NIGERIAN JOURNAL OF PUBLIC SECTOR MANAGEMENT (NJPSM)

The Implications of Financial Autonomy for Local Government on Grassroots Development in Nigeria

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Abstract

The paper examined the implications of financial autonomy for local government on grassroots development in Nigeria. The objectives of the study were to examine the inherent challenges of local government councils in Nigeria not having financial autonomy and to investigate the potential benefits of the financial autonomy that was granted to local government councils by the Supreme Court in its judgement in July 2024. The study relied on the qualitative research method. Secondary data were gathered from reputable sources such as reports, journal articles, textbooks, newspapers, official publications and the internet. Desk analysis was carried out on the data gathered and the data were discussed extensively with the aim of adding to the body of knowledge. The theoretical framework for the study was the Good Governance theory which is a concept that refers to the return of good governance to relations between citizens and governors. The implications of the Supreme Court ruling on local government autonomy were found out to be transparency and accountability, grassroots development and improved performance of local government councils, amongst others. The paper concluded that the July 2024 Supreme Court ruling which granted financial autonomy to local government councils in Nigeria will help to guarantee grassroots development across the local government councils in Nigeria, if implemented.

Keywords: Financial Autonomy, Local Government, Grassroots Development

Introduction

Nigeria operates a federal system of government made up of the central government and the sub-national units. Nigeria has three tiers of Government namely the Federal, State and Local Governments. The Local Government Council (LGC) is the third tier of government in Nigeria and Section 7(1) of the 1999 Constitution (as amended) guarantees the existence of local government councils by requiring the states houses of assembly to enact laws for the establishment, structure, composition, finance and functions of the councils which are authorized to participate in economic planning and development of the area over which the local government may exercise authority (CFRN, 1999). The fourth schedule of the 1999 Nigerian Constitution also states that "the main functions of a local government council are the consideration and making of recommendations to a state commission on economic planning or any similar body on the economic development of the state, particularly in so far as the area of authority of the council and the state are affected.

Local government autonomy has been a contentious issue in recent times. Policy analysts and scholars have argued that autonomy for local government holds the key to unlocking national development (Adeyemi, 2024). Local government autonomy is a desideratum for promoting grassroots development because it enables local governments to respond effectively to the unique needs of their communities (Ojo, 2024). Again, local governments are understand the peculiar challenges facing the citizens in the grassroots and thus are more positioned to

design and implement projects that would address such challenges (Oyediran, 2024). According to Akindele (2024), local government autonomy can help in poverty reduction and inequality because the autonomy will enable local governments to generate their own revenues and allocate resources in a manner that is responsive to the needs of their citizens.

In Nigeria, the lack of autonomy for local governments has been identified as a major obstacle to national development (Adeyemi, 2024). The over-centralization of power and resources at the federal level has led to a situation where local governments are unable to fulfill their constitutional responsibilities, resulting in a lack of basic infrastructure and social amenities in many rural communities (Ojo, 2024).

Local government secured financial autonomy through the landmark judgment that was delivered by the Supreme Court on Thursday, 11th July, 2024 in a case that was instituted by the Attorney General of the Federation as plaintiff against the Attorneys General of the 36 states of the Federation as defendants (Olujimi, 2024).

While the judgment has been hailed by many as the long-awaited solution to the decay in grassroots development, others are of the view that the granting of financial autonomy to local government councils may end up as an avenue for the local government chairmen to embezzle and enrich themselves with the monies coming directly to the local government coffers at the expense of grassroots development. This study therefore aims to examine the implications of financial autonomy for local government on grassroots development in Nigeria.

Objectives of the Study

The main objective of this study is to examine the implications of financial autonomy for local government on grassroots development in Nigeria while the specific objectives are to:
i. Examine the inherent challenges of local government councils in Nigeria not having financial autonomy.
ii. Investigate the potential benefits of the financial autonomy that was granted to local government councils by the Supreme Court.

Research Questions

i. What are the inherent challenges of local government councils in Nigeria not having financial autonomy?
ii. What are the potential benefits of the financial autonomy that was granted to local government councils by the Supreme Court?

Methodology

This study will rely on the qualitative research method. Secondary data will be gathered from reputable sources such as reports, journal articles, textbooks, newspapers, official publications and the internet. Desktop analysis shall be carried out on the data and the data shall be discussed extensively with the aim of adding to the body of knowledge.

Literature Review

Conceptualizing Local Government System in Nigeria

Local government as a concept has numerous definitions from political scientists, public administrators, scholars, and writers alike. Local government is the nearest government to the people at the grassroots level to mobilize them towards meaningful and active participation in politics (Lawal, et al,. 2022). According to Adetiba (2017), local government is the system of grassroots administration under the purview of local areas established to maintain law and order, make provision for some limited variety of infrastructural amenities while encouraging local democracy for even development. Local government is the mechanism through which devolution of power is given to local areas to provide services of local nature (Okoli, 2005; Arugo, 2023). Ogunna (1996), conceptualized local government as a political authority that was deliberately created by the government under the law through which local areas within a geographical area are organized to operate and manage their affairs under the purview of the law under which it was established. According to Udenta and Udenta, (2019), local government connotes the government created for local administration to draw the rural populace nearer to the government and to be responsible for their needs and expectations. Olukotun (2019) stated that local government is a public institution operating at the lowest echelon of the sub-national level of government, backed and recognized by the Constitution saddled with the responsibility of carrying out specific roles in the local areas. Lastly, Adamolekun (1983), conceptualized local government as a bureaucratic setup that is engaged to perform the functions of planning, directing, and organizing the affairs of local communities.

The above conceptualizations of local government implies that local government is a political and administrative unit with an organized governmental structure for governing the activities of the local or rural areas, It must however be noted that it is not all political structures that are saddled with the role of providing governmental services at the local level that qualify as local government. This means that a local government must possess both political and administrative power to govern within a geographical area. A local government should possess constitutional power to perform a range of roles assigned to it by law with substantial autonomy (Asaju, 2010).

Local government system in Nigeria functions within the framework of a presidential system. Nigeria has a three-tier federal structure of government which is made up of the federal, state and local governments. The federal government is the central government, the state government consists of the thirty-six (36 states) and the federal capital territory (FCT), while the local government consists of the seven hundred and seventy-four (774) local government councils (Ola & Tonwe, 2018). Each unit of local government in any system is assumed to possess some features such as a given territory and population, an institutional structure for legislative, executive and administrative purposes, a separate legal identity, a range of powers and functions authorized by delegation from the appropriate central or intermediate legislature, amongst others (Whalen in Tonwe, 2016).

Conceptualizing Local Government Autonomy

According to Awotokun (1998), the concept of autonomy in the political sense is the ability of a self-governing unit to regulate its internal activities without interference from external bodies. Autonomy suggests independence or self-government and is a key defining attribute of statehood (Aaron, 2012). Richardson (2011) sees autonomy as the matters under its own preferences in accordance to the standards set forth by the state. Local Government autonomy is therefore the relative separation of central and local spheres of government so that each performs its functions without the interference of the other arms of government. Local government is said to have autonomy if it has discretionary powers to do things both politically and economically without the influence of the higher authorities. It is also the ability of local councils to engage in activities as it sees fit, free from constraints imposed by the state or national government.

The primary function of local government is to bring the government closer to the people at the grassroots. Its inefficiency and ineffectiveness in addressing the primary needs and wants of the people has made the third tier of government irrelevant, thus making people to suggest that Local Government does not bring about development hence it is needless and should be scrapped. Local Governments were created to serve the interest of the people in the areas of road constructions, public markets, healthcare facilities, motor parks, building primary schools, potable water and many more as they have capacity to do. In Nigeria however, due to the financial and political strangulation of the local governments by the state governments especially, there has been a persistent clamour for Local Governments to be given full autonomy as the third tier of governance in the country. Although the Federal Government has tried to make Local Governments increasingly autonomous, especially through the 1976 Local Government reforms, the state governments had continually frustrated the effort (Udofia & Uko, 2024). In order to strengthen local government as the third tier of government, the Constitution of the Federal Republic of Nigeria stated that the system of democratically elected local government council is guaranteed in the constitution (CFRN, 1979; CFRN, 1999 as amended). Also, the military administration of General Ibrahim Babangida from 1986 took bold steps to strengthen the autonomy of Local Government. By 1988, measures were taken to give more autonomy to Local Government by scrapping the State Ministries of Local Government throughout the country hence removing the political control and bureaucratic red tapism inherent in the system.

Local government autonomy refers to the freedom of local government units to exercise authority within the confines of the law or constitution (Imhanlahimi & Ikeanyibe, 2009). It is both financial and political freedom to take decision without interference. Local government autonomy can be conceptualized as a system in which Local Government units have an important role to play in the economy and intergovernmental system, have discretion in determining what they will do without undue influences from higher levels of government and have the means and capacity to do so.

Theoretical Framework

Good Governance Theory

Good governance can be called the paradigm of change in the role and function of the state and it is a prescription to face the challenges facing the government, the empowerment of the state, and the participation and satisfaction of citizens. The concept of good governance refers to the return of Good Governance to relations between citizens and governors. Good governance also respects the principles of democracy in order to provide ways of accountability for the state and to extend the right to comment and express the opinions of citizens. The main issue in good governance is how to achieve a government that provides sustainable human development and democracy (Moghadari, 2016) Changes in political, economic, social and cultural policies and strategies should be considered as a good governance advantage. Without a doubt, societies can reach a significant degree of development in the light of changes made by the state. One of the principles of goodness is fairness and justice. Good governance is viewed as a key factor in ensuring national prosperity because it creates predictability, reliability and accountability. Good governance is seen as vital for the economic and social development of countries and promoting it brings about societies that are transparent and democratic.

The choice of Good Governance theory as theoretical framework for this study is justified because the granting of financial autonomy to the local government councils will help to bring the government closer to the people at the grassroots and foster development for its citizens which is a component of good governance and is a major criterion for determining the popularity or otherwise of a government.

Challenges Inherent In Lack of Financial Autonomy for Local Government Councils in Nigeria

Due to lack of significant autonomy, local governments in Nigeria could not impact meaningfully on the development of the country. From the 1979 constitution till date, there have been vehement calls and actions from different quarters for comprehensive political and economic disentangling of local government from the control of the federal and state governments. However, despite these efforts, much has not been achieved as the local councils were still largely dependent on the federal and state governments.

Several challenges abound in local government councils across Nigeria which was occasioned by the lack of financial autonomy for the local councils. Some of the challenges include the following:

1. **Lack of Development**: The State Joint Local Government Account does not encourage the development of local communities. This is because the money that would have been used by the local government councils for development is being slashed by the state government (Ibekwe and Okafor, 2017). The local councils are sometimes not able to pay salaries with limited efforts at developing the communities
2. **Accountability Problem**: The allocation sent from the federation account to the local government councils are usually deducted and shared without due process and accountability. It then becomes very difficult for each local government to know how

much was sent to it and how much was given thereby making even the local government chairmen and councillors not to be accountable to the council and the people as a whole.

3. **Poor Performance of Local Government Councils:** Contrary to the efficiency service and developmental theories for the justification of local government creation, the continual application of the State Joint Local Government Account will not allow local governments to embark on any meaningful project. Since they are starved of funds, they can hardly even pay salaries not to talk of initiating projects. Development and services cannot be effectively rendered if local government is not allowed to control its resources (allocation from Federal Government).
4. **Lack of Transparency in the Electoral Process**: Due to the ulterior motives of most state governors to continue to dictate how the finances of the local councils are administered, the governors ensure that process of electing local government council chairmen and councilors are manipulated in their favour. This is often done through the state electoral commission whose chairman and members the governor has the prerogative of appointing. This is why it is always a common practice to see the ruling party in a state winning majority or all the seats in a local government election in Nigeria.

Implications of the Supreme Court Ruling on Local Government Autonomy

There are expectations that the judgment by the Supreme Court which granted financial autonomy to local government councils in Nigeria will have positive impact on the local councils especially in the area of service delivery to the citizens. Among the expected benefits of the ruling are:

1. **Transparency and Accountability:** The granting of financial autonomy to local government councils will help to ensure that there is transparency and accountability in the spending of council funds. This is because local council chairmen and officials will now be conscious of the fact that they no longer have excuses of poor performance as a result of council funds coming through their state governments rather than coming directly through the federation account. Therefore, all that will be at stake will be public interest and there will be nothing to hide. The handling of issues, such as service delivery, appointments to public positions amongst others will be done in a transparent manner.
2. **Grassroots Development:** Financial autonomy for local government councils will encourage rapid economic development of local communities. This is because the monies meant for development of local councils that were hitherto slashed by the state governments through the State Joint Local Government Accounts would now be paid directly into the local government council accounts. This will ensure that the local government councils will have substantial revenue for the development of the councils.
3. **Improved Performance of Local Government Councils:** The continual application of the State Joint Local Government Account had not allowed local governments to embark on meaningful developmental projects because they are usually starved of funds. The funds that are made available to the local councils can barely pay salaries not to talk of initiating projects. Granting of financial autonomy to local government councils will imply that the local governments will now be receiving their allocations directly from the federation account and will be allowed to fully be in control of such allocations. This will further imply

improved performance of the local government councils in service delivery and development of the local councils.

4. **National Development:** The granting of financial autonomy to the local government councils will lead to economic and infrastructural development of the grassroots as local government council allocations will be paid directly to the local councils from the federation account and these allocations would be substantial to introduce developmental projects to the councils. The individual development of the local government councils across the country will eventually result in the development of Nigeria as a whole, since Nigeria as a nation is the conglomeration of the entire 774 local government councils.

Conclusion

For several years, grassroots development in Nigeria has been a mirage. This is because allocations from the federation account that are due to the local governments, rather than being paid directly to the local governments' accounts were paid into the State Joint Local Governments Account which is controlled by the state governments. The local government councils are therefore always at the mercy of the state governments. The funds that eventually get to the local government councils as monthly allocations are usually a far cry from the actual allocation they should get.

This has been attributed to the lack of development at the local government councils which is where development ought to be visible as it is the closest tier of government to the people in the grassroots. This is why the July 2024 Supreme Court ruling which granted financial autonomy to local government councils in Nigeria was hailed as a deserving judgment which will help to guarantee grassroots development across the local government councils in Nigeria if implemented.

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