LOCAL GOVERNMENT FINANCIAL AUTONOMY AND WITHHELD LOCAL GOVERNMENT ALLOCATION IN NIGERIA: IDENTICAL OR NON-IDENTICAL TWINS?

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Abstract

Local government financial autonomy remains a contentious issue in Nigeria's constitutional and administrative framework despite constitutional provisions guaranteeing the existence and funding of local government councils. The recent withholding of some local government allocations due to local government councils by the Federal Government has reignited debates regarding the constitutional limits of state or federal authorities and the practical reality of local government autonomy in Nigeria. This article examines the constitutionality of the withholding of local government allocations and its implications for local government financial autonomy. The study adopts a doctrinal research methodology, relying on primary and secondary sources of law. The study employs analytical and comparative approaches in examining the relevant constitutional provisions and judicial authorities. The study finds that although the Constitution recognizes local governments as beneficiaries of allocations from the Federation Account, it does not expressly confer on either the state of federal

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Government the power to withhold such allocations. The study further reveals that the operation of the State Joint Local Government Account and persistent governmental interference have undermined the practical realization of local government financial autonomy. The article concludes that while local government financial autonomy is constitutionally guaranteed in Nigeria, its practical implementation remains constrained by political and institutional challenges.

Keywords: Local Government, Financial Autonomy, Local Government Allocation

1.0 INTRODUCTION

Local government administration constitutes the third tier of government in Nigeria's federal structure and is primarily established to facilitate grassroots development and democratic participation at the local level. The importance of local governments in the Nigerian federation is constitutionally recognized under section 7 of the Constitution of the Federal Republic of Nigeria 1999, which guarantees a system of democratically elected local government councils. [1] The constitutional recognition of local government underscores the intention of the framers of the Constitution to ensure effective governance, administrative convenience, and socio-economic development at the grassroots level.

Financial autonomy remains one of the fundamental pillars for the effective functioning of local governments in Nigeria. Without adequate financial independence, local governments cannot effectively discharge their constitutional responsibilities, including the provision of primary education, rural infrastructure, healthcare services, markets, and sanitation. The constitutional framework regulating local

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

government finance is principally contained in section 162 of the 1999 Constitution, which provides for the allocation and distribution of funds from the Federation Account to the three tiers of government.[2] Particularly, section 162(5) – (8) establishes the State Joint Local Government Account through which allocations meant for local governments are transmitted.

Despite the constitutional guarantee of local government administration, the issue of financial autonomy has remained highly contentious in Nigeria's constitutional and political practice. Over the years, local governments have largely operated under the overwhelming control of state governments, especially in matters relating to finance and administration. This persistent interference has generated significant constitutional debates concerning whether local governments are truly autonomous entities or mere appendages of state governments. The controversy has equally extended to the powers exercisable by the Federal Government regarding the disbursement or withholding of statutory allocations accruing to local governments.

The withholding of local government allocations by the federal and state governments has further intensified the discourse on the constitutional status and financial autonomy of local governments in Nigeria. The controversy, which emerged from disputes surrounding the legitimacy and control of local government administration in the state, raised critical constitutional questions regarding the extent of federal powers over local government funds and whether such withholding is consistent with the provisions of section 162 of the Constitution. The action also rekindled concerns about executive overreach, federalism, constitutional supremacy, and the practical reality of local government autonomy in Nigeria.

[2] ibid s 162.

Notably, the Supreme Court in *Attorney-General of Lagos State v. Attorney-General of the Federation*[3] emphasized the constitutional limitations on federal interference in matters relating to local government allocations. The decision reinforced the principle that constitutional provisions regulating the distribution of public revenue must be strictly complied with and that no governmental authority should act outside the framework established by the Constitution.

Against this backdrop, this article examines the constitutional implications of the withholding of local government allocations by the Federal or state Government. The article interrogates whether such action aligns with the constitutional principles governing local government financial autonomy in Nigeria. It further evaluates the constitutional framework on local government finance, the judicial attitude toward local government autonomy, and whether local government financial autonomy in Nigeria remains a constitutional reality or merely a political myth.

2.0 CONCEPTUAL CLARIFICATION

2.1 Concept of Local Government

Local government refers to a subordinate unit of government created by law to administer the affairs of a particular locality within a state. It constitutes the third tier of government in Nigeria and is established to ensure effective administration and development at the grassroots level. The constitutional foundation for local government administration in Nigeria is contained in section 7(1) of the Constitution of the Federal

[3] Attorney-General of Lagos State v Attorney-General of the Federation (SC 70/2004) [2004] NGSC 16.

Republic of Nigeria 1999 (as amended), which guarantees the system of democratically elected local government councils.[4]

The Supreme Court in *Attorney-General of Abia State v. Attorney-General of the Federation*[5] recognized local government as a constitutionally established tier of government within Nigeria's federal arrangement. The Court emphasized that local governments derive their existence from the Constitution and not merely from the discretion of state governments.

2.2 Concept of Financial Autonomy

Financial autonomy refers to the degree of freedom and independence enjoyed by a governmental institution in generating, controlling, managing, and expending its funds without undue external interference. In the context of local government administration, financial autonomy implies the ability of local governments to receive, manage, and utilize statutory allocations and internally generated revenue independently for the performance of their constitutional responsibilities.

The issue of local government financial autonomy in Nigeria is principally regulated by section 162 of the 1999 Constitution. Section 162(3) provides that any amount standing to the credit of the Federation Account shall be distributed among the Federal, State, and Local Government Councils.[6] Furthermore, section 162(5) provides that the amount standing to the credit of local government councils in the Federation Account shall be allocated to the states for the benefit of their local government councils.[7] The Constitution further

[4] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 7(1).
[5] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.
[6] CFRN S 162(3)
[7] ibid s 162(5).

establishes the State Joint Local Government Account under section 162(6), into which allocations meant for local governments from the Federation Account and from the states are to be paid.[8]

2.3 Concept of Local Government Allocation

Local government allocation refers to the statutory share of revenue distributed from the Federation Account to local government councils in Nigeria for the purpose of carrying out their constitutional functions. The legal basis for such allocation is contained in section 162 of the 1999 Constitution.[9] Allocations to local governments are derived mainly from federally collected revenue, including oil revenue, taxes, customs duties, and other national income sources paid into the Federation Account.

The Revenue Mobilization Allocation and Fiscal Commission plays an important role in recommending the revenue allocation formula applicable to the three tiers of government pursuant to section 153(1)(n) of the Constitution.[10] The allocation system is intended to ensure fiscal federalism, equitable distribution of resources, and efficient grassroots governance.

Nevertheless, controversies frequently arise regarding the control, distribution, and withholding of local government allocations. These controversies often involve disputes between the Federal Government and state governments concerning constitutional powers over local government administration and finances. The withholding of allocations meant for local governments, particularly where such

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[8] ibid 162(6)

[9] ibid s 162

[10] ibid s 153(1)(n).

action lacks clear constitutional justification, raises serious issues relating to constitutional supremacy, federalism, and the autonomy of local governments in Nigeria.

3.0 THEORETICAL FRAMEWORK

The theoretical framework underpinning this study is anchored principally on the theory of fiscal federalism and the doctrine of decentralization. These theories provide a suitable basis for understanding the constitutional and administrative relationship among the three tiers of government in Nigeria, particularly regarding the financial autonomy of local governments and the constitutional implications of withholding local government allocations.

3.1 Theory of Fiscal Federalism

Fiscal federalism refers to the financial relationship and allocation of fiscal responsibilities among different levels of government within a federal system. The theory is concerned with the distribution of governmental functions, taxing powers, and financial resources between the central government and sub-national governments to ensure efficiency, accountability, and balanced development.[11]

The central proposition of fiscal federalism is that each tier of government should possess adequate financial resources and a reasonable degree of fiscal independence necessary to discharge its constitutional responsibilities effectively. According to Wheare, federalism entails a constitutional division of powers in which each level of government operates independently within its sphere of authority.[12] Consequently, financial autonomy becomes indispensable to the realization of true federalism because no level of government

[11] Wallace E Oates, Fiscal Federalism (Harcourt Brace Jovanovich 1972) 3.
[12] K C Wheare, Federal Government (4th edn, Oxford University Press 1963) 10.

can effectively perform its constitutional functions without control over adequate financial resources.

In Nigeria, the principles of fiscal federalism are reflected in section 162 of the Constitution of the Federal Republic of Nigeria 1999 (as amended), which provides for the distribution of revenue from the Federation Account among the Federal, State, and Local Governments.[13] The Constitution thereby recognizes local government councils as beneficiaries of statutory allocation from the Federation Account.

However, the operation of fiscal federalism in Nigeria has been characterized by excessive fiscal centralization and substantial dependence of local governments on statutory allocations from the Federation Account. The constitutional requirement that local government allocations be paid through the State Joint Local Government Account has further weakened the financial independence of local governments. This has created persistent tensions regarding the extent of control exercisable by both the Federal and State Governments over local government funds.

3.2 Theory of Decentralization

The theory of decentralization advocates the transfer of political, administrative, and financial powers from the central government to subordinate levels of government for the purpose of promoting efficiency, accountability, grassroots participation, and local development.[14] Decentralization is considered essential in democratic

[13] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162.

[14] Dennis A Rondinelli, John R Nellis and G Shabbir Cheema, Decentralization in Developing Countries: A Review of Recent Experience (World Bank Staff Working Paper No 581, 1983) 13.

societies because it brings governance closer to the people and enables local authorities to respond more effectively to local needs and peculiarities.

Local government administration represents one of the most practical manifestations of decentralization in modern federal systems. The constitutional recognition of local governments under section 7 of the 1999 Constitution reflects Nigeria's commitment to decentralized governance. [15] Through decentralization, local governments are expected to function as autonomous institutions capable of managing local affairs and facilitating grassroots development.

The withholding of allocations meant for local governments arguably contradicts the principles of decentralization by limiting the financial capacity of local governments to perform their constitutional functions. It equally raises concerns regarding the extent to which local governments in Nigeria genuinely operate as autonomous entities within the federal structure. Both fiscal federalism and decentralization support the proposition that local governments should enjoy reasonable financial independence consistent with their constitutional responsibilities.

4.0 CONSTITUTIONAL FRAMEWORK FOR LOCAL GOVERNMENT FINANCIAL AUTONOMY IN NIGERIA

The legal foundation for local government financial autonomy in Nigeria is principally rooted in the Constitution of the Federal Republic of Nigeria 1999 (as amended). The Constitution not only recognizes local government as the third tier of government but also makes provisions regarding its funding, administration, and

[15] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 7.

functions.[16] The objective of these constitutional provisions is to ensure that local governments possess sufficient financial resources to effectively discharge their responsibilities and promote grassroots development.

The constitutional recognition of local government is contained in section 7(1) of the Constitution, which guarantees the existence of democratically elected local government councils and mandates state governments to ensure their establishment, structure, composition, finance, and functions through legislation.[17] Although section 7 does not expressly employ the term "financial autonomy," the provision contemplates a system in which local governments are capable of functioning effectively as institutions of governance at the grassroots level.

The principal constitutional provisions relating to local government finance are contained in section 162 of the Constitution. Section 162(3) provides that revenue standing to the credit of the Federation Account shall be distributed among the Federal, State, and Local Government Councils in accordance with a formula prescribed by the National Assembly.[18] This provision establishes the constitutional entitlement of local governments to a share of revenue accruing to the Federation Account.

In furtherance of this entitlement, section 162(5) provides that the amount standing to the credit of local government councils in the Federation Account shall be allocated to the states for the benefit of

[16] Constitution of the Federal Republic of Nigeria 1999 (as amended) ss 7 and 162.
[17] ibid s 7.

[18] Ibid 162(3)

their local government councils.[19] The implication of this provision is that local governments possess a constitutionally guaranteed interest in federal allocations, although such allocations are transmitted through the states.

One of the most controversial aspects of the constitutional framework is section 162(6), which establishes the State Joint Local Government Account (SJLGA). The section provides that each state shall maintain a special account into which shall be paid all allocations due to local government councils from the Federation Account and from the government of the state.[20] Sections 162(7) and (8) further authorize state Houses of Assembly to prescribe the manner in which funds standing to the credit of local governments in the State Joint Local Government Account are to be distributed among local government councils.[21]

The establishment of the State Joint Local Government Account has generated persistent constitutional debates concerning the actual financial autonomy of local governments. Critics argue that the arrangement has enabled state governments to exercise substantial control over local government finances, thereby frustrating the constitutional objective of grassroots governance.[22] In practice, allegations of deductions, diversions, and withholding of local government funds by state governments have become common features of Nigeria's local government system.

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[19] Ibid 162(5)
[20] Ibid 162(6)
[21] 162(7)-(8)
[22] Jude Okafor, 'Local Government Financial Autonomy in Nigeria: The State Joint Local Government Account' (2010) 6 Commonwealth Journal of Local Governance 127, 128–130.

Apart from allocations from the Federation Account, the Constitution also empowers local governments to generate revenue internally. The Fourth Schedule to the Constitution assigns several functions to local governments, including the collection of rates, establishment of markets, operation of motor parks, and licensing of certain economic activities.[23] These functions constitute important sources of internally generated revenue and are intended to complement statutory allocations.

The Supreme Court has on several occasions interpreted constitutional provisions relating to local government finance. In *Attorney-General of Lagos State v Attorney-General of the Federation*, the Court emphasized that constitutional provisions governing the allocation of public revenue must be strictly observed and that no governmental authority can lawfully exercise powers not conferred by the Constitution.[24] Similarly, in Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors, the Supreme Court reaffirmed the constitutional status of local governments and condemned practices that undermine their financial independence.[25]

The constitutional framework therefore reveals a dual reality. On one hand, the Constitution recognizes local governments as beneficiaries of statutory allocations and assigns them important governmental functions. On the other hand, the operation of the State Joint Local Government Account has created significant challenges to genuine financial autonomy. Consequently, the quest for local government financial autonomy remains one of the most contentious constitutional

[23] Ibid Fourth Schedule
[24] Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).
[25] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

issues in Nigeria's federal system, particularly in light of recent controversies surrounding the withholding of local government allocations.

5.0 THE STATE JOINT LOCAL GOVERNMENT ACCOUNT AND CONSTITUTIONAL CONTROVERSIES

One of the most contentious issues in the discourse on local government financial autonomy in Nigeria is the constitutional establishment and operation of the State Joint Local Government Account (SJLGA). The SJLGA is created under section 162(6) of the Constitution of the Federal Republic of Nigeria 1999 (as amended), which provides that every state shall maintain a special account into which shall be paid all allocations due to local government councils from the Federation Account and from the government of the state.[26]

The rationale behind the creation of the SJLGA was to provide a coordinated mechanism through which funds allocated to local governments could be administered and distributed within each state. The arrangement was also intended to strengthen fiscal cooperation between state governments and local government councils. However, the practical operation of the SJLGA has generated significant constitutional and political controversies regarding the financial independence of local governments in Nigeria.

A major controversy surrounding the SJLGA is whether the constitutional arrangement is compatible with genuine local government financial autonomy. While section 162(3) of the Constitution recognizes local governments as direct beneficiaries of revenue from the Federation Account, sections 162(5)–(8) require such funds to pass through state governments before reaching local

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

government councils.[27] This constitutional structure has been widely criticized for placing local governments under the financial control of state governments and thereby undermining their autonomy. Academic commentators have argued that the SJLGA has effectively reduced local governments to administrative appendages of state governments rather than independent constitutional institutions.[28]

In practice, allegations of diversion, deduction, delay, and withholding of local government funds by state governments have become recurring features of Nigeria's local government administration. Many state governments have been accused of making unauthorized deductions from local government allocations under various headings before disbursing the remaining funds to local government councils[29]. These practices have significantly affected the capacity of local governments to perform their constitutional responsibilities, particularly in the areas of infrastructure development, primary healthcare, sanitation, and rural development.

The constitutional controversy became more pronounced following the directives issued by the Nigerian Financial Intelligence Unit (NFIU) in 2019 aimed at restricting state governments' access to local government funds. The directives sought to ensure that allocations meant for local governments were paid directly to local government accounts.[30] However, the legality of the directives generated intense constitutional debates because section 162(6) expressly recognizes the

[27] Ibid 162(5)-(8)
[28] Fidelis Uwakwe and William Amechi Chukwuma, 'The Unconstitutionality of the Nigerian Financial Intelligence Unit's Directives on Local Government Funds' (2019) 1(1) International Journal of Comparative Law and Legal Philosophy 89.
[29] Torkwase Nyiekaa, 'Constitutional Ambiguity Undermines LG Autonomy, AGF Advocates Solutions' *Independent Newspaper* Available at https://independent.ng/constitutional-ambiguity-undermines-lg-autonomy-agf-advocates-solutions/?utm_source accessed 4th June 2026.
[30] Ibid (n 30)

State Joint Local Government Account as the constitutional channel for local government allocations. Several scholars consequently argued that although the objective of promoting financial autonomy was laudable, the directives appeared inconsistent with the express provisions of the Constitution.[31]

Judicial interpretation of the constitutional provisions relating to the SJLGA has also generated divergent views. Prior to the recent Supreme Court decision on local government autonomy, the prevailing constitutional position was that the State Joint Local Government Account remained a valid constitutional mechanism for the administration of local government funds. This position was largely based on the mandatory language employed in section 162(6), which provides that each state "shall" maintain the account.[32]

However, the legal landscape changed significantly with the decision of the Supreme Court in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors* delivered on 11 July 2024. In that case, the Supreme Court strongly condemned the persistent control and interference of state governments in local government finances and held that funds meant for local governments should be paid directly to democratically elected local government councils. The decision was widely regarded as a major step toward strengthening local government financial autonomy in Nigeria.[33]

Notwithstanding the Supreme Court's intervention, constitutional controversies surrounding the SJLGA remain unresolved. Critics of the judgment argue that section 162(6) of the Constitution has not been

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[31] ibid
[32] CFRN 1999 as amended s 162(6)
[33] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

amended and still expressly provides for the existence of the State Joint Local Government Account. Consequently, questions continue to arise regarding whether judicial interpretation can effectively override the literal wording of the Constitution without a formal constitutional amendment.

Furthermore, some constitutional scholars contend that the direct allocation of funds to local governments may conflict with the federal structure established by the Constitution, under which local governments are largely administered through state governments. Others maintain that true grassroots development cannot be achieved unless local governments possess unrestricted access to their constitutionally allocated funds. This divergence of opinion reflects the broader tension between constitutional federalism and local government autonomy in Nigeria.[34]

It is therefore evident that the State Joint Local Government Account lies at the center of the constitutional struggle over local government financial autonomy in Nigeria. While the Constitution recognizes local governments as beneficiaries of statutory allocations, the operational structure of the SJLGA has historically enabled substantial state control over local government finances. Consequently, the constitutional controversies surrounding the SJLGA continue to raise fundamental questions regarding the true status of local governments within Nigeria's federal system and the practical realization of local government financial autonomy.

6.0 POWER OF THE FEDERAL GOVERNMENT OVER LOCAL GOVERNMENT ALLOCATIONS

[34] Chimaobi Valentine Okechukwu, 'The Supreme Court Affirmation of the Status and Autonomy of Local Governments under the 1999 Nigerian Constitution' (2025) Journal of African Law (Cambridge University Press).

The controversy surrounding the withholding of local government allocations has brought to the forefront the constitutional question whether the Federal Government possesses the legal authority to suspend or withhold allocations due to local government councils. The issue is particularly significant because it implicates the constitutional principles of federalism, local government autonomy, and the supremacy of the Constitution. While the Federal Government plays a central role in the collection and distribution of revenue accruing to the Federation Account, its powers in relation to local government allocations are circumscribed by constitutional provisions.

The constitutional framework governing the allocation of public revenue is contained in section 162 of the Constitution of the Federal Republic of Nigeria 1999 (as amended). Section 162(1) establishes the Federation Account into which all revenues collected by the Government of the Federation are paid, except those specifically exempted by the Constitution.[35] Section 162(3) further provides that any amount standing to the credit of the Federation Account shall be distributed among the Federal, State and Local Government Councils in accordance with a formula prescribed by the National Assembly.[36] The mandatory language employed in the provision suggests that the distribution of revenue from the Federation Account is a constitutional obligation rather than a matter of executive discretion.

In addition, section 162(5) provides that the amount standing to the credit of local government councils in the Federation Account shall be allocated to the states for the benefit of their local government councils.[37] The Constitution therefore recognizes local governments as direct beneficiaries of revenue from the Federation Account. Notably,

[35] Constitution of the Federal Republic of Nigeria 1999 (as amended) s 162(1).
[36] Ibid s 162(3)
[37] Ibid s 162(5)

neither section 162 nor any other provision of the Constitution expressly authorizes the President, the Attorney-General of the Federation, the Accountant-General of the Federation, or any federal agency to withhold allocations due to local government councils.

The constitutional limits of federal authority over local government allocations were considered by the Supreme Court in *Attorney-General of Lagos State v Attorney-General of the Federation***.**[38] The dispute arose following the decision of the Federal Government to withhold allocations due to local governments in Lagos State after the creation of additional local council development areas by the state government. In condemning the action of the Federal Government, the Supreme Court held that although the newly created councils had not fulfilled the constitutional requirements for full recognition, the Federal Government lacked the constitutional authority to withhold allocations due to constitutionally recognized local government councils. The Court emphasized that executive action cannot override express constitutional provisions relating to revenue allocation.[39]

The decision in *Attorney-General of Lagos State v Attorney-General of the Federation* remains highly relevant to constitutional democracy in Nigeria. A further dimension was added by the decision of the Supreme Court in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors.*[40] The Supreme Court reaffirmed the constitutional status of local governments and emphasized the necessity of protecting their financial autonomy. The Court condemned practices that deprive local governments of funds allocated

[38] Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).
[39] Ibid 175-176
[40] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

for the performance of their constitutional functions and underscored the constitutional imperative of ensuring that local governments have access to financial resources necessary for grassroots governance.

Although the 2024 decision principally addressed the relationship between state governments and local governments, its reasoning has important implications for federal conduct. If state governments cannot unlawfully interfere with local government funds, it may be argued that similar constitutional limitations apply to the Federal Government. The Constitution does not appear to confer upon the Federal Government a general supervisory power to suspend or withhold local government allocations on account of political, administrative, or legal disputes arising within a state.

Proponents of federal intervention may nevertheless argue that the Federal Government possesses an obligation to safeguard constitutional governance and may therefore take measures where the administration of local governments is allegedly inconsistent with constitutional requirements. Such arguments, however, encounter the fundamental constitutional principle that governmental powers must be traceable to express constitutional or statutory authority. In the absence of a specific constitutional provision authorizing the withholding of local government allocations, any such action risks being characterized as an unconstitutional exercise of executive power.

Accordingly, the constitutional position appears to be that the Federal Government's role is limited to the collection, management, and distribution of revenue from the Federation Account in accordance with section 162 of the Constitution. Any decision to withhold allocations due to local government councils must therefore be justified by clear constitutional authority. This controversy consequently raises serious constitutional questions regarding the legality of state or federal governments' action and provides a useful case study for assessing the practical realities of local government financial autonomy in Nigeria.

7.0 RECONCILING THE WITHHOLDING OF STATE LOCAL GOVERNMENT ALLOCATIONS AND FINANCIAL AUTONOMY OF LOCAL GOVERNMENT

The withholding of local government allocations due to local government councils in Nigeria represents one of the most significant constitutional controversies relating to local government financial autonomy. The dispute sometimes arises from the prolonged political and legal conflict concerning the control and administration of local government councils. The controversy not only raised questions regarding the legitimacy of local government officials but also generated constitutional debates concerning the powers of the Federal or state governments over funds constitutionally allocated to local governments.

A major constitutional argument advanced against the withholding of the allocations is that section 162 of the Constitution imposes a mandatory obligation regarding the distribution of revenue from the Federation Account. Section 162(3) provides that funds standing to the credit of the Federation Account shall be distributed among the Federal, State, and Local Government Councils in accordance with the prescribed revenue allocation formula. [41] The use of mandatory language suggests that the allocation and distribution of such funds are constitutional duties rather than discretionary powers. Consequently, it may be argued that any decision to suspend or withhold allocations lacks constitutional foundation unless expressly authorized by the Constitution.

[41] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162(3).

Support for this position may be found in the decision of the Supreme Court in *Attorney-General of Lagos State v Attorney-General of the Federation*.[42] The Supreme Court held that although constitutional issues existed concerning the newly created councils, the Federal Government lacked authority to withhold funds due to constitutionally recognized local governments. The Court emphasized that executive action cannot override express constitutional provisions relating to revenue allocation.[43]

On the other hand, arguments have been advanced in support of the Federal Government's position. It has been suggested that where there exists uncertainty regarding the lawful authority entitled to administer local government councils, the Federal Government may temporarily refrain from releasing allocations in order to avoid facilitating unlawful expenditure of public funds.[44] Supporters of this position contend that the Federal Government possesses a constitutional responsibility to ensure that public funds are disbursed in accordance with the law and valid judicial pronouncements.

Notwithstanding these arguments, the constitutional difficulty remains that no provision of the Constitution expressly authorizes the Federal Government to withhold local government allocations pending the resolution of political or judicial disputes within a state. In constitutional democracies, governmental powers must derive from clear constitutional or statutory authority. The absence of an express

[42] Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).
[43] Ibid 175-176
[44] Federal Government position regarding disputes over legitimate local government leadership in Osun State. Available at https://oduduwanews.com/osun-govt-drags-fg-to-court-over-withheld-local-govt-allocations/? accessed 5th June 2026

constitutional provision authorizing such withholding therefore raises serious questions regarding the legality of the Federal or state Governments' actions.

The controversy became even more significant in light of the Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors*, where the Court reaffirmed the constitutional status of local governments and emphasized the importance of protecting their financial autonomy.[45] Although the decision primarily addressed state interference with local government funds, its underlying reasoning supports the principle that funds constitutionally allocated to local governments should not be subjected to arbitrary interference by any level of government.

This controversy therefore illustrates the continuing tension between constitutional federalism, local government autonomy, and executive control over public finance in Nigeria. While concerns relating to the legality of local government administration may justify judicial intervention, the withholding of constitutionally allocated funds without express constitutional authority arguably undermines the principles of constitutional supremacy and local government financial autonomy. Consequently, the dispute remains an important case study in assessing the practical realities of local government autonomy within Nigeria's constitutional framework.

8.0 JUDICIAL ATTITUDE TOWARD LOCAL GOVERNMENT FINANCIAL AUTONOMY IN NIGERIA

The judiciary has played a significant role in shaping the constitutional discourse on local government autonomy in Nigeria. Through several judicial decisions, Nigerian courts have been called upon to interpret

[45] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

constitutional provisions relating to the status, powers, funding, and administration of local governments. The judicial attitude toward local government financial autonomy has evolved over time, reflecting attempts by the courts to balance the constitutional position of local governments within Nigeria's federal structure against the practical realities of state control over local government administration.

One of the earliest and most significant judicial pronouncements on the constitutional status of local governments was made in ***Attorney-General of Lagos State v Attorney-General of the Federation***.[46] The dispute arose following the creation of additional local council development areas by the Lagos State Government and the subsequent withholding of local government allocations by the Federal Government. In its decision, the Supreme Court held that although the newly created councils had not fulfilled the constitutional requirements necessary for full recognition, the Federal Government lacked the constitutional authority to withhold allocations due to constitutionally recognized local government councils.[47]

The significance of the decision lies in the Court's insistence that constitutional provisions relating to revenue allocation must be strictly complied with. The Court rejected executive interference with constitutionally guaranteed allocations and reaffirmed the principle that governmental powers must derive from the Constitution. The judgment therefore strengthened the constitutional protection accorded to local government funds and underscored the limited powers of the Federal Government in matters relating to revenue allocation.

[46] Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).
[47] Ibid 175-176

Notwithstanding this decision, the courts for many years adopted an approach that largely recognized the constitutional role of state governments in the administration of local governments. This judicial position was influenced by the provisions of section 162(6) of the Constitution, which established the State Joint Local Government Account. [48] Consequently, although local governments were recognized as constitutional entities, judicial interpretation often reflected the reality that local governments operated substantially under state supervision.

A major turning point in the judicial approach to local government autonomy occurred with the decision of the Supreme Court in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors*. [49] In that landmark case, the Supreme Court directly confronted the longstanding issue of state control over local government finances. The Court condemned the persistent diversion and retention of local government funds by state governments and held that such practices were inconsistent with the constitutional framework governing local government administration.[50]

The Supreme Court emphasized that local governments constitute a constitutionally recognized tier of government and are entitled to financial resources necessary for the performance of their constitutional functions. The Court further declared that democratically elected local government councils are entitled to receive allocations standing to their credit and that the continued

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[48] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162(6).
[49] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

[50] Ruqayyatu Modibbo and Oliver Gift Chukkol, 'AGF v AG Abia State & 36 Ors (2024): Demystifying the Pros and Pitfalls of the Supreme Court Decision on Local Government Autonomy' (2025) ABU Law Journal 233.

withholding or control of such funds by state governments undermines constitutional governance at the grassroots level.[51]

The decision has been widely regarded as one of the strongest judicial affirmations of local government financial autonomy in Nigeria. According to Modibbo and Chukkol, the judgment represents a significant shift in constitutional interpretation by recognizing local governments as entities entitled to greater financial independence within the federal structure.[52] Nevertheless, some scholars have questioned whether aspects of the decision can be fully reconciled with the express provisions of section 162(6) of the Constitution, which still provides for the existence of the State Joint Local Government Account.[53]

The judicial developments relating to local government autonomy are particularly relevant to the controversy involving the withholding of local government allocations. The reasoning adopted by the Supreme Court in both *Attorney-General of Lagos State v Attorney-General of the Federation* and *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors* suggests a growing judicial commitment toward protecting funds constitutionally allocated to local governments from arbitrary interference. These decisions strengthen the argument that local government allocations should not be withheld except where such action is clearly authorized by the Constitution.

Overall, the judicial attitude toward local government financial autonomy has evolved from a position that largely tolerated extensive

[51] Ibid
[52] ibid
[53] Unwana James, 'The Supreme Court Grants Local Government Autonomy: Where to Go from Here?' (2025) SSRN Electronic Journal.

state control toward a more robust constitutional protection of local government finances. Although significant challenges remain regarding implementation, recent judicial decisions demonstrate an increasing willingness by the courts to safeguard the constitutional status and financial independence of local governments in Nigeria. The judiciary has therefore emerged as a critical institution in the continuing struggle for effective local government autonomy and grassroots governance.

9.0 IMPLICATIONS OF THE WITHHOLDING OF LOCAL GOVERNMENT ALLOCATIONS

The withholding of local government allocations has far-reaching implications for constitutional governance, grassroots development, democratic accountability, and the autonomy of local government councils in Nigeria. Given that local governments depend largely on statutory allocations from the Federation Account for the discharge of their constitutional responsibilities, any disruption in the flow of such funds inevitably affects governance and service delivery at the local level.

One of the most significant implications of withholding local government allocations is the erosion of local government financial autonomy. Financial autonomy presupposes the ability of local governments to access and utilize funds constitutionally allocated to them without undue interference from other levels of government. Where allocations are withheld, local governments become unable to discharge their constitutional functions effectively, thereby undermining the objective of local government autonomy envisaged under section 7 of the Constitution.[54]

[54] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 7.

The withholding of allocations also adversely affects grassroots development. Local governments are constitutionally responsible for several essential services, including the maintenance of local roads, markets, motor parks, public conveniences, and environmental sanitation.[55] The interruption of statutory funding limits the capacity of local governments to execute development projects and provide basic services to local communities. Consequently, the people who suffer the most direct consequences of withheld allocations are residents at the grassroots level.

Another implication is the weakening of democratic governance. The Constitution guarantees a system of democratically elected local government councils as a means of promoting popular participation in governance.[56] However, elected local government officials cannot effectively govern where financial resources necessary for administration are unavailable. The withholding of allocations therefore diminishes the practical effectiveness of democratic institutions established at the local level.

The controversy also raises important constitutional concerns regarding the doctrine of separation of powers and the supremacy of the Constitution. As the Supreme Court observed in Attorney-General of Lagos State v Attorney-General of the Federation, constitutional provisions governing revenue allocation must be strictly obeyed.[57] Any executive action resulting in the suspension or withholding of allocations without express constitutional authorization risks undermining constitutional supremacy and the rule of law. This concern is particularly relevant in the context of the controversy,

[55] Ibid Fourth Schedule
[56] Ibid s 7(1)
[57] Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).

where questions arose regarding the constitutional basis of the Federal or state Government's actions.

Furthermore, withholding local government allocations may generate intergovernmental tensions within the federal system. Nigeria operates a federal structure in which powers and responsibilities are distributed among the Federal, State, and Local Governments. Disputes over revenue allocation often strain relations between different levels of government and may result in prolonged litigation, political confrontation, and administrative uncertainty. This issue illustrates how disagreements over local government administration can evolve into broader constitutional conflicts involving federal and state authorities.

The economic consequences of withholding local government allocations are equally significant. In many local government areas, statutory allocations constitute the principal source of revenue. The suspension of these funds may lead to the inability of local governments to pay salaries, maintain infrastructure, or fund public services. Such disruptions negatively affect local economies and may contribute to increased unemployment, poverty, and social discontent within affected communities.

From a constitutional perspective, the withholding of allocations also raises questions regarding the practical realization of the Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors.*[58] The Court emphasized the need to protect local government finances from unlawful interference. Consequently, actions capable of depriving local governments of access to constitutionally allocated funds may be viewed as

[58] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

inconsistent with the spirit of that decision and the broader objective of strengthening local government autonomy in Nigeria.

Ultimately, the implications of withholding local government allocations extend beyond financial considerations. The practice affects democratic governance, constitutionalism, federalism, service delivery, and grassroots development. This imbroglio therefore demonstrates the need for greater constitutional clarity regarding the powers of governmental institutions in matters relating to local government finance and highlights the importance of safeguarding funds intended for grassroots governance.

10.0 LOCAL GOVERNMENT FINANCIAL AUTONOMY IN NIGERIA: MYTH OR REALITY?

The question whether local government financial autonomy in Nigeria is a myth or a reality has remained one of the most debated issues in Nigerian constitutional law and public administration. Although the Constitution of the Federal Republic of Nigeria 1999 (as amended) recognizes local government councils as the third tier of government and guarantees their existence under a system of democratically elected local government councils, the practical realization of financial autonomy has remained elusive.[59] The answer to this question requires an examination of the constitutional framework, judicial pronouncements, and the realities of local government administration in Nigeria.

From a constitutional perspective, there is little doubt that local governments are entitled to financial resources necessary for the discharge of their constitutional responsibilities. Section 162(3) of the Constitution expressly recognizes local government councils as

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

beneficiaries of revenue standing to the credit of the Federation Account. [60] Furthermore, the Fourth Schedule assigns important functions to local governments, including the provision and maintenance of markets, motor parks, public conveniences, rural roads, and other services essential to grassroots development. [61] The performance of these functions necessarily presupposes access to adequate financial resources.

The constitutional recognition of local governments has also received judicial affirmation. In *Attorney-General of Lagos State v Attorney-General of the Federation***,** the Supreme Court emphasized that local governments are constitutionally recognized institutions whose existence and funding cannot be arbitrarily undermined through executive action. [62] More recently, in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors*, the Supreme Court strongly condemned practices that deprive local governments of access to funds allocated for the performance of their constitutional responsibilities. [63] These decisions suggest a judicial commitment toward strengthening local government financial autonomy and protecting local government funds from unlawful interference.

Despite these constitutional and judicial safeguards, the practical realities of local government administration in Nigeria reveal significant obstacles to genuine financial autonomy. The most notable challenge is the operation of the State Joint Local Government Account established under section 162(6) of the Constitution. [64]

[60] Ibid s 162(3)
[61] Ibid Fourth Schedule
[62] Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).
[63] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.
[64] CFRN 1999 (as amended) s 162(6)

Although the provision was intended to facilitate the administration of local government funds, it has frequently been criticized for enabling state governments to exercise extensive control over local government finances. Scholars have observed that the State Joint Local Government Account has often functioned as a mechanism through which state governments influence, manage, and in some cases interfere with funds intended for local government councils.[65]

The practical consequences of this arrangement are evident in recurring allegations of deductions, diversions, and delays in the disbursement of local government funds. As a result, many local governments remain financially dependent on state governments despite the constitutional recognition of their entitlement to statutory allocations. This dependence significantly undermines their capacity to function as autonomous institutions of governance and weakens their ability to provide essential services at the grassroots level.

The controversy surrounding the withholding of local government allocations further illustrates the fragile nature of local government financial autonomy in Nigeria. The dispute demonstrated that even where funds are constitutionally allocated to local government councils, political and legal controversies may impede their release and utilization. The incident raised serious constitutional questions concerning the extent to which local governments can truly be regarded as financially autonomous when access to their allocations may be affected by disputes involving other levels of government.[66]

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[65] Jude Okafor, 'Local Government Financial Autonomy in Nigeria: The State Joint Local Government Account' (2010) 6 Commonwealth Journal of Local Governance 127, 128–130.

[66] Constitution of the Federal Republic of Nigeria 1999 (as amended), ss 7 and 162; Attorney-General of Lagos State v Attorney-General of the Federation (2004) 18 NWLR (Pt 904) 1 (SC).

Furthermore, the continued dependence of local governments on statutory allocations from the Federation Account presents another challenge to financial autonomy. In many instances, local governments generate minimal internally generated revenue and rely almost entirely on federal allocations for their operations. Such dependence limits their financial independence and makes them vulnerable to political and administrative interference. Genuine financial autonomy requires not only protection from unlawful interference but also the capacity to generate and manage financial resources effectively.

Nevertheless, it would be inaccurate to conclude that local government financial autonomy is entirely a myth. Recent judicial developments, particularly the Supreme Court's decision in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors*, represent a significant step toward strengthening local government autonomy.[67] The judgment has renewed national attention on the need to ensure direct access by local governments to funds allocated for their constitutional functions and has challenged longstanding practices that undermine grassroots governance.

Accordingly, local government financial autonomy in Nigeria may best be described as a constitutional reality but a practical challenge. The Constitution guarantees the existence, funding, and functions of local governments, while recent judicial decisions have reinforced these guarantees. However, persistent state control over local government finances, structural weaknesses in the revenue allocation system, and controversies such as the withholding of local government

[67] Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors Suit No SC/CV/343/2024, judgment delivered on 11 July 2024.

allocations continue to hinder the full realization of financial autonomy in practice.

It is therefore submitted that local government financial autonomy in Nigeria presently occupies a transitional position between constitutional idealism and practical reality. While significant legal foundations for autonomy exist, meaningful reforms and faithful compliance with constitutional provisions are necessary before local governments can truly operate as financially independent institutions capable of promoting sustainable grassroots development.

11.0 SUMMARY OF FINDINGS

This study found that although the Constitution of the Federal Republic of Nigeria 1999 (as amended) provides a legal framework for local government financial autonomy, the practical realization of such autonomy remains problematic. The study revealed that the constitutional recognition of local governments as the third tier of government and their entitlement to allocations from the Federation Account have not translated into genuine financial independence. The operation of the State Joint Local Government Account has continued to facilitate substantial state control over local government finances, thereby undermining the autonomy envisaged by the Constitution.

The study further found that the Constitution does not expressly confer on the Federal Government the power to withhold allocations due to local government councils. Consequently, the withholding of local government allocations generated serious constitutional concerns regarding the legality of federal interference with funds constitutionally allocated to local governments. The study also found that the decision of the Supreme Court in *Attorney-General of Lagos State v Attorney-General of the Federation* remains a strong judicial authority against the withholding of constitutionally guaranteed allocations.

Furthermore, the study revealed that the recent decision of the Supreme Court in *Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors* has significantly strengthened the legal foundation for local government financial autonomy in Nigeria by affirming the constitutional status of local governments and condemning practices that deprive them of access to funds meant for the discharge of their constitutional responsibilities.

Notwithstanding these constitutional and judicial developments, the study found that local government financial autonomy in Nigeria remains largely constrained by structural, political, and administrative challenges. This development illustrates that local governments continue to be vulnerable to interference by other levels of government despite constitutional guarantees and judicial pronouncements. Accordingly, the study concludes that local government financial autonomy in Nigeria presently exists more as a constitutional ideal than as a fully realized practical reality.

12.0 RECOMMENDATIONS

In view of the findings of this study, it is recommended that the Constitution be amended to eliminate ambiguities surrounding the financial autonomy of local governments, particularly with respect to the operation of the State Joint Local Government Account. Such amendment should ensure that funds allocated to local government councils from the Federation Account are transmitted directly to the respective local governments in order to minimize undue interference and enhance accountability in the management of local government finances.

It is further recommended that all levels of government strictly comply with constitutional provisions governing the allocation and disbursement of public funds. The Federal Government should refrain from withholding allocations due to local government councils except where such action is expressly authorized by the Constitution or pursuant to a valid court order. Similarly, state governments should desist from practices that undermine the financial independence of local governments through unauthorized deductions or diversion of local government funds.

There is also a need to strengthen institutional mechanisms for transparency, accountability, and financial management at the local government level. Effective monitoring and auditing systems should be established to ensure that funds allocated to local governments are utilized for the purposes for which they are intended. This will promote public confidence and reduce concerns regarding the misuse of local government resources.

Furthermore, local governments should be encouraged to improve their internally generated revenue capacity through efficient revenue administration and the development of sustainable local economic initiatives. Excessive dependence on statutory allocations from the Federation Account weakens financial independence and makes local governments vulnerable to political and administrative interference.

The judiciary should continue to play its constitutional role in safeguarding local government autonomy by ensuring strict adherence to constitutional provisions relating to local government administration and finance. Judicial decisions that protect the financial independence of local governments should be faithfully implemented by all governmental authorities in accordance with the principles of constitutional supremacy and the rule of law.

Finally, there is a need for sustained political commitment to the realization of genuine local government autonomy in Nigeria. Constitutional guarantees and judicial pronouncements can only achieve meaningful results where there exists the political will to respect and implement them. Strengthening local government financial autonomy will enhance grassroots governance, promote democratic participation, and facilitate sustainable socio-economic development at the local level.

13. CONCLUSION

Local government financial autonomy remains one of the most significant issues in Nigeria's constitutional and administrative framework. The Constitution recognizes local governments as the third tier of government and guarantees their entitlement to allocations from the Federation Account; the practical realization of financial autonomy has continued to encounter substantial challenges. The operation of the State Joint Local Government Account, coupled with persistent interference in local government finances, has significantly undermined the independence necessary for effective grassroots governance.

The Supreme Court in *Attorney-General of Lagos State v. Attorney-General of the Federation* reiterated the principle that statutory allocations due to local governments must be administered strictly in accordance with constitutional provisions. The Court condemned actions capable of frustrating constitutionally guaranteed local government administration.

This study examined the constitutional framework governing local government financial autonomy in Nigeria and analyzed the constitutional controversies surrounding the State Joint Local

Government Account. The study further considered the extent of the Federal Government's powers over local government allocations and critically evaluated the withholding of local government allocations due to local government councils. It was observed that while the Constitution provides for the allocation of funds to local governments, it does not expressly confer on the Federal Government the authority to withhold such allocations. Consequently, the withholding of local government allocations raises serious constitutional concerns regarding compliance with the provisions of sections 7 and 162 of the Constitution.

The study also examined judicial attitudes toward local government financial autonomy and found that recent decisions of the Supreme Court have increasingly emphasized the need to protect the constitutional status and financial independence of local governments. In particular, the decisions in Attorney-General of Lagos State v Attorney-General of the Federation and Attorney-General of the Federation v Attorney-General of Abia State & 35 Ors represent significant judicial efforts to safeguard local government finances from unlawful interference.

This imbroglio demonstrates that notwithstanding constitutional guarantees and judicial pronouncements, local government financial autonomy in Nigeria remains vulnerable to political and institutional challenges. The persistence of such challenges suggests that constitutional recognition alone is insufficient to guarantee genuine autonomy in practice. Effective local government administration requires not only constitutional protection but also faithful compliance with constitutional provisions by all levels of government.

Accordingly, this study concludes that while local government financial autonomy in Nigeria is firmly grounded in constitutional theory, its practical realization remains incomplete. The withholding of local government allocations represents a departure from the constitutional ideals of local government autonomy and highlights the urgent need for reforms aimed at strengthening the financial independence of local governments. Ultimately, genuine local government financial autonomy is indispensable for effective grassroots governance, democratic participation, and sustainable development in Nigeria.