POLITICAL IMPLICATIONS OF STATE-LOCAL GOVERNMENT JOINT ACCOUNT IN NIGERIA AND THE WAY FORWARD

ALI, Usman Danwanzam, GARBA, Yahaya Saleh, IBRAHIM, Alkali Aminu. & Adamu, Ahmed,

Department of Public Administration,

Taraba State University, Jalingo-Nigeria

Corresponding Author: gyahaya707@gmail.com

Abstract

The state-local government joint account system in Nigeria, instituted in 1999, has been a subject of controversy and scrutiny due to its impact on the financial autonomy and effectiveness of local governments. This paper critically examines the political implications of this fiscal arrangement and proposes solutions for addressing the challenges it poses. Through a desk research methodology, the study explores the historical context, conceptual framework, and practical implications of the joint account system. It identifies key problems such as illegal deductions, delays in allocation release, and diversion of funds, which undermine the ability of local governments to fulfill their mandates. Despite its initial intentions to prevent manipulation, the joint account system has failed to achieve its objectives and has become a tool for exploitation by state governments. Based on the analysis, the paper recommends abolishing the joint account system and instituting direct allocation of funds from the federation account to local governments. Additionally, it advocates for enhanced oversight mechanisms, legal reforms, and capacity-building initiatives to promote transparency, accountability, and efficiency in local government administration.

Keywords: Local Government Autonomy, Fiscal Federalism, Joint Account, Transparency

Introduction

The introduction and the subsequent implementation of the state joint local government account system in Nigeria following the restoration of civil rule in 1999 had largely constituted and generated a lot of controversies in the polity such as the allegation of indiscriminate deductions from the statutory allocation of the local government by the state government and its concomitant effect on local councils productivity. All these had in the main painted an ugly, hideous and parlous picture of the system of financial administration as it affects the local council's administration in Nigeria. Since the majority of the Local councils lack the capacity to raise Internally Generated Revenue (IGR) to a reasonable level she has to depend upon the federal allocation for her performance. The inability of the councils therefore to general revenue meant for its continued functioning and operation had largely contributed to its total reliance and dependence upon the federal statutory allocation to remain relevant as a tier of government in the Nigeria federal. Local government is the government closest to the people. In fact, it is grassroots government in Nigeria. For effective performance, the Local Government will not only be assigned functions but fund enough to enhance its service delivery to the clientele. The lack of adequate fund affects the operation of the local councils invariable painting a very ugly picture of the system (Odoemene, 2020).

This is probably why Nwaka (2006:20) argued that “The provision of 20% for local governments in the revenue allocation formula of the federations account remains a tragic reminder of the lack of political will to appropriately address the problem of Local representations and effective delivery of services. As the government that has the most direct and immediate impact on the people, it stands to reason that adequate funding should ordinarily be guaranteed for this tier of Government”.

“Many Local governments are rural based and naturally has limited capacity for internally generated revenue. We expect that Local Government should actually be the engine of growth for Local economics regrettably by the hegemonic central of the revenue from the federation account by the state government and federal government is not indicate of a genuine desire to strengthen the Local Government to meet the high expectation of the mass of our people”. The argument above supports adequate funding for the local government which is a positive step towards improving the poor financial base of the Local councils in the allocation of the local councils thereby depriving them of a vital financial position. This, however, affects the performance and development of the councils. Therefore, the broad objective of this paper is to critically examine the political implications of the state-local government joint account system in Nigeria and propose viable solutions for addressing the challenges it poses. This involves:

Conceptual Clarifications

Concept of Local Government System

The concept of the local government system in Nigeria is rooted in the idea of decentralized governance and grassroots development (Adesiyan, 2020). It represents the third tier of government, established to bring governance closer to the people and address the specific needs of local communities (Rosenau, 2021). The concept draws inspiration from the principles of subsidiarity and participatory democracy, aiming to empower citizens by providing them with a platform for direct engagement in decision-making processes at the local level (Slidders, 2019). In Nigeria, the local government system is enshrined in the Constitution of the Federal Republic of Nigeria, which recognizes local governments as autonomous entities with the authority to manage their affairs within the framework of the law (Banko, 2020). According to Section 7 of the Constitution, "The system of local government by democratically elected local government councils is under this Constitution guaranteed; and accordingly, the Government of every State shall, subject to section 8 of this Constitution, ensure their existence under a Law which provides for the establishment, structure, composition, finance and functions of such councils." However, despite constitutional provisions guaranteeing the autonomy of local governments, the practical implementation of the local government system in Nigeria has been marred by various challenges

(Banko, 2020). These challenges range from political interference by state governments to inadequate funding and capacity constraints, which have limited the effectiveness of local governments in delivering essential services and promoting development at the grassroots level.

Joint Account System

The concept of the joint account system in Nigeria is a fiscal arrangement that involves the pooling of revenue between state and local governments, with the state government exercising control over the disbursement of funds (Edet, 2021). This system was introduced as a mechanism to ensure fiscal discipline, coordination, and efficiency in the management of resources between different tiers of government (Ter-Minassian, 2020). The idea was to centralize revenue collection and distribution, thereby streamlining budgetary processes and minimizing duplication of efforts. The joint account system operates under the principle of fiscal federalism, which seeks to balance the autonomy of subnational governments with the need for central oversight and coordination (Ter-Minassian, 2020). In Nigeria, the system was institutionalized through the Local Government (Administration) Act of 1976, which empowered state governors to oversee the administration of local government funds through joint accounts established in designated banks (Banko, 2020). Critics of the joint account system argue that it has led to the centralization of power and resources in the hands of state governors, undermining the autonomy and effectiveness of local governments. According to Banko (2020), "The joint account system, far from enhancing local government financial management, serves to weaken the latter's autonomy and control over its resources, and undermines the principle of fiscal federalism enshrined in the Constitution." One of the key implications of the joint account system is the lack of financial autonomy for local governments, as they are largely dependent on state governments for funding and expenditure approval.

Methodology

This study adopts a desk research methodology to investigate the political implications of state-local government joint account in Nigeria and the Way Forward. Desk research, also known as secondary research, involves synthesizing and analyzing existing literature, reports, and data relevant to the research topic (Mackey & Gass, 2015). The methodology encompasses systematic searches of academic databases, government publications, and reputable sources to gather comprehensive information on juvenile delinquency, peer group dynamics, and social network influences in Nigeria. This approach allows for the synthesis of diverse perspectives and empirical findings to inform the study's objectives and research questions.

Literature Review

The joint account system was reintroduced into the constitution of the Federal Republic of Nigeria in 1999. Section 162 (5) of the constitution provides inter-alia. “The amount standing to the credit of Local Government Council in the Federal Account shall also be allocated to the state for the benefit of their Local Government Councils on such terms and in such manner as may be prescribed by the National Assembly" Also, section 162(6) provides as follows. "Each state shall maintain a specific 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". These sections of the constitution proscribed direct allocation to the councils and put it under the supervision of every State Government. Due from that, direct allocation to the councils was no longer possible as money allocated to the local authorities and now paid into the State Joint Account. It is, however, worthy to note that the issue of a Joint Account was given birth to in 1979 via 1976 Local Government Reforms. It is in this regard that Professor Bello Imam (1996:43) asserted that "The first major attempt of comprehensive looking at the finances of Nigeria Local Government took place in 1976, during the nation-wide Local Government reforms. The reform measures and the 1979 constitution identify reasonably adequate sources of revenue for the Local Government to Local Governments". In the light of the above Oguona (2004:26) argued "due to the persisted problem of inadequate revenue to the Local Government System, the Federal Government have been reviewing the revenue grant to this third tier of government from time to time. Hence, between 1973 and 1975 during the oil revolutions of the seventies, Local Governments received grants and loans from the Federal Government. Then from 1976, Local Government through a statute were being granted varying amount of loans. However, during the second republic, based on the Okigbo's report, a revenue allocation act 10% of the Federation Account was guaranteed to Local Governments. This was later adjusted to 15% and 20%.

Earlier Omoruyi (1985:19) cited in Ladipo Adamolekun (Ed): 1985) informed us that "in an attempt to look for a better way of improving the finances to the Local councils, the then permanent secretary, Federal Ministry of Finance, Mr. Alison Ayida was asked if it would "be normal in a federal system for the Central Government to deal directly with the local authorities in revenue allocation. He said, he did not think that the federal Government should relate directly to the Local government arguing that the essence of the 1976 reforms "was to make State Governments have statutory allocation relationship with their respective State Governments. He maintained further, that the State Government should administer the Local Government Account and warned that there would be need for statutory guarantee written into the constitution against possible manipulations by the state governments. The foregoing depicts the genesis of the joint account. It is clear that the 1976 Local Government reforms were responsible for the introduction of the joint account system in Nigeria. Its introduction into the 1979 constitution may have occurred to assist in improving the sorry financial condition of the local councils and protect the allocation of the councils against possible manipulations by the State authorities. The issue of Joint Account was clearly mentioned first by the technical committee set up by the Federal Government on Revenue allocation in 1976.

The technical committee on revenue allocation was headed by Prof. Ojetunji Aboyade. During the first meeting of the technical committee Dr. Omoruyi was assigned the responsibility to look into the Local Government financing and relate this to the distribution of political powers and functional responsibilities within the three tier system… government should disburse funds directly to the Local Governments and the other was whether the Federal Government grants to Local Government should be made through the State Government. These two questions dominated the meeting of the technical committee. However, the committee observe two things as they embarked on the tour of the States in 1976.

1. That the Local Government was not adequately provided with funds.
2. That, many State Government were not providing fund for the Local Governments (Omoruyi (1985:196).

The articulation of all the financial problems of the Local Government precipitated the idea of having a Joint Account System for the Unified Local Government System in Nigeria under the supervision of the State Government. The major reason according to Omoruyi (1985) for the Joint Account System and its subsequent inclusion into the 1979 constitution was to forestall possible manipulation of the Local Government finances by the various State Governments. It is Worthy to note that contrary to the protection of Local Government allocation as envisaged by the constitution it was still embarrassingly subjected to various kinds of manipulation by the State Governments. The illegal deduction, diversions and delay in the release of Council's allocation from the Joint Account System attest adequately to this. This deduction made its abolition in 1985 possible. Agu (2007:82) writes "In 1985, General Badamasi Babangida took over power from Buhari Tunde Idiagbon. He funded Local Government directly. He gave allocation direct to the Chairman and not through the State Joint Account".

According to Nelson (2021) given credence to the above information said "The financial relationship between all the levels of Government finds expression under Section 160 of the 1989 Nigerian constitution. The constitution provides the share of Local Government be allocated directly to Local Governments whereas it has to pass through the state in the past. The Joint Account System was surely abrogated in 1989 due to its defectiveness. The various State Government over manipulated the Joint Account to the utter detriment of the Local Governments. The Joint Account finds its way again into the 1999 constitution. Agu (2007:83) observed "In 1999, Abdusalami Abubakar Came into power and drafted the 1999 constitution. The process of direct funding to local government was changed and it was incorporated into state joint account. The statutory allocation of 20% goes to the state joint account".

We have to agree with the fact that the formulators of the state joint local government account system have good intention for its establishment. However, this financial policy played into the hands of hawks such that the objective of the joint account became defeated as the supervision of the account by the state governments provided a vent for manipulation of the account through deduction, delay in the release of allocation to councils and diversion of funds into private use. This therefore leads us to the problems of the joint account system in Nigeria.

Aim and Objectives of Local Government

The aims and objectives of Local Government can be stated specifically thus Awa (2021);

1. It is more democratic. This is so because it increased the scope for citizenship participation in the government of their locality.
2. It provides valuable political education. It exposes the citizens to power and authority, power play, its uses, and challenges of power management.
3. The local government provides a training grounds for future political leaders.
4. Local knowledge is brought to bear on Local Government.
5. It is more sensitive and responsive to local opinion. The councilors and representatives are closer to the people and respond much easily to their demands or to be voted out.
6. Power is more widely dispersed which is a safeguard against tyranny. The local government system protects against this.
7. Local variation and needs in service provision can better be handled by local government since it understands the needs of its own locality (Awa, 2021).

The Problems of the Joint Account System

The Joint Account System is a financial policy meant to check the manipulation and misappropriation of council fund by Hawk i.e State Government and their corrupt minded Local Government Executives. The intention of the policy formulators was laudable but the implementation of the policy became parlous. The wrong implementation largely renders the Joint Account System problematic. The problems associated with the Joint Account System includes but not restricted to the following:

1. Illegal deduction from Local Government statutory allocation.
2. Delay in the release of Local Government statutory allocation.
3. Diversion of Local Government Statutory allocation.

Deduction and Misappropriation of Local Government Allocation

Bello Imam (1996:50) while commenting on the anomalous deduction and misappropriation of council funds by the state government opined that “there is the fact that because the federal government was statutorily obliged to pass the allocation for the local government units to the supervising state government for distribution to them, most of the states often misappropriated the allocation for their respective local government unit” Agu (2007:89) argued that… “Local Government is well funded, but unfortunately these resources do not get to them. The problem is the issue of indirect funding and this confirms the extent of exploitation by the state government” Bello Imam observed clearly that Local Government fund is often misappropriated by the supersiving State government. Also, Agu submitted same unfortunate analysis as he rightly pointed out that Local government resources do not get to them because of exploitation by the state government. The exploitation and misappropriation of councils fund is made easier due to its lack of financial autonomy. Local government has no real control over her resources as a result of the lack of autonomy.

This is probably why Agu (2007:94) argued that “This practical deniel of autonomy to Local Government Councils affected Local Government resources and therefore created problems in the Local Government system in Nigeria as much of the resources from the central authorities are siphoned by the state Governors”. Deductions from the allocation of the Local Councils constitute major hindrance to performance. Georgewill (2021) state that, while capturing the feelings of council executives in Abia state said “Analyst, however, content that nothing seem to be working at the councils because they are either starved of funds or short changed by state governments through the Joint Allocation Committees. In Abia, while some council Chief Executive cry over illegal deductions from their allocation by the state government, others describe such an act as statutory”. In Edo State, Otabor (2009:11) informed us thus, “Edo state chapter of the Nigerian Union of Local Government Employees (NULGE) has backed the 18 council Chairmen’s decision to reject last months (May) allocation from the federation account to protest an alleged over-deduction by the state government”, The analysis of the above scholar’s submission shows that the Joint Account system is absolutely problematic due to its unhindered vulnerability to deductions by the state government. This explains why the local couzncils performance has not been encouraging in Nigeria.

Delay in the Release of Councils Allocation

The join account leads to delay in the state release of the statutory allocation of the Local Government by the State Government. This indicates further that the Joint Account is wrongly implemented by the supervising body. The delay in the release of fund, therefore, has adverse effect on the productivity of the local councils in Nigeria. Agu (2007:89) while reacting to this ugly trend maintained thus, the 1999 constitution provides for the state joint account into which state and local governments statutory allocations are to be paid. The state Joint account was established but it did not operate as it was supposed to; hence there is “delay” in the release of the statutory allocation by the state government………. We understood that most times, the statutory allocation is not released by the government” Bello Imam (1996:50) in a similar observation opined that “those that even managed to pay 10 percent of their internally generated revenue to their respective local governments units, most often, never paid as and when due”. The delay in the release of allocation to the local governments affects planning and, so affects performance. Productivity of any organization. Since effective planning cannot be carried out outside finance, delay, therefore, in the release of Local government allocation affects planning and execution.

Diversion of Council Allocation

The adverse effect of the diversion of local government monthly statutory allocation by state government is better captured by professor Abhayere (1997:90) when he said "…State government have compounded the financial problem of Local Government by failing to pass on to local governments have compounded the financial problem of local governments by failing to pass on to local governments the federal allocation that has been passed through them as provided for by section 149(5) of the Nigerian Constitution…". In addition to "diversion" of local government funds, state government have also failed to contribute their own share to the local government as required by section 149(60 of the same document. Agu (2007:89) in an earlier interview on funding and financial management in Enugu State Local Governments opined thus "when interviewed about the other sources of revenue like value added tax, and crude oil, excess proceed, the principal officers of Nsukka, Enugu North, Enugu South and Udenu Local governments purported that these resources were hijacked by the state governments. They admit that they release a certain percentage but not the total figure. This therefore, make a negative impact on the performance of local government, hence they also find it difficult to pay personal emoluments to their worker". Also, Ojo (2008:6) in a newspaper caption "ICPC" summons commissioner, two other" informed us of how the Ondo State Commissioner for Finance, the Accountant-General, Commissioner for Local Government and Chieftaincy Affairs were invited by the ICPC in "connection with the alleged diversion of N1.2 Billion belonging to the 18 Local Governments council in the state".

Ojo further maintained that the petition had alleged that statutory allocations to the 18 local government councils in the state for between six and nine months since 2005 were diverted to private pockets. It is clear therefore, from the above submission that the problems of the state joint local governments. This actually is a total negation and contradiction to the intention of the policy formulators which have the objective of preventing possible manipulation of the account by state governors. So far, we have seen that the major problems affecting the joint account system in Nigeria are:

1. Illegal deduction from the statutory allocation of the Local Government by the state government.
2. Delay in the release of the statutory allocation to local government by the state government, and
3. Diversion of the statutory of the local government. These three problem are better regarded as problem three D's. This means:-
   a) Deduction
   b) Delay and
   c) Diversion.

These problem three D's have constituted enormous operational problems to the joint account system making it a defective financial policy in Nigerian local government.

Prospects of the Joint Account

It is not doubtful that the intention of those who formulated the joint account system as a financial policy for the local government was good. The joint account system was established to avoid any possible manipulation of the account by the state government. The system would have assisted in no small measure to extenuating the incessant corruption inherit in the local government system aptly perpetuated by the council's executives. Bringing the supervision of the account under the state government was a plan well made to check and instill fear bin the mind and mentality of the council executives. Unknown to the policy makers, this system was converted to a gold mine by many state predators. Their interference became abysmal and detrimental to local government productivity. The frequent deductions, diversion and delays of the local government allocation brought untold anguish and outright frustration to the managers of the local government. All these are highly pathological and should be discouraged. To this end, therefore, it is certain that the joint account system has failed and as a result has no better prospect for the management of local government allocation.

Conclusion

The joint account system was given birth to in 1979 following the 1976 nationwide local government reforms. The system operated with some anomalies anchoring on virulent deductions and diversion of the local council's allocation from federation account by the state governments. Due to the anomalies it was abolished in 1989, the joint account system finds its way back again into the constitution following the restoration of civil rule in 1999. The paper showed that the state government whose responsibility it is to supervise the joint account has turned it into a money making venture by deducting, diverting and delaying statutory allocation of the local government. The good intention of the policy formulators because inclement in the sense has more problems than any prospects.

Recommendations

The state joint local government account system has not lived up to expectation. From the way it has operated it has failed to achieve its objectives. It has been over manipulated, over-deducted and over diverted to the favour of the state government and to the detriment of the local government councils. It is no longer useful. To this end, an alternative is needed. This, however, lead us to the following recommendation.

1) The state joint account system should be abolished. The abrogation is important as a result of the problem it has caused to local councils. These problems are deduction, diversion and delay in the statutory allocation of the local councils.

2) Direct allocation from the federation account to the local government should be instituted. This plan will assist in no small measure to improving the sorry financial position of the councils.it will also emancipate the local councils from manipulation by the state.
3) The congress should be ad-hoc in nature as any attempt to make it a standing congress leads to corruption.
4) On the alternative, if it is proven that the local government chairman has corruptly diverted public fund into private use, the congress can use the legislative arm of the local government to remove him by impeachment. If these recommendations are followed, there would be probity in the expenditure pattern of the local government and this will enormously lead to improved productivity and performance.

References

Adesiyan, E. A. (2020). Local government administration and grassroots development in Nigeria. In *Democratic Practice and Governance in Nigeria* (pp. 135-152). Routledge.

Agu, S. U. (2007) "Funding and Financial Management in Enugu State Local Government: Problems and Prospects". *Nigeria Journal of Public Administration and Local Government* Vol Xiii, No. 1, May.

Awa, E. O. (2021). *Federal government in Nigeria*. University of California Press.

Banko, O. H. (2020). Local Government Autonomy in Nigeria and Politics of State Control. *ESUT Journal of Social Sciences*, *5*(3).

Bello-Imam, I. B (1996) Local Government in Nigeria: Evolving a third tier of Government Ibadan: Heineman Educational Books (Nig) Plc. Federal Republic of Nigeria: Constitution of the Federal Republic of Nigeria, 1999. Federal Government Press: Lagos P.66.

Edet, J. T. (2021). Revenue allocation in Nigeria: issues, challenges and prospects. *Journal of Public Administration*, *56*(1), 139-154.

Georgewill, O. (2021). *Natural Resource Disputes, Leadership and Pacification: Local Claims and National Interest in Nigeria's Niger Delta* (Doctoral dissertation, King's College London).

Mackey, A., & Gass, S. M. (2015). *Second language research: Methodology and design*. Routledge.

Nelson, U. C. (2020, March). Joint Accounts System and Development in Nigeria Local Governments. In *11th International Conference* (p. 65).

Nwaka, T.F (2006) "Bridging the gap between Mass Expectation and Local Government Performance". The pointer, Thursday, September 14

Odoemene, R. C. (2020). Internally Generated Revenue (IGR) and Infrastructural Development of Local Government Areas in Nigeria. *African Journal of Social and Behavioural Sciences*, *10*(2), 301-317.

Ojo, D (2008) "ICPC Summons Commissioners, two others" *The Nation, Wednesday, August 20*, Vol. 3 No. 0761 P.6.

Omoruyi, O. (1985) "Beyond the Local Government Reforms of 1976" in L. Adamolekun (ed). Nigerian Public Administration 1960-1980: Perspectives and projects. Ibadan: Heinemann Educational Books (Nig) Ltd.

Otabor, O. (2009) "Edo NULGE Backs Council Chiefs for Rejecting Allocation". *The Nation, Thursday June* 11, Vol. 3, No. 1056.

Rosenau, J. N. (2021). Governance in the Twenty-first Century. In *Understanding Global Cooperation* (pp. 16-47). Brill.

Slidders, C. (2019). *The emerging right to directly participate in local governance: enhancing the social inclusion of minorities and the politically alienated* (Doctoral dissertation).

Ter-Minassian, T. (2020). Intergovernmental fiscal cooperation and subnational revenue autonomy.