

**URBAN MANAGEMENT FINANCING AND INSTITUTIONAL  
ARRANGEMENT FOR URBAN INFRASTRUCTURE  
AND SERVICES IN NIGERIA**

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**1.0 INTRODUCTION:**

According to Kenneth J. Davey (1993), the objective of the Urban Management Programme is to strengthen the contribution that cities and towns make towards economic growth, social development, and the alleviation of poverty. Moreover, it seeks to develop and promote appropriate policies and tools for land management, infrastructure, municipal finance, and the urban environment (UNDP, 1989).

**Cities** can be seen as useful tools for human kind in the pursuit of social, economic, and cultural goals in space and over time. Historically, **cities have developed and evolved as potent implements for socio-economic interaction, growth and social change.** The lives and livelihoods of millions of people is affected by what is done (or not done) in cities. **Cities and towns have always been centres of opportunity. Cities are the most important engines of economic growth and centres of innovation** for the national economics in Nigeria.

**2.0 URBAN MANAGEMENT CONCEPT:**

Urban management is concerned with the policies, plans, programmes, and practices that seek to ensure the population growth is marched by access to basic infrastructure, shelter, and employment. While such access will depend as much, if not more, on private initiatives and enterprise, these are critically affected by public sector policies, and functions that only government can perform.

The performance of government is critical to the effective management of urban growth. During the last decade in particular, both governments and international agencies have shown interest in improving the structure, process and resources of urban government institutions. **Policies of centralization have delegated functional responsibilities and resources to lower levels of government** and new financial flows have been created to stimulate public investment. Many development projects have included technical structure to improve the planning and operational process of urban agencies.

However, the present state of affairs in Nigeria's cities has been occasioned by the fact that most Nigerian cities, there is hardly any *management information system (MIS) on which decisions for planning the scope, the rate of growth and revenue receivable for any services or infrastructural facilities can be based*. The absence of such information system has given rise to some problems in the development of Nigeria cities. The problems are:

- the continued uncontrolled pattern of growth;
- the persistent shortages of provision of services and infrastructural facilities;
- the inability of Local Governments to raise adequate internal revenue; and
- many cities do not pay attention to their neighbourhood or ward organizations other than for electoral purposes, yet these constitutes the very framework on which their information system should be based.

Moreover, the knowledge of the number; size; location; ownership; value, use and occupancy of buildings in urban centres constitutes an essential factor in the effective governance of the city. Therefore, *the goal and objectives of urban management information is to ensure that each urban Local Government develops an adequate management information system to enhance its capacity for effective and efficient management of its affairs*. It will also promote the effective computerization of information gathering, collation and analysis within Local Governments.

**The Way Forward:**

- State Government shall assist not only in the production of cadastral for their urban centres but also in mounting **property identification exercises** to ensure that a comprehensive **register of buildings**, their owners, size, occupancy and uses is produced for each urban centre by neighbourhoods and wards. This will facilitate property tax or Land Use Charge collection to enhance internally revenue (IGR) generation;
- State Governments working closely with their Local Governments shall mount programmes of training for enhanced computer literacy among the staff of Local Governments and the use of such skills for promoting greater efficiency and effectiveness of Government;
- Establish management information system (MIS) within each Local Government in the Local Planning Authority. This Authority shall engage in **data collection** on all aspects of the city development on an on-going basis. The authority shall be regarded by law to provide a three-year rolling plan for the socio-economic and spatial development of its Local Government based on its analysis of its growth trends and parastatals.
- Ensure that every urban Local Government **identifies the boundaries of its wards and neighbourhoods**, name all its streets, lanes and alleyways and number all its houses both old and new. This should be done in collaboration with the authorities of the Nigerian Postal Services (NIPOST), which is known to have developed a **post-coding system** for facilitating the delivery of mails direct to individuals' buildings.

### **3.0 FISCAL FEDERALISM ARRANGEMENTS IN NIGERIA:**

Nigeria is a federation with power responsibilities shared between the Federal Government and thirty-six constituent state governments. Local governments are constitutionally recognized but are subject to the creation, control and regulation of State governments. As in similar federal structures, the power and ability of state governments to manage their public expenditure depend largely on the fiscal federalism arrangements in place.

During decades of military dictatorship, Nigeria was run as a unitary government with powers and authority centralized at the federal level. State military administrators or governors, like their federal counterparts were not particularly accountable to their populations. Since the return to democratic governance in 1999, state governments now feel greater accountability to deliver to their populations and there is renewed agitation for greater decentralization of fiscal powers to allow states and local governments to deliver on their mandates. However, changing fiscal federalism arrangements would require fundamental task given the fractious nature of Nigerian politics and society.

#### **3.1 Expenditure Assignments to Federating Units:**

There is much overlap between the various tiers of government. The main federal government's exclusive spending power is in broad conformity with the pattern found in other federal democracies, encompassing the traditional areas of defense, foreign affairs, international trade, law and public order, post and communications, air, sea and road transport, currency, as well as roads of national interest. However, the Federal Government has concurrent jurisdiction with states on post primary and tertiary education, electric power, agriculture, antiquities and monuments, archives etc.

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**State Governments have residual legislative and spending powers** and so can make laws on areas outside the Federal Government's competence. Their spending powers are therefore extensive as they want to make it. Primarily, they cover those matters that make for grass root development, agriculture, primary and secondary education, health care delivery, rural electricity power supply and the like. It seems clear therefore that the constitution was designed to concentrate state government spending responsibilities on programmes that impact directly on the lives of the people. It should then be their basic responsibilities, and not of the Federal Government, to design and implement programmes that bother on poverty reduction (World Bank AFTP3, June, 2002).

**The exact role of Local Governments in Nigeria's emerging democracy is yet to be properly defined. No precise authority to make laws or raise revenue is conferred on them under the constitution.** However, their spending responsibilities are specified under the constitution to include sewage and refuse disposal, maintenance of public conveniences, construction and maintenance of roads and streets, street lightings, drains and other public highways, parks, garden, etc., and such other public facilities as may be prescribed from time to time by the House of Assembly. They are also charged with the responsibility to maintain cemeteries, burial grounds and homes for the destitute or infirm.

**Table 1: Nigeria: Allocation of Responsibilities by Government level**

<b>Exclusively Federal Government</b>	<b>Concurrent Federal and State</b>	<b>Concurrent State and LG.</b>	<b>Local Government</b>
<ul style="list-style-type: none"> <li>• Defense</li> <li>• External Affairs</li> <li>• Law and Order</li> <li>• Post and Communications</li> <li>• Interstate Transportation</li> <li>• Aviation, sea and rail Transport</li> <li>• Currency</li> <li>• Oil and Gas</li> </ul>	<ul style="list-style-type: none"> <li>• Tertiary education</li> <li>• Justice</li> <li>• Electric power</li> <li>• Banking and Finance</li> <li>• Agriculture and Industry</li> </ul>	<ul style="list-style-type: none"> <li>• Secondary education</li> <li>• Health care delivery</li> <li>• Water supply</li> <li>• State roads</li> <li>• Fire service</li> <li>• Land use</li> <li>• Health Care</li> <li>• Primary Education</li> </ul>	<ul style="list-style-type: none"> <li>• Markets</li> <li>• Cemeteries</li> <li>• Waste disposal</li> <li>• Local Streets construction and maintenance</li> <li>• Motor parks and open spaces</li> <li>• Establishment of destitute homes</li> <li>• Slaughter houses</li> <li>• Public conveniences</li> </ul>

#### **4.0 INSTITUTIONAL VARIETY IN THE ROLES OF URBAN GOVERNMENT**

What urban government does, who precisely does it, and with what resources it is done vary greatly from country to country and even from town to town. In dealing with arrangements for urban management, we are dealing with diversity.

Historically, the term urban government has been synonymous with that of municipal administration. In Europe, growing medieval towns secured some degree of local self-government, partly because urban commerce and environments demanded interventions that rural administration was not accustomed to provide, and in part because the towns could generate resources for civic improvement. The same process was repeated in the nineteenth century, both in the new industrial cities in Europe and in the growing towns in the Americas and Asia. Local government institutions were also widely fostered by the colonial powers in Africa and Asia in the post-1945 prelude to Independence.

During the 1960s and 1970s, the national, state, and provincial governments became far more closely involved in urban management, either directly or through the parastatal agencies established by these governments. There were a number of reasons for this development, including a growing appreciation of the scale and challenge of urbanization, a post-Independence backlash against decentralization,

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and the intervention of international donors that were bound by protocol to operate through national governments. During the past fifteen years or so, policies of governments and donors have generally favored a revival of municipal responsibilities and resources. Both centralizing and decentralizing movements, however, varied in their intensity. The result is a great diversity in the distribution of urban government tasks and resources between central or state governments, parastatal bodies, and local government. The role of municipal administration varies from dominant to residual.

The balance of activity between public and private sectors also varies substantially. In many towns, urban growth has frequently outpaced the public sector response with the result that communities, particularly in the poorer neighborhoods, have had to fend for themselves in terms of basic services, such as water supply or refuse collection. The more affluent frequently choose to pay for private services, such as education and medical care, in preference to those provided by government. In recent years, government and donor policies have often favored participation by the private sector in the provision or management of urban services, both to ease the strain on public resources and to gain greater efficiency.

The varying relationships between public and private sectors in the management of urban services adds to the diversity within the public sector itself. This is compounded by other factors, such as the size of jurisdictions, the composition of local revenue and staffing bases, and the nature of the political system.

## **5.0 THE CRISIS OF URBAN INFRASTRUCTURE AND SERVICES**

### **5.1 Increasing Population Effects on Economy:**

Nigeria is urbanizing at an astonishing pace. The share of Nigeria's urban population increased from 20% in 1970 to about 38% in 1993. According to the 1991 census, Nigeria had a population of about 89 million persons. The 2006 population figure was **140,903,542**. The Nigeria population is now estimated to be growing by about 2.9 percent. At that rate, the population will double in size in just 24 years. This means that Nigeria has one of the fastest growing population in the world. **The urban population is growing at the rate of around 5.5% per cent.**

The economic pressure behind urbanization are very powerful. World-wide experience shows that it is not practical to try to slow down migration to urban areas. Rather, efforts should be focused on reducing population grown naturally.

Urbanization is a positive force in economic development. Cities and towns are the home of most industry, commerce, and services. These sectors of the economy can be highly productive. Worldwide, highest per capital incomes are closely related to highest level of urbanization. Urban-based non-oil industry and services accounted for about half of Nigeria's Gross Domestic product (GDP) between 1985 and 1994. Thus, average per capital income in urban areas is around one third higher than rural areas. This is the basic reason that people migrate to cities: they are searching for better economic opportunities.

### **5.2 Breakdown of urban Infrastructure and Services**

The physical condition of Nigeria's urban infrastructure; water supply, sewerage, sanitation, urban roads, electricity, drainage, waste disposal is generally poor. For example, only about half of the people in Nigeria's urban areas have access to pipe water in or around their homes. All types of infrastructure suffer from a massive back-log of neglected rehabilitation and maintenance, not to speak of the investments needed to serve future growth.



Periodic and routine maintenance, by far the most cost-effective types of infrastructure expenditures, are almost nil. Instead, the norm is to wait for an infusion of capital for rehabilitation. In effect, it has become more convenient to replace than to maintain. But declining financial resources is making this less and less feasible. As a result, deterioration is accelerating.

Most manufacturing and commercial establishments in Nigeria have their own electricity generators. In the face of **chronically unreliable public services**, many also have acquired radio equipment for communications, vehicles to transport personnel and freight, and boreholes to assure their own private water supply. For firms with 50 or more employees, these extra costs amount to some 10% of the total machinery and equipment budget. For small firms the burden is as high as **25%**. **Inadequate public services** can also raise costs for the urban poor, who either rely on alternative, costly providers (such as water vendors) or spend large amounts of time (as in fetching water from inconvenient sources).

### **5.3 National Urban Policy:**

The National Urban Development Policy was prepared in **1991-1992** by a Committee of 14 distinguished experts. The committee conducted meetings with a wide range of people and reviewed 70 memoranda from governmental and non-governmental sources. Here are a few selected highlights of the NUDP – National Urban Development Plan's report:

- A National Urban and Regional Development Commission should be established as the apex urban development organization in the government.
- States and Local Governments should have Urban and Regional Development Boards and Authorities, respectively.
- The Land Use Decree of 1978 should be reviewed with a view to making land more easily available and affordable.

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- The participation of the private sector in the provision of infrastructure should be encouraged.
- The Urban Development Bank of Nigeria should be supported to become an effective provider of loan funds and technical assistance for urban infrastructure.
- Cost recovery mechanism for urban infrastructure and services should be established and strengthened.

The development of urban land and housing in Nigeria is severely constrained by government controls. State ownership keeps large quantities of land off the market. Parcels of land for development are extremely difficult to acquire from the mostly nationalized land stock. A certificate of occupancy for a parcel can take from one to five years to obtain.

Uncertain land titles impede the development of urban land for productive purposes and the use of land as collateral for credit. Compliance with planning, subdivision, and building regulations is extremely costly in time and money. Liberalization of Land markets is needed to expand the supply and lower the cost of land and housing.

Finally, barriers to participation of the private sector in different aspects of urban infrastructure and services need to be removed. These include:

- Prohibitions on the private ownership and management of services, such as electricity, water, or telecommunications.
- Lack of clear laws and regulations enabling lease and concession arrangements for infrastructure services.
- Excessive political involvement in management issues, including lack of predictable, transparent mechanisms for tariff-setting.

#### **5.4 Institutional problems:**

Political instability is the most serious, immediate constraint on the improvement of urban services. Instability makes it difficult to plan ahead to maintain implementation schedules. It defeats efforts to build sustainable institutional capacity.

The widely held view that government should handle all urban development activities is another big problem. This idea persists even in the face of the obvious weaknesses of public sector institutions. In Nigeria, it is often said that, if only government agencies had more money, they would perform much better. This ignores world-wide lessons about the limitation of public sector management.

It is difficult enough for government agencies to perform their policy making and regulatory functions because they do suffer from inadequate resources. Low remuneration, lack of equipment and supplies, and poor management practices severely depress the performance of the public sector.

*A critical problem affecting urban development in Nigeria is the non-functioning of Local Governments. They were led by locally-elected councils and elected chairmen from 1976 and at times Government selected or handpicked caretaker chairmen unable to carry out their assigned functions.* The large number of Local governments numbering about 774 is a huge administrative and fiscal burden for states and the Federal Government. It also means that the scarce trained manpower available in Nigeria must be spread even more thinly across the many Local Governments.

It appears that State interference in Local Governments' activities has contributed to their weakness. Examples include states appropriating Local Government revenue sources, reducing or withdrawing Local Governments statutory allocations, and switching functions to or from Local Governments without adjusting their finances (World Bank Report, 1995).

### **5.5 State and Local Government Joint Accounts:**

According to **Barrister Niyi Akintola SAN** in the Nigerian Tribune of Saturday, 10<sup>th</sup> August, 2024, **the Supreme Court Judgment is difficult to implement as regards Local Government Autonomy.** The logjam of **local government joint account** started in Ibadan. In 1988, the issue of “**zero allocation**” started and it was going to lead to riots in **Ibadan, in Kano and Sokoto.** The Municipal Councils were getting **zero allocation** and the man who started it was the Chairman of Ibadan Municipal Government before it was split into five autonomous Local Government Councils, **Taofeek Arapaja. He issued a circular which said all non-indigenes of Ibadan Municipal who were teachers should go back to their states and local governments.** He issued the circular because he could not pay salaries of his workers and teachers in his domain. He also discovered that a good percentage of those teachers were from outside the local government and he was going to the bank to borrow money.

There was tension and it got the attention of the government. The SSS waddled in, but a similar thing was happening in Kano and Sokoto and the military government put heads together to find a solution. *They came up with the joint account system wherein they will pay the salaries of all those essential workers after which they will now allocate the money left. That was the genesis of section 162 of the constitution.* That also saw the bringing in of section 7, which was not there in **1979.**

Also, **there is provision for the Office of Auditor General of Local Government,** which is under the state executive. **There is also a body now called SUBEB which is a parastatal of the state. Which is in control of primary schools.** It was stated that the **government of Bola Tinubu** in Lagos State then that fought the Federal Government to a standstill over approval of building plans. It is the duty of the local government. The Supreme Court gave the Lagos State judgment that it is

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the function of the local government and not that of the federal government. Having won that case, Lagos State now took over that function of the local government which they fought the federal government against. The states have taken over the planning functions of Local Governments contrary to the provision of Urban and Regional Planning laws of 1992.

#### **5.6 The Implication of Land Use Charge Law:**

The Lagos State Land Use Charge Law introduced by **Governor Bola Tinubu** in 2001 and approved by the State House of Assembly represents a radical and wholesome restructuring of the entire erstwhile **land based tax system** in Lagos State which had evolved into a complex system of three different taxes, **rates and charge**, administered by agencies of different levels of government under different laws. They are the:

- i) Land Rates Law (development charge, ground rent, premium) cap 112 of 1984);
- ii) The neighbourhood improvement Charge Law Cap 136 of 1986; and
- iii) The Tenement rates Law.

*Therefore, Lagos State Land use Charge Law is an amalgam of tenement rat (a Local Government tax) and other taxes which constitutionally are not the exclusive preserve of either the State or Local Government.*

The Land Use Charge designates each Local Government Area (LGA) in Lagos State as the Authority to levy and collect Tenement Rates. However, the law provides that any collecting authority, who so wish, may delegate to the State, by a written agreement, its function with respect to the assessment of privately owned house for tenement, for the purpose of levying and collection of such rate as may be prescribed under the law. **Presently, the state performs the assessment, billing and collection on behalf of all the Local governments in the state, while state-appointed consultants to carry out actual collection of the tax.** For the purpose of

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the law, Local Government Area is defined to include a Local Council Development Area (LCDA). Oyo State Governor Abiola Ajimobi copied the Law in 2002.

#### **5.7 Fiscal Autonomy of Local Governments:**

*The defining feature of public finance and governance in most developing countries is centralized, there are only a handful of developing countries where local governments are specifically recognized in the constitution.* Central governments raise most of the tax money, spend the largest share of the public budget, and make the rules about how sub-national governments operate. **The road to better metropolitan governance and fiscal outcomes in metropolitan areas begins with the national government** (and with the state government in some large federal countries). Virtually all enabling legislation for **metropolitan area governance** is the responsibility of central or state government (Bahl and Linn, 2014: 15 - SOH).

**Experience tells us that large metropolitan areas can and should have greater fiscal autonomy** than other urban or rural areas. *Autonomy means both greater responsibility for delivery local services and greater ability to levy their own taxes. All local governments, however, need to be responsible, accountable, and efficient.* To do so, they need to raise their own revenues as much possible, adhere to open and viable municipal budgetary process, and engage in transparent and prudent financial management (Slack, 2009: 72 - SOH).

According to Professor Toyin Falola in the Nigerian Tribune of August 3, 2024, he said, the true intention of the drafting of any constitution of any federalist constitution is to provide grassroots access to governance and ensure that answers and solution are given to the questions and needs of the people as soon as they arrive. *The concentration of power in the hands of a government might not assist in a achieving this reality. Hence there is a need for autonomy of the local government within the confines of any amended constitution.* To ensure that they are properly checked, there could be supervisory roles from a joint board of or efforts of both the

Federal and the State Governments in order to achieve efficiency. However, whatever, we do with will not succeed if we remain immoral, bankrupt and corrupt.

## **6.0 DEPENDENCY ON INTERGOVERNMENTAL TRANSFER AND AUTONOMY OF LOCAL GOVERNMENTS**

### **6.1 Objectives and Factors Behind Transfer:**

In practice, very few countries enjoy a consistent mix of these constitutional, legal, institutional and procedural elements. In developing countries, which tend to be more centralized, considerable reform and decentralization may be necessary (Steffenson, 2010: 14-15-SOH, Slack, 2009:36 – SOH).

- Correcting for **vertical fiscal imbalance**, or the difference between the expenditure responsibilities of local government and their resources from other means (fiscal gap);
- Correcting for **horizontal fiscal imbalance**, or unevenness in the fiscal capacity of different sub-national units and hence inequities;
- **Compensating for externalities**, or positive and negative spillovers of effects or benefits of activities carried out within a sub-national jurisdiction.
- **Supporting political objectives** such as ensuring compliance with national minimum standards in service provision or incentivizing local revenue
- Others include **compensating local government for implementing delegated activities from higher tiers of government and providing central government with the flexibility to influence macroeconomic conditions by influencing levels of government economic activity** (Steffensen, 2010:15).

The type of transfer that is most appropriate depends on the underlying rationale for the transfer. Another important issue is the aggregate impact of the transfer system as a whole.

## **6.2 Degree of Dependency on Transfer to Local Governments**

The first is the degree of dependency on transfers. Decentralization specialists agree that local governments in general are unlikely to fund their responsibilities wholly from own source revenues. The extent to which **metropolitan local governments** depend on transfers varies greatly across cities. On the one end of the spectrum, cities such as **Buenos Aires** have been assigned significant taxing powers and finance nearly 70% of their budget from **own-source revenues**.

- The same is true for the metropolitan are in South Africa. But most large urban areas depend much more on intergovernmental transfers (Bahl, Linn and Watzeel, 2013: 17-18-SOH).
- In Tanzania, the site of a comprehensive decentralization reform, the total volume of local government revenues has increased substantially since 2002, but this growth is primarily driven by the increase in intergovernmental transfers, which now account for nearly 90% of local government revenues (Venkatchalam, 2009: 2-PSM)

This financing gap has been vertical and horizontal dimensions. **Vertically, without sufficient and well-designated transfers, there is the problem of unfunded mandates; local government services and responsibilities that are inadequately financed.**

- **In China**, for example, leaving intergovernmental expenditure responsibilities undefined has given upper-tier governments more flexibility in offloading responsibilities to lower tiers without compensatory transfers of revenue or fiscal autonomy (person and Annez, 2007: 77 – PCM).



- **Horizontally**, equalization is a significant motivation for the use of intergovernmental transfers, as some municipalities are less able than others to provide an adequate level of service of reasonable tax rate. Tax bases differ from one municipality to another, the need for an costs of providing public services may be higher in one municipality than another (Slack, 2009; 37 – SOH).

In conclusion, *a side effect of dependency on intergovernmental transfers is that, local budgeting is hampered when Local Governments do not know in advance what fiscal transfers they will receive from the central government.* A weak intergovernmental fiscal relationship weakens the ability of Local Governments to forecast revenues or forces them to make “**gusstimates**” in their budget documents.

Bottom-up accountability for outcomes is essential to local governance. The direct allocation of funds to Local Governments highlights a situation where the revenue source differs from the spending, thus creating a challenge for accountability called the **non-correspondence problem**. There is need to provide the incentive and tools for citizens to exercise their agency as accountability actors, to fashion new accountability mechanisms for the local level and to strengthen existing ones. Citizen have different roles in local governance, such as policy makers, community organization members, stakeholders, taxpayers, and service recipients. They evaluate the local government’s performance as the coordinator of service providers (Professor Remi Ayede, August, 2024).