

Analysis of FAAC Disbursements for Q1 2019

The last issue of the NEITI Quarterly Review projected continued increase in disbursements from the Federation Accounts Allocation Committee (FAAC) for 2019. This was hinged on the expectation that oil prices and oil production would continue to rise. However, oil prices experienced a downward spiral from November 2018. Oil prices were above \$80 per barrel in October 2018 but by December 2018 they had dropped to \$57 per barrel. Average oil prices for the first quarter of 2019 were \$63.17 per barrel. Average oil prices for year 2018 was \$71.06 per barrel. Thus, oil prices have been considerably lower in the first three months of 2019 than they were on the average in 2018.

Not surprisingly, this has led to lower government revenue in the first three months of 2019. This review presents an analysis of FAAC disbursements to the three tiers of government for the first quarter of 2019¹. The analysis was carried out using data on FAAC disbursements and data on budgets of the various states.

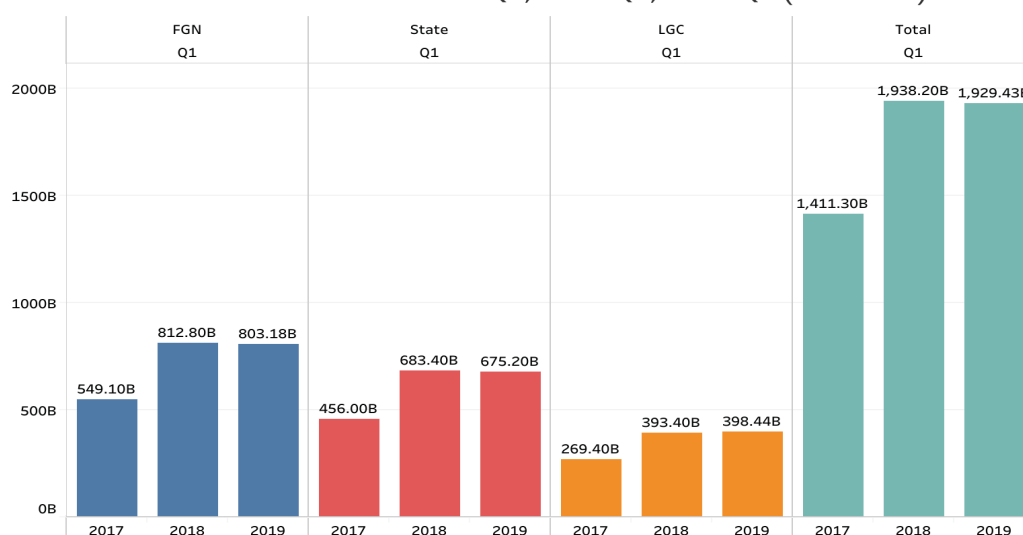
Total FAAC Disbursements in Q1 2019 were 0.45% Lower than in Q1 2018 but 36.7% Higher than in Q1 2017²

FAAC disbursements to all tiers of government in the first quarter of 2019 totaled N1.929 trillion. This was 0.45% lower than the N1.938 trillion disbursed in the first quarter of 2018 but 36.7% higher than the N1.411 trillion disbursed in the first quarter of 2017. Figure 1 shows that disbursements to both the federal and state governments were lower in the first quarter of 2019 compared to the first quarter of 2018. However, local governments received slightly higher from FAAC in the first quarter of 2019 compared to the first quarter of 2018. Total FAAC disbursements to the Federal Government

HIGHLIGHTS

- Total FAAC disbursements in Q1 2019 were 0.45% lower than in Q1 2018 and 36.7% higher than in Q1 2017;
- The total amount disbursed in the first quarter of 2019 ended three consecutive quarters of disbursements exceeding N2 trillion;
- The combination of net FAAC disbursements to states in 2017 and 2018 cannot fund the 2019 budgets for 35 states;
- The combined total revenues (FAAC + IGR) to states in 2017 and 2018 cannot fund the 2019 budgets of 28 states;
- Total net FAAC disbursements to states ranged between N5.11 billion (Osun) and N55.19 billion (Delta), in Q1 2019, a variance of 980%.

FIG 1: FAAC Disbursements in 2017 Q1, 2018 Q1, 2019 Q1 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI, Office of the Accountant General of the Federation

Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

¹ This review focuses on months of disbursement rather than months of allocation. The FAAC allocations for any specific month are disbursed in the immediate succeeding month. However, since the allocations are not actually available for spending until they are disbursed in the next month, it is more important to analyse disbursement of funds. It is these disbursed funds that are available to the different tiers of government for expenditure in any month, rather than allocations for that month.

² Total FAAC disbursements comprise of gross disbursements to FGN, States, LGCs, 13% Derivation, Cost of Collection -NCS, Transfer to Excess PPT, Cost of Collection - FIRS, Cost of Collection - DPR, NCS/FIRS Refund

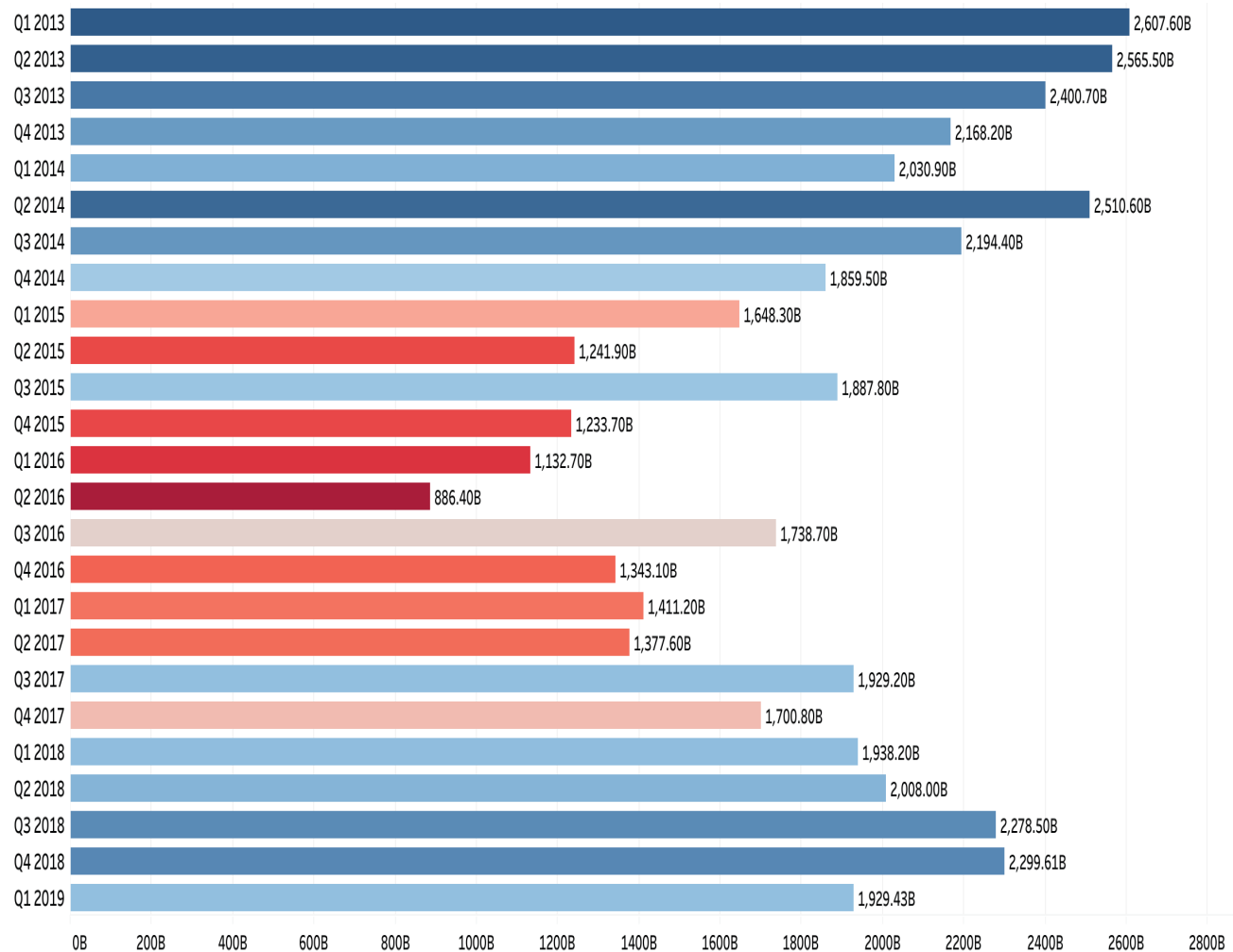
in the first quarter of 2019 were N803.18 billion. This is 1.18% lower than the N812.8 billion received in the first quarter of 2018 and 46.2% higher than the N549.1 billion received in the first quarter of 2017. State governments received a total of N675.2 billion in the first quarter of 2019. This was 1.19% lower than the N683.4 billion received in the first quarter of 2018 but 48% higher than the N456 billion received in the first quarter of 2017. Local governments received N398.44 billion in the first quarter of 2019. This was 1.28% higher than the N393.4 billion received in the first quarter of 2018 and 47.8% higher than the N269.4 billion received in the first quarter of 2017.

Quarterly FAAC Disbursements in Q1 2019 were Lower than Disbursements in all Quarters in 2018

Figure 2 displays quarterly FAAC disbursements since the first quarter of 2013. Total FAAC disbursements of N1.929 trillion in Q1 2019 were lower than disbursements in all quarters of 2018. This figure also ended progressive trend of over N2 trillion in disbursements consecutively witnessed from Q2 to Q4 of 2018. This suggests some caution should be exercised in expenditure by the three tiers of government. However, it is seen from Figure 2 that the amount disbursed far exceeded the amounts disbursed at the height of the chronic revenue shortfall between the first quarter of 2015 and the second quarter of 2017.

"The total amount disbursed in the first quarter of 2019 ended three consecutive quarters of disbursements exceeding N2 trillion."

FIG 2: FAAC Disbursements 2013 Q1 to 2019 Q1 (N billions)

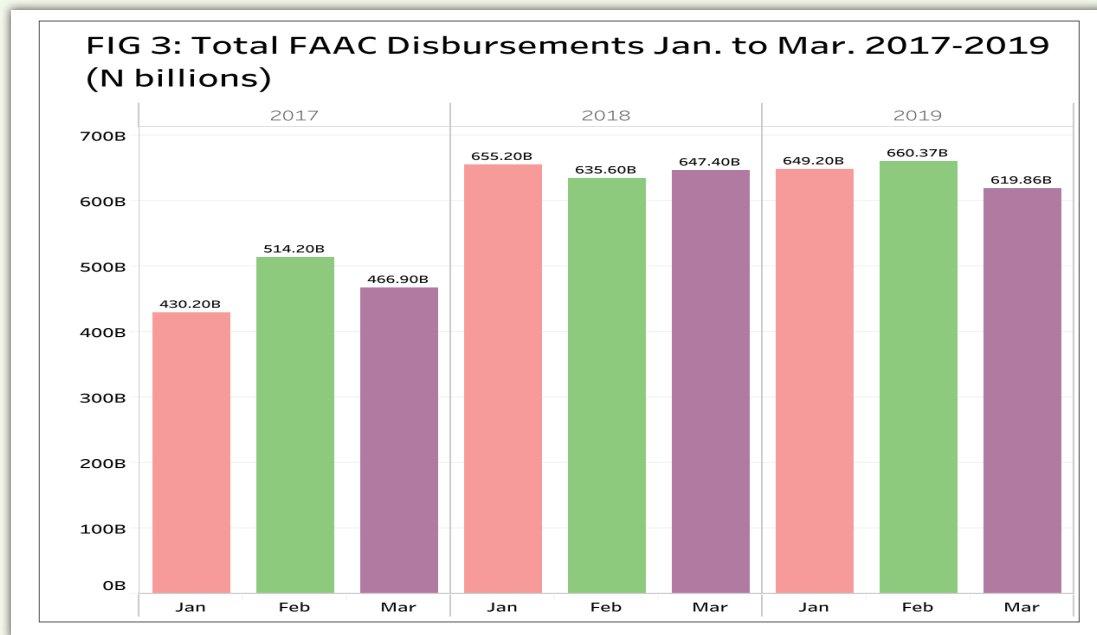


Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

Total FAAC Disbursements in Q1 2019 were Lowest in March and Highest in February

Figure 3 displays aggregate FAAC disbursements in the first quarters of 2017 to 2019. Aggregate disbursements were N649.2 billion in January, N660.3 billion in February and N619.8 billion in March. The figure shows that total disbursements increased slightly by 1.7% between January and February. However, they fell by 6.4% between February and March. When compared to disbursements in the first quarters of 2017 and 2018, it is seen that disbursements were higher in 2019 than they were in 2017. However, they were slightly lower than the 2018 figures. Total disbursements were N655.2 billion in January 2018, N635.6 billion in February 2018, and N647.4 billion in March 2018. Thus, when compared with the 2018 figures, disbursements were lower by 0.9% in January, higher by 3.8% in February and lower by 4.2% in March.

Interestingly, Figure 3 reveals no clear pattern in disbursements for the three years considered. This is symptomatic of the volatile nature of disbursements as a result of dependence on oil exports, an issue that this review has always flagged. Such volatility makes planning and budgeting difficult.



Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

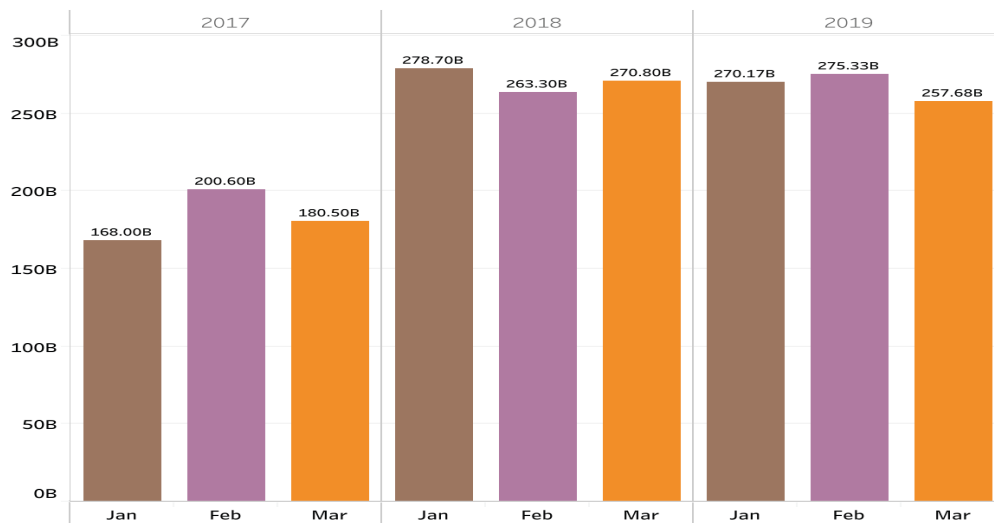
FAAC Disbursements to the Federal Government in Q1 2019 were 1.18% Lower than in Q1 2018 but 46.2% Higher than in Q1 2017

Figure 4 presents FAAC disbursements to the Federal Government (FG) in the first quarters of 2017 to 2019. The figures reveal that disbursements in Q1 2019 followed a similar pattern as the aggregate disbursements, as they were lowest in March and highest in February.

Disbursements for Q1 2019 were N270.1 billion, N275.3 billion and N257.6 billion in January, February and March respectively. These figures indicate that disbursements in February increased by 1.9% over the January figures while in March they fell by 6.4% compared to the February figures. The disbursements to the FG in the first quarter of 2019 were lower when compared with the figures for 2018 but higher than the figures for 2017. The disbursements in January 2019 were 3.1% lower than disbursements in January 2018 but 60.8% higher than disbursements in January 2017. Disbursements in February 2019 were 4.5% higher than for February 2018 and 37.2% higher than for February 2017. Also, disbursements in March 2019 were 4.8% lower than disbursements in 2018 but 42.7% higher than disbursements in 2017.

"The disbursements to the FG in the first quarter of 2019 were lower when compared with the figures for 2018 but higher than the figures for 2017. The disbursements in January 2019 were 3.1% lower than disbursements in January 2018 but 60.8% higher than disbursements in January 2017."

FIG 4: FAAC Disbursements to FGN Jan. to Mar. 2017 - 2019 (N billions)



"A total of N223.6 billion was disbursed to states in January 2019, N230.6 billion was disbursed in February 2019, and N220.8 billion was disbursed in March 2019."

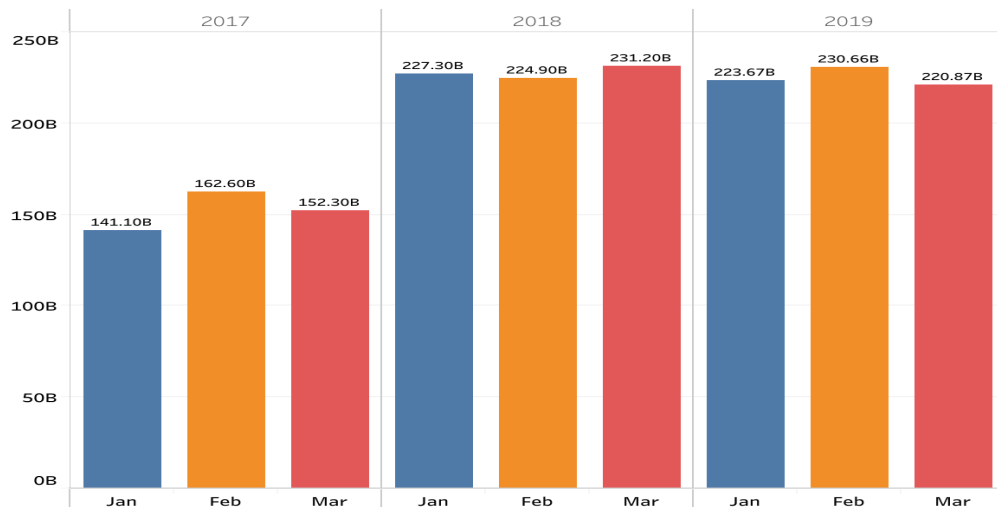
Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

FAAC Disbursements to State Governments in Q1 2019 were 1.19% Lower than in Q1 2018 but 48% Higher than in Q1 2017

Figure 5 presents FAAC disbursements to state governments in the first quarters of 2017 to 2019. Similar to observations for aggregate and FG disbursements, disbursements to state governments in Q1 2019 were lowest in March and highest in February.

A total of N223.6 billion was disbursed to states in January 2019, N230.6 billion was disbursed in February 2019, and N220.8 billion was disbursed in March 2019. Disbursements in February increased by 3.1% over disbursements in January, while disbursements in March fell by 4.2% from the February figures. When compared to the figures for 2018 and 2017, disbursements to states in the first quarter of 2019 fell by 1.19% (2018) but grew by 48% (2017). The disbursements in January 2019 were 1.5% lower and 58.5% higher than disbursements in January 2018 and January 2017 respectively. Disbursements in February 2019 were 2.5% higher and 41.8% higher than disbursements in February 2018 and February 2017 respectively. Also, disbursements in March 2019 were 4.4% lower and 45% higher than disbursements in March 2018 and March 2017 respectively.

FIG 5: FAAC Disbursements to STATES Jan. to Mar. 2017 - 2019 (N billions)

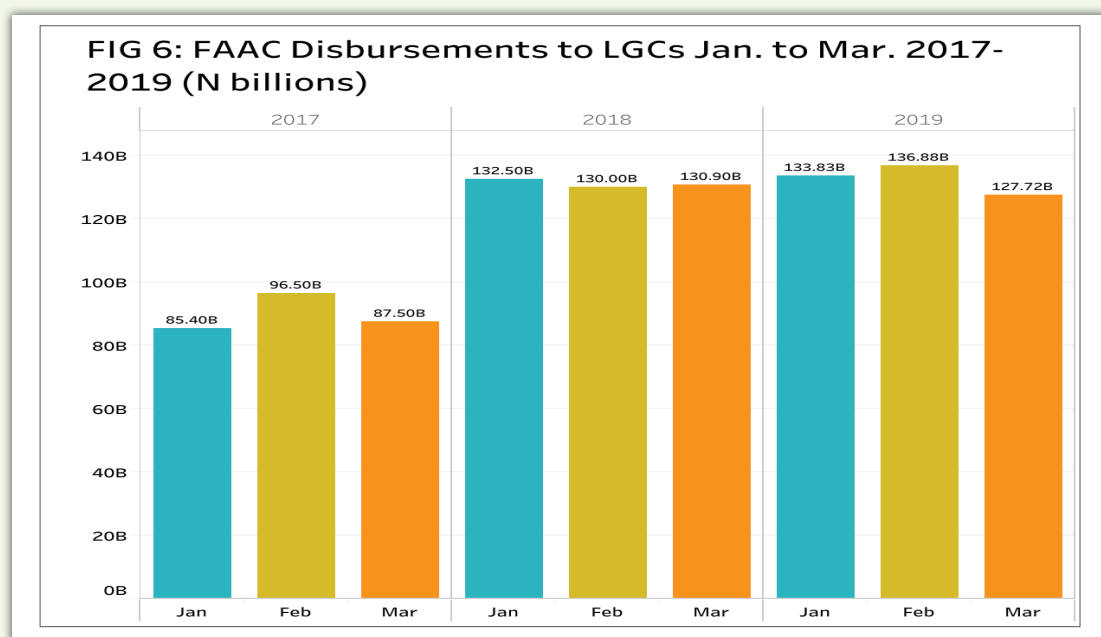


Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

FAAC Disbursements to Local Governments in Q1 2019 were 1.28% Higher than in Q1 2018 but 47.8% Higher than in Q1 2017

Figure 6 presents FAAC disbursements to local governments in the first quarters of 2017 to 2019. Similar to earlier observations, disbursements to local governments in Q1 2019 were lowest in March and highest in February.

Local governments received N133.8 billion in January 2019, N136.8 billion in February 2019 and N127.7 billion in March 2019. These indicate that disbursements in February increased by 2.2% over the January figures. Also, disbursements in March fell by 6.6% compared to the February figures. Figure 6 shows that disbursements in the first quarter of 2019 were higher than disbursements in the first quarters of 2018 and 2017. Disbursements in January 2019 were 1% higher and 56.7% higher than disbursements in January 2018 and January 2017 respectively. Disbursements in February 2019 were 5.2% higher and 41.8% higher than disbursements in February 2018 and February 2017 respectively. Disbursements in March 2019 were 2.4% lower and 45.9% higher than disbursements in March 2018 and 2017 respectively.



Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

Total Net FAAC Disbursements to States Ranged between N5.11 billion and N55.19 billion in Q1 2019

Figure 7 presents total net FAAC disbursements and total deductions to states in the first quarter of 2019. As noted in previous issues of this review, there are wide disparities in net disbursements received by states. Delta State received the highest disbursement with N55.19 billion while Osun State received the lowest with N5.11 billion. This implies that Delta State received 980% of what Osun State received. Osun State represents a peculiar case, as it is seen from Figure 7 that N7.27 billion was deducted from the state's gross allocation. Thus, the state received less than the deductions from its gross allocation. Cross River also has dangerously high levels of debt, with total deductions making up 53% of the net disbursements.

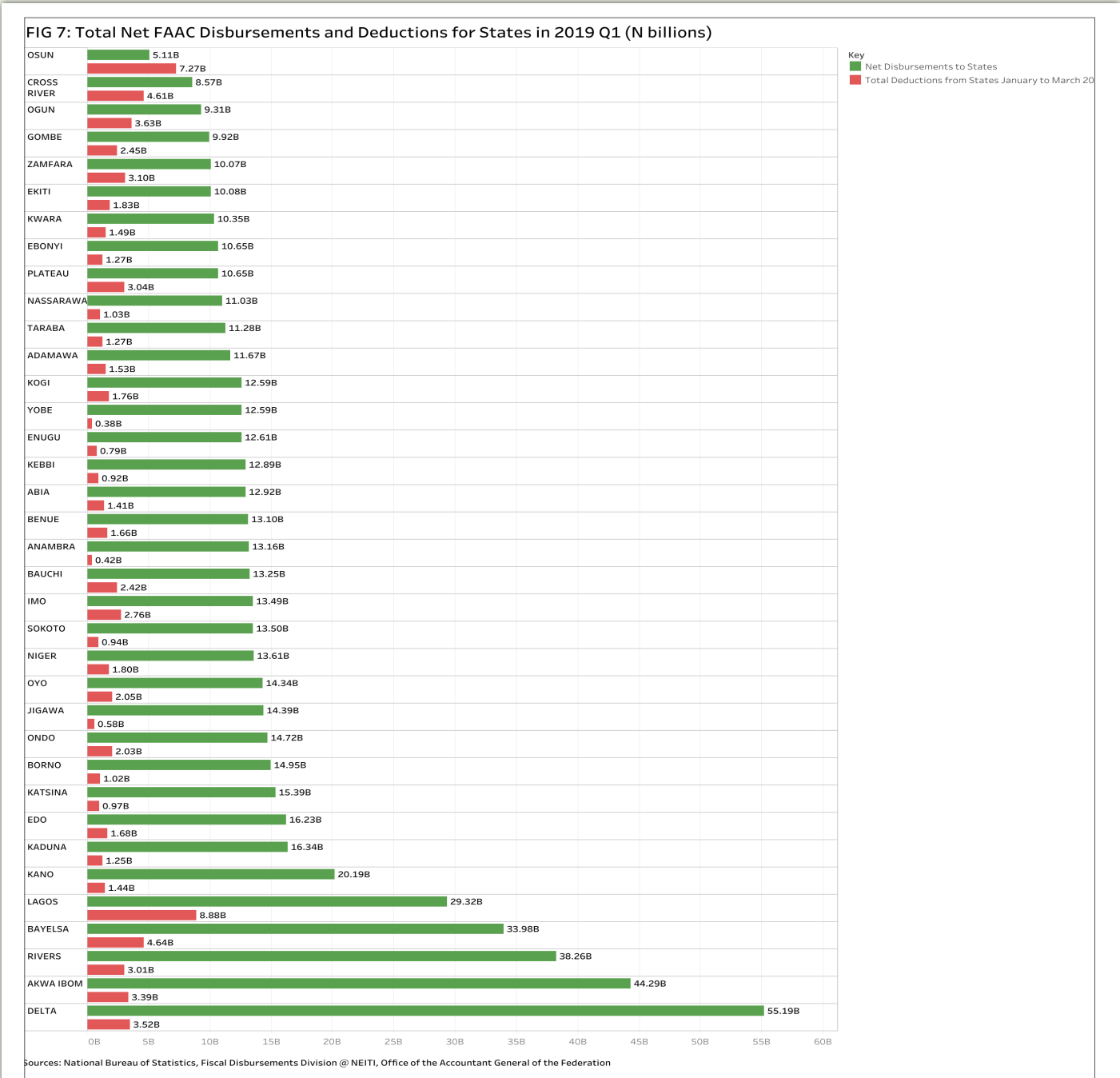
Four states received less than N10 billion as net disbursement: Osun, Cross River, Ogun and Gombe states. Most of the states (26) received net disbursements between N10 billion and N20 billion: Zamfara, Ekiti, Kwara, Ebonyi, Plateau, Nassarawa, Taraba, Adamawa, Kogi, Yobe, Enugu, Kebbi, Abia, Benue, Anambra, Bauchi, Imo, Sokoto, Niger, Oyo, Jigawa, Ondo, Borno, Katsina, Edo and Kaduna. Two states received between N20 billion and N30 billion: Kano and Lagos states. The four highest receiving states, all from the Niger Delta, are: Bayelsa (N33.98 billion), Rivers (N38.26 billion), Akwa Ibom (44.29 billion), and Delta (N55.19 billion).

"Delta State received the highest disbursement with N55.19 billion while Osun State received the lowest with N5.11 billion. This implies that Delta State received over 980% of what Osun State received. Osun State represents a peculiar case, as it is seen from Figure 7 that N7.27 billion was deducted from the state's gross allocation."

Figure 8 presents net disbursements to states for the first quarters of 2017, 2018 and 2019. All states received higher net disbursements in the first quarter of 2019 than the first quarter of 2017. Also, net disbursements were higher for most states in the first quarter of 2019 than the first quarter of 2018. Specifically, 24 states received higher disbursements in Q1 2019 than Q1 2018: Anambra, Bauchi, Benue, Borno, Cross River, Delta, Edo, Ekiti, Enugu, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Niger, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, and Zamfara States.

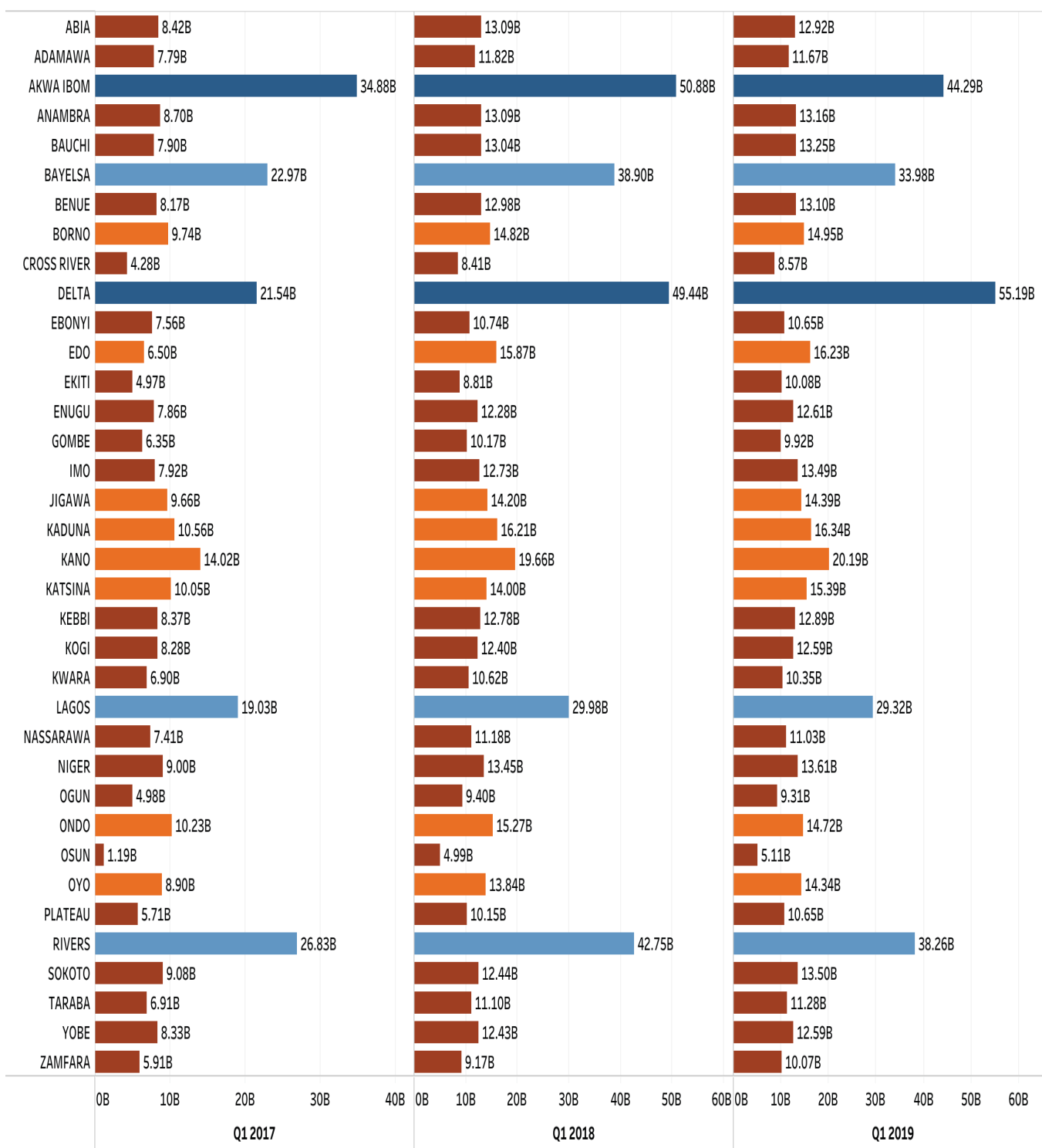
Figure 8 also reveals the general pattern of net disbursements to states. Some states, represented by the red bars, generally receive the lowest disbursements. The figure shows that this seems to be a fairly regular occurrence. Also, there are some states, represented by the blue bars, that generally receive the highest disbursements. Finally, there are some dates, represented by the orange bars, that lie in-between the high and low receiving states. Figure 8 shows that most states have red bars, indicating that most states are on the lower spectrum of net disbursements from FAAC. These are followed by states with orange bars. States with blue bars, that receive the highest disbursements, are the fewest.

"Figure 8 also reveals the general pattern of net disbursements to states. Some states, represented by the red bars, generally receive the lowest disbursements."



Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

FIG 8: Total Net FAAC Disbursements to States 2017 Q1, 2018 Q1 & 2019 Q1 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI, Office of the Accountant General of the Federation

Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

2019 State Budgets are Remarkably Lower than Total Net FAAC Disbursements in 2017 or 2018

Figure 9 and Table 1 present state budgets for 2019 and aggregate net FAAC disbursements for 2017 and 2018. The data reveals that the budgets for states are largely too optimistic. There is no state whose net FAAC disbursements in either 2017 or 2018 can adequately finance their budgets for 2019.

Table 1 reveals that the net disbursements to states in 2017 as a percentage of the 2019 budgets ranged between 2.25% (Cross River) and 43.1% (Yobe). The table also shows that net disbursements to states in 2018 as a percentage of the 2019 budgets ranged between 3.54% (Cross River) and 57.7% (Yobe). Thus, clearly, no state can finance its 2019 budgets solely based on FAAC disbursements. In fact, the last column of Table 1 combines the net disbursements of 2017 and 2018. This combination shows that only one state (Yobe) can finance its 2019 budget solely on FAAC disbursements using the combined net disbursements of 2017 and 2018. This highlights the critical gap in the ability of FAAC disbursements to finance state budgets and brings into focus the importance of internally generated revenue (IGR). It also shows the inevitability of borrowing by states. This is because as past issues of this review have shown, with the exception of Lagos, Rivers and Ogun states, IGR in most states is quite low.

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FIG 9: 2019 Budgets and Net Disbursements to States in 2017 and 2018 (N billions)

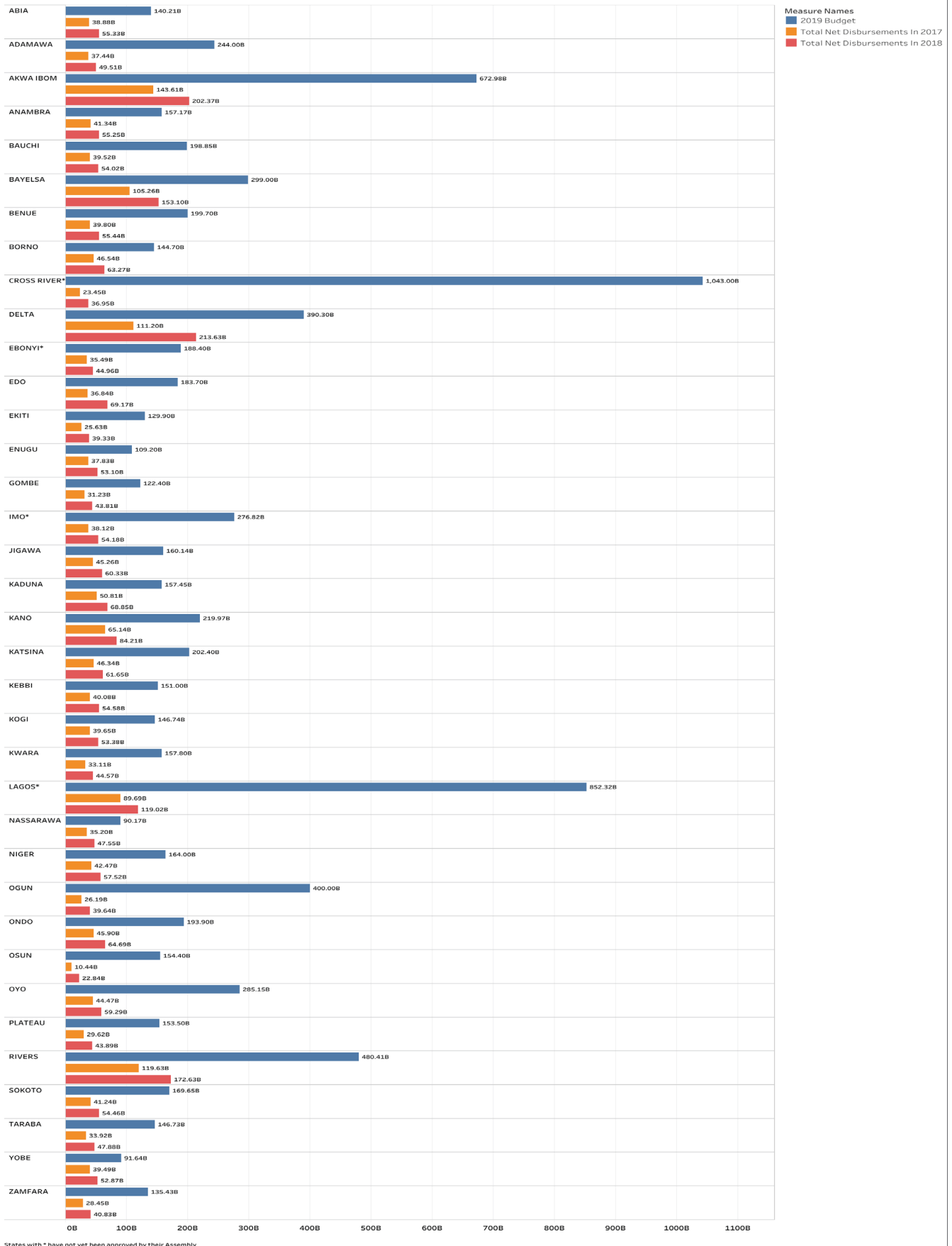


Table 1: 2019 State Budgets and Total Net FAAC Disbursements in 2017 and 2018

States	2019 budget (N billions)	Total net disbursements in 2017 (N billions)	Total net disbursements in 2018 (N billions)	Total net disbursements in 2017 as a % of 2019 budget (%)	Total net disbursements in 2018 as a % of 2019 budget (%)	Total net disbursements in 2017 and 2018 as a percentage of 2019 budget (%)
ABIA	140.21	38.88	55.33	27.73	39.46	67.19
ADAMAWA	244.00	37.44	49.51	15.34	20.29	35.63
AKWA IBOM	672.98	143.61	202.37	21.34	30.07	51.41
ANAMBRA	157.17	41.34	55.25	26.30	35.15	61.45
BAUCHI	198.85	39.52	54.02	19.87	27.17	47.04
BAYELSA	299.00	105.26	153.10	35.20	51.21	86.41
BENUE	199.70	39.80	55.44	19.93	27.76	47.69
BORNO	144.70	46.54	63.27	32.16	43.73	75.89
CROSS RIVER*	1043.00	23.45	36.95	2.25	3.54	5.79
DELTA	390.30	111.20	213.63	28.49	54.74	83.23
EBONYI*	188.40	35.49	44.96	18.84	23.86	42.70
EDO	183.70	36.84	69.17	20.06	37.65	57.71
EKITI	129.90	25.63	39.33	19.73	30.27	50.01
ENUGU	109.20	37.83	53.10	34.65	48.63	83.28
GOMBE	122.40	31.23	43.81	25.52	35.79	61.31
IMO*	276.82	38.12	54.18	13.77	19.57	33.34
JIGAWA	160.14	45.26	60.33	28.27	37.67	65.94
KADUNA	157.45	50.81	68.85	32.27	43.73	76.00
KANO	219.97	65.14	84.21	29.61	38.28	67.89
KATSINA	202.40	46.34	61.65	22.90	30.46	53.36
KEBBI	151.00	40.08	54.58	26.54	36.15	62.69
KOGI	146.74	39.65	53.38	27.02	36.38	63.40
KWARA	157.80	33.11	44.57	20.98	28.25	49.23
LAGOS*	852.32	89.69	119.02	10.52	13.96	24.49
NASSARAWA	90.17	35.20	47.55	39.03	52.73	91.77
NIGER	164.00	42.47	57.52	25.90	35.07	60.97
OGUN	400.00	26.19	39.64	6.55	9.91	16.46
ONDO	193.90	45.90	64.69	23.67	33.36	57.03
OSUN	154.40	10.44	22.84	6.76	14.79	21.55
OYO	285.15	44.47	59.29	15.60	20.79	36.39
PLATEAU	153.50	29.62	43.89	19.30	28.59	47.89
RIVERS	480.41	119.63	172.63	24.90	35.93	60.84
SOKOTO	169.65	41.24	54.46	24.31	32.10	56.41
TARABA	146.73	33.92	47.88	23.12	32.63	55.75
YOBE	91.64	39.49	52.87	43.10	57.70	100.79
ZAMFARA	135.43	28.45	40.83	21.01	30.15	51.16

Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

Total Revenue of States in 2017 or 2018 are Insufficient in Financing the 2019 Budgets

Table 2 presents total revenue for states in 2017 and 2018. Total revenue comprises net FAAC disbursements and internally generated revenue (IGR). Lagos State had the highest IGR of N382.12 billion and N333.97 billion in 2018 and 2017 respectively. This contributed significantly to Lagos State having the highest total revenue of N501.2 billion in 2018 and N423.66 billion in 2017. Conversely, Yobe State had the lowest IGR of N4.38 billion and N3.6 billion in 2018 and 2017 respectively. This implies that the IGR in Lagos State was over 8,000% of Yobe State's IGR in 2018 and over 9,000% of Yobe State's IGR in 2017.

Furthermore, in 2018, total IGR in the six states (Edo, Kaduna, Kano, Delta, Ogun, Rivers) with the highest IGR after Lagos State was N357.75 billion. Thus, the IGR in Lagos State (N382.12 billion) was higher than these six states' IGR combined. Also, Lagos State's IGR in 2018 was higher than the combined IGR of 29 states (Yobe, Kebbi, Taraba, Ebonyi, Adamawa, Ekiti, Borno, Katsina, Gombe, Nassarawa, Zamfara, Jigawa, Bauchi, Osun, Niger, Benue, Kogi, Plateau, Bayelsa, Abia, Imo, Cross River, Sokoto, Anambra, Enugu, Kwara, Akwa Ibom, Oyo, Ondo). These figures highlight the enormous gap in capacities of states to generate revenue.

Table 2 also shows total revenue (combination of FAAC disbursements and IGR) of states in 2017 and 2018 as a percentage of their 2019 budgets. Total revenue in either of the past two years cannot fully finance the budget of any state. The highest percentage is found for Delta State (69.71%) using the 2018 total revenue figures, while the lowest percentage is for Cross River State (3.98%) using the 2017 total revenue figures.

Faced with these projected shortfalls in total revenues, states will be faced with the possibility of either borrowing or not fully implementing their budgets.

"Yobe State had the lowest IGR of N4.38 billion and N3.6 billion in 2018 and 2017 respectively. This implies that the IGR in Lagos State was over 8,000% of Yobe State's IGR in 2018 and over 9,000% of Yobe State's IGR in 2017."

2019 States' Budgets and Total States' Revenues for 2017 and 2018.

States	2019 budget (N billions)	Total net disbursements in 2017 (N billions)	Total IGR in 2017 (N billions)	Total revenue in 2017 (N billions)	Total net disbursements in 2018 (N billions)	Total IGR in 2018 (N billions)	Total revenue in 2018 (N billions)	Total revenue in 2017 as a % of 2019 budget (%)	Total revenue in 2018 as a % of 2019 budget (%)	Total revenue in 2017 and 2018 as a % of 2019 budget (%)
Abia	140.21	38.88	14.92	53.80	55.33	14.83	70.16	38.37	50.04	88.41
Adamawa	244	37.44	6.20	43.64	49.51	6.20	55.71	17.89	22.83	40.72
Akwa Ibom	672.98	143.61	15.96	159.57	202.37	24.21	226.58	23.71	33.67	57.38
Anambra	157.17	41.34	17.37	58.71	55.25	19.31	74.56	37.35	47.44	84.79
Bauchi	198.85	39.52	4.37	43.89	54.02	9.69	63.71	22.07	32.04	54.11
Bayelsa	299	105.26	12.52	117.78	153.1	13.64	166.74	39.39	55.76	95.16
Benue	199.7	39.8	12.40	52.20	55.44	11.22	66.66	26.14	33.38	59.52
Borno	144.7	46.54	4.98	51.52	63.27	6.52	69.79	35.61	48.23	83.84
Cross River	1043	23.45	18.10	41.55	36.95	17.55	54.50	3.98	5.23	9.21
Delta	390.3	111.2	51.89	163.09	213.63	58.44	272.07	41.79	69.71	111.49
Ebonyi	188.4	35.49	5.10	40.59	44.96	6.14	51.10	21.55	27.13	48.67
Edo	183.7	36.84	25.34	62.18	69.17	28.43	97.60	33.85	53.13	86.98
Ekiti	129.9	25.63	4.97	30.60	39.33	6.47	45.80	23.55	35.25	58.81
Enugu	109.2	37.83	22.04	59.87	53.1	22.15	75.25	54.83	68.91	123.73
Gombe	122.4	31.23	5.27	36.50	43.81	7.34	51.15	29.82	41.79	71.61
Imo	276.82	38.12	6.85	44.97	54.18	14.88	69.06	16.25	24.95	41.19
Jigawa	160.14	45.26	6.65	51.91	60.33	9.25	69.58	32.42	43.45	75.86
Kaduna	157.45	50.81	26.53	77.34	68.85	29.45	98.30	49.12	62.43	111.55
Kano	219.97	65.14	42.42	107.56	84.21	44.11	128.32	48.90	58.33	107.23
Katsina	202.4	46.34	6.03	52.37	61.65	6.96	68.61	25.87	33.90	59.77
Kebbi	151	40.08	4.39	44.47	54.58	4.88	59.46	29.45	39.38	68.83
Kogi	146.74	39.65	11.24	50.89	53.38	11.33	64.71	34.68	44.10	78.78
Kwara	157.8	33.11	19.64	52.75	44.57	23.05	67.62	33.43	42.85	76.28
Lagos	852.32	89.69	333.97	423.66	119.02	382.18	501.20	49.71	58.80	108.51
Nassarawa	90.17	35.2	6.17	41.37	47.55	7.57	55.12	45.88	61.13	107.01
Niger	164	42.47	6.52	48.99	57.52	10.43	67.95	29.87	41.43	71.30
Ogun	400	26.19	74.84	101.03	39.64	84.55	124.19	25.26	31.05	56.31
Ondo	193.9	45.9	10.93	56.83	64.69	24.79	89.48	29.31	46.15	75.45
Osun	154.4	10.44	11.73	22.17	22.84	10.38	33.22	14.36	21.52	35.88
Oyo	285.15	44.47	22.45	66.92	59.29	24.64	83.93	23.47	29.43	52.90
Plateau	153.5	29.62	10.79	40.41	43.89	12.73	56.62	26.32	36.88	63.21
Rivers	480.41	119.63	89.48	209.11	172.63	112.78	285.41	43.53	59.41	102.94
Sokoto	169.65	41.24	9.02	50.26	54.46	18.76	73.22	29.63	43.16	72.79
Taraba	146.73	33.92	5.76	39.68	47.88	5.97	53.85	27.05	36.70	63.75
Yobe	91.64	39.49	3.60	43.09	52.87	4.38	57.25	47.02	62.48	109.49
Zamfara	135.43	28.45	6.02	34.47	40.83	8.21	49.04	25.46	36.21	61.66

Sources: National Bureau of Statistics, Accountant General of the Federation, Fiscal Disbursements Division @ NEITI

Conclusion

This review has conducted an analysis of FAAC disbursements in the first quarter of 2019. The review showed that total FAAC disbursements to all tiers of government in the first quarter of 2019 totaled N1.929 trillion. This was 0.45% lower than the N1.938 trillion disbursed in the first quarter of 2018. The primary reason for the lower disbursements was the drop in oil prices which started in October 2018. This review also showed that total FAAC disbursements in the first quarter of 2019 were lower than disbursements in all quarters of 2018. In addition, the review showed that there are wide disparities in net disbursements received by states, with Delta State receiving the highest disbursement of N55.19 billion and Osun State receiving the lowest of N5.11 billion. Finally, this review showed that budgets for states are largely too optimistic. There is no state whose net FAAC disbursements in either 2017 or 2018 can adequately finance their budgets for 2019. Net disbursements to states in 2017 as a percentage of the 2019 budgets ranged between 2.25% (Cross River) and 43.1% (Yobe). Also, net disbursements to states in 2018 as a percentage of the 2019 budgets ranged between 3.54% (Cross River) and 57.7% (Yobe). Thus, clearly, no state can finance its 2019 budgets solely based on FAAC disbursements. This highlights the critical gap in the ability of FAAC disbursements to finance state budgets and brings into focus the importance of internally generated revenue (IGR). It also shows the inevitability of borrowing by states.

"There is no state whose net FAAC disbursements in either 2017 or 2018 can adequately finance their budgets for 2019."



The NEITI Quarterly Review is an analytical review of topical issues designed to ensure transparent and accountable management of revenues from the extractive sector. It is one of NEITI's policy and advocacy tools.

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