governments as a tier of government, and inadequate funding occasioned by the insensitivity, overbearing and undue interference of state governments in the finances and functions of local governments. Sec 7(1) of the 1999 constitution provides inter alia "The system of local government by a democratically elected local government council 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 functions of such councils". From the foregoing, there is no express provision in the constitution regulating the tenure of local government councils, for instance, as it provided for the president and state governors, nevertheless the constitution guarantees the existence of democratically elected local government councils. As a result of the singular omission or oversight of not expressly providing for the tenure of local governments in the 1999 constitution, the various state legislatures now determine the tenure of its elected councils and have in the process subjected it to all manner of abuses. One notable example is the unconstitutional and unceremonious termination of the tenure of elected councils by the state governors and legislatures before the expiration of the mandate given by the people during elections and replacing the elected council with unelected and selected individuals and political associates under the nomenclature of "caretaker committee".

Another challenge is the impeding effective service delivery at the local governments in Nigeria, and which is again hinged on the provisions of the 1999 constitution, the provision in 162 (6) states, "Each state shall maintain a special account to be called "State joint local government account" into which shall be paid all allocations to the local government councils of the state from the federation account and from the government of the state. The state redistributes and reallocates monies already appropriated to local councils from the federation account in the name of joint projects, resulting in various illegal deductions from local government funds.

At the end of such deductions what finally gets to the local councils is hardly enough to cover overhead and recurrent expenditures, leaving little or nothing to embark on capital projects and programmes that will alleviate the lives of the people in their communities'.

Given this lopsidedness in the disbursement of statutory allocations to local governments, the next probable option for enhancing the revenue base of the local governments, and hence their service delivery capacity would naturally have been the internally generated revenue of the local governments. However, a cursory look at the state of affairs as it relates to local governments and internally generated fund strongly suggests that this has not happened, due to weak revenue collection mechanism, lack of fiscal discipline on the part of the operators of local councils. The main issues surrounding the tax-raising powers of local government centre on the inadequacy, in terms of coverage, and the non-buoyancy/inelasticity of those tax or revenue heads that fall under the jurisdiction of local government. They also include "dishonesty on the part of officers collecting the revenues; such cases as printing receipts by the officers had been the major problem in releasing the expected revenues" (Olatunji, Taiwo and Adewoye, 2009, p. 55). In the light of this, this paper seeks to contribute to the extant literature on local government financing, checks and balances and revenue management. The first section is the introduction followed by the second section which examines the basic concepts. The third section focuses on the theoretical issues; while the fourth section gives an overview of the sources of internally generated revenue (IGR) in Umunneochi LGA. The fifth section briefly examines the south east region on availability of fiscal strategy. The sixth section evaluates the approved/revised estimated IGR for Umunneochi, the abuse and the political implications. The final section concludes the study.

Conceptualizing Revenue Generation in the Local Government

In this section, we review extant literature on internally generated revenue in the local government system in Nigeria to determine an entry point for the evaluation of the political implication of the abuse of internally generated revenue (IGR) in Umunneochi Local Government Area.

In a report prepared for the United States Agency for International Development (USAID), Olowu, Erero, Soetan & Suberu (2010) stated that in theory, Nigerian government and politics represent a unique and bold African experiment in applying federalist and decentralist principles to managing the challenges of political development. In practice, Nigeria's federal and decentralized governance is fragile, conflicted, and ineffective. The overwhelming dependence of all three levels of government on centrally collected and redistributed oil revenues severely distorts the operations of sub-national state and local governments, undermining their autonomy, capacity, effectiveness, transparency, viability and legitimacy. Similarly, Akindele and Olaopa (2002, p.1) posited that 'the most severe problem facing public institutions in Nigeria is the fiscal one, particularly in local government'.

In line with this position, Obiora and Anyadike (2009, p. 35) explained that "the problem of revenue collection at the local government level in Nigeria today

derive from the general problem of institutional corruption and apathy of the public as well as ineffective governmental framework necessary for the enforcement of policies and laws".

Olaoye, Taiwo and Adewoye (2009, p. 54) stated that " the local government in Nigeria was established for the purpose of rendering services and supplying amenities to the people in both rural and urban areas according to the document establishing the local government reforms 1976". Similarly, Olusola (2011, pp.337-338) stated that "the primary source of local government sustenance is from Federal Allocation". It is the livewire of a local government. Citing studies by Akindele and Obiyan (2002), Ekpo and Ndebbio (1998), observed that 'local governments in Nigeria depend solely on statutory allocations from the federal government but that in recent times though, there have been dwindling pattern in the federal allocation because most of the federal government revenue is from petroleum proceeds'.

Sources of Internally Generated Revenue

Meanwhile, according to Ezeani (2006, p. 264), 'the sources of internal revenue to local governments include': (a). Rates and taxes (b) Receipts from any public utility concern, or any service, or undertaking belonging to, or maintained by a local government either in pat or in whole; (c) Rents derived from the leasing of any building or land belonging to a local government; (d)Interest on the investment of funds of a local government; (e) Money derived from fees. Akindele and Olaopa, (2002, p. 9), further pointed out that 'four tax heads fall within their legal and administrative jurisdiction - these are: licenses and fees on television and wireless radio; market and trading licences and fees; car park duties; and advertising fees, in practice, only one tax head or source, (i.e. markets, etc.) is exploited by local governments'. Kankumo and Braye (2011, p. 521) stated that 'the increasing cost of running government is becoming alarming with some budgets finding recurrent expenditures outplaying capital expenditures'. According to them, 'this increasing cost of governance and the fluctuations in the prices of crude oil have made it paramount that the federal, state, and local governments must generate adequate revenue from internal sources'. Ekweremadu (2009, p. 7) asserted that 'internally generated revenue being monies sourced by the local governments within their territories from different categories of taxes, levies, grant of licenses, ought to be the primary source of fiscal sustenance of a local government because it is the only source of revenue over which they have total control'. Eboh (1988, p. 47) had asserted that "the sources of revenue available to these local governments were not enough for them to discharge the omnibus functions they were supposed to carry out". Onah (1995, p. 41) pointed out that 'the issue as far as local governments are concerned is not only that of generation but also effective utilization or management'. Odoko and Nnanna (nd, pp. 4-5) also concurred that "internally generated revenue (IGR) efforts of states and local governments are generally very weak".

Khalil and Adelabu (2012, pp. 3482-3489) stated that "as agent of rural development, local governments are to use the funds made available to the local governments by both central and state governments and their internally generated

revenue to improve on the lives of the people within local government's area". Ovaga (2010, pp. 1-5) stated that "the essence of reforming local government system in Nigeria was to bring about stable increases in the income, productivity, diversification of economy and general quality of lives in the rural areas". But the ability of the local governments to accomplish these tasks will depend extensively on their financial positions. Increase their efforts towards generating more revenue through the diversification of their internal revenue sources.

Theoretical Framework

Structural functionalism as a theoretical framework is intended to explain the basis for the maintenance of order and stability in society and the relevant arrangements within the society, which maintain the said order and stability. In our formulation of a structural functional framework, social processes and social mechanisms are intervening variables. A complete description of a social system would include, therefore, a treatment of the social structures, and various functions of these structures; and of the social processes and mechanisms that must be in operation if structures are to satisfy certain functions (Holt, 1967). It is Holt's view that structural functional analysis is a distinguishable approach primarily because of the selective aspects of social reality that it seeks to describe largely in terms of structures, processes, mechanisms and functions. These four concepts are of particular importance in the laws and theories that are developed (Holt, 1967).

The origin of modern functionalism can be traced to Comte. The prominent theorists of structural-functionalism are Spencer (1874-96); Almond (1966); Parsons (1937, 1961); Merton (1957); Davis (1959); Evans-Pritchard (1940); Fortes (1945); etc. Almond (1966), one of the principal proponents of structural functionalism, argues that every political system performs certain functions. He adopted Easton's systems analysis and stressed the functions which could be included among the input and output functions of all political systems. The inputs are the functions of interest articulation, and interest aggregation; while the outputs are the functions of rule-making, rule application and rule adjudication. According to Almond, the functioning of any political system may also be viewed in terms of its capabilities, which is the way it performs as a unit in its environment. The structural functional analysis was first experimented in the biological and mechanical sciences as part of systems analysis. It was adopted as a mode of analysis in Sociology and Anthropology. It was developed for political analysis by Almond, Haralambos & Heald, (1980). According to Varma (cited in Okolie 2003), structural functionalism revolves around two main concepts, namely, functions and structures, on the basis of which Varma raised three basic questions - (1) what basic functions are fulfilled in any given political system? (2) By what structures? and (3) under what conditions? He stresses that while functions deal with the consequence (i.e. involving objectives as well as processes) of patterns of actions, structure refers to the arrangements within the system, which performs the functions. Political systems are compared in terms of the manner in which structures perform the expected functions in society. All political systems are therefore perceived to perform two basic functions – input and

output functions. Input functions are political socialization and recruitment; interest articulation; interest aggregation; and political communication; while output functions are rule making; rule application; and rule adjudication.

Structural functional analysis enables the researcher to establish the relevance of the structures for the collection of internally generated revenue in Umunneochi Local Government. It also helps us to know whether there are appropriate structures put in place for the collection of internally generated revenues in the local government. It helps further to examine whether the structures perform their designated functions, and for what purpose they perform such functions. Relying on this theory, the study proposes that the problem is not so much that the structures put in place do not perform the function of revenue collection in Umunneochi Local Government, as that, they are performed in the pursuit of parochial interests, against the pursuit of the public good. The idea is that, corrupt elements and amoral personalities in the local government capitalize on the non-autonomous and weak nature of the local government to wickedly direct local government resources to their selfish interest cum aggrandizement. That is in line with the contention of Paki and Ebienfa, (2011, p. 2) "that in most cases, state resources in the civic public are diverted to infamous channels in the primordial public which benefits only a few categories of people in the society".

Sources of Internally Generated Revenue (IGR) in Umunneochi LGA

The residual legislative powers of local governments to raise revenue are generally codified under the following local government revenue heads: 1001 (taxes), 1002 (rates), 1003 (local licences, fees and fines), 1004 (earnings from commercial undertakings), 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.

Breakdown of Revenue Heads in Umunneochi LGA as contained in the Annual Estimates of the Local Government:101: Taxes; Capitation rates, Areas of capitation rates.1002: Rates, Current property rates, Arrears of property rates.1003: Local Licences, Fines, and fees**.**(a) Towing of vehicle and obstruction fees and fines.(b) General Licences; Bicycle licences, Liquor (Wine and Beer), Native liquor, Wheel barrow/truck, Hawker permit, Bus/commercial vehicle emblem, Registration of buses/commercial vehicles, Operational permit. (c) Food Control; Eating houses fees, Kiosk fees, Canteen, boreholes fees, Bake house fees. (d) Security; Auctioneer fees, Cannon shooting fees, Entertainment, drumming and tempo booth permit, Naming of street registration, Radio and television fees, Customary marriage and registration, Club, cultural and social organization, Obstruction and nuisance fees, Pound fees and sale of stray animals, Registration of birth and death, Dispensary fees, Maternity fees. (e) Economics; Registration of contractors fees, Tender fees, Building plan checking fees, Sand excavation and quarry fees, Cottage industry fees, Oil processing fees, Rice mill fees, Cassava grinding fees, Corn mill grinding fees, Printing, spraying and sign workshop fees, Welding machine fees, Electrician

workshop fees, Watch repairing workshop fees, Carpentry workshop fees, Battery charging fees, Printing press fees, Vulcanizing fees, Vehicle spare parts fees, Panel beater fees, Motor mechanic, Building materials, Surface tank kerosene, Block making with machine, Sewing institute, Hair dressing and barbing saloon, Building plan registration, Advertisement, Sales of unserviceable store, Identification, Hire charge, Approval of building plan, Customary right of occupancy, Commission on transfer of plots, GSM operators and masts.

1004: Earning from Commercial Undertakings; Market toll and stallage fees**,** Motor park fees**,** Cattle market fees**,** Slaughter house fees**,** Transport earning fees**,** Produce buyer fees**,** Earnings from agricultural undertakings**,** Earnings from Guest House.

1005: Rent on Local Government Property; Rent on local government quarters**,** Rent on other local government building**,** Land use Annual Rent.

1006: interest, Payment and Dividends; Interest on motor vehicle advance**,** Dividends on stock and shares**,** Interest on savings and fixed deposit.

It has been noted that the important characteristic of all these sources of revenue is their low revenue yield. Head 1003, for instance, covers an extensive range of items or subheads, 101 in all. Interestingly however, revenues from these internal sources amount to a less than significant portion of local government's total recurrent revenue. The inability of local governments to raise substantial portions of their total recurrent revenue requirements from internal sources which undermined the autonomy that is implicit in the idea of a third tier government.

**South East Region on Availability of Fiscal Strategy**

One of the major areas investigated is availability of coherent fiscal strategy in the states. Figure 1, for instance, shows the relative performance of the states on the indicator. As can be seen, only Enugu scored up to 40 percent and compares favourably with the average score for Lagos, Adamawa and Delta, which performed relatively well. Anambra comes next after Enugu in the region with 25 percent score. The national average performance on the indicator was a paltry 17.5 percent. Yet three out of the five states in the region – Abia, Ebonyi and Imo – had scores lower than this national average. This implies that there is no fiscal strategy in these three states. (Agu, 2010).

Table 1: Approved and Actual Internal Revenue by Item Heads in Abia State, 2008

Revenue Heading	Estimates 2009 (N m)	% of Total	Actual Revenue, 2009 (N m)	% of Total	Difference b/w Actual and Budgeted	% Performance
Taxes	2,156.97	61	2,648.87	83	491.91	122.81
Fines and Fees	872.88	25	357.51	11	-515.37	40.96
Licenses	96.79	3	52.9	2	-43.80	54.75
Earnings and Sales	28.93	1	12.58	0	-16.36	43.47
Rent on Govt Property	245.42	7	44.16	1	-201.26	17.99
Interest Repayments and Dividends	100.00	3	76.50	2	-23.50	76.5
Reimbursements	0	0	0	0	0	0
Miscellaneous	10.00	0	0.34	0	-9.66	3.41
Total	3,510.99	100	3,192.95	100	-318.04	90.94

Source: Agu, 2010: 49

Figure 1: Performance of SE Region on Availability of Fiscal Strategy
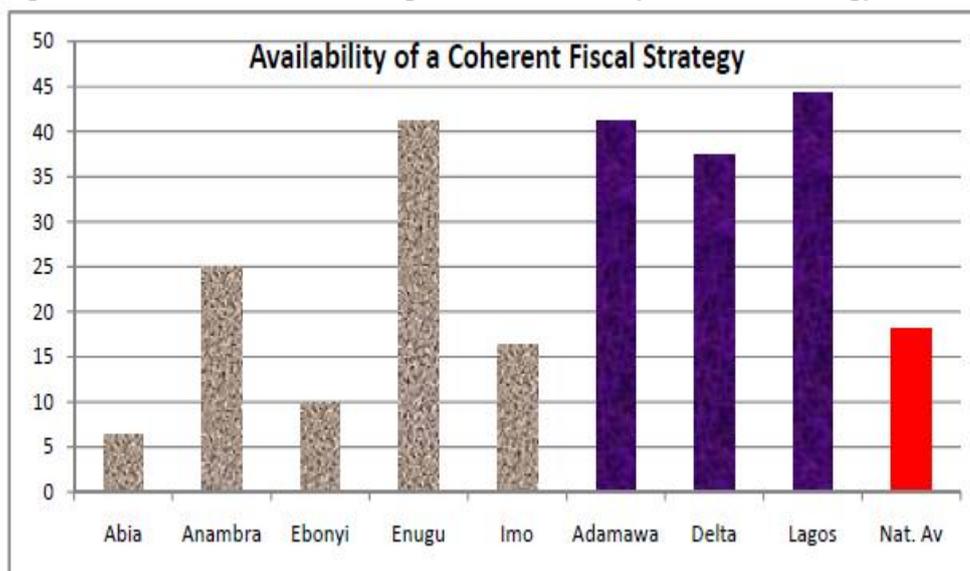
Source: Agu, 2010: 45

One indicator of the lack of coherent fiscal strategy is timely account preparation and action on audit reports. In nearly all cases it is a requirement that such evidence should be documented. In this indicator, however, the study found significant floundering among the states as shown in Figure 2. Abia state, for

example, had a zero score, implying that there was no evidence of audit of state accounts. It further found that preparation and auditing of public accounts are also neither institutionalized nor regularly conducted.

Figure 2: Performance of SE Region on Accounting and Audition
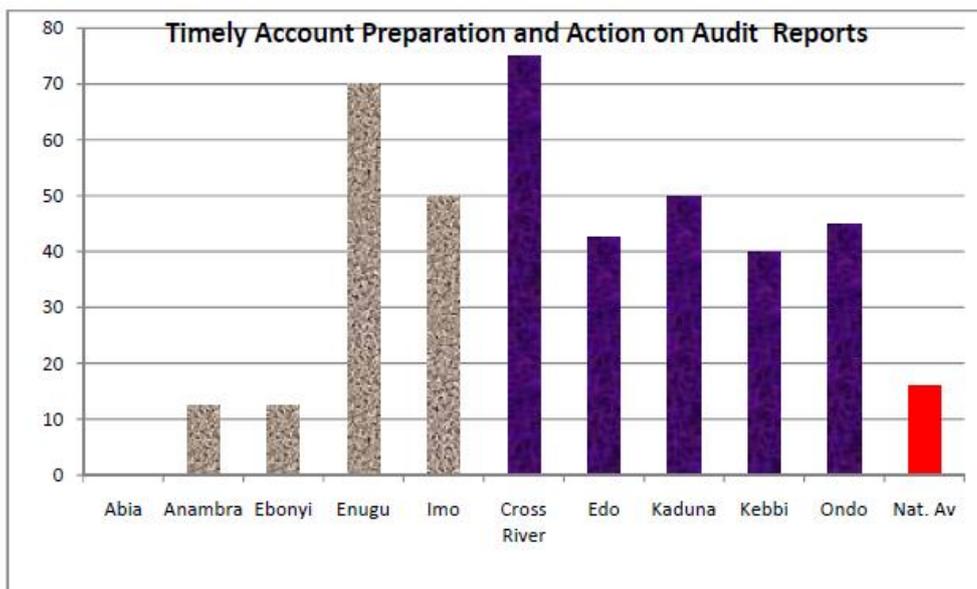

Source: Agu, 2010: 46

Figure 3: Budgeted and Actual IGR in Abia State by Sectoral Headings
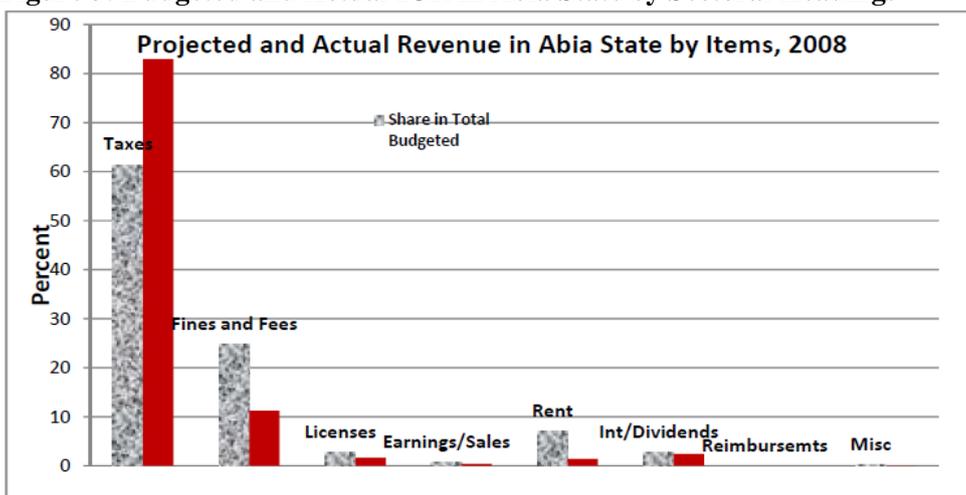
Source: Agu, 2010: 49

Agu concluded that the non-performance of the other sources has more to do with a faulty IGR management system than it has to do with availability of such sources. This, according to him, becomes clear from the differences between IGR projections and realizations in nearly all the headings. Following from the above, we proceed to examine the data for internally generated revenue in Umunneochi Local Government Area to see how they accord with the Abia state trend and by extension the trend in the South Eastern states generally. Tables below

Table 2: 2011 Approved Estimates of Umunneochi Local Government
Recurrent Revenue Summary

HEAD	Details of Revenue	Estimates of 2011	Approved estimates 2010	Revised estimates 2010	Actual revenue 2009
1001	Taxes (Capitation rate)	800, 000	800, 000	800, 000	2, 200
1002	Rates (Property rates)	700, 000	700, 000	700, 000	700
1003	LG Licences, fees and fines	9, 906, 000	9, 906, 000	9, 906, 000	1, 121, 050
1004	Earning from commercial undertakings	4, 800, 000	4, 800, 000	4, 800, 000	988, 000
1005	Rent on LG property	10, 000	10, 000	10, 000	-
1006	Interest and dividends	-	-	-	-
1007	Grants	-	-	-	-
1008	Miscellaneous	500, 000	500, 000	500, 000	78, 690
	Total Internal Revenue	**16,716,000**	**16,716,000**	**16,716,000**	**2,190,640**

Source: 2011 Draft Estimates of Umunneochi Local Government

Table 3: 2010 Approved Estimates of Umunneochi Local Government
Recurrent Revenue Summary

HEAD	Details of Revenue	Estimates of 2010	Approved estimates 2009	Revised estimates 2009	Actual revenue 2008
1001	Taxes (Capitation rate)	800, 000	800, 000	800, 000	114, 900
1002	Rates (Property rates)	700, 000	700, 000	700, 000	
1003	LG Licences, fees and fines	9, 906, 000	9, 906, 000	9, 906, 000	
1004	Earning from	4, 800,	4, 800, 000	4, 800, 000	

	commercial undertakings	000			
1005	Rent on LG property	10, 000	10, 000	10, 000	
1006	Interest and dividends	-	30e	30e	
1007	Grants	-	-	-	
1008	Miscellaneous	500, 000	500, 040	500, 040	
	Total Internal Revenue	**16,716, 000**	**241,400,200**	**241,400,200**	**5,089,910**

Source: 2010 Approved Estimates of Umunneochi Local Government

Table 4: 2009 Approved Estimates of Umunneochi Local Government
Recurrent Revenue Summary

HEAD	Details of Revenue	Estimates of 2009	Approved Estimates 2008	Revised Estimates 2008	Actual Revenue 2007
1001	Taxes (Capitation rate)	800, 000	650, 000	-	1, 020, 980
1002	Rates (Property rates)	700, 020	500, 020	-	540, 100
1003	LG Licences, fees and fines	135, 190, 050	8, 965, 060	-	2, 380, 750
1004	Earning from commercial undertakings	104, 200, 000	8, 700, 000	-	5, 022, 100
1005	Rent on LG property	10, 030	10, 030	-	540, 000
1006	Interest and dividends	30e	30e	-	-
1007	Grants	30e	30e	-	-
1008	Miscellaneous	500, 040	500, 040	-	749295.69
	Total Internal Revenue	**241,400,200**	**19,325,210**		**10,253,225.69**

Source: 2009 Approved Estimates of Umunneochi Local Government.

Table 5: 2008 Approved Estimates of Umunneochi Local Government.

HEAD	Details of Revenue	Estimates of 2008	Approved Estimates 2007	Revised Estimates 2007	Actual Revenue 2006
1001	Taxes (Capitation rate)	650, 000	700, 000	=	=
1002	Rates (Property rates)	500, 020	500, 020	=	=

1003	LG Licences, fees and fines	8,965, 060	6, 372,080	=	=
1004	Earning from commercial undertakings	8,700, 000	7, 570 010	=	=
1005	Rent on LG property	10, 030	5, 030	=	=
1006	Interest and dividends	30e	30e	=	=
1007	Grants	30e	30e	=	205,224.71
1008	Miscellaneous	500, 040	500, 040	=	=
	Total Internal Revenue	**19,325,210**	**15, 647, 240**	=	**6,784, 744.71**

Source: 2008 Approved Estimates of Umunneochi Local Government

Table 6: Summary revenue estimates and actual receipts from Head 1004: Earnings from Commercial Undertakings for the period, 2007 to 2011

Sub Head	Details of Revenue	Draft Estimates 2011	Approved Estimates 2010	Approved Estimates 2009	Approved Estimates 2008	Approved Estimate 2007
1	Market toll and stallage fees	2000, 000	2000, 000	2,000,000	500,000	500,000
2	Motor Park Fees	100,000	100,000	10,500,000	250,000	250,000
3	Cattle market fees	1, 000, 000	1, 000, 000	70, 000, 000	6, 000, 000	6, 000, 000
4	Slaughter house fees	1, 000, 000	1, 000, 000	20, 000, 000	1, 000, 000	500, 000
5	Transport Earning fees	-	-	500, 000	500, 000	10e
6	Produce buyer fees	500, 000	500, 000	1, 000, 000	300, 000	200, 000
7	Earnings from agricultural undertaking	100, 000	100, 000	1, 000, 000	100, 000	20, 000
8	Earnings from Guest House	100, 000	100, 000	100, 000	50, 000	20, 000
9	**Total Head (1004)**	**4, 800, 000**	**4, 800, 000**	**104,200,000**	**8, 700, 000**	**7, 570,010**

Source: Adapted from Draft and Approved Estimates for Umunneochi LG for various years

A scrutiny of tables2, 3, 4, and 5 above shows that the approved/revised estimated IGR for Umunneochi Local Government Area in 2011 was sixteen million seven hundred and sixteen thousand naira (N16, 716, 000). The projection was the same as that for the fiscal year 2010. Both however marked a significant reduction from the estimate for the fiscal year 2009 which stood at two hundred and forty one million, four hundred thousand, two hundred Naira (N241,400,200). Out of this figure though, the actual collected revenue in 2009 was a mere two million, one hundred and ninety thousand, six hundred and forty naira (N2,190,640), representing 9 percent of the estimate. The figures for the actual collected revenue for 2010 and 2011 are however unavailable as there is usually a two- four years lag between the collection of the revenue and the publication of the actual collected revenue.

For the fiscal year 2008, the estimated revenue was nineteen million, three hundred and twenty five thousand, two hundred and ten Naira (N19,325,210). Again, this differed significantly from the 2009 estimates. The actual revenue collection in 2008 was five million, eighty nine thousand, nine hundred and ten naira (N5,089,910) or 26.3%.

For fiscal year 2007, the revenue estimate was fifteen million, six hundred and forty seven million, two hundred and forty naira (N15, 647, 240). Amazingly, the actual collected revenue was put at ten million, two hundred and fifty three thousand, two hundred and twenty five naira (N10,253,225.69). This is an amazing 65.5 percent of the estimated revenue for the year. A breakdown of this amount shows that taxes and capitation rates earned the local government one million, twenty thousand, nine hundred and eighty naira (N1,020,980.00), property rate accounted for five hundred and forty thousand naira (N540,000.00), local government licences, fees and fines attracted the sum of two million, three hundred and eighty thousand, seven hundred and fifty naira (N2,380,750.00), while earnings from commercial undertakings raked in a whopping five million, twenty two thousand, one hundred naira (N5,022,100.00). Finally, miscellaneous sources accounted for seven hundred and forty nine thousand, two hundred and ninety five naira, sixty nine kobo (N749,295.69).

A further disaggregation of the data shows that the earnings from commercial undertakings are accounted for in large part by revenue from the famous cattle market located at Umuchieze Lokpanta. For instance, as has been shown above, of the N10, 253, 225.69 IGR gotten in 2007, earnings from commercial undertakings accounted for approximately 50 percent of that amount. Similarly, of the N5, 089, 910 internally generated revenue in 2008, earnings from commercial undertakings amounted to N4, 028, 450 or roughly 80 percent of the total earnings. Of this amount, the cattle market alone accounted for N4, 000, 000, 00 or 99.3 percent of the earnings from commercial undertakings.

These figures however do not tell the whole story. On the contrary, they appear to conceal more than they reveal. Investigations by the researcher, for instance, strongly suggest that the revenue earning capacity of the cattle market far exceeds the annual approved estimates and by far the actual receipts from that source. Another source of concern for the over dependence on a single revenue source in a local government that is richly endowed as Umunneochi is that the other revenue

sources are either abandoned or revenues from there are undeclared and consequently misappropriated. Another implication of the skewness in revenue stream to the local government is that such source easily becomes an object of desire for a predatory council chairman as well as a meddlesome state government. Such government could easily pounce on such revenue source, diverting it to private use, and thereby further constricting the revenue base of the local government, with its attendant consequences for local level development. These scenarios appear to have played out in our study area. A look at the revenue projections for the fiscal year 2010 and 2011 for instance show that the estimates for earnings from the cattle market have greatly dwindled from the very optimistic projections in the preceding years. In 2010, for instance, the approved estimate from the cattle market was put at mere one million naira (N1,000,000.00) own from a seventy million naira projection from that source a year earlier in 2009. Also, the approved estimate for 2011 maintained the same paltry projection of one million naira (N1,000,000.00) from the cattle market while the total projection from revenue head 1004, earnings from commercial undertakings was pegged at four million, eight hundred thousand (N4,800,000.000) as was the case in 2010. Meanwhile, an inquiry into the causes of the sudden drop in projections from key revenue heads like earnings from commercial undertakings revealed that the collection of revenue from this all-important revenue head has been contracted out sometime in the 2008/2009 fiscal year. It was further gathered that the terms of the contract is such that the private collector would pay an agreed sum in the region of one million into the coffers of the local government and the others millions into the coffers of the state Government, hence the estimate of one million from that source in 2010 and 2011.

Our analysis of data shows that the wanton abuse of IGR in the LG system has a number of implications for the political process in Nigeria, particularly the deepening of democracy at the grassroots. The first political implication is that it stabilizes and cements the "unholy" alliance between the local government administrations and the state chief executives officers (the governor) in spite of the withholding of the LG statutory allocation. The second political function performed by the wanton abuse of IGR in the LG is that it enables the LG chief executive to settle in cash and/or kind the various godfathers and sundry stakeholders within the area of authority, who would ordinarily crave the position for themselves or their anointed candidates and who have the wherewithal to mobilize alternative platforms for political contestation within the LG that would lead to the deposition of the incumbent. Another political implication of the abuse of the IGR in the LG system is that it generally raises the premium on power and its acquisition and retention. Due to the quantum of resources that the LG executive is able to appropriate to self and cronies, the quest for power becomes in the words of the former Nigeria president Olusegun Obasanjo, "a do or die affair" as is evident in the high level of political violence which has characterized the politics in Nigeria. Finally, in line with the rentier character of politics in the resource-rich developing countries, because of the weak revenue collection mechanisms, majority of the citizens are freed from their statutory obligation of paying taxes to the government. While this may be viewed as a

gain by the unsuspecting citizens, it is actually a loss in that it creates a situation of what Herb (2003) called "no representation without taxation", which is negation of the liberal ethos of "no taxation without representation". In other words, since the citizens do not pay taxes, they have willy-nilly lost the moral and political right to demand for effective representation in the political process nor can they legitimately hold those who claim to represent them accountable for the use of their "tax-payers money". Meanwhile, in the developed world, especially Britain and United States, states are mostly found receiving little percentage from the federation account and depend majorly on IGR in financing both annual capital and recurrent expenditures. Consequently, the citizens and companies have taken regular payment of tax as an obligation. While failure to observe tax dutifully results to sanction, punishment or imprisonment in spite of the position or personality of the person or entity concerned. It is very vital to note that effective and sustainable fiscal administration can only be realized through improved billing and collection procedure exemption policies with particular attention to the removal of subsidy that currently benefit more affluent households, progressively higher charges for relative expenses, effective revenue rising policies, equal resource allocation to the peoples in the states and local governments; restoration of fiscal discipline, honesty and accountability in collection of tax and other duties; workable technical capacity in revenue generation; sufficient legal framework for tax regime and most especially creating an enabling environment for investment by private sectors (Jimo,2011).

Conclusion

This study set out to examine the political implication of the abuse of internally generated revenue (IGR) in Umunneochi Local Government Area of Abia State. This was informed mainly by the generally acknowledged weak sub-national finances in Nigeria, particularly in the South East geopolitical zone. Abia State has shown a dismal performance in IGR generation given that the state hosts some of the most burgeoning markets (the Ariaria International Market) and (New markets) and formal industrial concerns, which are widely influential not just in the country but across the continent. These studies explained this anomaly in terms of lack of a coherent fiscal strategy in virtually all the South East states.

Drawing from this, the present study examined the political implication of the abuse of IGR generation and utilization in Umunneochi Local Government Area of Abia State to determine whether it accords with the general negative trend in the state or whether it would mark a 'deviation from the norm'. The study found that the local government generated fairly appreciable amount of revenue from IGR within the study period, which are clearly higher than the state average going by the study cited above. It however observed that the bulk of the revenue came from a single revenue head, earnings from commercial undertakings. This is in spite of the abundance of other sources from which revenue could be harnessed. It also noted that even within that revenue head, as much as 90 percent of the revenue accrued from a single source, the cattle market, with all the other sources generating next to nothing. Even at that, informed observers are of the view that the declared earnings from the cattle market

are a far cry from the actual revenues collected from that revenue source. They also insist that the other revenue sources are not as barren as the records would suggest but are rendered so by unscrupulous revenue officials often in connivance with the hierarchy.

The study was anchored on the theory of Structural-Functional analysis. And deriving from this analytical framework the study argued that the problem is not so much about the absence of critical structures as it is the failure of the structures to perform their functions effectively. The study further explains that this structural dysfunctionality is part and parcel of the larger problem of lack of a coherent fiscal strategy both at the local government and the state levels.

Recommendations

This study recommends as follows:

All the revenue items should be harnessed, and documented, there should be a clear and stipulated record for the uses of revenue generated internally without being interwoven with other sources of revenue for transparency and accountability.

There should be checks and balances in the local government system with the legislative arm empowered to discharge their oversight function contrary to the current practice where it is a mere appendage of the executive arm. The Auditor General should timely visit to monitor the effectiveness and prompt release of the estimate immediately after each year, compare the estimated revenue with the actual revenue gotten.

Lastly, the on-going constitutional review provides ample opportunity for a fundamental re-engineering of the local government system in Nigeria to make it a truly the third tier in a three-tiered administration as against the current situation where they are, for all practical purposes, mere administrative units of the state governments. The anti-graft agencies should inculcate whistle-blowing culture among the local government staff and also set up desk offices in local governments where citizens can report cases of financial impropriety by their representatives.

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