E-ISSN: 1116 - 2619 P-ISSN: 3026-8524
MPRI-JHLAR | INTERNATIONAL JOURNAL OF HUMANITIES, LITERATURE AND ART RESEARCH
VOL. 14 NO. 6 – OCTOBER, 2026

EFFECTIVENESS AND PRACTICALITY OF LOCAL GOVERNMENT FISCAL AUTONOMY IN NIGERIA

PROF. HAGLER OKORIE

Faculty of Law, Abia State University, Umuahia Campus.
Department of Private and Property Law (PPL).
Corresponding Author:
hagler.okorie@abiastateuniversity.edu.ng
DOI: https://doi.org/10.70382/mejhlar.v14i6.0132

Abstract

Local government is widely regarded as the level of government closest to the people and, therefore, a critical institution for grassroots development, service delivery and democratic participation in Nigeria. However, the effectiveness of local government administration has historically been constrained by inadequate financial resources, excessive dependence on statutory allocations and extensive control by state governments. This article examines the effectiveness and practicality of local government fiscal autonomy in Nigeria, with particular attention to the constitutional, institutional and practical challenges surrounding the financial independence of local governments. It evaluates whether granting local governments greater control over their statutory allocations and internally generated revenue can enhance accountability, service delivery, developmental outcomes and democratic governance at the grassroots level. The study adopts a doctrinal approach, examining relevant constitutional provisions, legislation, judicial decisions, governmental policies and scholarly literature on Nigerian federalism and local government administration. It argues that fiscal autonomy is both constitutionally desirable and practically necessary for meaningful local governance, but its success depends on complementary institutional reforms. These include transparent revenue-allocation mechanisms, strengthened internally generated revenue systems, effective financial controls, independent auditing, participatory budgeting and mechanisms for preventing corruption and political interference. The article further contends that fiscal autonomy without corresponding administrative capacity and accountability may merely transfer existing governance problems to the local level. It concludes that genuine local government fiscal autonomy is practicable in Nigeria if supported by constitutional safeguards, judicial enforcement, financial accountability and institutional capacity-building.

Keywords: local government administration, fiscal autonomy, fiscal federalism, independence, Constitution, Nigeria.

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

Introduction

Local government occupies a strategically important position in Nigeria's federal system because it constitutes the level of government closest to the ordinary citizen. Its responsibilities extend to the provision and maintenance of basic social and economic infrastructure, primary healthcare, environmental sanitation, local roads, markets, agricultural extension services and other activities that directly affect the welfare of rural and urban communities. The effectiveness of these responsibilities, however, depends substantially upon the availability, adequacy and independent management of financial resources. Consequently, the question of local government fiscal autonomy has remained one of the most persistent and contentious issues in Nigerian constitutional and intergovernmental relations.[1]

Fiscal autonomy, in the context of local government, broadly refers to the capacity of a local government to obtain, manage, allocate and expend financial resources without undue control or interference from another level of government. It encompasses not merely the receipt of statutory allocations but also the authority to determine expenditure priorities, mobilise internally generated revenue and exercise meaningful control over funds constitutionally or legally allocated to the local authority.[2] Fiscal autonomy must therefore be distinguished from financial dependence. A local government that receives substantial allocations from the Federation Account but cannot independently control or deploy such funds cannot, in any meaningful sense, be regarded as fiscally autonomous.[3]

The constitutional position of local government in Nigeria has historically generated considerable controversy. Section 7(1) of the Constitution of the Federal Republic of Nigeria 1999 recognises a system of democratically elected local government councils and requires the existence of legislation providing for their establishment, structure, composition, finance and functions. At the same time, the constitutional framework governing public revenue allocation places local governments within an intergovernmental financial structure in which resources are distributed from the Federation Account. Section 162(3) provides for the distribution of the Federation Account among the federal, state and local governments, while section 162(5) provides for the payment of amounts standing to the credit of local governments to the State Joint Local Government Account.

It is principally through the operation of the State Joint Local Government Account that the practical problem of local government fiscal autonomy has manifested itself. Although local governments are constitutionally entitled to revenue allocations, the system has historically enabled state governments to exercise substantial influence over the administration and disbursement of local government funds.[4] The result has frequently been a significant gap between constitutional recognition of local government as a distinct tier of governance and the practical capacity of local governments to exercise independent financial authority. Scholars have

1 Constitution of the Federal Republic of Nigeria 1999 (as amended), ss 7, 162 and Fourth Schedule.

2 Wright, D. S., *Understanding Intergovernmental Relations*, 3rd edn, Brooks/Cole Publishing, 1988, 14–16.

3 Adamolekun, L., *The Nigerian Federal Government: Functions, Finances and Fiscal Relations*, Spectrum Books, 1999, 101–104.

4 Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162(6).

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

consequently argued that the Nigerian local government system has often functioned less as an autonomous tier and more as an extension of state-level political and administrative structures.[5]

The debate has become more significant because fiscal dependence directly affects the ability of local governments to discharge their statutory responsibilities. Where local councils lack predictable and independently controlled resources, they may be unable to formulate and implement development programmes according to local priorities.[6] Excessive financial dependence can also weaken accountability because elected local officials may become more responsive to state political authorities than to the communities that elected them.[7] In this respect, fiscal autonomy is not merely a financial question; it is closely connected with democratic accountability, local participation, administrative efficiency and grassroots development.

The practical justification for fiscal autonomy is strengthened by the principle of subsidiarity, under which governmental functions should, as far as reasonably practicable, be performed at the level of government closest to the people affected by them.[8] Local governments are ordinarily better positioned to identify community-specific needs and respond to local circumstances than distant governmental institutions. However, proximity alone does not guarantee effectiveness. A local government without adequate financial resources, competent personnel, reliable revenue systems and effective accountability mechanisms may remain incapable of delivering meaningful services regardless of the formal allocation of constitutional responsibilities.[9]

The issue of fiscal autonomy must therefore be examined beyond the simplistic proposition that transferring financial control from state governments to local governments will automatically improve governance. The critical question is whether Nigerian local governments possess, or can realistically develop, the institutional capacity necessary to manage greater financial independence responsibly. Fiscal autonomy without transparency, financial discipline, auditing, public participation and effective anti-corruption mechanisms could create new opportunities for mismanagement at the grassroots level.[10] Conversely, excessive financial control by higher levels of government may undermine local democracy and frustrate the constitutional objective of democratic local governance.

The judicial dimension of the controversy is equally important. Nigerian courts have increasingly been called upon to determine the constitutional relationship between the federal, state and local governments and to protect the constitutional status of local government councils. The Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & Ors* reaffirmed important principles concerning constitutional federalism, although the wider jurisprudence demonstrates the continuing complexity of fiscal and institutional relations between

5 Adamolekun, L., *Politics and Administration in Nigeria* (Spectrum Books 1986) 118–123; see also Akindele, A. A., 'Local Government and Development in Nigeria' *Journal of Social Sciences* (1996) 3(1) 45.

6 Olowu, D. and Wunsch, J. S., *Local Governance in Africa: The Challenges of Democratic Decentralization*, Lynne Rienner Publishers, 2004, 21–25.

7 Crook, R. C. and Manor, J., *Democracy and Decentralisation in South Asia and West Africa: Participation, Accountability and Performance*, Cambridge University Press, 1998, 6–10.

8 United Nations Development Programme, *Decentralisation: A Sampling of Definitions* (UNDP Working Paper 1999) 4–5.

9 Olowu, D., 'Decentralization Policies and Practices under Structural Adjustment and Democratization in Africa' *Democratization* 79 (1999) 2(1), 83–86.

10 World Bank, *World Development Report 2004: Making Services Work for Poor People* (Oxford University Press 2003) 6–10.

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

the different tiers of government.[11] More recently, the Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of the 36 States* addressed the question of local government autonomy and the constitutional obligation to maintain democratically elected local government councils.[14] The decision has renewed national discussion concerning whether constitutional guarantees of local government autonomy can be effectively translated into financial independence and improved grassroots governance.

The practicality of fiscal autonomy must also be considered against Nigeria's broader fiscal structure. Most local governments remain heavily dependent upon statutory allocations because their internally generated revenue bases are comparatively weak.[12] Differences in population, economic activity, geographical conditions and local revenue capacity also mean that a uniform approach to fiscal autonomy may produce unequal outcomes across local government areas. Wealthier local governments may possess greater capacity to generate revenue, while rural and economically disadvantaged councils may remain dependent on intergovernmental transfers.[13] A viable system of fiscal autonomy must therefore combine local revenue mobilisation with an equitable and predictable intergovernmental transfer mechanism.

Another important consideration is accountability. The decentralisation of financial authority should be accompanied by decentralisation of responsibility. Local government officials who exercise control over public funds must be subject to transparent budgeting, procurement rules, independent audit, legislative oversight and effective judicial and administrative remedies for financial misconduct.[14] Fiscal autonomy should accordingly be understood as responsible financial independence, rather than an unrestricted power to collect and spend public money. The objective should be to give local governments sufficient financial discretion to respond to local needs while maintaining safeguards against corruption, waste and abuse of office.

The effectiveness of local government fiscal autonomy can therefore be assessed by examining its capacity to produce tangible improvements in governance. Relevant indicators include the regularity and adequacy of financial resources, the independence of local councils in expenditure decisions, the quality of service delivery, infrastructure development, transparency in public expenditure, citizen participation and the responsiveness of local officials.[15] Fiscal autonomy should ultimately be judged not merely by the amount of money transferred to local governments but by whether local communities experience measurable improvements in their social and economic conditions.

This article consequently interrogates the effectiveness and practicality of local government fiscal autonomy in Nigeria. It examines the constitutional and legal foundation of local government financial independence, the historical and institutional obstacles to its implementation, the relationship between fiscal autonomy and effective grassroots governance, and the potential

11 *Attorney-General of the Federation v Attorney-General of Abia State & Ors* [2002] 6 NWLR (Pt 764) 542 (SC).

12 Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162; see also Nigeria Governors' Forum, *State of States Report* (various editions).

13 Boadway, R. and Shah, A., *Fiscal Federalism: Principles and Practice of Multiorder Governance,* Cambridge University Press, 2009, 33–39.

14 World Bank, *World Development Report 2004: Making Services Work for Poor People* (*supra*) 47–50.

15 United Nations Human Settlements Programme (UN-Habitat), *International Guidelines on Decentralisation and Access to Basic Services for All* (UN-Habitat 2009) 5–9.

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

benefits and risks associated with greater financial independence. It further evaluates whether existing institutional arrangements are capable of sustaining meaningful fiscal autonomy and identifies reforms necessary to reconcile financial independence with accountability and equitable development.

The central argument of the article is that local government fiscal autonomy is both desirable and practicable, but its effectiveness cannot be guaranteed merely by constitutional declarations or judicial pronouncements. Sustainable fiscal autonomy requires a comprehensive restructuring of intergovernmental fiscal relations, transparent revenue allocation, strengthened local revenue-generation mechanisms, competent financial administration, independent auditing, democratic accountability and effective safeguards against political interference. The success of local government autonomy in Nigeria will ultimately depend on whether these institutional conditions are simultaneously addressed.

Conceptual clarification

A proper examination of the effectiveness and practicality of local government fiscal autonomy in Nigeria requires clarification of the principal concepts contained in the topic. The key concepts are local government, fiscal autonomy, effectiveness, and practicality. Their meanings provide the analytical foundation for assessing whether financially autonomous local governments can function effectively within Nigeria's federal system.

Local Government

Local government refers to a system of administration whereby governmental powers and responsibilities are devolved to democratically constituted authorities operating at the grassroots level.[16] It is intended to bring governance closer to the people and facilitate participation in decision-making, provision of basic services and implementation of development programmes. In Nigeria, local government is constitutionally recognised under section 7(1) of the Constitution of the Federal Republic of Nigeria 1999 (as amended), which guarantees a system of democratically elected local government councils. The Fourth Schedule further identifies functions associated with local government, including the provision and maintenance of roads, street lighting, drains, markets, motor parks, public conveniences and other services.

Local government should therefore not be understood merely as an administrative agency of the state government. Its constitutional recognition gives it a distinct position within Nigeria's system of public administration, although the precise nature of its autonomy remains subject to constitutional, legislative and institutional limitations.[17]

Fiscal Autonomy

Fiscal autonomy means the capacity of a governmental unit to raise, receive, manage and expend financial resources with substantial freedom from the control or interference of another

16 Olowu and Wunsch, *Local Governance in Africa: The Challenges of Democratic Decentralization* (*supra*)

17 Adamolekun, L., *Politics and Administration in Nigeria* (*supra*) 118–123.

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

governmental authority.[18] It encompasses both revenue autonomy and expenditure autonomy. Revenue autonomy concerns the ability to generate and control financial resources, while expenditure autonomy relates to the authority to determine how available resources should be allocated and spent in accordance with legally assigned responsibilities.[19]

In the context of Nigerian local government, fiscal autonomy therefore implies that local councils should have meaningful control over funds legally accruing to them and sufficient authority to determine expenditure priorities based on the needs of their communities. It does not necessarily mean complete financial independence from the federal or state governments. Rather, it requires a degree of financial independence sufficient to enable local governments to discharge their constitutionally and statutorily assigned functions effectively.[20]

The concept becomes particularly significant in view of section 162 of the 1999 Constitution, which establishes the Federation Account and provides for distribution of revenue among the federal, state and local governments. Section 162(6) also provides for the establishment of the State Joint Local Government Account into which allocations to local governments within each state are paid.[21] The operation of this arrangement has historically generated substantial controversy concerning the extent to which local governments actually control the revenues constitutionally allocated to them.

Fiscal autonomy should therefore be distinguished from fiscal dependence. A local government may receive constitutional or statutory allocations but remain financially dependent where another level of government exercises decisive control over the receipt, administration or expenditure of those funds.[22] Genuine fiscal autonomy requires not merely access to financial resources but meaningful authority over their utilisation.

Effectiveness

Effectiveness refers generally to the capacity of an institution, policy or governmental arrangement to achieve its intended objectives and produce desired results.[23] In the context of local government fiscal autonomy, effectiveness concerns the extent to which financial independence enables local governments to perform their functions, provide public services, implement development projects and respond to the needs of their communities.

Fiscal autonomy may therefore be considered effective where it produces measurable improvements in local governance, including better infrastructure, improved service delivery, enhanced accountability, greater responsiveness and increased citizen participation.[24] The mere increase in financial resources does not, by itself, establish effectiveness. Financial autonomy must translate into actual governmental performance and improved welfare outcomes.

18 Boadway and Shah, *Fiscal Federalism: Principles and Practice of Multiorder Governance* (*supra*) 3–8.

19 Bird, R. N. and Gendron, P-P., *The VAT in Developing and Transitional Countries*, Cambridge University Press, 13–17.

20 Olowu, D., 'Decentralization Policies and Practices under Structural Adjustment and Democratization in Africa' *supra*, 83–86.

21 Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162(3); ibid s 162(6).

22 Adamolekun, L., *The Nigerian Federal Government: Functions, Finances and Fiscal Relations* (Spectrum Books 1999) 101–104.

23 Pollitt, C. and Bouckaert, G., *Public Management Reform: A Comparative Analysis—New Public Management, Governance, and the Neo-Weberian State*, 3rd edn, Oxford University Press, 2011, 8–12.

24 United Nations Development Programme, *Decentralisation: A Sampling of Definitions* (UNDP 1999) 4–6.

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

Effectiveness also incorporates the principle of accountability. Greater financial discretion without appropriate mechanisms for transparency, auditing and public oversight may increase opportunities for corruption and financial mismanagement.[25] Accordingly, fiscal autonomy should be evaluated in terms of both financial independence and governance outcomes.

Practicality

Practicality refers to the extent to which a policy, legal arrangement or institutional reform can realistically be implemented and sustained within existing social, political, economic and administrative circumstances.[26] A proposal may be legally desirable but practically difficult if the institutions responsible for implementing it lack adequate resources, capacity or political independence.

The practicality of local government fiscal autonomy in Nigeria therefore requires consideration of several factors, including the revenue-generating capacity of local governments, the constitutional framework governing revenue allocation, the relationship between state and local governments, administrative capacity, financial management systems, corruption control and the economic disparities among local government areas.

Practicality also requires consideration of whether local governments can generate sufficient internally generated revenue to complement statutory allocations. Many local governments operate in environments characterised by limited commercial activity and weak local tax bases. Complete financial self-sufficiency may consequently be unrealistic. A more practical model would combine adequate intergovernmental transfers with enhanced local revenue mobilisation and greater control over funds legally allocated to local governments.

Local Government Fiscal Autonomy in the Nigerian Context

When the concepts are considered together, local government fiscal autonomy in Nigeria may be understood as the constitutionally and legally supported capacity of democratically constituted local government councils to access, control, manage and expend financial resources for the performance of their assigned governmental responsibilities without undue interference from state or federal authorities.

The concept must, however, be understood within the broader framework of Nigerian federalism. Nigeria operates a three-level governmental structure comprising the federal, state and local levels, but the constitutional relationship between these levels is not one of absolute equality or complete independence.[27] Local governments operate within a framework in which states exercise significant legislative and administrative influence over them. Consequently, the practical achievement of fiscal autonomy requires careful reconciliation of local financial independence with the constitutional powers of state governments.

The Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of the 36 States* has significantly strengthened the contemporary constitutional discourse on local

25 World Bank, *World Development Report 2004: Making Services Work for Poor People*, Oxford University Press 2003, 47–50.

26 OECD, *Making Decentralisation Work: A Handbook for Policy-Makers* (OECD Publishing 2019) 23–27.

27 Constitution of the Federal Republic of Nigeria 1999 (as amended), ss 4, 7 and 162.

government autonomy by emphasising the constitutional importance of democratically elected local government councils and addressing the relationship between state governments and local government financial resources.[28] The decision reinforces the proposition that constitutional local government status should have practical consequences rather than remain merely theoretical.

Distinction Between Fiscal Autonomy and Financial Self-Sufficiency

It is important to distinguish fiscal autonomy from financial self-sufficiency. Fiscal autonomy concerns the degree of control exercised by a local government over its revenue and expenditure decisions, whereas financial self-sufficiency implies the ability to finance governmental activities predominantly from locally generated resources.[29] A local government may therefore enjoy considerable fiscal autonomy while still receiving substantial transfers from the Federation Account.

This distinction is particularly important for Nigeria because economic disparities make complete financial self-sufficiency unrealistic for many local government areas. An effective fiscal-autonomy framework should consequently provide local governments with sufficient independent control over their finances while maintaining an equitable system of intergovernmental transfers to address differences in revenue-generating capacity.[30]

Working Definition

For the purpose of this article, effectiveness and practicality of local government fiscal autonomy mean the extent to which granting Nigerian local governments meaningful control over their financial resources can realistically be implemented and can produce improved service delivery, development, accountability, democratic participation and grassroots governance within the existing constitutional and socio-economic environment.

This conceptualisation provides the basis for evaluating whether fiscal autonomy is merely a constitutional aspiration or a realistic institutional mechanism for improving local governance in Nigeria.

Constitutional, Institutional and Practical Challenges Surrounding the Financial Independence of Local Governments in Nigeria

The question of financial independence of local governments in Nigeria is fundamentally connected with the constitutional design of federalism, the institutional relationship between state and local governments, and the practical capacity of local councils to generate, manage and utilise public resources. Although the Constitution of the Federal Republic of Nigeria 1999 (as amended) recognises local government councils and assigns them important grassroots responsibilities, the constitutional and institutional framework has historically created significant limitations on their effective fiscal independence.

28 *Attorney General of the Federation v. Attorney General of Abia State & Ors* (2024) LPELR-62576(SC).

29 Boadway and Shah (*supra*) 33–39.

30 Bird, R. M., *Threading the Fiscal Labyrinth: Some Issues in Fiscal Decentralization*, National Tax Journal 1999, 207, 211–214.

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

Constitutional Challenges

The first major challenge arises from the constitutional ambiguity surrounding the status and autonomy of local governments. Section 7(1) of the 1999 Constitution provides that the system of local government by democratically elected local government councils is guaranteed and requires every state government to ensure their existence under a law providing for their establishment, structure, composition, finance and functions. On its face, this provision appears to recognise local government as an important component of Nigeria's governmental structure. However, the provision simultaneously places local government within a framework in which state governments exercise substantial constitutional and legislative influence over its institutional organisation.

This creates a structural tension between the constitutional recognition of local government and the extensive role assigned to state governments. Local governments are constitutionally recognised, yet their existence, structure and aspects of their administration are significantly connected to state legislation.[31] The resulting ambiguity has historically enabled different states to exercise varying degrees of political and financial control over local councils.

A second constitutional challenge concerns the State Joint Local Government Account. Section 162(6) of the Constitution provides for the establishment of a State Joint Local Government Account into which allocations to local governments from the Federation Account are paid. Although section 162(3) recognises local governments as beneficiaries of the Federation Account, the constitutional requirement that their allocations pass through a state-level account has generated controversy over the extent of state control over local government finances.

The constitutional framework has therefore created a paradox: local governments are beneficiaries of federal revenue allocations but may not exercise complete and direct control over the funds constitutionally allocated to them. The resulting financial relationship has been criticised as inconsistent with the principle of genuine local autonomy because control over financial resources is an essential component of governmental autonomy.[32]

A further challenge arises from the absence, historically, of a sufficiently explicit constitutional guarantee of direct financial disbursement and expenditure control by local governments. Constitutional recognition of a local government system does not necessarily translate into practical fiscal independence unless the Constitution clearly protects the local government's entitlement to receive and control its funds without unlawful intervention.[33] This distinction between formal constitutional recognition and substantive autonomy has remained central to the Nigerian local government debate.

The constitutional distribution of functions also presents difficulties. The Fourth Schedule assigns various responsibilities to local governments, including roads, markets, refuse disposal, motor parks, public conveniences and other grassroots services. Yet the Constitution does not establish a correspondingly comprehensive and independently controlled revenue base capable of financing all these responsibilities. The result is a vertical fiscal imbalance in which local governments possess

31 Olowu and Wunsch, *Local Governance in Africa: The Challenges of Democratic Decentralization* (*supra*) 21–27.

32 *Ibid.*

33 Olowu, D., 'Decentralization Policies and Practices under Structural Adjustment and Democratization in Africa' (*supra*), 83–86.

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

expenditure responsibilities that may substantially exceed their independent revenue-generating capacity.

Institutional Challenges

Beyond constitutional limitations, local government fiscal independence is constrained by institutional arrangements governing intergovernmental relations. The most significant institutional challenge has traditionally been the extensive influence of state governments over local government administration and finance.[34] Although local governments have elected councils, state governments have historically exercised substantial influence over their political, administrative and financial operations.

One manifestation of this problem has been the use of state-controlled local government financial mechanisms**.** Where state authorities determine the timing, manner or conditions under which local government allocations are released or utilised, local councils may have limited capacity to establish independent expenditure priorities.[35] This undermines the principle that elected local officials should be accountable primarily to the residents of their respective local government areas.

The issue of caretaker or appointed local government administrations constitutes another institutional challenge. Section 7(1) of the Constitution contemplates democratically elected local government councils. However, the periodic replacement of elected councils with caretaker committees or other appointed arrangements has generated constitutional and democratic concerns. Where local government officials are appointed rather than elected, their political accountability may be directed towards the appointing state authority rather than the local electorate. This can weaken both political and fiscal accountability.

Another institutional problem is the weakness of mechanisms for independent financial oversight at the local government level. Local government finances require effective auditing, procurement controls, legislative scrutiny and public transparency. However, where audit institutions lack sufficient independence, personnel or resources, the decentralisation of financial powers may not produce corresponding improvements in accountability.[36] Fiscal autonomy without effective financial oversight may create opportunities for waste, corruption and diversion of public funds.

The institutional weakness of local revenue administration is also significant. Local governments are legally empowered to collect certain forms of revenue, but many councils lack adequate personnel, technology, databases and administrative systems for effective revenue mobilisation. Consequently, they remain heavily dependent upon statutory allocations. This dependence reinforces the bargaining power of higher levels of government and weakens the practical foundation of fiscal autonomy.

34 Olowu, D and Wunsch, J. S. (*supra*) 27–32.

35 Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162(6).

36 World Bank, *World Development Report 2004: Making Services Work for Poor People* (Oxford University Press 2003) 47–50.

Practical Challenges

One of the most important practical challenges is the limited revenue-generating capacity of many local governments. Fiscal autonomy cannot be sustained merely through constitutional allocation of funds. Local councils must possess reliable sources of revenue capable of supporting their expenditure responsibilities. However, many local government areas have limited commercial activity, weak tax bases and substantial rural populations.[37]

Local governments consequently depend heavily on allocations from the Federation Account. This creates a condition of fiscal dependency even where the constitutional framework recognises local governments as beneficiaries of public revenue. The problem is particularly acute in economically disadvantaged areas where internally generated revenue cannot realistically finance basic governmental functions.

A related challenge is unequal revenue capacity among local governments. Local government areas differ significantly in population, economic activity, natural resources, urbanisation and commercial development. A revenue model that relies excessively on internally generated revenue may therefore benefit economically stronger local governments while leaving poorer councils unable to provide comparable services. This makes an equitable intergovernmental transfer system indispensable to any realistic model of local government fiscal autonomy.

Another practical challenge is corruption and financial mismanagement. Greater control over public funds can improve local responsiveness, but without transparency and effective controls it can also facilitate financial abuse.[38] The effectiveness of fiscal autonomy must therefore be accompanied by strong auditing, procurement regulation, public disclosure of expenditure and sanctions for financial misconduct.

Weak administrative capacity is another obstacle. Financial autonomy requires competent personnel capable of budgeting, accounting, procurement, taxation, financial forecasting and project management. Many local councils face shortages of professionally trained personnel and modern financial-management infrastructure. Without institutional capacity-building, transferring greater financial authority to local governments may not necessarily translate into improved service delivery.

The problem of political interference also affects the practical operation of fiscal autonomy. Local government finances may become instruments of state-level political control, particularly where local officials depend upon state authorities for political support, administrative approval or financial releases.[39] Such interference can distort expenditure priorities and weaken the connection between local needs and public spending.

There is also the challenge of weak citizen participation and accountability. Fiscal autonomy is most meaningful where local citizens can monitor how public resources are collected and spent. Where residents lack access to budgetary information or effective mechanisms for demanding accountability, financial autonomy may become an administrative privilege rather than an instrument of democratic development.

37 Boadway, R and Shah, A. (*supra*) 33–39.

38 World Bank (*supra*) 6–10.

39 United Nations Development Programme, *Decentralisation: A Sampling of Definitions* (UNDP 1999) 4–6; Adamolekun, L. (*supra*) 120–123.

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

The Judicial Dimension

The courts have increasingly assumed an important role in defining the constitutional limits of state interference with local government. In *Attorney-General of the Federation v Attorney-General of Abia State & Ors*,[40] the Supreme Court addressed significant questions concerning federalism and the constitutional distribution of public resources. The case illustrates the importance of judicial interpretation in resolving disputes arising from Nigeria's complex intergovernmental fiscal structure.

More directly, the Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & Ors* delivered on 11 July 2024 significantly strengthened the contemporary constitutional debate on local government autonomy. The Court's intervention reinforced the constitutional significance of democratically elected local government councils and addressed the responsibilities of state governments concerning local government administration and finances.

Nevertheless, judicial recognition alone cannot resolve all practical problems surrounding fiscal autonomy. Courts can enforce constitutional obligations, but they cannot themselves create efficient local revenue systems, train local government personnel, establish effective accounting structures or eliminate corruption. The judicial dimension must therefore operate alongside legislative, administrative and institutional reforms.

The Fundamental Practical Dilemma

The central dilemma surrounding local government financial independence in Nigeria is that autonomy without capacity may produce ineffective governance, while control without autonomy produces dependence. Local governments require sufficient financial freedom to respond to grassroots needs, but they equally require institutional capacity and accountability mechanisms to ensure that financial independence is responsibly exercised.

Accordingly, the objective should not be absolute financial independence from the federal or state governments. Rather, the appropriate model is one of meaningful fiscal autonomy within a coordinated system of intergovernmental fiscal relations. Such a model should guarantee predictable and transparent transfers, direct control over constitutionally allocated resources, reasonable local revenue powers, equitable fiscal equalisation and strong accountability mechanisms.

The financial independence of Nigerian local governments is therefore constrained by an interaction of constitutional ambiguity, institutional dependence, weak revenue capacity, political interference, inadequate administrative capacity and accountability deficiencies. Addressing these challenges requires more than an amendment to financial procedures. It requires a comprehensive restructuring of the constitutional and institutional architecture of local governance so that financial resources, governmental responsibilities and accountability are appropriately aligned.

40 *Supra*

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

Local Government Control of Statutory Allocations and Internally Generated Revenue vis-a-vis Accountability, Service Delivery, Developmental Outcomes and Democratic Governance at the Grassroots Level

Granting local governments greater control over their statutory allocations and internally generated revenue is central to the practical realisation of local government autonomy in Nigeria. Fiscal autonomy is not simply a question of how much money is allocated to local councils; it concerns the extent to which local authorities can exercise meaningful control over the receipt, management, prioritisation and expenditure of resources legally accruing to them. Where local governments possess adequate financial resources but lack effective control over those resources, constitutional recognition of local government autonomy may remain largely formal rather than substantive.[2]

Greater Control Over Statutory Allocations

Nigeria's constitutional framework recognises local governments as beneficiaries of revenue from the Federation Account. Section 162(3) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) provides for the distribution of the Federation Account among the federal, state and local governments, while section 162(5) and (6) establish arrangements relating to the payment and management of local government allocations. The practical difficulty has historically arisen from the involvement of state governments in the administration of local government allocations, particularly through the State Joint Local Government Account.

Greater direct control over statutory allocations would enable local governments to prepare budgets according to locally identified priorities and execute approved expenditure without undue dependence upon state-level political authorities. This could strengthen the relationship between financial resources and governmental responsibilities. Where elected local officials have direct control over legally allocated resources, they can more readily be held responsible by citizens for the success or failure of local development programmes.

The principle is particularly important because local government responsibilities are predominantly grassroots-oriented. The Fourth Schedule to the Constitution assigns local governments responsibilities involving roads, drainage, markets, public conveniences, refuse disposal, motor parks and other local services. Providing local governments with greater control over the resources necessary for these functions can improve the alignment between constitutional responsibilities and financial capacity.

Enhancement of Accountability

Fiscal autonomy can enhance accountability by creating a clearer connection between financial responsibility and political responsibility. Where local government officials control substantial public resources, citizens can more easily identify the officials responsible for financial decisions and demand explanations concerning expenditure.[41] This is consistent with the democratic principle that governmental authority should be accompanied by corresponding responsibility.

41 Crook, R. C. and Manor, J., *Democracy and Decentralisation in South Asia and West Africa: Participation, Accountability and Performance*, Cambridge University Press, 1998, 6–10.

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

By contrast, excessive financial dependence on state governments can obscure responsibility. Where local councils lack control over funds, local officials may attribute poor performance to inadequate releases or external interference, while state authorities may argue that local councils are responsible for ineffective service delivery. Such diffusion of responsibility weakens accountability. Greater financial autonomy can therefore create a more direct chain of responsibility between revenue, expenditure and governmental performance.

Accountability, however, does not arise automatically from financial independence. Greater local control must be accompanied by transparent budgeting, regular auditing, procurement controls, public financial disclosure and effective sanctions for financial misconduct. The objective should be autonomous but accountable local government, rather than unrestricted financial discretion.

Improved Service Delivery

Greater control over financial resources can also improve the quality and responsiveness of local public services. Local governments possess closer knowledge of community needs than higher levels of government and are therefore theoretically better placed to determine expenditure priorities. Fiscal decentralisation permits decisions concerning local services to be made closer to the citizens affected by those decisions.[42]

For example, where a community requires urgent repairs to a local road, drainage system, market or public facility, a financially empowered local council may be able to respond more quickly than a centralised system in which funds and expenditure decisions depend upon approval from a state authority. The resulting reduction in administrative delays may enhance the efficiency and responsiveness of local service delivery.

The World Bank has emphasised that decentralised service delivery can improve responsiveness where local institutions possess adequate resources and are subject to effective accountability mechanisms.[43] The same principle applies to Nigeria: local financial autonomy can improve service delivery where it is accompanied by competent administration and meaningful citizen oversight.

Enhancement of Developmental Outcomes

Local government fiscal autonomy has potential implications for broader grassroots development. Development programmes are more likely to reflect local priorities when local authorities possess the financial capacity to identify, fund and implement projects based on community needs.[44] Local councils can therefore allocate resources to areas such as rural roads, markets, sanitation, primary healthcare support, water infrastructure and local economic development.

The importance of this approach lies in the diversity of Nigerian communities. Development priorities differ substantially among local government areas. A predominantly rural local government may prioritise agricultural infrastructure and rural roads, while an urban local government may require greater expenditure on drainage, waste management, traffic control and market infrastructure. A system that gives local governments greater discretion over their finances

42 Boadway, R. and Shah, A. (*supra*) 33–39.

43 World Bank (*supra*) 6–10.

44 Olowu and Wunsch (*supra*) 27–32.

can accommodate these differences more effectively than uniform expenditure decisions imposed from above.

Fiscal autonomy may also encourage local governments to develop innovative revenue strategies. Where councils know that increased local revenue will remain substantially available for local development, elected officials may have stronger incentives to improve tax administration, expand the local revenue base and promote economic activities within their jurisdictions.[45]

Strengthening Internally Generated Revenue

Greater control over internally generated revenue (IGR) is particularly important because genuine fiscal autonomy cannot depend exclusively on transfers from the Federation Account. Local governments require some capacity to generate and control revenue from lawful local sources. Such revenues may include rates, licences, fees, charges and other locally authorised sources.[46]

Control over IGR can create an important fiscal relationship between local authorities and residents. When citizens pay local taxes, rates or service charges and can observe the resulting public services, the connection between taxation and government performance may become stronger. This can generate what is sometimes described as a fiscal social contract, in which citizens become more interested in monitoring how their contributions are used.[47]

Nevertheless, local revenue mobilisation must be carefully regulated. Excessive taxation, arbitrary levies and multiple charges can impose burdens on citizens and businesses and may undermine local economic development.[48] Local fiscal autonomy should therefore encourage lawful, predictable and transparent revenue collection rather than unrestricted revenue extraction.

Promotion of Democratic Governance

Fiscal autonomy has an important democratic dimension. Local government is intended to provide a mechanism through which citizens participate in governance at the grassroots level.[49] When local councils have meaningful financial authority, elections can become more consequential because voters are able to assess candidates based on their management of identifiable resources and developmental programmes.

Fiscal independence may consequently strengthen electoral accountability. Citizens can evaluate whether elected officials have used public funds to provide promised services and infrastructure. This creates incentives for local politicians to respond to local demands rather than concentrating exclusively on maintaining relationships with state-level political authorities.

The connection between fiscal decentralisation and democracy is particularly important in developing political systems. Decentralisation can facilitate citizen participation, improve political representation and create opportunities for citizens to influence public decisions closer to their

45 Bird, R. M., 'Threading the Fiscal Labyrinth: Some Issues in Fiscal Decentralization' (1999) 46(2) *National Tax Journal* 207, 211–214.

46 Constitution of the Federal Republic of Nigeria 1999 (as amended), Fourth Schedule, para 1 and relevant state/local government revenue legislation.

47 Bird, R. M. and Gendron, P-P., *The VAT in Developing and Transitional Countries*, Cambridge University Press, 2007, 13–17.

48 OECD, *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Publishing, 2019, 37–42.

49 Constitution of the Federal Republic of Nigeria 1999 (as amended), s 7(1).

communities.[50] However, these benefits depend upon genuine local elections, access to information and opportunities for citizens to participate in local budgeting and oversight.

Greater Financial Autonomy and Reduction of Political Dependence

Greater control over local government finances can reduce the political dependence of local councils on state governments. Where local governments depend on state authorities for the release or approval of funds, financial resources can become instruments of political influence. Such dependence may discourage local officials from challenging inappropriate directives or independently determining expenditure priorities.

A more autonomous financial system can reduce this vulnerability by establishing predictable rules for the transfer and control of local government resources. This does not mean that local governments should operate entirely independently of state governments. Rather, the objective should be to replace discretionary political control with transparent constitutional and statutory rules governing intergovernmental financial relations.

The Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & Ors,*[51] has significantly intensified this debate. The Court's recognition of the constitutional significance of elected local government councils reinforces the argument that local government autonomy must have practical institutional consequences, including meaningful financial capacity.

The Need for Accountability Safeguards

Greater financial control carries corresponding risks. Local governments may experience corruption, procurement abuse, inflated contracts, weak accounting systems and diversion of public resources if financial autonomy is not accompanied by adequate controls. Consequently, fiscal autonomy should be structured around four mutually reinforcing principles: financial independence, transparency, accountability and participation.

Independent auditing should be strengthened, local budgets should be publicly accessible, procurement processes should be transparent, and citizens should have avenues through which they can question expenditure decisions.[52] Local legislative councils should also exercise effective oversight over executive expenditure, while relevant state and federal institutions should retain lawful supervisory and auditing responsibilities. Fiscal autonomy should therefore not be understood as the elimination of all external oversight. Rather, it should mean freedom from unlawful or arbitrary interference, coupled with legitimate oversight designed to protect public resources and ensure compliance with law.

Greater control over statutory allocations and internally generated revenue has significant potential to improve local governance in Nigeria. It can strengthen the accountability of elected officials, improve service delivery, encourage locally responsive development, enhance citizen

50 Crook, R. C and Manor, J. (*supra*) 11–16.

51 *Supra*

52 United Nations Human Settlements Programme (UN-Habitat), *International Guidelines on Decentralisation and Access to Basic Services for All* (UN-Habitat 2009) 5–9.

participation and reduce excessive political dependence on state governments. These benefits, however, are contingent upon institutional conditions.

Fiscal autonomy is most likely to produce positive results where local governments possess competent personnel, transparent financial systems, reliable revenue mechanisms, effective auditing institutions and democratically accountable leadership. Without these safeguards, decentralisation of financial control may simply decentralise corruption and inefficiency.

The appropriate approach for Nigeria is therefore not unqualified financial independence, but responsible and constitutionally protected fiscal autonomy. Local governments should have direct and predictable access to their lawful statutory allocations, meaningful control over their internally generated revenue, and sufficient discretion to determine local expenditure priorities. At the same time, these powers must operate within a framework of financial transparency, public participation, auditing, procurement regulation and judicial accountability.

Ultimately, the success of local government fiscal autonomy should be measured by its capacity to transform financial independence into tangible improvements in the lives of citizens. The objective is not autonomy for its own sake but autonomy as an instrument for accountable governance, effective service delivery, sustainable grassroots development and democratic participation.

Conclusion

The effectiveness and practicality of local government fiscal autonomy in Nigeria must be understood within the broader constitutional, institutional, political and socio-economic structure of Nigerian federalism. Local governments occupy a critical position in the delivery of grassroots services and development, yet their ability to perform these functions has historically been weakened by inadequate financial independence, dependence on statutory allocations, limited internally generated revenue, political interference and insufficient institutional capacity. The constitutional recognition of local government under section 7 of the 1999 Constitution is therefore meaningful only to the extent that local councils possess the financial and administrative capacity necessary to perform their legally assigned responsibilities.

The analysis demonstrates that granting local governments greater control over their statutory allocations and internally generated revenue can significantly improve accountability, service delivery, developmental outcomes and democratic participation. Direct and predictable access to financial resources can enable local councils to determine expenditure priorities in accordance with the specific needs of their communities. It can also establish a clearer relationship between elected officials, public expenditure and electoral accountability. Where citizens can identify the officials responsible for managing local resources, the incentives for transparency and responsiveness are potentially strengthened.

Nevertheless, fiscal autonomy should not be equated with complete financial independence or the absence of legitimate oversight. Many Nigerian local governments possess limited revenue-generating capacity and cannot realistically finance their responsibilities exclusively from internally generated revenue. An effective system must therefore combine local revenue autonomy with equitable and predictable intergovernmental transfers. Fiscal equalisation is particularly necessary to prevent economically weaker local governments from suffering serious disadvantages compared with councils located in commercially developed areas.

The study further establishes that fiscal autonomy without institutional capacity and accountability mechanisms may fail to achieve its objectives. Greater financial powers must be accompanied by competent personnel, modern accounting systems, transparent procurement procedures, independent auditing, accessible budgets and effective legislative and judicial oversight. Otherwise, decentralisation may merely transfer existing problems of corruption and financial mismanagement from the state level to the local level.

The constitutional and judicial development surrounding local government autonomy, particularly the Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & Ors*, provides an important foundation for strengthening local government independence. However, judicial pronouncements alone cannot guarantee effective local governance. Constitutional principles must be supported by appropriate legislation, administrative reforms, institutional capacity-building and political commitment.

Ultimately, local government fiscal autonomy is both desirable and practicable in Nigeria, provided that it is designed as responsible financial autonomy rather than unrestricted financial independence. The appropriate reform framework should guarantee local governments direct and predictable access to constitutionally allocated funds, meaningful control over internally generated revenue, reasonable revenue-raising powers and sufficient expenditure discretion. At the same time, these powers should be subject to transparent budgeting, independent auditing, procurement safeguards, citizen participation and effective sanctions for financial misconduct.

The ultimate measure of fiscal autonomy should not therefore be the amount of money controlled by local governments but the extent to which such control produces tangible improvements in the lives of citizens. Genuine fiscal autonomy should result in better roads, sanitation, markets, healthcare support, environmental services, rural development and other grassroots interventions. It should also deepen democratic participation by making local government more responsive and accountable to the people.

The Nigerian experience demonstrates that financial autonomy, political autonomy, administrative capacity and accountability are mutually dependent. Strengthening one without the others will produce limited results. A sustainable local government system requires an institutional balance in which local councils enjoy sufficient autonomy to govern effectively while remaining subject to appropriate legal, financial and democratic controls.

Accordingly, the future of local government fiscal autonomy in Nigeria should be pursued through a comprehensive restructuring of intergovernmental fiscal relations. Such restructuring should move away from discretionary financial dependence towards constitutionally protected, transparent and predictable fiscal arrangements. If accompanied by institutional strengthening, effective revenue administration, fiscal equalisation, democratic elections and robust accountability mechanisms, local government fiscal autonomy can become an important instrument for achieving grassroots development, effective service delivery, democratic consolidation and responsive governance in Nigeria.

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