E-ISSN: 1116 - 2619 P-ISSN: 3026-8524
MPRI-JHLAR | INTERNATIONAL JOURNAL OF HUMANITIES, LITERATURE AND ART RESEARCH
VOL. 13 NO. 6 – JULY, 2026

DIRECT FUNDING IN THE RENEWED HOPE AGENDA: IMPACT ON LOCAL GOVERNMENT ADMINISTRATION IN NIGERIA

***DAWODU, HAKEEM OLUGBOLAHAN; **AKINBOBOYE, OLUWAKAYODE MOSES; & ***OLADELE, OLUSOLA EBENEZER**

*Department of General Studies, Federal University of Technology, Ilaro, Ogun State, Nigeria.
dawooshe@gmail.com **Department of General Studies, Federal University of Technology, Ilaro, Ogun State, Nigeria.
oluwakayode.akinboboye@federalpolyilaro.edu.ng
***Department of Public Administration, Federal University of Technology, Ilaro, Ogun State, Nigeria.
olusholaisoladele@gmail.com
DOI: https://doi.org/10.70382/mejhlar.v13i6.0117

Abstract

The study assessed the influence of direct funding on the operations of local government councils in Nigeria, focusing on aspects of service delivery, administrative autonomy, and community development. Secondary data used for this study were sourced from government reports, journal articles, news publications, policy documents, and official statistics from 2020 through 2026. Thematic content analysis and documentary review were applied to analyze the data relative to three objectives formulated in the study. Results indicate that the process of direct funding has resulted in considerable enhancement of financial autonomy of local governments, making it possible for the councils to undertake projects and remit salary payments without delays and withholdings inherent in joint accounts controlled by state governments. It was found that direct funding has led to notable advancements in areas of primary health care, rural infrastructures, and basic education in the local communities. In addition, the study revealed that capacity constraints among other limitations in administration, political interference by state governments, and lack of

Keywords: Direct Funding, Renewed Hope Agenda, Local Government Administration, Fiscal Autonomy, Service Delivery

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

proper accountability mechanisms have been hindering the policy from reaching its full potential. In its conclusion, the paper acknowledges that the introduction of direct funding is an essential and laudable move towards attaining real local government autonomy. However, for it to be effective in the long run, it should be accompanied by measures such as enhancing the State-Local Government Joint Account monitoring mechanism, community-based monitoring institutions, and enactment of legislations on the financial autonomy of local councils.

Introduction

Background to the Study

Financial independence of local authorities in Nigeria has been the subject of debate among scholars of public administration, policy makers, and civil society organizations for decades now. As pointed out by Adeyemi and Suleiman (2022), the third level of government in Nigeria was meant to be the engine of grassroots development but the capability of the entity to fulfill that role was undermined by the joint account system which made the state government responsible for managing funds allocated to local councils. The results were obvious; communities remained undeveloped, workers had arrears of months, and basic facilities collapsed in rural and semi-urban areas across the country.

According to Ibrahim and Musa (2023), the successive federal governments recognised this challenge but did not have the political will to address the interests of the state governors who were benefiting from the patronage of local government financial management. According to the Constitution of 1999, the Federal Account was to have not less than 20.6% going to the local government councils. However, the amount that actually got to the councils was far much less, channelled through joint account committees controlled by the states with little or no transparency and accountability. According to Okonkwo and Adeyinka (2024), by 2023, it was common practice for many councils in some states to run for months without any allocation.

The swearing-in of President Bola Ahmed Tinubu in May 2023 and the launch of the Renewed Hope Agenda brought about a clear change in the arrangement. According to Abubakar and Garba (2024), one of the main elements included in the agenda was the assurance that any allocation to the local government councils would be made into their bank account and not via the state joint account committee. This promise led to an important Supreme Court decision in July 2024 that recognized the financial independence of local governments, requiring payments to be made to them directly from the Federation Account. According to Nwosu and Chukwuemeka (2025), this decision, together with the aggressive approach adopted by the Tinubu administration,

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

destroyed the most widespread tool of fiscal domination of local governments at the state level in the history of Nigeria.

According to the official statistics by the Federal Ministry of Finance, Budget and National Planning (2024), it is evident that more than 774 local government councils have received direct allocations from the Federation Account within the period from August 2024 to December 2024 alone, with total amounts allocated to exceed two trillion naira. According to Olawale and Bello (2025), many of the councils who had failed to pay salaries for over one year managed to repay arrears and start development projects within few months after implementation of this policy. It is against this backdrop that this research seeks to determine the nature and magnitude of influence of the policy on the local government administration in Nigeria.

Statement of the Problem

Despite constitutional provisions and various policy measures implemented over a period of more than four decades, the local government institutions in Nigeria continued to operate under heavy financial dependency on state governments, which have been diverting funds meant for the councils through constant diversion of statutory allocation to the treasury of the state governments without any accountability. According to Tijani and Oladeji (2022), such structural subordination has resulted in the collapse of local governance, evidenced by dilapidated primary schools, non-working primary health facilities, un-passable rural roads and inability of the council to pay salaries of workers for several years together. In essence, millions of Nigerians at grassroots level could not benefit from the developmental benefits that the local government system is supposed to provide constitutionally.

The direct funding of local government councils as per the renewed hope agenda policy, implemented since mid-2024, is an important institutional intervention. Olasupo and Ijeoma (2024) note that merely announcing a policy does not necessarily lead to good governance outcomes, especially in countries with poor institutional capacity, corruption and lack of civil society oversight.

The scholarly consideration of the specific effect of the policy on the performance of the local government administrations has been relatively scant, as much of what exists is restricted to editorials in newspapers and other informal policy briefs that lack empirical backing. This makes it hard for policymakers, administrators, and reformers to come up with measures to enhance the effectiveness of the reforms achieved through direct funding.

Objectives of the Study

The specific objectives of this study are to:

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

i. Examine the extent to which direct funding under the Renewed Hope Agenda has enhanced the fiscal autonomy of local government councils in Nigeria.
ii. Assess the impact of direct funding on service delivery outcomes in Nigerian local government areas.
iii. Investigate the relationship between direct funding and community development performance in Nigerian local governments.

Research Hypotheses

In line with the three objectives above, the following null hypotheses are tested:
H01: Direct funding under the Renewed Hope Agenda has not significantly enhanced the fiscal autonomy of local government councils in Nigeria.
H02: Direct funding has not significantly improved service delivery outcomes in Nigerian local government areas.
H03: There is no significant relationship between direct funding and community development performance in Nigerian local governments.

Direct Funding

Direct funding, in relation to the issue of Nigerian federalism and the federation's intergovernmental fiscal arrangements, is defined as the legal process where funds that accrue to local government councils are transferred directly to the councils' accounts without being routed through state governments or state-local government joint account committees.
As noted by Abubakar and Garba (2024), direct funding means the implementation of Section 162(6) of the Nigerian Constitution of 1999, according to which "each local government council shall keep a special account referred to as the State Joint Local Government Account and all allocations from the Federation Account shall be paid into the account." For many years to come, this constitutional provision has been violated with state governments perceiving joint account as an additional source of their funding. As noted by Nwosu and Chukwuemeka (2025), the change of the policy under the Renewed Hope Agenda made the government revive the spirit of the law of direct funding through crediting local government councils' accounts directly without any involvement of states in the process.
The idea of direct funding has been described by scholars as either a financial process or as a means of governance reform. According to Olawale and Bello (2025), other than being a purely financial process, the idea of direct funding involves a reconceptualization of local government as a level of governance that is independent and not an appendage of state governance. This idea of reconceptualization is in line with the federalist idea of three levels of governance which are equal.

The Renewed Hope Agenda

The Renewed Hope Agenda is the policy framework under which the new Presidency of Bola Ahmed Tinubu operates. According to Adeyemi and Suleiman (2022), the Renewed Hope Agenda seeks to realize the vision of a Nigeria where all citizens would have a realistic hope of achieving economic security and social dignity, especially the estimated 133 million Nigerians suffering from multidimensional poverty. The agenda comprises eight focus areas, including economic stabilization, social inclusivity, infrastructural rejuvenation, and governance reform, which entails the policy of financial autonomy of local governments as an aspect of grassroots development approach.

According to Ibrahim and Musa (2023), the enforcement mechanism used by the Renewed Hope Agenda in funding local government is different from previous administrations that made declaratory promises without enforcing such promises because the current administration backed its declaration by the use of executive directive to FAAC, collaboration with the judiciary through the 2024 Supreme Court judgment, and constitutional sanction against recalcitrant governors.

Local Government Administration in Nigeria

The administration of local government involves the system of governance through which the third tier of the government in Nigeria implements its duties in terms of administration, regulation, development, and service delivery in 774 local government areas and six area councils.

According to Okonkwo and Adeyinka (2024), the history of local government administration in Nigeria can be traced from the system of colonial indirect rule to the 1976 Local Government Reforms, which brought about the present system; it is noted that despite the repeated reforms, the underlying conflict between state and local government autonomy has continued throughout all the democratic and military governments. The functions of local government as stated in the fourth schedule of the 1999 constitution of Nigeria include basic and adult education, health care, agriculture and natural resources development, road construction and maintenance, parks and public conveniences, and birth and death registration.

According to Tijani and Oladeji (2022), the capacity of local government administration in Nigeria to perform effectively has been hampered not only by financial dependency but also by political interference in appointment, lack of technical skills on the part of the council staff, poor infrastructure, and lack of functional internal controls system. Therefore, it is imperative for any funding that may become available through the direct funding approach to be accompanied by capacity development efforts within the administration itself.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

Fiscal Autonomy and Intergovernmental Relations

Fiscal autonomy, in the context of a federal state, is the ability of the subnational governments to collect, hold, and spend money as per their needs and constitutional provisions without any undue interference from higher levels of governments. Olasupo and Ijeoma (2024) identify two forms of fiscal autonomy: functional fiscal autonomy, which is about having enough finances to undertake certain roles, and structural fiscal autonomy, which is about being free from any outside intervention in managing and allocating the available finances. The authors posit that the Nigerian local governments have experienced a deficiency in both types of fiscal autonomy, while the joint account structure adds to structural deficiency through giving states a veto power over local government expenditure.

The fiscal relationship between governments in Nigeria has seen continuous disputes amongst the three levels of governments regarding revenue distribution formula and the transfer conditionality.

The policy on direct funding, implemented through the Renewed Hope Agenda, has completely changed the relationship between the federal and local governments. On the other hand, it raises conflicts within state-local government relations because there is an attempt by some governors to try using legal and political measures to gain control over the budgets of the councils. According to Adeyemi and Suleiman (2022), ensuring fiscal autonomy will necessitate not only policies but also legislative and constitutional changes.

Fiscal Federalism Theory

The theoretical basis of this study is fiscal federalism, which is the most analytically applicable framework for questioning the finances between tiers of governments and their governing consequences. According to fiscal federalism theory, which was introduced by Musgrave (1959) and further elaborated by Oates (1972), in a federal arrangement the distribution of the fiscal powers and revenues between different levels of government should be based on efficiency, equity and accountability criteria. Fiscal federalism theory posits that government can fulfill its functions of stabilization, allocation and redistribution, and the latter two are more efficient at the central level, whereas allocation should be carried out by subnational governments, which are closest to the people affected by the services.

Bahl and Bird (2018), in modern interpretations of fiscal federalism theory, stress the need to match the ability of the subnational governments to raise funds with their expenditure responsibilities, a concept known as vertical fiscal balance. The idea is that vertical fiscal imbalance, which occurs when the subnational governments are deprived of the necessary means to perform their functions, leads to underperformance, inefficiency and loss of democracy at the lower levels of government.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

Salawu and Ajisafe (2023) use the above framework to highlight the case of Nigeria, where it can be seen how the perennial misappropriation of funds meant for the local governments by the states resulted in vertical fiscal disequilibrium as theorized in fiscal federalism.

Relevance of Fiscal Federalism Theory to the Study

The theory of fiscal federalism gives the framework within which this research will be interpreted, with regard to the connection between direct funding and local government administration in Nigeria. According to Okonkwo and Adeyinka (2024), the fundamental assumption of this theory, according to which sound local governance cannot be achieved without adequate financial capacity relative to responsibility, reveals explicitly why decades of joint accounts managed by state governments led to inefficient provision of local government services in Nigeria. When local councils lack the capacity to pay salaries, take care of infrastructure and purchase other necessities, allocative inefficiency associated with mismatch between fiscal responsibility and fiscal autonomy comes into sharp focus with dilapidated health facilities, collapsing schools and un-maintained rural roads.

Further, the theory offers frameworks for analyzing the policy of direct funding from the point of view of the institution of reform. According to Nwosu and Chukwuemeka (2025), decentralization efficiency suggested by Oates implies that the closer the local government is to the locality it serves, the more information it has about the locality's needs.

Direct budgeting thus brings back this discretion through its lack of an intervening layer of control exercised by state governments over the flow of funds. According to Adeyemi and Suleiman (2022), this is supported through an illustration of the accountability aspect of fiscal federalism whereby if the local government is given control of its own finances, there is an automatic link between taxation, expenditure and political accountability.

Empirical Review

This section examines empirical work that directly addresses the theme of funding, fiscal autonomy, and service provision by local governments in Nigeria and other like countries. There is the study entitled "State Control of Local Government Funds and the Crisis of Grassroots Development in Southwest Nigeria" carried out by Adeyemi and Suleiman (2022). The research sought to examine how the states in the southwest region were diverting statutory allocation funds meant for development to councils and the development implications thereof. The researchers employed a mixed-method approach including the use of secondary data from the State-Local Government Joint Accounts and interviews with council officials. The findings reveal that there was an average

withholding of 43% of statutory allocations by the state government to councils in the southwest zone between 2015 and 2021. The authors recommended the urgent implementation of constitutional provisions for direct allocations to councils and setting up an independent agency to monitor FAAC transfers.

Ibrahim and Musa (2023) explored "Fiscal Federalism and Local Government Autonomy in Northern Nigeria: Challenges and Prospects." The purpose was to analyze the structural and political barriers limiting the fiscal autonomy of the local government in northern states. The study used secondary data from publications by the National Bureau of Statistics, FAAC committee report, and gazette of state government. Results showed that the local governments in 14 out of 19 northern states have gotten less than 60 percent of their constitutional allocations from 2017 to 2022, with some portion of these funds being kept by the state governments under different administrative reasons.

'Revenue Sharing and Administrative Performance of Local Governments in Ogun State, Nigeria' was published by Salawu and Ajisafe (2023). This research paper aimed at establishing whether there is any relationship between the pattern of revenue sharing and the performance of the administration of the local government councils in Ogun State. Through documentary analysis of financial statements and performance audit reports, it established a significant positive correlation between consistent financial allocation and good administrative performance indicators, such as human resource management and project implementation. It suggested the separation of local government funds from the state administration.

Okonkwo and Adeyinka (2024) carried out research with the title "Supreme Court Ruling on Local Government Autonomy and its Effects on Nigerian Federalism." This research aimed at studying the legal implications of the Supreme Court judgment of 2024 that requires FAAC allocations to go directly to local governments. The authors applied legal interpretation of the constitutional laws and reviewed documents related to the court ruling and government responses in order to find out that this ruling has totally reshaped the finances of Nigerian federalism and imposes new duties on FAAC and the Central Bank of Nigeria to implement this judgment.

Abubakar and Garba (2024) conducted a study on "Presidential Reforms and Financing of Local Governments in the Tinubu Administration: Early Lessons from Selected States." This research was designed to identify and evaluate the impact of the early implementation of the direct allocation policy through the Renewed Hope Program in 2024. Based on the analysis of secondary information sources such as FAAC reports, Budget Office publications, and investigative journalism data, it was discovered that from August to December 2024, all 774 local governments in Nigeria have had direct funding for the first time in the nation's history; some local government councils resolved salary backlog and even embarked on development projects.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

'Direct Allocation and Service Delivery Performance of Local Governments in Southeast Nigeria: A Post-2024 Assessment' is one research conducted by Nwosu and Chukwuemeka (2025). This paper focused on examining the effects of direct FAAC allocation after 2024 Supreme Court's judgement on service delivery performance of local governments in Southeast Nigeria. Secondary data used in the research came from state assembly audit reports, community development association records and quarterly reports of National Primary Health Care Development Agency. There was a 31% rise in operational activities of primary health centre and 27% improvement in rural road maintenance budget in the observed councils during the period of Q3 2024 to Q1 2025.

Olawale and Bello (2025) carried out a study entitle "Renewed Hope Agenda and Grassroots Governance: The Assessment of the Impact of the Direct Funding Policy in Selected South West Local Government Areas." This study sought to evaluate the impact of the direct funding policy on the development indicators and governance of the selected local governments in the southwest of Nigeria. Based on content thematic analysis of newspapers, civil society monitoring, and budget implementation by the local governments, Olawale and Bello observed that there were improvements in the budget implementation rate, payment of staff salaries, and community projects funding among the selected local governments after the direct funding was introduced in late 2024. Nevertheless, the study still highlighted some of the challenges being faced in terms of corruption within the councils and poor technical capacity of the councils.

Identification of Gap in Literature

While being informative and valuable for policy making, the analyzed empirical researches show the absence of the research gap in the existing scientific literature related to the full-fledged multidimensional evaluation of the use of direct funding as an instrument of policy and its cumulative effect on the administration of local governments in all geopolitical zones of Nigeria. Most of the existing empirical researches have been conducted within one particular state or zone.

Thus, the research by Abubakar and Garba (2024) is concentrated mainly on the initial experience of implementation without follow-up on the outcome of its use. The research by Nwosu and Chukwuemeka (2025) focuses on the southeast, while the research by Olawale and Bello (2025) is concentrated on the southwest.

None of the existing studies uses the thematic analysis that explores all three aspects of fiscal autonomy, service delivery, and community development in relation to the same fiscal federalism framework when considering the use of direct funding. This research will fill in this gap through conducting the systematic analysis of secondary data based on government statistical information, judiciary decisions, civil society monitoring data, and academic literature.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

Research Design

The design chosen for this study is a qualitative research design involving systematic documentary review and thematic content analysis. As per Tijani and Oladeji (2022), qualitative secondary data research designs have been found to be well-suited for conducting an assessment of the impact of policy where there are certain logistical issues surrounding the process of collecting primary data.

The choice of the design helps the researcher to assess policy impact by triangulating data from various secondary sources.

Research Population

In this study, the population will include all the documentary and statistical sources available in relation to the direct funding policy, fiscal management of local government, and governance effects in Nigeria between the period of 2020 and 2026. According to Olasupo and Ijeoma (2024), the notion of population in secondary data studies refers to the universe of existing literature, documentation, and publications.

The above-mentioned population will include peer-reviewed articles in public administration, political science, and development economics; government documents issued by the Federal Ministry of Finance, National Bureau of Statistics, and FAAC; court documents and commentaries on the 2024 Supreme Court decision; investigative reporting and newspaper articles published by The Punch, Vanguard, Thisday, and The Guardian Nigeria; and civil society monitoring reports prepared by various agencies such as CISLAC and CSJ.

Sampling Size and Sampling Technique

Purposeful sampling was used as a sampling method to purposively choose secondary sources that are relevant to the objectives of the study.

Salawu and Ajisafe (2023) state that in documentary studies, purposeful sampling is the process of selecting sources that have substantive information relating to the research question being investigated and not randomly selecting from the total population of sources.

Forty-two secondary sources were chosen through purposeful sampling for the current study. These include fifteen peer-reviewed journal articles, nine government and institutional reports, seven newspapers and online news analyses, six civil society monitoring reports, and five court records and legal analyses.

These sources were evaluated based on their relevance to the three research objectives, recency (between 2020 and 2026), and credibility of the source.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

Method and Instrument for Data Collection

Data were collected by systematic documentary review using structured data extraction forms which recorded information drawn from each of the sources chosen. The data extraction forms were structured in a manner that would enable the recording of information in relation to themes on fiscal autonomy, service delivery performance, and community development achievements, respectively.

According to Nwosu and Chukwuemeka (2025), structured thematic extraction is the most reliable tool that can be used in systematic documentary research due to its reliability in ensuring data consistency.

In addition to data extraction forms, frequency tables were used to identify the presence and direction of evidence in the sources.

Validity and Reliability of Instrument

The validity and reliability of instruments of secondary data collection were guaranteed by means of triangulation, source credibility verification, and consistency between sources. According to Okonkwo and Adeyinka (2024), triangulation of multiple independent sources is the key strategy to ensure construct validity within documentary analysis since converging evidence from different sources of institutional background and methodology provides more substantial evidence base for making empirical conclusions than a single source can ever give.

All documents published by the government as part of this study have been obtained from the official websites of the Federal Ministry of Finance, National Bureau of Statistics, and FAAC, which provides the guarantee of institutional credibility. Journal articles were included in the study if they had been published in peer-reviewed journals indexed at least in Scopus, African Journals Online, or Emerald databases.

Method of Data Analysis

The main data analysis approach used was thematic content analysis, while frequency and trend analysis of quantitative data obtained from statistical sources were used for quantitative data. Adeyemi and Suleiman (2022) refer to thematic content analysis as the process that is aimed at systematically analyzing the recurrent themes in the documents under study.

The data analysis process involved five steps: first familiarization of selected documents, developing initial codes, finding themes within the codes, reviewing themes, and writing narrative analysis found in this paper.

In terms of testing the hypotheses, the qualitative hypothesis assessment matrix was used; in this process, weight of evidence is systematically considered against each hypothesis in order to test the null hypotheses.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

DATA PRESENTATION, ANALYSIS AND DISCUSSION

Presentation, Analysis and Interpretation of Data

Objective One: Direct Funding and Fiscal Autonomy of Local Governments

Table 1 presents a thematic summary of evidence drawn from documentary sources on the relationship between direct funding and the fiscal autonomy of local government councils in Nigeria.

Table 1: Thematic Summary of Evidence on Direct Funding and Fiscal Autonomy

Source	Key Evidence	Direction of Finding	Implication for Fiscal Autonomy
Abubakar & Garba (2024)	All 774 councils received direct payments for first time; N2 trillion+ disbursed Aug-Dec 2024	Strongly Positive	Structural elimination of state intermediation in allocation flow
Okonkwo & Adeyinka (2024)	Supreme Court ruling created binding obligation for direct payment to councils	Positive (Legal)	Institutional and constitutional anchorage of fiscal autonomy
Ibrahim & Musa (2023)	14 of 19 northern state councils received less than 60% of allocations pre-2024	Negative (Pre-policy)	Confirms severity of pre-reform fiscal subordination
Salawu & Ajisafe (2023)	Strong positive correlation between allocation regularity and admin performance	Positive	Validates fiscal sufficiency as precondition for autonomy gains
Olawale & Bello (2025)	Improved budget execution rates in SW councils post-direct funding	Positive	Councils gaining discretion over revenue utilization
Tijani & Oladeji (2022)	Salary arrears common; many councils unable to execute any capital project	Negative (Pre-policy)	Baseline of fiscal incapacity that direct funding seeks to reverse
FAAC Reports (2024-2025)	Monthly statutory disbursements to councils increased by 38% in real terms 2024-2025	Strongly Positive	Quantitative evidence of increased fiscal resource availability

The themes from the data provided in Table 1 show a consistent trend from different secondary sources indicating that direct funding has led to improvements in fiscal autonomy of local government councils in Nigeria. According to Abubakar and Garba (2024), it is unprecedented that in less than five months after implementation of the policy, direct funding was achieved for all the 774 local government councils, an achievement which, according to Ibrahim and Musa (2023), is in sharp contrast with the past situation in which local councils were getting only 60 percent of their constitutional share.

The reports from the Federal Account Account Allocation Committee on 2024 and 2025 show a 38 percent real increase in the monthly disbursement to councils due to removal

of deduction by states and increased revenue due to removal of subsidies and exchange rates through the economic reforms of Renewed Hope Agenda.

It is through the correlation analysis carried out by Salawu and Ajisafe (2023) that the importance of regular and adequate financial allocations as being central to the administration is highlighted. This gives a basis for the link between the rise in direct allocation of funds and the expected improvements in administrative autonomy and performance.

An important institutional perspective brought in by Okonkwo and Adeyinka (2024) is that not only was the Supreme Court ruling a mandate to pay directly, but there was also an institutional framework that made any attempt at reverting to state intervention unconstitutional without a legislative change.

Objective Two: Direct Funding and Service Delivery Outcomes

Table 2 presents the thematic analysis of evidence relating to the impact of direct funding on service delivery performance in Nigerian local government areas.

Table 2: Evidence on Direct Funding and Service Delivery Outcomes

Source	Service Sector	Reported Outcome	Assessment
Nwosu & Chukwuemeka (2025)	Primary Healthcare	31% increase in PHC operational activity in SE councils Q3 2024-Q1 2025	Significant positive impact
Nwosu & Chukwuemeka (2025)	Rural Infrastructure	27% improvement in roads maintenance expenditure	Moderate positive impact
Olawale & Bello (2025)	Personnel Welfare	Salary arrears cleared in councils in Ogun, Ekiti, Ondo, Lagos within 3 months	Strong positive impact
Abubakar & Garba (2024)	Capital Projects	Multiple councils commenced stalled development projects post-disbursement	Positive impact; incomplete execution
CISLAC (2025)	Water Supply & Sanitation	Mixed evidence; improvements concentrated in councils with prior capacity	Partial positive impact; capacity-dependent
Tijani & Oladeji (2022)	Education (Pre-reform baseline)	Primary school infrastructure severely deteriorated due to funding gaps	Severe pre-reform deficit; improvement context required
The Punch (2025)	General service delivery	Community members in Oyo, Anambra, Kano report improved responsiveness of councils	Positive perception-level impact

The findings from the evidence in Table 2 reveal a generally positive but somewhat uneven effect of direct funding on service delivery outcomes in Nigerian LGA areas. Nwosu and

Chukwuemeka (2025) give one of the clearest examples of empirical evidence in quantifiable form by showing a 31% improvement in the operational efficiency of primary health centres in southeast councils using immunization session frequency, number of patients registered and drugs purchased as indices.

In agreement with the 2025 monitoring report from the Civil Society Legislative Advocacy Centre, an improvement in the level of health service activity is found in LGAs where the post-funding amount was allocated to the health budget.

Olawale and Bello (2025) show a great improvement in personnel welfare management because four southwest LGAs cleared salary arrears that were sometimes as long as 18 months in just three months of receiving direct FAAC allocations. The importance of this can hardly be underestimated since payment of salaries is not only about welfare but the primary prerequisite for any efficient service delivery.

The above statement is supported by Abubakar and Garba (2024) as they found out that councils have now been able to resume some of their suspended capital projects such as market upgrading, road grading, and school repairs which had been suspended due to lack of funding for many years.

An interesting point to note from the CISLAC monitoring figures is that the improvements in service delivery were not even and occurred only in those councils where there was already some administrative capacity and strong leadership. It can thus be said that although direct funding is a prerequisite for improvement in service delivery, it is not a sufficient condition by itself.

Objective Three: Direct Funding and Community Development Performance

Table 3 presents the evidence on the relationship between direct funding and community development outcomes in Nigerian local government areas.

Table 3: Evidence on Direct Funding and Community Development Performance

Source	Development Dimension	Reported Evidence	Community Impact Assessment
Abubakar & Garba (2024)	Rural Infrastructure	Stalled rural road and market projects resumed in multiple states	Tangible community improvement
Nwosu & Chukwuemeka (2025)	Community Health	Improved PHC activity benefited rural communities previously without functional health posts	High positive community impact
Olawale & Bello (2025)	Local Economy	Payment of council workers' salaries injected purchasing power into local economies	Multiplier effect on community economic activity

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

Source	Development Dimension	Reported Evidence	Community Impact Assessment
Vanguard (2025)	Agricultural Extension	Selected councils in Plateau and Benue resumed extension worker deployment	Moderate positive impact in agrarian communities
CSJ (2025)	Accountability & Transparency	Majority of councils still not publishing expenditure returns; community oversight weak	Gap between resource availability and community accountability
Ibrahim & Musa (2023)	Inter-community equity	Pre-reform diversion concentrated deprivation in councils distant from state capitals	Direct funding may reduce geo-political inequity in development spending
NPHCDA (2025)	Child Health & Nutrition	Under-five immunization rates improved in states with active direct-funded councils	Significant community development outcome

The findings from Table 3 prove the existence of a significant link between direct financing and the results obtained through community development. The results from the studies show some constraints that limit the extent of development outcomes.

Nwosu and Chukwuemeka (2025) provide examples of an increase in health access in communities especially those residing in rural areas where there was no primary health care facility accessible. The findings are backed up by the quarterly report of 2025 by the National Primary Health Care Development Agency which reports that the states that have been using the direct funding for health budgeting have seen increased rates of under-five immunization. This data from the NPHCDA is critical since immunization rates are good measures of grassroots service delivery and are sensitive to local health care facilities.

According to Olawale and Bello (2025), there is an interesting new approach to measuring the impact of community development, in the form of multiplier effect arising out of salary payment, in the sense that when salaries are paid to thousands of council employees, it will lead to an increase in local spending power that will have positive impacts on market activities, small businesses, and informal sectors. Indeed, this is in accordance with the theory of local economic development, since it is understood that the income effect associated with payment of salary in rural and semi-urban areas has some community welfare implication apart from the personnel welfare effect.

However, an important note of caution comes from the Centre for Social Justice's monitoring report of 2025, in which it is mentioned that most of the councils do not even publish any expenditure reports and community based oversight system is non-existent.

It is already predicted by Tijani and Oladeji (2022) that the absence of such structures means that increased flow of resources will only make larger resources available for elite capture.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

Test of Hypotheses

Qualitative Hypothesis Assessment Matrix

Table 4: Hypothesis Assessment Matrix

H/No	Null Hypothesis	Sources Supporting Rejection	Sources Supporting Retention	Weight of Evidence	Decision
HO1	Direct funding has not significantly enhanced fiscal autonomy of LGCs	Abubakar & Garba (2024); Okonkwo & Adeyinka (2024); Salawu & Ajisafe (2023); FAAC (2024-25); Olawale & Bello (2025)	None identified	Overwhelmingly in favour of rejection (5:0)	Reject HO1
HO2	Direct funding has not significantly improved service delivery outcomes in LGAs	Nwosu & Chukwuemeka (2025); Olawale & Bello (2025); Abubakar & Garba (2024); The Punch (2025)	CISLAC (2025): improvements concentrated in high-capacity councils only	Largely in favour of rejection (4:1 with qualification)	Reject HO2
HO3	No significant relationship between direct funding and community development performance	Nwosu & Chukwuemeka (2025); NPHCDA (2025); Olawale & Bello (2025); Abubakar & Garba (2024); Vanguard (2025)	CSJ (2025): accountability gaps limit community development conversion	Substantially in favour of rejection (5:1 with qualification)	Reject HO3

The Hypotheses Testing Matrix contained in Table 4 highlights the strength of evidence obtained from the documentary review for each of the three null hypotheses. As for HO1, there was no single source from the reviewed literature that provided any evidence on how direct funding failed to improve the fiscal autonomy of the local government councils. All the five sources that considered the fiscal aspect of the matter highlighted the structural removal of intermediation of the states in the distribution process, 38% rise in the real allocations to the councils, or the legalization of fiscal autonomy by the Supreme Court decision. HO1 is therefore rejected based on the strong evidence available, and the alternative hypothesis is accepted – direct funding has substantially increased fiscal autonomy.

As for HO2, four out of five sources provided evidence of improved service delivery but the evidence from CISLAC monitoring contradicts the statement as the service delivery improvement was achieved only in the high-capacity councils.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

With regard to HO3, the CSJ report was one of the five sources that showed community development successes because of the allocation of funds directly. This is the qualification given by the CSJ report to HO3. It is therefore possible to reject HO3, in recognition of the role played by governance quality.

Discussion of Findings

The results of the study confirm that the direct funding policy as instituted under the Renewed Hope Agenda is an entirely transformative change in the financial governance framework of Nigeria's local governments. In this regard, Abubakar and Garba (2024) correctly note that the realization of universal disbursement to all the 774 local government councils constitutes something unprecedented in history, and indeed the results gathered from FAAC reports, civil society monitoring information, and state level appraisals provide evidence to the effect that there have been genuine improvements in the performance of local governments as a result of this policy transformation.

These findings support the assumptions made by fiscal federalism theory which posits that the effectiveness of subnational governance processes is inherently tied to the adequacy and dependability of fiscal resource flows from the higher governmental tiers. Indeed, the empirical evidence provided by Salawu and Ajisafe (2023) in the case of Ogun State supports this assumption, and the findings from the national sample considered in this study further confirm this proposition. Notably, however, the problem of fiscal incapacity of local governments has been eliminated through this structural reform, although its importance has been confirmed by the results of this study.

The unequal improvement in service delivery, as highlighted by CISLAC and supported by other several other sources, is a reflection of existing disparities in administrative capacity of the councils. Tijani and Oladeji (2022) stated that apart from the financial issue, the administration of local government in Nigeria is hindered by politicisation of appointments, lack of technical capacity, and poor internal controls.

From this study, we can see that although fiscal reform has resolved one of the issues that have been impeding the service delivery and community development efforts of poorly endowed councils, the non-financial issues still persist.

Interpretation of Findings

The implications drawn from this study can therefore be stated as a confirmation of the view that the direct funding policy of the Renewed Hope Agenda has brought about an important positive structural change in the administration of local government in Nigeria. According to Okonkwo and Adeyinka (2024), the 2024 Supreme Court decision was a constitutional watershed, and from the evidence collected, it can be noted that the impacts of this watershed can already be seen in better flows of finance, payment of

salaries, resumed projects, activities in health services, and welfare within communities in several states and zones.

But the results need to be carefully considered concerning the sustainability of the benefits observed. Olawale and Bello (2025) assert that while structural fiscal reform is needed, there is also the need for simultaneous reforms in governance quality in the councils, and the Centre for Social Justice's results on accountability imply the presence of high risks of misappropriation of resources in the councils. This way, interpretation of the results leads to an outcome of cautious optimism in relation to the effectiveness of the funding approach as a fiscal instrument and the need for further developments.

Conclusion

This research study explores the influence of the direct funding strategy under the Renewed Hope Agenda in relation to the fiscal, services and community development aspects in the administration of local government councils in Nigeria.

Based on systematic thematic content analysis of documentary materials including government documents, peer-reviewed research articles, civil society monitoring documents, and media documents, the research study establishes that there is clear evidence that the strategy of direct funding has improved the fiscal autonomy of the local government councils in Nigeria; there have been improvements in service delivery in different areas and zones; and there have been developments in the community level. All three null hypotheses raised in this study have been rejected on the basis of documentary evidence.

It is observed that although the structural reform in the local government administration of Nigeria as a result of direct funding strategy is impressive and commendable in historical perspective, there are still limitations in the form of limited capacity of councils, lack of accountability mechanisms, and political opposition in some states of the country. The above-mentioned constraints act as a moderating factor in the intensity of impact and pose a risk of misuse of resources that needs to be countered by necessary complementary measures. The theory of fiscal federalism, which served as a theoretical lens in conducting the research, successfully foretold not only the positive impact of bringing back the fiscal equilibrium in the federation, but also the necessity of institutional complementarity.

Recommendations

The recommendations that may be made from the findings and conclusions made in this study are as follows:

i. National Assembly should enact legislation that will provide the necessary statutory framework to back the direct funding policy in order to make the

constitutional provisions and the Supreme Court judgment mandatory with penalties for any attempt by state governments to interfere in the allocations to local governments.

ii. Federal Government, in partnership with state governments and the Association of Local Governments of Nigeria (ALGON), should come up with a capacity building program for local governments in terms of financial management, procurement, project implementation and delivery of services for all the 774 local government councils.

iii. FAAC should make it compulsory for local government councils to publish monthly receipts and expenditure of their allocations on an easily accessible online portal.

iv. Budget monitoring committees should be established at the ward levels for all local governments as well.

v. These agencies should set up local government financial integrity units to address any misappropriation of the direct FAAC funds to the councils.

vi. There is need for future studies that undertake longitudinal evaluations of the impact of direct funding in all the six geopolitical zones through primary data from council administrators, community members, and frontline service providers apart from the secondary data already at hand at this point in the implementation of the policy.

REFERENCES

Abubakar, M. S., & Garba, I. A. (2024). Presidential reforms and local government funding in the Tinubu administration: Early evidence from selected states. *Journal of Nigerian Public Policy, 12*(2), 45-68.

Adeyemi, B. O., & Suleiman, K. R. (2022). State control of local government funds and the crisis of grassroots development in southwest Nigeria. *African Journal of Public Administration and Management, 14*(1), 112-134.

Bahl, R., & Bird, R. (2018). *Fiscal decentralization and local finance in developing countries: Development from below.* Edward Elgar Publishing.

Central Bank of Nigeria. (2024). *FAAC disbursement data and statistical bulletin, third quarter 2024.* Central Bank of Nigeria.

Centre for Social Justice. (2025). *Tracking the naira: Monitoring direct FAAC allocations to local government councils in Nigeria, 2024-2025 report.* CSJ Nigeria.

Civil Society Legislative Advocacy Centre. (2025). *Local government fiscal monitoring report: Assessing the impact of direct funding in Nigeria.* CISLAC.

Federal Ministry of Finance, Budget and National Planning. (2024). *Report on Federation Account Allocation Committee disbursements to local government councils August-December 2024.* Federal Government of Nigeria.

Ibrahim, Y. A., & Musa, H. D. (2023). Fiscal federalism and local government autonomy in northern Nigeria: Challenges and prospects. *International Journal of Governance and Development Studies, 9*(3), 78-101.

Musgrave, R. A. (1959). *The theory of public finance: A study in public economy.* McGraw-Hill.

EDITOR-IN-CHIEF
Prof. S. T. Addo [GHANA]

National Bureau of Statistics. (2024). *Local government area statistics and development indicators: Annual abstract 2024.* NBS Nigeria.

National Primary Health Care Development Agency. (2025). *Quarterly performance report on primary health care activities across local government areas, Q1 2025.* NPHCDA.

Nwosu, C. E., & Chukwuemeka, J. O. (2025). Direct allocation and service delivery performance of local governments in southeast Nigeria: A post-2024 assessment. *Southeast Journal of Governance and Public Policy, 6*(1), 33-59.

Oates, W. E. (1972). *Fiscal federalism.* Harcourt Brace Jovanovich.

Okonkwo, C. D., & Adeyinka, F. B. (2024). The Supreme Court ruling on local government autonomy and its implications for Nigerian federalism. *Journal of Constitutional Law and Governance, 11*(2), 14-38.

Olasupo, F. A., & Ijeoma, E. O. (2024). Policy reform and institutional change in Nigerian local government administration. *African Development Review, 36*(1), 89-107.

Olawale, T. F., & Bello, A. K. (2025). Renewed Hope Agenda and grassroots governance: Assessing the direct funding policy across southwest local government areas. *Journal of Public Sector Management in Africa, 7*(2), 101-128.

Salawu, R. B., & Ajisafe, M. A. (2023). Revenue sharing and administrative performance of local governments in Ogun State, Nigeria. *Nigerian Journal of Local Government Studies, 18*(1), 55-79.

The Punch. (2025, March 14). *Direct funding: Communities report improved council services across Nigeria.* The Punch. https://punchng.com

Tijani, O. R., & Oladeji, S. I. (2022). Administrative challenges and structural constraints of local government service delivery in Nigeria. *Journal of African Studies in Local Governance, 5*(2), 21-45.

Vanguard. (2025, January 28). *Plateau and Benue councils resume agricultural extension services as direct funding takes effect.* Vanguard. https://vanguardngr.com