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PROJECT FINANCING, FUND SOURCING, MANAGEMENT AND ACCOUNTABILITY

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Abstract

The local government as a third tier government is primarily created to bring development to the grassroots. This could only be achieved through a multi-dimensional approach. Essentially economic project financing is vital to open up the rural areas. However there is a cog in the wheel of progress. This cog is fund sourcing, management and accountability. Accountability questions are crucial if the rural projects should perform and make the intended impact. The paper highlighted the concept of project, internal sources of local government revenue and the problems surrounding harnessing local government revenue. The recent call for reform of the local governments by the Federal Government would not have been necessary if they have performed to the expectation of the populace. As earlier noted the poor performance is largely due to the fact that these councils depend much on statutory allocations and exhibit a poor internal control system which encourages high level of fraud and misappropriations.

Keywords: Revenue, statutory allocation, accountability question, project

Introduction

The System of local government now operating throughout the country, no doubt, is aimed at making local government at the grassroots with clearly defined functions and services Chukwuemeka, 2013). But a major problem has surfaced since the introduction of this system of local government. The problem is finance – how to generate it and how to use it.

How do the local governments provide adequate funds to meet with the service demands without imposing too high a burden on the citizens and without becoming too dependent upon assistance from, the federal and state governments? It is however a well-known fact that our local governments are so dependent on the state governments that there is hardly any room for

flexibility on urban service demands (Ashiru, (2005). On the other hand, a system of local government must remain, in essence, truly local (Ademelokun 1998). Moreover, it should not be thought that a local authority could be completely financially viable and standing on its own feet without government assistance .

In the light of the foregoing, it becomes apparent that though local governments need assistance from the state governments, they should be able to generate sizeable internal revenue to service recurrent expenditure - thus the viability question (Ugwu 2000). To achieve this feat largely depends on how existing revenue sources are effectively tapped and the monitoring/assessment of the revenue generated (Adedeji, 1977).

Development Projects

Projects are regarded as developmental oriented if they are put in place to satisfy the felt needs of the rural community (Okeke,2001). They are also development projects if they add something new to the already existing structures, services and facilities. Thus in a community, which has only primary schools, the establishment of a secondary school or tertiary institution is a development . Development projects will therefore involve growth in man fields of life in a rural area**:**

Establishment and Funding of Development Projects

A rural development projects may be sited and financed b federal government. This is called government projects. It may be initiated and funded by the community itself or any organ of the community. In this case it is called self-help projects. If sited and funded by an individual from the community or even outside the community as a commercial venture, it is called a private business. From whatever sources, it is established, it constitutes a development provided it is a new thing in the community (Olewe, 1995).

Financing of rural development projects

Development projects could be financed from any of these sources which include:

(a) Community's own resources:

- levies
- donations
- loans

(b) Other sources:

- sale of community property e.g. iroko tree, land sold to raise funds for important projects.

© Government Funding:

- provision of technical assistance
- grant e,g, matching grant
- subsidy

(d) Loans – Sometimes government may give loans to communities or secure such loan, which is usually interest free or very low rate of interest.

(e) Voluntary Agency:

- Missionaries
- UNICEF, USAID,IBRD< IFAD etc.

(f) Intra Community organization:

- age grade
- social clubs

\ - village unions

- town unions (Umebali, 2000)

Internal Revenue Sources of the Local Government

The internal sources of revenue available to the local governments are categorized as follows:

Head 1001 – Taxes, e.g. community/poll, dev, tax or levy, cattle tax, land tax and their arrears etc,

Head 1002 – Rates e.g. tenement (property) etc.

Head 1003 – Local license fees and fines e.g. on and off liquor, slaughter slab fees, marriage, birth and death registration and others as contained in the financial memoranda.

Head 1004 – Earnings from commercial undertakings e.g. market, motor parks, shops and shopping centres, proceeds from sale of consumer goods, transport services earnings (Mass transit), earnings from industrial undertakings etc.

Head 1005 – Rent on local government property e.g. rent on local government quarters, rent on local government buildings and landed property, public toilet etc.

Head 1006 – Interest payments and dividends e.g. interest on vehicle advances, interest on loan to parastatals, dividends, interest on staff housing loan etc

Head 1007 – Reimbursements

Head 1008 – Miscellaneous income (slaughter fee, cemetery etc) e.g. earnings from mortuary houses and cemeteries, recovery of losses and over payments, payments in lieu of resignation notices, unclaimed deposits.

External Sources of Revenue

External sources of revenue are those revenue sources, which are not generated within the local government area. They contribute to a greater percentage of local government total annual income. They include statutory allocations from both federal and state governments, grants – in – aid, loans and contributions from individuals, organizations or other local governments Nduka, 2014).

Problems of Internal Revenue Generation and Collection in Nigeria Local Governments

It is an indisputable fact that the internal revenue generation of most local governments in Nigeria is far below what it could be, all things being equal. Several reasons have been advanced for why internal revenue generations in most local governments in Nigeria are far from being satisfactory. For example, the report of the Committee on the fiscal and financial performance of local governments in the federation observed that generally, the performance of local governments' revenue collection is very low. The following factors are responsible for the situation:

(a) Poor communication network particularly in the river-rine areas of the country.
(b) Lack of commitment on the part of some revenue collectors, some of whom are selected for the job on compensatory basis or that they arte related to the; powers that be. Many of them are down right dishonest.
(c) Defective revenue collecting machinery, in particular, some of the laws for revenue collection have not been updated by various state governments especially in areas of rating and tenement rates.
(d) The inability of the local government to enforce bye laws which could enhance their revenue generation is another factor. For example, there are local government that have approved laws on tenement rates which could relieve them of their dependence on lthe

monthly allocation from federation account, but many of them have adopted non-challant attitude towards this revenue source.

(e) Many local governments across the country do not keep proper record of rateable persons, and rate collection is based more on drive. In some zones, no agents are appointed with the exception of ministries, departments and companies. In this circumstance, one wonders how estimates in respect of rates can be rational.

(f) Appointment of rate agents and revision of rate nominal rols are by regulation. This regulation is to ensure checks and balances in the system.

(g) Inexperienced, greenhorn and officers below the grade of finance assistants (most of whom are illiterates or semi-literate individuals) are detailed to collect revenue for the local government. In most cases, messengers are deployed as revenue collectors far from the head office . There they are allowed to work with no experience and supervision. Any case of embezzlement or fraud brought against them in the law court is bound to fail. This is because the grade of such irresponsible officers is not supposed to handle government funds.

(h) Another major problem of revenue collection in the local government system is poor relationship between the people and the local government. If government decides to work in isolation with the people, there is bound to be lack of understanding between them. Councilors these days are group of political neophyte, handicapped individuals and are therefore no true representative of the people. Local government programes cannot be effectively sold to people through them. It is not only that some of them bulldozed their ways into the council by election rigging; they are also ignorant of their duty. They see their roles as that of party representatives.

(i) To widen the gap between the grassroots government and the people is the local government inability to extend services beyond the headquarters, in most cases, little or no services are provided. People pay taxes and rates and still maintain their roads, build schools, health centres and every other thing, which these payments are supposed to cover. This awful situation alienates the people more from the government. To them, government is exploitative. Their loyalties and regards go fo the respective town development unions. These unions make things happen with levies paid by the people. Thus development and improvement unions become to the people the grassroots government, which the local government supposedly is. This is also responsible for tax invasion and hostile attitudes to the local government by the people (Chukwuemeka, 2013).

The Accountability question

In spite of the fact that there are numerous ACTs, anti-graft agencies . Financial memoranda etc. accountability is still difficult in the public service. In multitude of cases money meant for projects are misappropriated or siphoned into private coffers. The accountability most public officers render today could rightly be described as media misrepresentation, media falsehood and false accountability. The failure of most projects have failed due to poor accounting system. The internal auditors who ought to serve as watchdogs have turned around to become partners in crime. It is awful (Chukwuemeka, 2008).

Concluding Remarks

The recent call for reform of the local governments by the Federal Government would not have been necessary if they have performed to the expectation of the populace. As earlier noted the poor performance is largely due to the fact that these councils depend much on

statutory allocations and exhibit a poor internal control system which encourages high level of fraud and misappropriations.

As we have identified some of the problems buffeting revenue harnessing and accountability in our local governments, it is hoped that the operators of the local government should take note of them and swing into action to reposition the local government councils in Nigeria and make them service oriented than money spinning centres or father Christmas.

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