



STATES & LOCAL FINANCE

The IGR Initiative

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GOVERNORS ARE THE CHIEF security officers of their states. The title is not one of those sy-cophantic labels to massage their ego. That is why they also receive security votes to ensure they adequately perform the responsibility. State governors' poor deployment of their states' so-called security votes and other security budgets in tackling insecurity has received enormous criticism. Understandably, the critical security institutions and their supporting architecture, namely the police, the army, state security services, the Air Force, the Navy and so on, are under the federal government's control. Yet, state and local governments can do a lot to complement the efforts of the federal government-controlled security infrastructure. The recent spike in community policing initiatives, albeit with lingering controversies, is primarily a demonstration of the subnational governments' role in tackling insecurity. But many state governments are still unable to mobilise and create supporting insecurity containment architecture and programmes but awaiting the federal government's response. We may, however, argue that subnational governments may be sufficiently motivated to pursue complementary insecurity containment activities if they learn that such endeavours can increase their internally generated revenue.

Edo State's e-sticker for tracking and monitoring commercial vehicles is a good example. The e-sticker comes with a verification code that is usable in finding out all necessary information regarding the vehicle. Before the innovation, the state, like several others in the country, faced the plague of kidnapping, with many of the heists executed using commercial buses and taxis. Currently, cities like Lagos and Abuja have recorded several cases of attempted kidnap in Uber and similar executive taxi services. The e-sticker code enables a would-be passenger to download, study and possibly transmit information regarding the vehicle, its ownership and sundry characteristics to close acquaintances before boarding. But the advantages are far beyond merely ensuring the safety of commercial bus or taxi users. The IGR expansion prospects are immense. First, it allows the state government to collect critical data to enhance its tax collection. Second, it contributes to the comprehensiveness of the taxpayer database and the prospective linkages to other vital databases. Edo State has therefore shown how to grow its revenue by tackling the insecurity in its confines.

As they say, managing insecur-

ity is everyone's business. Almost everyone feels the pain of insecurity, costing Nigeria approximately 13% of its GDP. These economic losses aggravate the country's poverty conditions, the massive losses of human lives, and the uncontrollable emigration of our virile youth. According to the Nigerian security tracker, between June 2011 and December 2022, Nigeria lost approximately 94,000 lives to insecurity. In just 2022, Nigeria lost more than 7000 lives. The dangerous frenzy of human abductions has also kept significant proportions of our farmers away from farms with consequential food price-driven inflation. The consequences of these crimes on other critical variables, such as employment, raw material supply, industrial competitiveness, and the income and living standards of most of the population, are adverse. No progressive-minded state leader would fold their hands while this state of affairs perseveres. The challenge is whether expenditures made on insecurity management by a state government is an investment with traceable returns.

Insecurity infringes on private property rights and, most dangerously, on the right to human life. Only the living can invest, carry out economic transactions and pay taxes on the income derivable from them. Consequently, containing insecurity means expanding the freedom to invest and transact more, making better decisions and more profits. These freedoms enhance the taxpaying capacities of the citizens. Therefore, it is in the interest of subnational governments to do everything within their means to curtail or eliminate, where possible, insecurity. The incentive for this depends on the timeframe within which state governors and perhaps local council chairpersons expect the corresponding results. A major flaw has always been the failure to see spending on security as an investment. When correctly understood as such, expecting huge returns on such spending in the short term might be a mirage. Even with peace and stability restored in a hitherto insecure environment, people's confidence still takes time to build up sufficiently to warrant fresh and long-term investments. Unfortunately, politicians desirous of achieving more than just the restoration of calmness but also want improved revenue often lack such patience. Their popular option is to depend entirely on the federal government and save their resources for spending on other considered priorities.

Unarguably, several initiatives to combat insecurity also greatly facilitate the expansion of collectible revenue for the state. The Edo State e-sticker innovation is

Growing subnational IGR by tackling insecurity



a good example. But such possibilities are enormous, and we can only discuss a few that subnational governments can leverage. One of the many security management strategies lies in the famous statement: know your neighbour. The supposition is that citizens can better identify strangers and perhaps strange behaviours when they know their neighbours. It is not only the citizens that need to know their neighbours. The government also needs to know its citizens to support citizens easily in their "neighbour" identification effort if the need arises. Setting up a robust database of residents within the state is a better way of achieving that. A good residence database contains comprehensive information on each adult citizen covering the place of residence, place of work, occupation, telephone numbers and other essential details that security agencies find beneficial in case of any investigation. But such databases are similar to the expectations of a solid taxpayer database. The exception is that they may need more information to permit effective use in tax assessments. Again, if properly planned, the enumeration process would collect information that would serve the requirements of both databases.

Robust database intelligence integrating, for instance, critical information on vehicles is usually helpful in insecurity containment. Police and other law enforcement agencies can easily track ownership of vehicles used in crime in real time. The Lagos State Transport Management Agency [LASTMA] uses plate number reading technology linked to the motor registration database to identify vehicles without up-to-date licences and other relevant registration documents. However, more revenue expansion benefits are derivable from the adequate interconnection of the underlying database. Examples include reading off vehicle owners defaulting on their taxes. Besides vehicle plate numbers, citizens' telephone numbers obtained during the enumeration and subsequent updates are also helpful in quickly reading off compliance with tax and non-tax obligations within the state. Again, that depends on the robustness of database intelligence interconnecting taxable assets, income flows and net worth in a

series of databases managed by the state. Yet, the same telephone numbers enable remote tracking of criminals, particularly in cases of human abductions. By implication, a comprehensive database is indispensable for managing insecurity and expanding the revenue prospects of the state.

Consider that as part of the strategy for managing herders' well-documented atrocities in the wild, state governments reintroduce and adequately fund the forest rangers unit that used to be within the Ministry of Agriculture and Forestry. Before the oil boom, forest rangers existed to support efforts in forestry development by the Ministry of Agriculture. Ideally, forest rangers receive professional military training to help them confront and ward off threats in forest reserves. Recently, many states have set up poorly trained and equipped security forces to man the forests. While some refer to them as hunters, a state like Enugu named it The Forest Guards. Unfortunately, these so-called forest watch agencies have little or no training to let them engage with criminals that have mastery of the wild and therefore fail woefully in checking banditry and kidnapping. Ninety-nine per cent of the forest guards in Enugu state spend all their time operating checkpoints on roads virtually, very much like the police and army. But recruiting these forest rangers in good numbers and providing them with solid military training adequate to police the forests will boost the confidence of farmers to return. This kind of initiative will have a short-term positive impact and result in quick upsides in collectible revenue.

Another good example that comes to mind is the management of abandoned properties creating unwanted havens for criminals around the state. In many cities in Nigeria, homeless people and hoodlums usually occupy buildings that have remained uncompleted for more than 12 months. Although this situation's preponderance is highest in Lagos and Abuja, it is widespread across the country. Sometimes, hoodlums take over such properties. At one point, the federal capital territory development authority started cracking down on the owners of such abandoned properties. Given the spate of kidnappings

in the country, regularly taking stock of the occupants of buildings that have remained uncompleted for more than three years, particularly in peri-urban and metropolitan areas, can be very helpful in checking crime. But the occupants' auditing process also creates tremendous revenue-generating opportunities for states that take them seriously. The first is identifying taxable adults squatting in such areas and compelling them to comply. The second is revenue collectible as fines and penalties from the owners of such seemingly abandoned property. Third is collectible revenue via total sale in a situation where it is difficult to identify the owners of such properties. Whichever applies, such conscious action will always result in the double-barreled effect of check-in insecurity while generating revenue for the subnational government.

For truly progressive state governors, the pursuit of IGR expansion should ideally be within a sound governance creation frame. Apart from winning citizens' trust and willingness to comply with their tax payment obligations, interest in enhancing the well-being of the citizens can as well directly result in improved revenue. Some shared examples above only scratch the surface of what is possible, revenue-generation-wise, with a genuine commitment to managing the insecurity situation. For instance, Edo State's pace-setting deployment of e-stickers in controlling abductions using commercial vehicles is easily applicable in other settings outside the commercial transport system. Similarly, beyond abandoned property are also varying degrees of shanties that equally hide criminals that should benefit from the periodic occupant audits. Overall, governors and local government chairpersons should realise that they can innovatively create revenue-generating incentives encouraging their participation in insecurity containment.

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