State Joint Local Government Account and Financial Autonomy for Local Government in Nigeria

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Abstract

The 1999 Nigerian constitution recognizes the three tiers of governments in Nigeria, Federal State and Local government. LGs as part of the tier of government, constitution grants them allocations from the federation account on monthly basis, but the allocations are paid into an account created by law called the State Joint Local Government Account. The work aimed at examining the operation of State Joint Local Government Account (SJLGA) and its implication on autonomy of local government in an effort to deliver service to the grassroots. Based upon above objectives, this work adopted secondary sources of data collection. The findings of the work is that state joint local government account has brought negative effects on local governments in forth republic as the states government mismanaged the federal allocation to local governments in Nigeria. Based on this findings, it is the recommended that the state joint local government account be abolished through amendment of 1999 constitution.


Introduction

Of all the levels of Inter- governmental relations that are in operation in Nigeria’s federal practice, the state – local government relations is the most contortions (Ola & Tonwe, 2005). The relationship between state and local government rather than serving as moderator/mediator, despite the fact that local government were created in order to bring governance closer to the people, yet state-local government joint account does not enable this (Ahmad, Abubakar & Ahmad, 2013 in Jacob, Sylvester & Kehird, 2017).

Unlike what existed during Babangida years, when the 1989 constitution was enacted as decrees in a bid to guide the relations between the state and local government, the 1999 constitution has really made local government to be agents of the state governments when it comes to issue of finance. Whereas, section 160(4) of the 1999 constitution stated that “money standing to the credit of the local government shall be allocated directly to them” the 1999 constitution in section 162(5) provides that allocation of money whether appropriated by the National Assembly or the House of Assembly shall be made to the states for benefit of their local governments. Under this
arrangement and in consonance there is in every state what is called state joint local government account where monies standing to the credit of local governments are put. This is where the conflicts, contradictions arises as regards the issues of fiscal federalism in Nigeria especially as it concerns the functions and finance of local government.

In a similar vein, Ojugbelfi and Ojoh (2014) assert that the joint account remains a conduit pipe for the draining of Local government allocation by the state government. The state government statutory allocation is highly parasitic. These deductions are done under cover in strong connivance with the corrupt executives of some local governments. Therefore this study is an attempt to examine the problems and implications of state joint local government account on the financial autonomy of local governments in Nigeria.

Conceptual Framework

Intergovernmental Relations

Wright (1988) defines intergovernmental relations as an interacting network of institutions at national, provincial and local levels, and refined to enable the various parts of government to cooperate in a manner which is appropriate to its institutional arrangement. In his view, Obi (2004) sees intergovernmental relations to mean the complex patterns of interactions, co-operations and inter-dependence between two or more levels of government. It is further described as a plethora of formal relationship and transactions that develop among levels of government within a nation-state. In Nigeria for instance, it refers to the interactions that exist among the federal, (Central or National) states and local governments, state and state interactions, state and local interactions or local and local interactions. All these put together refer to the pattern of intergovernmental relations.

An intergovernmental relations system therefore, consists of facilitative systems and relationships that enable the units of government to participate effectively and carry out mandate so that governmental goals are achieved. This includes executive mechanisms, coordinating mechanisms, cooperative agreements, judicial and legislative mechanisms that all facilitate delivery by government machinery. Intergovernmental relations can thus be defined as interactions, relationship and the conduct of officials between governmental activities. It seeks the achievement of common goals through mutual relationships between and across vertical and horizontal governmental arrangements, alignment and cohesion across all sphere of government. The aim of governmental relations therefore, is to enable governmental activities (primary service delivery), through synergy, effectiveness and efficiently in delivering services, to sustain democracy and strengthen delivery capacity across all sphere of government for the common good (Isioma, 2010:53).

Local government in Nigeria is a product of decentralization and is established by law. As a federal state, Nigeria has three tiers of government (Federal, State and Local) whose inter-governmental relations (include political, financial, judicial and administrative) are mainly established by the constitution. Each tier is required to operate within its area of jurisdiction, and any action to the contrary is null and void to the extent of its inconsistency with the law. This is meant to guarantee the autonomy of each tier. According to Adamolekun (2002 : 60),
intergovernmental relations “are the term commonly used to describe the interactions between the different levels of government within the state”. It exists in all types of state but is more practical, complex, controversial and contentious in federal states. The level of development in a given state tends to be determined by the quality of its inter-governmental relations.

Local Government Financial Autonomy

Local Government autonomy refers to as “the freedom of the local government to recruit and manage its own staff, raise and manage its own finances, make bye-laws and policies and discharge its functions as provided by law without interference from the higher government” (Oganna 1996:350). This includes political, financial, and administrative autonomy. Adeyamo (2005) writes that autonomy presumes that local government must possess the power to take decisions independent of external control within the limits laid down by the law. It must mobilize efficient resources particularly of finance to meet their responsibilities. It may be argued that there can never be absolute autonomy because of the need for inter-dependence of the three levels of government and thus bring focus to the intergovernmental context of local government autonomy. There cannot be any meaningful development at any given local government without adequate finance. The financing of local government continue to be at the front burner of political discourse in Nigeria, as the local governments have failed to deliver grassroots development for which they were created. Most of the local governments in the country exist only for payment of salaries, as they depend majorly on statutory allocation from the federation account.

Adeyemo (2005) asserts that to enhance financial autonomy and regular sources of revenue, during the military administration of Ibrahim Babangida, there was the direct disbursement of funds to local governments, thus preventing the hijacking of the funds of local government. The federal government equally increased the statutory allocations to local governments, from 10-15% in 1990 and subsequently from 15-20% in 1992. Asaju (2010) aver that the 1999 Constitution empowers the state government to approve local government budgets and expenditure through the State House of Assembly. Most of the state governments capitalize on this to exercise arbitrary and undue control over local government finance.

State Joint Local Government Account

Joint Account was given birth to in 1979 via 1976 Local Government Reforms. It is in this regard that Professor Bello-Imam (1996:43) asserted that “the first major attempt of comprehensively looking at the finances of Nigeria Local Governments took place in 1976, during the nation-wide Local Government reforms. The reform measures and the 1979 Constitution identify reasonable adequate resources of revenue for the local governments”. In the light of the above, Oguana (2004:26) argued that due to the persisted problem of inadequate revenue to the local government system, the federal government have been reviewing the revenue grant to this third tier of government from time to time. Hence, between 1973 and 1975 during the oil revolutions of the Seventies, Local Governments received grants and loans from the Federal Government. Then
from 1976, Local Government through a statute were being granted varying amount of loans. However, during the second republic, based on the Akigbo’s report, a revenue allocation act of 10% of the Federation Account was guaranteed to Local Governments.

It is important to note that the state government is not intended to be a beneficiary of the State Joint Local Government Account; rather, it is a trustee of the Account. It is required to maintain the Account for the benefit of the local governments by ensuring that the amount allocated for this third tier of government is equitable and fairly shared among the councils, adhering strictly to constitutionally stipulated criteria. Most State Governors through state joint local government account have converted local governments to a gold mine and their interference became abysmal and detrimental to local government productivity most especially in the area of grass roots development.

Ezeani (2012) observes that the interference in the local government statutory allocations by the state governments reasonable accounts for the inability of the local government to initiate and execute development programs or projects. Oguntuase (2012) also agree that the state governments have turned the State Joint Local Government Account into an instrument to manipulate and control the local governments.

**Theoretical Framework**

The basic foundation of the theory of efficiency services was laid by (Mills and Bricks 1974 in Bello, 2013). The efficiency argues that what is central and important to local government is to efficiently carry out local duties allocated to it at the highest efficiency rate. The theory further posited that the quality and quantity of the provision of these services represent local or rural development. As argued by Sharpe (cited in Ola and Tonwe, (2005)) the local government is the most efficient agent for the provision of these local services that they have responsibility to provide. The proponents of this theory maintain that the closeness of the local government to a specific location makes it best suited to provide efficiently the services that are needed at the grassroots. These services include local roads, housing, water supply, primary health care services, education etc (Eminue, 2006). To be able to achieve these challenges mentioned above, the local government requires adequate funds. The usurpation of some local government functions as justification for tempering with the funds of local government through the Joint Allocation Account Committee (JAAC).

Apart from serving the selfish interest of the people who are to be served by the local governments.

The relevance of the theory to this study is that local government are strategically positioned to provide the services more efficiently than either the federal or state governments who are not close as the local government to the people. However, the joint account system in operation (JAAC) across the states, seem negate the principles of financial autonomy for local government in the country and therefore be reviewed for effective and efficient services.

**State-Local Government Joint Account in Perspective**

The Joint Account system was reintroduced into the constitution of the Federal Republic of Nigeria in 1999. Section 162 (5) of the constitution provides inter-alia. “The amount standing
to the credit of local Government Councils in the Federal Account shall also be allocated to the state for the benefit of their Local Government councils on such terms and in such manner as may be prescribed by the National Assembly”. Also, section 162 (6) provides as follows. “Each state shall maintain a specific account to be called “State Joint Local Government Account” into which shall be paid all allocations to the Local Government Councils of the state from the Federation Account and from the Government of the State”.

These sections of the constitution prescribe direct allocation to the councils and put it under the supervision of every State Government. Due from that, direct allocation to the councils was no longer possible as money allocated to the local authorities and now paid into the State Joint Account. It is, however, worthy to note that the issue of a Joint Account was given birth to in 1979 via the 1976 Local Government reforms. It is in this regard that Professor Bello-Imam (1996:43) asserts that “the first major attempt of comprehensively looking at the finances of Nigeria Local Governments took place in 1976, during the nation-wide Local Government reforms. The reform measures and the 1979 constitution identify reasonably adequate sources of revenue for the Local Government to Local Government”.

In the light of the above Oguona (2010:26) argues that due to the persisted problem of inadequate revenue to the Local Government System, the Federal Government have been reviewing the revenue grant to this third tier of government from time to time. Hence, between 1973 and 1975 during the oil revolutions of the seventies, Local Governments received grants and loans from the federal Government. Then from 1979, Local Government through a statute were being granted varying amount of loans.

However, during the second republic, based on the Okigbo’s report, a revenue allocation act of 10% of the Federation account was guaranteed to Local governments. This was later adjusted to 15% and 20%. Earlier Omoruyi (2013:190 cited in Ladipo Adamolekun (Ed) 2002) informed us that “in an attempt to look for a better way of improving the finances to the Local councils, the then permanent secretary, Federal Ministry of finance, Mr. Alison Ayida was asked if it would “be normal in a federal system for the Central Government to deal directly with the local authorities in revenue allocation. He said, he did not think that the Federal Government should relate directly to the Local Governments arguing that the essence of the 1976 reform “was to make State governments have statutory allocation relationship with respective state governments.

He maintained further, that the government should administer the local government account and warned that there would be need for statutory guarantee written into the constitution against possible manipulation by the state governments. The foregoing explains the genesis of the joint account system in Nigeria. Its introduction into the 1979 constitution may have been to assist in improving the sorry financial condition of the local councils and protect the allocation of the councils against possible manipulation by the state authorities.

The issue of Joint Account was clearly mentioned first by the technical committee set up by the federal government on revenue allocation in
1976. The technical committee on revenue allocation was headed by Prof. Ojetunji Aboyade. During the first meeting of the technical committee Dr. Omoruyi was assigned the responsibility to look into the local government financing and relate this to the distribution of political powers and functional responsibilities within the three tier system of government and should disburse funds directly to the local government and the other was whether the federal government grants to local government should be made through the state government. These two questions dominated the meeting of the technical committee. However, the committee observed two things as they embarked on the tour of the states in 1976.

i. That the local government was not adequately provided with funds.

ii. That state governments were not providing fund for the local government Omoruyi(2013:196).

The articulation of the financial problems of the Local Government precipitated the idea of having a Joint Account system for the unified local government system in Nigeria under the supervision of the state government. The major reason according to Omoruyi (2013) for the joint account system and its subsequent inclusion into the 1979 constitution was to forestall possible manipulation of the local government finances by the various state governments. It is worthy to note that contrary to the protection of local government allocation as envisaged by the constitution it was still embarrassingly subjected to various kinds of manipulation by the state governments. The illegal deduction, diversions and delay in the release of council’s allocation from the joint account system attest adequately to this. This deduction made its abolition in1985 possible.

Agu (2007:82) opines that, “in 1985 General Badamosi Babangida took over power from Buhari Tunde Idiagbo. He funded local government directly. He gave allocation direct to the chairman and not through the state joint account”. Agbayere (2011:116) giving credence to the above information said “The financial relationship between all the levels of government finds expression under section 160 of the 1989 Nigeria constitution. The constitution provides that share of the state in the past. The joint account system was surely abrogated in 1989 due to its defectiveness. The various state governments over manipulated the joint account to the detriment of the local governments. The joint account finds its way again into the 1999 constitution.

Agu (2007:83) further observes that, “in 1999, Abdusalami Abubakar came into power and drafted the 1999 constitution. The process of direct funding to local government was changed and it was incorporated into state joint account. The statutory allocation of 20% goes to the state joint account system have good intention for its establishment. However, this financial policy played into the hands of hawks such that the objective of the joint account was defeated as the supervision of the account by the state governments provided a vent for manipulation of the account through deduction, delay in the release of allocation to councils and diversion of funds into private use.

Challenges of State Joint Local Government Account in Nigeria

Over the years, the local government administration has been faced with series
of developmental and economic challenges where different policies have rendered the council incapacitated to discharge their constitutional mandates. Fiscal relationship between state and local governments has become a problematic issue in inter-governmental relations in Nigeria. Therefore, the implementation of the state joint local government account in Nigeria following the restoration of civil rules in 1999 had largely constituted and generated a lot of controversies in the polity such as the allegation of indiscriminate deductions from the statutory allocation of the local government by the state government and its concomitant effect on local government council productivity (Ojugbeli and James, 2014). Thus, the provisions for joint account between the state and local government councils are huge impediment on financial autonomy of local government councils. Some of the challenges of the Joint account include the following:

a. The state government makes deductions from the account without regard to the convenience to the local governments initiated by the state governments and carried out by it on behalf of the local governments. In a bid to show the spate of over bearing powers of state according to Afolabi and Akinwande (2013) in Agunyai and Etembo (2017) contend that between 1999 and 2012, there have been accusations against most state governors that the policy priorities of some of them are sometimes at variance with, and do not always take in to consideration the peculiar needs of local governments under them. In a similar vein, Togun (2010) submits that most governors are not always mindful of the policy focus of local governments because they control the “purse” of the local councils under them.

b. The local governments like the states also follow the pattern of the state by diverting the funds for private use. The inability of local government to provide services at the grassroots has been linked to high level of corruption among the local government’s officials (Agba, Akwara and Idu, 2013). For instance, ICPC arraigned Saidu Musa, former chairman of Awe Local Government Area Council of Nasarawa State and two top principal officers Mr. Umaru Zanuwa, Director of Works and Alhaji Aso Safiyanu, the Director Finance over various corrupt practices involving ₦23,503,940.00 Mr. Umaru H. Zannuwa, who was the Director of Works in the council, used his office to confer corrupt advantage upon himself by collecting the sum of ₦2,430,000.00 for the electrification of Kanje/Kekura, a project which was financed and executed by Japanese Government. He was also accused of using his office as a Director of Works in the council to confer corrupt advantage upon himself by collecting the sum of ₦4,522,000.00 for purported hiring of a bulldozer in the name of MIGGA investment and converted the money to his personal uses. (Ameh, 2008 in Adeyemi, 2012). This view had earlier been supported by the work of Ibietan and Ndukwe (2014) who submit that leaders at the grassroots primarily seek means to enrich themselves as quickly as they can ultimately run the budgets of their various localities around without any visible development projects to show for it.
c. The local government chairmen who are usually either appointed by the state governors, caretaker or elected through elections conducted by the state independent electoral commission appointed by the state governors seem frustrated and hopeless with a system that leaves them incapacitated financially. They seem helpless as any agitations would result in one form of sanction or the other by the state government.

d. Problem of accountability: According to Okafor (2010) submit that, the state joint Account has made local Government accountant ability very difficult. The huge deduction and diversion of local government funds has made the local government unable to explain to the public on how they spent their revenue at any given time, rather the funds are abused for other frivolous issues and personal interest by the state government and other parties.

e. The operations of state joint local government account led to the increase in underdevelopment of most local government areas. According to Ezeji (2010) “allowing the state joint local government account to still exist is antithetical to the much desired sustainable development at the local level”. The deduction of the statutory allocation, meant for the local government makes the achievement of development very difficult. This has contributed to increasing poor infrastructures, low standard of living, low human resources development etc.; that is why Ogunna (1996) avers that “for the local government to serve as a powerful instrument for rapid rural transformation, it should possess a solid financial base”.

The Implications of the Joint Account on Local Government Financial Autonomy

There are implications of joint account operations on the activities of local government to perform their constitutional and statutory roles. Some of these implications as outlined by Okafor (2010) include:-

a. The laws made by the state houses of assembly to bring the state joint local government account (SJLGA) in to force are usually tilted to favour ends there by compounding the already distressed financial positions of the councils.

b. The key officers of the Joint Account Committee set up by the state governor are state government representatives who function on the directives of the state chief executives with little or no control from the council chairmen who are the statutory owners of the fund as the chief accounting officers of their local governments.

c. Most of the local government councils were not even represented in the Joint account Allocation Committee (JAAC).

d. The council who are the chief accounting officers of their representative local governments were never briefed as to how much accrued to their councils monthly from the Federation Account before sharing.

e. Substantial amounts of the allocations from FAAC to each of the local government councils were deducted at source in the name of Joint projects or any other contrived reasons.

f. The council chairmen who picked up the courage to protest over the unwarranted deductions from their
council statutory allocation were threatened and some were even sacked from their positions for daring to query the activities of the Joint Account Allocation Committee (JAAC) by the state governors.

g. State governments that are constitutionally required to fund local government councils have instead used the SJLGA provisions to hold local governments hostage and make them mere appendages of the state thereby practically denying the local government councils their financial autonomy.

From the above submission, it shows that revenue allocations that accrued to local government councils in the state were not only deducted at source but that they were in some occasions totally withheld by the state government through the joint committee. The 1999 constitution is one of the factors that led to abuse of the state joint local government. This is because section 165 subsections 5-8 advocated the issue of state joint local government account which is under the control of the state government. This constitutional provision makes the state government possess the excessive control over the local government account by confiscating the huge amount and leave little to the local government. (Ekwonna and Nosir, 2014 and Nosir, 2013)

There is evident that state governments are reluctant to allow state joint local government account to be abolished because it will reduce the level of their powers over the local government. So, the desire for high centralization of power by the state government has encouraged the state government to support the existence of state Joint local government to be too dependent on the state government on any activity which further undermines their autonomy.

**Conclusion**

Local government plays germane role in rural development in Nigeria. The 1999 constitution recognized the local government as a tier of the federal state. However, in operation, local governments in Nigeria have been performing poorly in provision of essential services to the people due to absence of financial autonomy. This is so because the state joint local government account has placed the local government councils in a financial bondage. Therefore, the running of state joint local government account be abolished and bring full financial autonomy to local governments which will make them to be really recognize as a tier of the federal state in Nigeria rather than as a structure of the state government.

**Recommendations**

In order to ensure proper financial autonomy for local governments in Nigeria’s fourth republic, the following are recommended:

a. The study recommend the abolition of the state joint local government account law or a major review of some of its provisions especially sections 162(6) and (8) to allow the local governments access their federal allocations directly.

b. There should be the establishment of independent agencies empowered by the law to inspect the spending of local government fund. The members of this agency must have a proven track record of financial management to supervise, inspect and audit the use of statutory allocations by local government councils.
c. The anti-graft agencies should be empowered by law to monitor the spending of local government funds by public office holders on monthly basis as they collect their allocations from federation account. This will enhance the needed rural development in our local government areas and good governance that will deliver the dividend of democracy to the grassroots people and thus rural development will be enhanced.

References


