

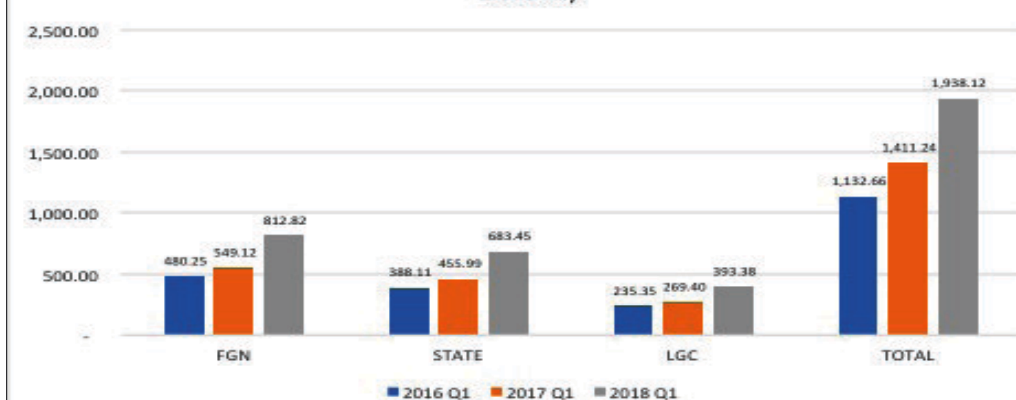
Analysis of FAAC Disbursements for Q1 2018

The year started on a bright note as all tiers of government received higher revenues than in the corresponding quarters of the past two years. This was largely on account of sustained increase in domestic oil production and global oil prices, which is in consonance with NEITI's projections of bright prospects for government revenue in 2018 made in the last issue of this Quarterly Review. This review examines disbursements from the Federation Account Allocation Committee (FAAC) in the first quarter of 2018. The analysis was carried out using data on disbursements to all tiers of government, data on state budgets, and internally generated revenue (IGR).

Total FAAC Disbursements in Q1 2018 were 37.3% Higher than in Q1 2017 and 71.1% Higher than Q1 2016²

Total FAAC disbursements to all tiers of government were N1.938 trillion in the first quarter of 2018. This is an increase of 37.3% on the N1.411 trillion disbursed in the first quarter of 2017 and 71.1% higher than the N1.132 trillion disbursed in the first quarter of 2016. Figure 1 shows total disbursements to the three tiers of government and it can be seen that all tiers of government experienced an increase in disbursements. Total disbursements to the Federal Government came to N812.8 billion in the first quarter of 2018, which is a 48% increase over the N549.1 billion disbursed in the first quarter of 2017 and 69% higher than the N480.2 billion disbursed in the first quarter of 2016. Total disbursements to state governments in the first quarter of 2018 amounted to N683.4 billion, a 49.8% increase over the N455.9 billion disbursed in the first quarter of 2017 and a 76.1% increase on the amount of N388.1 billion disbursed in the first quarter of 2016. A total of N393.3 billion was disbursed to local government areas in the first quarter of 2018. This is 46% and 67% higher than the N269.4 billion and N235.3 billion disbursed in the first quarters of 2017 and 2016 respectively. These higher disbursements in the first quarter of 2018, if maintained, indicate bright prospects for higher revenues for the rest of the year.

FIG 1: FAAC Disbursements in 2016 Q1, 2017 Q1 & 2018 Q1 (N billions)



Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

¹This 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.

²Total 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

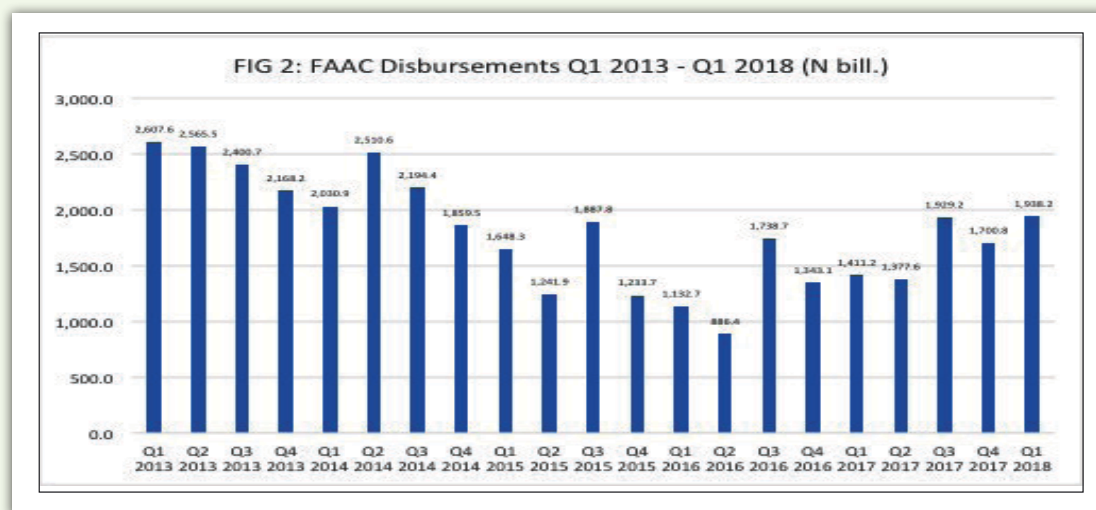
HIGHLIGHTS

- A total of N1.938 trillion was disbursed in Q1 2018, which is 37.3% and 71.1% higher than total disbursements in Q1 2017 and Q1 2016 respectively;
- However, total FAAC disbursements for Q1 2018 were 25.6% lower than the figure for Q1 2013, showing that revenues still below the level before crash in oil prices;
- Total net FAAC disbursements to states ranged between N4.99 billion (Osun) and N50.88 billion (Akwa Ibom), a variance of 920% between the lowest and the highest;
- Of the five states that received N10 billion and below from FAAC in Q1 2018, three are from the South West (Osun, Ekiti and Ogun), one is from the South-South (Cross River) and one is from the North West (Zamfara);
- Of the five states that received more than N20 billion from FAAC in Q1 2018, only Lagos State is not from the oil-producing South-South region;
- Projected total revenues for 2018 will be grossly inadequate to service the proposed and approved budgets in all states.

Total FAAC Disbursements in the First Quarter of 2018 were 25.6% Lower than in the First Quarter of 2013

Figure 2 presents quarterly disbursements from Q1 2013 to Q1 2018. The figure reveals that the amount disbursed in the first quarter of 2018 exceeded amounts disbursed in the previous 13 quarters (up to Q4 2014). However, these amounts are still lower than amounts typically disbursed before the oil price crash of 2014. Prior to the crash in oil prices, quarterly disbursements exceeded N2 trillion. The amount disbursed in the first quarter of 2018 was 25.6% lower than the highest amount disbursed in the figure (N2.607 trillion). Thus, cautious optimism should be exercised with respect to celebrating the high amounts disbursed in Q1 2018.

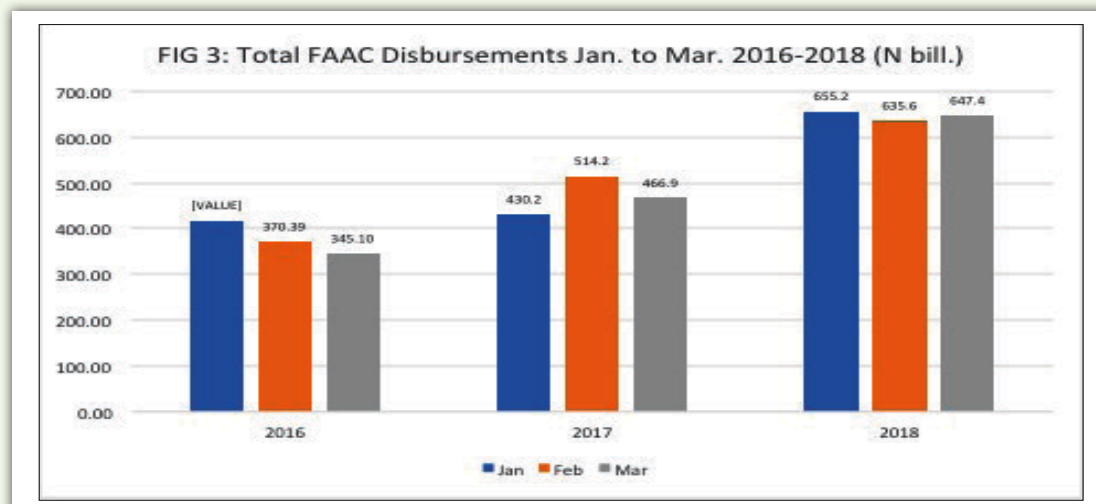
"Total FAAC disbursements to all tiers of government were N1.938 trillion in the first quarter of 2018. This is an increase of 37.3% on the N1.411 trillion disbursed in the first quarter of 2017 and 71.1% higher than the N1.132 trillion disbursed in the first quarter of 2016."



Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

Total FAAC Disbursements in the First Quarter of 2018 were Highest in January and Lowest in February

Total FAAC disbursements in the first quarter of 2018 were N655.2 billion in January, N635.6 billion in February, and N647.4 billion in March. Disbursements fell by 2.9% between January and February, and by 1.1% when the figures between March and January are compared. Thus, while total disbursements fell in both February and March, they slightly rose in March over the February figures but did not reach the January levels. Figure 3 depicts total disbursements in the first quarters of 2016 to 2018. Disbursements in the first quarter of 2018 were clearly higher than in the first quarters of either 2016 or 2017. The figure also reveals a slightly different trend in disbursements in all three years. In 2016, disbursements fell consistently from January to March. In 2017, disbursements rose between January and February and then fell in March, while in 2018, they fell between January and February and increased in March. These fluctuations are symptomatic of the volatile effects of oil prices and production on government revenue.



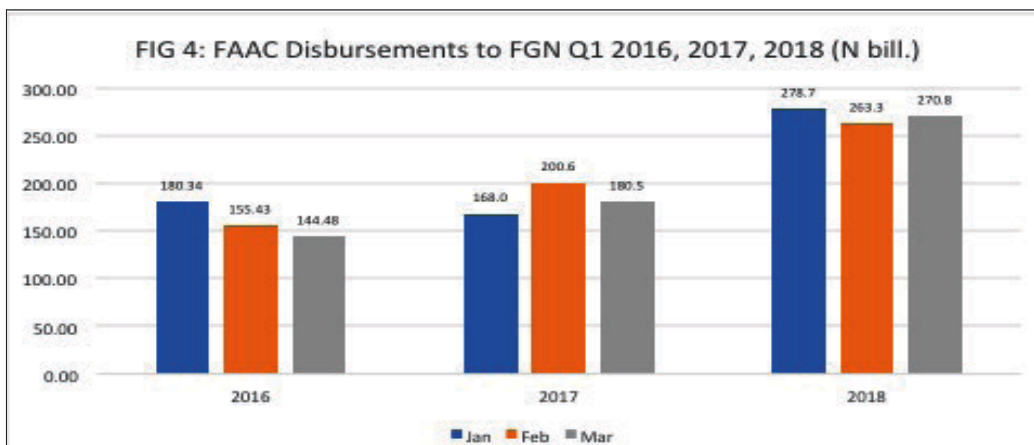
Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

Total FAAC Disbursements to the Federal and Local Governments were Highest in January and Lowest in February

Figures 4 to 5 present FAAC disbursements to the federal and local governments in the first quarters of 2016 to 2018. The figures reveal that disbursements to the federal and local governments in the first quarter of 2018 were highest in January and lowest in February.

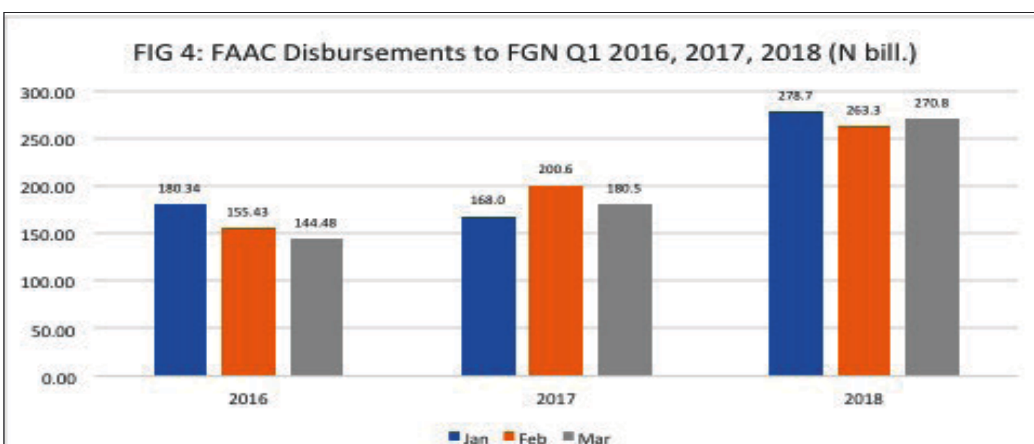
For the Federal Government, while the amount disbursed in January was N278.7 billion, February's disbursements fell by 5.5% to N263.3 billion. The disbursements increased slightly to N270.8 billion in March. It is interesting to note that disbursements in all months in the first quarter of 2018 were higher than disbursements in any month in the first quarters of 2016 and 2017. The disbursements in January 2018 were 65.8% and 54.5% higher than disbursements in January 2017 and January 2016 respectively. Also, disbursements to the Federal Government in February 2018 were 31.2% and 69.4% higher than disbursements in February 2017 and February 2016 respectively. Similarly, disbursements in March 2018 were 50.02% and 87.4% higher than disbursements in March 2017 and March 2016 respectively.

"The amount disbursed in the first quarter of 2018 was 25.6% lower than the highest amount disbursed in the figure (N2.607 trillion). Thus, cautious optimism should be exercised with respect to celebrating the high amounts disbursed in Q1 2018."



Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

For local governments, disbursements in February 2018 were 1.88% lower than disbursements in January, while disbursements in March 2018 were 1.82% lower than disbursements in January. Again, figure 5 reveals that disbursements in the first quarter of 2018 exceeded disbursements in the corresponding quarters of 2017 and 2016. FAAC disbursements to local governments in January 2018 were N132.5 billion which was 55.1% higher than disbursements in January 2016 and 2017. Disbursements in February 2018 were N130.0 billion and this represented an increase of 34.7% and 67.1% respectively on the amounts disbursed in February 2017 and February 2016. Disbursements to local governments in March 2018 were N130.9 billion. This represented an increase of 49.6% and 81.4% on disbursements in March 2017 and 2016 respectively.

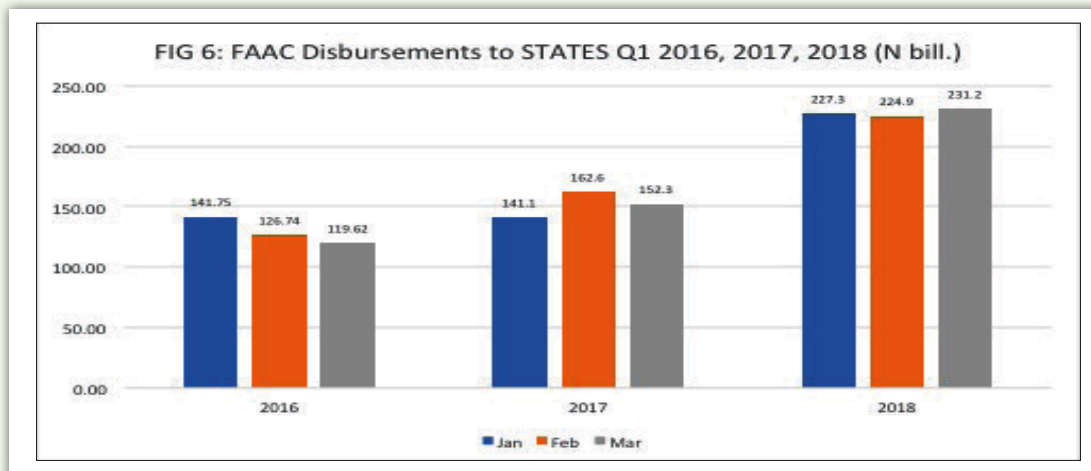


Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

Total FAAC Disbursements to State Governments were Highest in March and Lowest in February

Figure 6 presents disbursements to state governments in the first quarter of 2016 to 2018. In the first quarter of 2018, the highest amount disbursed was in March (N231.2 billion). This amount was 2.8% higher than the amount disbursed in February 2018, and 1.7% higher than the amount disbursed in January of the same year. Similar to previous observations, the first quarter of 2018 witnessed substantial increase in disbursements over the past two years. The N227.3 billion disbursed in January 2018 was 61.09% and 60.35% higher than disbursements in 2017 and 2016 respectively. Also, N224.9 billion was disbursed to states in February 2018 and this was 38.3% and 77.4% higher than disbursements in corresponding quarters of 2017 and 2016 respectively. In March, the states received a total of N231.2 billion. This amount was 51.8% and 93.2% higher than the amounts received in March 2017 and March 2016 respectively.

"Osun State received the lowest net disbursement of N4.99 billion while Akwa Ibom State received the highest of N50.44 billion. This implies that Akwa Ibom State received 920% of what Osun State received."



Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

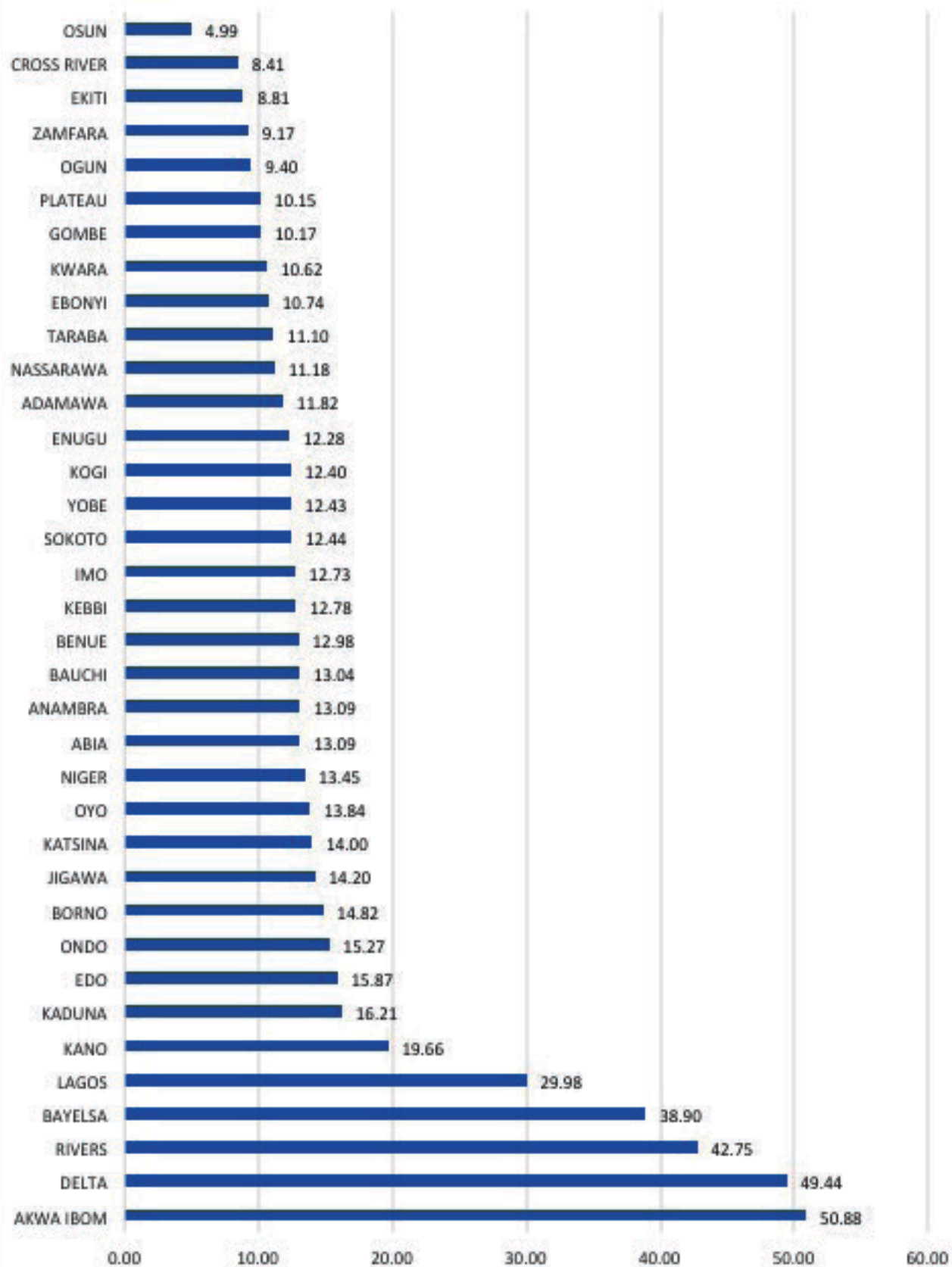
Total Net FAAC Disbursements to States Ranged between N4.99 billion and N50.88 billion

Figure 7 presents total net FAAC disbursements to states in the first quarter of 2018. Osun State received the lowest net disbursement of N4.99 billion while Akwa Ibom State received the highest of N50.44 billion. This implies that Akwa Ibom State received 920% of what Osun State received. These figures reveal there was wide disparity in the amounts received by different states from FAAC. Three broad categories can be identified (Table 1). First, five states received less than N10 billion: Osun, Cross River, Ekiti, Zamfara and Ogun states. Notably, three of these five states are in the South West (Osun, Ekiti and Ogun), one is from the South South (Cross River) and one is from the North West (Zamfara). Second, 26 states received between N10.1 billion and N20 billion: Plateau, Gombe, Kwara, Ebonyi, Taraba, Nasarawa, Adamawa, Enugu, Kogi, Yobe, Sokoto, Imo, Kebbi, Benue, Bauchi, Anambra, Abia, Niger, Oyo, Katsina, Jigawa, Borno, Ondo, Edo, Kaduna and Kano states. Finally, five states received above N20 billion: Lagos, Bayelsa, Rivers, Delta, and Akwa Ibom states. Interestingly, of these five states that received above N20 billion, only Lagos State is not from the oil producing South-South region.

Such disparities in FAAC disbursements would suggest differences in revenue capacities of different states. This would be expected to play a role in expenditure decisions of states. Thus, states with lower disbursements from FAAC ordinarily would be expected to have lower budgets and states with high FAAC disbursements would be expected to have higher budgets. Figure 8 presents approved and proposed budgets for states and it is seen that this is not always the case. For example, Cross River which received the second lowest disbursement (N8.41 billion) in the first quarter has the largest budget proposal (N1.3 trillion). Also, Osun State which received the lowest disbursement (4.99 billion) in the first quarter has the 18th largest budget proposal (N173.9 billion). These states would have to put a lot of efforts into generating internal revenue or would have to resort to borrowing to stand a chance of implementing their budgets.

³ The exceptions would be states such as Lagos, Rivers and Ogun with high IGR

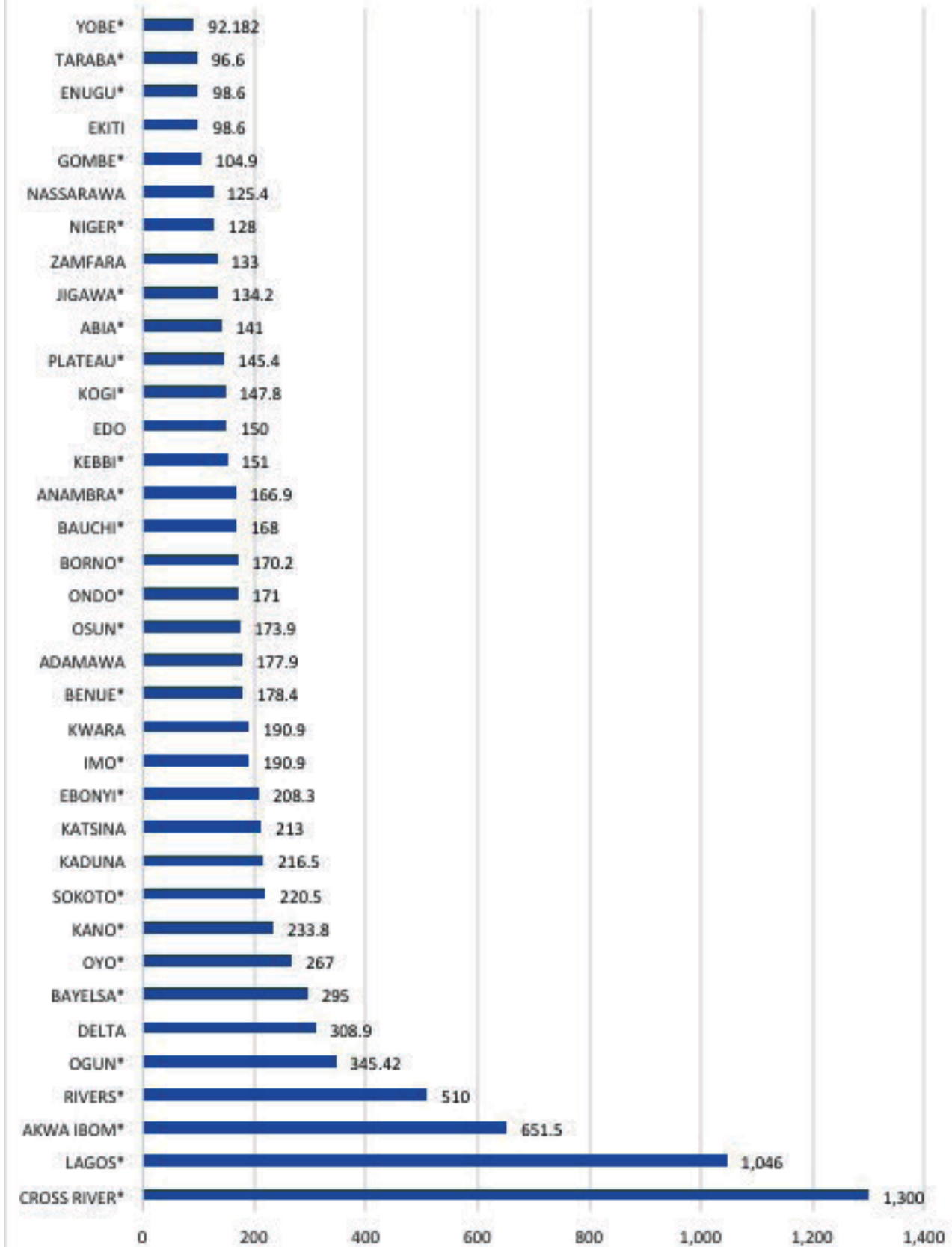
FIG 7: Total Net FAAC Disbursements to States in Q1 2018 (N bill.)



Source: Budget

Note: * indicates budgets are proposals

FIG 8: 2018 State Budgets (N bill.)



Source: Budget

Note: * indicates budgets are proposals

Table 1: FAAC Disbursements to States in Q1 2018 (N bill.)

A. States with disbursements below N10 billion	
Osun	4.99
Cross River	8.41
Ekiti	8.81
Zamfara	9.17
Ogun	9.40
B. States with disbursements between N10 billion and N20 billion	
Plateau	10.15
Gombe	10.17
Kwara	10.62
Ebonyi	10.74
Taraba	11.10
Nasarawa	11.18
Adamawa	11.82
Enugu	12.28
Kogi	12.40
Yobe	12.43
Sokoto	12.44
Imo	12.73
Kebbi	12.78
Benue	12.98
Bauchi	13.04
Anambra	13.09
Abia	13.09
Niger	13.45
Oyo	13.84
Katsina	14.00
Jigawa	14.20
Borno	14.82
Ondo	15.27
Edo	15.87
Kaduna	16.21
Kano	19.66
C. States with disbursements above N20 billion	
Lagos	29.98
Bayelsa	38.90
Rivers	42.75
Delta	49.44
Akwa Ibom	50.88

Projected Total Revenue for 2018 will be Grossly Inadequate to Service Budget in All States

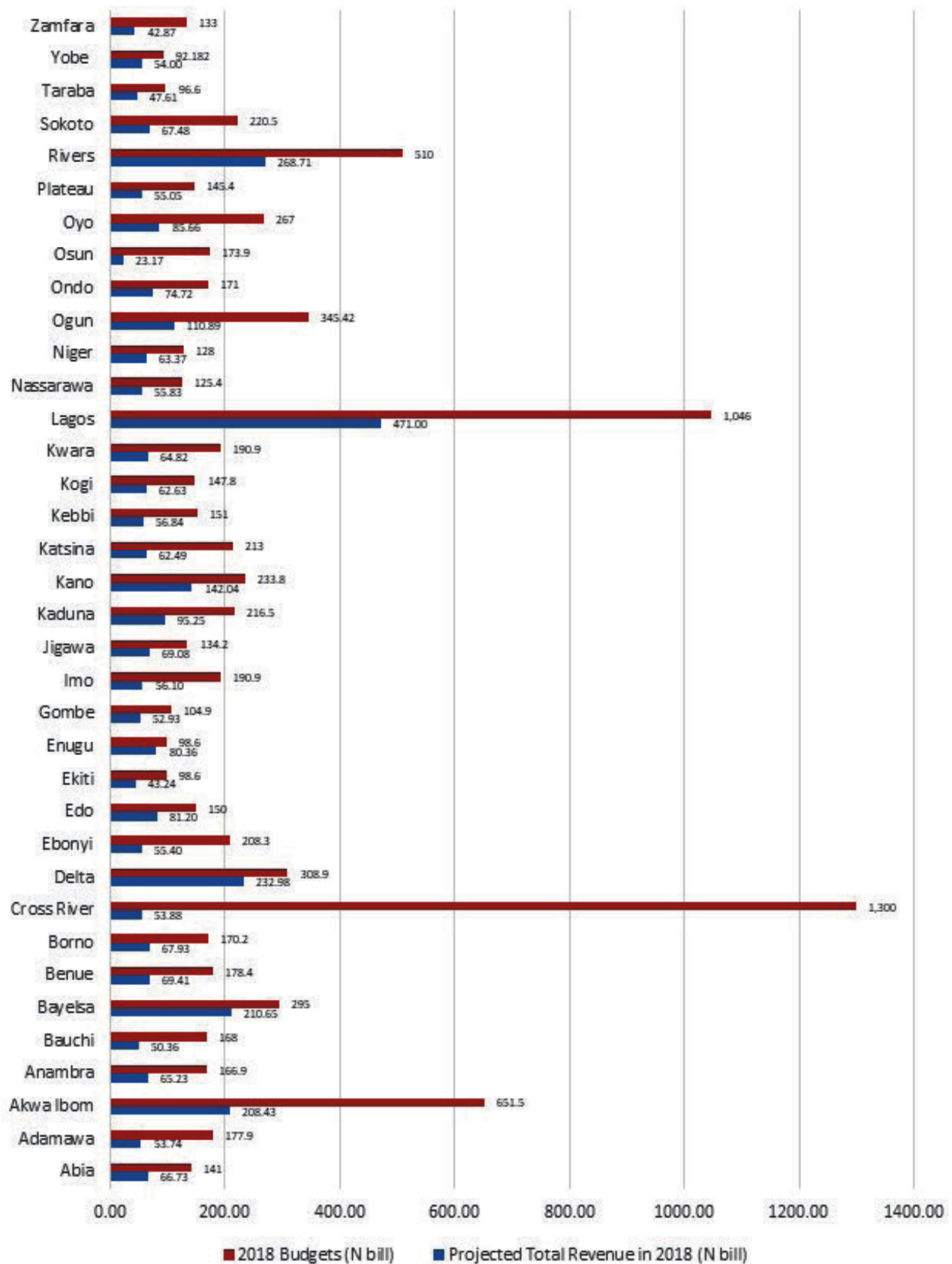
Figure 9 presents projected figures for total revenue and budgets for states for 2018. The figures for projected total revenue are obtained by calculating the sum of projected IGR and projected net FAAC disbursements. The projected figures for IGR and FAAC disbursements in 2018 are obtained by using percentage growth rates of both variables between 2016 and 2017. For each state, we calculated the percentage growth rates in IGR and FAAC disbursements between 2016 and 2017. These percentage growth rates were then added to the actual figures for IGR and disbursements for 2017. This calculation is based on the assumption that IGR and FAAC disbursements for 2018 would grow at similar rates as they grew in 2017.

Figure 9 shows that the budget of all states completely outstrips their projected total revenues. The gap between projected total revenue and budgets is small in some states such as Kano, Enugu, Delta and Bayelsa. In these states, projected revenue is at least 60% of the budgets. However, in 18 states, projected revenue is less than 40% of budgets (Adamawa, Akwa Ibom, Anambra, Bauchi, Benue, Borno, Cross River, Ebonyi, Imo, Katsina, Kebbi, Kwara, Ogun, Osun, Oyo, Plateau, Sokoto and Zamfara). In a state like Cross River, the situation is chronic as the projected total revenue only constitutes 4% of the proposed budget.

These conditions will ultimately result in a situation where the states will either not be able to execute their budgets or they will have to increase their borrowing. The chronic situation with state debt has been emphasized by previous issues of this review.

"Figure 9 shows that the budget of all states completely outstrips their projected total revenues. The gap between projected total revenue and budgets is small in some states such as Kano, Enugu, Delta and Bayelsa. In these states, projected revenue is at least 60% of the budgets."

FIG 9: Projected 2018 States Total Revenue and Budgets (N bill)



Sources: National Bureau of Statistics and Budget

Table 2: Projected Revenues and Proposed/Passed Budgets for States in 2018

States	Projected Total Revenue in 2018 (N bill)	Proposed/Passed 2018 Budgets (N bill)	Percentage of Proposed Revenue to Budgets (%)
Abia	66.73	141.00	47.32
Adamawa	53.74	177.90	30.21
Akwa Ibom	208.43	651.50	31.99
Anambra	65.23	166.90	39.08
Bauchi	50.36	168.00	29.98
Bayelsa	210.65	295.00	71.41
Benue	69.41	178.40	38.91
Borno	67.93	170.20	39.91
Cross River	53.88	1300.00	4.14
Delta	232.98	308.90	75.42
Ebonyi	55.40	208.30	26.60
Edo	81.20	150.00	54.13
Ekiti	43.24	98.60	43.86
Enugu	80.36	98.60	81.50
Gombe	52.93	104.90	50.46
Imo	56.10	190.90	29.39
Jigawa	69.08	134.20	51.48
Kaduna	95.25	216.50	44.00
Kano	142.04	233.80	60.75
Katsina	62.49	213.00	29.34
Kebbi	56.84	151.00	37.64
Kogi	62.63	147.80	42.37
Kwara	64.82	190.90	33.95
Lagos	471.00	1046.00	45.03
Nassarawa	55.83	125.40	44.52
Niger	63.37	128.00	49.51
Ogun	110.89	345.42	32.10
Ondo	74.72	171.00	43.70
Osun	23.17	173.90	13.32
Oyo	85.66	267.00	32.08
Plateau	55.05	145.40	37.86
Rivers	268.71	510.00	52.69
Sokoto	67.48	220.50	30.60
Taraba	47.61	96.60	49.28
Yobe	54.00	92.18	58.58
Zamfara	42.87	133.00	32.24

Conclusion

This review examined FAAC disbursements in the first quarter of 2018. The review showed that disbursements in the first quarter of 2018 have been higher than disbursements in the first quarters of 2017 and 2016. In the first quarter of 2018, total disbursements were highest in January while they were lowest in February. The review also revealed that there was wide disparity in total net FAAC disbursements to states as disbursements in the first quarter of 2018 ranged between N4.99 billion and N50.88 billion. Finally, this review showed that projected total revenue for 2018 will be grossly inadequate to service the budgets in all states.

"Cross River which received the second lowest disbursement (N8.41 billion) in the first quarter has the largest budget proposal (N1.3 trillion). Also, Osun State which received the lowest disbursement (4.99 billion) in the first quarter has the 18th largest budget proposal (N173.9 billion)."



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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