STATES & LOCAL FINANCE

The IGR Initiative

MARTIN IKE-MUONSO

Martin Ike-Muonso, a professor of economics with interest in subnational government IGR growth strategies, is managing director/CEO, ValueFronteira Ltd. He can be reached via email at martinoluba@gmail.com

Kleptocratic scavenge of local government allocations

THE PRESIDENT'S CONFIRMATION OF THE well-known thieving of local government fiscal allocations by many state governors and local government chairpersons presents yet another exciting dimension to the poor optimization of the subnational government's internally generated revenue capacity. Statutory funding to subnational governments and the independently generated revenue interconnect in a dynamic virtuous circle. Unhampered, allocated income to local governments should ideally present the bulwark for creating solid nontax revenue bases and attendant tax revenue opportunities over time. Although the president had estimated that state governors steal as much as 50 percent, unofficial evidence shows that the number is far higher than that. The current president is not alone in this. In 2018, former President Olusegun Obasanjo also accused governors of the same wrongdoing he claimed was facilitated by joint accounts of state and local governments. The National Union of Local Government Employees (NULGE) that is unarguably substantially knowledgeable about this extreme avarice corroborated the president's assertion as a restatement of the obvious.

Their advice is that the president should go beyond words by encouraging the governors within his political party to sign the local government autonomy bill into law. NULGE's validation of the president's position essentially weakens the apparent hypocritical denials of many governors. While it may be true that some governors are innocent, those in this category are in a tiny minority. State governors' addiction to this kleptomania is evident in the many violations of the 2019 guidelines by the Nigeria Financial Intelligence Unit (NFIU) aimed at preventing such revenue allocation-tampering behaviour. According to a May 12, 2019 report by the Premium Times newspaper, authored by Joshua Olufemi and titled, "How Nigerian state governments 'pocketed' N15.5 trillion LGA allocations in 12 years", almost all the executives of all the local governments in Nigeria never received the precise amount allocated to them. They also often accuse their state governments of misusing allocations received on their behalf and meddling in their day-to-day operations of local government affairs.

Undoubtedly, these adverse interventions have contributed significantly to making more than 98 percent of local governments in Nigeria fail woefully in delivering development to the grassroots. No local government in Nigeria today lives up to their grassroots expectations of good governance. On the contrary, it seems more appropriate to describe local governments as the treasure ground for state governors and other political scavengers who consider it an extension of the second tier in a federal system of government. But many constitutional loopholes put question marks on the claim that local governments in Nigeria constitute the third tier of government rather than an administrative appendage of the states. Analysis of Sections 7(1), 7(6a), 7(6b), 162(6) 162(7) of the 1999 Constitution throws more light on the depth of confusion regarding the independence of local governments. In Section 7(1), the Constitution states that "the system of local government by democratically elected local government councils is under this constitution guaranteed; and accordingly, the government of every state shall subject to section 8 of this constitution, ensure their existence under a Law which provides for the establishment, structure, composition, finance and functions of such councils". Section 7 (6a) submits that "the National Assembly shall make provisions for statutory allocation of public revenue to Local Government councils in the federation. Section 7 (6b) 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". Section 162 (6) provides that the State Joint Local Government Account shall be established to pay "all allocations to the Local Government councils of the State from the Federal account and the Government of the State". Section 162(7) directs the State Government to pay local government councils its total revenue on the terms prescribed by the National Assembly while, at the same time, giving the same power and functions to the State House of Assembly in section 162(8).

The constitutional betrothal of local governments to their state government and the consequent lack of genuine fiscal autonomy further weakens the formers' IGR expansion and capacity optimisation. First, in addition to ripping them off their allocations from the centre, state governments enjoy statutory indemnity on defaulting in sharing 10 percent of their internally generated revenue among local governments. Second, the jaundiced earnings capacity consequent upon state governors' adverse interventions cripples local governments from embarking on revenue base expansion projects and programmes. Many local government chairpersons hardly devote quality time to running their offices because of the deliberately scorched financial status of the council. That is why it is not strange to see many local government chairpersons residing outside their state and returning to preside over allocation leftovers after the governor has cornered a significant proportion of it. Ideally, local governments in Nigeria have much developmental work to do at the grassroots level. A local government receiving an average allocation of N100 million monthly from the federal government would be able to sink approximately 50 boreholes in a year if it commits only 30 percent of that sum to it. The local government can provide basic medical facilities in up to 15 communities if it expends about that same amount. Unfortunately, only very few local government areas take on these statutory grassroots development responsibilities seriously.

Sadly, there is little likelihood that this trend will change for the better anytime soon without concerted efforts on all fours to implement drastic pushback against the governors. First, when governors refuse to conduct local government elections, they consciously create opportunities to supervise local government funds' spending directly. Of course, this is not likely to be successful without the connivance of house of assembly members who are usually on the governor's lobby payroll. It is a no-brainer that most governors who have delayed local government elections by up to six months also belong to the club of kleptocrats thieving local council allocations. Secondly, governors who do not explicitly allocate 10 percent of their internally generated revenue to local governments are also likely to belong to the same club of allocation thieves. The flip side has the same outcome because if a government has the discipline to share 10 percent of its earnings with local governments, it is less likely to swipe the latter's resources to its position illegally. Third, the constitutional lacuna creating opportunities for governors to tamper with local government resources incentivizes the local government chairpersons to dip their hands in the till. For instance, assume that 35 percent of the statutory allocation to local councils is for recurrent spending while the governors hypothetically conscript about 50 percent of the total allocated fund. Council chairpersons can easily ride on the back of the ongoing stealing craze to corner something, as the governor would lack the moral authority to question that. Fourth, it is well-known that the governors handpick the council bosses. At the primary level, most governors have and indeed implement an unjust and exclusive right to choose the candidate of the political party in the council elections for all local governments. The governors also use the state's electoral commission to secure a 100 percent victory in all local governments, albeit fraudulently in most cases.

There are at least four significant adverse effects of this kleptocratic rape. The first is its massive devastation of the grassroots economy. While the expectation is that local government authorities should provide essential public goods to support the entrepreneurial activities of the rural population, they cannot because the life-sucking proboscis of the governors utterly deprive them of that. That partially explains the massive size of multidimensional poverty in the country. The grassroots suffer deprivation of health, water, good education, and many others, mainly because the local government authorities are not playing their role. The second effect is the severe aggregate demand loss, business collapse, and unemployment aggravation due to the destruction of the earning capacities of the larger population. Widespread deprivation and impoverishment of the rural population across 774 local governments in the country deplete consumer demand capacities and suffocate business prospects. Albeit interconnected with the second and first factors, it is essential to point out that such deprivation and consequent unemployment fuel and aggravate the country's insecurity. They also strengthen the vicious cycle of corruption, reinforcing all the above mentioned factors.

Unfortunately, the ministry of local government, which ought to monitor and facilitate a more robust performance of local government councils and ensure prudent utilisation of statutory allocation, is no more than a castrated bulldog in virtually all the states. Since loyal appointees of the governor occupy the top positions in the ministry, it would be expecting too much for them to indict the latter in their reports. Ideally, a more professional role of the ministry should include facilitating and making independently audited local government finances available to the public at least quarterly. The public needs to wake up; as much of citizens' seeming acquiescence in the face of this malaise is attributable primarily to the lack of such independently audited financial statements. Government audit offices heavily doctor mostly available financial statements to cover these substantial governor-orchestrated leakages and ensure they rhyme with the predetermined positions they want to present. However, citizens can better infer the magnitudes of the deprivation they suffer on account of governors cornering local government funds when the facts are from independent sources, infallible and publicly available. Yet even without such information, it is up to the citizens to task their leaders to account for the enormous allocations they supposedly received. Mobilising for this mass sensitization usually requires intervention from the media and civil society organisations.

Finally, it is timely that the president added his voice to public ululations on state governors' heartless scavenge of federal allocations to their local governments. However, the presidency can do more. In addition to accelerated reinforcement of the push for local government autonomy, they should name and shame with facts those state governors that have been perpetrating this act in the past decade. Local governments can only play their constitutional roles better if they have the requisite funds. Yet, the capacity to expand their independently generated revenue bases substantially depends on the availability of these cornered allocations.

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