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Local Governments’ Financial Autonomy and Operational Challenges of Joint Account Allocation Committee in Delta State

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Research Article

ABSTRACT

Local governments in Nigeria have today acquired much importance and concern. This is largely due to the 1976 nationwide reforms which among other factors brought uniformity and introduced the single tier multipurpose local government structure throughout the country. This brought about constitutionally clear cut functions and guaranteed financial disbursement to these councils from the federation account. Ordinarily, this should have set the local governments on the pathway of performance and excellence; but, this same constitution has tied the grassroots governments to the control of the state administration. This paper empirically examined the challenges faced by local governments in Nigeria; and proffered salient recommendations to fast track the trajectory of bringing development closer to the grassroots populace.

Keywords: Financial autonomy, Joint Account Allocation Committee, local governments, operational challenges

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INTRODUCTION

Local governments in Nigeria have become important and relevant since the 1976 reforms. The reforms boosted the expectations of many Nigerians on the capacity of local governments to bring quality development to local communities across the country. The 1976 local government reforms in Nigeria shaped the dynamics of relationship between States and Local Governments; and this progressively took a better dimension during the era of General Ibrahim Badamosi Babangida (Awotokun, 1995). Local governments in Nigeria were critically classified as the ‘third-tier’ government in Nigeria’s federal government arrangement. The reference to local government as a third tier level of government with clear-cut functions and responsibilities is now common both in legal and political usage (Wahua, 2017; 2015). Over the years, the political and administrative happenings around Nigeria have questioned the status of local councils as the third-tier of Nigeria’s governance arrangement. The political and financial autonomy of local governments in Nigeria has remained unclear and directionless as State Governors continue to act as demigods to appointed and elected local government administrators (Tsekpo, & Wahua, 2023; Wahua, 2022).

The Bola Ahmed Tinuba led federal government has taken the governments of the thirty six states of Nigeria to the Supreme Court over the vexed issue of local government autonomy. The federal government in the suit marked SC/CV/343/2024 prayed the Supreme Court to okay full autonomy for all the local government areas across the country as the third tier of government. The federal government of Nigeria specifically prayed the Supreme Court to direct that funds standing in the credits of local governments to be directly transferred to them from the federation account. Critically, this study sets out to highlight the drawbacks in the operation of the State-Local Government Joint

Accounts (where the state governments have the control of disbursement of funds); and establish that direct allocations to local governments from the federation account is a better guarantee of financial autonomy for the local government councils in Nigeria. The study adopts primary data collection approach to show the disbursement and management of financial accruals under the Joint State Local Government Accounts (JAAC) in Delta State.

CONCEPTUAL CLARIFICATION

Federalism is essentially a set of rules about power sharing and principles of organization among the central or national government and nationalities or units in a state. It is a political structure and process that distribute or allocates and delimits power between the levels of government in a state. By the rules and principles about power sharing authority, jurisdictions and resources are given and limitations imposed. Thus is set, the institutional arrangements and the process of interaction between the levels of government and the determination of the rule making execution and adjudication freedom – initiative span and performance (Oyovbaire, 1985).

In Nigeria the Federal system devolve powers to the states and local government in a three structure power sharing arrangement, although the local governments are subsumed under the state governments. Their existence is however guaranteed by provisions of the constitution as a distinct level of government with specific functions and responsibilities. This is in conformity with the classical definition of Decentralization which was adopted by the United Nation document titled “Decentralization for National and Local Development” published in 1965 as a term which refers to the transfer of Authority on a geographic basis whether by de-concentration (delegation) of authority to field units of the same department of level of government or devolution of authority to

local government unit or special statutory bodies. Although the British Colonial Administration in Nigeria was a form of de-concentration where the country was divided into large provinces, divisions and districts for administrative convenience, however, at the district level there was a rudimentary form of Local government known as native authority which later metamorphosed into the full blown Local government System. At independence the native authorities has acquired much wider powers and responsibilities and represented the first tentative step towards devolution.

It can therefore be argued that the concept of a third tier government implies a separate and co-ordinate level of government that is co-equal with the two other levels of government in status, power and authority. That fact that all have more than one rug of government makes that arrangement a Federal set-up. Third tierism also suggests an inter governmental interactions and network with other levels of government while respecting autonomous functioning and legal status is supportive of the dynamics of co-operation and partnership in the joint task of governance (Ikelegbe, 1999). The third tier structure in any federal arrangement is usually well defined with clear cut functions and given authority that underlies its establishment, finance and latitude of operational powers. All these will however depend on the history, environment, and political experiences of such a country and of course the legal ground norm upon which the federal superstructure is woven.

This clearly shows that federalism is dynamic and evolving in the United States of America example at the onset there was a federally dominated federalism where component states largely depended on the federal government but gradually this has leveled out to that of co-equals, overlapping roles and cooperation. While in Nigeria it has evolved from a federally dominated contraption during the first republic due to the highly centralized military regimes which left the various sub

nationalities at federal mercy and dictation. The second and third republics relations have not been fundamentally different. IT is however against this backdrop that the federal government intervened to restructure, empower and institutionalize local governments as a third tier of government. Thus the conception of the third tier federal structure has come to stay

In practical reality however, there appear to be a wide gap between legal – constitutional frameworks and actual realities. Local government autonomy needs not of necessity to be guaranteed by the provision of a distinct legal constitutional framework. One will discover that even with such a distinct legal constitutional framework in place actual practices, traditions and the dynamics of State – Local relations can also undermine local autonomy. The classical interpretation of Local government third tierism negates federal tenets and tendencies (Ayeni, 1989). Most federal constitutions places Local government within the purview of the state legislations in a federal dual structure therefore a third tier local government structure becomes ambiguous, contradictory and anomalous (Ikelegbe, 1999). Even when local governments have been granted reasonable latitude of powers to operate as a distinct tier it is still expected to operate as a unit of the federating states in a federal structure.

In that case the usage of the term “Third Tier” may become misleading. However, if it is agreed that federalism is a device for reconciling the demands for regionalism and the local patriotism on the one hand and requirements of Unitarianism on the other (Tonwe, 1994; pg 10). The federalist structure becomes very relevant to many third world countries which are made up of clusters of ethnic nationalities because of it’s emphasis on centripetal forces while minimizing centrifugal tendencies. It enabled these countries achieve political unification while still retaining the identities of the different ethnic nationalities. Novel as this is it is still

doubtful if this arrangement has been able to sub serve the needs of national integration and political development.

In view of the vast potentiality of the federal device to achieve unity, in diversity, it is postulated that federalism as an instrument of political development can make optimum contribution to nation building and state building if it incorporates government at the local level in its framework. It will involve federating the sub systems of micro level local governments are made constitutional sacrosanct; they will be capacitated to contribute to the political development process in their respective countries (Tonwe, 1994).

STATE-JOINT LOCAL GOVERNMENT ACCOUNT

This is a novelty introduced by the 1979 constitution it has come to remain as the main instrument of deprivation of local autonomy in this republic section 163 3-8 states as follows:

- a. Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Government and Local Government Councils in each State on such terms and such manner as may be prescribed by the National Assembly.
- b. Any amount standing to the credit of the State in the Federation such manner as may be prescribed by the National Assembly.
- c. The amount standing to the credit of Local Government Councils in the Federation Account shall also be allocated to the States for the benefits of their Local Government Councils On Such Terms And In Such Manner As May Be Prescribed by the National Assembly.
- d. Each State shall maintain a special account to be called

“State Join Local Government Account” into which shall be paid all allocations to the Local Government Councils of the State from the Federation Account and from the Government of the State.

- e. Each State shall pay to Local government Councils in is area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.
- f. The amount standing to the credit of Local Government Council of a State shall be distributed among the Local Government Council of that State on such terms and in such manner as may be prescribed by the House of Assembly of the State.

STATE LOCAL GOVERNMENT JOINT ALLOCATION COMMITTEE AND ITS CHALLENGES

The State-Local Government Joint Allocation Committee (JAAC) meeting in line with the extant provisions of the constitution is convened every month to deliberate and approve statutory disbursement from the Joint State Local Government Allocation Account. The meeting is usually chaired by the State Governor or the Commissioner for Local Government.

The local government allocation summary of August distributed in September 2014 shows that a total of Four Billion, Four Hundred and Twenty Seven Million, Twenty Six Thousand, Nine Hundred and Fifty Two Naira, Eleven Kobo (N4,427,026,952.11) was received as allocation for the 25 local governments for the stated period whereas the sum of Two Billion, Seven Hundred and Eighty Seven Million, Eight Hundred and Twenty Three Thousand, Six Hundred and Seventy One Naira, Seventy Two Kobo

(₦2,787,823,671.72) was distributed after deductions. The deductions were for statutory payments. The challenge here is that whose purview is it to effect the statutory deductions?

Secondly, whose purviews is it to verify and authenticate the amount deductible? Cases abound proving that some of these deductions are usually inflated and unverified by such agencies responsible for the deductions like primary school teacher's salary administered by the State Universal Primary Education Board (SUPEB).

Thirdly, the state government is required by section 162 of the constitution to pay 10% of the internally generated revenue to the local governments for distribution along with the receipt from the federation account. In some cases when the 10% internally generated revenue of the state government is released, the amount is not usually in tandem with the percentage.

From the forgoing it is crystal clear that the administration of the Joint State Local Government Account (JAAC) is firmly within the grips and manipulation of the state government.

Table 1:

Prototype of JAAC template

OFFICE OF THE ACCOUNTANT-GENERAL			
SUMMARY OF LOCAL GOVERNMENT ALLOCATION OF AUGUST DISTRIBUTED IN SEPTEMBER 2014			
A	GROSS ALLOCATION		
a	Federation Account		
i	Gross Statutory		
ii	VAT		
iii	Special distribution from Excess Crude Savings		
	Total Revenue from the Federation Account		
b	10% State IGR		
c	State Participation in Pry School Staff Salaries		
d	Additional State Participation in Pry Sch. Staff Salaries		
e	CONPSS Salary Arrears Due P/S Teachers (9 th of 36 Installments)		
	Gross Revenue		
B	STATUTORY PAYMENTS		
1	Salaries of Primary School Staff paid to SUBEB		
2	15% Pension Contribution, paid to Local Govt. Pensions Bureau		
3	1% Training Fund paid to Local government Service Commission		
4	5% to Local Govt. Traditional Rulers' Committees' Fund		
5	Contributory Pension of Pry Sch. Staff paid to Local Govt. Pension Bureau		
6	Contributory Pension of Local Govt. Sch. Employees paid to Local Govt. Pension Bureau		
7	Retirement Benefit Bond of Pry Sch. Employees paid to Local Govt. Pension Bureau		
8	Retirement Benefit Bond of Local Govt. Employees paid to Local Govt. Pension Bureau		
9	1% Overhead paid to Local Govt. Education Secretaries		
10	Teachers' Peculiar Allowance Arrears Due Pry Sch. Teachers		
11	CONPSS Salary Arrears Due P/S Teachers (9 th of 36 Installments)		
	Total Statutory Payments		
	Net Allocation Released		

Source: Delta State JAAC (2014)

RECOMMENDATIONS

The Supreme Court of Nigeria, in the judgment on the Suit brought before the Court by the Federal government, has ruled that it is unconstitutional for State Governors to hold onto funds meant for local governments. The Supreme, in a majority decision by a seven member Panel of Justices, barred Governors of the 36 States of the federal from relieving, withholding, tempering or utilizing funds that stand to the credit of the local governments areas. This judgment has effectively granted the local governments the much needed financial autonomy. This study therefore recommends that:

Firstly, considering the fact that it has been a long drawn struggle to this recent development one will also recall that the erstwhile Mohammadu Buhari administration has in May 2020 issued the executive order 10 which granted financial autonomy to local governments. This Executive order was challenged by the state governors and was subsequently nullified by the Supreme Court. Recall also that at various times the National Assembly has passed the bill for local government autonomy which could not get two thirds concurrence from at least (24 nos) twenty four states, thereby stalling the move. Furthermore legislative action on both section 7, 8 and 162 of the constitution by the National Assembly is still required to cast in stone the financial autonomy granted councils by the Supreme Court.

Secondly, that a monitoring unit under the watch of the Independent Corruption Practices Commission (ICPC) be set up to ensure that the state governments cease from tempering forthwith funds accruing to local government.

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