

Analysis of FAAC Disbursements in Q3 2019

Federal Accounts Allocation Committee (FAAC) disbursements in the first two quarters of 2019 were lower than disbursements in any quarter of 2018. Total FAAC disbursements fell in 2019 Q2 when compared with the figures for 2019 Q1. However, the disbursements increased in the third quarter of 2019, ending the streak of declines. Total FAAC disbursements in the third quarter of 2019 amounted to N2.273 trillion. It is worth noting that by this, disbursements exceeded N2 trillion for the first time since the fourth quarter of 2018.

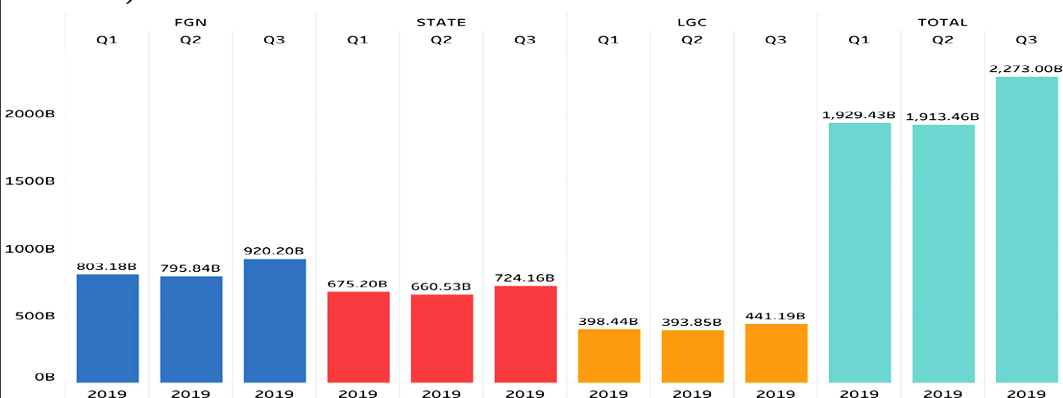
This review conducts an analysis of FAAC disbursements in the third quarter of 2019¹. Data obtained from the National Bureau of Statistics and NEITI's attendance at FAAC meetings is used to conduct the analysis.

Total FAAC Disbursements in 2019 Q3 were 18.79% Higher than in 2019 Q2 and 17.81% Higher than in 2019 Q1²

Total FAAC disbursements in the third quarter of 2019 were N2.273 trillion. This was 18.79% higher than the N1.913 trillion disbursed in the second quarter of 2019 and 17.81% higher than the N1.929 trillion disbursed in the first quarter of 2019. Total disbursements in 2019 Q3 exceeded N2 trillion for the first time in 2019. Figure 1 presents the breakdown of disbursements to the three tiers of government in 2019. The Federal Government received the largest disbursement, followed by state governments, while local governments received the lowest.

In the third quarter, the Federal Government (FG) received N920.2 billion, states received N724.16 billion, while local governments received N441.19 billion. For the FGN, the amount received in the third quarter was 15.6% higher than the N795.84 billion received in the second quarter. It was also 14.6% higher than the N803.13 billion received in the first quarter. For states, the amount received in the third quarter was 9.6% and 7.3% higher than the amounts of N660.2 billion and N675.2 billion received in the second and first quarters respectively. The amount received by local governments in the third quarter was 12.02% higher than the N393.95 billion received in the second quarter. This amount was also 10.73% higher than the N398.44 billion received in the first quarter.

FIG 1: FAAC Disbursements in 2019 Q1, 2019 Q2 & 2019 Q3 (N billions)



HIGHLIGHTS

- Total FAAC disbursements in the third quarter of 2019 were N2.273 trillion: the Federal Government received N920.2 billion, states received N724.16 billion, while local governments received N441.19 billion;
- Total FAAC disbursements exceeded N2 trillion for the first time in 2019 in the third quarter;
- Total FAAC disbursements in 2019 Q3 were above N2 trillion, the fourth time in six quarters;
- Total FAAC disbursements for the first nine months in 2019 came to N6.115 trillion, out of which FG received N2.519 trillion, states got N2.059 trillion and LGAs collected N1.223 trillion.
- Total net FAAC disbursements to states ranged between N6.89 billion and N54.88 billion in 2019 Q3;
- Total deductions from states FAAC allocations ranged between N593.03 million and N12.09 billion;

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.

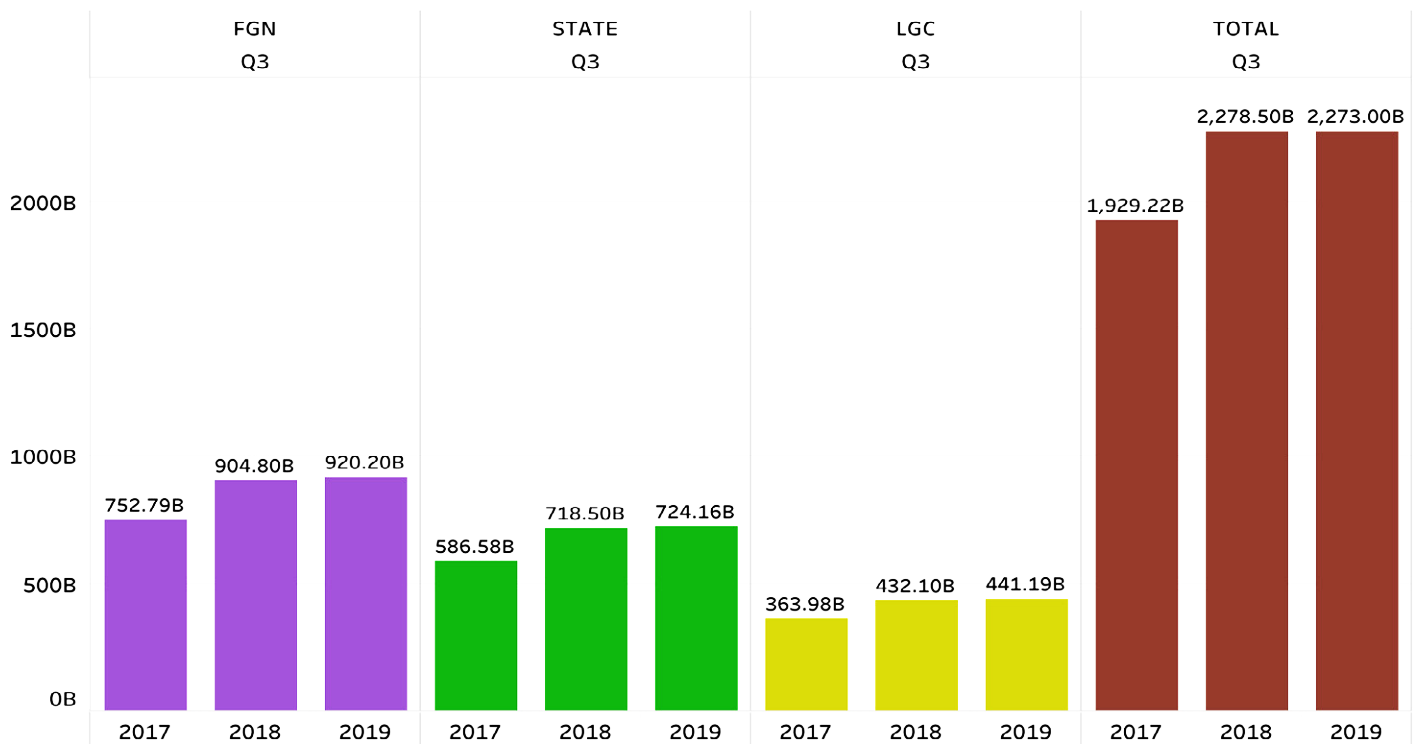
² Total FAAC disbursements comprise gross disbursements to FGN, States, LGCs, 13% Derivation, Cost of Collection -NCS, Transfer to Excess PPT, Cost of Collection - FIRS, Cost of Collection - DPR, NCS/FIRS Refund

Total FAAC Disbursements in 2019 Q3 were 0.24% Lower than in 2018 Q3 but 17.82% Higher than in 2017 Q3

Figure 2 presents total FAAC disbursements in the third quarters of 2017, 2018 and 2019. The figure shows that the total disbursements of N2.273 trillion in 2019 Q3 were 0.24% lower than the N2.278 trillion disbursed in 2018 Q3. This amount was also 17.82% higher than the N1.929 trillion disbursed in 2017 Q3. Looking at the breakdown, the N920.2 billion received by the FGN in 2019 Q3 was 1.7% higher than the N904.8 billion it received in 2018 Q3, and 22.2% higher than the N752.79 billion they received in 2017 Q3. The N724.16 billion disbursed to states was 0.79% higher than the N718.5 billion they received in 2018 Q3 and 23.5% higher than the N586.58 billion they received in 2017 Q3. Similar to the FGN and states, local governments also received higher in 2019 Q3 than in the corresponding quarters of the two previous years. The N441.19 billion disbursed to local governments in 2019 Q3 was 2.1% higher than the N432.1 billion they received in 2018 Q3, and 21.2% higher than the N363.98 billion they received in 2017 Q3.

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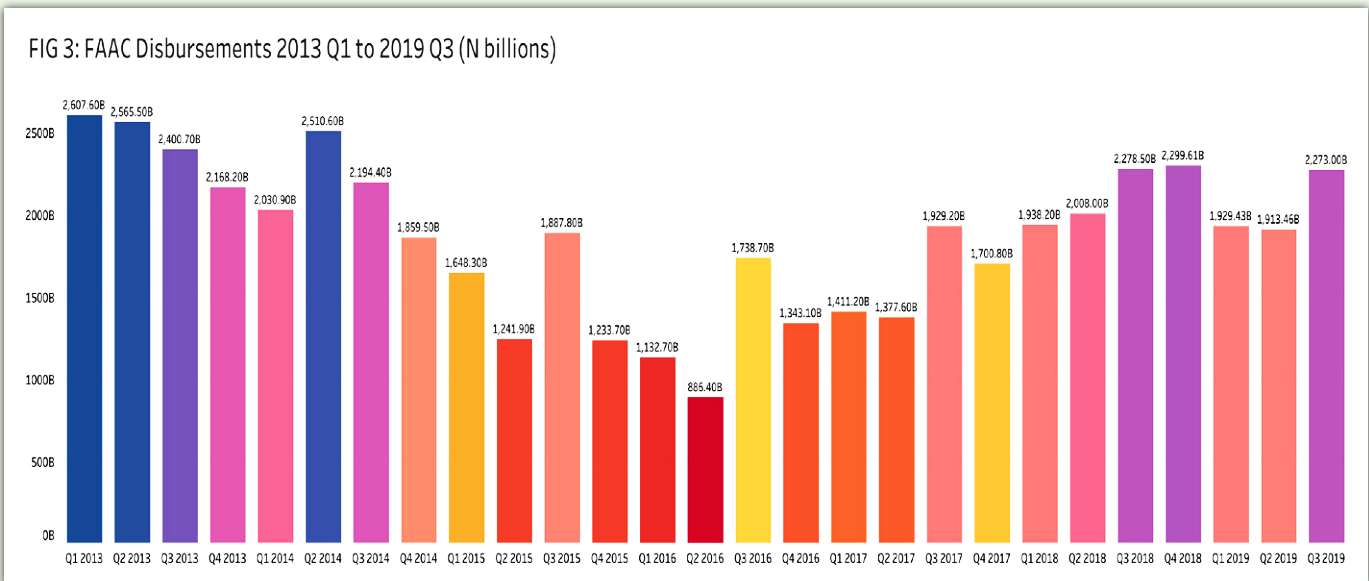
FIG 2: FAAC Disbursements in 2017 Q3, 2018 Q3 & 2019 Q3 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

Total FAAC Disbursements in 2019 Q3 were above N2 Trillion, the Fourth Time in Six Quarters

Figure 3 presents quarterly FAAC disbursements from 2013 Q1 to 2019 Q3. The third quarter of 2019 marked the first time FAAC disbursements were above N2 trillion in 2019. However, it was the fourth time disbursements were above N2 trillion in the past six quarters. The last time this happened was in the third quarter of 2014. This is a big improvement over the trough of N886.48 billion reached in 2016 Q2. However, it is still lower than the high of N2.607 trillion of 2013 Q1.



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

FAAC Disbursements in Three Quarters of 2019 were Volatile, with the Lowest Disbursements to all Tiers of Government Recorded in May, while the Highest Disbursements Occurred in Different Months

Figures 4 to 7 present the total FAAC disbursements, and disbursements to the three tiers of government, for January to September, 2019. Total disbursements for the first nine months of 2019 were N6.115 trillion. FG received a total of N2.519 trillion between January and September 2019, while states received a total of N2.059 trillion. Finally, local governments received a total of N1.223 trillion for the first nine months of 2019.

In addition, total disbursements in the first three quarters of 2019 were 1.75% lower than the N6.224 trillion disbursed in the first three quarters of 2018, but 29.63% higher than the N4.718 trillion disbursed in the first three quarters of 2017. The N2.519 trillion received by FG in Q1 – Q3 2019 was 1.48% lower than the N2.557 trillion disbursed in Q1 – Q3 2018, but 36.07% higher than the N1.851 trillion disbursed in Q1 – Q3 2017. For states, the N2.059 trillion disbursed from January to September 2019 was 1.62% lower than the N2.093 trillion disbursed from January to September 2018, but 36.44% higher than the N1.509 trillion disbursed from January to September 2017. The disbursements to local governments of N1.233 trillion in the first three quarters of 2019 were 0.47% higher and 34.98% higher than disbursements in the first three quarters of 2018 and 2017 respectively.

Figure 4 presents total monthly FAAC disbursements in the first three quarters of 2019. The figure shows that total disbursements increased from January (N649.2 billion) to February (N660.37 billion). Subsequently, total disbursements experienced a downward spiral for the next three months, from N619.86 billion in March to N617.57 billion in April and N616.2 billion in May. Total disbursements started rising in June (N679.7 billion) and this increase continued to July (N762.6 billion) and August (N769.53 billion). Total disbursements fell to N740.88 billion in September.

The highest monthly disbursement was in August (N769.53 billion) while the lowest monthly

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disbursement was in May (N616.2 billion). This indicates a difference of N153.33 billion. This large value of the difference illustrates the high volatility in revenues, owing to fluctuations in global oil prices.

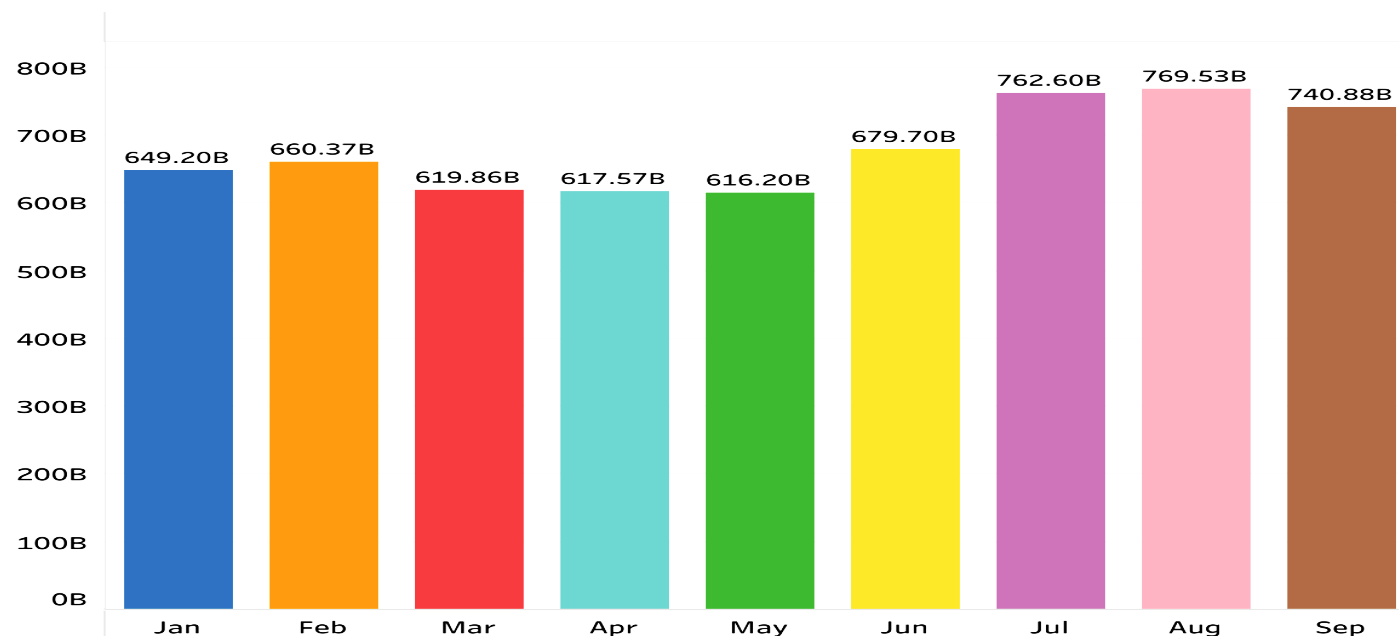
Similar to the total disbursements, FAAC disbursements to the FG experienced volatility between January and September 2019. Disbursements to the FG are presented in Figure 5. For the first six months of the year, FAAC disbursements to the FG increased and decreased in successive months. This mirrors a zig-zag type behavior identified in previous issues of this Review. Disbursements to the FG increased from N270.17 billion in January to N275.33 billion in February. They then fell to N257.68 billion in March and increased to N257.76 billion in April. Thereafter, disbursements fell to N253.92 billion in May before rising to N284.16 billion in June. Disbursements to the FG crossed N300 billion for the first time in 2019 in the month of July (N309.43 billion). Disbursements were N299.8 billion and N310.97 billion in August and September, respectively.

Figure 6 presents disbursements to states in the first three quarters of 2019. Disbursements were highest in August (N242.29 billion) and lowest in May (N214.41 billion). Disbursements to states increased by 3.13% from N223.67 billion in January to N230.66 billion in February. Thereafter, they fell by 4.24% to N220.87 billion in March. Disbursements to states fell further by 1.27% to N218.08 billion in April. The downward spiral continued in May as disbursements fell by 1.68% to N214.41 billion. Thus, there were three successive months of falling disbursements from March to May. Conversely, there were four successive months of increasing disbursements from June to September. Disbursements increased by 6.36% from N214.41 billion in May to N228.04 billion in June. Thereafter, they increased by 5.18% to N239.86 billion in July. Further increases occurred in August (N242.01 billion) and September (N242.29 billion) when disbursements increased by 0.89% and 0.12% respectively.

Figure 7 presents disbursements to local governments in the first three quarters of 2019. The figure shows that disbursements were lowest in May (N126.28 billion). Thus, May was unanimously the month with the lowest disbursement for total disbursements and disbursements to the three tiers of government. Disbursement to local governments were highest in July (N151.38 billion). Disbursements to local governments increased by 2.28% from N133.83 billion in January to N136.88 billion in February. Thereafter, they fell by 6.69% to N127.72 billion in March. They fell by 0.9% to N126.58 billion in April, and fell by 0.24% to N126.28 billion in May. Disbursements to local governments increased by 11.66% to N141 billion in June. They increased further by 7.37% to N151.38 billion in July. Disbursements fell by 5.15% to N143.57 billion in August and then increased by 1.86% to N146.24 billion in September.

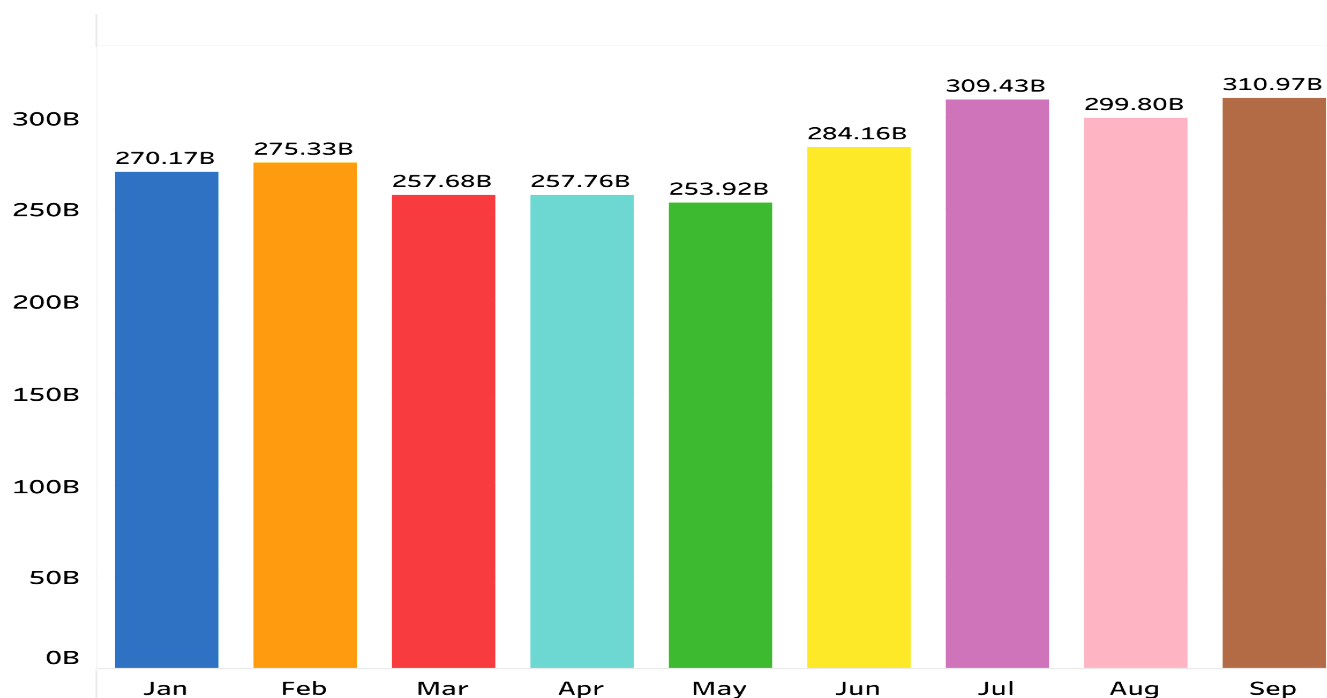
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FIG 4: Total FAAC Disbursements Jan. to Sep. 2019 (N billions)



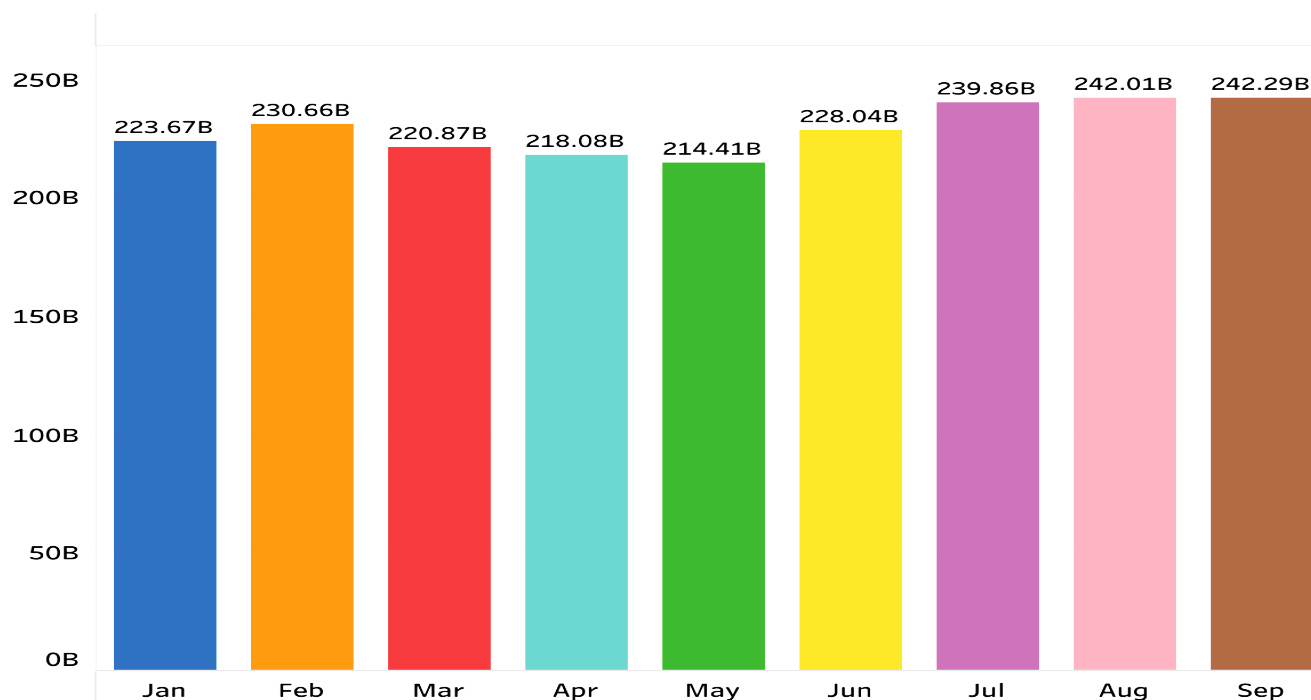
Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

FIG 5: FAAC Disbursements to FGN Jan. to Sep. 2019 (N billions)



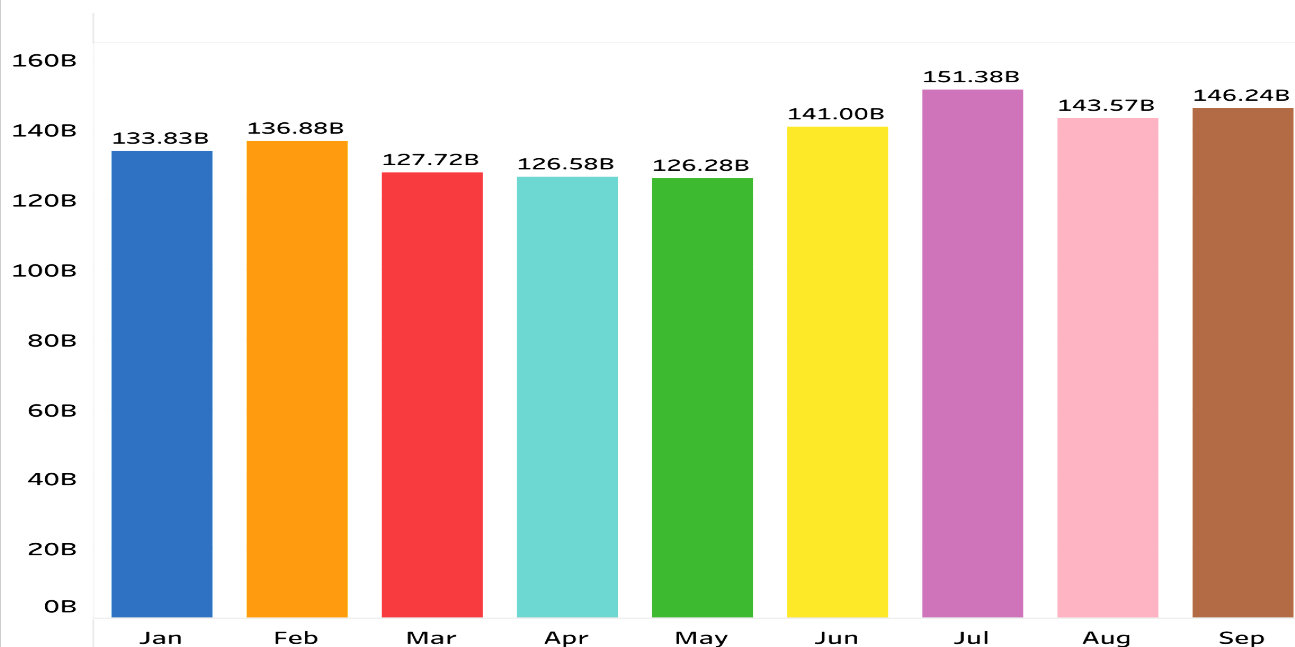
Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

FIG 6: FAAC Disbursements to STATES Jan. to Sep. 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

FIG 7: FAAC Disbursements to LGCs Jan. to Sep. 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

Total Net FAAC Disbursements to States Ranged between N6.89 Billion and N54.88 Billion in 2019 Q3

Figure 8 presents total net disbursements to states in the third quarter of 2019. There is wide variation in the amounts received by states. Osun State received the lowest net disbursements of N6.89 billion while Delta State received the highest with N54.88 billion. This implies that Delta State received almost eight times what Osun State received. Figure 8 shows that Osun was the only state that received less than N10 billion in the third quarter. Most states (29) received between N10 billion and N20 billion: Cross River (N10.04 billion), Ogun (N10.37 billion), Ekiti (N11.10 billion), Gombe (N11.10 billion), Zamfara (N11.29 billion), Kwara (N11.36 billion), Plateau (N11.55 billion), Nassarawa (N12.00 billion), Ebonyi (N12.06 billion), Taraba (N12.54 billion), Adamawa (N13.04 billion), Abia (N13.74 billion), Yobe (N13.80 billion), Enugu (N14.07 billion), Bauchi (N14.07 billion), Kebbi (N14.17 billion), Kogi (N14.24 billion), Anambra (N14.39 billion), Oyo (N14.51 billion), Benue (N14.67 billion), Imo (N14.71 billion), Sokoto (N14.87 billion), Niger (N15.10 billion), Ondo (N15.17 billion), Jigawa (N15.72 billion), Borno (N16.59 billion), Edo (N16.72 billion), Katsina (N16.96 billion) and Kaduna (N17.98 billion). The remaining six states received above N20 billion: Kano State received N21.91 billion, Lagos State received N30.39 billion, Bayelsa State received N36.68 billion, Rivers State received N40.11 billion, Akwa Ibom State received N41.97 billion, and Delta State received N54.88 billion.

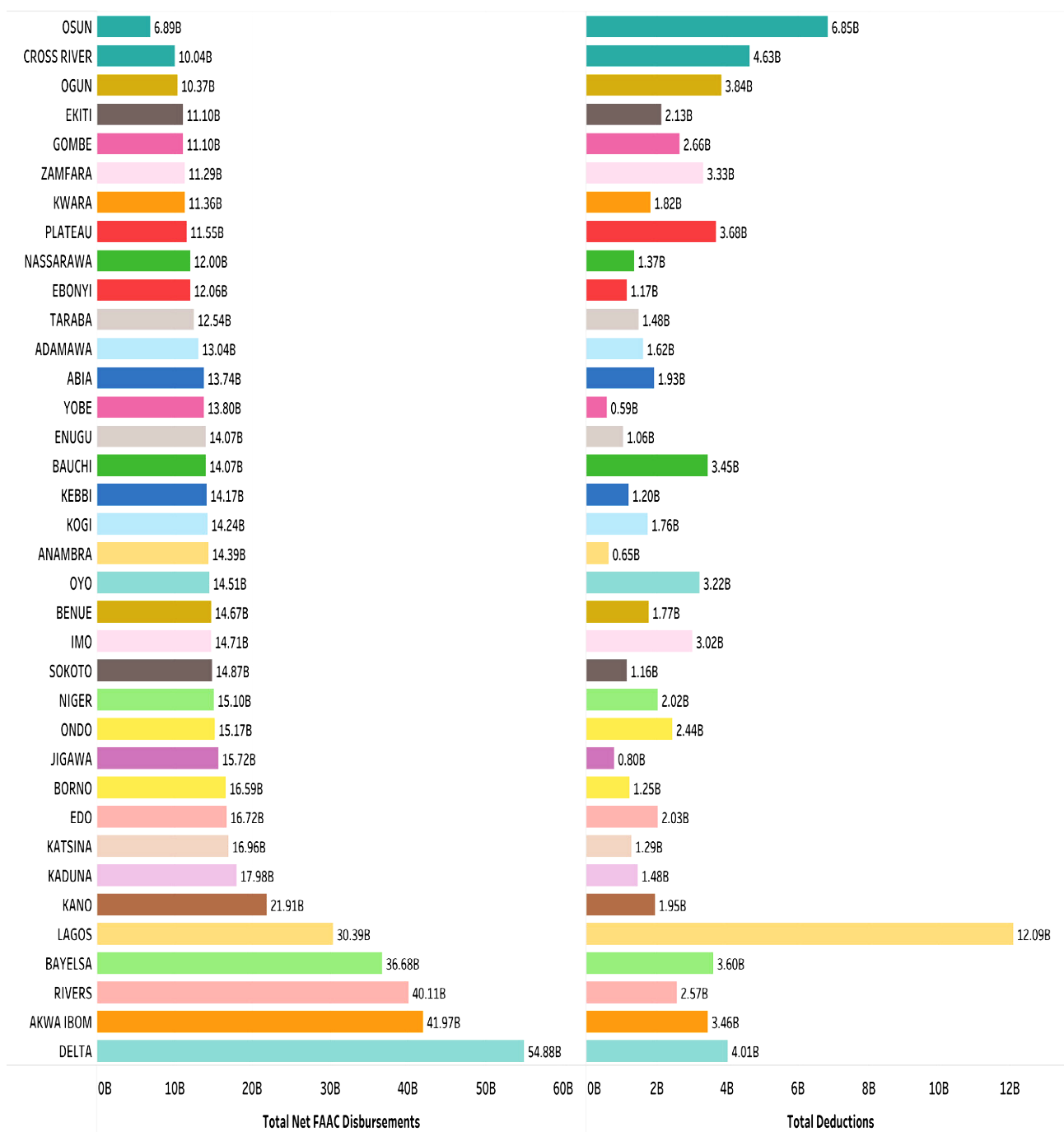
The four states with the highest net disbursements, which are all in the South South geopolitical zone, received a combined N173.65 billion. This was more than the combined total of N164.58 billion received by the lowest 14 states: Cross River, Ogun, Ekiti, Gombe, Zamfara, Kwara, Plateau, Nassarawa, Ebonyi, Taraba, Adamawa, Abia, Yobe and Enugu. This clearly shows the wide variation in net disbursements received by states.

Figure 8 also includes total deductions from states' FAAC allocations. The deductions also vary widely and ranged between N593.03 million (Yobe) and N12.09 billion (Lagos). Deductions were lower than N1 billion in three states: Yobe (N593.03 million), Anambra (N653.77 million), and Jigawa (N797.49 million). Deductions were between N1 billion and N2 billion in 15 states: Enugu (N1.06 billion), Sokoto (N1.16 billion), Ebonyi (N1.17 billion), Kebbi (N1.20 billion), Borno (N1.25 billion), Katsina (N1.29 billion), Nassarawa (N1.37 billion), Kaduna (N1.48 billion), Taraba (N1.48 billion), Adamawa (N1.62

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billion), Kogi (N1.76 billion), Benue (N1.77 billion), Kwara (N1.82 billion), Abia (N1.93 billion), and Kano (N1.95 billion). Deductions were between N2 billion and N3 billion in six states: Niger (N2.02 billion), Edo (N2.03 billion), Ekiti (N2.13 billion), Ondo (N2.44 billion), Rivers (N2.57 billion) and Gombe (N2.66 billion). Deductions were between N3 billion and N4 billion in eight states: Imo (N3.02 billion), Oyo (N3.22 billion), Zamfara (N3.33 billion), Bauchi (N3.45 billion), Akwa Ibom (N3.46 billion), Bayelsa (N3.60 billion), Plateau (N3.68 billion), and Ogun (N3.84 billion). Four states had deductions above N4 billion: Delta (N4.01 billion), Cross River (N4.63 billion), Osun (N6.85 billion) and Lagos (N12.09 billion).

FIG 8: Total Net FAAC Disbursements and Deductions for States, Jul. - Sep. 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

Total Net FAAC Disbursements to Most States Have Been Highest in the Third Quarter of 2019, Compared to the First and Second Quarters

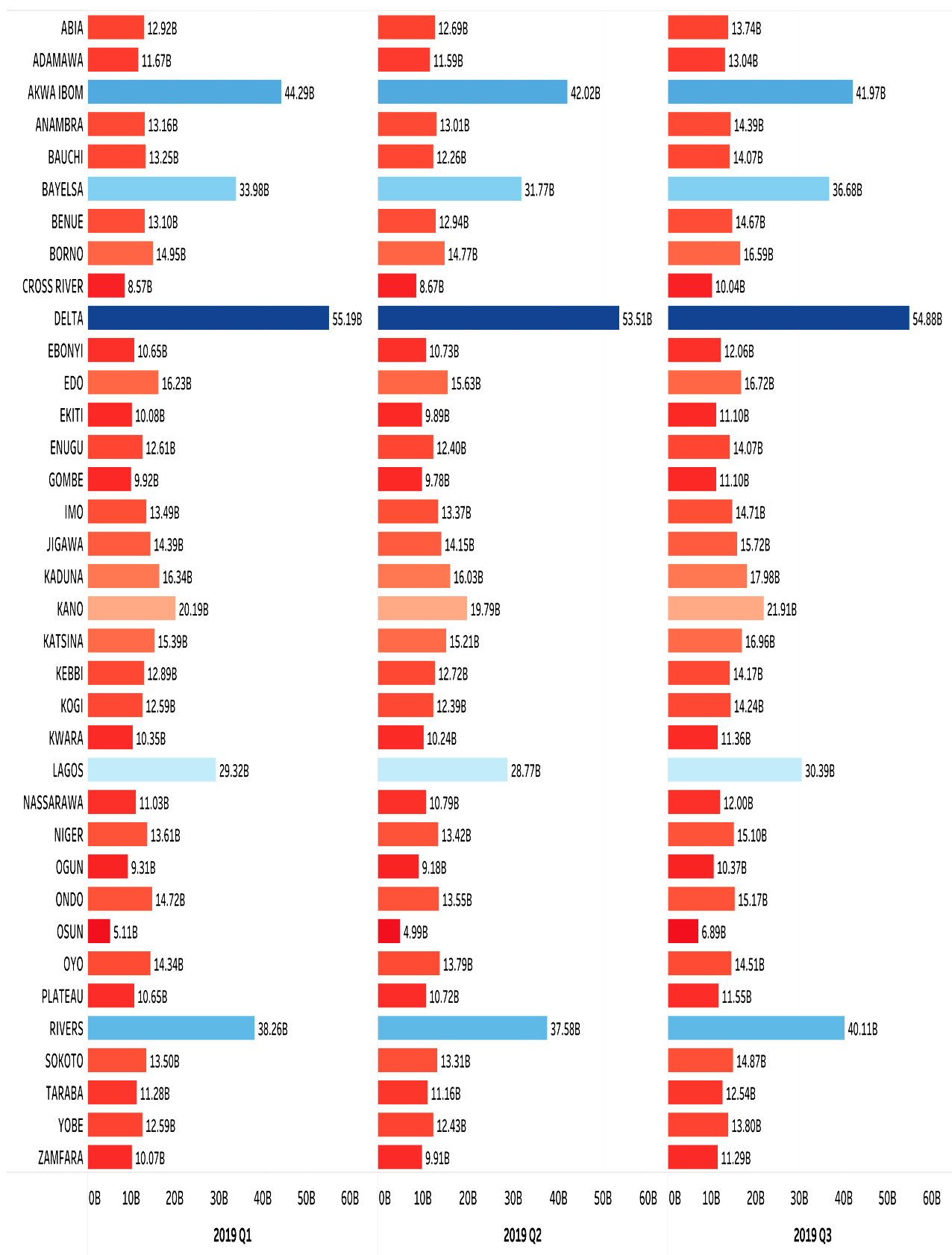
Figure 9 presents total net disbursements to states for the first three quarters of 2019. Net disbursements were highest for most states in the third quarter. The only exceptions were Akwa Ibom and Delta States. These two states received their highest disbursements in the first quarter.

For most states (31), net disbursements were highest in Q3 and lowest in Q2. These states are: Abia, Adamawa, Anambra, Bayelsa, Benue, Bauchi, Borno, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Lagos, Nassarawa, Niger, Ogun, Ondo, Osun, Oyo, Rivers, Sokoto, Taraba, Yobe and Zamfara. For three states (Cross River, Ebonyi and Plateau), net disbursements were highest in Q3 and lowest in Q1. Thus, net disbursements were highest in Q3 for 34 states. Net disbursements were highest in Q1 in two states - Akwa Ibom and Delta.

The differences in values between the quarters with the highest and lowest disbursements ranged between N720.6 million in Oyo State to N4.90 billion in Bayelsa State. Only two states (Oyo and Plateau) had these differences below N1 billion. The differences were between N1 billion and N2 billion for 30 states: Abia, Edo, Kwara, Ogun, Ekiti, Nassarawa, Gombe, Imo, Yobe, Anambra, Taraba, Zamfara, Ebonyi, Adamawa, Kebbi, Cross River, Sokoto, Jigawa, Ondo, Lagos, Enugu, Delta, Niger, Benue, Katsina, Bauchi, Borno, Kogi, Osun and Kaduna. The differences were higher than N2 billion in four states: Kano, Akwa Ibom, Rivers and Bayelsa.

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FIG 9: Total Net FAAC Disbursements to States 2019 Q1 - Q3 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI

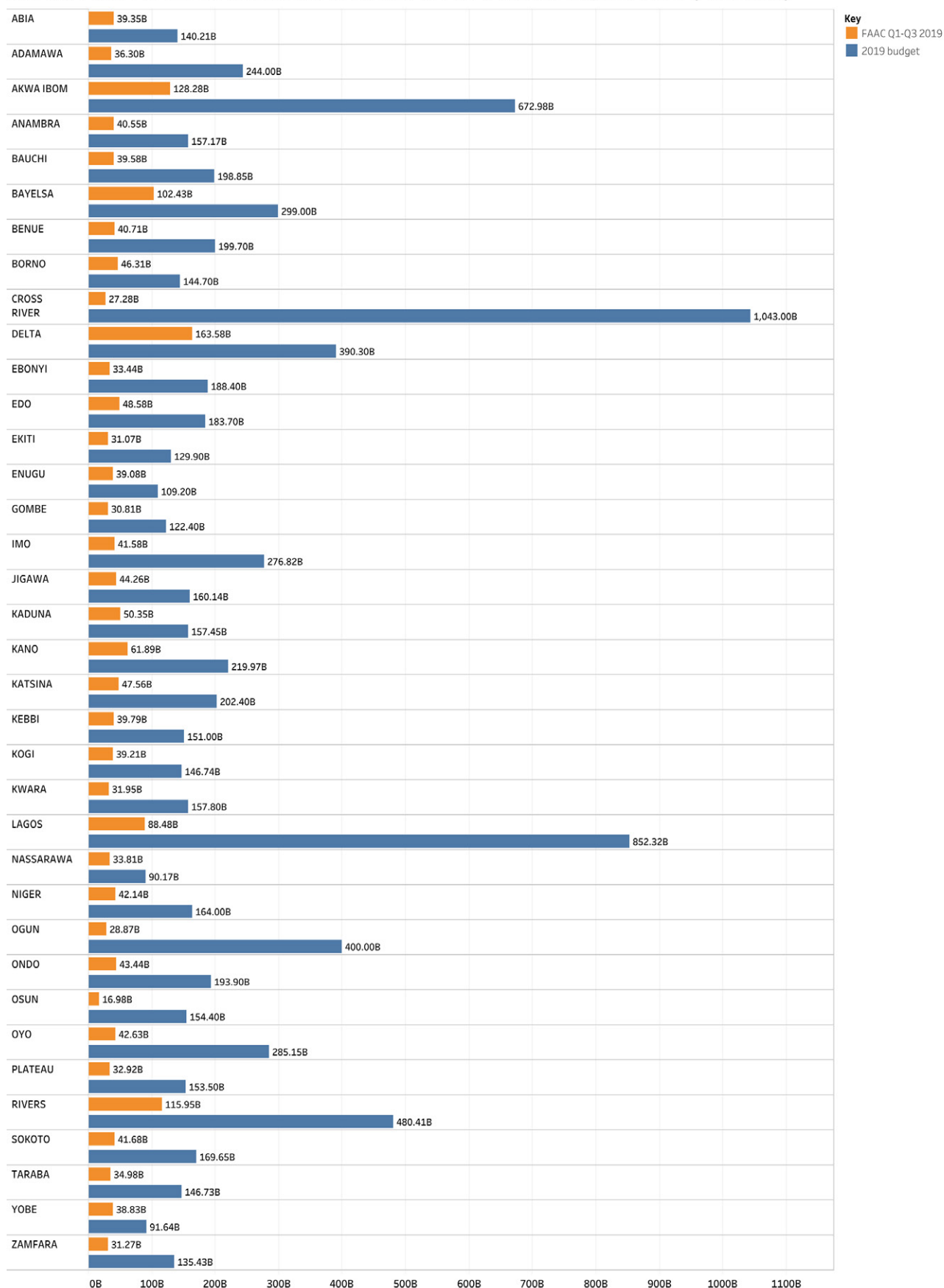
States' Total FAAC Disbursements for Q1-Q3 as a percentage of 2019 Budgets Ranged between 2.6% and 42.4%

Figure 10 presents total FAAC disbursements to states for the first three quarters of 2019 and their 2019 budgets. The figure shows that disbursements are critically below the budgets. It is clear that when the data for the fourth quarter are added, FAAC disbursements will still be unable to service states' budgets. The degree to which budgets outweigh Q1 to Q3 disbursements vary greatly. For six states, budgets exceeded disbursements in the first three quarters by less than N100 billion: Yobe (N52.8 billion), Nassarawa (N56.4 billion), Enugu (N70.1 billion), Gombe (N91.6 billion), Borno (N98.4 billion), and Ekiti (N98.8 billion). For all other states, budgets exceeded disbursements for third quarter by over N100 billion. For most states (21), this difference was between N100 billion and N200 billion. Cross River State had the highest deficit of N1.02 trillion. Other states where budgets exceeded disbursements in the first three quarters were: Adamawa (N207.7 billion), Delta (N226.7 billion), Imo (N235.2 billion), Oyo (N242.5 billion), Rivers (N364.5 billion), Ogun (N371.1 billion), Akwa Ibom (N544.7 billion), and Lagos (N763.8 billion).

Figure 11 presents the percentage of disbursements to states' budgets. Yobe State has the highest percentage of 42.4% while Cross River State has the lowest percentage of 2.6%. It is interesting to note that this percentage was below 50% for all states. This is a critical fact that highlights that most states' budgets will be underfunded for 2019. The possible exceptions are Lagos, Rivers and Ogun States which have considerable history of high internally generated revenue (IGR). FAAC disbursements as a percentage of budgets were above 30% in only seven states: Yobe (42.4%), Delta (41.9%), Nassarawa (37.5%), Enugu (35.8%), Bayelsa (34.3%), Borno (32%), and Kaduna (32%). Thus, majority of states had received below 30% of their budgets in FAAC disbursements after nine months of 2019.

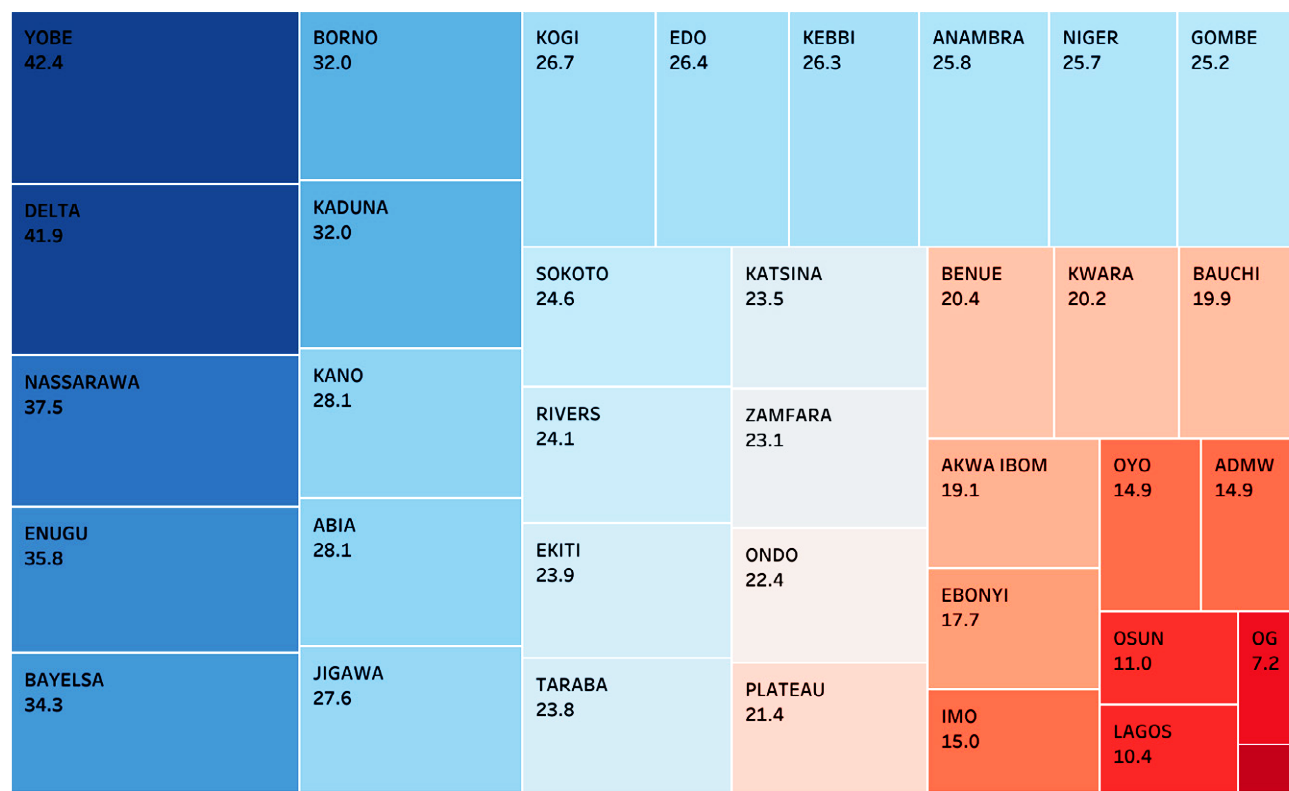
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FIG 10: Total FAAC Disbursements to States Q1-Q3 & State Budgets, 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI, Various States Websites

FIG 11: Total FAAC Disbursements to States Q1-Q3 as Percentage of State Budgets, 2019 (%)



ADMW = Adamawa State;
 OG = Ogun State;
 Smallest box = Cross River State = 2.6

Sources: National Bureau of Statistics, Fiscal Disbursements Unit @ NEITI, Various States Websites

Conclusion

This review has conducted an analysis of FAAC disbursements in the third quarter of 2019. The review showed that total FAAC disbursements in the third quarter of 2019 were N2.273 trillion. This was the highest quarterly disbursement so far in 2019. The breakdown showed that the Federal Government (FG) received N920.2 billion, states received N724.16 billion, while local governments received N441.19 billion. Total disbursements in the first and second quarters were each below N2 trillion. Thus, disbursements exceeded N2 trillion in the third quarter for the first time in 2019. This figure also meant that total FAAC disbursements have exceeded N2 trillion four times in the last six quarters. The last time this happened was in the third quarter of 2014.

This review also showed that there is wide variation in the amounts received by states. Osun State received the lowest net quarterly disbursement of N6.89 billion while Delta State received the highest with N54.88 billion. This implies that Delta State received almost eight times what Osun State received. The four states with the highest net disbursements, which are all the South South geopolitical zone, received a combined N173.65 billion. This was more than the combined total of N164.58 billion received by the lowest 14 states. The deductions from states' gross allocations ranged between N593.03 million in Yobe State and N12.09 billion in Lagos State.



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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