

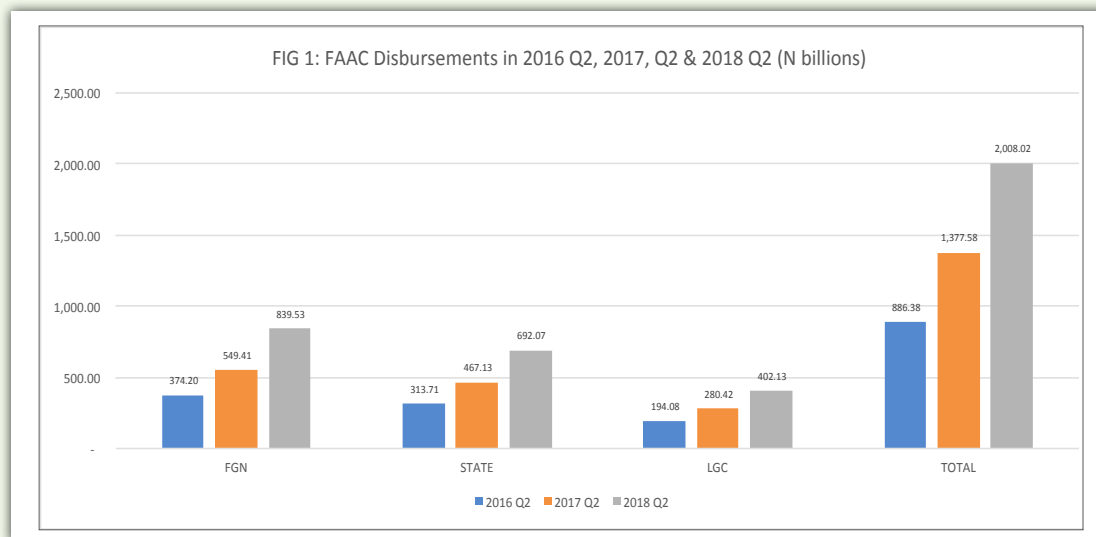


# Highlights of FAAC Disbursements in Q2 and H1 of 2018

Revenue accruing to the Nigerian Federation has been on an upward trajectory since the third quarter of 2017. Between the third quarter of 2015 and third quarter of 2017, total allocations from the Federation Account Allocation Committee (FAAC) only exceeded N1.5 trillion once and that was in the third quarter of 2016. However, since the third quarter of 2017 to date, there have been four successive quarters in which total FAAC allocations exceeded N1.5 trillion. The last time the country had four successive quarters of FAAC allocations exceeding N1.5 trillion was between the fourth quarter of 2014 and first quarter of 2015. These figures signal cautious optimism for future revenue for the Federation. This review analyses FAAC disbursements for the second quarter and the first half of 2018. We make use of data on disbursements from NEITI's attendance at FAAC meetings and data from the National Bureau of Statistics (NBS).

## Total FAAC Disbursements in Q2 2018<sup>1</sup> were 45.8% Higher than in Q2 2017 and 126.5% Higher than in Q2 2016<sup>2</sup>

In the second quarter of 2018, FAAC disbursements totaled N2.008 trillion. This was 45.8% higher than the N1.377 trillion disbursed in the second quarter of 2017 and 126.5% higher than the N886.38 billion disbursed in the second quarter of 2016. Figure 1 presents a summary of the FAAC disbursements in the second quarter of 2018. Of the N2.008 trillion disbursed, N839.53 billion went to the Federal Government (FG), N692.07 billion went to state governments (SGs), and N402.13 billion went to local government areas (LGAs). Thus, the Federal Government received the largest share of the FAAC disbursements with 41.8%. States received the second largest share of 34.4%, while LGAs received the lowest share of 20%.



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

### HIGHLIGHTS

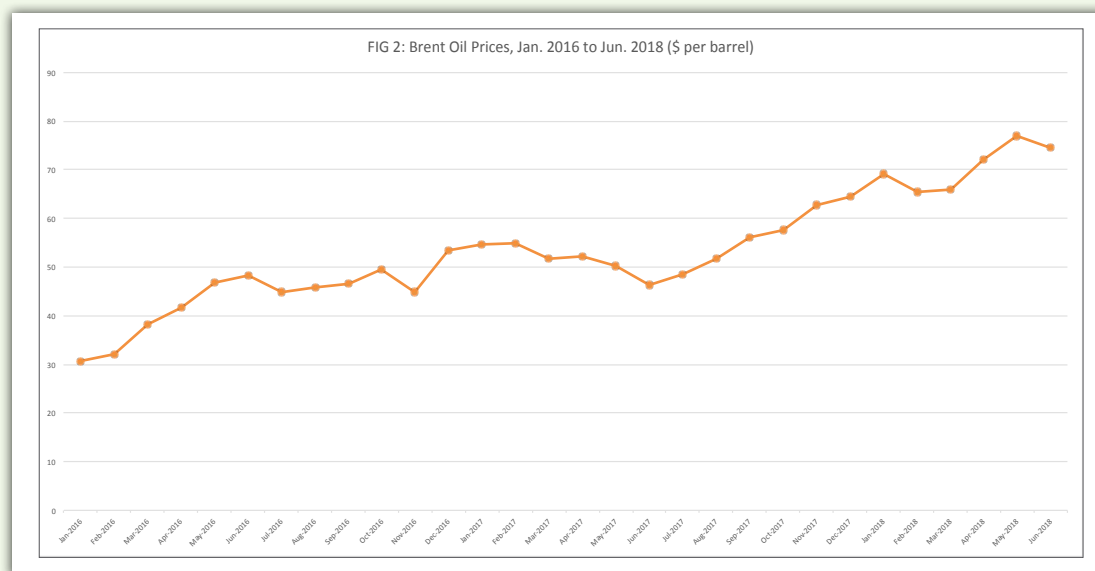
- Total FAAC disbursements in Q2 2018 (N2.008 trillion) were 45.8% higher than in Q2 2017 (N1.377 trillion) and 126.5% higher than in Q2 2016 (N886.38 billion);
- Total FAAC disbursements in the first half of 2018 (N3.946 trillion) were 41.4% higher than in the first half of 2017 (N2.788 trillion) and 95.4% higher than in the first half of 2016 (N2.019 trillion);
- Total FAAC disbursements in Q2 2018 were the highest since Q3 2014;
- Total Value Added Tax (VAT) disbursements in Q2 2018 were 35.4% higher than in Q1 2015;
- Total Net FAAC disbursements to States in the First half of 2018 Ranged between N10.24 billion (Osun State) and N101.19 billion (Delta state), a variance of 988%.

<sup>1</sup> 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.

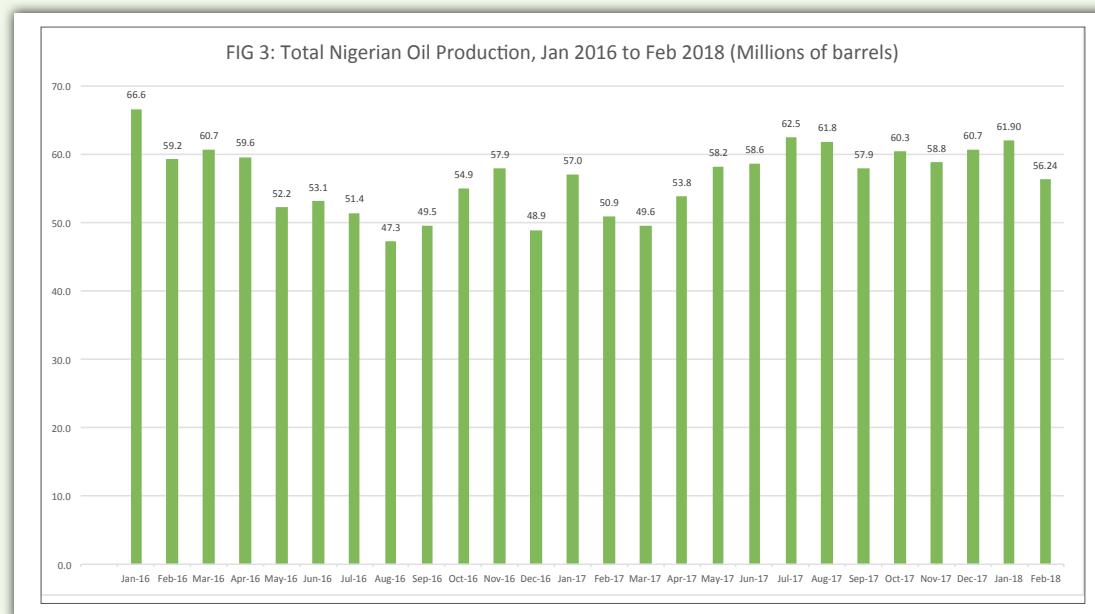
<sup>2</sup> Total FAAC disbursements comprise of gross disbursements to FGN, States, LGCs, 13% Derivation, Cost of Collection -NCS, Transfer to Excess PPT, Cost of Collection - FIRS, Cost of Collection – DPR, NCS/FIRS Refund

The huge disparities in the disbursements for the different years can be explained by the disparities in the price and volume of oil over this period. Figure 2 presents monthly oil prices for the period between January 2016 and June 2018 and it is seen that oil prices have risen markedly over this period. Average oil price in 2016 was \$43.5 per barrel, while in 2017 oil price averaged \$54.2 per barrel. However, in the first six months of 2018, average oil price was \$70.6 per barrel. Thus, on the average, oil price increased by 62.2% between 2016 and the first half of 2018.

Figure 3 presents figures for crude oil production between January 2016 and February 2018<sup>3</sup>. The figure reveals that oil production in 2017 was generally higher than in 2016, and there are indications that production will be higher in 2018 than in 2017. Total oil production in 2016 was 661.1 million barrels while the figure was 690 million barrels in 2017. In 2016, average monthly oil production was 55.1 million barrels while it was 57.5 million barrels in 2017. For the first two months of 2018 for which data is available, average production was 59 million barrels. With reports indicating the lifting of the force majeure on exports of Bonny Light, it is expected that oil production will be higher in 2018<sup>4</sup>.



Source: Energy Information Administration



Source: Various Issues of the NNPC Monthly Financial and Operations Reports

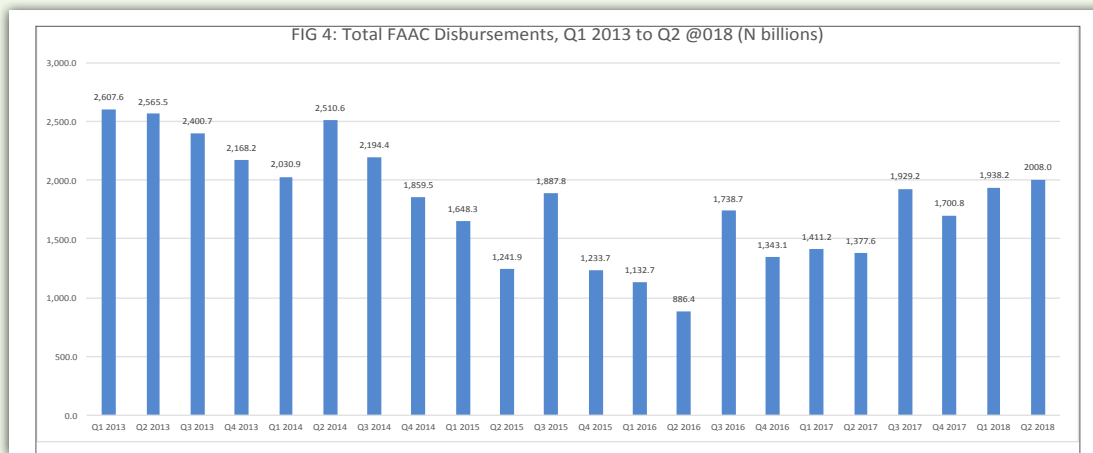
<sup>3</sup> Data for March to June 2018 are not yet available from NNPC's Monthly Financial and Operations Reports

<sup>4</sup> <https://www.reuters.com/article/us-oil-opecc-survey/opecc-july-oil-output-hits-2018-peak-but-outages-weigh-reuters-survey-idUSKBN1K1P4>

## Total FAAC Disbursements in Q2 2018 were the Highest since Q3 2014

Figure 4 presents total FAAC disbursements between the first quarter of 2013 and second quarter of 2018. In the first quarter of 2013, total disbursements were N2.607 trillion. Figure 4 shows that this figure for Q1 2013 was the highest over this period while the N886.4 billion disbursed in Q2 2016 was the lowest. This indicates a difference of N1.721 trillion between disbursements in the highest and lowest months. This figure is very large and further highlights the volatility in revenue for the Federation, arising from the dependence on oil. Figure 4 shows a generally declining pattern in disbursements from Q1 2013 until a trough was reached in Q2 2016. Thereafter, an upward pattern is observed, and this increase continued until Q2 2018. The N2.008 trillion disbursed in Q2 2018 was the highest since Q3 2014. In fact, Q2 2018 was the first time an amount in excess of N2 trillion was disbursed since Q3 2014. This is a run of 14 consecutive quarters of disbursements below N2 trillion. Considering that all disbursements from Q1 2013 to Q2 2014 were in excess of N2 trillion, this figure clearly shows the contraction in revenue for all tiers of government, a pointer to why they have struggled to meet their obligations.

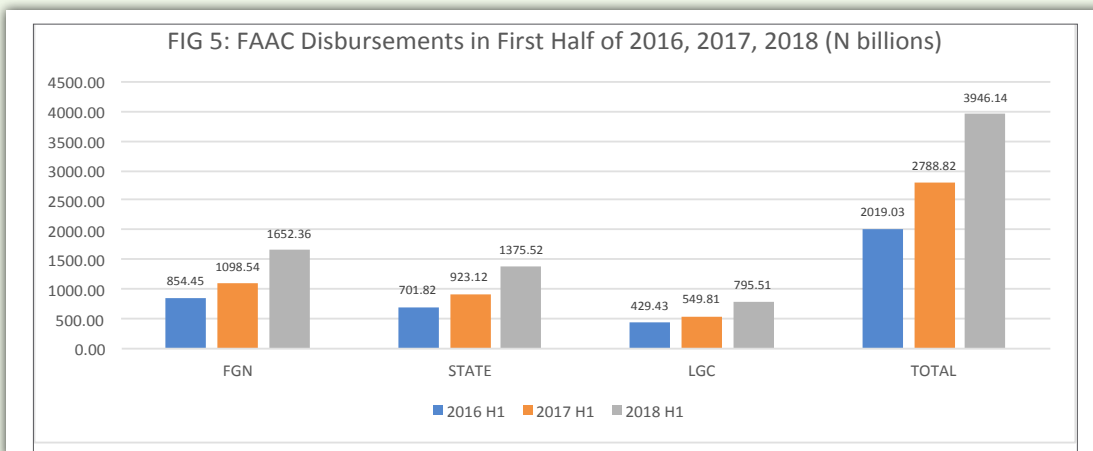
*"This indicates a difference of N1.721 trillion between disbursements in the highest and lowest months. This figure is very large and further highlights the volatility in revenue for the Federation, arising from the dependence on oil"*



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

## Total FAAC Disbursements in the First Half of 2018 were 41.4% Higher than in the First Half of 2017 and 95.4% Higher than in the First Half of 2016

Total FAAC disbursements in the first half of 2018 amounted to N3.946 trillion. This figure was 41.4% higher than the N2.788 trillion disbursed in the first half of 2017. It was also 95.4% higher than the N2.019 trillion disbursed in the first half of 2016. Thus, the disbursements in the first half of 2018 were almost double the disbursements in the first half of 2016. The breakdown of the data as shown in Figure 5 reveals that in the first half of 2018, FG received N1.652 trillion, which made up 41.8% of the total amount disbursed; the states got N1.375 trillion, representing 34.8% of the total; while N795 billion was disbursed to the LGAs (20.1%).



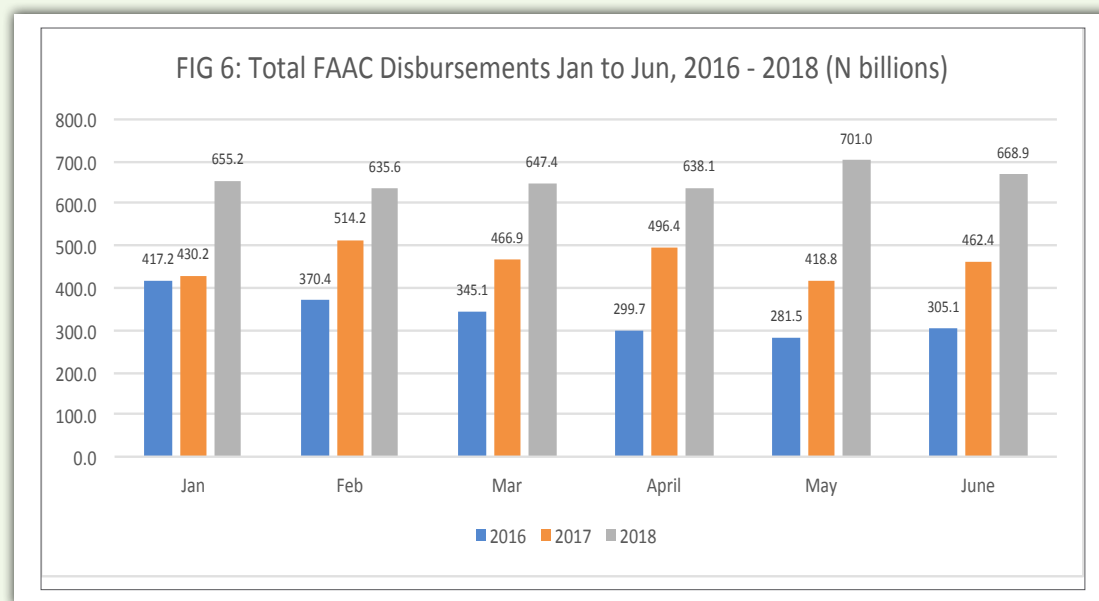
Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

## Total FAAC Disbursements in the First Half of 2018 were Highest in May and Lowest in February

Figure 6 presents the monthly breakdown of total disbursements in the first halves of 2016 to 2018. In 2018, total disbursements were highest in May as N701 billion was disbursed. Total disbursements were lowest in February with N635.6 billion disbursed. The difference in disbursements in the highest and lowest months was N65.5 billion, indicating that disbursements in the highest month were 10.3% higher than in the lowest month.

Figure 6 also shows that in the first half of 2017, disbursements were highest in February (N514.2 billion) and lowest in May (N418.8 billion). The difference in disbursements between the highest and lowest months was N95.3 billion, showing that disbursements in the highest month were 22.7% higher than disbursements in the lowest month. In the first half of 2016, the highest figure disbursed was N417.17 billion (January) while the lowest amount disbursed was N281.5 billion (May). This indicates a difference of N135.67 billion (48.19%) between the highest and lowest disbursing months.

Figure 6 reveals a stark difference in FAAC disbursements in different years, which displays the high volatility in government revenue. The lowest figure disbursed in the first half of 2018 was N635.6 billion, but this was N121.4 billion higher than the highest figure of N514.2 billion disbursed in the first half of 2017. Interestingly, it was N218.4 billion higher than the highest figure of N417.17 billion disbursed in the first half of 2016. These figures clearly indicate that revenue accruing to the Federation in the first half of 2018 has completely outstripped revenue in the previous two years.

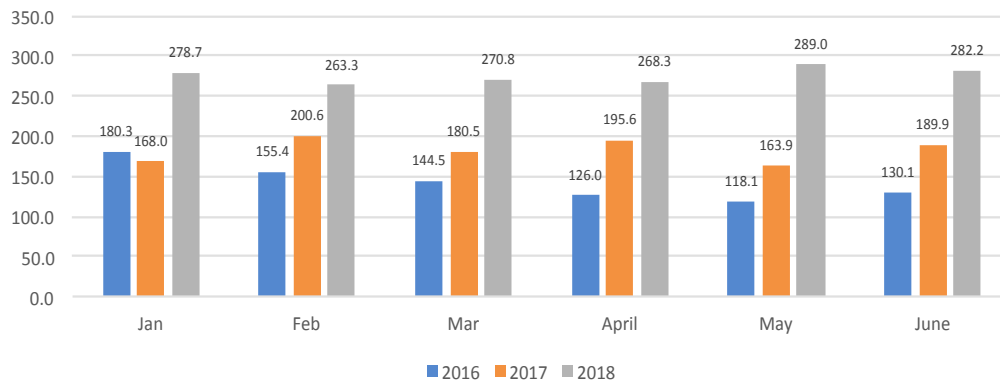


Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

## FAAC Disbursements to the Federal Government in the First Half of 2018 were Highest in May and Lowest in February

FAAC disbursements to the FG in the first half of 2018 were highest in May (N289 billion) and lowest in February (N263.3 billion). The difference between these two figures is N25.8 billion or 9.78%. Figure 7 presents disbursements to the FG in the first halves of 2016 to 2018. The figure depicts the fluctuating nature of government revenues. In 2018, disbursements to the FG in January were N278.7 billion and this fell to N263.3 billion in February. Subsequently, disbursements in March rose to N270.8 billion and this fell to N268.3 billion in April before rising to N289 billion in May. Finally, disbursements fell to N282.2 billion in June. These figures reveal a zig-zag nature of government revenues. This has been highlighted in our previous reviews. This unpredictable and volatile nature of government revenue makes planning difficult. The figures for 2017 reveal a similar pattern, with disbursements rising and falling in successive months.

FIG 7: FAAC Disbursements to FGN Jan to Jun, 2016 to 2018 (N billions)



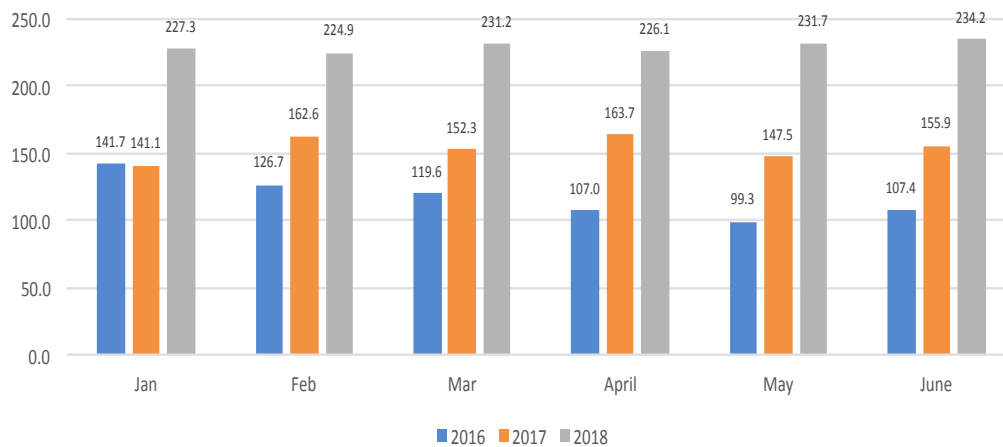
*"These figures clearly indicate that revenue accruing to the Federation in the first half of 2018 has completely outstripped revenue in the previous two years."*

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

## FAAC Disbursements to State Governments in the First Half of 2018 were Highest in June and Lowest in February

Figure 8 presents disbursements to state governments in the first halves of 2016 to 2018. For the first half of 2018, similar to what was observed for the FG, a volatile pattern is also evident in disbursements to states with decreases and increases in successive months, with the exception of June. Disbursements to states were highest in June (N234.2 billion), while they were lowest in February (N224.9 billion). The difference in figures between these highest and lowest months is N9.3 billion. This indicates a 4.14% increase from the lowest month to the highest month. Thus, disbursements to states exhibited lower percentage growth than disbursements to the FG. As is evident from Figure 8, this is a sign that volatility is lower in disbursements to states than the FG.

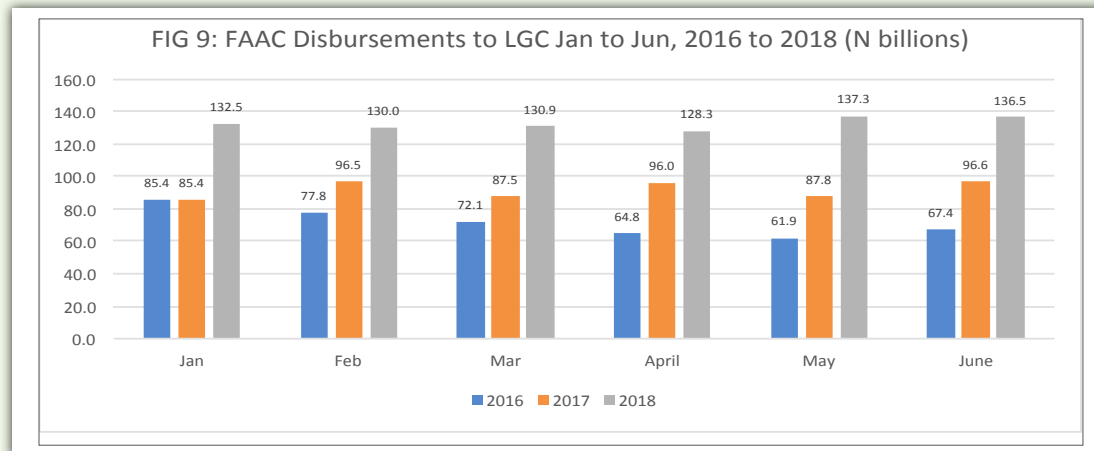
FIG 8: FAAC Disbursements to STATES Jan to Jun, 2016 to 2018 (N billions)



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

## FAAC Disbursements to Local Government Areas in the First Half of 2018 were Highest in May and Lowest in April

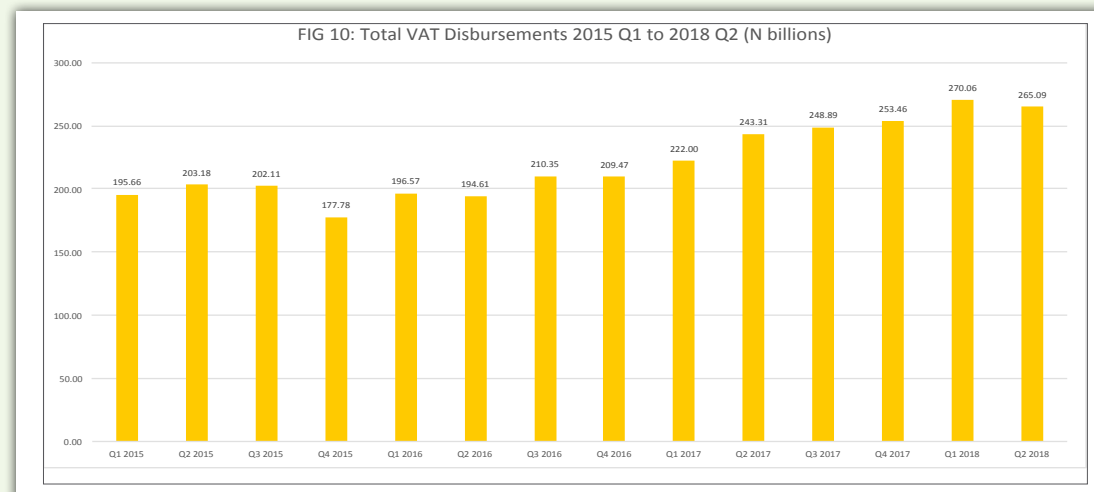
Figure 9 presents FAAC disbursements to LGAs in the first halves of 2016 to 2018. A similar zig-zag pattern of volatility in disbursements observed for the federal and state governments is found for LGAs. Disbursements were N132.5 billion in January and this fell to N130.0 billion in February before increasing to N130.9 billion in March. The disbursements subsequently fell to N128.3 billion in April, and increased to N137.3 billion in May before falling to N136.5 billion in June. In the first half of 2018, disbursements to LGAs were highest in May (N137.3 billion) and lowest in April (N128.3 billion), indicating a difference of N9 billion.



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

## Total Value Added Tax (VAT) Disbursements in Q2 2018 was 35.4% Higher than in Q1 2015

Total VAT disbursements have experienced a general upward trend since 2015. In the first quarter of 2015, total VAT disbursements were N195.66 billion and they had increased to N265.09 billion in the second quarter of 2018. This represents an increase of 35.4% over this period. Figure 10 presents total VAT disbursements from Q1 2015 to Q2 2018. The figure reveals that total VAT disbursements increased in the first two quarters of 2015 and then fell in the last two quarters. In 2016, VAT disbursements increased and fell in successive quarters. However, from the fourth quarter of 2016, VAT disbursements started rising and this increase continued unabated until the second quarter of 2018 when VAT disbursements fell below the first quarter figures. It is interesting that VAT has been generally increasing over time. This bodes well for the government's efforts at increasing revenue from non-oil sources.



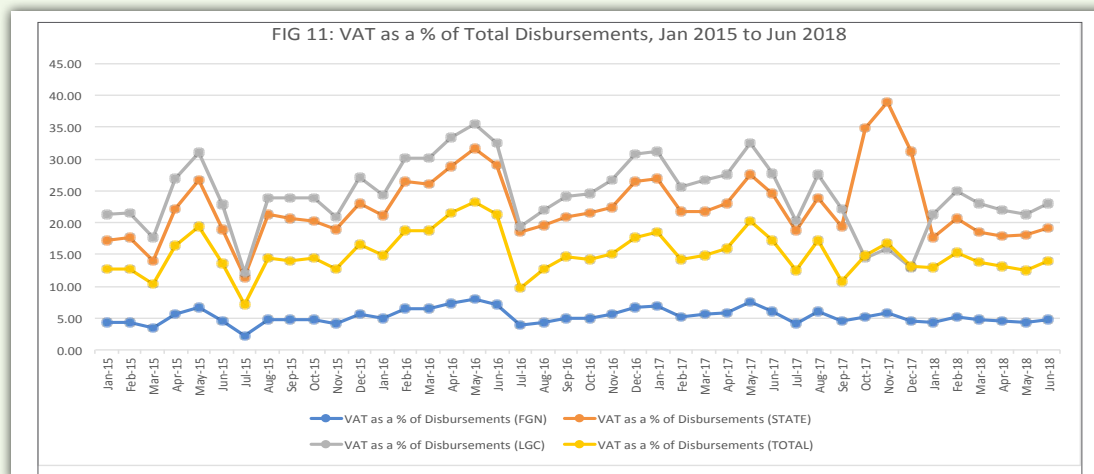
Source: National Bureau of Statistics, Fiscal Disbursements Division @ NEITI

## Between Q1 2015 and Q2 2018 Total Value Added Tax (VAT) Disbursements as a % of Total Disbursements Ranged between 7.03% and 23.18%

Figure 11 presents VAT disbursements as a percentage of total disbursements. When we examine total disbursements, VAT contributions were lowest in July 2015 (7.03%) and highest in May 2016 (23.18%). A rather volatile nature of the contribution of VAT to total disbursements is observed. In the early part of the sample period, there were wild upswings and downswings in VAT contributions. Between January 2015 and July 2016, VAT disbursements as a percentage of total disbursements ranged between 7.03% and 23.18%. However, in recent times, they have ranged between 10% and 20%.

Figure 11 also reveals interesting features of VAT contributions for the three tiers of government. For the FG, VAT contributions to total disbursements ranged between 2.23% (July 2015) and 7.96% (May 2016). Thus, VAT contributions to the FG revenue were relatively stable over this period. On the contrary, VAT contributions to state government's revenues were quite volatile. VAT contributions to total state government's disbursements ranged between 11.52% (July 2015) and 38.94% (November 2017). VAT contributions to LGAs revenue was also volatile and ranged between 12.15% (July 2015) and 35.40% (May 2016). VAT contributes more to the revenues of state and local governments due to the fact that these two tiers of government receive more than the FG. While state governments receive 50% from the VAT pool, LGAs receive 35%, and the FG receives 15%.

*"The highest receiving state over this period was Delta State with N101.19 billion, while the lowest receiving state was Osun State with N10.24 billion. This implies that Delta State received 988% more than Osun State received"*



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

## Total Net FAAC Disbursements to States in the First Half of 2018 Ranged between N10.24 billion and N101.19 billion; while Total Deductions Ranged between N0.74 billion and N17.04 billion

There was wide disparity in total net disbursements to states in the first half of 2018. Disbursements to states ranged between N10.24 billion and N101.19 billion. The highest receiving state over this period was Delta State with N101.19 billion, while the lowest receiving state was Osun State with N10.24 billion. This implies that Delta State received 988% more than Osun State received. Five states received between N10 billion and N19 billion: Osun, Cross River, Ekiti, Zamfara, and Ogun (three from the SW, one from the SS and one from the NW). Majority of the states (21) received between N20 billion and N29 billion: Plateau, Gombe, Kwara, Ebonyi, Taraba, Nassarawa, Adamawa, Enugu, Kogi, Yobe, Sokoto, Imo, Bauchi, Kebbi, Benue, Anambra, Abia, Niger, Oyo, Katsina, and Jigawa. Six of these are from the NC, five from the NE, five from the SE, four from the NW, one from the SW. Five states received amounts between N30 billion and N40 billion: Borno, Ondo, Kaduna, Edo and Kano (two from the NW, one from SW, one from SS, one from NE). The five highest receiving states got between N41 billion and N101.19 billion. These were Delta, Akwa Ibom, Rivers, Bayelsa, and Lagos (all but Lagos are from the SS).



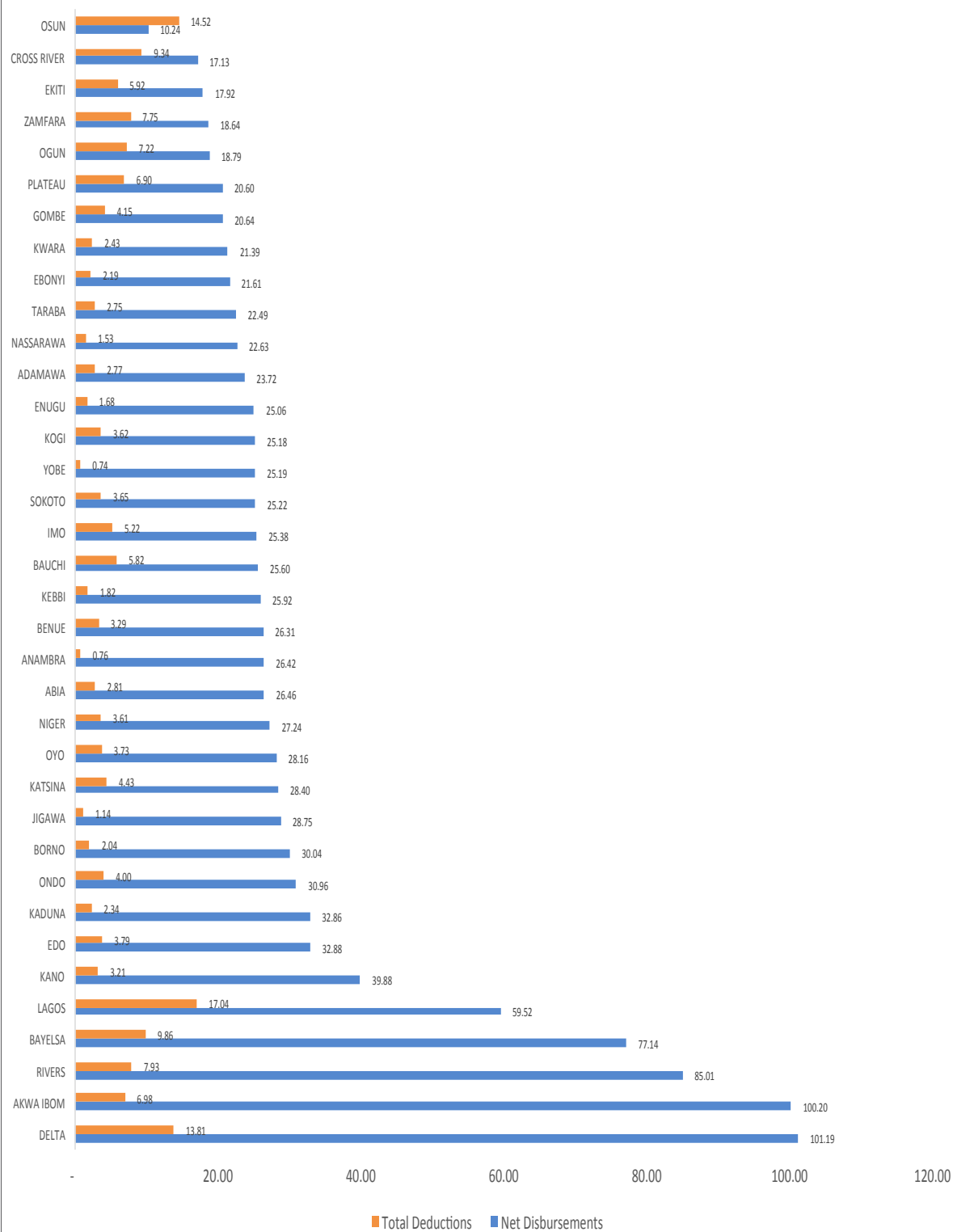
Figure 12 presents total net disbursements from FAAC and also total deductions for states. Some states had high deductions while some others had low deductions. The state with the highest deduction was Lagos State (from the South West) where N17.04 billion was deducted, while Yobe State (from the North East) had the lowest deduction with N0.74 billion. Only three states had deductions that exceeded N10 billion and these are: Lagos (N17.04 billion), Osun (N14.52 billion) and Delta (N13.81 billion). Two of these states are from the South West while one is from the South South.

Figure 12 also reveals interesting features of the relationship between net disbursements and deductions. For a state such as Osun, total deductions were N14.52 billion and these exceeded its total net disbursements of N10.24 billion by 41.79%. With 2.89%, Anambra State had the lowest percentage of deductions as a percentage of net disbursements. This relationship between total net disbursements and total deductions can be further seen from Table 1 and Figure 13.

Figure 13 reveals that the five states with the lowest deductions as percentages of disbursements were Anambra (2.89%), Yobe (2.93%), Jigawa (3.96%), Enugu (6.72%), Nassarawa (6.74%). The states with the highest deductions as percentages of disbursements were Plateau (33.48%), Ogun (38.43%), Zamfara (41.55%), Cross River (54.53%) and Osun (141.79%).



FIG 12: Total FAAC Disbursements (Net) and Deductions for States, Jan to Jun 2018 (N billions)



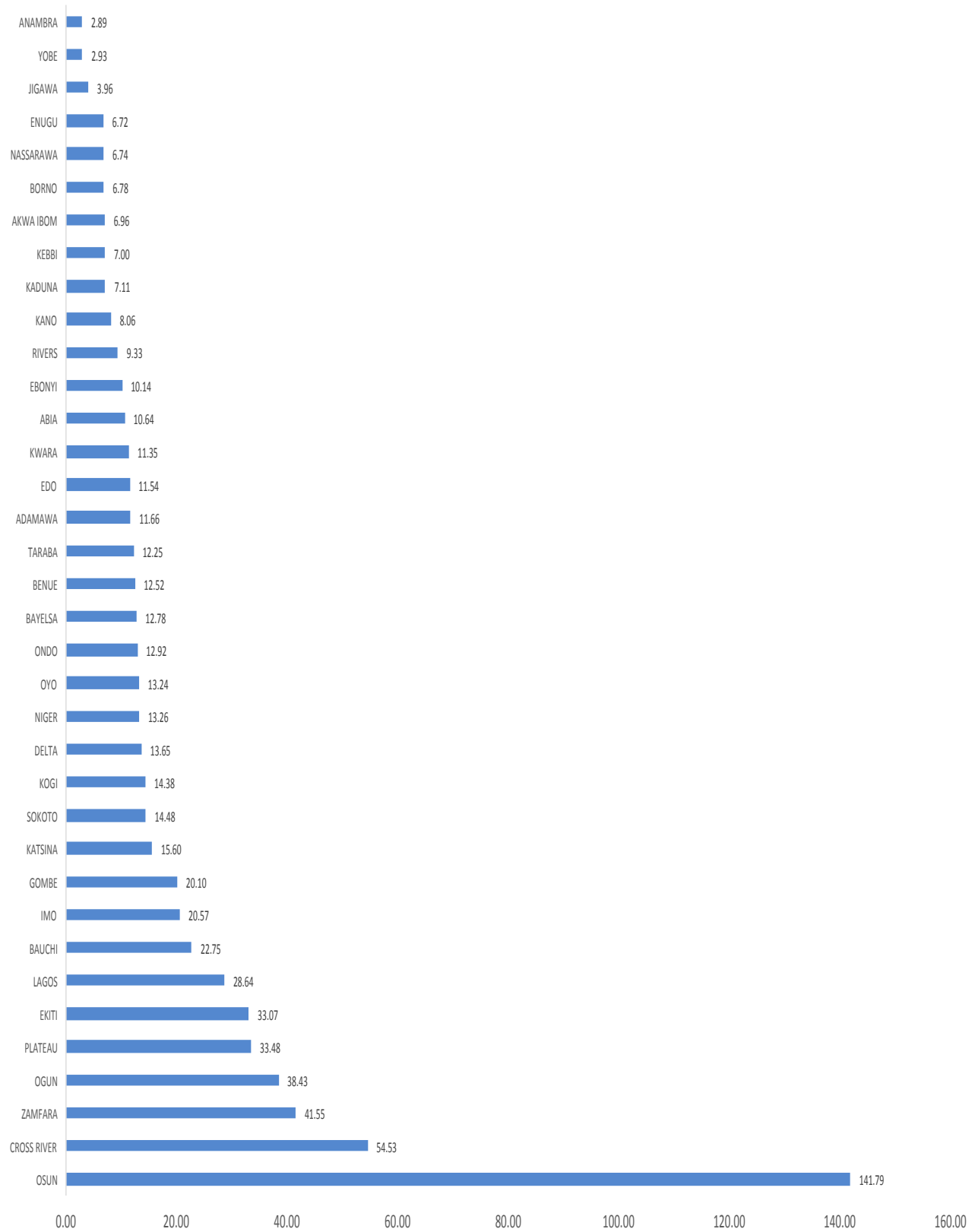
"With 2.89%, Anambra State had the lowest percentage of deductions as a percentage of net disbursements. This relationship between total net disbursements and total deductions can be further seen from Table 1 and Figure 13."

**Table 1: Total Net FAAC Disbursements and Total Deductions for States, January to June 2018 (N billions)**

States	Net Disbursements	Total Deductions	Total Deductions as a % of Net Disbursements
Delta	101.19	13.81	13.65
Akwa Ibom	100.20	6.98	6.96
Rivers	85.01	7.93	9.33
Bayelsa	77.14	9.86	12.78
Lagos	59.52	17.04	28.64
Kano	39.88	3.21	8.06
Edo	32.88	3.79	11.54
Kaduna	32.86	2.34	7.11
Ondo	30.96	4.00	12.92
Borno	30.04	2.04	6.78
Jigawa	28.75	1.14	3.96
Katsina	28.40	4.43	15.60
Oyo	28.16	3.73	13.24
Niger	27.24	3.61	13.26
Abia	26.46	2.81	10.64
Anambra	26.42	0.76	2.89
Benue	26.31	3.29	12.52
Kebbi	25.92	1.82	7.00
Bauchi	25.60	5.82	22.75
Imo	25.38	5.22	20.57
Sokoto	25.22	3.65	14.48
Yobe	25.19	0.74	2.93
Kogi	25.18	3.62	14.38
Enugu	25.06	1.68	6.72
Adamawa	23.72	2.77	11.66
Nassarawa	22.63	1.53	6.74
Taraba	22.49	2.75	12.25
Ebonyi	21.61	2.19	10.14
Kwara	21.39	2.43	11.35
Gombe	20.64	4.15	20.10
Plateau	20.60	6.90	33.48
Ogun	18.79	7.22	38.43
Zamfara	18.64	7.75	41.55
Ekiti	17.92	5.92	33.07
Cross River	17.13	9.34	54.53
Osun	10.24	14.52	141.79

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

FIG 13: Total Deductions as a % of Net Disbursements



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

## Total Net FAAC Disbursements to States in 2018 will Likely Exceed Disbursements in 2017 but will still be Unable to Service Their Budgets

Table 2 presents the budgets for states, their net FAAC disbursements for the full year 2017 and net disbursements for half year 2018. The table reveals the extent to which disbursements in 2018 have exceeded the 2017 figures. Disbursements to all states as at June 2018 have exceeded 60% of total disbursements in 2017. It is thus very likely that FAAC disbursements to all states in 2018 will exceed their 2017 values.

However, the table also shows that the net FAAC disbursements are grossly inadequate to service the budgets for all states. Thus, the states will still need to make concerted efforts to increase internally generated revenue (IGR) to make up for the difference between FAAC disbursements and their budgets.

**Table 2: State Budgets and Net Disbursements in 2017 and H1 2018**

States	Proposed/Passed 2018 Budgets (N bill)	Net FAAC Disbursements in H1 2018 (N bill)	Net FAAC Disbursements in Full year 2017(N bill)	Net Disbursements in H1 2018 as a Percentage of Net Disbursements in Full year 2017 (%)
Abia	141.00	26.46	38.88	68.05
Adamawa	177.90	23.72	37.44	63.35
Akwa Ibom	651.50	100.20	143.61	69.77
Anambra	166.90	26.42	41.34	63.92
Bauchi	168.00	25.60	39.52	64.77
Bayelsa	295.00	77.14	105.26	73.28
Benue	178.40	26.31	39.80	66.09
Borno	170.20	30.04	46.54	64.54
Cross River	1300.00	17.13	23.45	73.03
Delta	308.90	101.19	111.20	90.99
Ebonyi	208.30	21.61	35.49	60.88
Edo	150.00	32.88	36.84	89.25
Ekiti	98.60	17.92	25.63	69.89
Enugu	98.60	25.06	37.83	66.24
Gombe	104.90	20.64	31.23	66.07
Imo	190.90	25.38	38.12	66.58
Jigawa	134.20	28.75	45.26	63.51
Kaduna	216.50	32.86	50.81	64.68
Kano	233.80	39.88	65.14	61.22
Katsina	213.00	28.40	46.34	61.28
Kebbi	151.00	25.92	40.08	64.68
Kogi	147.80	25.18	39.65	63.50
Kwara	190.90	21.39	33.11	64.61
Lagos	1046.00	59.52	89.69	66.36
Nassarawa	125.40	22.63	35.20	64.30
Niger	128.00	27.24	42.47	64.13
Ogun	345.42	18.79	26.19	71.77
Ondo	171.00	30.96	45.90	67.44
Osun	173.90	10.24	10.44	98.15
Oyo	267.00	28.16	44.47	63.32
Plateau	145.40	20.60	29.62	69.54
Rivers	510.00	85.01	119.63	71.06
Sokoto	220.50	25.22	41.24	61.15
Taraba	96.60	22.49	33.92	66.31
Yobe	92.18	25.19	39.49	63.77
Zamfara	133.00	18.64	28.45	65.52

## Conclusion

This review conducted an analysis of FAAC disbursements in the second quarter and the first half of 2018. The review showed that total FAAC disbursements in the second quarter of 2018 were the highest since the third quarter of 2014. Also, disbursements in the first half of 2018 were almost double disbursements in the first half of 2016. The review also showed that the high volatility in FAAC disbursements arising from unpredictable oil price and production makes planning difficult for all tiers of government. Furthermore, this review showed that total VAT disbursements have experienced a general upward trend since 2015, indicating positive signals for non-oil revenue. Furthermore, this review showed very wide disparities in disbursements to states, and some regional concentrations of highest and lowest receiving states.

*"Disbursements to all states as at June 2018 have exceeded 60% of total disbursements in 2017. It is thus very likely that FAAC disbursements to all states in 2018 will exceed their 2017 values."*



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.

Address: NEITI, 60, Nelson Mandela Street, Off Kwame Nkrumah Street, Asokoro, Abuja.  
Email: [info@neiti.gov.ng](mailto:info@neiti.gov.ng) Website: [www.neiti.gov.ng](http://www.neiti.gov.ng)

**NEITI...promoting transparency, enabling prosperity.**