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Nigeria Extractive Industries Transparency Initiative

NEITI FAAC Quarterly Review

JAN - JUN 2023

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NEITI QUARTERLY REVIEW

Federal Account Allocation Committee (FAAC)

Jan - June 2023

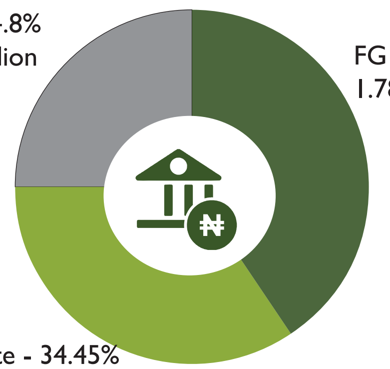
₦4.37 T

3 Tiers of government - FG, States and LG received a total of N4.37 trillion between Jan-June 2023

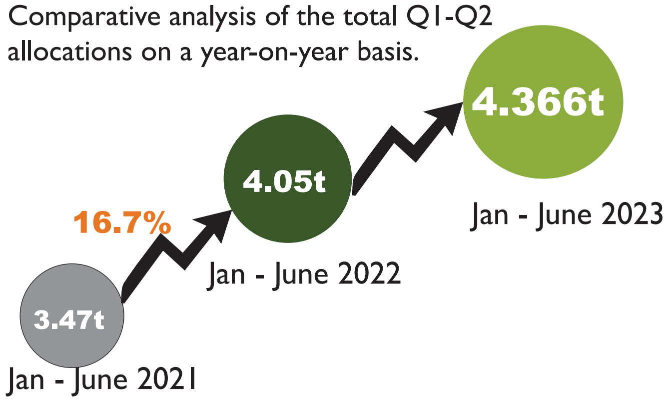
Q1 2.32Trillion

Q2 2.04Trillion

Inflows into the Federation Account in the second quarter of 2023 declined by 23%



Comparative analysis of the total Q1-Q2 allocations on a year-on-year basis.



Allocations Received by the 3 Tiers of Government

	2022	2023	%INCREASE
FG	1.48 trillion	1.78 trillion	19.8
STATE	1.26 trillion	1.42 trillion	11.2
LG	926 biillion	1.08 trillion	16.8

Increase in half-yearly allocations in 2023 was consistent with an upward trend from the previous periods.

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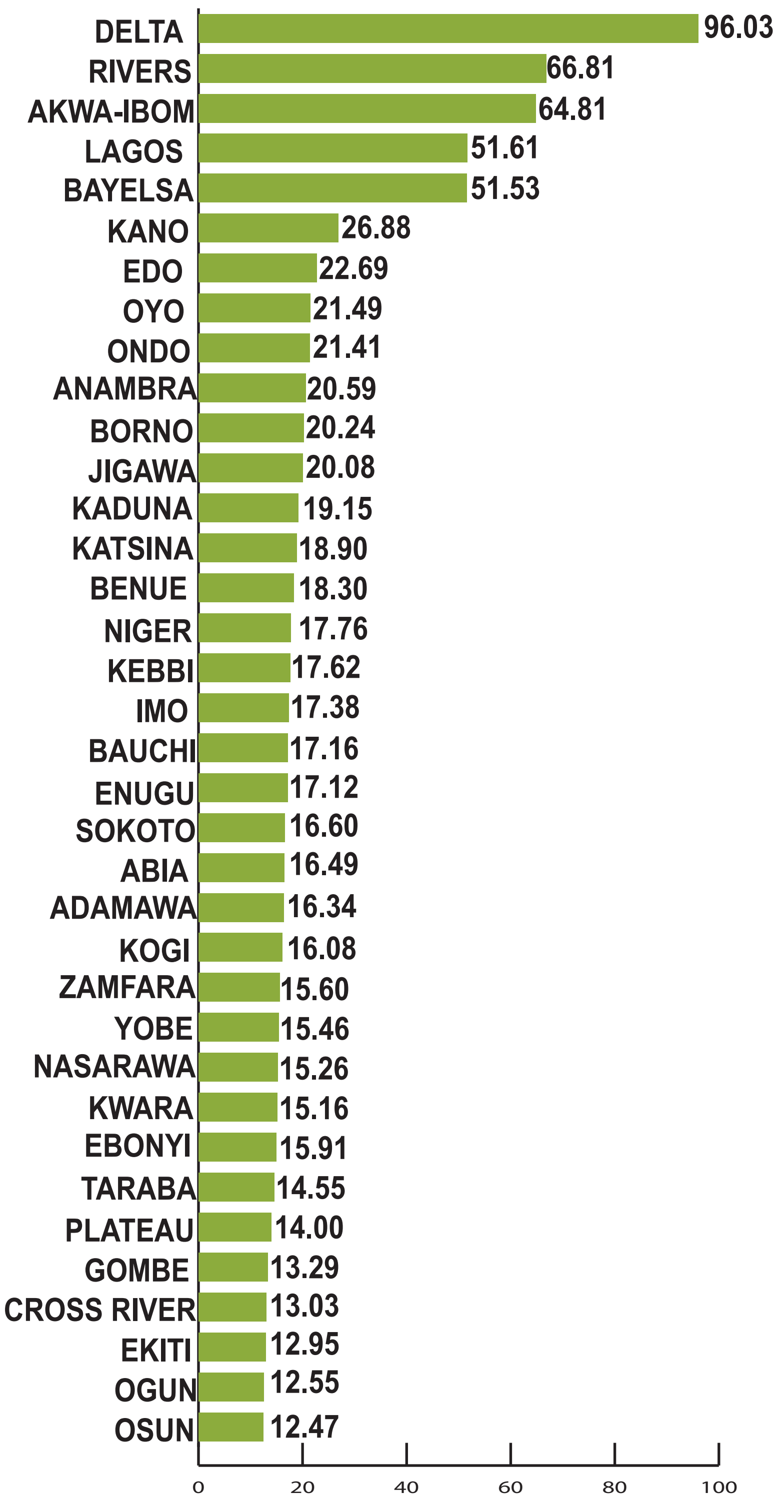
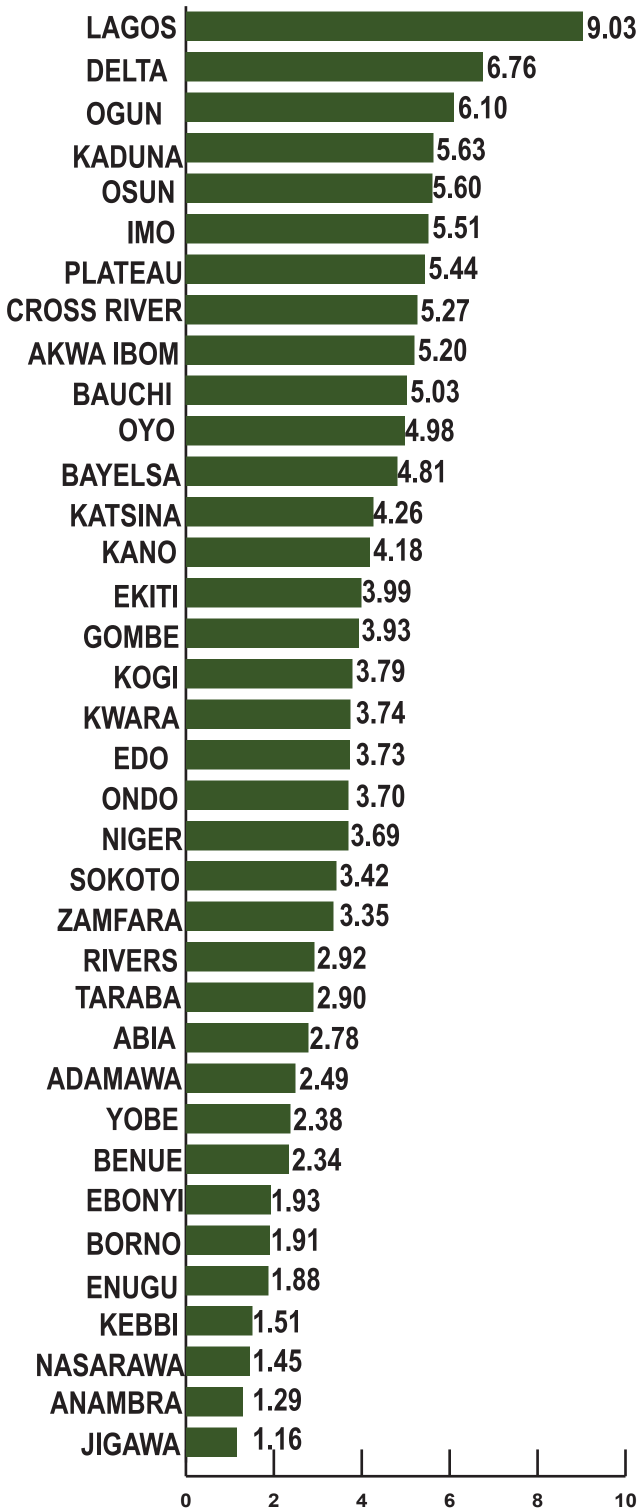
States Q2 Net Allocations (NBillion)



Debt Service Obligations (NBillion)



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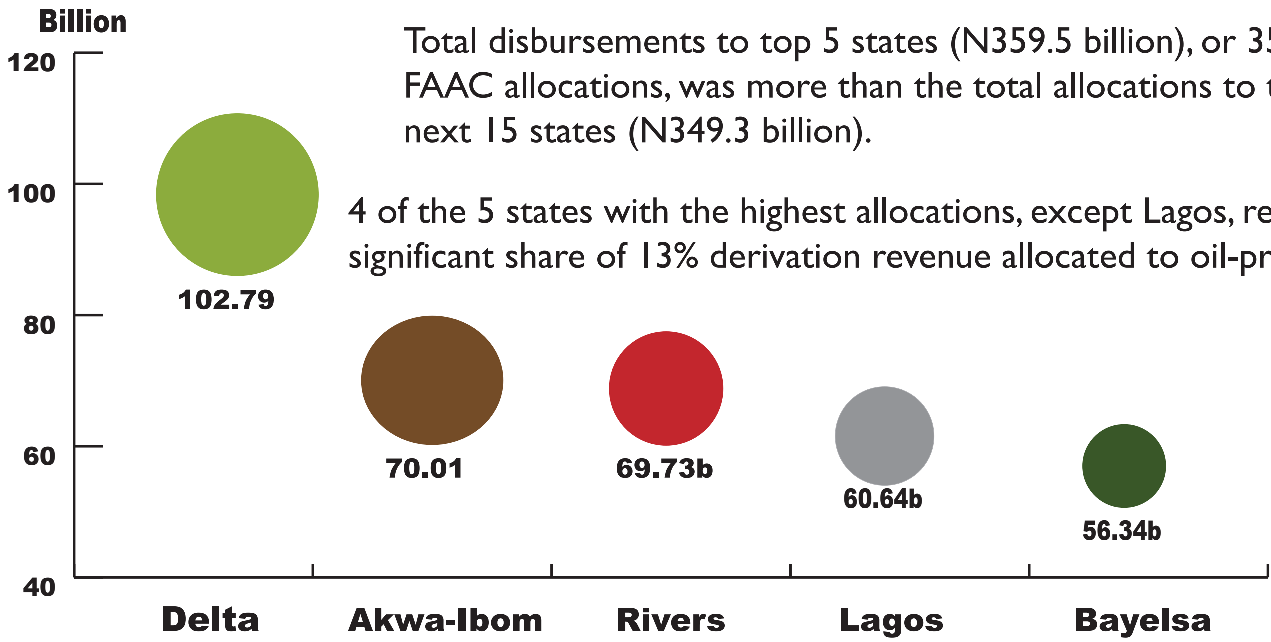
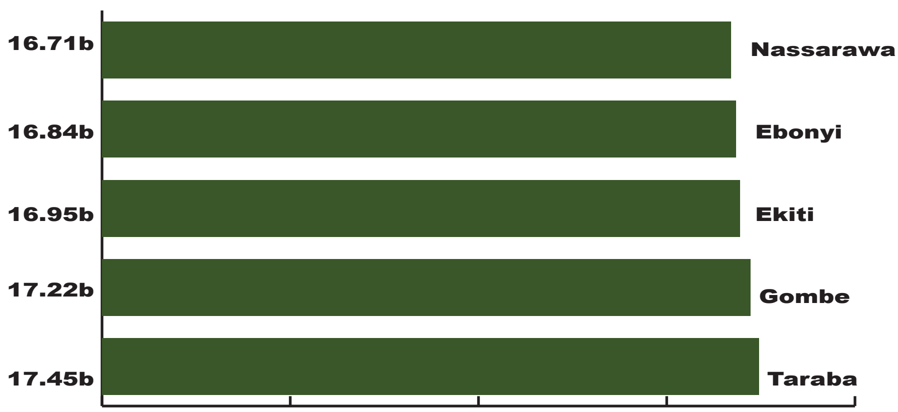
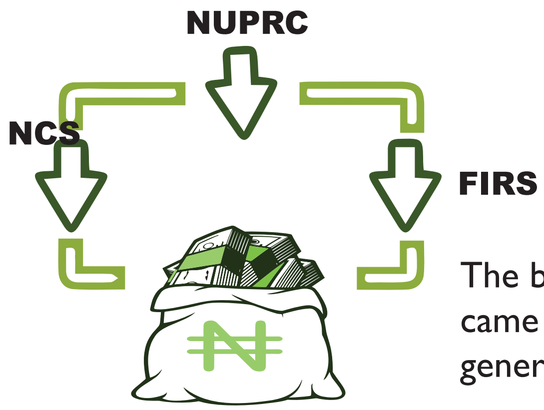
Total disbursements to top 5 states (N359.5 billion), or 35.9% of total FAAC allocations, was more than the total allocations to the next 15 states (N349.3 billion).

4 of the 5 states with the highest allocations, except Lagos, received a significant share of 13% derivation revenue allocated to oil-producing states.





The above bottom 5 states received the lowest allocations.



The bulk of the revenues to the federation account came from remittances from the three main revenue-generating agencies, NUPRC, FIRS and the NCS.

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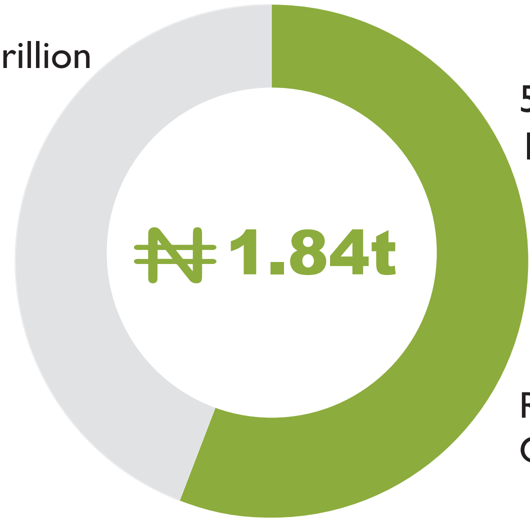
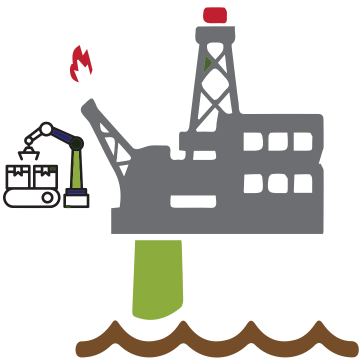


Revenue remittances of about N1.84 trillion in Q2 2023 came from mineral and non-mineral sources.



9 oil-producing states (**Abia, Akwa Ibom, Anambra, Bayelsa, Delta, Edo, Imo, Ondo, and Rivers states** received allocations relative to their share of the oil and gas.

Q3 2023 revenue projection would not differ too much from Q2 performance.

FINDINGS

Volume of distributable funds from the Federation Account in Q3 2023 would be significantly and positively affected considering the two major fiscal and monetary policy decisions by the present administration.

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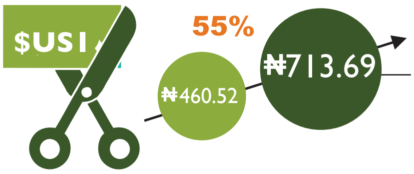
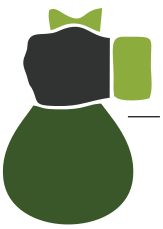
With efficient, prudent management and utilization of the savings of N3.6Trillion from subsidy payment in the first six months of 2023, Nigeria's balance of payments would be boosted.



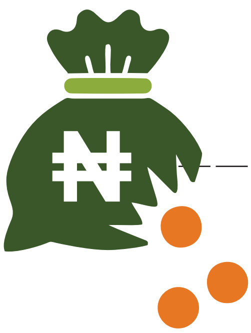
FINDINGS

With the average exchange rate of **N713.69 to US$1**, which is about 55% higher than the rate of **N460.52** to the dollar recorded during the second quarter, this would significantly raise the value of export earnings remitted to the Federation Account by more than 50%.



FINDINGS

Exchange rate unification and float policy should not create the problems that it intends to solve in helping to maintain the new levels of PMS prices or disrupt the deregulation policy in the downstream sector.



RECOMMENDATION

To ensure improved Federation Account performance, the report recommended the adoption of more realistic and conservative budgetary benchmark estimates in terms of crude oil production and prices in view of oil price volatility in the international market.

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RECOMMENDATION

Central Bank of Nigeria to prioritize policies to stabilize the exchange rate.

RECOMMENDATION

Ensure greater fiscal stability by bridging the gap between expenditure estimates and the sources for financing the public budget.

RECOMMENDATION

Manage FAAC receipts with transparency and accountability.

Embrace aggresive reforms to block leakages and grow revenue.

RECOMMENDATION

States and Sub-national to domesticate EITI, OGP.

Ease of doing business.

Replicate reforms at Federal level.

Free the local government from direct revenues blockage.

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