FISCAL MANAGEMENT AND GRASSROOTS DEVELOPMENT: ISSUES AND CONCERNS IN THE NIGERIAN CONTEXT.

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INTRODUCTION

The Vice-Chancellor, Professor Bartho Okolo
Deputy Vice Chancellors and other Principal Officers of the University
Deans of Faculty
Directors of Institute and Centres
Heads of Department
Erudite Professors
Heads of Administrative Units
Distinguished Academics and Astute Administrators
My Lords Spiritual and Temporal
Chiefs and Elders
Great Lions and Lionesses
Gentlemen of the Press
Ladies and Gentlemen

It gives me much pleasure to be standing before you this afternoon for the 71st Inaugural Lecture of this great Institution, my Alma Mater. I am indeed very grateful to God for this opportunity and I thank you all for your presence. Mr Chairman, let me begin this lecture by giving a brief historical background of the Nigerian economy. This will justify the choice of the title of this lecture and the urgent need for judicious fiscal management for enhanced grassroots development in Nigeria.

Nigeria is a country blessed with numerous mineral resources ranging from crude oil, tin to uranium. It is the most populous black nation in the world. With an estimated population of about 160 million, it ranks among the top ten nations in oil and natural gas reserve (Wumi and Rotimi, (2010). Given its location and available ports, Nigeria is arguably capable of becoming an economic hub for Africa and has the potential of displacing South Africa as the choicest location in Africa. It would be interesting to recall that agriculture used to dominate the Nigerian economy and "at the eve of political independence in 1960, the proportion of Gross Domestic Product (GDP) contributed by agriculture (embracing crop cultivation, livestock, fisheries and forestry) stood at 67.0 percent, while that of petroleum was only 0.6 percent" (Obinna, 1997:1).

However, with the oil boom of the early 1970's, which brought in an unimagined wealth from oil, agriculture was neglected. This wealth from oil created a false sense of unlimited prosperity that raised Nigerians level of conspicuous consumption and generated an ever increasing appetite and demand for foreign goods. These led to over-dependence on imports and focus of the manufacturing sector essentially on import substitution. Nigeria therefore depends on import sources for equipment, machinery, raw materials and food items. This insatiable demand for imported goods, weak domestic supply base and decline of the international oil prices in mid 1980s, led to external disequilibria. The launching of the ambitious National Development Plan 1970-74 and the use of contract awards for the execution of projects, helped in breeding corruption in the economy and by 1985, despite austerity measures adopted in 1982, it has become clear that the economy was neck-deep into crises (Obinna, 1997). Most significant were the culture of inflated project costs, corrupt management, ill-considered contracts and siphoning of Nigerian petro-dollar to private accounts in Europe and America during import transactions.

It should also be noted at this point that the decline in the international oil prices in the early 1980s led the government into borrowing heavily to sustain its high expenditure profile. This practice unfortunately persisted and led to a vicious cycle of external reserve depletion and debt servicing. Subsequent austerity measures and programmes involving mass labour retrenchments, abandonment of projects, closure of factories and massive devaluation of the exchange rate of the naira, worsened the Nigerian economy and caused a lot of problems instead of providing succour. All these led to mass outflow of skilled labour, falling industrial capacity utilization; unemployment and recession. In this grim economic situation, speculative, rather than productive activities, dominated the economic scene, and large sectors of the Nigerian population became entirely disadvantaged, marginalized and impoverished (Obinna, 1997). Consequently, Nigeria sank deeply into debt.

Even though, the country is among the topmost producer of crude oil, it is estimated that 70% of Nigerians live in poverty with a low life expectancy of 54 years, infant mortality of 77 per 1000 and maternal mortality of 704 per 100,000 (IFAD, 2011:1). This deteriorating economic situation in the country has led to mass poverty.

Be that as it may, poverty has remained in Nigeria. It is pervasive and has affected almost all sectors of the economy though it appears worse in the rural areas which have always suffered neglect as a result of a colonial carryover mentality that sees the urban areas as the focus of development. The rural areas in Nigeria are therefore threatened by abject poverty. Nigeria, like most African nations, is at the bottom of the development pyramid due largely to poverty (UNDP,2003). Using indicators like per capita income, life expectancy, percentage of population living below the international poverty line of $1 per day, infant mortality rates, prevalence of malnutrition, adult literacy, access to portable water, availabilities of basic infrastructures, etc, Nigeria ranks below the countries in Asia and Latin America and other countries like South Africa, Indonesia, Brazil and Mexico (CBN, 2010). According to the World Bank (2010), Nigeria's per capita income "stands at $2,748, falling behind that of Ghana and Cameroun with $10, 748 and $10,758 respectively. Nigeria is by all standards very poor.

Successive governments in Nigeria have tried in various ways to alleviate poverty through various rural development programmes. These programmes, include, inter alia, Obasanjo's Operation Feed the Nation (OFN), the Green Revolution of the Shagari civilian administration, and Babangida's Directorate of Food, Roads and Rural Infrastructure (DFRRI).

Other programmes of a broad social nature that were tangentially directed at poverty alleviation include; the Nomadic Education Programme, National Agricultural Land Development Authority (NALDA), the National Urban Mass Transit Programme (NUMTP), the Oil and Mineral Producing Areas Development Committee (OMPADEC) which provided special developmental aid to the oil producing areas, the Petroleum Special Trust Fund (PTF) which was involved in some programmes that have poverty alleviation content especially for the oil producing areas of the country.

In addition, a motley of other agencies were created at various times during the military era, all geared towards the same objectives. These agencies were meant to give structure and effect to these programmes that were conceived and packaged as grassroots economic recovery efforts targeting poverty alleviation. The agencies include the River Basin and Rural Development Authorities (RBRDAS), Agricultural Development Programmes (ADPS), Community Banks (CBS), Peoples' Bank of Nigeria (PBN), Better Life Programme (BLP), National Directorate of Employment (NDE), Family Support Programme (FSP), Primary Health Care (PHC), the Family Economic Advancement Programme (FEAP), etc.

Poverty in Nigeria has also drawn the attention of International Donor Agencies, Non Governmental Organizations (NGOS), United Nations agencies such as United Nations Development Programmes (UNDP), World Bank, and Economic Commission for Africa (ECA) and these have embarked on their own programmes directed at alleviating poverty, especially in the rural areas. Interestingly these agencies have identified the rural areas as the bastion of poverty in Nigeria. In effect, there is no doubt that reduction of poverty will enhance development especially at the grassroots. It is however sad to note that none of these programmes has yielded much fruit or significantly tackled the excruciating poverty prevalent in most of our rural areas.

Notably, rural areas account for three out of every four people living on less than $1.25 a day and 75 percent of the world's poorest people live in rural areas and depend on agriculture and related activities for their livelihood (FAO, 2010). From being a middle-income country in the 1970s, Nigeria has fallen to be among the 33 poorest nations in the world. No Nigerian, regardless of his/her social location, is free from the consequences of poverty. It is in recognition of these that Aluko (1995:6) noted that “the poor Nigerians can no longer sleep because they are hungry, and the rich Nigerians can no longer sleep because the poor Nigerians are awake”. Arguably, there is therefore a link between poverty and our current security challenges.

In corroboration of the above, it should be noted that no headway can be made in respect of our economic problem and enhancement of grassroots development without addressing the security problem. As Okoli (2012) rightly observed, gone are the days when people, especially during festivities or week-ends, escape from hustle and bustle of the urban areas to rural areas to enjoy the peace, tranquillity, safety value and cherished culture provided under the nests of village environment and brotherhood. Even the said urbanites from the same localities are no longer their brothers' keepers in the cities as it used to be. They are also no more interested in "enforcing behavioural norms that are intended to preserve the integrity of people from the same locality, neither are they ready to fish out, deal with, and keep at bay, suspicious characters and criminals to serve as a lasting lesson to others. It is clear as Okoli (2012) noted that with the complexity of the modern society, exacerbated by pervasive poverty, the old method of social insurance and sanction can no longer contain the exponential vices attendant upon wide –spread poverty. In our society today, organized kidnapping, selective armed robberies, sponsored and deadly armed militancy, political cum, religion- induced conflict (Boko Haram), terrorism and other forms of crimes have unleashed mayhem and insecurity on the land. Nobody therefore is safe, the innocent, the sponsors and the sponsored (Okoli, 2012).

It is under this anomalous society and economy that Nigeria operates. The economic situation has given a terrible blow on our families. Most Nigerian families contain a substantial number of frustrated individuals who are thrown out of jobs. There is general hardship, and fall in standard of living. The worst crimes in Nigeria today are those planned and executed by family members against their kith and kin. Kidnapping, internet crimes and other fraudulent activities by family members are rampant. Youth now prefer faceless friends through social media network such as "facebook", "to-go", "You tube", "netlog", "wiki-liki", "whats- app", "Skype", "Badoo", etc to our close knit African virtues.

The Nigerian economy is therefore faced with a lot of challenges, which inhibits its development as a nation. Some of these problems as were well articulated by NEEDS (2004) include:

- Low per capita Gross National Product
- Low growth rate
- Inefficient highly volatile and sustainable public sector spending. This is largely due to lack of policy coherence between states, federal government and the agencies of federal government and ineffective traditional instruments of economic management like national plan and budgetary process.
- Low productivity of the private sector and non-diversification of the economy due largely to unfavourable business environment like poor infrastructural amenities, poor security of lives and property and corruption, among others.

- Fast rate of urbanization with the attendant social ills of crime, unemployment, prostitution, urban squalor and slum among others.
- Dysfunctional educational system i.e educational system that is inconsistent with economic and social needs as well as incessant strikes, cultism and youth militarism that have affected the quality of graduates produced by the system.
- Poor implementation of well-articulated policies makes improvement of the economy difficult.
- Lack of a culture of sustainability which created room for uncompleted and abandoned projects.

Given the above background, it is clear that Nigerians face the problems of abject poverty, insecurity and poor standard of living. Despite Nigeria's very robust potentials to be great, financial mismanagement and political corruption have remained at the root of its political and economic problems. It is in consideration of all these, Mr Chairman, ladies and gentlemen, that I feel that the title of my inaugural lecture is apt at a time like this.

I am particularly interested in the discourse because it raises issues and concerns that have been at the centre of my academic pursuit in the last two decades. I have delivered many public lectures on related topics at both national and international levels. Having said these, the discourse would be organized along broad interrelated and logical themes viz:

- Thematic Expositions
- Fiscal Federalism
- Grassroots Development as a Strategy for and Sustainable Development
- Fiscal Management and Grassroots Development
- Towards an Enhanced Grassroots Development in Nigeria
- Conclusion

Thematic Expositions:

Fiscal implies monetary, economic and finance. Meanwhile, finance is the live wire of every organisation. No individual or system can thrive without finance. To an individual, it implies personal income. To a nation, it suggests a system of public revenue resulting from production of goods and services for the population of the nation. In local government, finance involves what sources of funds should be used, how much to obtain, when to obtain them, as well as deciding where the funds obtained should be applied. So finance here can be defined as the function of effectively obtaining and using funds.

Management

Local government has some power centres, some sources of leadership or control that serve to direct the efforts of members towards the common goal. These power centres or sources of leadership or control can be referred to as management. Management can be seen from two perspectives. Firstly, as the power centre, those at the upper level of the organization who combine and utilise the organisational resources and coordinate the work of other organizational members, for attainment of goals (Akpala, 1990). Secondly management can also be seen as the process of combination and utilisation of organisational resources for attainment of goals. The resources refer basically to man, material and money. The emphasis of this lecture is on money, that is the financial resource.

In the combination and utilisation exercise, management, as people, uses the managerial tools of planning, organizing, directing, and controlling to attain goals. Ejiofor (1981,75) has articulated the meaning of management as “the art of working particularly through people, for the achievement of the broad goals of an organisation”. The import of this definition is that for a manager to achieve the set objectives of an organization he has to find the people and materials to do the job. He should map out his strategies, assign different people to different jobs according to their talents, skill and competencies, and co-ordinate and motivate them to do the jobs. These should be done through supervision –that is helping, guiding and advising and inspecting, in order to ensure that set standards are maintained, and that jobs are done as planned. He then reports back the results of his work to his boss. In summary, management could be said to mean co-ordinating group activity; planning, organising, directing and controlling human and material resources for attainment of goals. Financial management therefore is the combination and utilisation of available monetary resources towards the attainment of a common goal. It is the process of ensuring that money is obtained at the right time, at least cost, and that it is most effectively utilised. In the process, work is done through and with organisational personnel after proper planning.

Grassroots Development

Grassroots development is a process whereby the government of a country through its third tier, which is the local government, ensures that the standard of living of the people in a particular locality and their economic status are improved through various means including the extension of credit facilities to encourage the establishment of small and medium enterprises. In a democratic dispensation, the local government system is conceived as embodying the desire and effort to bring development to the grassroots. Apart from the hope of participation for all citizens on how they are governed, grassroots development aspirations convey the expectation that the people, no matter their social or geographical distance from the hub of power matter. In effect, grassroots development implies efforts aimed at improving the quality of life of people in all nooks and crannies of a given society. There is no doubt that the lofty aim of development here entails both the acquisition and utilization of financial resources in prudent and goal oriented manners. Be that as it may, this lecture does not just stress the judicious management of available external revenue at the grassroots, it also emphasizes the effective exploitation of internal sources of revenue. It is believed that judicious management of both external funds and internally generated revenue will enhance development at the grassroots.

Local Government

It is obvious fact that the local government system is best positioned to enhance development at the grassroots. As defined in the 1976 Reform, it is

> the Government at the local level exercised through representative council established by law to exercise specific powers within defined areas. These powers should give the councils substantial control over local

> affairs as well as the staff, the institutional and financial powers to initiate and direct the provision and implement projects so as to complement the activities of the state and federal government in their areas, and ensure through active participation of the people and their traditional institutions that local initiatives and resources to local needs are maximized.

This implies that local government as the government at the grassroots, has legal existence enshrined in the Constitution. Its existence is further strengthened by section 7 (1) of the 1979 Constitution of the Federal Republic of Nigeria which states that

> the system of local government by democratically elected government council is under this constitution guaranteed and accordingly, the government of every state shall ensure their existence under a law which provides for the establishment of structure, composition and finance and function of such councils.

Fiscal Management and Grassroots Development

Fiscal Management and Grassroots Development therefore implies judicious combination and utilization of financial resources (external and internal) available to a nation, state or local government to attain set goals by designated authorities with the managerial tools of planning, organizing, directing and controlling, for the benefit and development of the people. It is the process of ensuring that money is available at the right time, at the least cost, and that it is most effectively utilised in the public interest.

In the light of these definitions, effective and efficient fiscal management for grassroots development means the art of working with people for the attainment of goals as enshrined in the Constitution of the Federal Republic of Nigeria, the financial memoranda/ Instructions, Acts and regulations guiding both generation and utilisation of financial resources. Thus the basic tools for achieving this are the human beings, the designated fiscal authorities and all the ancillary workers needed to carry out fiscal responsibilities. Their guide is the regulations provided by the Constitution of the Federal Republic of Nigeria, the Model Financial Memoranda and various Acts and financial guidelines. Their schedule, among others, is to ensure effective and judicious utilisation of public resources.

Their duty is to carry out their constitutional responsibilities by blocking any loopholes which could be exploited to fritter away or misappropriate available resources. It is the position of this discourse that if the procedures and processes of effective fiscal management are thoroughly understood, with needed innovations to be made, along with factors underlying their effective application, the existing trend of abuses and ineffectiveness will be reversed in favour of careful implementation and prudent fiscal management, thereby resulting in optimised programme/project delivery and accountability. The end result will be improved standard of living for Nigerians and enhanced development at the grassroots.

Fiscal Federalism in Nigeria

We cannot discuss Fiscal Management and Grassroots Development without talking about fiscal federalism. The success of federalism in the United States, Western Europe and China in achieving economic growth and development has confirmed federalism as an ideal form of government worthy of emulation. In Nigeria, the challenges posed by federalism discourage many efforts to favour the operation of federalism in Nigeria. With the return of democracy in 1999, Nigerians, especially in the oil rich region have been agitating for equitable share of the natural resources. The haphazard implementation of the 13% derivation principle to oil producing states has not even satisfactorily settled the matter as most rural areas remain backward and neglected, hence, the continued agitation.

Fiscal Federalism can be seen as a necessary complement to federalism as a system of governance. Since Federalism is anchored on regulated decentralization, fiscal federalism advocates the decentralization of fiscal responsibilities and duties. “Fiscal” federalism is therefore, a set of principles that can be applied to all countries attempting fiscal decentralisation. It can be taken as a general normative framework for assignment of functions” (Oates, 1999: 1120). Federalism refers to a political system where there is at least two levels of government (Dare, 2011). Fiscal federalism is therefore the application of constitutional rules in the process of allocation, distribution, control, management and sharing of state resources (Okoli, 2012).

The foundation of fiscal federalism was laid by Samuelson (1955) in his book, '*The Theory of Public Good*'. The ideas of Samuelson were further elaborated by such scholars as Musgrave (1959) in his '*Public Finance*'.

According to Samuelson, government plays a central role in correcting various forms of market failure, ensuring equitable distribution of income and macro-economic stability. Musgrave (1959), noted that government is the custodian of public interest that seeks to maximize social welfare. The role of the state in maximizing social welfare therefore lays the foundation of fiscal federalism.

In recent years, there is a growing interest in fiscal decentralisation. Tanzi, (1996), Oates (2011) and Ozor- Eson, (2005) attribute this to:

- Globalisation and deepening democratisation the world over and increases in incomes;
- Central governments increasingly are finding that it is impossible for them to meet all of the competing needs of their various constituencies, and are attempting to build local capacities by delegating responsibilities downward to their regimes;
- Central governments are looking to local and regional governments to assist them with national economic development strategies;
- Regional and local political leaders are demanding more autonomy and want the taxation powers that go along with their expenditure responsibility.

Meanwhile, the decentralization theorem is regarded as the basis of first generation theory of fiscal decentralization" (Oates, 2004). The logic according to Oates (2004) is that "different levels of government provide different levels of public goods within their specific geographical scope". This is because one level of government cannot be efficient in providing public good on a large scope.

However, different levels of government need revenue to provide their respective public goods. The need to grant access to this revenue stands at the centre of fiscal federalism today. Ahmad,(2010) noted that the dependence of the sub-national government (states and local government) on the central/federal government for transfers of fund to execute sub-national project creates the incentive for the sub-national government to inflate expenditure and engage in subtle negotiation with the central governments to attract fat fund or transfers. "Decentralization increases sub-national government size, while the collusion hypothesis holds that sub-national government circumvents the competition brought about by decentralization" (Aiyede, 2009:251).

Fiscal federalism is both a political and economic matter capable of crippling or developing both state and economy. It often involves continuous struggle between national and sub-national governments to distribute resources and power, among and between different levels of government. However, fiscal federalism is central to generation of fund required for grassroots development.

There have been various constitutional changes in Nigeria prior to independence. In 1914, the unitary structure was in effect. In 1960, Nigeria relied on the British legacy of federalism and parliamentarianism (Jega, 1996). Nigeria had three regions, East, West and North. In 1963, it was four regions, North, East, Mid-west and Western region. These later metamorphosed into 12 states in 1967, 19 states in 1976 and 21 states in 1987. In 1991, it was 30 states and in 1996, it was 36 states with 774 local governments and a federal capital territory, Abuja.
Nigeria practices federalism with various legal administrative relationships established among local, states and federal governments. Nigeria's fiscal relations can be rightly seen as biased and contentious in respect of the formula for revenue sharing among the three tiers of governments. It is therefore not surprising that this conflicting pattern or guide for revenue sharing has always resulted in successive governments setting up commissions, making amendments or enacting decrees to deliberate on what may be seen as fair principle in revenue sharing formula so as to minimise the conflicts.

Unfortunately, the submissions of various commissions, amendments or enactments for revenue sharing in Nigeria have not resulted in general acceptance of the formula. The survival of the Nigerian state has been said to depend on disciplined fiscal federalism by both observers and scholars alike. Yet Nigerian leadership has not been committed to ensuring this since independence. As Amechi (2010:1) contended "Government must not be for one section of the Society. It must be for the rich and the poor, emphasizing the upliftment of the poor..." The neglect of the oil producing communities in the Niger Delta by successive

Nigerian governments since the 1970s, indicates that the government in Nigeria does not care for the poor, hence the familiar disgusting selfish attitude of politicians. This time, however, virtually all states within the South-South geopolitical zone, whose resources largely account for the country's economic survival are united in calls for a truly Federal System of government that guarantees them management of their endowments.

With the opportunity afforded by the recent public hearings convoked by the National Assembly towards reviewing the 1999 Constitution, the states have been agitating for a review of, among others, provisions under Sections, 44 (3) and 162-168 of the Constitution. Rivers, Cross River, Akwa Ibom and Bayelsa States, have added their voices to the collective protest and demanded a constitutional relief that allows them control of their natural resources and the abolition of the current revenue allocation formula, enhanced by the various provisions (Amechi, 2010)

For instance, Section 44 (3) of the 1999 Constitution states, notwithstanding the foregoing provisions of this section, the entire property in, and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in, under or upon the territorial water and the Exclusive Economic zone of Nigeria shall be managed in such manner as may be prescribed by the National Assembly. By this singular provision, the oil producing states argue, they have been denied the inalienable right to manage their own economic resources, which, based on their persistent protests, negates the essence and spirit of a Federal System of Government. Even more worrisome are provisions in Section 162-168 which dwell predominantly on Federal revenue, and allocations. Section 162 (10, a-c), for instance, states *For the purposes of subsection (1) of this Section,* revenue means any income or return accruing to or derived by the Government of the Federation from any source and includes

(a) Any receipt, however described arising from the operation of law;

(b) Any return, however described, arising from or in respect of any property held by the Government of the Federation; (and) any return by way of interest on loans and dividends in respect of shares or interest held by the Government of the Federation in any company or statutory body. This provision, among others disadvantages states and especially the local governments, in sourcing of revenue and subsequent discharge of their constitutional functions.

Although local governments are in a better strategic position to bring about grassroots development, they are rarely provided with adequate funds to execute this task. Ezeani (2009) rightly observed that the financial crisis or stress being suffered by local governments in Nigeria is further worsened by the erosion of their financial autonomy due to frequent interference by state governments in their finances. Table 1 below contains the summary of local government finances in Nigeria from 2000 to 2010

Table 1: Summary of Local Governments' Finances (N' million)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Current revenue	151,8773	171,5231	171,5231	370,170.9	468,295.2	597,2191	674,255.7	832,300.0	1,387, 8713	1,069, 365.3	1,359,161.3
Federation account	118,589.4	128,500.5	128,896.7	291,406.9	375,656.3	493,00.3	550,796.3	568,300.0	722,258.6	529,315.0	1,082,302.9
State allocation	1,923.1	1,598.6	1,672.3	2,119.8	3,625.7	3,243.9	3,434.8	3,00.0	3,3174	19,735.7	12,673.9
Value added tax	13,9087	20,120.7	18,7272	39,648.4	45,985.2	55,793.6	75,920.0	105,100.0	135,921.3	157,378.6	189, 119.8
Internal revenue	7,152.9	6,020.4	10,420.8	20,175.5	22,407.8	24,042.5	23,225.1	21,300.0	22,731.4	26,064.2	26, 150.0
Grants & others 2/	10,303.2	15,300.9	12,434.1	16,820.3	20,620.2	21,138.8	20,879.5	134,600.0	503,642.6	336,871.7	48,914.6
Recurrent expenditure	93, 899.9	122,7127	124,701.6	211,633.0	295, 654.7	374,514.6	398,1812	683,600.0	1,140, 100.0	704,610.0	823,693.3
Current surplus (+)/Deflect (-)	57,9774	48,810.4	47, 449.5	158,537.9	172, 6405	222, 7045	276,0745	148, 700.0	247, 771.3	364, 755.2	535, 468.0
Capital expenditure	59,964.9	48,, 661.8	45, 118.6	150, 080.2	165, 395.9	213, 463.2	267, 656.7	143, 800.0	247, 7713	364, 7552	532, 958.9
Total expenditure	153, 864.8	171,374.5	169, 8202	361,713.2	461,050.6	587, 977.8	665, 838.0	827, 400.0	1, 387, 900.0	1, 067, 613.7	1,356,652.2
Overall surplus (+)/Deficit(	- 1987.5	148.6	2,330.9	8,457.7	7,244.6	9,2413	8,417.8	4, 900.0	-28.8	1,751.6	2,509.1

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Financing	1,987.5	-148.6	-2,330.9	-8,457.7	-7,244.6	-9,241.3	-8,417.8	-4,900.0	28.8	-1,751.6	-2,509.1
Loans	3,734.6	0.0	0.0	0.0	0.0	0.0	0.0	2,800.0	0.0	6,076.2	3,242.2
Opening cash balance	3.356.0	3,756.3	4,928.1	6,805.4	8,714.4	51,7072	-20,560.1	37,300.0	0.0	38,453.4	30,420.0
Other funds 3/	-5103.1	-3,904.9	-7,259.0	-15,263.1	-15,959.0	-60,948.5	12,142.3	-45,000.0	28.8	-46,281.2	-36,171.3

Source: NBS,2010; CBN Bulletin,2010

The table shows increase in revenue, But despite increased revenue, the effects on the standard of living of the local population is meagre.

The obvious challenges of fiscal federalism in Nigeria hinge on issues of sharing of national revenue, fiscal decentralization, allocation of expenditure and tax-raising powers among the three tiers of government as well as efforts to have an acceptable formula for sharing the nation's resources. They also hinge on the equity of the expenditure assignment and revenue-raising functions among the three tiers of government. Usually, the allocation of functions to different tiers of governments in any federal system has fiscal implications. This is because the discharge of functions involves certain expenditure (Fajana, 1996). So, in assignment of social responsibility to tiers of government, a federal system often deals with the inter-governmental fiscal relations. Fiscal federalism therefore becomes synonymous with inter-governmental fiscal relations. Notably, every federation has more than one level of government, each with different expenditures responsibilities and jurisdiction of taxation (Ezeani, 2004).

In Nigeria, with a Federal Government (FG), 36 States and 774 local governments, different attempts have been made since 1960, by different levels of government to ensure a balanced fiscal structure. These have taken the form of both micro and macro economic reforms. Often, both state and local governments have expressed dissatisfaction over the formula for revenue allocations. Thus, Nigeria lacks a viable and balanced fiscal system. No doubt, the twin issues of revenue rights and fiscal jurisdiction have remained the most dominant and contentious in Nigeria's federalism. The 1976 Local Government Reform which drew heavily from the Brazilian experience included local governments in the mainstream of the country's intergovernmental fiscal relations with a defined share of the federation account , among other statutory provisions and administrative arrangements (Akindele, 2002). The reform, which is referred to as a real breakthrough, gave prominence to local governments, making it a legal entity with functions enshrined in the 1979, 1989 and 1999 Federal Republic of Nigeria's Constitutions. Even though the reform clearly articulated the idea of a three-tiered federation in Nigeria, its consequent recognition of revenue sharing and administrative arrangements have led to many problems.

With respect to fiscal federalism, conflicts over revenue sharing formula, centralization of fiscal relations and the agitation for resource control are problems which have proved quite intractable in the last 52 years, at least. In Nigeria, as in most federations of the world, questions of equitable revenue sharing formula have been at the forefront, not only of policy discourse, but also of physical agitation, including militancy movements. State governments in the country, especially since the return to civil rule in 1999, have also been engaged in wrangling with the Federal Government on the issue of securing adequate financial resources to discharge their constitutional responsibilities.

In tackling the fiscal question, the Federal Government had, at various times, even from the colonial days, set up committees/commissions to look into the question. In addition to Decrees 15 of 1967, 13 of 1970, 9 of 1971, 6 of 1975 and 7 of 1975, some of the commissions set up were the Phillipson Commission (1946), Hicks-Phillipson Commission (1951), Chicks Commission (1953), Raisman Commission (1957), Binns Commission (1964), Dina Commission (1969), Aboyade Technical Committee (1977), Okigbo Committee (1980), and the Danjuma Commission (1988). However, as said before, none of these commissions was able to evolve a viable fiscal allocation formula for the country.

One of the greatest blows to fiscal federalism in Nigeria is militarization of democracy. When the military seized political power in January 1966, there was a general feeling in the country that they were motivated by altruistic intentions and objectives to save the country from chaos and instability. As time passed, the country’s military rulers and the military as an institution, by and large, lost their sense of direction as their greed dragged the nation further and further away from the project of true federalism. Given that the military is a hierarchical and centralising institution, by the end of almost thirty years of military rule, Nigerian federalism fell into a total comatose state.

Thus, to illustrate further, Generals Yakubu Gowon's regime (1966 – 1975) can be best described as a pseudo-federal system; Murtala Mohammed and Olusegun Obasanjo (1975 – 1979) severely compromised the integrity of the Nigerian federalism; Generals Mohammadu Buhari (1983- 1985), Ibrahim Babangida (1985 – 1983) and Sanni Abacha (1993 – 1998) slaughtered and buried federalism in the praetorian grave yard of imposed, centralised and authoritarian dictatorship that followed the ouster of Shehu Shagari's administration of 1979 – 1983, (Akindele, 1990).

Again, the rationale for states creation in Nigeria deviates from the minimum prerequisite of state viability. States are created to compensate political supporters and the language of the new managers of the newly created states is largely that the national cake be shared. The contest over the revenue sharing formula between federal, states and local governments, on the one hand, and between the resources rich region (south) and resources poor region (north) on the other, have characterized the Nigerian political environment since 1960. Continuously, every unit struggles for higher revenue with less responsibility. While the South insist on derivation formula, the North are disposed to allocation based on land mass or population and the minority groups on equality.

Section 162 of the Constitution of the Federal Republic of Nigeria provides the formula for distribution of the amount in the federation account among the various tiers of government by giving 46.63% to Federal Government, 33.00% to State Governments, and 20.37% to Local Governments,. The constitution provides the criteria to be used for the distribution of the amount (20.37%) standing to the credit of local governments among the local governments. Abubakar & Ohiani (2012) noted that these criteria include equality of local governments, population, population density, internal revenue generation efforts, land mass, terrain, rural roads/inland waterways, portable water, Education, and health. These criteria have many areas of controversy especially in respect of landmass, terrain, rural roads and the complexity of determining these variables. Added to this problem is the fact that the State Governments are empowered to open up a joint account for the aim of distributing any amount that stands to the credit of local governments. These problems are compounded further by multiple deductions by State Governments from the amount standing to the credit of local governments in respect of the federation account.

This revenue allocation formula as noted above has a lot of problems and encourages parasitic governance where states become relaxed and endlessly expectant of the monthly ritual of allocation from the federal government. The implication of this is that while the allocation formula limits the capacity of states to provide public goods needed to promote and sustain governance, it also limits the revenue of each state, thus making the states perpetually dependent on the Federal Government. For the local governments, they get very little at the end from their supposedly largest source of revenue i.e. the federation account. This greatly contributes to their inability to meet up with the demand of the masses and development at the grassroots. This arrangement of allocation sharing in Nigeria threatens initiatives, innovation and modern ideas of generating resources, especially money, for sustainable development.

The Federal Government, on the other hand, concentrates too much money at the centre leading to waste and corruption. The Federal Government lacks a basic plan for the transformation of resources into concrete developments. This is in tune with Okoli (2012:) view that the Nigeria Federation, the fiscal allocation regime is heavily skewed in favour of the central/federal government with so much money in its purse that the federal government could not resist the temptation to acquire more and more powers to the detriment of other tiers. It thus appropriated more and more responsibilities from other units in the federation, thereby turning intergovernmental relations in Nigeria into an overlapping authority of inter governmental relations where the federal government's presence looms large, and threatens the very survival of local governments in Nigeria. By wittingly or unwittingly diminishing the powers, functions and resources of local governments, the federal government has effectively emasculated the local governments.

This implies centralization of power and revenue. The lower tiers of governments fail to share in the general growth of expenditures and functions. Revenue sources become centralized and the federal government takes commanding role, especially in fiscal terms. This sharing formula gave an over whelming resources to the centre at the expense of the states and local governments (Wunsch and Olowu, 1995). The Nigerian state is therefore characterised by over centralisation leading generally to disconnection and disengagement from civil society, alienation of citizens and politics of exclusion (Ake, 1996; Dommen, 1997). This led to frequent Constitutional reviews and made the Constitution more controversial and more difficult to classify.

GRASSROOTS DEVELOPMENT AS A STRATEGY FOR SUSTAINABLE DEVELOPMENT

The Inter-American Foundation (IAF) (2011) defines grassroots development as a participatory process that addresses a wide range of social, economic, and environmental problems or needs within a given geographic territory (municipality, canton, province, district, region, etc.) for the sake of improving the residents' quality of life. Grassroots development leaders include institutions and organizations acting systematically within a territory to address priority community needs. Examples include local governments, non-governmental organizations, community associations, foundations, churches, educational institutions, and other civil society entities, such as representatives from the private commercial sector and other public or private institutions having a presence in a given location (Moore 1998).

The Nigerian government has realized the need to apply the grassroots development strategy as an effective strategy for carrying out sustainable, long-term activities to improve the quality of life of low-income populations and the community in general. It is a means of mobilizing local and national resources while strengthening democratic practices and local solidarity. Moreover, local development offers citizens the opportunity to create a common vision and determine priorities for public investment in their community. Local development depends on state reforms that ensure decentralization, open and direct elections of local and regional authorities, and respect for the rule of law.

Nigeria is highly under developed. It is therefore not ranked among the developed nations especially at the grassroots. Looking at the selected economic indicators in Table 2 below, the rate of inflation in Nigeria has been fluctuating over the years. Ekpo (2004) associated this rise with both demand-pull and cost–push factors. The demand–pull factors include expansionary fiscal policy by all tiers of government, rapid monetary growth and large wage salary increases. The cost–push factors on the other hand include fuel price increases, inadequate and poor infrastructural services and supply constraints due partly to ports congestion. An uncontrollable inflationary trend encourages instability and worsens economic growth. This deepens the poverty level. The table also portrays that investment/GDP ratio has remained low over time. Many Nigerian families are living in poverty. There is wide range of unemployment, social unrest, bribery and corruption, robbery and frustration in Nigeria. All these buttress the fact that the poverty level in Nigeria needs urgent attention. Unless this is done development at the grassroots will remain a mirage.

Table 2: Nigeria: Selected Economic Indicators for Selected Years (%)

Year	P	U	Y	I/GDP	DEF/Y
1960	6.0	2.4	4.8	5.0	- 1.53
1970	1.97	4.8	5.7	5.4	8.41
1971	6.6	5.3	6.2	6.3	0.50
1975	3.9	4.8	6.0	15.2	
1979	9.9	10.4	1.6	16.5	
1980	20.0	7.8	- 0.8	17.9	
1983	23.2	3.4	6.7	14.6	5.9
1985	5.5	8.2	- 3.4	7.1	4.9
1987	10.2	7.1	4.2	6.2	5.4
1992	44.4	3.2	3.6	4.1	7.2
1993	57.2	5.4	2.9	3.8	15.5
1994	70.0	2.2	1.0	4.2	6.2
1995	72.8	1.8	2.7	5.1	0.1
1996	29.3	3.8	3.2	5.2	1.8
1997	8.5	3.6	3.8	5.4	- 0.2
1998	10.0	3.2	2.4	5.3	- 4.7
1999	6.6	3.0	2.6	4.9	- 8.5
2000	6.9	3.6	3.8	5.4	- 2.1
2001	18.9	3.5	4.6	6.3	- 4.0
2002	20.2	3.8	- 3.5	6.6	-3.9
2003	13.8	2.3	-	6.1	-4.1
2004	-		-	6.8	-4.0
2005	-		-	7.0	-3.4
2006	17.27	12.3	-	-	-
2007	13.62	12.7	6.45	-	-
2008	10.40	14.9	5.95	-	-

2009	11.2	19.7	6.96	-	-
2010	10.9	21.4	7.97	-	-
2011	-	23.9	7.36	-	-

Source: (i) Central Bank of Nigeria, Annual Report and Statement of Accounts; various Issues in Ekpo (2004)
(ii) NBS, 2011

Notes:
P= Rate of inflation; U = Unemployment rate; Y = GDP; 1/GDP = Investment/GDP; DEF/Y = Overall deficit/surplus/GDP

Table 2 above, showing the selected economic indicators especially on inflation, unemployment, etc in Nigeria, is illustrative of level of poverty in Nigeria. Oguonu (2004) has associated lack of development at grassroots to poverty. Using illiteracy, access to clean water and the number of people living below the poverty level as indicators of poverty, Nigeria ranks below other sub –Saharan African countries like Kenya and Zambia on the poverty scale. As already noted, Nigeria is classified as one of the poorest countries in the world. According to the National Bureau of Statistics (2010), urban/rural incidence of poverty by different poverty measures like relative poor in 2010 was 61.8 % in urban areas and 73.2 % in rural areas and absolute poor was 52.0 in urban areas and 66.1 in rural areas (see Table 4a below).

Again, according to NBS (2010 c:11), the percentage poverty incidence in Nigeria has been increasing significantly since 1980 to 2010 in line with population in poverty (see Table 4 (b) and figure 1 below).

Poverty is therefore the remote cause of many other problems like insecurity, environmental degradation and health problems, all of which negate development, especially at the grassroots. It is believed that reduction of the poverty level in Nigeria will improve the general environmental condition and enhance development. Poverty is a relative concept and has an environmental dimension. So, for poverty to be effectively alleviated, the environmental circumstances and geographical orientation of poverty have to be dealt with.

The characteristics of poverty are synonymous with those of under development. For example, poverty is characterised by lack of gainful employment, poor nutritional status and lack of physical assets. Rural poverty implies a situation where the rural dwellers live below the level of income that is needed for a reasonable minimum standard of living. Generally, one is considered poor if one is unable to have basic necessities of life. These basic necessities of life include food, shelter and clothing. In Maslow's hierarchy of needs, physiological needs are considered paramount. However, poverty does not just stop at inability to feed or clothe oneself. It also includes inability to meet ones expected social obligations, lack of gainful employment and physical insecurity. In a geographical setting, manifestation of poverty includes poor infrastructural amenities like housing, roads, water, educational institutions, health facilities, etc.

The presence of broad-based community organizations is one of the keys to the success of poverty alleviation and grassroots development. These organizations would make the rural people feel they have a voice that is heard and responded to positively. Many of the ideas that flow through such bodies ultimately become realities through the actions of the municipality and other support organizations. Such bodies in turn, provide the community backing, labour, and resources that make it possible to implement many small infrastructure and development projects.

Another key to ensure the success of the grassroots development in Nigeria is the positive and constructive relationship between community- based organizations and the local government. With representatives on each other's governing councils, they are assured of good communication, rather than becoming fiercely competitive forces, as might have been the case. A willingness to set aside partisan politics is fundamental to the cooperation that is necessary for grassroots development in Nigeria. Politics has not played a strong role in grassroots development. In fact, without the emergence of independent minded organizations, it would be difficult for Nigeria to undertake a large number of development projects and successfully negotiate a mutually productive relationship with sophisticated corporations. The relationship between the corporations and the community would succeed if both parties negotiate in good faith by presenting their points of view and interests.

Using Nigeria as our laboratory we noted that a lot of Nigerians in the rural areas have no access to portable clean water supply. Again, we observed that poverty, illiteracy and unemployment are more severe at the grassroots represented by the rural areas than in the urban centres. Tables 3,4(a) and 5 are illustrative and supportive of our argument in this section.

Table 3 – Percentage of Population with Improved Water Supply in Sub-Saharan African (2008)

Country	**Percentage** **Urban**	**Rural**
Nigeria	75	42
Ghana	90	74
Gambia	96	86
Cote d'Ivoire	93	68
Benin	84	69
Burkina Faso	95	72
Egypt	100	98
Cameroon	92	51
South African	99	78
Algeria	85	79

Source: World Population Data Sheet, 2011.

About 75% of Nigerians in the urban areas have improved water supply as against 42% in the rural areas. The implication of this is that 58 % of Nigerians in rural areas do not have improved water supply.

Table 4 (a): Urban/ Rural Incidence of Poverty by Different Poverty Measures in percentages

Sector	Absolute Poor	Relative poor	Dollar Per Day
Urban	52.0	61.8	52.4
Rural	66.1	73.2	66.3

Source: National Bureau of Statistics (2010 c: 16)

Table 4 (a) above shows that 52% of the urban and 66.1% percent of the rural residents suffer from absolute poverty. Again 61.8% of the urban and 73.2% of the rural residents suffer from relative poverty. Finally, 52.4% of the urban and 66.3% of the rural residents respectively live on less than one dollar per day.

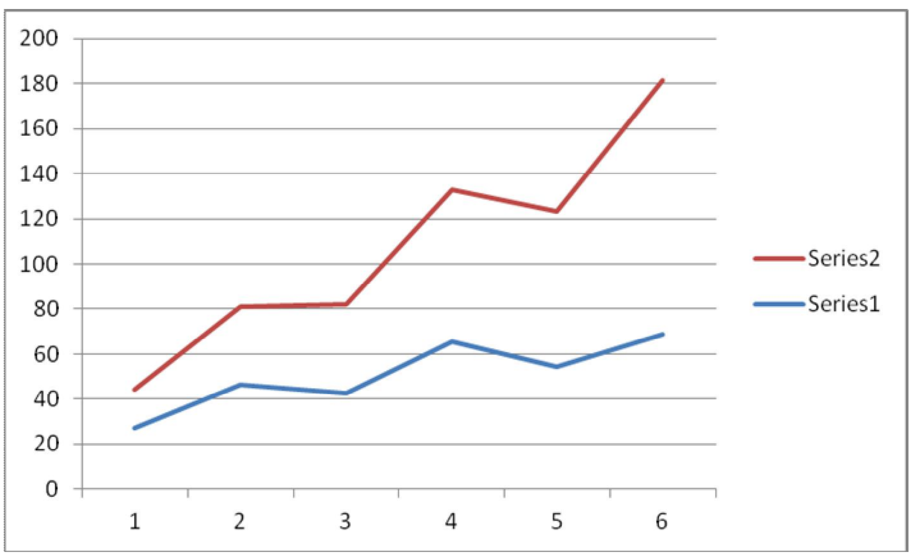
Table 4 (b): Relative Poverty Headcount, For Selected Years (1980 -2010)

Year	**Poverty Incidence (%)**	**Estimated Population**	**Population in Poverty**

		(Million)	(Million)
1980	27.2	65	17.1
1985	46.3	75	34.7
1982	42.7	91.5	39.2
1996	65.6	102.3	67.1
2004	54.4	126.3	68.7
2010	69.0	163.0	112.47

Source: National Bureau of Statistics (2010c; 11)

Figure 1 Poverty Incidence and Population in Poverty for selected Years (1980 -2010)



Source: Deducted from Table 4(b)

Table 5: Inflation Rate in percentages

Inflation rate (year on	**2006**	**2007**	**2008**	**2009**	**2010**

change					
Headline inflation	8.57	5.2	15.10	13.9	11.8
Core inflation	17.27	3.62	10.40	11.2	10.9
Food inflation	3.89	8.22	18.00	15.5	12.7

Source: National Bureau of Statistics (2010b:17)

The Headline inflation rate fell from 8.57 % in 2006 to5.2 % in 2007. It increased to 15.10 % in 2008 and fell to 13.9 % in 2009 and 11.8 % in 2010. The core inflation fell from 17.27 % in 2006 to 3.62 % in 2007 and then rose to 10.40 % , 11.2 % and 10.9% in 2008, 2009 and 2010 respectively. Food inflation was 3.89 % in 2006, and increased to 8,22 % in 2007. In 2008 it was 18.00 %., 15.5 % in 2009 and 12.7 % in 2010. The effect of this inflation is higher at the grassroots than in the urban centres.

Similarly, the national unemployment rates show a consistent increase from 12.3% in 2006 to 12. 7%, 14.9%, 19.7%, 21.4% and 23.9% in 2007, 2008, 2009, 2010 and 2011, respectively (NBS, 2010; NBS, 2011). In 2006, the rate of urban unemployment of 10% was lower than that of rural which was 15.1%. In 2010, urban unemployment rate of 22.8% was higher than that of rural which was 21.1% . But in 2011, the rate was higher in the rural areas (25.6%) than in the urban areas (17.1%) (NBS, 2010). All these buttress the need for meaningful development in Nigeria especially at the grassroots.

It is clear that inadequate funds at the local government system impede grassroots development. This lecture will now explore various factors that impede revenue generation for effective grassroots development in Nigeria.

FISCAL MANAGEMENT AND GRASSROOTS DEVELOPMENT

There are various constitutional responsibilities assigned to the three tiers of government, federal, state and local government. Local government or government at the grassroots, plays a crucial role in the development of the grassroots. The local government system, as the third tier of government, has various functions that are constitutionally assigned to it. These include:

- The formulation of economic plans and development schemes for the local government;
- Establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm

- Establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor parks and public conveniences;
- Construction and maintenance of public conveniences, sewage and refuse disposal.

Local governments need funds to effectively perform their constitutional functions. Their revenue pattern consists of:

- Statutory revenue grants through the federation account and through the state- local government joint account
- Projects grants and non-statutory receipts from state governments and agencies
- Internally generated revenue which include taxes and rates, licenses and fees, earning and sales, rent on local government property and interest, payments and dividends.

In spite of this seemingly uniform flow of revenue patterns to local governments, the problems of inadequate revenue differ from place to place. This difference is related to size, structure and varied attitudes of state governments. In some urban local governments, their financial problems are related to inadequate exploitation of the available channels. In the case of rural local governments, it is usually lack of adequate financial resources to explore.

Most of the sources of internally generated revenue are yet to be tapped in most local governments in Nigeria. Prior to the oil boom, internally generated revenue in the local government system used to be higher than the external revenue. This information is well illustrated in the table 6 below:

Table 6: The Breakdown of the Revenue of Some Local Governments in Nigeria

Year/Local Governments	Region/State	Tax and Rates N000	Internal Revenue N000	External Revenue N000	Total Revenue N000	Internal as a % of total Rev %
1962 -1963	Northern Region	16,661.3	20,734.2	4,005.6	24,739.9	85.0
-do-	Eastern Region	3,052.3	5,352.0	4,569.6	9,922.6	54.0
,,	Western region	9,637.8	13,625.7	4,390.5	18,016.2	76.0
,,	Lagos City	2, 726.8	3, 215.8	2,141.1	5,257.1	60.0
1972 – 1973	Kano	3,865.5	4,346.9	121.4	4,468.3	87.0
Do	Kwara	1045.5	13,331.5	368.1	1699.6	70.0
Do	West	11,402.6	14,816.5	495.1	15,311.6	97.0
Do	Mid –West	2,465.3	4297.2	469.7	4,766.9	90.0
1983						

Kano Municipal	Kano		4,243.0	7,384.0	11,627.0	36.4
Ilorin	Kwara	17.0	481.3	3,651.1	4,132.4	11.6
Ibadan Municipal	Oyo	129.9	2,449.6	2,865.1	5,314.5	46.0
Ika	Bendel	130.5	306.4	2,168.1	2,474.5	12.3
Ogbomosho (1984)	Oyo	178.7	457.2	1,179.8	1,637.0	27.9
(1985)	,,	81.0	434.2	1,665.9	2,100.1	20.7
(1986)	,,	182.0	542.8	1,570.3	2,113.1	25.7
(1987)	,,	145.2	457.9	3,220.3	3,678.2	12.4
(1988)	,,	167.2	713.2	5,588.7	6,301.9	11.3
(1989)	,,	89.1	555.3	7,922.8	8,478.1	6.5

Sources:
(a)Orewa, G. (1966) *Local Government Finance*, Oxford University Press, P.80
(b) Dasuki, I et al (1984) *Report by the Committee on the Review of Local Government Administration in Nigeria, Mimeo,* Lagos PP. 124- 5

Table 6 above shows that internal revenue as a percentage of the total revenue was high from 1962 to 1973. There was a sharp decline from 1983 to 1989. A comparison of the information in Table 6 with those in Table 7 and figures 2 and 3, clearly shows the extent of the shift in the emphasis from internally generated revenue to external revenue as a means of financing local governments over the years (Omapariola and Adewale, 1998). This phenomenon can be explained in part by the fact that in the early sixties, agriculture was the mainstay of the Nigerian economy. Then later, the oil boom created the condition of over dependency on oil revenue. As a result agriculture was neglected. The oil revenue also led to rising political expectations. The government was placed in a difficult financial relationship with the citizenry. It was forced to assume the role of revenue provider (Obinna, 1997). This no doubt affected the internally generated revenue in the local government system as from the eighties.

Table 7: SUMMARY OF LOCAL GOVERNMENTS EXTERNAL REVENUE AND INTERNAL REVENUE

(2000 2008) (=N=MILLION)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Rev	151,877.3	171,523.1	172,151.1	370,170.9	468,295.2	597,219.1	674,255.7	832,300.0	1,387,871.3
Int.Rev	7,152	6,020.4	10,420.8	20,175.5	22,407.8	24,042.5	23,225.1	21,300.0	22,731.4
Ext. Rev	144725.3	165502.7	161730.3	349995.4	445887.4	573176.6	651030.6	811000	22731.4
% of Int. Rev	4.71	3.51	6.05	2.70	4.78	4.03	3.44	2.56	1.64

% of Ext. Rev	95.29	96.49	93.95	97.3	95.22	95.97	96.56	97.44	98.36

Source: Adopted from CBN(2008) Statistics

Fig 2: Internal and External Sources of revenue in Nigeria(2000 -2008)

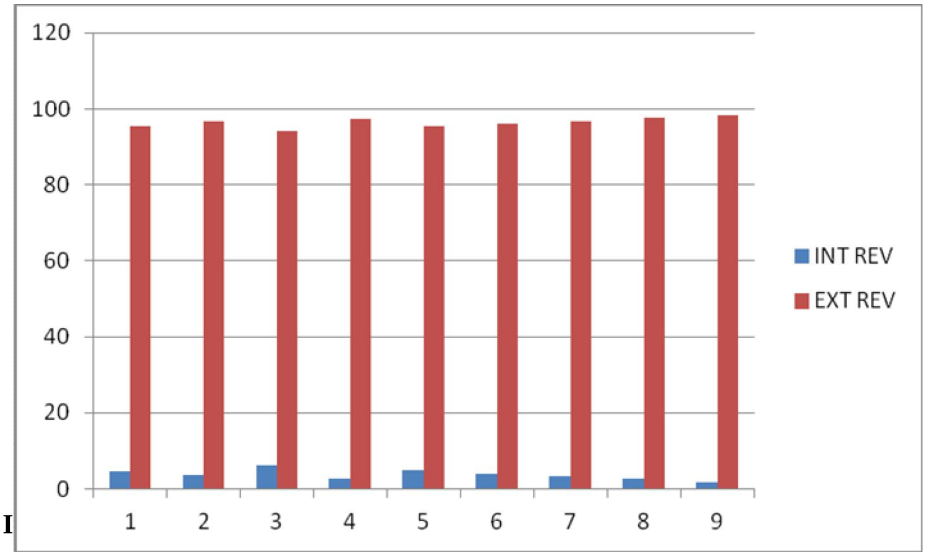
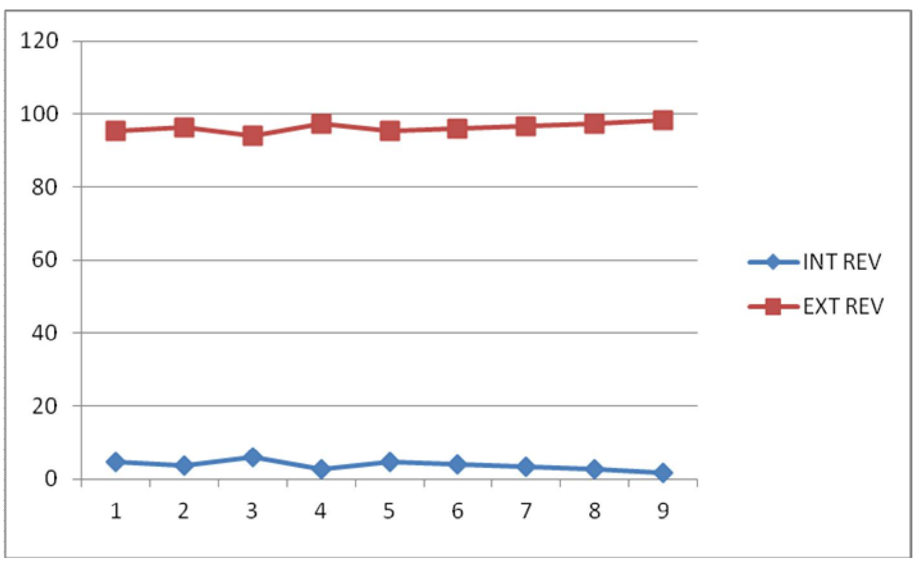


Fig 3: I



Source: As analysed from table 7

Currently, most local governments depend on grants from the federal government for over 90 percent of their annual expenditures as can be seen from Table 7 and figures 2 and 3 above.

In fact, inadequate finance at the local government level has impeded grassroots development. The causes of poor finance include over dependence of local governments on statutory allocation as already mentioned. It is also worth noting that even this allocation is poorly managed which usually results in a lot of leakages as we would discuss later. This is because most local governments, especially those in the rural areas, cannot generate meaningful revenue internally to support themselves and hence their inability to sustain grassroots development. Among the factors that detract local government from sustaining grassroots development in Nigeria are: poor revenue collection due to lack of technically trained and experienced tax assessors, high rate of fraud and uncooperative attitude on the part of tax, rate and fee payers (i.e. the relevant public), inefficient supervision and control and ineffective auditing system. Again, it is difficult for most local governments in the country to access all the external funds due to them because of the interference of state governments.

Other causes of poor internally generated revenue as Ogounu (2007) identified in her study, include lack of commitment by local government staff because of poor motivation and poor attitude to work. On poor motivation, the factors identified in the study indicating poor motivation of staff are lack of adequate incentive packages, poor remuneration, lack of opportunity to advance, poor supervision and lack of facilities like vehicles for revenue drive. These factors had very high scores of above 90% as contributors to poor revenue generation in the local government system.

This finding is not surprising because revenue generation even in a viable local government system shows a clear indication of non-commitment of revenue collectors due to poor motivation. A motivator is something that influences an individual's behaviour. Ejiofor (1981) looks at the process of motivating employees as influencing subordinates or followers to work for a cause desired by the motivator or leader". Motivation, therefore, is the process, which channels and sustains desired behaviour towards goal attainment. Koontz, et. al. (1980: 637) pointed out that "satisfaction of needs may vary with individuals; "One person might be reasonably well satisfied with a level of needs that to another person would be inadequate" What stands out clearly, however, is that the identification of the kinds of needs of workers is very useful in deciding what will motivate a worker.

Koontz et al (1980: 640) are of the opinion “that people will be motivated to do things, to achieve some goal to the extent that they expect that actions on their part will help them achieve the goal”. Vroom (1964) therefore states in his theory that Force = Valence Expectancy, where force refers to the strength of one’s motivation. Valence means the strength of one’s preference for an outcome, and expectancy refers to the probability that a particular action will lead to the outcome desired. From the above, Koontz et al (1980) went on to analyze that a valence of zero occurs when one is indifferent about realizing a certain goal. A negative valence occurs when one would rather not achieve the goal, the result of which should be no motivation. One would therefore have no motivation to realize a goal if the expectancy were zero or negative. Koontz et al (1980) continuing their analysis, are of the view that “a negative motive to accomplish some action might be determined by the drive to accomplish something else”. For example, a local government revenue collector might be willing to work hard to get out a product for “valence in the form of pay or a sectional head might be willing to achieve the organizational goal for a position or pay, “valence”

Local government staff, like other Nigerian workers joined the service to achieve their personal objectives. To most people, the aim of taking up a job is to improve one’s standard of living. Few others though, may take up a job just to belong to a certain class or to be recognized. In general however, an individual joins an organization because, among other things, he wants to achieve his own personal objective. Given that the objective here is to enhance revenue in the local government system, this objective should be re-enforcing and compatible with the objective of the staff concerned. In other words, the hard working dedicated and committed staff in trying to enhance revenue generation will also be achieving their personal objective of say, having promotions or improving their standard of living. Giving both monetary and non-monetary rewards to committed staff can do this. It will motivate them because a worker is motivated when he perceives that his efforts will be rewarded and that the reward will be useful to him.

This is contradictory to what is obtainable in some local governments in Nigeria. Organizational politics, favouritism and knowing people in a strategic positions, instead of dedication and hard work are the major yardstick for high pay, promotion and position. The implication of all these is that poor motivation negatively influences revenue generation in the local government system.

On attitude to work, the study by Oguonu (2007) indicates that poor attitude to work manifesting in corrupt practices of local government staff, favouritism, questionable integrity and poor value system, all had high scores of over 70% in regard to these factors contributing to poor internally generated revenue in the local government system.

The implication of this is that poor attitude to work is a major hindrance to revenue generation in the local government system. This is not surprising. Local governments in Nigeria are characterised by excessive bureaucratic nature or structure, poor work ethics and culture, all of which result in declining productivity. This is in tune with Ejiofor's (1981: 94) view that "the worst enemy of public is a corrupt public servant". He goes further to argue that "the average Nigerian is corrupt, dishonest, nepotic, tribalistic and lazy, and is all the time seeking for opportunities to cheat his employer". Ejiofor leans on the above to argue that the major drag to effectiveness and efficiency is inability and unwillingness of the available manpower to exert itself in its various work situations. This is due to many reasons. One of these is the questionable integrity of some managers. To Ejofor, integrity is the aspect of one's character rooted in his conviction which serves to deter him from taking advantage of his position or strength to gain at the expense of his organisation, his customers, clients or subordinates. He concluded that the success of an organisation is therefore dangerously dependent on the integrity of its key managers. The questionable integrity of mangers affects managerial performance.

It is therefore the position of this lecture that questionable integrity of the authority responsible for fiscal management always reflects in flouting laid down procedures and due process in handling of fiscal responsibilities, which in turn, negatively affects development at the grassroots.

Again, Oloko(1977) observed that the Nigerian worker does not perceive that his advancement depends much on how hard he works. His study involved 405 workers in a factory. His interview showed that 49% out of the 405 workers believe that people are promoted "mostly for being bosses' favourites. However, 25% believe that promotion is based exclusively on skill and effort and 22% say it is mostly skill and effort. His interview of managers showed that 77% believe that fate alone determines success, while 23% attribute success to effort. The result of this study reveals the disheartening picture of motivation as workers perceive favouritism rather than effort as the path to promotion. Again, this finding agrees with the path-goal theory of motivation of Georgopolous (1957,211), which states that "if a worker sees high productivity as a path leading to attainment of one or more of his personal goals, he will tend to be a high producer. Conversely, if he sees low productivity as a path to the achievement of his goal, he tends to be a low producer" It then follows that Nigerian workers should have a bad attitude to work. They should be ill-motivated. To be otherwise is to be irrational, he concluded.

It is therefore clear from the above findings that motivation and positive attitude to work manifesting in high commitment and integrity of fiscal authority are worker characteristic which will enhance development at the grassroots.

Another fundamental reason for poor internally generated revenue which hinders grassroots development is that Nigerian local governments were not created on the basis of their viability. They are mere political creations. Some were created as a result of political patronage to ruling party loyalists. Some others were created on pacification grounds to douse ethnic tension. Additionally, in some instances, no attention was even paid to the stipulation of the 1999 Constitution, Section 7 Sub section 2 (a) and (b), which state that

> The person authorised by law to prescribe the area over which a local government council may exercise authority shall
>
> - define such area as clearly as practicable; and
> - ensure, to the extent to which it may be reasonably justifiable, that in defining such area regard is paid to –
>   - the common interest of the community in the area,
>   - traditional association of the community, and
>   - administrative convenience

It is therefore not surprising that proliferation of local governments has not resulted in sustainable development in Nigeria. It has not provided answers to the problems of under development. In fact, it has rather raised more questions than provided solutions to the nagging development dilemma at the grassroots.

Another reason for poor revenue generation in Nigerian local governments is poor revenue collection capacity. Even though it is true that the estimates of any government, whether Federal, State or Local can never be 100% realistic in any year, yet the size of under collection of revenue in Nigeria is quite alarming. Thus for a typical local government area like Ife in Oyo state, the percentage of uncollected internal revenue was 4.1%, 61.4%, 70.45 and 36.8% of the total revenue in 1990, 1991, 1992 and 1993 respectively (Omapariola and Adewale, 1998). Omapariola and Adewele identified the problem of large under collection as low quality of staff, as experienced personnel are not attracted to work in the local government system, especially those in the rural areas. Other reasons are the haphazard manner of revenue collection due to poor planning, general indifference on the part of law enforcement officers and other revenue staff, and dereliction of duty or outright connivance on the part of revenue collectors. Another reason is that most local governments cannot enforce bye laws on revenue collection. In some cases, the law of revenue collection is not updated. There is also poor communication network especially in rural areas and poor record keeping due to carelessness and lack of qualified staff.

The high incidence of tax evasion also plays a major role in poor internally generated revenue. Most Nigerians are not willing to pay taxes. Revenue from taxes also include community or flat rate and this is levied on all taxable adults (18 years and above) in each local government who do not pay tax under PAYE system in an established employment, or are not assessed to pay personal income tax ((Omapariola and Adewale, 1998). Omapariola and Adewele noted that the community tax used to be very good revenue source to the local governments before its abrogation in 1980, but since its reintroduction, most potentialities of this source of revenue could not be tapped fully due to many reasons. Among these reasons are demographic problems, which include the unavailability of accurate and reliable data to ascertain the number of taxable adults who should be in the community tax net. Other reasons are difficulties in identifying taxpayers, and unavailability of adequate and well trained revenue collectors. There is also the absence of tax collection enforcement machinery and lack of household income information. Nigeria has not been able to conduct a reliable and acceptable head count. Accurate and reliable data are therefore difficult to come by, since the latest population census figures are disputed. One needs to know how many people there are in a country and in each locality before one can determine the total number of taxable adults in each local government area. There is also inefficient supervision and control and ineffective auditing system.

Another major impediment to effective revenue generation for grassroots development is conflict. The work environment can generate impediments that may hinder productivity. These impediments may manifest in the form of internal conflict, power struggles, rigid management structures and conservative bias towards the status quo, all of which can create the impression that only some people in the organization determine or decide which ideas are acceptable and should be supported (Williams, 2002). Conflict which exists whenever there are human interactions, can be viewed in different ways. It can be seen as a “difference or disagreement of opinions, ideas or goals between parties, individuals or groups (Anioke,2002). To Ugwu (2000), conflict entails the act of striking together, mutual interference and opposing or incompatible forces, ideas and interest. It is “a state of emotional stress in a person or group of persons arising from collusion of different needs or methods of operation in a given situation”(Ufok, 1987). At the local government level, people interact to attain organizational objectives. Conflict negatively affects the attainment of goals” Since by nature conflicts are divisive, they are detrimental to unanimity of purpose in organizational espirit d’corps. Co-operation on the other hand, evokes the spirit of give and take”(Okoli and Oguonu, 2011). Conflict in the local government system manifests in various ways which include tension in the work place, unproductivity, poor condition of service, poor physical working conditions, inability to execute the organizational projects and high level of corruption, among others. Oyelakin (1992) and Oguonu & Okoli, (2011) outline the examples of conflicts which exist in the local government system to include:

- Conflicts in respect of the responsibility for signing cheques and vouchers. This type of functional conflicts usually exists between the Secretary of the local government and the Head of the personnel management
- Conflicts among local government Chairmen and the Councillors. This type of conflict usually originates from allegations of non- consultation with the local government legislature before the appointment of Supervisors
- Agitations over powers and functions of the Chairman
- Problems of elected local government functionaries
- Conflicts associated with alleged interference by political parties’ interests in the administration.
- Conflicts associated with remuneration of staff
- Conflicts regarding the award of contracts between the local government Chairman and the legislature.

In spite of the above, conflicts in the local government system can as well be broadly classified as personality conflicts, intra-party conflicts, inter-party conflicts, local-state conflict, local-federal conflict and conflict as regards local government financing (Godowoli, 1992).

At this point we need to stress that local government system being closer to the people is best positioned for development at the grassroots. Many nations are now shifting some portion of federal authority to state and local governments for more effective grassroots development. It is therefore a common knowledge that many nations are imbibing devolution so as to improve the delivery of services through the public sector. Sharma (2005: 169) and Dare (2011:2) noted that:

> In the United States, the Central Government has turned back significant portions of federal authority to the states for a wide range of major programmes, including welfare, medical and legal services, housing and job training. The hope is that state and local governments, being closer to the people, will be more responsive to the particular preferences of their constituencies and will be able to find new and better ways to provide these services

It is therefore the position of this lecture that local government should be empowered financially for more efficient service delivery and development of the grassroots. The prospect for revenue generation at the grassroots is high if remarkable improvements are recorded in various areas.

TOWARDS AN ENHANCVED GRASSROOTS DEVELOPMENT IN NIGERIA

Mr Chairman, ladies and gentlemen, at this juncture, it may be germane for us to compare our experience in Nigeria with that in the United States which, incidentally, is a federal system too. This will help us appreciate our challenges in Nigeria and put us on track for moving forward. Perhaps, Nigeria needs to borrow from the United State's example where local governments are made up of clearly delineated units: counties, cities, school districts created by the state through legislative statutes or constitutional provisions. Duties and limitations are imposed on these local governments by the state from which they derive authority. There are over 80,000 local governments in the United States. This lecture however, will refer mostly to county governments as the largest political subdivision of the state structure in the United States. County governments in most states are responsible for local administration of state services and education.

The functions of local governments in the United States have been classified by Musgrave (1959) to include allocation, distribution and stabilization. Regarding allocation, government plays a major role in allocation of essential goods and services especially for services that are characterized by pure externalities. Through the distribution function, local governments always try to bridge the gap between the rich and the poor in the society. Through developmental programmes, local governments influence the level of stabilization and economic growth within their areas of jurisdiction. The specific functions are in the areas of education, utility systems like gas, electric, water, etc, public safety including police, fire, etc., health and hospitals, highways, sewers and sanitation, public welfare, etc.

In the United States, the legal relationship between the states and local governments is not the same as that between federal government and the state governments. The federal government and state can be seen as partners, bound by the Constitution. All units of local government are created by the state government, and are assigned powers, duties and limits by it. Local governments are therefore subordinate to the states. They are administrative arms of the state and have no sovereignty. It is the state government constitutions that provide for their existence. However, in some cases, the local governments may have legal authority in constitutional home-rule provisions. Most of the time however, powers and duties are assigned to them by the state which can through state statutes and acts of the state legislature impose limits on them (Straayer et al, 1997). But generally, their legal forms, structures, responsibilities and sources of revenues are as prescribed by the states. This implies that there is a great diversity amongst local governments in the United States.

On finances, there are two major sources of local government finance in the United States. These are own sources revenue and receipts from other governments. Own sources revenue account for over 89 % of the local government revenue in the United States (see Table 8 and figure 4 below). The major sources of own sources revenue include taxes, sales of services, other non-tax revenue and sale of debt (Rafuse, 1991). Taxes are compulsory payments from both individuals and private organizations to government and there are different types available to each local government. However the most common type applicable is the property tax. The sale of services usually provided by the local government is another source of revenue to local government system. This revenue is voluntary in character and similar to those between private parties in a market oriented economy. Other non-tax revenue source include interest from proceeds of a sale of government owned property and the issuance of debt.

Local governments also receive payments from other governments. Rafuse (1991) identified three rationales for intergovernmental transfers. The first is that government through grants induces local governments to provide more of the aided services than it would without the grant. An example of this type of grant is the Categorical Grant for restricted specific purposes. The essence is to ensure that recipients government use the money in increasing its outlays on the specific aided service. Categorical grants therefore usually have a marching requirement.

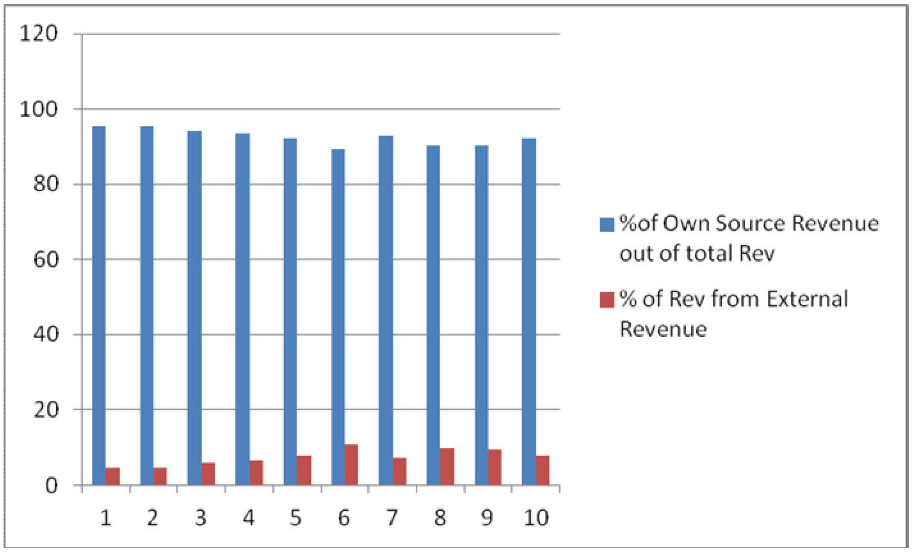
Table 8 Percentage of Own Source Revenue and External Revenue out of the Total Revenue in Chatham County

Year	Own Source Revenue	%of Own Source Revenue out of total revenue	Revenue from External Sources	%of Revenue from External Sources	Total Revenue
1990	58,285,421	95.45	2,780,283	4.55	61,065,704
1991	64,537,275	95.33	3,162,377	4.67	67,699,652
1992	68,369,703	94.00	4,364,145	6.00	72,733,848
1993	77,170,937	93.52	5,343,395	6.48	82,514,332
1994	84,260,996	92.06	7,263,798	7.94	91,524,794
1995	84,460,474	89.39	10,027,184	10.61	94,487,658
1996	87,181,462	93.00	6,570,655	7.00	93,752,117
1997	93,362,443	90.24	10,098,727	9.76	103,461,170
1998	96,239,279	90.46	10,144,554	9.54	106,383,833
1999	98,368,992	92.34	8,156,817	7.66	106,525,809

Source: As analysed from General Governmental Revenue by Source, Chatham Official County in William E. "Chatham County Budget Information Project", July, 2001

Figure 4

Own Source Revenue and External Revenue out of the Total Revenue in Chatham County



Source: As analysed from table 8

Secondly, grants help to reduce disparities in the fiscal capacities of recipients governments. In the General Fiscal Assistance grant for example, there is Reimbursement of Costs usually by one government to another government in respect of the costs of services rendered to it or its residents. Another type of grant is the block grant, which has little, or no restrictions attached to it.

Furthermore, revenue collection in local governments in the United States is much more effective than it is in Nigeria. Many factors account for this. Among these are effective tax collection machinery, effective computerization which makes it easier for voluntary compliance in paying taxes, accurate planning due to availability of data and improved technology, qualified manpower, laws that are enforceable and relatively less corruption among the officials responsible for collection of revenue. Another major reason for effective tax system in the United States is the nature of business organizations in the country. There are big ventures like Wal Mart, J.C. Penny and k- Mart for example, which employ a high number of people. Collection of tax from these organizations is relatively easier since their employers can deduct these taxes from source and pay to the government. Again almost every citizen makes purchases and obtains services through these big joint ventures that tax them appropriately on goods purchased and services rendered.

Another problem which inhibits effective revenue collection in Nigeria, unlike in the United States is the demographic problem. In the United States, the population of the whole community is well known and those that should be in the tax net can almost accurately be ascertained. In Nigeria, it is difficult to ascertain the number of people in the tax net due to many reasons as already explained.

Other reasons that impede effective tax collection in Nigeria include the fact that, the vast majority of business organizations are small concerns scattered in various locations. Collection of taxes by government is very difficult because family members run most of these small businesses. Again, there is little or no record keeping because the vast majority of the owners are hardly literate. They are also not willing to keep accurate records. Based on this, it is difficult for government to adequately assess and tax these small businesses. Furthermore, most small businesses are highly unorganized. There are for example, many hawkers who have no stalls, roadside mechanics and small eating-places. Deduction of taxes from source is only possible mostly with civil servants and very few organized private organizations like banks. Even then, civil servants and those in organized private sector are a very negligible percentage of the population.

At this stage, it is necessary to examine some revenue concepts to enable us appreciate some of the problems of revenue generation at the grassroots in Nigeria in comparison with what is obtainable in the United States. These concepts are revenue measure, tax base, base measurement, and exemption. Reed and Swain (1997) in explaining these concepts, see revenue measure as a “specific law, policy, regulation or programme for gaining revenue”. As such, there are in the United States laws that authorize the collection of revenue by governments. Payment of taxes is compulsory for individuals and government has legal authorization to collect these taxes. Non- compliance by individuals usually results in legal actions against them.

In Nigeria, by contrast it is not easy to enforce payment of taxes in the local government system. Most of the bye laws concerning taxes cannot be enforced and some of these bye laws are not updated. Penalizing individuals through civil court actions is also not common since most of the offenders can bribe the tax officials to avoid legal actions.

It is necessary to precisely define the “base” on which to collect revenue. This refers to physical items, events, conditions or activities. The most common tax bases include income, sales and property (Reed and Swain, 1997). In Nigeria, definition of bases is not always clearly made and it is not as precisely defined as in the United States. Nigeria definition is in most cases vague and ambiguous. This makes tax administration very difficult.

It is also necessary to measure the bases for the facilitation of tax administration and determination of the amount of revenue to be collected. Reed and Swain (1997) identified three ways of base measurement in the United States. These are ad valorem which is the method used for measuring major taxes “according to value” that is, dollar value. Number of units can also be used to measure bases for example bases of cigarette taxes and lottery tickets. Base can also be measured by grouping them into different classes using defined criteria as in driving license fees for different types of vehicles.

Measurement of bases in Nigeria is in most cases confusing and not clearly based on any laid down criteria. The result is that the determination of revenue to be collected as taxes is always subjective and in most cases based on the discretion of revenue collectors. This greatly reduces the revenue to be collected as taxes, since some highly yielding revenue areas may be wrongly assessed.

Exemption refers to things that are excluded from bases. Certain items or services may be excluded from tax. In the United States, unlike in Nigeria there are streamlined procedures for this.

In summary, for effective revenue administration in Nigerian local governments, there is need to clearly identify the revenue base, place a value on that base and to carefully determine the revenue rates to be charged against the base. It should also be ensured that projected revenue is actually collected.

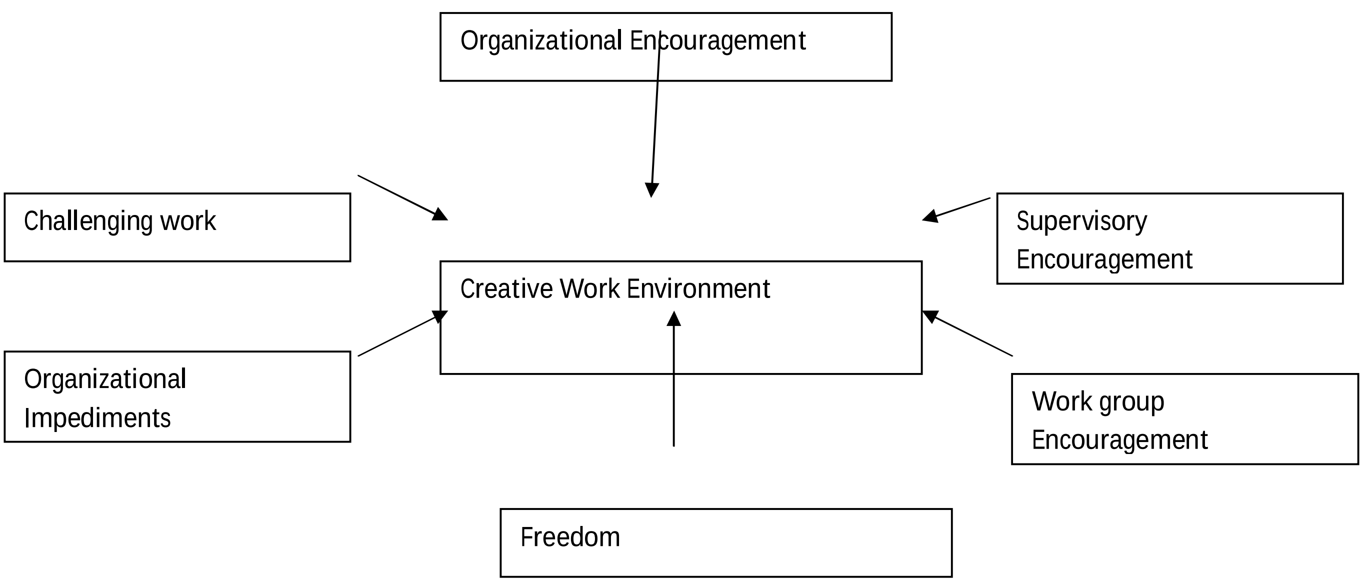
There should also be laid down procedures for handling complaints and appeals from revenue payers. Revenue collection laws should be updated and enforced. These laws, policies and procedures should also be interpreted and communicated to the relevant public (Reed and Swain, 1997). Additionally, to enhance own source revenue or internally generated revenue of local governments in Nigeria, there is need to properly motivate the local government staff. This can be done through adequate incentive package like improved remuneration and conditions of service. Facilities like vehicles for revenue drive should also be provided. All these will also help in improving the attitude to work of the local government staff.

Another way to enhance revenue generation is through creativity and innovation. In this sense, innovation begins with creativity (Williams, 2002). Williams (2002) opined that even though organizations cannot command creativity, they can jump-start innovation by building creative work environments in which workers perceive that "creative thoughts and ideas are welcomed and valued". Amabile (1996) identified some components of creative work environments which can encourage creativity and improve internally generated revenue as shown in figure 5 to include

- Challenging work
- Organizational encouragement
- Supervisory encouragement
- Work group encouragement
- Freedom
- Effective management of organizational impediments.

Figure 5:

COMPONENTS OF CREATIVE WORK ENVIRONMENTS



Source : Amabile T.M et al (1996) "Asserting the Work Environment for creativity" *Academy of Management Journal* 39 Pg 1154

Challenging work entails hard work, commitments and focus. It should not only demand attention of the worker but should also be perceived as important to other people in the organization.

Organizational encouragement of creativity occurs when management encourages risk taking and new ideas, supports and fairly evaluates new ideas, rewards and recognizes creativity and encourages the sharing of new ideas within the organization. Supervisory encouragement entails supervisors providing clear goals, encouraging open interaction with subordinates and supporting development team's work and ideas. Work group encouragement entails group members possessing diverse experience and education. There should also be openness to ideas and positive, constructive challenge to ideas and shared commitments (Williams, 2002).

Freedom in a workplace is desirable for creativity and productivity. This implies that a worker should have autonomy over his/her day to day work and a sense of ownership and control of his/her ideas. This should apply mostly to mature senior officers.

Conflict should also be checked and effectively managed to enhance productivity at the grassroots. The point of emphasis here is that conflicts should be minimized due to its divisive tendencies which have negative impact on revenue generation and grassroots development.

Various strategies for conflict management in an organization include compromise and collaboration. Oguonu (2006) also opined that adherence to established rules and guidelines in the local government system will reduce the incidence of conflict. Accommodation and cooperation should also be encouraged among workers to promote harmonious relationship and productivity, all of which should impact positively on grassroots development.

Other innovations that could be made to improve local government finance so as to enhance grassroots development include improving the system of revenue generation and management. Again one of the ways of doing this is through exploring the changing environment. Some scholars like Williams (2002) referred to this as making sense of the changing environments. Local governments can employ Williams three – step process to make sense of the changing environment so as to boost revenue generation and productivity through effective service delivery. These three - step process entails the following:

- Environmental scanning
- Interpreting environmental facts
- Acting on threats and opportunities

It is believed that effective environmental management will enhance revenue generation and productivity through improved commitment of workers by motivating the workers so that they will exhibit better attitude to work.

Environmental Scanning:

Environmental scanning is searching the environment for important events or issues that might affect an organization. The environment should be scanned to be up to date on important factors in the organization. Environmental scanning also reduces uncertainty. Environmental scanning is important because it contributes to organizational performance. It helps in the detection of environmental changes and problems before they become crises.

Through scanning, organizations stay alert to current events that affect their operations. Effective environmental scanning reduces uncertainty and reveals necessary areas to be explored for improved internally generated revenue in the system.

Interpreting Environmental Facts and Acting on Threats and Opportunities:

After scanning for information on environmental events and issues and interpreting them as threats or opportunities, local government can decide on how to respond to these environmental factors so as to make a positive impact on revenue generation in the system. When environmental events are identified as threats, especially in the area of revenue generation, steps should be taken to protect the system from harm. On the other hand, when organizational events are identified as opportunities that would enhance revenue generation, advantages of such events should be carefully utilised even if it means formulating new alternatives. The essence of all these is to move the local government forward by encouraging performance or creativity for enhanced service delivery through improved revenue yield. For example, new areas may be spotted where government car parks are needed which will eventually lead to more revenue generation.

Proper management of other environmental factors that can distort productivity and impede grassroots development should also be given priority attention. It should be noted at this point that both external and internal environments affect the performance and productivity of local governments. External environments are external trends and events that have potential to affect organizations. The internal environment consists of the trends and events within an organization that affect the management, employees and organizational culture (Williams, 2002). Organizational culture is the set of key values, beliefs and attitudes shared by organizational members. It is related to organizational success. Cultures based on adaptability, involvement, a clear mission and consistency can help organisations achieve higher. Adaptability is the ability to notice and respond to changes in the organization's environment. Local governments should imbibe cultures that promote higher level of employee involvement in decision making. This is because employees manifest a deeper sense of ownership and responsibility when they are involved in decision making. The likely effect of this is improved performance and productivity.

Local governments should also show clear vision for its purpose to exist. Organizational culture defines and teaches organizational values, beliefs and attitudes, all of which affect the organizational productivity. In some instances, innovations could be made by taking positive steps to change value system and old cultural practices to promote organizational performance. This can be done through awareness creation. Williams (2002) was of the opinion that these changes could result in making faster decisions and encourage application of new technology. He however stressed that these changes usually entail patience, vigilance and a focus on organizational culture and behaviour. One of the ways of initiating changing organizational culture is using behavioural addition or behavioural substitution to establish new patterns of behaviour among leaders and employees. Behavioural addition is having managers and employees perform a new behaviour, while behavioural substitution entails having managers and employees perform a new behaviour in place of old behaviour. The key in both instances is to choose behaviours that are central to and symbolic of the old' culture one is changing and the "new "culture that one wants to create (Williams, 2002).

Again innovations that could promote productivity in the local governments system through enhanced finances should include improving the quality of staff by constant training. The training could be in various areas as the need arises, like in information technology for better management of financial data.

Local governments should also imbibe new technology in tax collections through innovations. Through environmental scanning, as described above, new opportunities could be identified. Local governments should make effective use of Management Information System and information technology for management of innovation and creativity to enhance revenue generation. This entails a computer-based system that provides information and support for effective managerial decision (Daft, 2003). According to Daft (2003) information technology for an organization consists of the hardware, software, telecommunications, database management, and other technologies it uses to store data and make them available in the form of information for organizational decision making.

With the introduction of information technology and necessary training of tax officers, they can generate more revenue for better performance. In respect of demographic problems for tax collections in Nigerian local governments for example, individual local government can initiate and sustain actions on ascertaining the correct number of taxable adults within their local government without regard to faulty national census. They can do this through various communities or wards with the help of community leaders. This is very important because one needs to know the expected number of taxable adult before one can embark on effective tax exercise. There is also need to computerise all the important information for better management.

The needed manpower should be given adequate training and incentives to make them committed. It may be necessary to use highly trained officers who have reward feelings and stake in the achievement of local government goals. It is also necessary to have specific laws, policies and regulations for revenue collections. It is important to note here that in the United State, there are laws that authorise the collection of revenue by governments. Payment of taxes is compulsory for individuals and government.

There should be legal authorization to collect these taxes. Non –compliance by individuals usually result in legal actions against them (Reed and Swain, 1997). This is desirable in Nigeria because as of now, it is not easy to enforce payment of taxes in local government system. Most bye laws cannot be enforced and some of these bye laws are not updated. Penalising individuals through civil and court actions is not common because most of the offenders can bribe the tax officials to avoid legal actions.

Again leadership style should also serve as a motivating factor. Leadership is a relationship in which one person called the leader influences others, the subordinates, to willingly work together on related tasks to achieve what the leader desires (Akpala, 1990). No particular leadership style is suggested. Instead a contingency view is advocated. The emphasis should be on successful leadership. The leadership style to be adopted to get staff motivated depends on the type of subordinate and the situation since it is the situation that determines the effective leadership and the trait to call for. The expectation of the subordinates and the way they should be motivated to work, vary in leadership process, just as the situation varies. Where, however, the revenue staff are mature and experienced in the job, a participative leadership style should be preferable. This will encourage the staff to use their initiative and to participate in decision making in relation to their tasks. A leader should also be fair in his judgement and maintain a cordial relationship with other workers.

The job of revenue collectors should also be enriched to motivate them. This can be done by building into revenue collection a high sense of challenge, importance and achievement. Revenue collectors can be involved in decision making about their job as said earlier on. They can be given a sense of personal responsibility for their tasks. They can also be made aware of how their tasks have contributed to the well being of the local government in which they work. As already mentioned high ranking, experienced officers should be used for revenue collection because they are likely to have greater ability than lower ranking inexperienced officers who lack reward feelings. High –ranking officers are likely to have a greater sense of accomplishment and to be motivated at the end of a good job.

It is suggested that these high ranking officers could make use of available records at ward and community levels. Through this means, it will be possible to compare the revenue yield at any moment with the total expected from each unit, ward or community. Community leaders, counsellors, traditional rulers, chiefs, would then be engaged by these officers in helping to get defaulters to pay. In essence, the function of these superior officers would entail mobilizing the communities to live up to their civic responsibilities by discharging their financial obligations to the local government. However, great ability must be matched by attractive rewards, an intimate relationship between effort and rewards and adequate infra-structural support if the worker is to be motivated (Ejiofor, 1981). This suggests that when this calibre of workers is used for revenue collection, they should be given adequate infrastructure to match their status.

Again, it should be noted that most tax payers in Nigeria will hardly pay in absence of official action. Therefore, revenue collectors have to be at the heels of the taxpayers to ensure compliance. Effort should be made to bring more people into the tax net. Enjoyment of certain services should also be tied to payment of taxes. Effective computerization as already mentioned will also help in respect of accuracy and voluntary compliance by taxpayers.

For effective revenue generation in the local government system, it is necessary to ensure that the existing sources of local government revenue are fully tapped. These sources, as already mentioned, include community rates, property (tenement) rates, licenses, fees and charges (which include advertisement fees, contractors registration fees, forestry and fuel exploitation fees, hawkers' permit/licenses in the markets, rents and plot fees, etc).

Nwankwo (1998) also suggests that the existing revenue yielding sources should be modified. Taxes and rates for example may be modified to include local entertainment tax laws which will concentrate on getting money from things like house warming, title taking, birthday parties, etc. Rural property (tenement) rates can also be modified to include designing appropriate property rates on rural residential mansions.

Local government should also generate new revenue yielding areas. These may include mass transit transportation programmes, petrol filing stations, rural pharmacy houses and medicine stores, establishment of poultry farms/fish ponds and nursery schools and day care centres.

It is also suggested that local government should adopt strategies to minimize revenue leakages through under assessment of the revenue payers, illegal exemption of some revenue payers, forging receipts and non-remittance of revenue collectors and cashiers and revenue officers staying long in one position. It should also be necessary to employ only staff of proven integrity as revenue collectors and cashiers and regular inspection and auditing of revenue records should be adopted.

On discipline, poor attitude to work of revenue collectors should be checked. Cases of proven dishonesty should be seriously handled and adequate punishment meted out to deserving officers. Sanctions should be enforced. In the Model Financial Memoranda for Local Government (39.3), offences and sanctions are stipulated regarding irregularities on losses to local governments due to either fraudulent activities of functionaries or their negligence or incompetence, irregularities not directly or immediately resulting in losses to the local government but which infringe upon budgetary control and proper financial management and irregularities arising from poor or inefficient management of accounts resulting in losses.

As Omapariola and Adewale (1998) suggested, local government officials must comply with all applicable rules and regulations, be consistent with good accounting principles, provide accurate financial reports and spend government money on real and legitimate objectives.

To facilitate grassroots development through effective fiscal management, it is necessary that direct funding from the federation account be guaranteed for local government system. The implication of this is that the interference of state governments in local government finances should stop, thereby ensuring their financial autonomy. To uphold this suggestion implies that Chapter 1, Section 7 Sub-section 6 (b) should be expunged from the 1999 Constitution. This states that “the House of Assembly of a State shall make provisions for statutory allocation of public revenue to local government councils within the state”.

There is no doubt that the implementation of these recommendations will improve revenue generation and management in the local government system in Nigeria. This in turn will impact positively on fiscal management and grassroots development.

CONCLUSION:

From the foregoing presentation, one gets the impression that poor service delivery at the grassroots level in Nigeria is largely an outcome of poor fiscal management. This discourse has identified major challenges of fiscal management to include inadequate finance, poor motivation and poor attitude to work on the part of officers charged with fiscal responsibilities, lack of enabling laws for revenue collection, poor implementation of existing regulations for enforcement of tax collections, corruption, revenue leakages and other environmental constraints and undue interference of other levels of government on local government areas of jurisdiction in revenue generation, among others.

In view of these identified challenges, one advocates for such strategies as clear identification of revenue base, updating and enforcement of revenue collection bye laws, motivation and improvement of attitude to work of local government officials, encouragement of creativity and innovation in the local government system, proper management of impeding environmental factors to productivity in the system, improvement of the quality of staff through training, using effective leadership style, modification and generation of new revenue yielding areas, minimising various sources of revenue leakages, checking of proven cases of dishonesty and meting out sanctions to deserving offenders, direct funding from the federation account and guaranteeing the autonomy of local government system, among others, in order to tackle the hydra- headed problem of fiscal management in the local government system in Nigeria, and consequently address the urgent development needs at the grassroots.

Finally, it should be noted that despite the various provisions made on accountability and rules for effective revenue generation, not much can be achieved, unless the officers concerned are committed. There is therefore need to entrench honesty and integrity into the system.

It is the position of this lecture that the boost in revenue generation, if properly managed, will lead to improved performance and productivity in the system. The end result will be quality and efficient service delivery at the local government system, which, in turn, will manifest in improved standards of living and enhanced development at the grassroots.

ACKNOWLEDGEMENTS

Mr Chairman, permit me to appreciate all those who in one way or the other affected my life and who have made tremendous contributions to my career. I want to use this opportunity to appreciate the Vice Chancellor for giving me the opportunity to deliver this lecture. I thank him immensely also for the good work he is doing in this University especially in the area of qualitative education and giant strides to provide a conducive environment befitting this citadel of learning. You will all agree with me, ladies and gentlemen, that the level of infrastructural development the Vice Chancellor has embarked on since his assumption of office is tremendous.

Let me also acknowledge at this point the contributions of my beloved parents, Mr John and Mrs Mercy Udebuani, for their upbringing in respect of morals and financial support. I vividly remember my father's commitment to get me properly trained in my early school days. In those days, he would personally drive me to school, especially whenever it rained heavily and he suspected that my mother would want me and my other siblings to stay home because of cold.

In my secondary school days, my father personally drove me back to the hostel and he rarely missed any visiting day with my mother. In those days, he would always give me a hundred percent of my monetary needs based on the list I prepared. He even wanted to continue with that during my early undergraduate days after I had gotten married, but my husband insisted on stopping him, though to my utmost displeasure. May God continue to add more blessings to my dear father in Jesus name, Amen.

My precious gentle Mum passed on while I was in my study preparing the final draft of this lecture. My Mum was with me for more than three years due to a protracted illness. I know my strong willed Mum would have loved to stay on and keep blessing us and I would have preferred that too, but God had His way. She was a superb Mum who nursed all my children. I thank God for her Christian and exemplary life. I thank in a special way all those who helped in managing her and all those that were constantly visiting and praying for her on her sick bed. I thanked all my siblings, relations and friends who gave her care. My children and my husband and his team of workers were exceptionally caring. I thank them, all for their labour and pray that the good Lord will reward them. May the gentle soul of my Mum and the souls of all the faithful departed rest in perfect peace, Amen.

I also remember all my siblings and their spouses, Sister Glad, Nonso, Ekee, Nkem, Chio, Austin, Angela and Adolisa for their love. I remember in a special way my beloved brother, Dr Eugene Nwabufo Udebuani, who has gone to be with the Lord. Eugene impacted my life in many ways starting from my childhood to adulthood. He was my mentor, adviser, confidant and genuine friend. Eugene played a major role in my life. When I was in secondary school, he would post solved mathematical problems to me from the University of Ibadan where he was. He would also send the type of Christian music he would like me to listen to. During the holidays, he would teach me what he used to call “word maths” in general mathematics texts. He would insist on my solving all the lengthy assignments he gave me almost on daily basis with a cane.

Even in my present career, my beloved Eugene also played a key role. I had wanted to be a Banker after my National Youth Service Corps year at a Bank in 1988. But my husband and Eugene insisted on a lecturing option as being better and I verily believed them, though it wasn’t without some resistance on my part. Other factors also worked against my settling for other jobs. When I ruled out a banking job, I desired to work in a company. I was glad to be among those who were selected through our files by Unilever Nigeria Limited in my final year for an interview. I had a successful preliminary interview with them. But I remember that during the final stage of the interview in Lagos, I was not selected because they discovered I was pregnant and they also informed me that I could not possibly travel with my “Doctor husband” overseas for a two year managerial training.

Today, I have no regrets for my career, and I enjoy it. The bank I had wanted to work in has been liquidated and I am standing before you a Professor to the glory of the most high God. I am ever grateful to God for giving me such a wonderful brother like Eugene. His cherished memory will ever remain green in my mind. I thank God for His divine comfort and healing for Eugene’s untimely exit and I look forward for that resurrection morning when we shall meet to part no more. Today would have been one of my brother’s happiest Days. May Eugene’s gentle soul continue to rest in the bosom of the Almighty, Amen.

I immensely acknowledge my beloved mother in-law, Mrs Monica Oguonu, for her unconditional love. Mama believes in me and she willingly handed over her mantle of leadership to me immediately I stepped into her house. Whatever I like, she likes, including my style of dressing. She knows all my favourite dishes and TV programmes. Mama has a peaceful disposition and, to her credit, her family is peaceful and intact. We are closely knit. We don’t just eat together from the same pot whenever we are at home, but we do so happily. It is always enjoyment galore whenever we are all at home. The peace I enjoy at home helps in spurring me for greater heights. I am also very grateful to my brothers in-law and their spouses for their love and support. They are James, Emma, Uju and Mabel

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