

Governance in Nigeria: Assessing the Effects of the State Joint Local Government Account

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ABSTRACT

Nigeria is one of the few countries in Africa that adopted a federal system of government, a system that envisages autonomy for every sector of its authorities and effective governance depends on an appropriate division of responsibilities and resources between federal, state and local authorities supported by a sufficient institutional capacity at each of these levels to carry out its assigned functions. Unfortunately, to suit their political agenda and interests, state governments have maintained a great level of domination and control over Local Governments allocations through State Joint Local Government Account. Though it is constitutional but in practice the application of State Joint Local Government Account is far from the constitutional provisions and at the same time undermines the principles of good governance like efficiency, accountability, transparency, participation and accessibility. To ensure good governance at the grassroots level full financial autonomy must be accorded to local governments through scrapping of State Joint Local Government Account.

Keywords: *governance, good governance, intergovernmental, State Joint Local Government Account*

INTRODUCTION

In a federal system, the issue of inter-governmental relations has become more important in contemporary period primarily involving the central government and other federating units. Nigeria operates a third-tier federal system, which presupposes that the three tiers must relate vertically and horizontally for the good government of the country. The stability of the federal system depends on the level of collaboration of all the levels of government. Inter-governmental relations are the level of positive or negative interactions and transactions among the various units of government. In modern times, with the expansion of government activities, it is no longer fashionable for government to operate in isolation therefore, the scope of inter-governmental relations have expanded to accommodate the socio-political and economic issues that bothers on the lives of the government and citizens. Local government relates with other levels of government in three ways, that is, Federal-Local government relations, State-Local government relations and Local-Local government relations. The first two are vertical relations while the last is regarded as horizontal relations. Our major concern herein this study is State Joint local government Account.

The Nigerian constitution under section 162(6) provided for the establishment of State joint local account (SJLGA). The Account is meant to be a mechanism that can implement the notion of 'fiscal federalism' at the local government level. However, majority of the state governments made some unnecessary deductions and more often diverted the funds to other areas of personal interest while the money is meant for development of local government areas, and this contributed significantly to the abysmal performance of local governments in providing good governance for the community. This practical operation of the SJLGA has denied local government councils their financial autonomy. Over the years, the Nigerian Local government administration has been faced with series of developmental and economic challenges where different policies have rendered the councils incapacitated to discharge their constitutional mandates. This has been traced to the unjust treatment and annexation of local government revenues by state governors in the name of State Joint Local government Accounts.

LITERATURE REVIEW

Concept of Local Government

The Guideline for Local Government Reform (FGN, 1976) defines local government as:

Government at local level exercised through representative councils established by law to exercise specific powers defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial power to initiate and direct the provision of services and to determine and implement projects so as to complement the activities of the state and federal government in their areas, and to ensure, through devolution of functions to these councils and through the active participation of the people and their traditional institutes, that local initiative and responses to local head and conditions are maximized.

On the other hand, the United Nations Office for Public Administration sees Local Government as:

A political subdivision of a nation (in a federal system) state, which is constituted by law and has substantial control of local affairs including the powers to impose taxes or to exact labour for prescribed purposes. The governing body of such an entity is elected.

The concept of the local government as a third-tier of governance is predicated on the principle of bringing the instrument of governance closer to the communities and harnessing the interests and aspirations of the local communities as an inputs-outputs analysis in governance. The local government also is an avenue through which the people can exercise their political rights through representatives at the local councils established by law to perform specific powers within their jurisdictions. The local government is a distinct legal entity and has power to raise its own revenue within its areas of jurisdiction as provided for in the constitution.

Concept of Governance

One of the buzzwords of the 2000s in Political Sciences, Public Administration, Political Geography, and Human Ecology alike is the concept of Governance (Ostrom, 1999; Pierre 2000; Hooghe 2003 & Folke et al., 2005). Governance has been defined in different ways. World Bank (1997) defined Governance as the manner in which power is exercised in the management of a country's economic and social resources. The World Bank has identified three distinct aspects of governance: (i) the form of political regime; (ii) the process by which authority is exercised in the management of a country's economic and social resources for development; and (iii) the capacity of governments to design, formulate, and implement policies and discharge functions.

UNDP (1997) viewed Governance as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. On the other hand the OECD DAC (1995) observed that the concept of governance denotes the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad definition encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the nature of the relationship between the ruler and the ruled.

As "a broader notion than government," 'governance' "refers to the process whereby elements in society wield power and authority, and influence and enact policies and decisions concerning public life, and economic and social development." Good governance at the local level (or good local governance) is therefore a set of organizations and a set of mechanisms/procedures intended to manage local public affairs.

CHARACTERISTICS OF GOOD GOVERNANCE IN LOCAL GOVERNMENT ADMINISTRATION

The following are characteristics of good governance in local government administration:

- (1) **Participation:** Participation by both men and women is central to good governance; it could be either direct or through legitimate intermediate institutions or representation. Good governance implies and requires that the processes of participation are guided by principles and standards of Integrity, Transparency and Accountability; it is the function of local government administration to ensure that concerns of the most vulnerable in society are taken into consideration in decision making. It should be noted that the participation that will give rise to good governance is one that is devoid of manipulation through unethical and non-transparent practice (Ojo, 2009).
- (2) **Transparency:** Where there is good governance, all that is at stake is public interest and there will be nothing to hide. The reason for good governance has continued to be problematic in Local Government Administration in Nigeria. This is as a result of lack of transparency in dealing with critical political, economic and administrative issues. The handling of issues, such as service delivery, appointments to public positions are not done in transparent manner. It should be clear that, government presence and access to resources would remain less satisfactory to the people unless it is based on transparency.
- (3) **Responsiveness:** It means that public policy decisions and implementation represent adequate responses to popular needs and expectations; good governance requires that the fundamental interest and ultimate purpose that defines policies and actions of government must represent adequate response to the genuine and legitimate needs of the people. In other words, good governance requires that institutions and processes of government try to serve all stakeholders within a reasonable timeframe (Ojo, 2009).
- (4) **Rule of Law:** Rule of law as an essential feature of good governance implies the existence of fair legal frameworks that are enforced impartially, and constitutional procedural arrangements are adhered to consistently.
- (5) **Effectiveness and Efficiency:** Good governance in Local Government administration makes possible that adequate value and benefits are derived from government resources committed to programmes and projects of government. Good governance in this regards means that processes and institutions produce results that meet the needs of society, while making the best use of available resources at their disposal.

- (6) **Accountability:** Accountability means that people will be able to hold local government authorities responsible for public issues as it is affecting them. In other words, accountability involves an obligation to explain or justify specific actions (Heald, 1983). This is a key requirement for good governance in local government administration in general, and a system or an institution is accountable to those who will be affected by its decisions or actions. It should be noted, therefore, that accountability cannot be enforced without transparency, the rule of law and constitutionality.
- (7) **Government Appointments:** There is no gain saying the fact that appointment of people into Local Government and its Commission adopts unfair and unethical patronage practices based on considerations and criteria devoid of merit. This is a common phenomenon in local government administration in Nigeria. It should be noted that good governance cannot be ensured under such arrangement. Rather, skills and competence related criteria should be used for all local government appointments in order to get the best hands on the job.

From the above perspective of local government administration, it is clear that for good governance and accountability to exist in a local government arrangement, the above characteristics need to be taken into serious consideration.

THE STATE JOINT LOCAL GOVERNMENT ACCOUNT

Under the 1999 Constitution of federal republic of Nigeria, the State Joint Local Government Account SJLGA is a special account maintained by each state government “into which shall be paid allocations to the local government councils of the state from the Federation Account and from the Government of the State” (Section 162(6), 1999 Constitution of Nigeria). The Federation Account has been the focal pool from which the three tiers of government in Nigeria derive their monthly allocation which is expected to be judiciously utilized in addressing socio-economic development of their localities. The overreliance and overdependence on the Federation Account expose financial weaknesses of many states that could collapse within few months if the free money were not allocated from Abuja. Yet most

of the states still corner rightful allocation to their local government councils. By this they frustrate the administration and mandates of LGs as enshrined in the Constitution. The State Joint Local Government Account is meant to be a mechanism that can implement the notion of 'fiscal federalism' at the local government level in Nigeria.

The Committee which shall comprise the following members, that is to say-

- (a) The Commissioner charged with the responsibility for Local Government in the State to be the chairman thereof;
 - (b) The Chairman of each Local Government Council in the State;
 - (c) Two persons to be appointed by the Governor of the State;
 - (d) Two representatives of the Accountant-General of the Federation; and
 - (e) The Accountant-General of the State.
- (2) The Permanent Secretary of the State Ministry charged with responsibility for local government or such officer as may be designated by the said Commissioner shall be the Secretary to the Committee.
 - (3) The functions of the Committee shall be to ensure that allocations made to the Local Government Councils in the State from the Federation Account and from the State concerned are promptly paid into the State Joint Local Government Account and distributed to Local Government Councils in accordance with the provisions of any law made in that behalf by the House of Assembly of the State.

MODUS OPERANDI OF THE STATE JOINT LOCAL GOVERNMENT ACCOUNT

Section 162(1 - 8) of the Constitution of the federal republic of Nigeria provides for how public revenue shall be collected and distributed among the three tiers of government in the country. The following extract outlines the key elements of section 162:

- (1) *The Federation shall maintain a special account to be called "the Federation Account" into*

which shall be paid all revenues collected by the Government of the Federation...

- (2) *The President, upon the receipt of advice from the Revenue Mobilization Allocation and Fiscal Commission, shall table before the National Assembly proposals from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density. Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the Federation Account directly from any natural resources.*
- (3) *Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly.*
- (4) *Any amount standing to the credit of the states in the Federation Account shall be distributed among the states on such terms and in such manner as may be prescribed by the National Assembly.*
- (5) *The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the States for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.*
- (6) *Each State shall maintain a special account to be called "State Joint Local Government Account" into which shall be paid all allocations to the local government councils of the state from the Federation Account and from the Government of the state.*
- (7) *Each state shall pay to local government councils in its area of jurisdiction such proportion of its*

total revenue on such terms and in such manner as may be prescribed by the National Assembly.

- (8) *The amount standing to the credit of local government councils of a state shall be distributed among the local government councils of that state on such terms and in such manner as may be prescribed by the House of Assembly of the state.*

RELATIONSHIP BETWEEN GOVERNANCE AND THE MANAGEMENT OF STATE JOINT LOCAL GOVERNMENT ACCOUNT

The relationship between Governance and the management of The State Joint Local Government Account in Nigeria can be seen from the perspective of fiscal relations among the tiers of government. The Nigerian constitution provides for the provision of The State Joint Local Government Account in order to control the activities of local government by the state so as to enhance good governance at the grassroots level. By enhancing good governance we simply means that the local government officials must be accountable and also justify the huge amount of financial resources generated from both federation account and internally generated revenue.

In practice, the relationship between state and local government is more of domination and hijacking of local government functions by state governments rather than serving as moderator/mediator, despite the fact that local governments were created in order to bring governance closer to the people yet state local government joint account do not enable this.

THE IMPACT/EFFECT OF THE STATE JOINT LOCAL GOVERNMENT ACCOUNT ON GOVERNANCE

Although the constitution enjoined states to pay 10 percent of the statutory revenues to local government councils (LGCs), in Nigeria very few states honored the provision. Additionally, statutory allocations from the “Federation Account” to LGCs, paid into State Joint Local Government Account’ were often diverted by some state Governments. By and large, LGCs were emasculated through acts of

omission or commission by some state Governments through States Joint Local Government Account.

In some states, the state government used to award contracts in local government like construction of staff quarters and the monies are paid via States Joint Local Government Account whether the project has direct impact to the local populace or not. In some situation, the state governments procured items like fertilizer, official cars, tractors, and other sundry items and compelled the local government to pay or be deducted from states-joint Local Government Account.

The States Joint Local Government Account has made the Nigerian local government financially handicaps as some local government cannot afford to settled their running costs, pay 18,000 minimum wage, finance developmental projects. All these and many more have subjected the people in the rural areas to abject poverty because the resources do not reach those expected poor people.

Table 1

Vertical Allocation of Nigerian government revenues since 1981

Period	% Share Going to			
	Federal Government	State Government	Local Government	Special Funds
*1981	55	35	10	-
1989	50	30	15	5
1993	48.5	24	20	7.5
1994	48.5	24	20	7.5
1992-1999	48.5	24	20	7.5
May 2002	56	24	20	-
March 2004 till date	**52.68	26.72	20.60	-

*Revenue Act of 1981.

The above table indicated the statutory allocations from the federation account to federal, state and local government areas in Nigeria from 1981 to date. From the table, in 1999, the democratic

government inherited the revenue allocation formula that has been in existence since 1992. The formula gives 48.5% to federal government, 24% to state governments and 20% to local governments and 7.5% to special funds (which was distributed as follows: FCT 1%, Ecology 2%, Stabilization 1.5%, and Natural Resources 3%). In May 2002, the Federal Government invoked an Executive Order to redistribute the revenue as follows – federal government 56%, states 24% and local governments 20%. Following criticisms, the Federal Government in July 2002, reviewed the Executive Order as follows – federal government 54.68%, states 24.72% and local governments 20.60%. In March 2004, the Federal Government issued a modification which increased states' share to 26.72% and reduced federal government's share to 52.68%. This formula remains in force, until the National Assembly legislates on a new revenue allocation formula.

Table 2

Revenue source for Local Governments in 2010

Revenue Source	Amount	%
Federation Account	529,315.00	49.5
State Allocation	19,735.70	1.8
Value Added Tax	157,378.60	14.7
Internal Revenue	26,064.20	2.5
Grants & Others	336,871.70	31.5
Total	1,069,365.30	100.0

Source: Central Bank of Nigeria (2010)

From the above, about 50% of local government revenue came from the federation account, 31.5% came from grants & others, 14.7%, came from value added tax, 2.5% came from internally generated revenue and only 1.8% came from state allocation. This indicated that local government highly depended on federation account.

Table 3*Selected Welfare Indicators*

Welfare Indicator	North East	North West	North Central	South East	South West	South South
Access to Water	87.4	92.6	80.5	63.6	93.6	78.5
Safe water source	30.0	50.2	48.5	40.3	73.1	45.5
Access to Electricity	29.5	36.9	43.9	63.9	78.1	61.2
Access to primary school	70.2	74.7	78.8	59.8	87.5	70.3
Access to secondary school	35.3	42.5	46.8	31.9	68.6	47.1
Health Access	47.3	54.2	60.1	36.4	72.3	44.6

Source: Eboh and Igbokwe (2006).

The above table indicated welfare indicators of local government areas across different geo-political zones in Nigeria. From the welfare indicators we can see that the performance of local governments in discharging their primary functions of provision of safe drinking water, access to basic health services are not encouraging despite huge continuance allocation from the federation account and the major reason for their non-performance was excessive control by state government through State Joint Local Government Account.

WAY FORWARD

From the above discussion, the study suggested some possible way forward. The Monies (statutory allocations from the federation account) meant for local governments should directly go to them. The banning of the Joint Account would give local government councils full financial independent and political sovereignty. It will also make

them responsible for the effective administration of schools, health, social services, and rural development etc. However, each council should be accountable for every kobo spent.

Recently, the Nigerian House of Representatives (the lower legislative house) has called on the need to grant full autonomy to the local government council. Now that we have the opportunity to amend the constitution, let it be determine once and for all the uniform policy of Local Government administration with regard to structure, tenure, administrative independence and fiscal autonomy. This is the only way to guarantee even development to our communities and spread the dividends of democracy to the people. Apart from scrapping the Joint Account and constitutional amendment, local government should also be encouraged to improve their sources of internally generated revenue (IGR) in order for them to be self sufficient and self reliant and will also reduced over dependence on allocation from the federation account.

CONCLUSION

The success of Nigeria's federal system for effective governance depends on an appropriate division of responsibilities and resources between federal, state and local authorities supported by a sufficient institutional capacity at each of these levels to carry out its assigned functions. Governance is "good" when it allocates and manages resources to respond to collective problems, in other words, when a State efficiently provides public goods of necessary quality to its citizens. Hence states should be assessed on both the quality and the quantity of public goods provided to citizens. Despite that the local government in Nigeria had secured allocation increase from federal government to 20 percent since 1990s, its economic and financial status is still very poor, relative to the development programme expectations. The local government system was so greatly undermined to some extent that it cannot effectively play its role as agent of development at the grassroots, in spite of huge monthly allocations from the Federation Account. Some state governors who withhold huge chunks of council funds undermine the local government system in Nigeria through State Joint Local Government Account. The degree of external influence and intrusion in local government affairs by their state government is worrisome and needs re-evaluation.

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