



Local Government Autonomy and Fiscal Decentralization in Nigeria

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Abstract

Local government autonomy and fiscal decentralization continue to be central themes in Nigeria's governance and development debates. While the 1999 Constitution designates local governments as the third tier of government, their independence is often eroded by state-level interference, limited institutional capacity, and heavy reliance on statutory allocations from the federation account. The continued operation of the joint state local government account, alongside constrained revenue-generation powers, has rendered most council financially weak and unable to effectively fulfill their developmental mandates. This study explores the historical and structural factors that undermine local government autonomy, with particular attention to fiscal frameworks, political interference, and accountability gaps. It also assesses how restricted fiscal decentralization affects service delivery, grassroots participation, and sustainable development. The findings indicate that although decentralization is theoretically designed to enhance local governance, in practice, Nigeria's system has fostered dependency and inefficiency. To tackle these challenges, the study proposes several reforms. First, constitutional amendments are needed to secure the financial autonomy of local councils. Second, abolishing the Joint Account would grant local government councils full financial independence and political autonomy. It would also make them responsible for the efficient management of schools, healthcare, social services, rural development, and other local functions. However, each council must be accountable for every kobo spent. Statutory allocations from the Federation Account intended for local governments should be transferred directly to them in accordance with the Supreme Court ruling. Thirdly, the federal system comprises three tiers of government, each with distinct responsibilities and powers; therefore, the constitutional provisions defining these powers must be strictly respected by politicians and state actors as it will help to stamp out political interference at the local government. Citizens and civil society organizations should serve as vigilant watchdogs whenever sections of the constitution are violated by contemporary politicians, thereby promoting effective social accountability and governance. As a matter of fact, meaningful fiscal decentralization, supported by institutional reforms and active citizen participation, is essential for enabling local governments to exercise real autonomy. In the absence of these measures, local councils will remain structurally constrained, weakening Nigeria's overall democratic progress and development goals.

Keywords: Local Government, Local Government Autonomy, Fiscal Decentralization, Intergovernmental Relations, Revenue Allocation.

Introduction

Local government plays a pivotal role in the governance framework of contemporary states, functioning as the level of administration closest to the people. Its effectiveness, however, depends largely on the extent of its autonomy and the degree of fiscal powers devolved from the central government. Autonomy implies the ability of subnational entities to make independent decisions, formulate policies, and manage resources within the boundaries of national

legislation (Abadan, 2023). Fiscal decentralization refers to the delegation of financial authority including revenue generation, resource distribution, and expenditure responsibilities from central institutions to local governments. Together, these elements form the backbone of a meaningful decentralization agenda aimed at strengthening accountability, responsiveness, and efficient service delivery (Abdull, 2022).

The increasing emphasis on decentralization reforms in both developed and developing nations stems from the

realization that centralized systems frequently fail to meet the varied needs of local communities, particularly in socially, economically, and culturally diverse settings. Advocates contend that enhanced fiscal autonomy enables local governments to craft policies aligned with local priorities, optimize resource mobilization, and promote participatory governance (Abdull, 2022). In Nigeria, the local government functions as the third tier of governance, constitutionally mandated to promote grassroots development and ensure proximity to the people. Yet, its effectiveness remains a subject of debate, especially concerning the level of autonomy it possesses and the degree of fiscal decentralization granted within the federal structure (Abiola, 2021).

Although Nigeria's constitution acknowledges local government autonomy and provides for a decentralized fiscal framework, the reality shows considerable constraints. State governments' dominance over local government finances most notably through the State Joint Local Government Account (SJLGA) has greatly undermined the fiscal independence of local councils. Moreover, governance in Nigeria is becoming increasingly centralized in the hands of a small group of influential aides, often referred to as cabals, whose interests and objectives are typically narrow and identity-driven (Afonughe, 2021).

In addition, factors such as limited revenue generation, heavy reliance on statutory transfers from the federation account, poor financial management, and persistent political interference have weakened the effectiveness of local governments (Abubakar & Afolabi, 2022). These challenges call into question whether fiscal decentralization in Nigeria truly strengthens local councils or merely sustains their subordination within the federal system. This research explores the nexus between local government autonomy and fiscal decentralization in Nigeria, assessing their impact on governance, development, and the consolidation of democracy.

The Concept of Local Government

The concept of local government has been defined in numerous ways by scholars, but a few key perspectives are highlighted here. Broadly, local government is regarded as the third tier of governance, positioned closest to the people. It serves as the primary channel through which citizens access public services and actively engage in local decision-making. Appadorai (1975), provides an early definition of local government, describing it as a form of governance rooted in the will of the electorate or local groups, entrusted with administering affairs, delivering services, and addressing matters of concern to the people within a specific locality.

Abubakar and Afolabi (2022) describe local government as a constitutional and conventional political sub-unit of a nation, vested with a certain level of authority over local and communal affairs, including the power to levy taxes and mobilize labor for designated purposes. Similarly, Mtasigazya (2019) defines local government as a public authority comprising both elected and appointed officials who operate at the grassroots level to advance democracy and foster community economic development. In essence, governance responsibilities are delegated to local residents to be carried out at the community level.

Local Government Autonomy

Adebayo (2022), observes that the core of the debate on local government autonomy lies in determining the scope of authority and responsibilities that national, regional, or state governments should devolve to local political units. The 1976 local government reform in Nigeria, however, not only provided a formal definition of local government but also laid the foundational principles of local government autonomy. The 1976 reform characterized local government as administration conducted at the grassroots level through a representative council, legally constituted to exercise specific powers within defined territorial boundaries (Abadan, 2023).

These powers are intended to give local councils substantial control over community affairs, along with authority over personnel, institutions, and finances, enabling them to deliver services, initiate projects, and implement programs of both state and federal governments within their jurisdictions. By assigning such responsibilities to local councils and engaging community members and traditional institutions, effective management of local affairs can be better ensured (Adeyemi, 2023).

The definition above underscores the key elements of local government autonomy. First, a local government must possess a distinct legal identity separate from state and federal authorities. Second, it should hold defined powers and responsibilities that differentiate it from higher levels of government. Third, it must operate independently in carrying out its functions, apart from the control of national and state governments (Agba, 2018).

Thus, local government should not be treated as a subsidiary or extension of either the national or state governments. Fourth, it must have the power to enact its own laws, rules, and regulations. Fifth, local governments should possess the authority to formulate and implement their own policies, as well as the autonomy to recruit, promote, and discipline their staff independently, without requiring approval from higher levels of government (Agbo, 2019).

Agwor and Akani (2017), argue that local governments in Nigeria have never attained the degree of autonomy described in the foregoing definitions. As noted earlier, the extent of autonomy granted to local units is often shaped by state-level politics across different political systems. For example, in the United States, local government autonomy is grounded in core ideals and values such as liberty, equality, democracy, individualism, unity, and diversity (Ahamba, 2017).

These ideals shape the character of state politics and constitute a core part of the American national identity. As Aisha et al. (2025), rightly observe, they also influence how Americans perceive the world. Deeply embedded in the national consciousness, these enduring values have profoundly shaped the formulation of public policies and legislation in the United States.

Ajayi (2021), further emphasizes that liberty has always been central to American political culture, with the dominance of liberty-centered discourse serving as clear evidence of this tradition. The U.S. Constitution's preamble reinforces this through its reference to securing "the Blessings of Liberty to ourselves and our Posterity," echoing the broader ideals of "Life, Liberty, and the Pursuit of Happiness" and symbolically represented by the Statue of Liberty. These principles continue to shape federal, state, and local government relations in the United States.

Ajiboye (2021), observes that the principle of liberty strongly influences the scope of powers and responsibilities that federal or state governments delegate to local authorities. Since the American Revolution, the nation's governance has been shaped by this guiding ideal of liberty. However, it is important to note that in every political system, local governments operate with some degree of oversight and interference from higher levels of authority.

Akinwale (2021), argues that federal and state governments have multiple avenues to enhance the financial stability of local governments within an intergovernmental framework. In mature federations such as Switzerland and the United States, higher levels of government often intervene in local council affairs through grants-in-aid and other support programs, ensuring that local authorities are able to discharge their responsibilities to the people effectively. Akpomivie (2017), notes that local governments in the United States have gained from the supportive involvement of federal and state authorities. Because this form of interference is constructive, it has not generated significant conflict or controversy.

The core argument is that federal and state interference in local government affairs can produce both beneficial and harmful outcomes. When such interference obstructs a local government's ability to fulfill its legal responsibilities or when the reverse occurs it becomes

problematic. The former often triggers conflicts, court cases, and academic debate. While constructive interference can strengthen local governance, harmful interference deepens federalism-related tensions at the subnational level. In the Nigerian federation, negative forms of interference are more prevalent (Alabi & Okunade, 2021).

The Types and Workings of Autonomy

In Nigeria's federal system, the notion of autonomy for each federating unit is closely tied to the Niger Delta region's struggle for resource control during Olusegun Obasanjo's civilian administration. The local communities are regarded as having the right to manage both the natural and human resources within their respective local governments (Anayochukwu & Ani, 2021). Such a degree of autonomy is essential for every local government in Nigeria and is exemplified in a federal system like that of the United States. However, local government scholars hold differing views regarding both the nature and practice of autonomy in the Nigerian context.

Ayuba (2022), defines autonomy as the degree of freedom local governments possess in managing their own affairs. However, complete autonomy is impossible, as it would effectively transform them into independent sovereign states. Within a federal system, autonomy instead implies that each level of government exists distinctly and operates independently of the direct control of others (Cornelius, 2022). Autonomy is only meaningful if a government unit is not constitutionally bound to obey directives from another. In a federal system, each tier of government must therefore possess a measure of independence.

This reflects the hallmark of a genuine democratic state, which must operate fully in line with the guarantees of the national constitution. According to Mukoro (2013), such autonomy should enable the effective exercise of decision-making, revenue generation, financial management, personnel administration, and other administrative functions. Eze (2019), however, contends that the hasty implementation of fiscal policies has deepened inequalities in wealth, opportunity, and fairness among the federating units. Eze and Muanya (2021) argue that in mature democratic societies practicing federalism, a harmonious balance is achieved among the federal, state, and local tiers of government. These societies effectively share available resources to enable each tier to perform the responsibilities assigned to it by their respective constitutions.

Contextualization of Autonomy in Nigeria Local Government

With respect to local government, autonomy denotes the freedom to perform constitutionally assigned functions without interference from higher authorities, similar to the independence exercised by a self-governing community or group in specific areas such as religion or education. Webster's Comprehensive Dictionary of the English Language (2006), defines autonomy as self-determination or freedom of will, while Fagbadebo and Adebayo (2021) describe it as the ability to act and make decisions independently, free from external control.

The issue of autonomy in Nigeria's local government system is complicated by historical precedents, many of which stand in direct conflict with the constitutional provisions noted earlier. Autonomy enhances decision-making by reinforcing self-determination, which involves making independent choices that ultimately serve broader societal interests (Faguet, 2021).

Nigeria operates as a constitutional federal state, with authority at the federal, state, and local levels deriving from the constitution. Ibrahim (2020), defines federalism as a system comprising two or more levels of government such as the national and local tiers that function autonomously and in coordination, each exercising authority within its own jurisdiction.

Before independence, local government in Nigeria functioned merely as a second tier of administration. This situation changed with the 1976 local government reforms, an initiative later reinforced by the 1979 Constitution. Over time, successive constitutions of the Federal Republic of Nigeria have sought to strengthen the local government system. For instance, Section 7(a) of the 1999 Constitution explicitly grants local councils exclusive legislative authority.

Eze (2019), argues that since local councils possess their own legislative framework and share comparable powers with state and federal governments, achieving autonomy at this level should not be difficult. The 1999 Constitution of the Federal Republic of Nigeria, in Section 3(6), specifies the number of local government councils. However, the degree of autonomy at this tier has been curtailed, particularly after the federal government invalidated attempts by several state governors to increase the number of councils in their states under a democratic regime.

Mukoro (2013), rightly contends that what the constitution guarantees is the system of local government, not the specific number of councils. Under Sections 8(3) and 8(5) of the 1999 Constitution of the Federal Republic of Nigeria, the creation of any local government council requires prior approval from the State House of Assembly, while the National Assembly retains the constitutional authority to ratify such a request.

In addition, the constitution empowers the government to determine the location of each council's local government offices. Section 8 explicitly requires every state government to comply with its provisions, which guarantee local governance through democratically elected councils. It further mandates the enactment of laws regulating their creation, structure, composition, funding, and functions (Faguet, 2021).

Section 8 of the constitution makes it clear that neither the state nor the federal government holds exclusive authority to establish local governments. In this regard, Adeyemo (2005), citing Omoruyi (1991), argues that earlier government reports on reforms failed to provide sufficient conceptual clarity on the actual extent of autonomy guaranteed by the constitution. Building on this debate, Ayuba (2022), laments the absence of genuine functional autonomy in the system, attributing this shortfall to both statutory and constitutional constraints.

Nigeria Health Watch (2023) observes that, since the colonial era, local government has never functioned as a truly distinct tier of government separate from the state and federal levels, but has instead remained subject to their control. Adeyemo (2005) similarly contends that genuine autonomy may be unattainable, since the existence of two sovereign authorities within a single state would create a counterproductive model of governance.

Noah (2017), argues that granting absolute independence to local governments would create a complex situation that could ultimately lead to systemic breakdown. He stresses that autonomy does not mean total freedom from state and federal oversight, but rather a balanced degree of independence that enables local governments to operate in line with constitutional and legal provisions.

Nwosu (2023), contends that the problem of autonomy is rooted in colonial legacies, which concentrated the nation's political, administrative, and supporting structures in the hands of a privileged few. This legacy, he argues, has fostered military elitism, thereby undermining the rule of law, accountability, and transparency in the evolution of local government.

The Nigerian political and economic elite have historically treated local governments as subordinates or mere extensions of state bureaucracies, a practice that has contributed to the current weakened state of local government autonomy. Jovanovich and Ogunleye (2021), in their comparison of local government autonomy in Nigeria and the United States, note that the 1976 reforms and the 1979 Constitution of the Federal Republic of Nigeria provided sufficient legal backing for local councils to operate independently, much like the states and the federal government, which also derive their authority from the constitution. Serving two masters at the same time is almost

impossible in practice, as it undermines organizational ethics and hinders effective communication.

Mard (2022), argues that the challenges of local government autonomy stem from the legal framework regulating them, which he describes as derivative in nature and constitutionally structured in ways that restrict councils from fully serving their local populations. He notes that these laws originate from three sources the Federal Constitution of Nigeria, periodically enacted state laws, and local government bylaws designed to promote good governance leaving local governments subject to the authority of all three. According to Adeyemo (2005), local government autonomy within a federal system implies that each level of government operates independently, without interference from the others. However, this notion seems to create contradictions that hinder the practical realization of true autonomy. It is also important to note that this perspective overlooks the present reality, where the federal structure integrates all tiers of government and further complicates constitutional implementation.

This constitutional provision reflects the problematic practice, initiated by many state governors, of periodically removing elected local government officials from office and assuming control over their responsibilities. Despite this, local government autonomy remains highly significant for grassroots politics in Nigeria, particularly within the current democratic framework that seeks to reinforce national politics and foster integration.

Building on Jovanovich and Ogunleye (2021), autonomy at this level of government is meaningful only when local governments are not constitutionally required to follow directives from higher tiers. They define autonomy as the extent of discretion and independence local governments possess from state and federal interference, which can enhance the effectiveness of council management.

Local Government Autonomy in Nigeria

Various initiatives have been undertaken to reform local governments with the aim of promoting the socio-economic development of rural communities. The ongoing existence of local governments has made the question of autonomy increasingly prominent (Obisanya & Hassan, 2022). Consequently, the Nigerian local government system has experienced several reforms designed to strengthen its functionality and authority (Wilson, 2013).

Among various reforms, the 1976 local government reforms represented a pivotal moment in the administration of local governments within Nigeria's democratic framework. These reforms led to the establishment of 774 legally recognized local governments, with the main objective of bringing

governance closer to the people and enhancing the development of rural communities and their residents. Mard (2022), notes that the adoption of the Dansuki Report in 1984, aimed at addressing issues related to the financial and administrative independence of local governments, marked the start of local government autonomy in Nigeria. Since then, scholars have examined local government from multiple perspectives. Ogunyemi and Adegoke (2021), define local government autonomy as the degree of independence, authority, and control a local government can exercise in managing its affairs without interference from state or federal authorities. This perspective emphasizes local government autonomy in terms of the freedom to make and implement decisions regarding its own operations. According to Jamo (2018), local government autonomy refers to the freedom of a local government to exercise its authority within the limits set by the law or constitution. Ojo and Akinwunmi (2022), however, argue that the very law or constitution intended to grant local governments autonomy actually restricts them, effectively denying them true independence.

Section 7(6) of the 1999 Constitution, which grants the State House of Assembly the power to legislate on the administrative policies and operations of local government areas, highlights a gap that has contributed to the ineffectiveness of Nigeria's local government system. Furthermore, Section 162 allows state governments to operate through the State and Local Government Joint Account and Allocation Committee (JAAC), thereby undermining the financial and administrative autonomy of local governments.

However, the National Assembly has repeatedly failed to amend the relevant sections of the 1999 Constitution to enhance local government autonomy (Wilson & Sakiemi, 2019). Consequently, local governments have struggled to mobilize resources for the socio-economic development of rural communities. Based on this, Ogunyemi and Adegoke (2021) regard financial autonomy as the cornerstone of local government independence in Nigeria.

They further noted that the federal government increased its financial contributions to local governments from 10% in 1986 to 15% in 1992, and 20.60% in 2008 to the present in an effort to enhance their financial independence. However, this argument is limited, as it overlooks the significance of other forms of autonomy, including administrative, political, and legal, in promoting rural development.

From another perspective, Olawuyi (2020), contends that various local government reforms including the 1976 reforms and the provisions of the 1979, 1989, and 1999 constitutions were designed to provide Nigerian local governments with the autonomy needed for effective operation. However, due to the conflicting

constitutional provisions, local governments remain constrained, making the pursuit of genuine autonomy largely ineffective and unproductive.

Scholars such as Oloyede and Adeniran (2023), have echoed the shortcomings of local government reforms, arguing that the various reforms and constitutional provisions have been insufficient to secure effective local government autonomy in Nigeria. Local governments continue to face undue interference from other tiers of government, leading to administrative, political, and financial challenges.

The aforementioned claims were supported by Oluwatayo & Akanbi (2021), who asserted that local governments continue to lack practical autonomy despite the efforts made by the previous administration. According to President Buhari Muhammadu, the inability of local governments to operate autonomously creates the possibility for unwarranted state government interference in local government affairs, which results in inadequate local government performance in rural development in Nigeria (Jamo, 2018). In conclusion, local government autonomy must be protected if local government in Nigeria is to be effective in the development of rural communities.

Nonetheless, In July 11, 2024, there was a landmark judgment by the Supreme Court of Nigeria which held that it is unconstitutional for state governments to intercept or withhold funds allocated to local government councils. The court, in a decision delivered by Justice Emmanuel Agim, emphasized that Section 162(3) of the 1999 Constitution affirming the financial autonomy and independence of the 774 Local Government Areas (LGAs) (Kingsley, 2024).

The Supreme Court's ruling affirmed that local governments have the right to receive their allocations directly from the Federation Account, thereby reinforcing the principles of local government autonomy, fiscal decentralization, and grassroots governance (Abadan, 2023). The federal government's renewed emphasis on local government autonomy arises amid widespread concerns regarding the management of local government funds by certain state governments, with reports alleging misappropriation of allocations and the consequent undermining of service delivery at the grassroots level.

Prior to this landmark ruling, states and local government areas operated a joint account under Section 162(6) of the 1999 Constitution, with states managing funds on behalf of local governments, awarding contracts without their input, and overseeing payments. This arrangement frequently resulted in inefficiencies, delayed salaries for local government staff, and neglect of essential services such as healthcare, roads, electricity, potable water, security, and education (Abubakar & Afolabi, 2022). These challenges have severely undermined good governance

and best practices, highlighting the urgent need for corrective measures.

Following this historic judgment, it is now unconstitutional for any state government to receive, withhold, or spend funds designated for local government areas. The learned jurist affirmed this ruling, ensuring the independence of local government administration in Nigeria. Henceforth, local governments will receive their allocations directly from the Federation Account, with each of the 774 local government accounts jointly signed by the local government chairman and the director of administration and finance, thereby guaranteeing financial autonomy (Ajim, 2024).

Following the landmark judgment, the federal government directed all 36 states to establish and operate dedicated bank accounts with the Central Bank of Nigeria (CBN) for each of their 774 local government areas. This measure aligns with ongoing efforts to implement full local government autonomy at the grassroots level and promote fiscal decentralization in Nigeria (Kingsley, 2024).

Despite the importance of the landmark judgment, its implementation has encountered significant challenges. Even a year later, state governors continue to control the allocation of funds intended for local governments. Additionally, with governors overseeing local government elections, councils remain firmly under their influence, making true autonomy and fiscal decentralization largely unattainable (Akinwale, 2021).

The Concept of Fiscal Decentralization

Fiscal decentralization refers to the transfer of fiscal powers such as revenue collection and expenditure decisions from the central government to lower-level subnational governments. Its goal is to enhance public sector efficiency, ensure greater responsiveness to local needs, and improve transparency in service delivery. Fiscal decentralization rests on key pillars, including expenditure assignment, which defines the functions and responsibilities of subnational governments, and revenue assignment, which determines their authority to generate funds and manage intergovernmental transfers (Rondinelli et al., 2018).

The flow of financial resources from the central to local levels is intended to promote equity and fund local services. As previously noted, local government autonomy entails granting local governments the independence to manage their internal affairs. In Nigeria, however, local governments cannot effectively exercise this autonomy if revenues are not properly decentralized to reach the grassroots level (Agbo, 2019).

Key Features of Fiscal Decentralization and Local Government Autonomy

• Nature of Transfers

These are financial transfers from a higher level of government to a lower one, made without any direct exchange of goods or services. At this level, local governments receive funds that are legally mandated and due to them according to established norms. The primary purpose is to empower local governments in the practice of governance (The White House, 2024). These transfers are intended to support local public spending, allowing local governments to deliver essential services such as infrastructure, education, and healthcare. By doing so, they help bridge governance gaps, with their benefits directly impacting the residents of the local jurisdiction.

• Expenditure Assignment

Expenditure assignment specifies which spending responsibilities are delegated to local governments, including services such as infrastructure, healthcare, and education areas often best managed at the local level due to regional needs. It promotes prudent use of funds and ensures that local resources are allocated effectively, emphasizing careful planning over wastefulness or self-interest in governance (Aisha et al, 2025).

• Revenue Assignment

Revenue assignment identifies the sources of funds available to subnational governments, including local taxes, user fees, and shared national taxes. This arrangement ensures that revenue generation is coordinated across federal (Obisanya & Hassan, 2022).

• Intergovernmental Transfers

Intergovernmental transfers are financial allocations from central to subnational governments within a decentralized fiscal system, allowing local governments to fund services such as education and policing despite differences in revenue-generating capacity. These transfers are a key component of fiscal decentralization and can be either unconditional (discretionary), providing local governments with flexibility, or conditional (earmarked), designated for specific purposes to ensure both equity and the funding of essential services (Adeyemo, 2005).

Roles in Local Government Autonomy and Fiscal Decentralization in Nigeria

Fiscal decentralization in Nigeria aims to strengthen local governments by granting them:

Reduce Disparities

Fiscal decentralization can address imbalances in local revenue-generating capacity, ensuring that all subnational governments can provide a satisfactory

level of services regardless of their economic base. In Nigeria, it would enable local governments to function effectively, generate their own resources, and promote development within their communities (Rondinelli et al., 2018).

Support Local Responsiveness

Fiscal decentralization allows local authorities, who have a better understanding of community needs and priorities, to allocate resources more efficiently for public services. For example, transfers from the national government to regional or local governments can support policing, education, and other critical local development initiatives. In Nigeria, this system can help address ongoing security challenges, as local governments and communities are more familiar with terrains and forested areas that often serve as criminal hideouts. By leveraging local knowledge, fiscal decentralization enhances intelligence gathering and strengthens public safety (Abadan, 2023).

Goals of Local Government Autonomy and Fiscal Decentralization in Nigeria

The essence of local government autonomy and fiscal decentralization is aimed at ensuring the following:

Improved Service Delivery

The primary purpose of the local government system is to bring governance closer to the people. Achieving this goal requires empowering local governments to deliver services that reflect the specific needs and preferences of their communities. Having government operate at the local level fosters human and infrastructural development and encourages active citizen participation. Addressing the developmental needs of rural populations ensures they share similar benefits with urban residents within the state (Yahaya, 2019).

Increased Efficiency

Local governments, with their detailed knowledge of local conditions, are better positioned to allocate resources efficiently. Being the tier of government closest to the community, they have first-hand insight into societal needs, enabling a bottom-up (Uzochukwu, 2023).

Enhanced Accountability and Transparency

In Nigeria, local governments can enhance accountability to their constituents by gaining direct control over service delivery and revenue generation. This transparency enables community members to track the monthly inflow of funds into their local government and monitor how these resources are managed and utilized (Wale, 2022).

Greater Political Stability

In some contexts, decentralization can promote political stability and reinforce nationhood. Stability arises when societal needs are met and citizens are actively involved in governance. By enabling citizens to achieve their goals, decentralization fosters patriotism and loyalty to the state, contributing to effective nation-building (Watts, 2008).

Merits of Local Government Autonomy and Fiscal Decentralization in Nigeria

Responsive and Inclusive Governance

When properly implemented and monitored, financial decentralization and local government autonomy can create governance structures that encourage good governance and drive national development. As the third tier of government in Nigeria, local governments would be able to perform effectively, rather than remaining, under the current system, susceptible to corruption and undue control by state governments (Yahaya, 2019).

• Transparency and Accountability

It promotes transparency and accountability in addressing grassroots needs, reinforces democratic principles, and strengthens public trust. Local government autonomy and fiscal decentralization facilitate local participation in decision-making, planning, and implementation, fostering an environment of openness and accountability at the local level. Consequently, empowering local governments is a critical step in Nigeria's fight against corruption (Yahaya & Eze, 2022).

• Civic Engagement

It fosters participatory governance by encouraging civic engagement and responsibility. In a democratic system, active citizen involvement supports societal growth, progress, and development, contributing to a stable and smoothly functioning government. Local government serves as the foundational platform for reflecting local interests, activities, and aspirations, creating a balanced system that ensures people are actively involved in governance (Wale, 2022).

• Efficient Resource Allocation

Local government autonomy and fiscal decentralization enhance efficient resource allocation by reducing waste through closer oversight. Financially independent local councils can prioritize local projects and development in Nigeria, helping to prevent misappropriation as resources are used to meet the specific needs of the community. In this way, the principles of public choice theory are effectively applied (Yahaya, 2019).

• Self-sufficiency

It fosters self-sufficiency and financial autonomy at the grassroots level, thereby strengthening local economies. No nation can achieve meaningful progress without good governance, which entails the integration of local

autonomy and fiscal management across federal, state, and local levels. When leaders uphold the principles of good governance, it generates positive outcomes for national development. It is a collective responsibility to demand accountability, and implementing fiscal decentralization at the local government level in Nigeria is essential for achieving this success (Aisha et al., 2025).

Challenges of Local Government Autonomy and Fiscal Decentralization in Nigeria

The challenges facing local government autonomy and fiscal decentralization in Nigeria are multifaceted, encompassing legal, political, economic, and institutional aspects. The key challenges can be summarized as follows:

• Finance

Despite the increase in total funds available to local governments in Nigeria since the early 1990s including a substantial 80% financial contribution from the federal government in 1999 aimed primarily at addressing rural needs their economic and financial capacity remains weak relative to the development programs they are expected to implement (Ajayi, 2021). The misuse and misappropriation of funds by local councils is closely tied to the existing system. Through the State Joint Local Government Account mechanism, state governments legally mandated to fund local councils have instead exploited this arrangement to keep local governments' hostage, effectively reducing them to extensions of the state (Cornelius, 2022).

• Constitutional and Legal Constraints

State governments continue to act as intermediaries in transferring funds from the Federation Account to local government areas. Despite the Supreme Court ruling, the National Assembly has yet to amend the constitutional provisions supporting the State Joint Local Government Account. As a result, the implementation of the judgment remains largely incomplete (Ibrahim, 2020). In reality, both federal and state institutions seem to lack the political will to enforce the Supreme Court's judgment effectively. Furthermore, the Local Government Service Commission (LGSC), though not constitutionally mandated under the 1999 Constitution, has contributed to the further marginalization of local governments, making its influence a critical factor to consider (Abdull, 2022).

• Political Interference

State interference in local governments, as noted by Agbo (2019), often manifests in hiring practices driven by personal and parochial interests, leading to issues of redundancy. Nigeria Health Watch (2023), observes that when administrative institutions become politicized, corruption is more likely, and key positions are filled based on subjective or personal interests

rather than merit. Faguet (2021), further defines this interference as the influence exerted by politicians or higher tiers of government on local administration, manipulating internal affairs to undermine the effectiveness of the system.

According to Ajayi (2021), it is evident that local governments in Nigeria face varying levels of interference from politicians, state governments, and other political actors. This occurs when politicians dominate decision-making processes related to staffing, planning, organizing, directing, coordinating, and reporting including activities such as planning and budgeting within the public administration sphere (Aisha et al., 2025).

Conclusion

The quest for local government autonomy and fiscal decentralization in Nigeria is crucial for advancing democratic governance and fostering inclusive development. Although the constitution recognizes local governments as the third tier of government, their effectiveness is frequently compromised by excessive state control, limited fiscal capacity, and political interference. These limitations have hindered local governments' ability to address the specific developmental needs of their communities. Enhancing fiscal decentralization through clearer revenue allocation frameworks, improved internally generated revenue systems, and accountable intergovernmental transfers would enable local governments to play a more significant role in service delivery. However, autonomy must be coupled with strong oversight mechanisms to ensure transparency, prevent mismanagement, and encourage citizen participation in governance.

Ultimately, a truly decentralized system in which local governments possess both fiscal independence and institutional autonomy could improve governance efficiency, foster grassroots participation, and accelerate socio-economic development throughout Nigeria. Achieving this goal requires not only constitutional and legal reforms but also a sustained political commitment to align the federal system with the principle of genuine subsidiarity.

The debate on local government autonomy and fiscal decentralization in Nigeria highlights the ongoing tension between constitutional provisions and political practice. Although the 1999 Constitution formally recognizes local governments as the third tier of government, their autonomy is still significantly constrained by state interference, particularly through joint account mechanisms and state oversight of local fiscal operations. This structural imbalance has created a paradox: while local governments are expected to drive grassroots development, their ability to fulfill this role is consistently limited by systemic constraints.

From a theoretical standpoint, fiscal federalism posits that decentralization improves allocative efficiency, accountability, and responsiveness by bringing government closer to the people. However, Nigeria's experience highlights the difficulties of realizing these benefits in a context characterized by elite capture, weak institutions, and widespread rent-seeking. Evidence from comparative federal systems shows that when local autonomy is paired with effective fiscal decentralization and strong accountability mechanisms, it can encourage innovation and enhance service delivery. In Nigeria, however, decentralization has often been "decentralization in form but centralization in practice."

The future of local governance in Nigeria depends on aligning constitutional guarantees of autonomy with institutional reforms that protect local councils from state interference while promoting fiscal discipline. Improving intergovernmental transfers, diversifying local revenue streams, and institutionalizing participatory budgeting can strengthen both fiscal capacity and democratic legitimacy. Ultimately, achieving sustainable development at the grassroots level requires not only legal and fiscal reforms but also a shift in political culture toward genuine subsidiarity and citizen-centered governance.

Recommendations

- A constitutional review that ensures clearly defined local government autonomy and fiscal decentralization is essential. To fully realize the principles of democratic federalism and give concrete effect to the concept of three-tier federalism, local governments should be explicitly and unambiguously recognized in the general provisions of Chapter I, Part I, Sub-section 2 of the 1999 Constitution of the Federal Republic of Nigeria. Accordingly, local governments should be empowered to generate independent revenue through enhanced taxation and intergovernmental transfers.
- Abolishing the Joint Account would grant local government councils full financial independence and political autonomy. It would also make them responsible for the efficient management of schools, healthcare, social services, rural development, and other local functions. However, each council must be accountable for every kobo spent. Statutory allocations from the Federation Account intended for local governments should be transferred directly to them in accordance with the Supreme Court ruling.
- The federal system comprises three tiers of government, each with distinct responsibilities and powers; therefore, the constitutional provisions defining these powers must be strictly respected by

politicians and state actors as it will help to stamp out political interference at the local government. Citizens and civil society organizations should serve as vigilant watchdogs whenever sections of the constitution are violated by contemporary politicians, thereby promoting effective social accountability and governance.

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