

## Decentralization and Property Taxation in Rural Nigeria

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In the 1980s, decentralization became a standard prescription for African underdevelopment (Ndiaye 1999; Wunsch 2000). State policies of centralized planning and administration were thought to polarize economic activities into urban areas and create wealth for individuals working in centralized state institutions (Joseph 1987; Mbaku 1991; Ndiaye 1999). Advocates of decentralization contend that transferring power and developmental responsibilities from higher levels of government to local governments brings government closer to the grassroots, and promotes greater participation and accountability in development (Tordoff 1994; Agrawal 1999). Nsamba-Gayiiya (2002, 2) argues, for example, that municipal property tax in Africa can be “a vehicle for equitable provision of services.”

The successes of local government in developed countries, especially those in the United States, suggests that local government can be a potent instrument for economic and social development. Property tax is the mainstay of local governments and the primary means by which to finance public infrastructure and services. More pointedly, it is the moral basis for grassroots participation in local governance. In Africa, however, grassroots participation in local governance has very little to do with taxation, as property tax is either underutilized or not utilized at all (Kelly 1999). This is the clearly the case in rural Nigeria where property tax is a neglected revenue source in spite of the financial squeeze on local governments (Guyer 1992). The present study examines the geographical scale of political relations in Nigeria and the prospects for property taxation in rural areas as a means of decentralization.

The study is based on primary data collected from Nigerian farmers from fourteen towns and villages of Kano State. The selected sites as shown in Figure 1, are located in a rural development project area. The Kano River Project Phase 1 (KRP-1) is a large-scale project comprised of 22,000 hectares of farmland for 50,000 families. It is the largest irrigation scheme financed by the Nigerian government. Since the 1970s, the value of irrigated farmlands in the KRP-1 has soared, thereby leading to a significant increase in agro-industrial activity in the development project area. However, the two local governments – Kura and Bunkure – collect little or no tax revenues from the increased land values and other capital stocks. Instead, they depend on financial transfers. Over 98 percent of their expenditures come