Contracting-out of Internally Generated Revenue in Nigeria: A Study of Edo State Internal Revenue Service

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Abstract

This article focus on contracting-out of internally generated revenue in Nigeria: A study of Edo-State Internal Revenue Service. This sector, have been subjected to various reforms in a bid to promote efficiency and effectiveness of public service delivery. These reforms include privatization of public enterprise, deregulation measures and contracting-out /out-sourcing. Since funds are scarce, there is the need for government to generate funds through internally generated revenue. Opponent of contracting-out asserted that godfatherism has been one of the major obstacle. For the study to proffer solution to these problems, the methodology adopted in this study was the survey research. The theoretical framework adopted was the principal agent theory and political clientelism theory. The study revealed that contracting-out/out-sourcing of internally generated revenue to qualified organization and due process followed with the issuance of "no objection certificate" can led to increase in IGR. The study also recommended the use of technology such as E-banking/ Electronic Banking system of revenue cycle management. The study further posits that, assessment, monitoring, computerization be awarded only to qualified firms after following government due process.

Key Word: Contracting-out, out sourcing, tax contractors, godfatherism, clientelism.

Introduction

Government over the world have searched for a new and effective approach to public sector management. This sector, have been subjected to variety of measures of reform in a bid to promote the efficiency and effectiveness of public service delivery. These reforms

include the privatization of public enterprises, deregulation of markets and the marketization of public services such as education, health and community care. These responsibilities require funds to execute these programmes and projects.

In Nigeria the sources of government funds are through internal and external sources of revenue to provide critical services (John Emeka Uwofia, 2018). The external sources include allocation from the Consolidated Federation Account, loans and grants. The Internally Generated Revenue (IGR) derive from service changes and taxes. Governments over the periods has consistently failed to perform or carry out their assigned responsibilities due to the need of funds. It is assigned that most statutory services that represent the system and vertical internal sources of revenue are contracted out or out-sourced (John Emeke Nwofia, 2018). Multifarious reasons adduced for contracting out revenue or services is that it is increasingly becoming an acceptable response to fiscal constraints to the need for quality services, increase in population, urbanization, desire to increased quality service.

In contemporary Nigeria, the responsibility of tax administration domiciled to the federal, state, and local governments. Each tiers have their own tax laws and authority formed by the federal law. The Nigerian tax system is designed as a means of income generation and it is based on the 1948 tax laws of the British during the pre-independence government legacy and since then these has been reformed.

The Nigerian tax system is basically essentially as tool to generate revenue and it is statutory in nature, featuring a mixture of direct and indirect taxes. At present there are 61 taxes, levies, fees and charges enclosed in the schedule to the new order in part i, 25 in part ii, 21 in part iii, and 6 in part iv, resulting in additional 22 taxes and levies from the earlier 39 in 2014 Eadori et al, 2017). The tax authorities of the three tiers of governments are enunciated under:

i. The Federal Inland Revenue Service (FIRS)
ii. The State Board of Internal Revenue (SBIR)
iii. The local government revenue committee.

The pattern of allocation of tax jurisdiction over the years in the tax system shows that in most cases the state and the local government taxed individuals. While Federal government has always taxed corporate bodies (Edori et al, 2017). The tax system in Nigeria is a tripartite foundation which consist of the tax policy, tax legislation and tax administration.

i. Tax policy: set out the guidelines, the principles and the objectives to be accomplished through the mechanism of taxation. It enumerates monetary charges the government imposes on companies.
ii. The tax legislation formed of tax types, imposes rates, recommend penalties for defaulting and in general provide legal and regulatory structures for the system.
iii. Tax administration involves the carrying out of tax laws through the activities of the authorities assigned with the obligation of assessing, collecting and accounting for tax revenue. As tax policy become more cumbersome, outsourcing or contracting-out revenue becomes an issue. However, this is not without some impediment shortage of qualified professional to carry out an accurate assessment, collection and accountability are critical issue that is yet to be dealt with.

Contracting out or out sourcing connotes a mechanism that enables government acquire special quantity and quality of services at an agreed-on-price from a specific provider for a specified period (OECD, 2011). Outsourcing is the use of private companies (profit and non-profit) to provide public services (Ohio Civil Service Employees Association, 2013). Despite the efficiency and effectiveness of contracting-out or outsourcing the issue of cost effective and increase in revenue generation and double taxation is still prevalent. This study intends to elucidate on the prons and cons of outsourcing internally revenue generation, difficulties to and proffer possibilities that assessing, collection and accounting for tax revenue which includes implementing tax policies, complying with tax rules by the tax payers is possible.

In this study the following research questions are germane:

i. despite the prohibition of contracting-out service, revenue generation is still carried out through contracting-out?
ii. do the various MDA follow the Due process in selection of Tax consultants?
iii. are there competition tendering and bidding process in the contract award?
iv. do the MDA have qualified personnel to provide efficiency and effective assessment, collection and monitors accounting for tax revenue?
v. what are the possible solutions?

Emanating from the above the following objectives used enconsulated. The general objectives is an assessment of the role of contracting-out of internally generated revenue

collection, a study of Edo State Internally Revenue Services. The specific objectives are as enunciated below:

i. despite the partial prohibition of contract-out service revenue generation, contracting-out is still in vendor;
ii. do MDA'S follow the due process in contract award?
iii. they are competition tendering process in selective of vendors; and
iv. do the MDA's has qualified personnel to embark on assessment collection and monitoring for tax revenue and
v. proffer solutions to internally generation revenue.

The following hypotheses were formulated to find solution to the research questions:-

a. Contacting-out/out-servicing of revenue collection is not significant to increase in internally generated revenue.
b. The use of contracting-out is not significant to due process; and
c. The use of contracting-out do not stop or reduce corruption.

Literature Review

Contracting out refers to the provision of services which are rendered statutory by government but which are undertaken by external suppliers on agreed term. It is a make or idea implying that government can provide the services with their own employees but is contract out to private or public sector providers. The afore-said may trade-off driven by multifarious factors:- between productive efficiency and weak bureaucracy. Secondly, it help to reduce cost or avoid high transaction cost. Thirdly, services are private benefit to politicians by keeping the service provision inside the government (Levin and Tadelis, 2010, Nwofia et al, 2018). In order to boast internally generated revenue (IGR) of the state governments in Nigeria, some of them have adopted the accelerated revenue generation" (AGR) programme by which revenue generation collection and accounting work are contracted to a consultant at an agreed price.

In Nigeria, the Federal Board of Inland Revenue (FBIR) derives such powers from the provisions of section 2, subsections (1) and (4) of CITA Cap 60 LFN. 1990. The situation in the state is the complete opposite with regards to the appointment of tax consultants. During that era, the military administrators make the appointment as a matter of absolute discretion with no recourse to the State Board of Internal Revenue (SBIR). The finance (Miscellaneous Taxation Provisions) Amendments decree No.3 of 1993, in paragraph 9, inserted in Income Tax Management Act (ITMA) 1961 (PITA Cap 173 LFN 1990) new section 33A to 33B which deals with the establishment, membership and functions of the States Board of Internal Revenue. However due to legislative inadvertence (some say

duplicity) this important amendment was not incorporated into the Personal Income Tax Decree No. 104 of the same year which was codification of ITMA and all its amendments of 24th August 1993. Rather, what surfaced throughout Decree 104 was relevant tax authority with no specification as to its composition. The repeal of ITMA by section 99 of Decree 104 of 1993 therefore makes the insertion of section 33A-33B a nullity and the various States Revenue Boards became illegal institutions having to rely on the repealed old states revenue laws predating 1993 for their continued legal validity (Ogundele, 1993).

Based on the omission stated above, proponents on tax consultancy regime argue that whoever is engaged to collect tax at the state level by a state government is the relevant tax authority of the state. And their authority for the aforementioned is in section 100 of PITA No, 104 which deals with the interpretation of "Relevant Tax Authority" and "Tax Authority" (Ogundele, 1999:479).

Abramson (2011) posit that performance-based contracting (PBC) as transfer of competence for a defined period of time based on formal agreement (contract) whereby payment is made by a local government to a contractor (provided based on the attainment of predetermined results. In order words, payment is contingent upon concrete and measurable criteria or achieving a predetermined target with rewards for reaching or surpassing targets. Thus it makes it that contracts should include a variety of indicators to measure performance. The Commonwealth Management and Training Services Division (1994) posit that contracting out permits a private sector contractor to assume responsibility to provide a specified level and quality of public services for a fee based on agreement.

Rotimi, Aka Udu and Abdul-Azeez, (2013), opine that the need to provide social amenities, embarkment on developmental projects, meets its overhead expenses necessitated intensified revenue generation efforts both internally and externally. This has led to the adoption of tax contractors by all tiers of government.

Tax contracting out or out-sourced revenue collection is understood as a system wherein the rights to collect certain taxes owned the state is allocated to a private agent. It is a global phenomenon, it was first practiced in Mesopotamia around 1750 B.C, France, China, Russia and Spain at other historical junctures (Fjelstad, Kateria and Ngerlewa, 2009).

Usman, (2013), amd Amaechi, O.C; Oboziobodo, S.I and Asogwa, M.N.O (2017) posit that in Nigeria, the federal government contracted the Professional Import Duties Administrators (PIDA) for the collection of import duties side by side with certain customs

officials (Alade, 2015). In Lagos State, from 1996 to 1999, the former military administrator of the state Col. Buba Marwa contracted a tax consulting company Olusola Adekanola and Co. for the purpose of collecting taxes; the administration of Bola Tinubu and Babatunde Fashola contracted Alpha-Beta consultancy (Emiabate, 2015) cited in Amaechi et al (2017). The Federal government also contracted an international tax firm, Mokinsey and Co, to assist the Federal Inland Revenue Service, FIRS in strengthening tax collection in the non-oil sector (Usman 2013).

Amaechi et al (2017) averred that tax contracting is made up of tax farming and privatized tax collection. Tax Farming or tax contracting connotes a system in which the states transfers the right of tax collection to private individuals called tax contracting or tax farmers in exchange for a certain fee ("tax farming" 2010). Here the government (the lessor) resorts to the services of an entrepreneurial financier (the farmer) to whom it leases or assigns the right to collect and retain the whole of the tax revenue due to the state in return for his payment into the treasury of the fixed sums ("Farm revenue leasing 2017, Stella, 1993). As a result, tax farming accumulates great wealth since the taxes and charges they collect exceed by two or three times the amount deposited into treasury ("Tax farming, 2010). The system i.e. Tax farmers do not usually deal with the individuals, they impose taxes on a community, and how the community raised the funds to pay the taxes was its own business. The system was considered to be very effective for tax revenue collection but suffered from a tendency of the tax farmers to abuse the tax payer for collection (Farm revenue leasing, 2017). There are three forms of tax farming:

a. General, which encompassed a country or the entire tax system,
b. Special, which dealt with individual taxes, such as customs duties or revenues from the higher monopoly; and
c. regional, which encompassed a single city or region.

Criteria for Contracting-Out

Some people believe that contracting out, being part of public procurement, is susceptible to corruption and other forms of abuse. Apart from the need to adhere strictly to the due process mechanism, certain other principle must be observed (Ascher, 1987; United Nations Human Settlements Programme, 2015; Nwofia et al, 2018). The other principles are enumerated below:

a. Privatization of the services to be provided who beneficiaries are (the principle) and the framework of accountability between the people, government and service provider;
b. The feasibility and the sustainability of the projects must be assured;

c. The contract term must be equitable as to cover the entire service area and providers must adhere to sound environmental principles;
d. Service providers must possess the requisite technical expertise and capacity to execute the contract;
e. Employees interest that essentially borders on labour issues and other negative social impacts or externalities must be mitigated;
f. The procedures and processes for public procurement must be open, transparent, competitive, accountable and cost effective with predictable outcomes;
g. Performance of service providers must be monitored by the local government as the custodian of the people's interest while service provider must be responsible to the needs and problems of customers;
h. Contract decisions must involve all stakeholders who will be affected by the outcome but the buck stops with the chief executive; and
i. Payment of contract fees should be based on specific performance benchmarks to avoid substandard or shoddy services and project abandonment, there must be provision for recompense in the event of the contract being abandoned.

Stokes cited in Slot (1998) typologised contracting out into three categories namely, competitive tendering, management contract and build-operate transfers scheme. The competitive tendering involves the provision of specific public services or activities such as waste collection and disposal; While management contract occurs when private sector management takes over business operations, maintenance and possible investment responsibilities for facilities owned by the local government.

In 2005, Board of Internal Revenue (BIR) was created with members from outside the public service and acting through the Edo State Internal Revenue Service (ESI) that possess large operational autonomy to manage the collection, and monitoring. Naiyejin (2005) averred that most pf the tax authority in Edo state lack the desired institutional capacity to administer tax system effectively. It is truism, that only public servants and those in employees that pay tax. Politicians, the wealthy, the professionals and the priviledged individuals were paying little taxes if at all they pay it was pittance. Oshiomhole (2009) cited in Alemma-Ozoniwa, 2015, opined that the corruption in the tax system erodes the tax yields and confidence in the tax system and that there is dearth of capable hands to administer the relevant tax provisions effectively. Ekpo & Ndebbio (1998) opine that problem tax administration face centre on the shortage of qualified tax personnel which is responsible for poor enforcement. At the local government, tax collectors include

confidential sectaries, messengers and tax clerks who are not knowledgeable in tax practices authority. They supervise some daily-rated employees.

Edo-state has enjoyed strong revenue growth in recent years, which has triggered rapid expenditure, expansion, especially on capital project. The growth in revenue has been due to high world oil prices, a growing economy, increased federal transfers and most significantly internally generated revenue (IGR) (World Bank Review, 2010). Edo state monthly internally generated revenue increased from ₦0.6 billion per month. In 2002 to ₦15 billion in 2009. In 2010, the state recorded ₦185.9 billion, in 2011 it increased to ₦202.76 billion. In 2004, overall IGR collection have more than double in real terms from 2.4% to 3.5% of Gross State Domestic Product (World Bank Review, 2010). The government continues to undertake necessary reforms to increase internally generated revenue in Edo-state. In 2006, the share of IGR in Edo state has risen significantly above 61% making Edo state much less reliant on Federal revenue that are highly susceptible to oil price fluctuations.

Internally Generated Revenue (IGR) collection has increased substantially, owing to the broadening of the tax board and the tightening of collection processes against various types of fraud. As at 2005, individual tax payer totaled about 4 million and this figure was projected to reach 5 million by 2010 or 50% of official residents up from 44 percent (World Bank Review, 2010).

In order to increase IGR, Edo State Government put in place a new computerized infrastructure for tax collection and monitoring known as an Electronic Banking System of Revenue Cycle Management (EBS-RCM). The EBS-RCM is a sophisticated information network system linking tax stations and other Revenue agencies for direct lodgement of funds to the banks. The objective of the EBS-RCM is to go online with the Direct Bank Lodgement system (DBLS) of the revenue collection process and provide information for tax administration and planning. While assessment, monitoring and coordination of internally revenue generated activities of the was contracted-out to Alpha Beta Consulting (ABC) limited using the new system of revenue collection. The functions of the ABC is as enunciated here under:

i. Monitoring and reporting on all revenue generation, collection and activities and operations of Edo State Internal Revenue;
ii. Developing and maintaining a comprehensive data base of tax payers including a unique tax identification number/code for all tax payers;
iii. Ensuring the computerization of processes, procedures, and documentation in respect of Edo State revenue collection and accounting;

iv. Incorporating revenue generation, collection and monitoring activities of all the tax consultancy fully within the EBS-RCM and;
v. Training staff of revenue-generating agencies on EBS-RCM.

Edo State government used the services of some other tax consultant in either accessing, mapping-out strategies, sensitization of citizens on the need to comply with the payment of taxes. Alpha-Beta consulting (ABC) Limited was solely in charge of monitoring collection as carried out properly. It should be noted that there are argument for and against out-sourcing of contracting-out.

The methods adopted in accelerating revenue generation include the following:

i. enumeration is done, relying essentially on existing documentation already made by the board of internal revenue;
ii. edicts are enacted at the instance of the consultants to bolster their assignment;
iii. tribunals are established in some instance to adjudicate tax cases;
iv. task forces are established to provide the necessary muscle for the consultants;
v. the consultants attach their operations to the tax offices to collect payment data;
vi. the consultants move into premises of companies (both registered and incorporated) to audit their books and using demand notes for taxes as may be calculated. Usually such demand notes are accompanied with ultimatum for payment which in many cases have no bearing with the requirements of the law;
vii. when payments are not made as demanded, armed policemen and soldiers (task force operatives) invade the company's premises and seal it up to enforce payment (Ogundele, 1999).

The use of Tax consultants or contracting-out/out-sourcing have advantages:

Increase in State Internally Generated Revenue- in all states of the federation the use of tax consultants has led to an increase in the internally generated revenues. This is principally responsibilities for the wild popularity of the system. Adekanola (1996) and Wusu (2012) averred that the use of tax consultants in revenue collection by all tiers of government led to an increase in the internally generated revenue. Okonjo-Iweala cited in Ameachi et al, 2017 while explaining further on the ban of tax contractors agreed that the implication of the policy to states and the Federal Capital Territory (FCT) administration is that it will lead to downturn in their internally generated revenue (IGR) which at that moment is buoyed by the appointment of tax contractors. Although Federal government outlaws tax contractors in state 2013. Officials of Lagos State Government opine that the state values its tax consulting firm because its revenue output almost tripled; that most states governors hold this view. In the same vein, Ali Modu Sheriff posits that the use of tax consultants or contracting-out arose from the inefficiency of the State Boards of Internal Revenue (Ameachi et, al. 2017).

Ameachi, et, al. (2017), averred that majority of the state in the federation use Tax consultants or do contracting out of revenue generation services. Lagos state – use Alpha Beta and Tarnac (Akoni, 2011), Right source consulting (Adedeji, 2011), the sum of ₦268.22bn was generated. Rivers states uses Olusola Adekanola and Co (Obaro, 2004)- the sum of 82.10bn in a year was generated. Delta State Tax Audit Monitoring Agency (TAMA), the sum of ₦40.80bn was generated an amalgamation of tax consultants. Ogun State Right Source Consulting (Adedeji, 2015), the sum of ₦34.59bn. Edo State- Akugbe Ventures (Alemma- Ozioruwa, 2015) the sum of 19.11bn as at 2015. The situation in Edo State has improved due to the broadening of its tax base/computerization of revenue collection, assessment and monitoring. At least revenue generation has been about ₦3b per month despite the spread of Covid 19, there are about 40 forty tax- consultants working for the Edo state Board of Internal Revenue. The forty tax-consultants are being monitored by Alpha Beta Consultants. Enugu State –Brick data Limited, the sum of ₦18.08bn. Oyo State- Mr. Bicci Alli in Conjuncture with Oyo State Board of Internal Revenue the sum of ₦15.66bn in 2015. Kano state Marock consultants Limited, the sum of ₦13.11bn was generated.

The use of tax consultant enabled the state to be able to provide master List Update. The need to update tax payer outcome apparent to those states that have abandoned this time honored tax practice for the long time.

The state through tax consultants or out sourcing staff and tax devolution audits at the corporate entities within each state became the norm and these companies are more alive to their responsibilities in these regard in regards to payroll and withholding taxes from contract awards. Due to the constant assessment of their books by Tax consultants who also sensitize them and are now responsive. Contract-out revenue generation has made debt recovery easy. Some corporate entities that were owing large sums of withheld taxes had to pay up. The accounting for tax collected became more prompt and more accurate since this is a means of correctly remunerating the consultants.

The state became aware that they need to employ qualified staff to do tax works and not messengers and typist. The consultants ensured that accounting for tax collected became more prompt and more accurate than the former. Despite the afore-said achievements or merit of contracting-out there are some demerits such as the profit motive of the tax consult or contractors. The sharing of the tax consultants depends on how much tax is generated. This is a strong motive not only for efficiency and effectiveness but also for overzealousness which can hurt the tax system. Modern taxation is based on tax payer sensitization, voluntary tax compliance and trust (Ogundele, 1999). In some situation there

is use of court jurisdiction, the use of tribunals circumvents, the provisions for the appointment of the body of Appeal Commissions in the states. Tax tribunals by edicts are plainly illegal since the body of appeal commission are expected to be the court of first insurance in tax matters going by the provision pact iii of the PITD No. 104 of 1993 (Ogundele, 1999). Another demerit is the use of armed soldier charges and the policy of exclusion.

In contemporary situation, some areas of taxation are left with the civil servants. While other areas are contracted out to the tax consultants pending any of government tax officials and political interference. It is important to note that most of the tax consultants are brought into the system through their political godfather, they are difficult to control even though they err.

Theoretical Framework

The principal-agent theory and the political clientelism theory was adopted in this study. The principal-agent theory is the anti-matter to post-modern approaches. It emerged during the 1970 and has served as a mechanism for examining conflict-of-interest-generated problem in aligning the choice of principals (buyers of services) and agents (sellers or providers of services). At the core of the operation of public institutions is the notion that politicians, bureaucrats and professionals as agent are contracted to act in the interest of the citizens as principal, the attempt by the principal to monitor the agent is critical.

The principal-agent posit that relationship is constitutive of state institutions, especially public policy making in democracy. Public policy making and implementation of policies in the public sector involve the problems of principal-agent relationships within the private sector in the policy process, there is the topical attempt of the citizens in the principal to monitor the efforts of politicians and bureaucrats as the agents to adhere to the terms of the contract agreed. The result to principal-agent model in a democratic state is a method for dealing with the transaction cost that arise in collective action.

The basic idea behind the principal agent theory is that all relationships can be reduced to contractual terms. The challenge of principal-agent-theory is the contention that bureaucracy as an organization form does not matter. All relationships can be reduced to contractual ones. The advocate of this theory maintain that the modern democratic state is based on a set of principal-agent relationships in the public sector. The relationship is between the population and its elected leaders and the relationship between the government and its agencies or bureaucracy. The primary tasks for the principal are to

identify agents who are likely to achieve the principal goals. Furthermore, to some agreements, on a contract with incentives such that agents find it in their self-interest pursue the principal goals and to monitor the agent's behavior in carrying out the contract. The principal-agent theory proposes that, in making decisions, one should be in the business of selecting those institutional arrangements which least provide for contractual and monitorable relationships between principals (purchasers) and agents (providers).

The principal agent-theory supports the conclusions of New Public Management its efforts is to contract out functions and move to non-hierarchical and market like implementation. Some assumptions about the human nature in this model may be strictly dealt with. Principal-Agent theory view decision making in terms of calculations about implementation and enforcement. The main issue in point is that one sees a world populated by purchasers and sellers. The decisions of purchasers involve judgements about the capacities of other members of the market- what other principals are up to and whether agents will do what is demanded of them. The cost of monitoring the relationship with in condition of high uncertainty, a small number of agents and poor information, be higher in dealing with outside agents than with intra-organizational agents.

The relationship between principal and agents in the market place is problematic. The principal depends on agents for the supply of services. Implicitly, employees will be after their own interest and outside firms will be more interested in their profits than those of the principals. Watching and checking therefore, form the main considerations of the principals in monitoring the agents (government) who carry out the contract monitory agent is simpler when the actions of agents are observable (Sapru, R.K. 2013, Moe, T.M. 1984).

Political clientelism was also adopted in explaining the various issues vis-à-vis the contracting-out or tax contracting for revenue generation. Political clientelism has being traditionally defined as the distribution of selective benefits to individuals or groups in exchange for political support (Katz 1986, Piattoni, 2001; Hopkan, 2006, Kitschelt and Wilkinson 2007; Sergiugherghina & Clara Volintiru, 2017). Earlier studies have reveal that many contemporary characteristics linkages take the form of a pyramid structure. This assumes the exchange between patrons (parties) and clients (voters) with the help of brokers (party organizations) the exchange takes the form of resource allocation or access (from parties to voters) and of electoral support (from voters to parties). Benefits are in diver ways. The key to the effectiveness of clientelism is the capacity of politicians to detect whether the recipients voted as promised, or to make voters believe they can so that voters would be reluctant to renege on their bargain (Stokes, 2005; Obinna Charles Amaechi et at.

2017). Since exchanges between patrons and clients requires private interactions, political parties need a network of voters to distribute goods and create mechanisms to ensure that voters will pay for the goods they receive with political supports (stokes, Dunning, Nazareno, & Brusco, 2013; Hicken 2011, Amaechi et al. 2017). Politicians especially in countries that have low tendency to sustain a political party from one electoral cycle to the next rarely have the time to create clientelistic networks, and thus will not be able to credibly commit to provision of continuing benefits over a series of exchange (Kitschelt & Kselman, 2013).

The secret ballot system appears to hinder the practice of clientelism, political parties were able to overcome this challenge using local political brokers, who control networks of voters and deliver their votes. Brokers identify the voters who would provide electoral support in exchange for resources and channel these resources towards these voters (Moyaloni, Aiazcayeros & Estevez, 2007; Amaechi, 2017). Brokers leverage their relationships with the knowledge of voters in their localities to make them more electorally responsible to resources (Anyero, 2001).

Elliot (2016) opine that another form of clientelistic is the use of policy proposals and government programmes to attract voters. A patron seeking the vote of the client can make his life much easier deal with the client honestly.

According to Lyne, (2008) clientelism possesses significant economic and political costs. It constitutes a diversion of government resource to favored segments of the citizenry, distorts policy towards maximizing revenue streams that can be turned into excludable goods.

It should be noted that a formal exchange of targeted public spending in return for political support. This process of channeling public resources or internal benefits to selected districts or particular categories of voters is generally referred to as pork-barrel spending. While serving to strengthen the electoral support for the ruling party, pork-barrel politics follows to a certain extent the logic of programmatic mechanism, and as such it is as formal process of rewarding loyal supporters, which bypasses the party organizations.

Methodology

The study used survey research design and a multi-methodological approach to ascertain the generation of extensive and reliable informative method of data collection for this study includes: field survey method through the use of questionnaire, in-depth (Oral), interviews, documents, contents analysis and stakeholder's interactives sessions. The

universe of this study consists of staff of Edo State Internal Revenue Board, stakeholder's/business communities (Uwelu spare parts dealers, building material dealers association, some private companies). A total of (250), two hundred and fifty questionnaires were well filled and returned.

Test of Research Hypotheses

Hypothesis One

H_o- Contracting-out of internally generated revenue is not significant to increase in revenue generation.

H_i- Contracting-out of internally generated revenue is significant to increase in revenue generation.

Research Result

In order to test hypotheses Chi-square and Yale's statistical test was used from the fore-going, the X^2 calculated = 19.50. While the critical X^2 calculated = 6.64= 0.1. Since calculated X^2 > Critical X^2 @=.01. Data are statistical significant @1% sampling error. An association exist between the variables. We reject H_o and accept H_i which opine that contracting out of internally generated revenue is significant to increase in revenue generation. To determine whether their relationship is negative or positive. There is the need to calculate the gamma(s).

To calculate the Gamma= $\frac{PD-ND}{PD+ND}$

$$\frac{PD-ND}{PD+ND} = \frac{3990-1555}{3990+1555} = \frac{2,435}{5545} = 0.439$$

From the above there is a positive association between contracting out and out-sourcing and increase in revenue generation. Despite the legislation against contracting-out, some state government use the advantage of out-sourcing. However, the entire internally generated revenue is not awarded to an individual private vendor, it were awarded to various vendors. Fiscal cash were not allowed, all transactions were carried out through e-payment, evaluation, monitoring and assessment of revenue were awarded through out-sourcing/contracting out.

Hypotheses Two

H_o- the use of contracting-out is not significant to due process.

H_i- the use of contracting-out is significant to due process.

Research Decision

Calculated X^2= 24.152
Critical X^2= 9488 $\acute{\alpha}$=.05
Research Result
Since calculated X^2> Critical X^2 @.05 level of significance
: Data are statistically significant @ .05 sample error. An association exist between the variables. We reject H_o and accept H_i which posit that the use of contracting-out is significant to due process.

In order to know the direction of the association, Gamma (Y) statistics was used

$$\frac{PD-ND}{PD+ND} = \frac{2470-654}{2470-654} = \frac{1816}{3124} = 0.581$$

Y= 0.581which indicates that there is a strong positive relationship between the utilization of due process in contracting-out/out sourcing of the vendor. The non-following of due process has led to contracting-out internally generated to quack and to allow political patronage to godfatherism in politics. The utilization of the process will enable qualified personnel to be selected to embark on internally generated revenue.
Hypothesis Three
H_o- the use of out-sourcing/contracting-out does not reduce corruption.
H_i- the use of contracting-out/out-sourcing in IGR reduce corruption to its barest minimum
Research Result
Calculated X^2= 12.71
Critical X^2= 9.488@, $\acute{\alpha}$=.05
Calculated X^2> Critical X^2 @ $\acute{\alpha}$=0.05
Data are statistically significant @.05 sampling error. An association exist between the valuables. We reject H_o the null hypotheses which stipulates that the use of contracting-out will reduce corruption to its barest minimum.
In order to decipher the area of associations of the variables. Gamma statistic was used

$$Y = \frac{PD-ND}{PD+ND} = \frac{1801-971}{1801+971} = \frac{830}{2772} = 0.299$$

Emanating from the above, there is a weak positive association, between the variables. The use of contracting-out of internally generated revenue has a weak positive association to reduction of corruption.

Discussions of Findings
Revenue is the life wire of any organization. The efficiency and effectiveness of any organization depend on the availability of funds. In order to make available for governance and effective service delivery, the various government must look inward.

Internally generated revenue is one of the sources of finance and it is bedeviled by corruption, lack of availability, double taxation etc. However, one of the strategies of generating this revenue is through contracting-out/out-sourcing of service to private service providers. From this study, it was vivid that contracting-out internally generated revenue is significant to the increase in revenue generation. This study supports the findings of Domberger & Jersen, 1997 and Johnson Emeka Nwofia, 2018. Contracting-out serve as an instrument for strengthening performance of government. It also serves as the means to provide essential public goods and services to the citizens. Furthermore, it is cost effective especially when there is an economies of scale. Since they provide efficient and effective service, it instills citizen's confidence and trust in government. Contracting-out is suitable where there is weak infrastructure and low capacity of government, high cost service provision, low socio-economic status of the largest population; lack of confidence in services provided by the government. It helps the government to maintain ownership and oversight when contracting-out to private service providers.

In Edo-state, the government appointed or contracted-out certain aspect of internally generated revenue to private service providers to embark on the following: Mapping-out strategies, sensitization of the citizens on the need to comply with paying of taxes, developing and maintaining a comprehensive database of tax payer organizations, monitoring, evaluation and reporting on all revenue generation collected, the ensure adequate computerization of processes, procedures, documentation and debt recovery. Edo state government encouraged E-payment and proper training of staff of generation agency on EBS-RCM.

This study find-out that the contracting-out is significant to due processes. One of the main criticism against contracting-out was that tax consultants was selected based on political patronage to party members of the ruling party without due process being followed. This has allowed traders without accounting and auditing experience to considered. Some people argued that contracting-out was awarded to the "godfathers" for their role in elections. However, when due process is followed professionals are sifted from the quacks since their professional bodies can sanction them when they fail to perform effectively. This finding of this study corroborated the study of Domberger and Jensen, 1997.

This study also averred that the contracting-out/out-sourcing of service to private service providers reduce corruption. Efficient and proper integrating revenue generation activities, monitoring, computerization and sanctions of offenders prevents staffs from pilfering or fraud. This study supports Domberger & Jersen 1997; Johnson Emeka Nwofia, 2018.

From the fore-going, internally generated revenue in Edo-state due to partial weak infrastructures personnel, adopted contracting-out of some specific areas to private providers. While, E-payment to the bank was the in-thing. Edo state government contracted assessments, evaluation, monitoring of compliance, debt recovery etc. Defaulting companies/organization are taken to the revenue court to enforce compliance, sequence to the above. Furthermore, the mere fact that due process is adopted in the selection process before the Bureau of Public Procurement (BPP) can issue certificate of "no objection" for the vendor/contractor to award the contract.

Conclusion

Contracting-out or out sourcing has far reaching implication. The issue whether to contract-out service was discussed in full. A thorough assess of the prons and cons of contracting-out/out-sourcing was made. Two theoretical frame work of analysis was used. The agent theory and the political clientelism was adopted for the study. In this study, three hypotheses were promulgated and tested. The study support contracting-out with little modification.

Recommendation

From the findings of this study gave impetus for the following recommendations:

i. the selection of vendor/private organization for contracting-out/out-sourcing must follow the "due-process" with a certificate no objection from the relevant authorities;
ii. the private organization must be qualified Accountants/Auditors with at least (10) ten Years cognate experience;
iii. on no accounts must waiver be given to non-qualified accountant/audit because of party affiliation;
iv. to be contracted-out must be spelt out clearly and payment method documented;
v. tenders must be published in at least four daily newspapers;
vi. the government must provide an E-payment method, no physical collection of money;
vii. contracting-out must be embarked upon with staff of the organization; and
viii. training of the staff of Internal Revenue Board by the vendor should be made mandatory.

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