



FG, STATES, LGCs SHARE N1.5 TRILLION

Analysis of allocations to the three tiers of government in the third quarter of 2016 presents a mixed picture: the figure for the third quarter of 2016 is a major improvement over what was shared in each of the first and second quarters of 2016, yet it is still a significant dip when compared to the amount shared in the third quarter of 2015, indicating that government allocations are improving even when the 2016 figures still lag behind the corresponding ones for 2015.

These are some of the highlights of the second issue of the **NEITI Quarterly Review**, which shows that the federal government, the states and the local government areas got a total of N1.534 trillion as allocations from the from the Federation Account Allocation Committee (FAAC) for July, August and September 2016.

Though the figure for the third quarter of 2016 represents a 18.9% decline against the N1.89 trillion shared in the third quarter of 2015, the picture is not all gloomy, as the disbursement from FAAC in the third quarter of 2016 was a 35% increase on the N1.132 trillion shared in the first quarter of 2016 and a 74% rise on the N881.65 billion shared in the second quarter of 2016.

“This increase in government revenue portends well for the execution of budgets that have been constrained since the beginning of the year as a result of the drastic fall in FAAC disbursements,” states the NEITI Quarterly Review, which was introduced in September 2016 to provide analytical review of issues around management of revenues from Nigeria’s extractive sector.

The NEITI report attributes the improvement in revenues in the last quarter to the rally in the price of crude oil, the improvement in oil production as a result of reduction in militant activities in the Niger Delta region, and gains from adjustment in the exchange rate.

A breakdown of the allocations for the third quarter of 2016 shows that the federal government received N697.9 billion; the states got N512.66 billion; and the local government areas collected N324.31 billion. The major spike was in July, when the three tiers of government shared N546.62 billion as against the N304.91 billion they shared in June, an increase of 79%.

However, the July trajectory was not sustained as revenues to the three tiers of government dipped to N486.02 billion in August but increased marginally to N502.23 billion in September, a dip of 11% and 8.12% respectively on the July figure.

Nevertheless, a different picture of dwindling allocations emerges when the FAAC disbursements for the third quarter of 2016 are compared to those of the third quarter of 2015. The federal government receipt in the third quarter of 2016 was N129.9 billion less than what it received in the corresponding period in 2015; while the states and the local government areas received N72.1 billion and N48.5 billion less respectively.

However, a closer review of the non-oil revenue disbursements to the three tiers of government for the three quarters of 2016 showed a marginal increase over the same period in 2015, the report said.

Total disbursement for value added tax (VAT) to the three tiers of government between January and September 2016 was N601.53 billion, a meagre 0.10% higher than the N600.95 billion disbursed for the corresponding period in 2015.

Detailed review of the VAT disbursements showed that, in line with the VAT sharing formula, the states received the lion’s share of N288.72 billion in 2016 as against the N288.44 billion of 2015, followed by local government areas which received against

N202.13 billion 2016 as against the N201.90 billion of 2015. The federal government got only N86.64 billion in 2016 as against the N86.53 billion of 2015.

A comparison between the states' 2016 budgets and total FAAC disbursements for the three quarters of 2016 showed that they have received far less than expected so far in 2016.

Considering that most states depend on FAAC allocations to fund their annual budgets, NEITI observed that lower monthly disbursements is likely to negatively impact budget implementation of most states of the federation.

Although the states also have revenue inflows from internally generated revenues (IGR), the report contends that, it is highly unlikely that IGR would be sufficient to offset the huge gap between expenditure and revenue in many states, with perhaps only the exception of three states (Lagos, Rivers, and Delta).

"The dwindling revenue from the petroleum sector, which has led to substantially lower disbursements from the Federation Account, will limit the ability of states to effectively execute their budgets," concludes the NEITI report.