

Analysis of 2019 FAAC Disbursements

This review provides an analysis of the disbursements by the Federation Accounts Allocation Committee (FAAC) for the year 2019¹. The review also makes projections for the year 2020.

Data for the analysis was obtained from the National Bureau of Statistics (NBS), NEITI's attendance at FAAC meetings, and the Office of the Accountant General of the Federation.

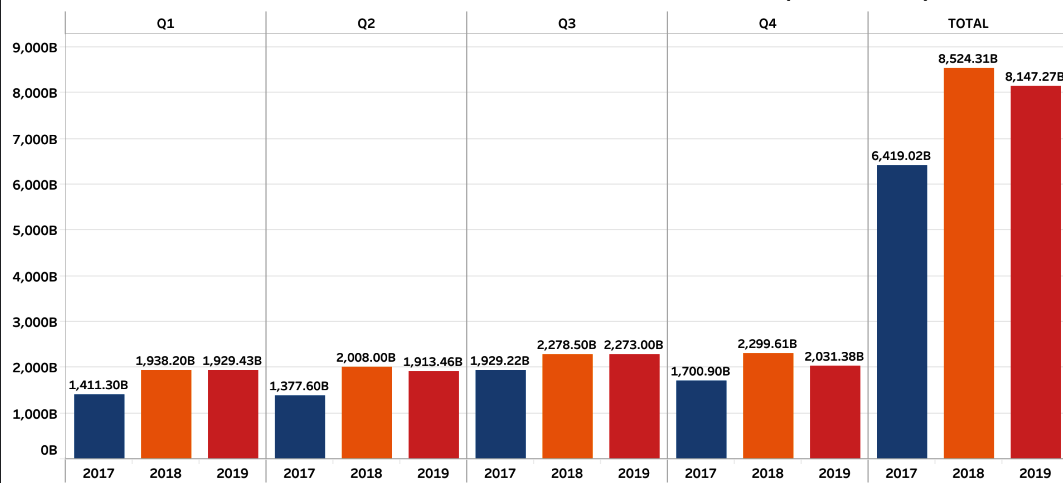
Total FAAC Disbursements in 2019 were 4.42% Lower than Total Disbursements in 2018 but 26.92% Higher than Total Disbursements in 2017²

The total FAAC disbursements of N8.147 trillion in 2019 were 4.42% lower than total FAAC disbursements of N8.524 trillion recorded in 2018. However, the 2019 total FAAC disbursements were 26.92% higher than the total disbursements of N6.419 trillion in 2017.

Figure 1 presents total FAAC disbursements for these three years. The figure shows that FAAC disbursements in all quarters of 2019 exceeded disbursements in the corresponding quarters of 2017. Total FAAC disbursements in the four quarters of 2019 were N1.929 trillion, N1.913 trillion, N2.273 trillion, and N2.031 trillion, respectively, for Q1 to Q4. Total quarterly FAAC disbursements for 2017 were N1.411 trillion (Q1), N1.377 trillion (Q2), N1.929 trillion (Q3), and N1.7 trillion (Q4).

Furthermore, total FAAC disbursements in all quarters of 2019 were lower than disbursements in all quarters of 2018. Total quarterly disbursements in 2018 were N1.938 trillion for Q1, N2.008 trillion for Q2, N2.278 trillion for Q3, and N2.299 trillion for Q4.

FIG 1: Total FAAC Disbursements, Q1 - Q4, 2017 - 2019 (N billions)



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 allocations comprise gross disbursements to FGN, States, LGs, 13% Derivation, Cost of Collection - NCS, Transfer to Excess PPT, Cost of Collection - FIRS, Cost of Collection - DPR, NCS/FIRS Refund

HIGHLIGHTS



Total FAAC disbursements in 2019 were N8.147 trillion: Federal Government received N3.376 trillion; states, N2.761 trillion; local governments, N1.649 trillion;



Total FAAC disbursements in 2019 were 4.42% lower than total disbursements in 2018 but 26.92% higher than total disbursements in 2017;



Total net FAAC disbursements to states ranged between N24.14 billion and N218.58 billion, while deductions ranged between N2.16 billion and N44.45 billion;



Net FAAC disbursements were adequate in covering the recurrent expenditure of only 15 states, but were inadequate in meeting the full budgets of all states.

Total FAAC Disbursements in 2019 Comprised N3.376 Trillion to FG, N2.761 Trillion to States, and N1.649 Trillion to LGCs

Figure 2 presents total FAAC disbursements to the three tiers of government from 2017 to 2019. For 2019, total FAAC disbursements to the FG were N3.376 trillion. This was 41.45% of the total disbursements. Total disbursements to states were N2.761 trillion, making up 33.89% of the total amount disbursed. Total FAAC disbursements to local governments were N1.649 trillion, 20.24% of the total. Thus, consistent with the revenue sharing formula, the FG received the highest disbursements from FAAC while local governments received the lowest.

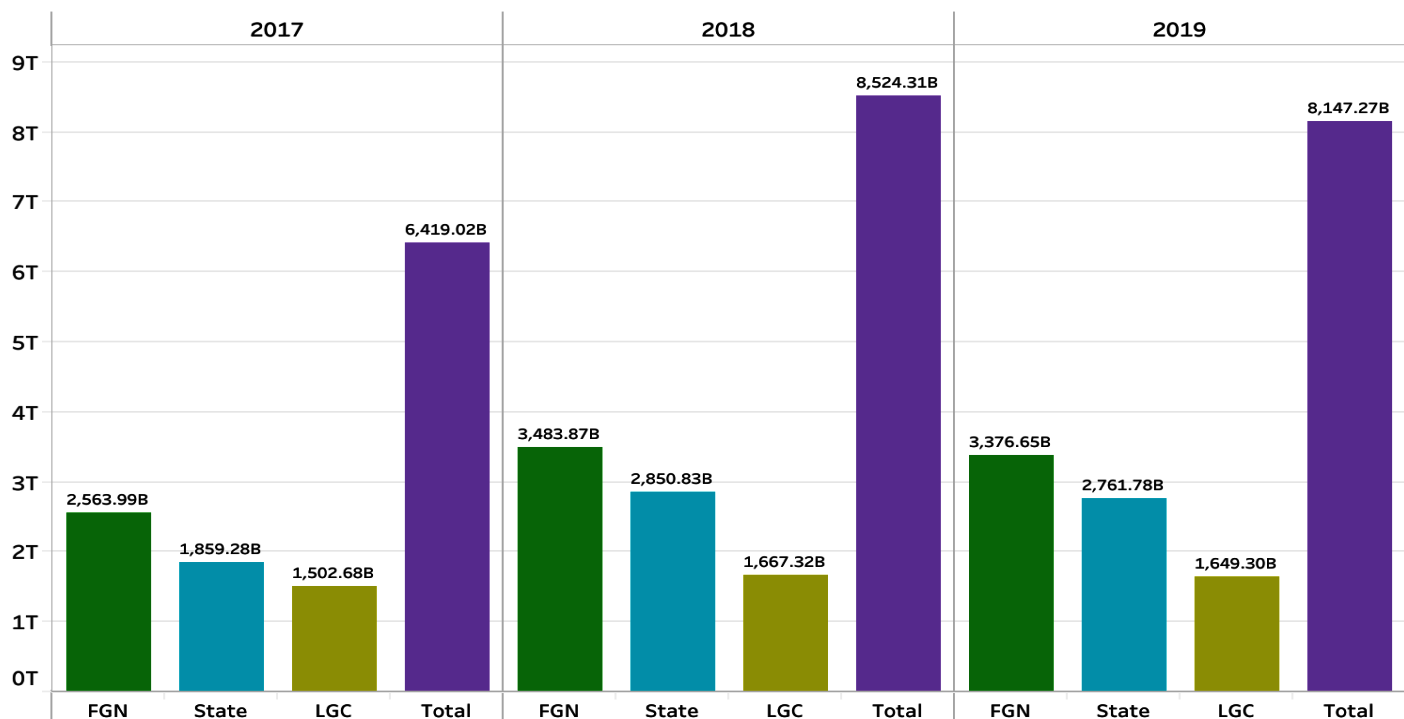
Figure 2 shows that this pattern is consistent across 2018 and 2017. For 2018, total disbursements to FG, states, and local governments were N3.483 trillion, N2.850 trillion, and N1.667 trillion, respectively. For 2017, disbursements were N2.563 trillion to FG, N1.859 trillion to states, and N1.502 trillion to local governments.

Figure 2 also shows that total disbursements to the FG in 2019 were 3.08% lower than disbursements in 2018, but 31.69% higher than disbursements 2017. Also, disbursements to states in 2019 were 3.12% lower than disbursements in 2018, but 48.54% higher than disbursements in 2017. Finally, disbursements to local governments in 2019 were 1.08% lower than disbursements in 2018, but 9.75% higher than disbursements in 2017.



"Figure 2 also shows that total disbursements to the FG in 2019 were 3.08% lower than disbursements in 2018, but 31.69% higher than disbursements 2017."

FIG 2: Total FAAC Disbursements to FGN, States, LGCs, 2017 - 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

³FAAC disbursements consist of two primary pools: the Federation Account Pool and the VAT Pool. Funds in the Federation Account Pool are shared as follows: FG (52.58%), States (26.72%), LG (20.60%). Funds in the VAT Pool are shared as follows: FG (15%), States (50%), LG (35%). Thus, while the FG receives the bulk from the Federation Account Pool, it receives the lowest from the VAT Pool. This explains why the total disbursements received by FG is below 52%.

Total FAAC Disbursements in 2019 have been the Fourth Highest Since 2013

Figure 3 presents total FAAC disbursements between 2013 and 2019. The figure shows that total disbursements fell in three consecutive years from 2013 to 2016. Thereafter, total disbursements increased until 2018. However, the increase in total disbursements stopped in 2019, as there was a decrease in 2019 over 2018 figures.

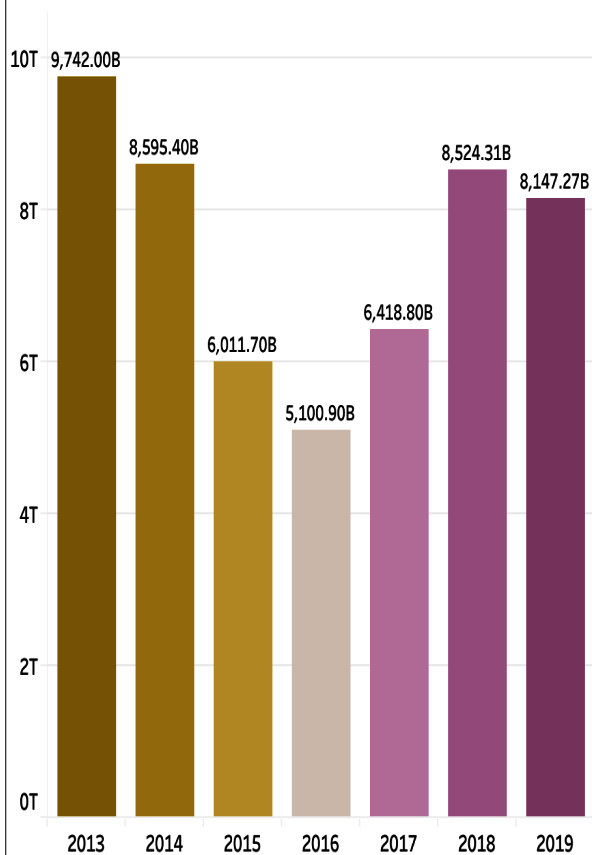
Figure 3 reveals that over the seven-year period, the total disbursements of N8.147 trillion in 2019 were the fourth highest since 2013. Total disbursements were highest in 2013 with N9.742 trillion. This was followed by 2014 with N8.595 trillion, while total disbursements were third highest in 2018 with N8.524 trillion.

Figure 4 presents the percentage growth in total disbursements from 2013 to 2019. The largest percentage growth was in 2018, when total disbursements grew by 32.8%. Conversely, the lowest percentage decline was -4.42% in 2019.

N8.147 TRILLION

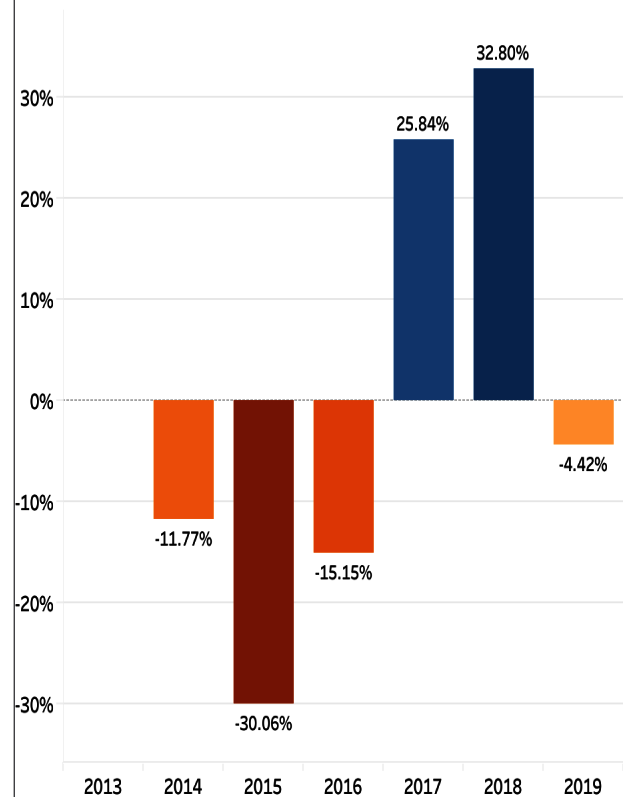
"Figure 3 reveals that over the seven-year period, the total disbursements of N8.147 trillion in 2019 were the fourth highest since 2013."

FIG 3: Total FAAC Disbursements 2013 - 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

FIG 4: Percentage Change in Total FAAC Disbursements 2013 - 2019 (%)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

Total Quarterly FAAC Disbursements were below N2 Trillion in the First Two Quarters of 2019 but Exceeded N2 Trillion in the Last Two Quarters

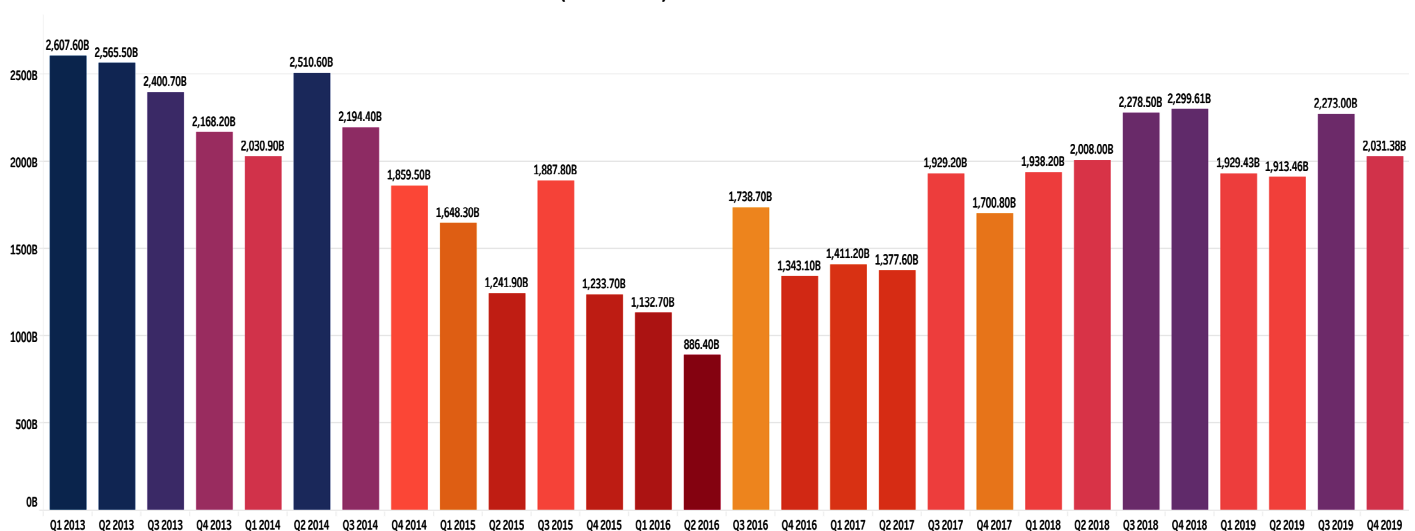
Figure 5 presents total quarterly FAAC disbursements between 2013 Q1 and 2019 Q4. The figure reveals that while total disbursements in the first two quarters of 2019 were below N2 trillion, they exceeded N2 trillion in the last two quarters of 2019. Thus, disbursements in 2019 were not as high as they were in 2018 when total disbursements were above N2 trillion in three quarters. However, the figure reveals that disbursements in 2019 were considerably higher than they were between 2015 and 2017.

Three general phases can be observed in Figure 5. The first phase is between 2013 Q1 and 2014 Q3. Total disbursements were above N2 trillion over this period. The second phase is between 2014 Q4 and 2017 Q2. This was a period of very low disbursements. Total quarterly disbursements fluctuated between N1.887 trillion (highest) in 2015 Q3 and N886 billion (lowest) in 2016 Q2. The low disbursements arose primarily as a result of the sharp fall in global oil prices. This period is associated with the recession in the Nigerian economy. The third phase is between 2017 Q3 and 2019 Q4. This period saw a resurgence in government revenue. The lowest quarterly disbursement over this period was N1.7 trillion in 2017 Q4, while the highest was N2.299 trillion in 2018 Q4.



"The figure reveals that while total disbursements in the first two quarters of 2019 were below N2 trillion, they exceeded N2 trillion in the last two quarters of 2019"

FIG 5: Total FAAC Disbursements, Q1 2013 - Q4 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

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

Figures 6 to 9 present FAAC disbursements for the twelve months of 2019 for the aggregate, and the three tiers of government. The figures show a general rising trend in disbursements from the beginning of the year till about August, when disbursements either fell slightly or remained relatively stable. These figures highlight the volatile nature of government revenue in Nigeria owing to high fluctuations in oil prices. A central feature of these figures is that disbursements were higher in the second half of 2019 than the first half. For total/aggregate disbursements, total disbursements for the first half of 2019 were N3.842 trillion while they were N4.304 trillion for the second half of the year. Also, disbursements to FG in the first and second halves were N1.599 trillion and N1.777 trillion respectively. For states, disbursements in the first half were N1.335 trillion while they were

N1.426 trillion in the second half. Finally, local governments had disbursements of N792.29 billion and N857.01 billion in the first and second halves respectively.

Figure 6 presents total/aggregate FAAC disbursements from January to December 2019. The figure shows that aggregate disbursements increased from N649.2 billion in January to N660.37 billion in February. Disbursements subsequently fell in three consecutive months to N619.86 billion in March, N617.57 billion in April, and N616.2 billion in May. Following this, disbursements increased for the next three months to N679.7 billion in June, N762.6 billion in July and N769.53 billion in August. The last four months of 2019 saw disbursements increase and decrease in successive months. Disbursements fell from N740.88 billion in September to N693.53 billion in October, then increased to N702.02 billion in November, before falling to N635.83 billion in December.

Figure 7 presents FAAC disbursements to the FG. The highest disbursement of N310.97 billion was in September while the lowest disbursement was N253.92 billion in May. Thus, there was a difference of N57.05 billion between the highest and lowest months of disbursements. The figure shows that disbursements increased from N270.17 billion in January to N275.33 billion in February. Thereafter, disbursements fell to N257.68 billion in March and then increased to N257.76 billion in April, before falling to N253.92 billion in May. Disbursements then increased for two consecutive months to N284.16 in June and N309.43 billion in July. For the rest of the year, a zig-zag type of behaviour is noticed as disbursements increased and decreased in successive months. Disbursements to the FG increased from N299.8 billion in August to N310.97 billion in September. They then fell to N293.8 billion in October before increasing to N295.74 billion in November, before falling to N267.88 billion in December.

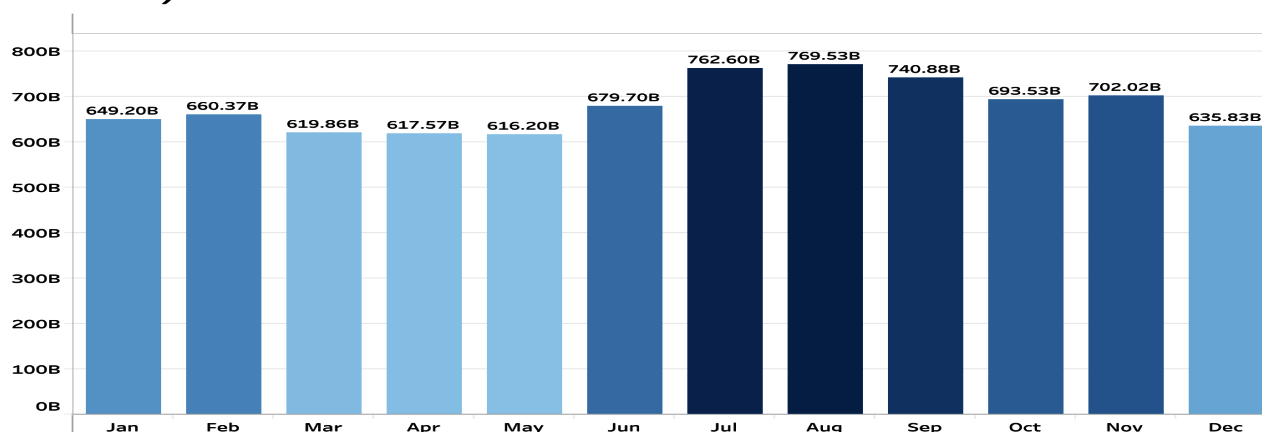
Figure 8 presents disbursements to states. Total disbursements to states were highest in September with N242.29 billion while they were lowest in May with N214.41 billion. This gives a difference of N27.87 billion between the highest and lowest months. Disbursements to states increased from N223.67 billion in January to N230.66 billion in February. Disbursements fell for three consecutive months to N220.87 billion, N218.08 billion and N214.41 billion in March, April and May respectively. Thereafter, disbursements increased for four consecutive months to N228.04 billion in June, N239.86 billion in July, N242.01 billion in August, and N242.29 billion in September. Disbursements fell to N238.35 billion in October and then increased to N241.86 billion in November. Finally, disbursements to states fell to N221.69 billion in December.

Figure 9 presents disbursements to local governments for the 12 months of 2019. Disbursements increased from N133.83 billion in January to N136.88 billion in February. Following this, disbursements to local governments fell to N127.72 billion in March, N126.58 billion in April and N126.28 billion in May. Disbursements increased to N141 billion in June and N151.38 billion in July. The last five months of the year had disbursements increasing and decreasing in successive months. Disbursements fell to N143.57 billion in August and increased to N146.24 billion in September, before falling to N140.86 billion in October. There was an increase in disbursements to N144.99 billion in November. Finally, disbursements fell to N129.97 billion in December.



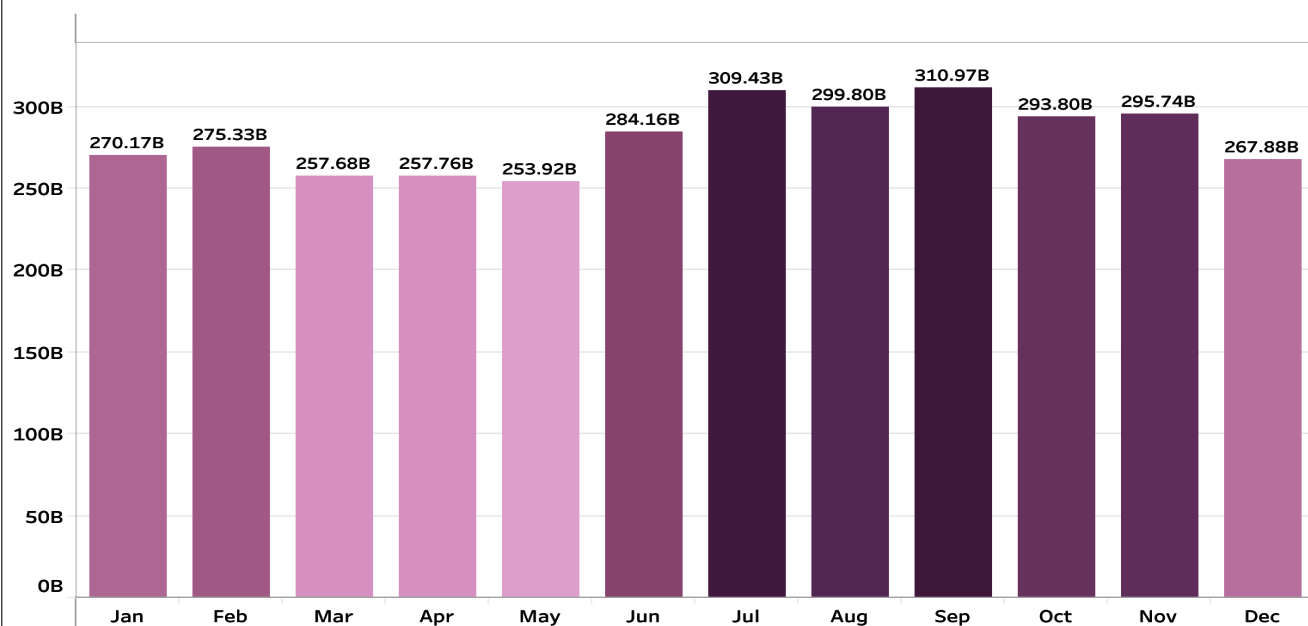
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FIG 6: Total FAAC Disbursements, Jan. to Dec. 2019 (N billions)



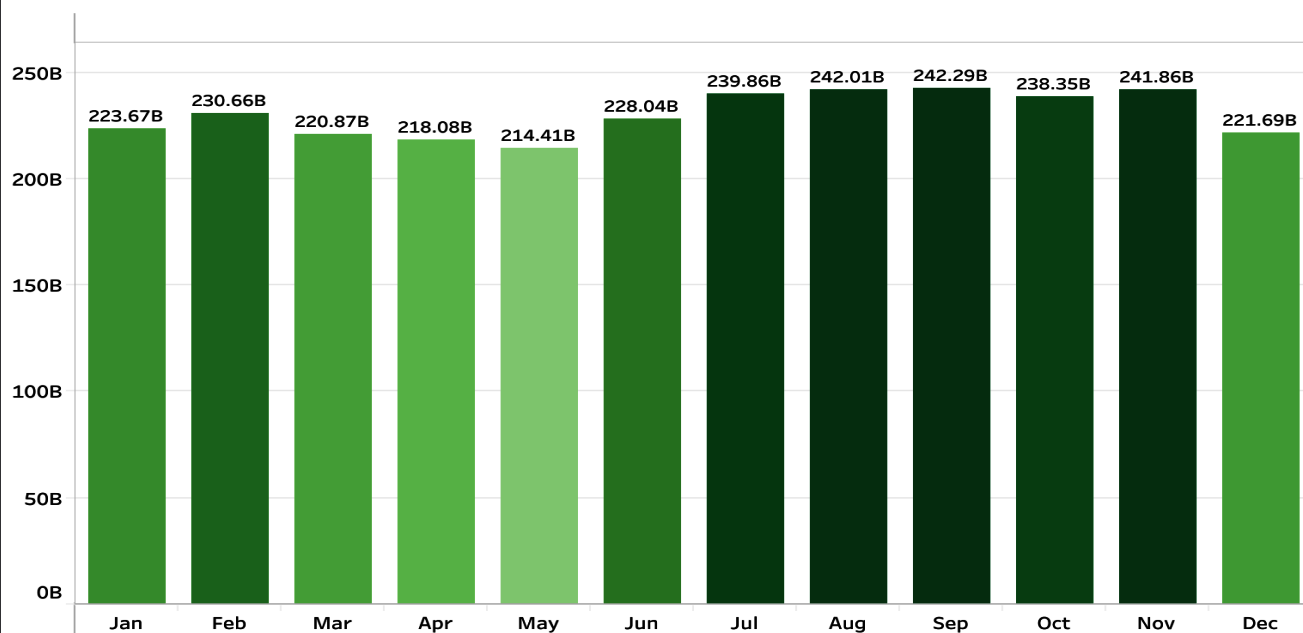
Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

FIG 7: FAAC Disbursements to FGN, Jan. to Dec. 2019 (N billions)



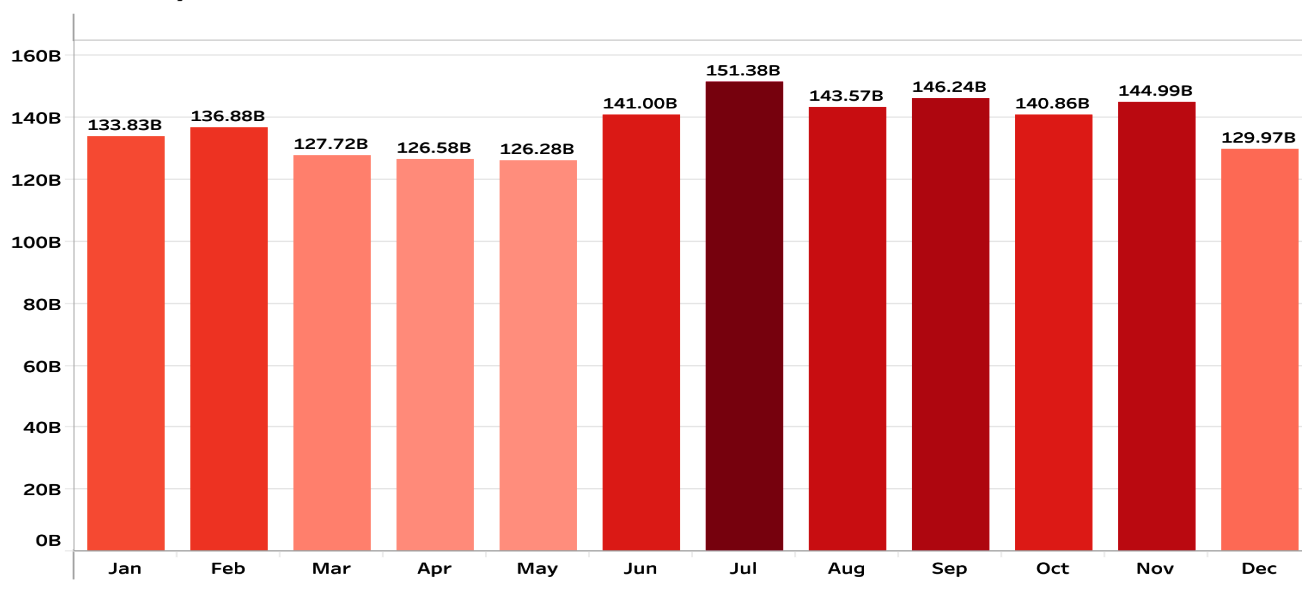
Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

FIG 8: FAAC Disbursements to States, Jan. to Dec. 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

FIG 9: FAAC Disbursements to LGCs, Jan. to Dec. 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

Total Net FAAC Disbursements to States Ranged between N24.14 Billion and N218.58 Billion, while Deductions Ranged between N2.16 Billion and N44.45 Billion

Figure 10 presents total net disbursements and total deductions for states in 2019. The figure reveals a wide disparity between net disbursements received by states. While Osun State had the lowest disbursed figure of N24.14 billion, Delta State had the highest of N218.58 billion. This implies that Delta State received over nine times the amount that Osun State received. Put differently, if we assume that the net disbursements received by both states are fairly constant, then, the amount received by Delta State in 2019 alone can be used to cover disbursements to Osun State in nine years.

Although there is wide disparity in net disbursements received by states, Figure 10 shows that most states (27) received between N40 billion and N67 billion. Thus, there were lower disparities in net disbursements received by most states.

Three states received less than N40 billion: Osun (N24.14 billion), Cross River (N36.22 billion) and Ogun (N38.63 billion). Nine states received between N40 billion and N49 billion: Gombe (40.93 billion), Ekiti (N41.2 billion), Zamfara (N41.67 billion), Plateau (N42.13 billion), Kwara (N42.35 billion), Ebonyi (N44.54 billion), Nassarawa (N44.78 billion), Taraba (N46.43 billion), and Adamawa (N48.25 billion). Fourteen states received between N50 billion and N59 billion: Yobe (N51.51 billion), Enugu (N51.89 billion), Abia (N51.93 billion), Kogi (N52.23 billion), Bauchi (N52.25 billion), Kebbi (N52.81 billion), Anambra (N53.8 billion), Benue (N54.24 billion), Sokoto (N55.38 billion), Oyo (N55.7 billion), Imo (N55.95 billion), Niger (N56.34 billion), Ondo (N57.79 billion), and Jigawa (N58.76 billion). Four states received between N60 billion and N69 billion: Borno (N61.6 billion), Katsina (N63.14 billion), Edo (N64.43 billion), and Kaduna (N66.98 billion). Kano State received N82.34 billion. Finally, five states received above N100 million: Lagos (N117.76 billion), Bayelsa (N139.69 billion), Rivers (N158 billion), Akwa Ibom (N171.43 billion) and Delta (N218.58 billion). Four of the top five states were in the Niger Delta region. This owes largely to the effects of 13% derivation.

Figure 10 also presents deductions from states' allocations. Yobe State had the lowest deduction of N2.16 billion while Lagos State had the highest deduction of N44.45 billion. It is interesting that the two states with the lowest net disbursements (Osun and Cross River) had the highest deductions

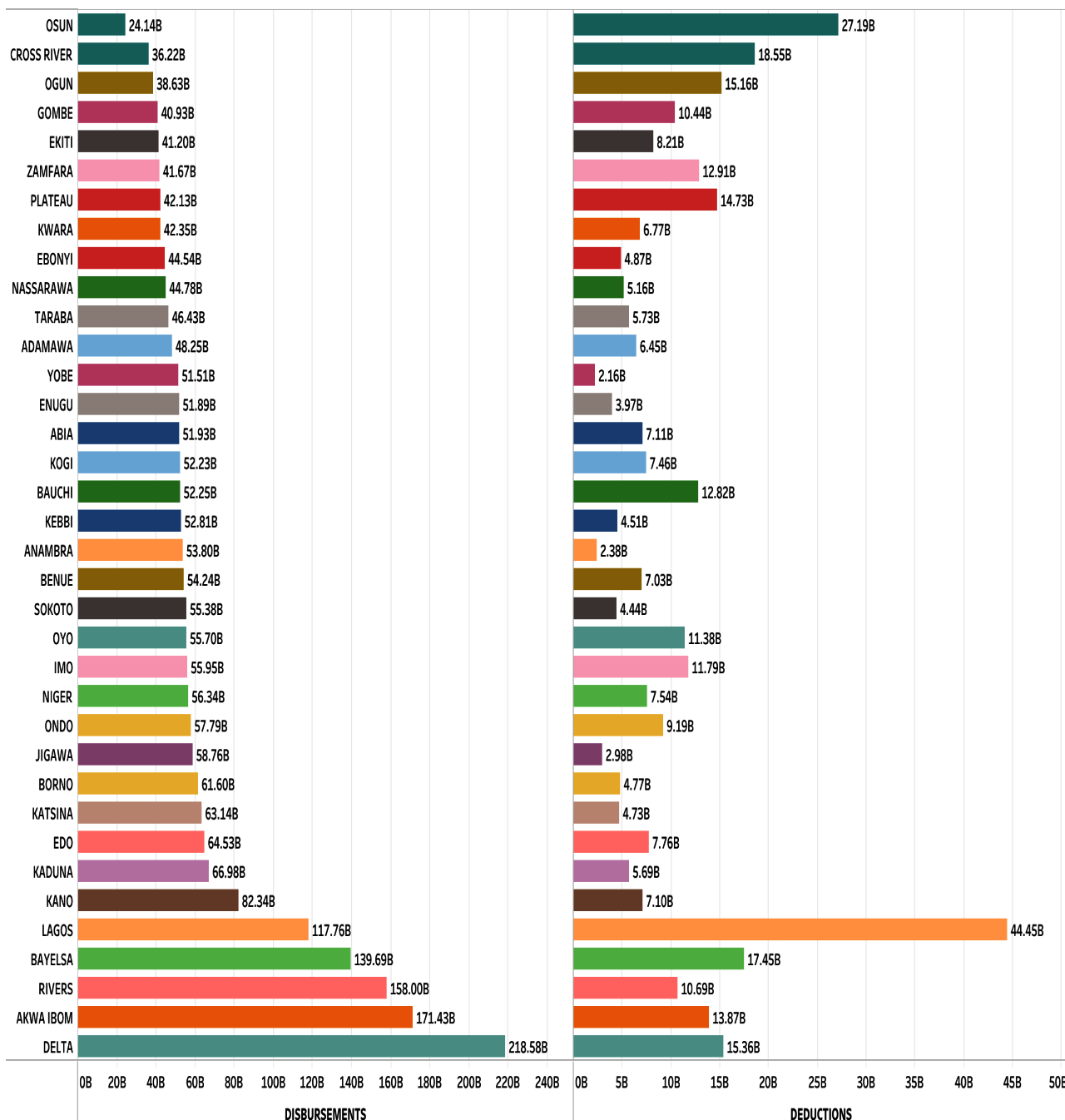


"Figure 10 also presents deductions from states' allocations. Yobe State had the lowest deduction of N2.16 billion while Lagos State had the highest deduction of N44.45 billion."

after Lagos State. Thus, the net disbursements of these states would have been considerably higher if such large amounts were not deducted from their allocations. While total deductions for Osun State were N27.19 billion, total deductions for Cross River State were N18.55 billion.

Deductions for most states (22) were below N10 billion. The states with the lowest deductions (below N10 billion) were Yobe, Anambra, Jigawa, Enugu, Sokoto, Kebbi, Katsina, Borno, Ebonyi, Nassarawa, Kaduna, Taraba, Adamawa, Kwara, Benue, Kano, Abia, Kogi, Niger, Edo, Ekiti, and Ondo States. Twelve states had deductions between N10 billion and N19 billion: Gombe, Rivers, Oyo, Imo, Bauchi, Zamfara, Akwa Ibom, Plateau, Ogun, Delta, Bayelsa, and Cross River. Only Osun and Lagos States had deductions above N20 billion.

FIG 10: Total Net FAAC Disbursements and Deductions for States in 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

Between 2017 and 2019, Total Net FAAC Disbursements to States were Lowest for all States in 2017 and Highest for Most States in 2019

Figure 11 presents total net FAAC disbursements to states from 2017 to 2019. The figure shows that net disbursements were lowest for all states in 2017. For most states, net disbursements were highest in 2018. The only exceptions are in Sokoto, Delta, Ekiti, Imo, Katsina, Osun, and Zamfara, where net disbursements were higher in 2019 than 2018.

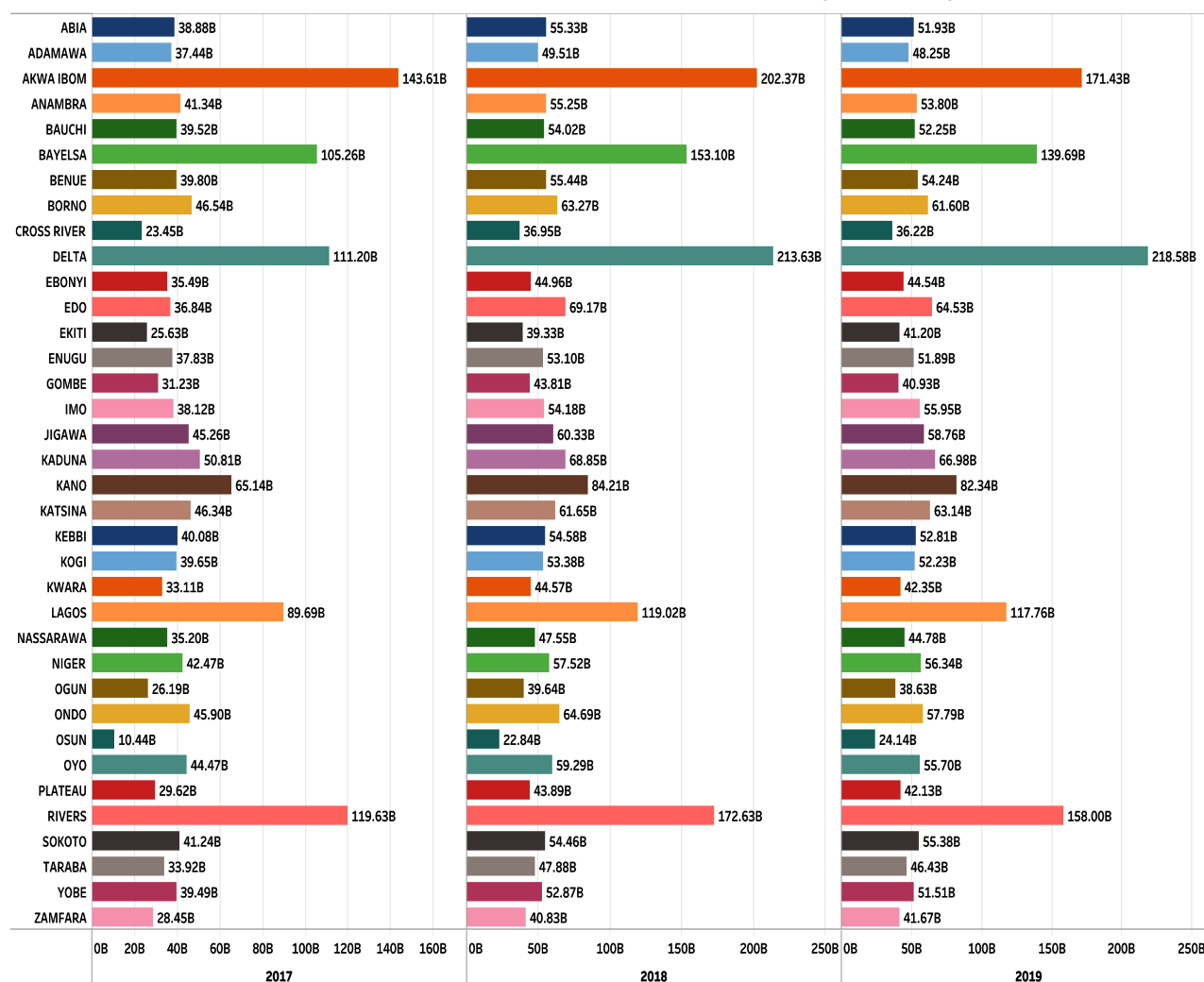
The figure shows that on one hand, there was a big jump in net disbursements to states between 2017 and 2018. On the other hand, there was a slight reduction between 2018 and 2019 for most states. Between 2017 and 2018, the lowest percentage increase in net disbursements was for Ebonyi State where disbursements in 2018 were 26.6% higher than disbursements in 2017. The highest percentage increase occurred in Osun State with a 118.8% increase in 2018 disbursements over the 2017 figures. For most states (28), the percentage increase of the 2018 disbursements over the 2017 disbursements were between 30% and 49%. The only exceptions were for Ebonyi (26.6%) and Kano (29.2%) where they were below 30%; and Ogun (51.4%), Ekiti (53.4%), Cross River (57.5%), Edo (87.7%), Delta (92.1%), and Osun (118.8%), where disbursements were above 50%.

Between 2018 and 2019, the percentage changes in net disbursements were lowest in Akwa Ibom (-18%) and highest in Osun (5.3%). These percentage changes were negative for most states, implying that net disbursements fell between 2018 and 2019. They were positive in only seven states.



"Between 2018 and 2019, the percentage changes in net disbursements were lowest in Akwa Ibom (-18%) and highest in Osun (5.3%)."

FIG 11: Total Net FAAC Disbursements for States, 2017 - 2019 (N billions)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation

Net FAAC Disbursements were Adequate in Covering the Recurrent Expenditure of 15 States, but were Inadequate in Covering the Full Budgets of All States

Figure 12 presents net FAAC disbursements and total revenue for states as percentages of recurrent expenditure and budgets. The percentages indicate the share of the expenditure (recurrent and total), that net FAAC disbursements or revenue can fund. Thus, values below 100% imply that the disbursements or revenue cannot fund all the expenditure, while values above 100% imply that they can fully fund the expenditure.

The first figure shows net FAAC disbursements expressed as a percentage of recurrent expenditure. The values range between 36.9% in Osun State and 151.8% in Akwa Ibom State. The percentages were below 100% in 21 states: Osun, Ogun, Oyo, Plateau, Kogi, Lagos, Kwara, Ondo, Abia, Ekiti, Adamawa, Taraba, Gombe, Edo, Bauchi, Niger, Benue, Sokoto, Cross River, Jigawa and Enugu. For these states, the implications are that net FAAC disbursements alone cannot service their recurrent expenditure. Thus, for their most basic expenditure, these states have to rely on both FAAC disbursements and IGR.

There are 15 states where the net FAAC disbursements expressed as percentage of recurrent expenditure was above 100%. These states are: Bayelsa, Zamfara, Kano, Nassarawa, Delta, Katsina, Kaduna, Rivers, Anambra, Borno, Imo, Yobe, Ebonyi, Kebbi and Akwa Ibom. These figures mean that these states were able to fund their recurrent expenditure completely from their net FAAC disbursements. Thus, excess funds would be left for capital expenditure.

The second figure contains net FAAC disbursements expressed as a percentage of the state budgets for 2019. The percentages range from 3.4% in Cross River to 56.2% in Yobe. The figures clearly indicate that no state was able to finance its total budget based on FAAC disbursements alone. The situation appears quite critical, as this percentage was above 50% in only two states: Delta State (56%) and Yobe State (56.2%). Thus, for almost all states, FAAC disbursements were quite inadequate in servicing their budgets. These states would need IGR to fulfil this purpose.

The third figure presents total revenue expressed as percentage of budgets. Total revenue is computed as the addition of net FAAC disbursements and IGR. These percentages range from 5.9% in Cross River State to 72.9% in Delta State. These percentages show that even with the addition of IGR to FAAC disbursements, no state can independently finance its budget. Thus, all states would be faced with the option of either not fully implementing their budgets or borrowing to achieve this.

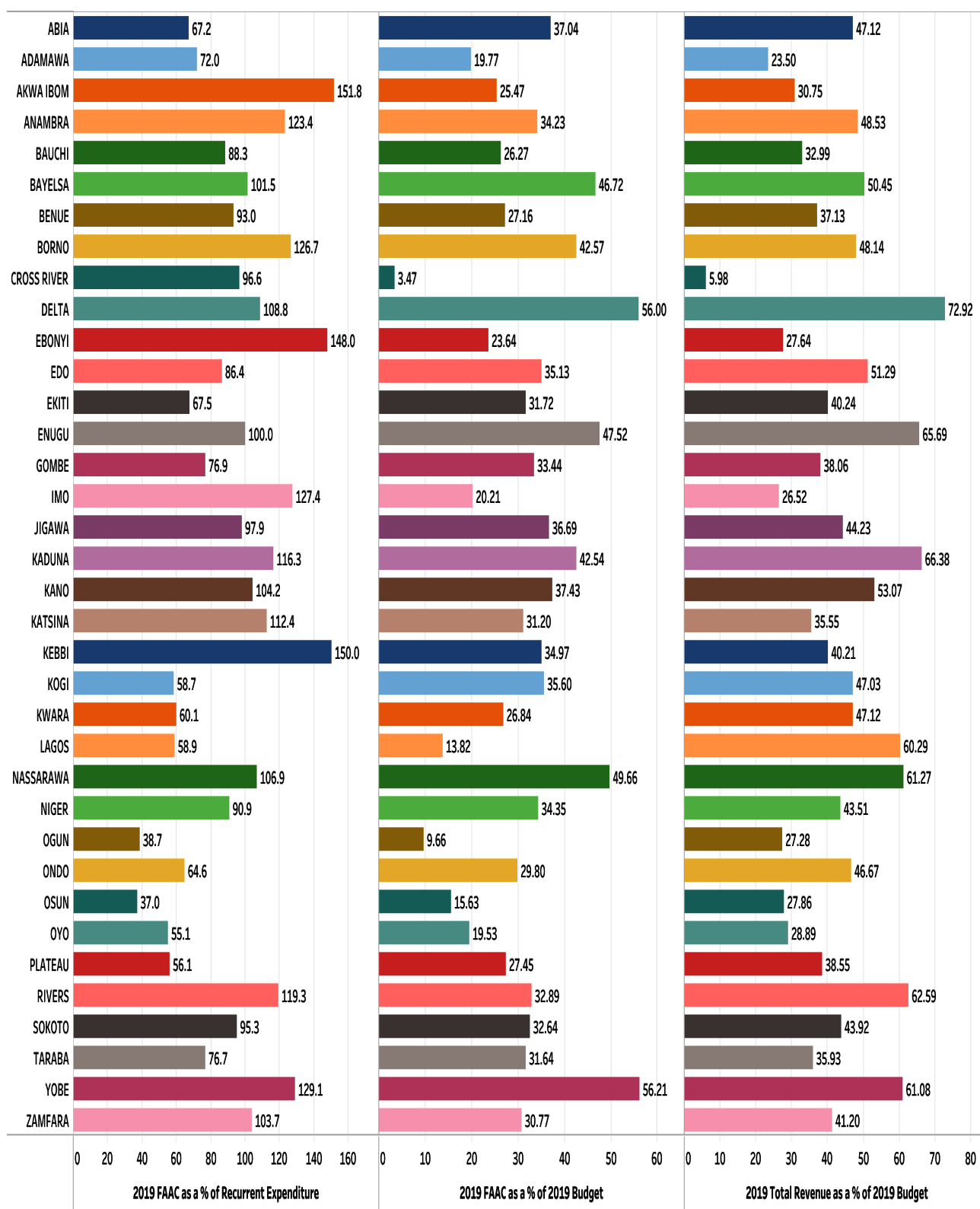


"The first figure shows net FAAC disbursements expressed as a percentage of recurrent expenditure. The values range between 36.9% in Osun State and 151.8% in Akwa Ibom State."

⁴ Data for total revenue comprises addition of total net FAAC disbursements and total internally generated revenue (IGR). Data for IGR from NBS was only available for Q1 to Q3. To obtain values for Q4, we used the average of the values for Q1 to Q3

The data for recurrent expenditure were obtained from BudgIT, 2019 (State of States)

FIG 12: Total Net FAAC Disbursements & Total Revenue as Percentages of Recurrent Expenditure, Budgets for States in 2019 (%)



Sources: National Bureau of Statistics, Fiscal Disbursement Units @ NEITI, Office of Accountant General of the Federation, Budget, Various States' websites and News Outlets

Projections for 2020

The analysis conducted in this review has revealed that FAAC disbursements dropped slightly in 2019 compared to 2018. This review showed that FAAC disbursements were higher in the second half of 2019 than the first half. Thus, while disbursements from FAAC dropped substantially in the first quarter, they increased progressively until the fourth quarter.

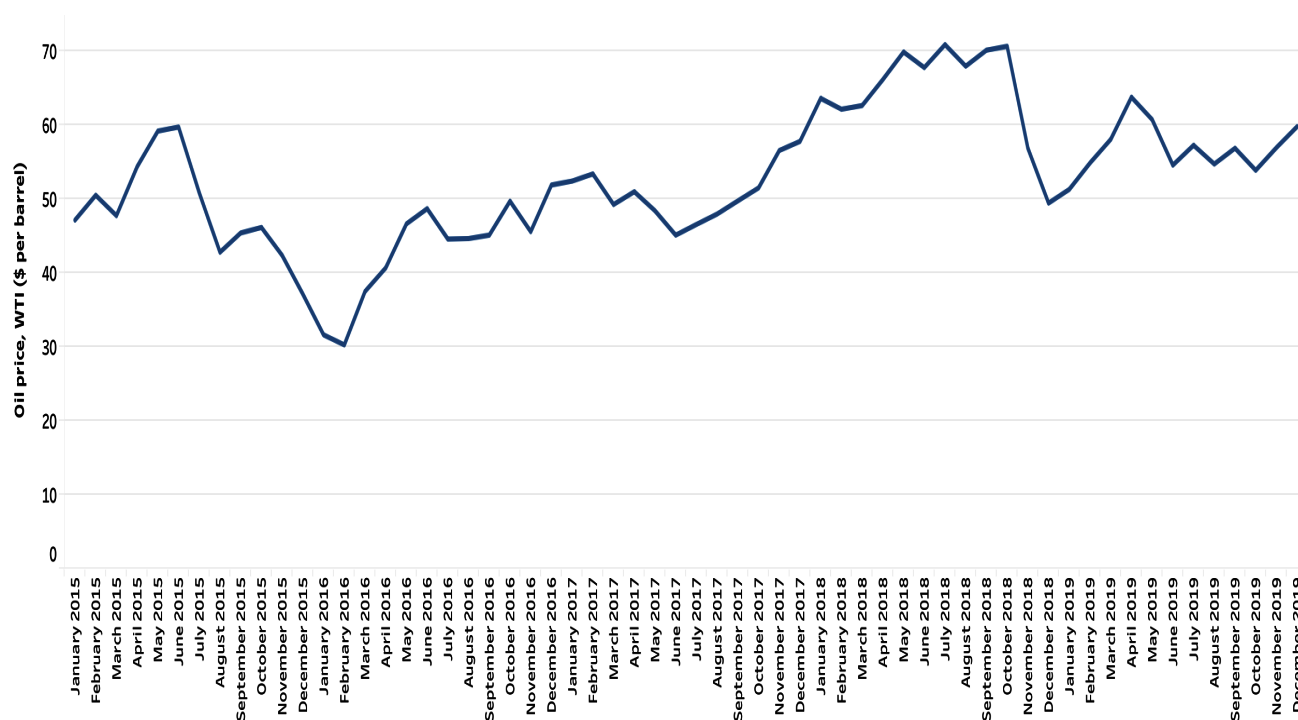
Figure 13 presents the monthly price of crude oil (WTI) between January 2015 and December 2019. The figure shows that oil prices experienced a big drop from late 2018 which culminated in the trough in December 2018. Starting from January 2019, oil prices started rising, but have not reached the highest level experienced in 2018. The lower oil prices contributed to lower revenues which ultimately led to the lower figures for FAAC disbursements starting from January 2019. Average oil prices were \$56.9 per barrel in 2019. Compared with average oil prices of \$64.9 per barrel in 2018, average oil prices in 2019 were lower by 12%.

Available data for the first month of 2020 shows average oil price of \$58.6 per barrel. This suggests that oil prices have experienced an increase over the 2019 figures. With increased efforts by the OPEC+ alliance, the collaboration between Organization of Petroleum Exporting Countries (OPEC) and other major oil producers to stem falling oil prices, it is hoped that oil prices will not fall further. If this happens, it will result in increased revenue for the Federation, and ultimately boost FAAC disbursements in 2020.



"Figure 13 presents the monthly price of crude oil (WTI) between January 2015 and December 2019. The figure shows that oil prices experienced a big drop from late 2018 which culminated in the trough in December 2018."

FIG 13: WTI Oil Price, Jan. 2015 to Dec. 2019 (\$ per barrel)



Conclusion

This review has conducted an analysis of disbursements from FAAC in the year 2019. The review showed that total FAAC disbursements in 2019 were N8.147 trillion. This comprised N3.376 trillion to the Federal Government, N2.761 trillion to states, and N1.649 trillion to local governments.

The review showed that quarterly total FAAC disbursements were N1.929 trillion in the first quarter, N1.913 trillion in the second quarter, N2.273 trillion in the third quarter, and N2.031 trillion in the fourth quarter.

There was wide disparity between net disbursements received by states. While Osun State had the lowest disbursed figure of N24.14 billion, Delta State had the highest disbursement of N218.58 billion.



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