

Managing Urban Cities in Nigeria Efficiently by Local Councils: The Capital Market Option

Augustine Ujunwa¹ and Ogbuagu O. Ekumankama¹

¹Federal Polytechnic , Banking and Finance, Nasarawa, Nigeria

ikposonu@yahoo.com

Rapid urbanization is now a world-wide phenomenon, and it has come with the dire need to increase and improve the provision of basic infrastructures for the people. One of the features that distinguish urban areas from rural areas is the level of infrastructure development. In order to meet the challenges posed by the needs of infrastructural development, a number of countries have decentralized the governmental structure into central, state and local government. Local governments have been charged with the acceleration of economic development in their municipalities. This has however, generated serious debate on the preparedness of the local governments in accomplishing this goal, considering the level of financial impropriety often leveled against them. The need for sound local government finance (LGF) is gaining greater recognition in Africa and Asia, largely due to the reasons of their pivotal roles in the grass root economic development. In Nigeria for instance, there has been the call for the diversification of the local government financing, for an effective service delivery and distribution of “dividends of democracy” to the entire citizenry.

Nigeria, as a developing country, clearly stands out on issues of urbanization. She is Africa’s most populous nation, with the highest number of cities and the highest total urban population in the region. Added to this is that Nigeria’s urbanization rate remains one of the fastest in the world; with four of her big cities – Lagos, Abuja, Kano and Port Harcourt, ranking among the world’s fastest growing cities – having populations far above one million as at 2002. Most infrastructures in Nigerian urban cities are presently very old, coupled with lack of maintenance and population explosion.

To what extent therefore can the local governments manage our cities? The authors propose a capital market option as a viable alternative to checking the financial impropriety of local councils and a means of involving private sector participation in the efficient delivery of urban infrastructure in Nigeria. This paper therefore proposes to take a cursory look at the local government financing in Nigeria, presenting the capital market source of funding as a viable option for broadening local government finances in Nigeria. The capital market option the following merits: it will instill fiscal discipline and consequently, good corporate governance practices in the local councils, it will help broaden the finances of the local councils, thus making them viable to fulfill their set objectives and statutory responsibilities, amongst others.