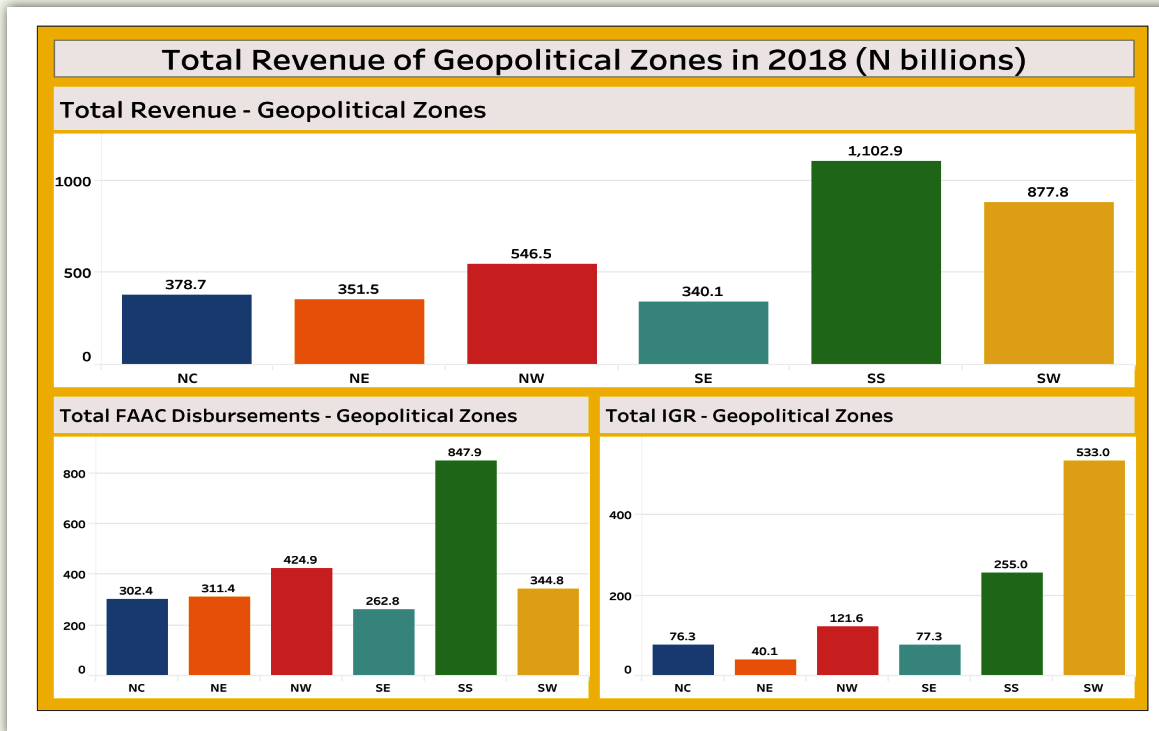


Insights from States' 2018 Total Revenue Profiles



HIGHLIGHTS

- Total revenue for states in 2018 was N3.953 trillion;
- Total revenue of each state ranged between N33.2 billion and N501.2 billion;
- Only Lagos and Ogun states had IGR higher than net FAAC disbursements;
- The South South zone had the highest total revenue while the South East zone had the lowest total revenue;
- The South South and South West had 55.06% of total revenue in 2018, while the four other zones had 44.94%;
- Total revenue for Lagos State exceeded total revenue of each of three geopolitical zones: South East, North East & North Central;
- Total revenue for South South (N1.102 trillion) was higher than the combined total revenue of North Central, North East and South East (N1.070 trillion).

In 2018, total allocations to state governments from the Federal Accounts Allocation Committee (FAAC) were N2.849 trillion. Total internally generated revenue (IGR) for states in 2018 was N1.103 trillion. Thus, total revenue for states in 2018 was N3.953 trillion.

This review presents insights from the total revenue profiles of states in 2018. The budgets of states are compared to their total revenue to analyse their viability. The analysis also examines the level of indebtedness of states. The review also conducts analysis at both the individual and geopolitical zonal levels.

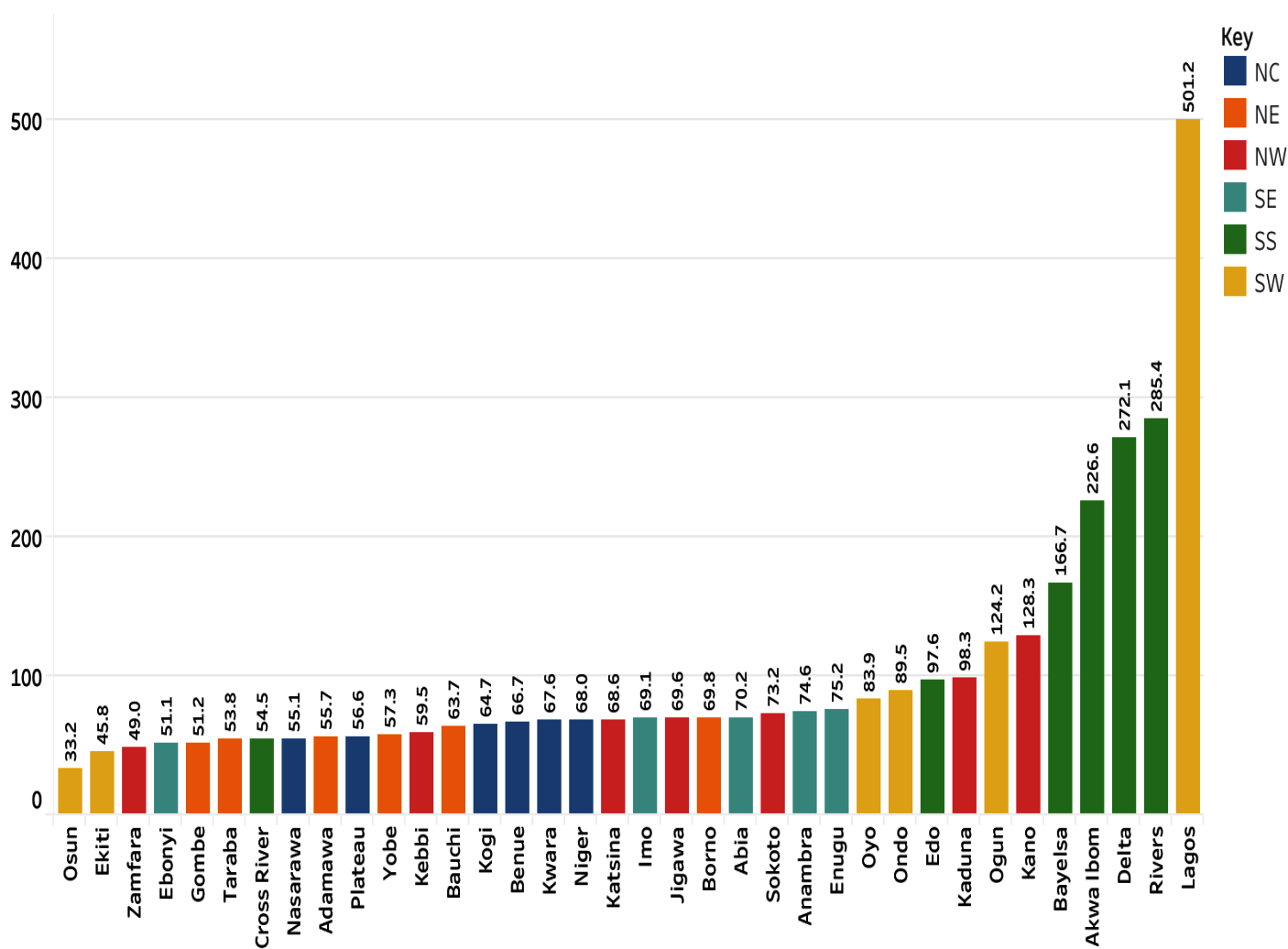
The analysis was conducted using data obtained from the National Bureau of Statistics, Office of the Accountant General of the Federation, and the Fiscal Disbursements Unit at NEITI.

Total Revenue of States Ranged between N33.2 billion and N501.2 billion

Total revenue of states comes from two sources: FAAC disbursements and IGR. While total FAAC allocations were N2.849 trillion, total deductions were N355.761 million. Thus, a total of N2.494 trillion was actually disbursed to the states. In 2018, after deductions, the combined total (net) revenue of all states was N3.597 trillion. Figure 1 presents the total revenue of states in 2018. The figure shows that Lagos State had the highest total revenue of N501.2 billion while Osun State had the lowest total revenue of N33.2 billion. This implies that the total revenue of Lagos State was 13.9% of the combined total revenue of all states. Also, if the states with the highest and lowest revenues are compared, the revenue of Lagos State was 15 times or 1,518% of the revenue of Osun State.

The breakdown of the revenue profiles for the states shows that three states had less than N50 billion: Osun (N33.22 billion), Ekiti (N45.80 billion) and Zamfara (N49.04 billion). Nine states had revenue between N50 billion and N59.9 billion: Ebonyi (N51.10 billion), Gombe (51.15 billion), Taraba (N53.85 billion), Cross River (N54.50 billion), Nasarawa (N55.12 billion), Adamawa (N55.71 billion), Plateau (N56.62 billion), Yobe (N57.25 billion), and Kebbi (N59.46 billion). Nine states had revenue between N60 billion and N69.9 billion: Bauchi (N63.71 billion), Kogi (N64.71 billion), Benue (N66.66 billion), Kwara (N67.62 billion), Niger (N67.95 billion), Katsina (N68.61 billion), Imo (N69.06 billion), Jigawa (N69.58 billion) and Borno (N69.79 billion). Four states had revenue between N70 billion and N79.9 billion: Abia (N70.16 billion), Sokoto (N73.22 billion), Anambra (N74.56 billion) and Enugu (N75.25 billion). Four states had revenue between N80 billion and N99.9 billion: Oyo (N83.93 billion), Ondo (N89.48 billion), Edo (N97.60 billion) and Kaduna (N98.30 billion). Three states had revenue between N100 billion and N199 billion: Ogun (N124.19 billion), Kano (N128.32 billion) and Bayelsa (N166.74 billion). Three states had revenue between N200 billion and N299 billion: Akwa Ibom (226.58 billion), Delta (N272.07 billion) and Rivers (N285.41 billion). Only one state had revenue in excess of N300 billion: Lagos (N501.20 billion). Thus, for half of the states, total revenue fell in the

FIG 1: Total Revenue of States (IGR + FAAC) in 2018 (N billions)



Sources: National Bureau of Statistics, Office of the Accountant General of the Federation, Fiscal Disbursements Unit @ NEITI

Only Lagos and Ogun States had IGR Higher than Net FAAC Disbursements

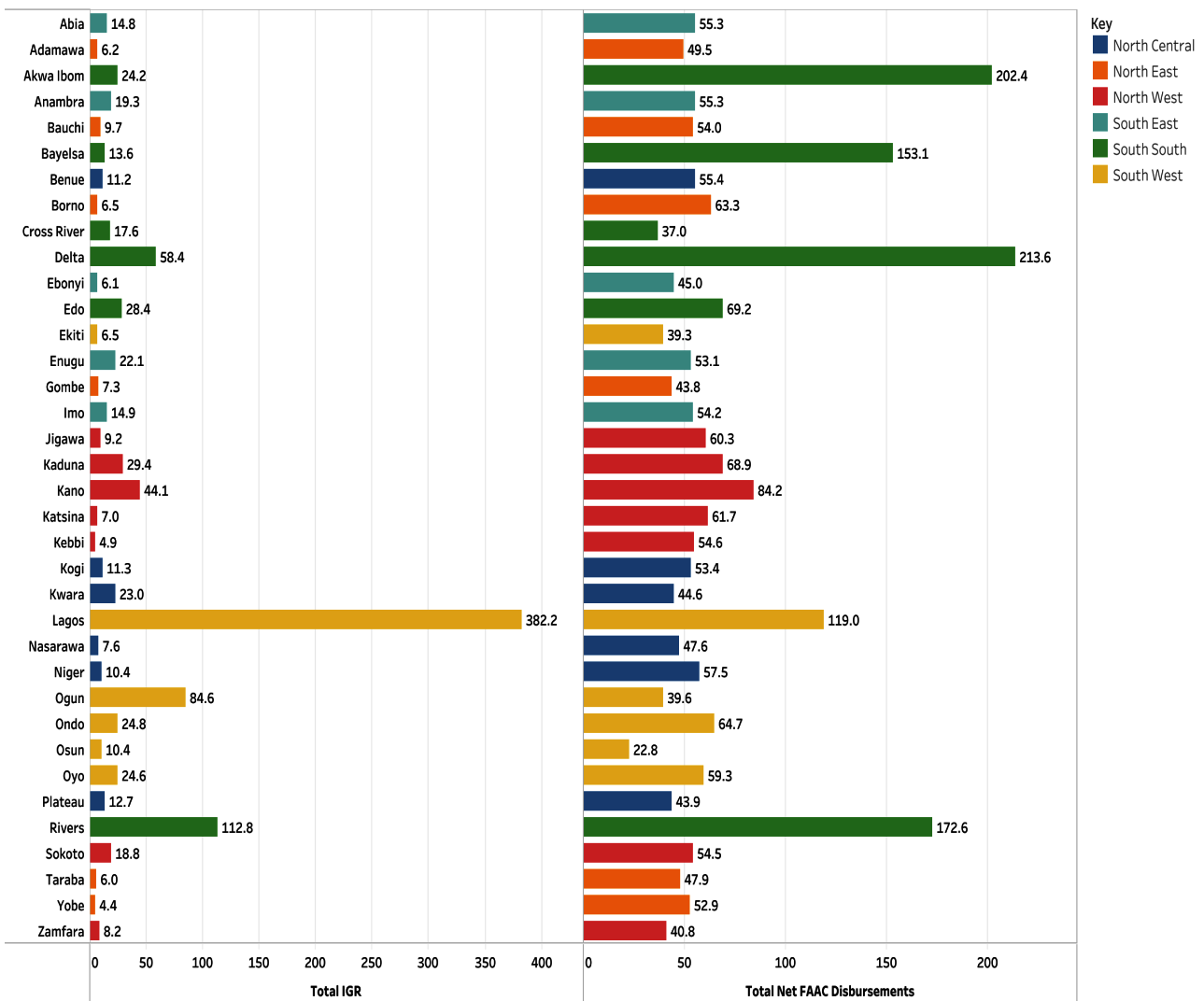
Figure 2 presents the breakdown of total revenue of states into the two components of IGR and FAAC disbursements. FAAC disbursements dwarfed IGR as a source of revenue for the states. With the exception of Lagos State and Ogun State, FAAC disbursements exceeded IGR in all other states.

For IGR, the figure shows that most states are struggling to generate revenue on their own. Only four states had IGR above N50 billion: Delta, Lagos, Ogun and Rivers States. On the other hand, 13 states had IGR below N10 billion: Adamawa, Bauchi, Borno, Ebonyi, Ekiti, Gombe, Jigawa, Katsina, Kebbi, Nasarawa, Taraba, Yobe, and Zamfara. In addition, 11 states had IGR between N10 billion and N20 billion: Abia, Anambra, Bayelsa, Benue, Cross River, Imo, Kogi, Niger, Osun, Plateau, and Sokoto. Eight states had IGR between N20 billion and N50 billion: Akwa Ibom, Edo, Enugu, Kaduna, Kano, Kwara, Ondo and Oyo.

For net FAAC disbursements, the lowest amount received was N22.8 billion by Osun State. Delta State received the highest disbursements from FAAC with N213.6 billion. Unlike IGR, 24 states had FAAC receipts in excess of N50 billion: Abia, Akwa Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Delta, Edo, Enugu, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Lagos, Niger, Oyo, Ondo, Rivers, Sokoto, Yobe. Eight states received between N40 billion and N50 billion: Adamawa, Ebonyi, Gombe, Kwara, Nasarawa, Plateau, Taraba, Zamfara. Four states received FAAC disbursements below N40 billion: Cross River, Ekiti, Ogun and Osun.

"For net FAAC disbursements, the lowest amount received was N22.8 billion by Osun State. Delta State received the highest disbursements from FAAC with N213.6 billion."

FIG 2: Total IGR and Net FAAC Disbursements in 2018 (N billions)



Sources: National Bureau of Statistics, Office of the Accountant General of the Federation, Fiscal Disbursements Unit @ NEITI

The South South Zone had the Highest Revenue while the South East Zone had the Lowest Revenue

Figure 3 presents total net revenue arranged by geopolitical zone. The figure shows that the South South zone had the highest total revenue with N1.102 trillion. This was followed by the South West zone with N877.8 billion. The North West zone had the third highest revenue with N546.5 billion, while the North Central zone had the fourth highest revenue with N378.7 billion. The North East zone had the fifth highest revenue with N351.5 billion. The South East zone had the lowest revenue with N340.1 billion.

Expressed in percentage terms, the South South received 30.66% of total revenue. The South West received 24.4% of total revenue. Thus, these two zones received over half (55.06%) of total revenue in 2018. This implies that the remaining four zones shared the balance of 44.94% of total revenue. The North West received 15.19% of total revenue, while the North Central received 10.53% of total revenue. The North East received 9.77% and the South East received 9.45% of total revenue.

Figure 3 also contains the breakdown of total revenue into its two components of FAAC disbursements and IGR. The figure reveals interesting features of FAAC and IGR for the zones and there are marked differences in the revenue profiles of different zones. While no zone is absolutely dominant in both revenue streams, the South South zone comes close, as it is the highest recipient of FAAC disbursements and the second highest earner of IGR.

For IGR, the South West zone is the highest earner with N533 billion. Lagos State is the dominant player in this regard, with IGR of N382.18 billion. Thus, IGR of Lagos State constituted 34.64% of total IGR of states in 2018. The IGR of the South West zone was 48.31% of total IGR. The South South zone is second in terms of revenue from IGR, with total IGR of N255 billion. This makes up 23.11% of the total. The North West zone is third for IGR generation with N121.6 billion (11.02%). This is followed by the South East with N77.3 billion (7.01%), North Central with N76.3 billion (6.92%), and North East with N40.1 billion (3.64%).

For FAAC disbursements, the South South zone was the highest recipient with N847.9 billion. This was 33.99% of total FAAC disbursements to states. Thus, the South West zone is slightly more dominant in IGR than the South South zone is dominant in FAAC disbursements. The highest receiving state in the South South was Delta State with N214 billion. This amount was 8.57% of total FAAC disbursements. The North West zone received the second highest disbursement for FAAC with N424.9 billion (17.04%). This was followed by the South West with N344.8 billion (13.83%), North East with N311.4 billion (12.48%), North Central with N302.4 billion (12.12%), and South East with N262.8 billion (10.54%).

Total revenue for the South South (N1.102 trillion) was higher than the combined total revenue for North Central, North East and South East (N1.070 trillion).

"The IGR of the South West zone was 48.31% of total IGR. The South South zone is second in terms of revenue from IGR, with total IGR of N255 billion. This makes up 23.11% of the total. The North West zone is third for IGR generation with N121.6 billion (11.02%). This is followed by the South East with N77.3 billion (7.01%), North Central with N76.3 billion (6.92%), and North East with N40.1 billion (3.64%)."

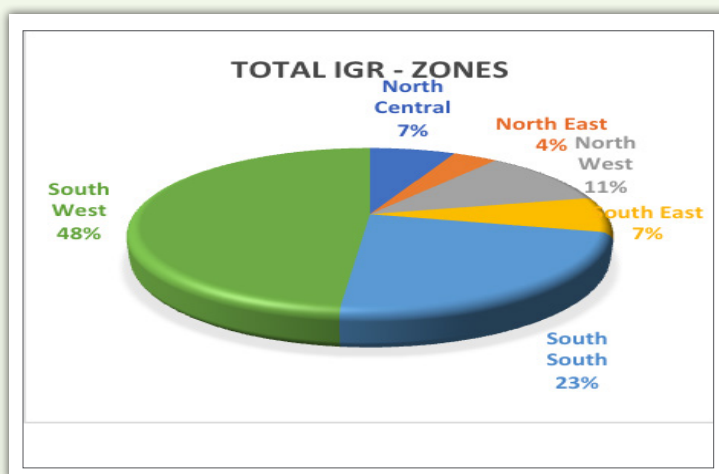
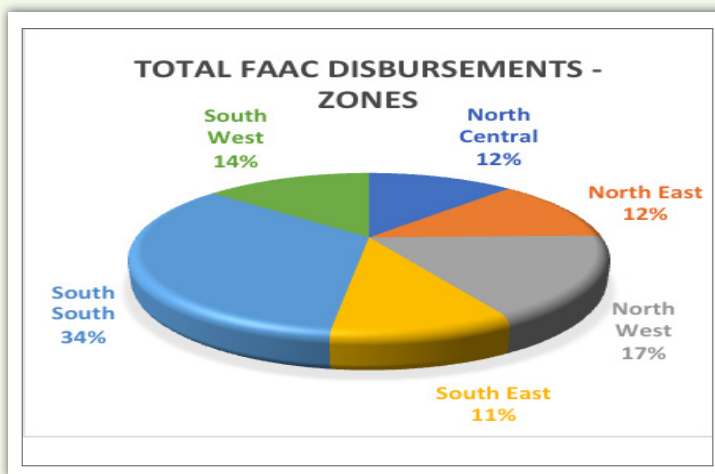
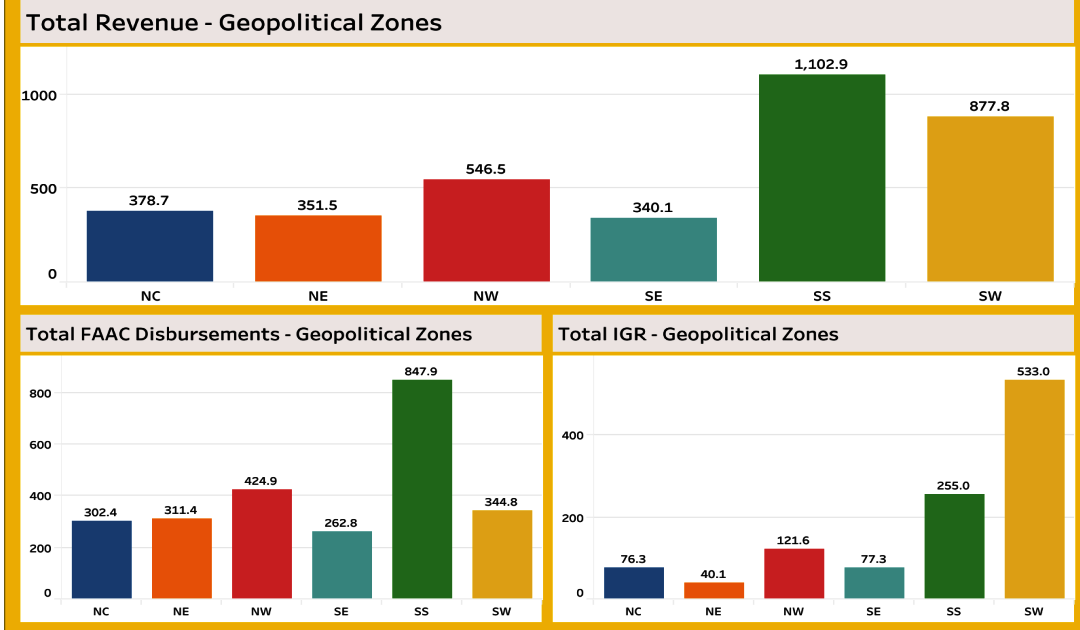


FIG 3: Total Revenue of Geopolitical Zones in 2018 (N billions)



Sources: National Bureau of Statistics, Office of the Accountant General of the Federation, Fiscal Disbursements Unit @ NEITI

Total Revenue for Lagos State Exceeded Total Revenue for each of Geopolitical Zones of South East, North East & North Central

Figure 4 presents total net revenue received by states and by geopolitical zones. The figure reveals the high disparity in total revenue received by states in different geopolitical zones.

First, four states in the South South – Rivers, Delta, Akwa Ibom and Bayelsa – ranked in the top five highest revenue receiving states. Total revenue received by these four states was N950.8 billion and Figure 3 shows that this was higher than total revenue received in any other geopolitical zone, with the exception of the South South. The combined revenue of these four states exceeded aggregate revenue received by 16 states (N885.52 billion) - Osun, Ekiti, Zamfara, Ebonyi, Gombe, Taraba, Cross River, Nasarawa, and Adamawa, Plateau, Yobe, Kebbi, Bauchi, Kogi, Benue, and Kwara

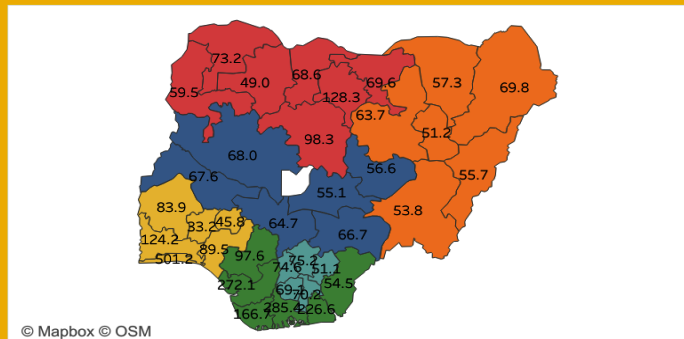
Second, the total revenue of Lagos State (N501.2 billion) exceeded total revenue of each of three zones: North Central (N378.7 billion), North East (N351.5 billion), and South East (N340.1 billion). While the total revenue received by Lagos State is higher than total revenue of each of these zones, the total revenue of the South South is higher than the combined total revenue of all three zones. The total revenue received by Lagos State is greater than the combined total revenues received by nine states (N449.49 billion) – Osun, Ekiti, Zamfara, Ebonyi, Gombe, Taraba, Cross River, Nasarawa, and Adamawa.

The map in Figure 4 shows some form of even distribution of revenue in some geopolitical zones while there were wide disparities in some zones. The North Central and North East zones had a fair amount of evenness in revenue received by states within the zones. In the North Central zone, the highest revenue received was N67.95 billion by Niger State while Nasarawa State received the lowest revenue of N55.12 billion. This shows a difference of N12.84 billion. In the North East, Borno State received the highest revenue of N69.79 billion while Gombe State received the lowest revenue of N51.15 billion. The difference between the highest and lowest revenue receiving states is N18.64 billion. However, there were wide disparities in revenue received by states in some other zones. The South West and South South exhibit these disparities clearly. In the South West, the difference between the amounts received by the highest earning state (Lagos) and lowest earning state (Osun) was N467.98 billion. In the South South, the highest earning state, Rivers, received N285.41 billion, while the lowest earning state, Cross River, received N54.50 billion. This shows a difference of N230.91 billion.

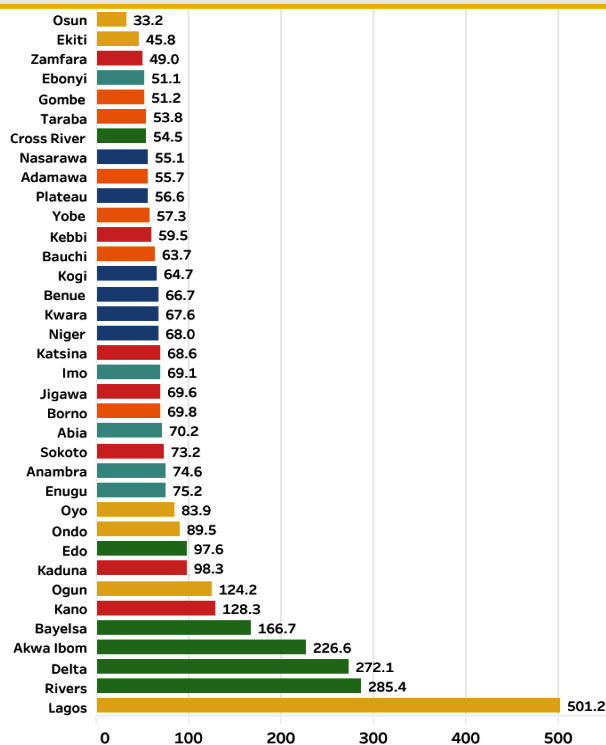
"The total revenue of Lagos State (N501.2 billion) exceeded total revenue of each of three zones: North Central (N378.7 billion), North East (N351.5 billion), and South East (N340.1 billion)."

FIG 4: Total Revenue of Geopolitical Zones and States 2018 (N billions)

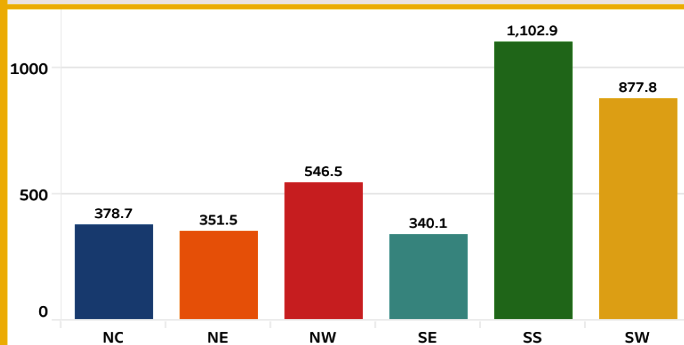
Total Revenue - States



Total Revenue of States



Total Revenue - Geopolitical Zones



Sources: National Bureau of Statistics, Office of the Accountant General of the Federation, Fiscal Disbursements Unit @ NEITI

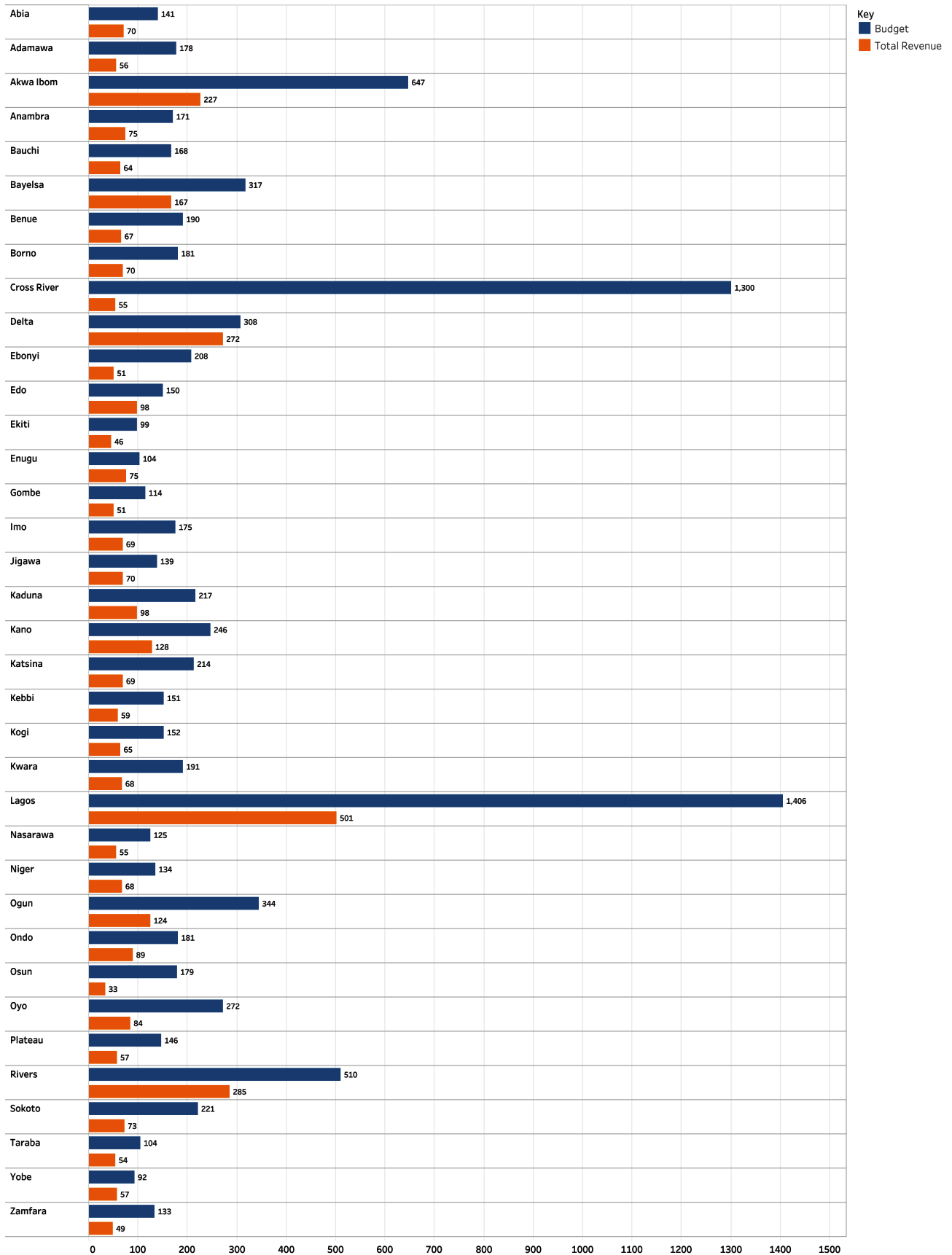
Budgets Exceeded Total Revenue for all States in 2018

Figure 5 presents total revenue and budgets for all states in 2018. The budgets for all states exceeded their total revenue for the year 2018. The extent to which budgets exceeded total revenue varied. For some states, such as Delta, Edo, Enugu, and Yobe, the margins with which their budgets exceeded their total revenue were considerably low. For these states, total revenue constituted more than 60% of their budgets. For some other states, such as Abia, Anambra, Bayelsa, Ekiti, Gombe, Jigawa, Kaduna, Kano, Kogi, Nasarawa, Niger, Ondo, Rivers and Taraba, their total revenues were between 40% and 60% of their budgets. However, for some states, their total revenues were considerably lower than their budgets. States such as Cross River, Ebonyi, Osun had total revenue below 30% of their budgets.

Figure 6 presents zonal representations of budgets and budget deficits. The figure shows that budgets generally follow the pattern of total revenue for geopolitical zones. Thus, the South South zone which had the highest total revenue also had the highest budget. This was followed by the South West, North West, North Central, North East, and South East. This is exactly the pattern observed for total revenue. Thus, despite the wide deficits, budgets are still being projected in some proportional manner to total revenue.

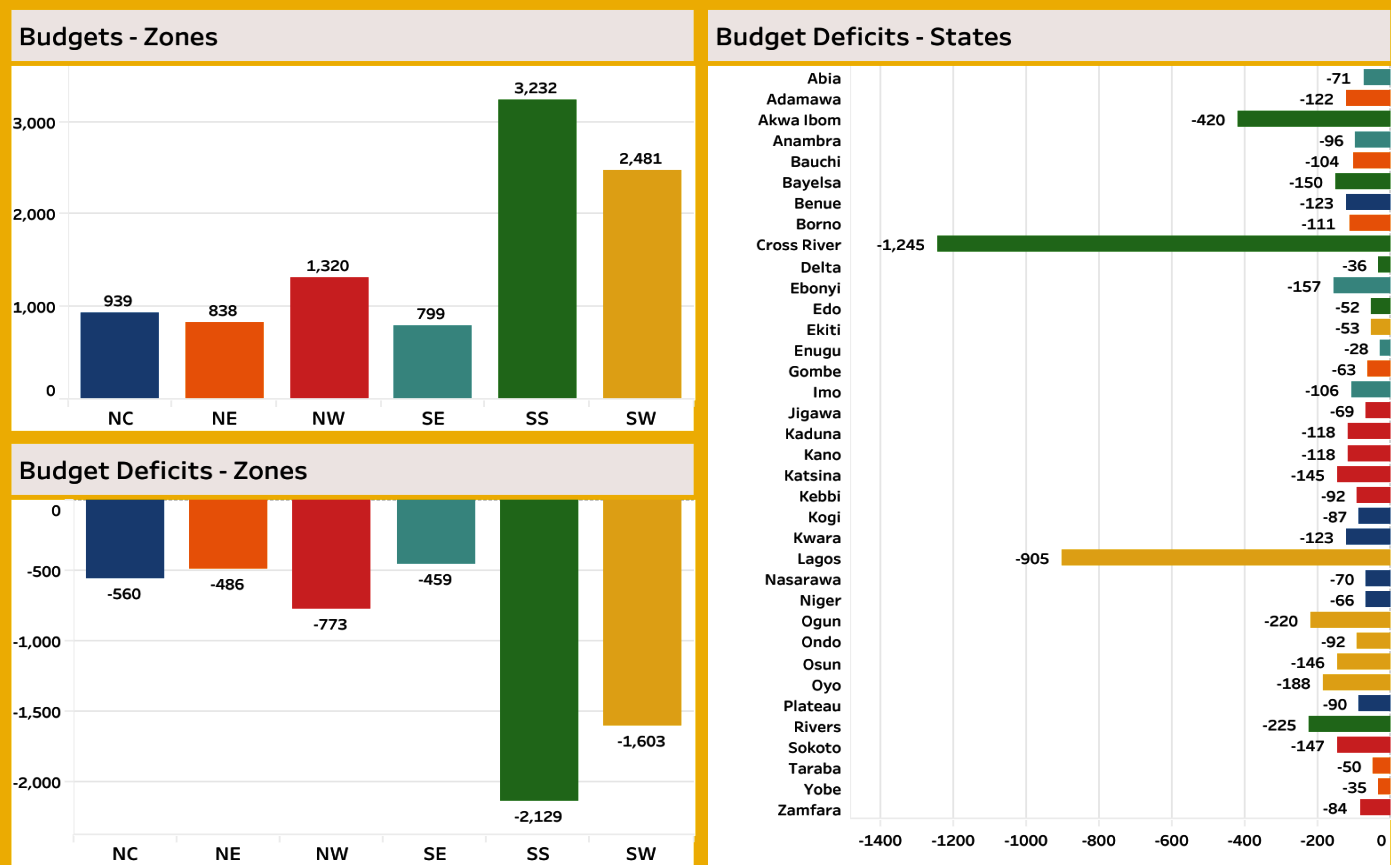
Figure 6 also presents budget deficits by states and zones. The largest budget deficit was by Cross River State with N1.245 trillion. This was followed by Lagos State with a budget deficit of N905 billion. Some regional patterns can be observed in the budget deficits, as the six states with the largest budget deficits were from the South South and South West zones. The six largest budget deficits were for Cross River (1.245 trillion), Lagos (N905 billion), Akwa Ibom (N420 billion), Rivers (N225 billion), Ogun (N220 billion), Oyo (N188 billion). Not surprisingly, Figure 6 shows that the South South zone had the largest budget deficit of N2.129 trillion, followed by the South West with a deficit of N1.603 trillion. All other zones had budget deficits less than N1 trillion: North West (N773 billion), North Central (N560 billion), North East (N486 billion), South East (N459 billion).

FIG 5: State Budgets and Total Revenue in 2018 (N billions)



Sources: National Bureau of Statistics, Office of the Accountant General of the Federation, Fiscal Disbursements Unit @ NEITI

FIG 6: Budgets and Budget Deficits in 2018 (N billions)



Sources: Various State's Websites

Debt Levels were Higher in States with Larger Budget Deficits

The fact that states had significantly lower total revenue than budgets can lead to two scenarios. It is either that states will not fully implement their budgets, or they will resort to borrowing to finance their budgets. Figures 7 and 8 present debt levels of states at the end of 2018 and some interesting observations can be made.

First, domestic debt is larger than foreign debt in all states. For most states, their external debt was below N50 billion. Only four states had external debt above N50 billion – Cross River (N57.8 billion), Kaduna (N69.6 billion), Edo (N84.6 billion) and Lagos (N436.6 billion). Taraba and Borno States had the lowest external debt levels of N6.6 billion each. Interestingly, the lowest domestic debt level was for Yobe State (27.8 billion). Lagos State had the highest domestic debt level (530.2 billion).

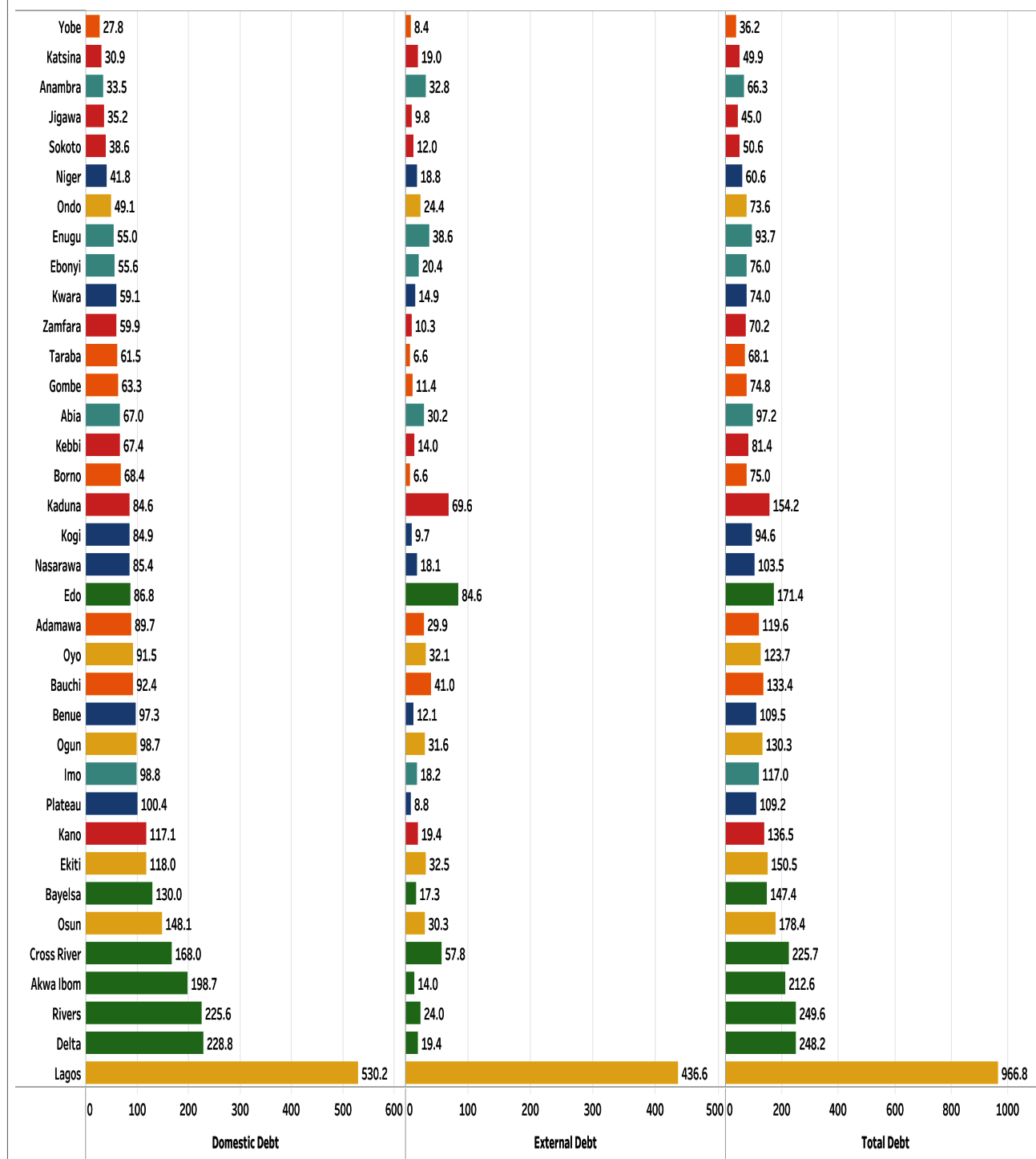
Second, domestic debt in most states was more than 100% higher than external debt. Only six states had domestic debt levels which were less than 100% higher than external debt – Anambra, Edo, Enugu, Kaduna, Katsina, and Lagos. For most states (14), domestic debt was between 100% and 200% higher than external debt – Abia, Adamawa, Bauchi, Cross River, Ebonyi, Ekiti, Jigawa, Kwara, Niger, Ogun, Ondo, Oyo, Sokoto, and Yobe. Domestic debt was between 200% and 300% higher than external debt in six states – Gombe, Imo, Kebbi, Nasarawa, Osun, and Zamfara. Domestic debt was more than 300% higher than external debt in 10 states – Akwa Ibom, Bayelsa, Benue, Borno, Delta, Kano, Kogi, Plateau, Rivers, Taraba.

Third, from Figure 8, the South South and South West zones had the largest debt levels. Considering that these two zones had the largest budgets and budget deficits, it is not surprising that states in these two zones will borrow more in order to cover their deficits. While the domestic debt levels of these two zones are similar, N1.037 trillion for the South South and N1.035 trillion for South West,

" For most states (14), domestic debt was between 100% and 200% higher than external debt – Abia, Adamawa, Bauchi, Cross River, Ebonyi, Ekiti, Jigawa, Kwara, Niger, Ogun, Ondo, Oyo, Sokoto, and Yobe. Domestic debt was between 200% and 300% higher than external debt in six states"

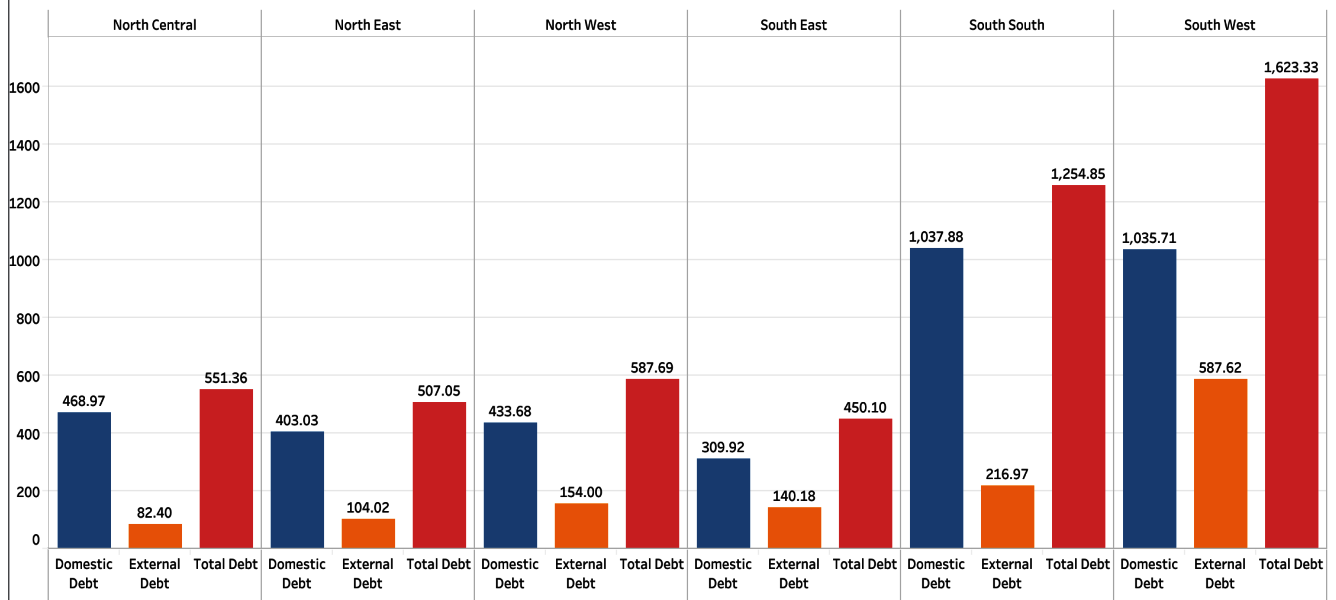
there are marked differences in their external debts. The external debt level for the South South was N216.9 billion while it was N587.6 billion for the South West. For the other geopolitical zones, their debt levels are in line with their total revenue and budget levels. Thus, the zone with the third highest debt level was North West (N587.6 billion). This was followed in descending order by the North Central zone (N551.3 billion), North East (N507.1 billion) and South East (N450.1 billion).

FIG 7: Debt Stock at end of 2018 (N billions)



Sources: National Bureau of Statistics, Debt Management Office

FIG 8: Debt Stock at end of 2018 in Zones (N billions)



Sources: National Bureau of Statistics, Debt Management Office

Conclusion

This review has conducted an analysis of the revenue profiles of states in 2018. The review examined total revenue of states, both on the aggregate level, and also its individual components of IGR and FAAC disbursements. The review showed that after deductions, states received a total N3.597 trillion as revenue in 2018. This comprised N2.494 trillion as net FAAC disbursements and N1.103 trillion as IGR. With total revenue of N501.2 billion, Lagos State received the highest revenue, accounting for 13.9% of total revenue of all states. Examining the IGR and FAAC disbursements components of total revenue, this review found that FAAC disbursements exceeded IGR in 34 out of 36 states. Thus, the states rely almost exclusively on FAAC disbursements.

This review conducted some analysis by geopolitical zones. The South South zone had the highest aggregate revenue (N1.102 trillion) while the South East zone had the lowest aggregate revenue (N340.1 billion). For the components of total revenue, the South West zone had the highest amount of IGR (N533 billion) while the South South had the highest receipts of FAAC disbursements (N847.9 billion). Interestingly, this review found that total revenue of Lagos State (N501.2 billion) exceeded total revenue of each of three zones: North Central (N378.7 billion), North East (N351.5 billion) and South East (N340.1 billion). Also, the total revenue for South South (N1.102 trillion) exceeded the combined revenue for the North Central, North East and South East (N1.07 trillion).

This review found that budgets, budget deficits and debt levels followed similar patterns with total revenue. Thus, it is generally the case that states and zones with higher total revenue also had higher budgets, higher budget deficits and higher debt levels.

In conclusion, considering the high levels of budget deficits and debt, it would be advisable for states to strategise and develop innovative ways of generating revenue. This would go a long way in reducing their budget deficits and deter excessive borrowing. Then, expenditure on critical developmental and investment projects can be embarked upon.

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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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