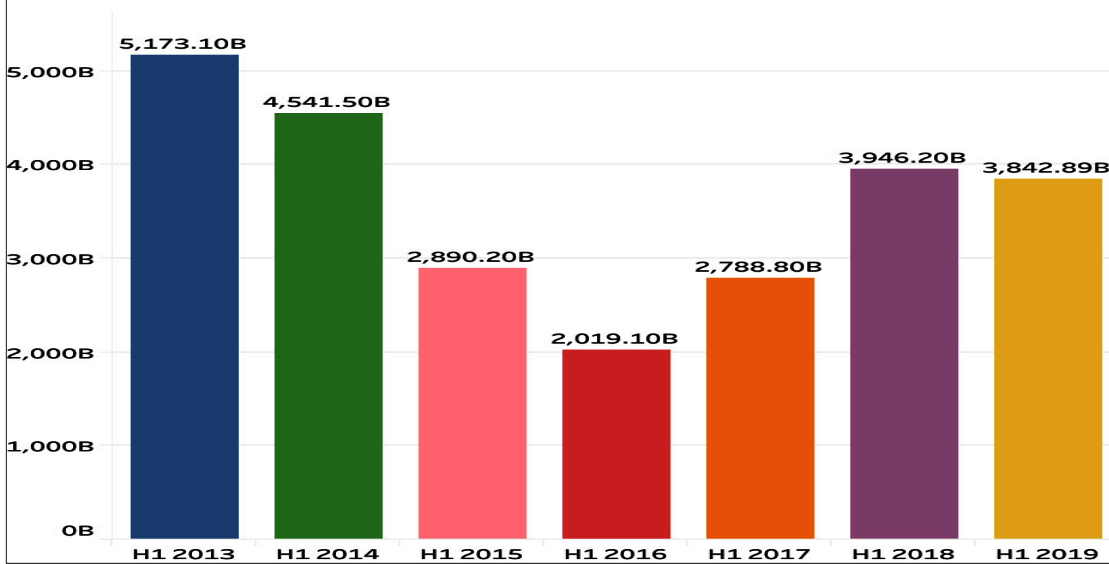


Analysis of FAAC Disbursements for H1 2019

FAAC Disbursements in H1 2013 to H1 2019 (N billions)



HIGHLIGHTS

- FAAC disbursed N3.842 trillion in the first half of 2019; with the Federal Government receiving N1.599 trillion; states receiving N1.335 trillion; and local governments receiving N792 billion;
- Total FAAC disbursements in the second quarter were N1.913 trillion, the lowest since Q4 2017;
- Total FAAC disbursements in H1 2019 were 2.61% lower than in H1 2018 and 37.79% higher than in H1 2017;
- Net monthly FAAC disbursements to states in H1 2019 ranged between N1.51 billion and N19.32 billion;
- Only nine states had net FAAC disbursements in H1 2019 higher than in H1 2018;
- Delta State not only moved from fourth highest recipient in H1 2017 to the first in H1 2018 but also maintained the lead in H1 2019.

This review conducts an analysis of Federation Accounts Allocation Committee (FAAC) disbursements to the three tiers of government in the first half of 2019¹. This analysis combines new data for the second quarter with previously examined data for the first quarter. The analysis shows that revenue in 2018 increased over the 2017 figures. However, such improvements have not been sustained so far in 2019, as revenue in H1 2019 was slightly lower than H1 2018.

Total FAAC Disbursements in H1 2019 were 2.61% Lower than in H1 2018 but 37.79% Higher than in H1 2017²

The total amount of disbursements by FAAC in the first half of 2019 was N3.842 trillion. This was 2.61% lower than the N3.946 trillion disbursed in the first half of 2018 but 37.79% higher than the N2.788 trillion disbursed in the first half of 2017. Thus, while revenue in H1 2019 has been a major improvement on revenue in H1 2017, it is slightly lower than revenue in H1 2018. Figure 1 presents the disbursements for the first halves of 2017, 2018 and 2019. The Figure shows that the Federal Government (FG) received the highest revenue, followed by state governments, with local governments receiving the lowest revenue.

In the first half of 2019, total disbursements to FG were N1.599 trillion. This amounted to 41.61% of the total amount disbursed over this period. Figure 1 shows that this amount was lower than the

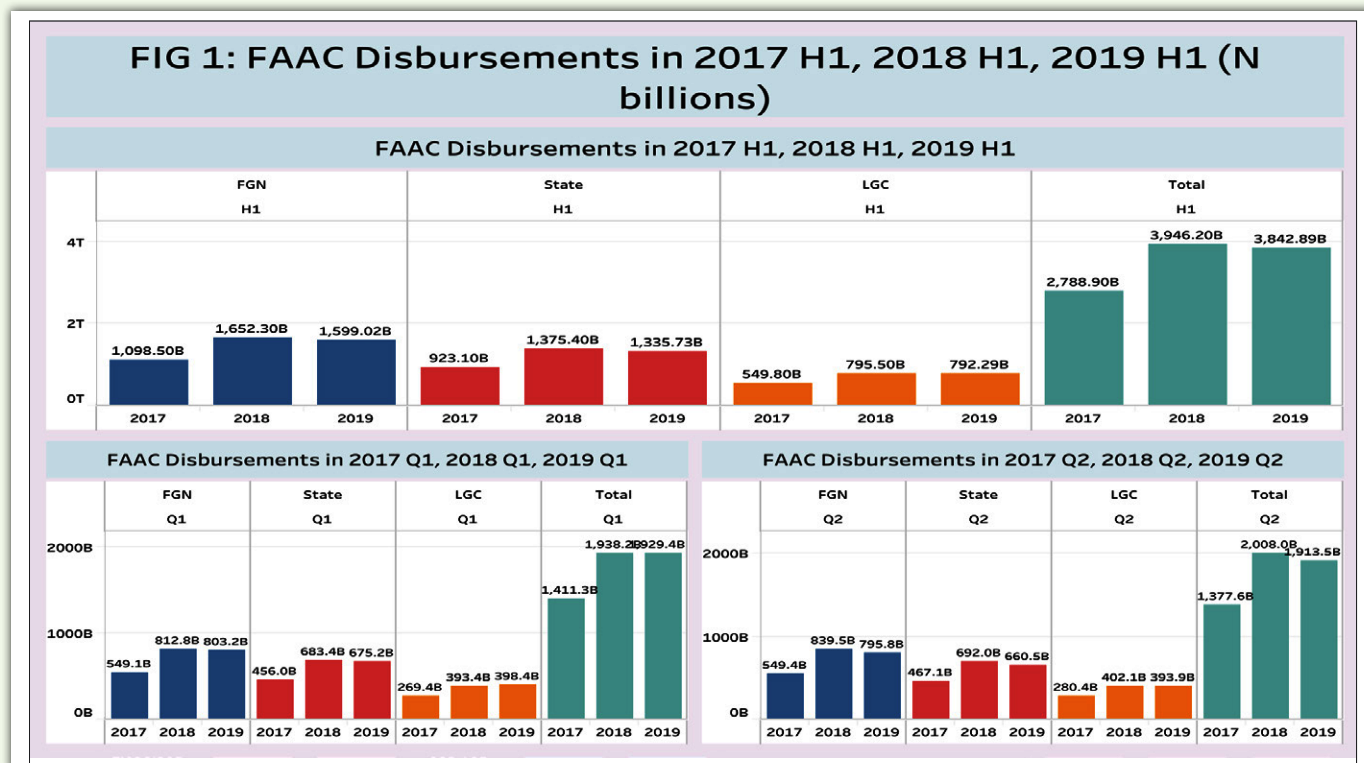
¹ This review focuses on months of disbursement rather than months of allocation. The FAAC allocations for any specific month are disbursed in the immediate succeeding month. However, since the allocations are not actually available for spending until they are disbursed in the next month, it is more 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 disbursements comprise 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

N1.652 trillion disbursed in the first half of 2018 but higher than the N1.098 trillion disbursed in the first half of 2017. Thus, disbursements to FG in the first half of 2019 were 3.22% lower than disbursements in the first half of 2018 but 45.56% higher than disbursements in the first half of 2017.

Figure 1 also shows total disbursements to state governments in the first halves of 2019, 2018 and 2017. Total disbursements to states were N1.335 trillion, N1.375 trillion and N923 billion in the first halves of 2019, 2018 and 2017, respectively. These indicate that disbursements to states in the first half of 2019 were 2.88% lower than the first half of 2018 but 44.7% higher than the first half of 2017.

For local governments, Figure 1 shows that they received N792 billion (H1 2019), N795 billion (H1 2018) and N549 billion (H1 2017). This means that disbursements to local governments in the first half of 2019 were 0.4% below disbursements in the first half of 2018, and 44.11% higher than disbursements in the first half of 2017.



Total FAAC Disbursements in Q2 2019 were 4.71% Lower than in Q2 2018 and 38.89% Higher than in Q2 2017

The lower part of Figure 1 displays the FAAC disbursements in the first two quarters of 2017, 2018 and 2019. The figure reveals that total FAAC disbursements in the second quarter of 2019 were N1.913 trillion. This was 4.71% lower than the total disbursements of N2.008 trillion in the second quarter of 2018, but 38.89% higher than total disbursements of N1.377 trillion in the second quarter of 2017.

For the second quarter of 2019, disbursements to the federal government were highest (N795.8 billion), making up 41.59% of the total amount disbursed. For the same quarter, total disbursements to states were N660.5 billion, constituting 34.52% of the total, while local governments received N393.8 billion, or 20.61% of the total.

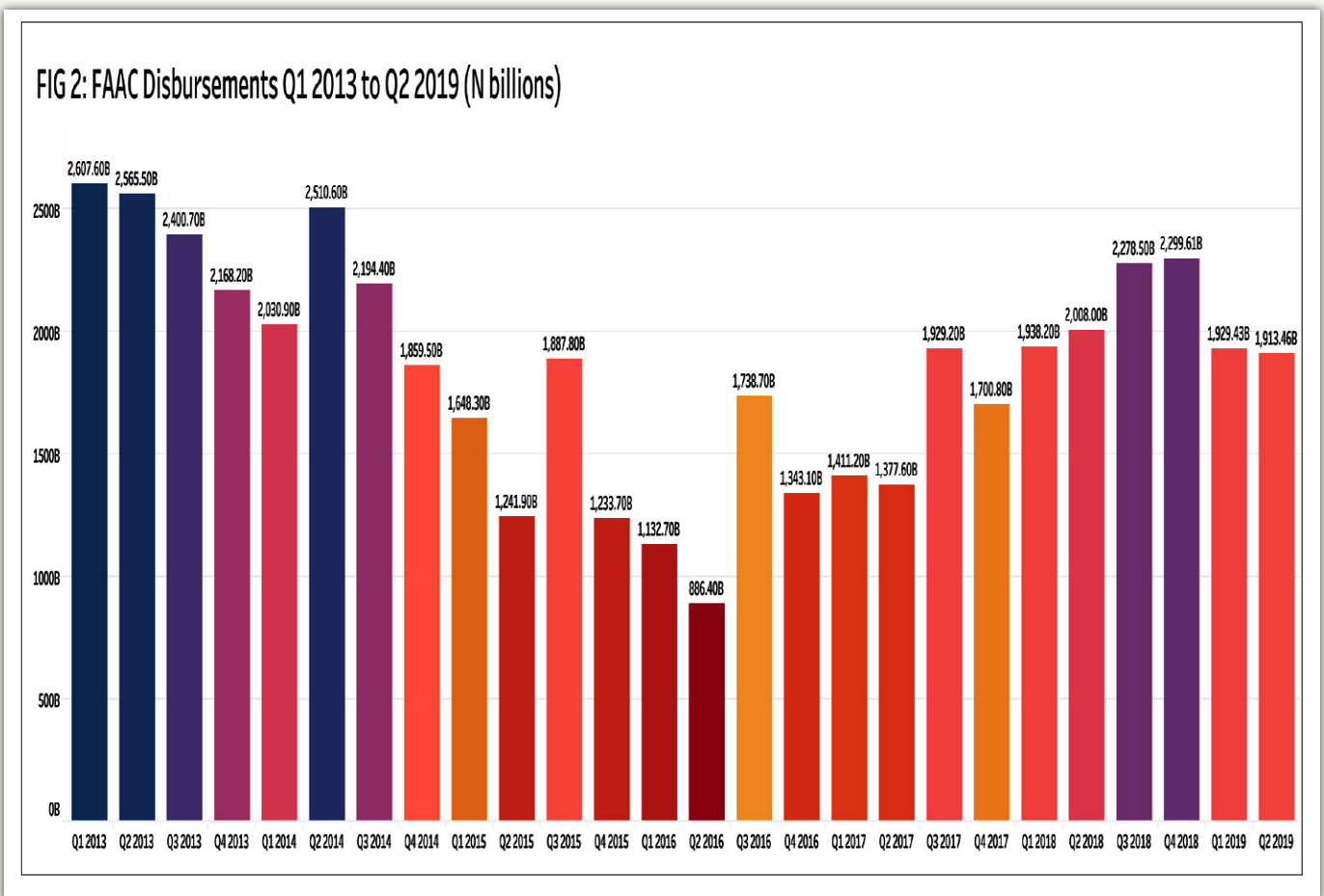
Also, Figure 1 shows that total disbursements in the second quarter of 2019 (N1.913 trillion) were lower than total disbursements in the first quarter of 2019 (N1.929 trillion) by 0.83%. Disbursements to the federal government (N795.8 billion) were 0.91% lower than disbursements in the first quarter (N803.1 billion). Also, the N660.5 billion for states in Q2 2019 was 2.17% lower than the N675.2 billion disbursed in the first quarter of 2019. For local governments, the N393.8 billion disbursed in Q2 2019 was 1.15% lower than the N398.4 billion disbursed in Q1 2019.

"Figure 1 shows that total disbursements in the second quarter of 2019 (N1.913 trillion) were lower than total disbursements in the first quarter of 2019 (N1.929 trillion) by 0.83%."

Total FAAC Disbursements in Q2 2019 were the Lowest since Q4 2017

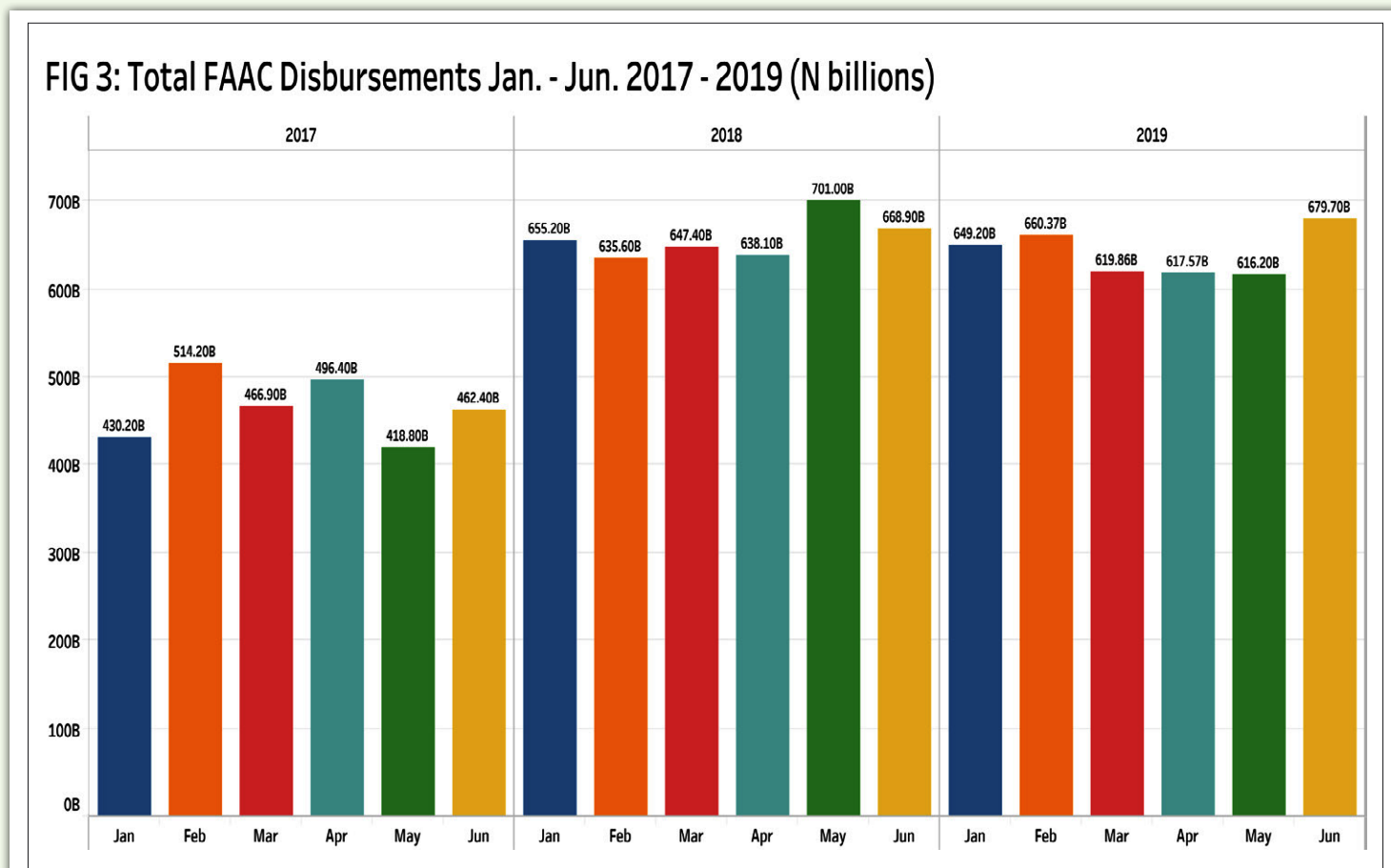
Figure 2 presents quarterly FAAC disbursements from Q1 2013 to Q2 2019. The figure reveals that the total disbursement of N1.913 trillion in the second quarter of 2019 was the lowest since the fourth quarter of 2017 when N1.700 trillion was disbursed. The figure shows that three quarters of 2018 had total disbursements above N2 trillion.

Another feature observable from Figure 2 is that there was an increase in total disbursements in all successive quarters in 2018. However, this has not been the case, so far in 2019. "Also, there have been consecutive declines in total disbursements in the first two quarters of 2019.



Lowest Disbursements for H1 2018 and H1 2019 were higher than the Highest Disbursement for H1 2017

Figure 3 presents total FAAC disbursements for the first halves of 2019, 2018 and 2017. The first observation from the Figure is that revenues in the first halves of 2018 and 2019 were remarkably higher than 2017. The highest revenue in the first half of 2017 was recorded in February (N514.2 billion). However, for the first halves of 2018 and 2019, the lowest revenue recorded was N616.2 billion (May 2019). Thus, the lowest total revenue recorded in the first halves of 2018 and 2019 were higher than the highest total revenue recorded in the first half of 2017. Specifically, the lowest monthly revenue of the first half of 2019 (N616.2 billion) was 19.8% higher than the highest monthly revenue of the first half of 2017 (514.2 billion). Also, the lowest monthly revenue of the first half of 2018 (N635.6 billion) was 23.6% higher than the highest monthly revenue of the first half of 2017.



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

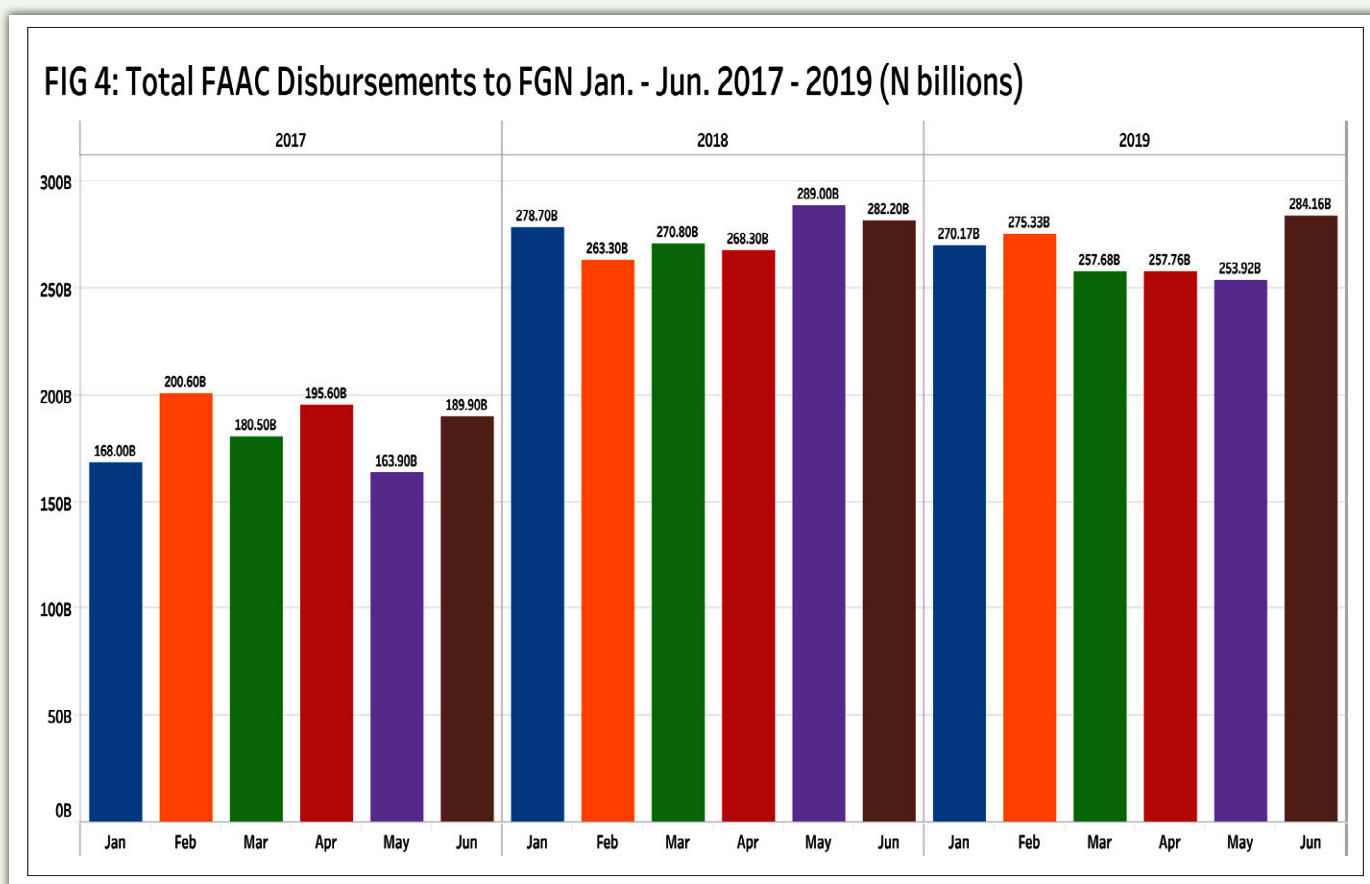
FAAC Disbursements to the Federal Government in H1 2019 were 3.22% Lower than Disbursements in H1 2018 but 45.56% Higher than Disbursements in H1 2017

Figure 4 presents FAAC disbursements to the FG for the first halves of 2017, 2018 and 2019. The figure reveals that disbursements to FG increased from N270.17 billion in January to N275.33 billion in February. It then fell to N257.68 billion in March but increased slightly to N257.76 billion in April, and then fell to N253.92 billion in May, before increasing to N284.16 billion in June. Thus, disbursements to FG experienced increases and decreases in successive months. This alternating “zig-zag” type of behaviour has been observed in previous issues of this review and is symptomatic of the volatile nature of revenue from natural resource exports.

These numbers indicate that disbursements increased by 1.9% between January and February. Then, disbursements fell by 6.4% between February and March, but rose by 0.03% between March and April. Furthermore, disbursements fell by 1.4% between April and May, and then increased by 11.9% between May and June.

When the disbursements in 2019 and in 2018 are compared, it is seen that disbursements in the first half of 2019 were higher than disbursements in the first half of 2018 in two months (February and June), while they were lower in four months (January, March, April, May). These correspond with the observations for the total disbursements in Figure 3. Disbursements to FG in the first half of 2018 were N278.7 billion in January, N263.3 billion in February, N270.8 billion in March, N268.3 billion in April, N289.0 billion in May and N282.2 billion in June. These imply that disbursements to FG in 2019 were higher than the 2018 figures by 4.56% in February and 0.69% in June. On the other hand, disbursements were lower in 2019 than 2018 by 3.05% in January, 4.84% in March, 3.92% in April, and 12.14% in May.

"When the disbursements in 2019 and in 2018 are compared, it is seen that disbursements in the first half of 2019 were higher than disbursements in the first half of 2018 in two months (February and June),"



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

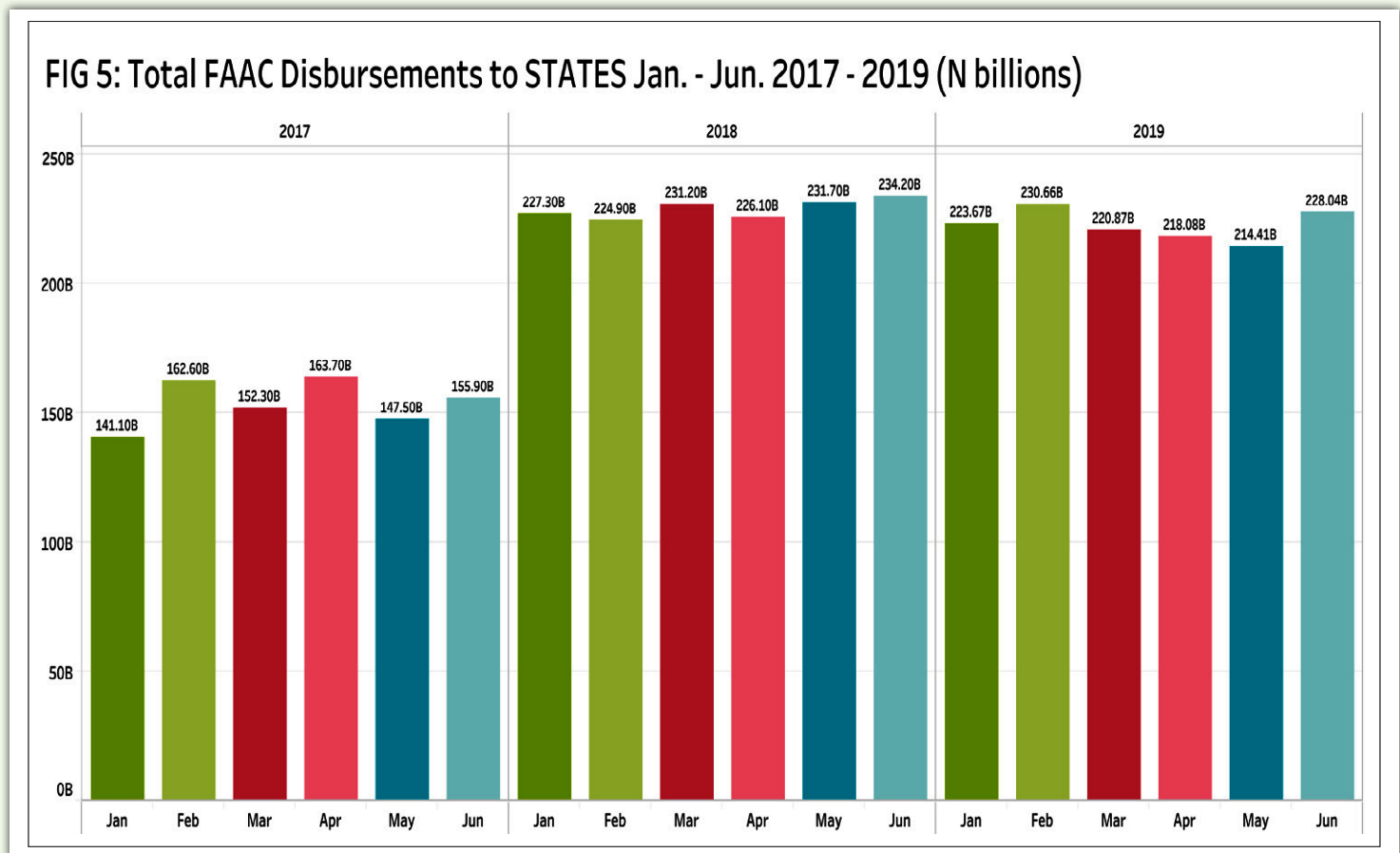
FAAC Disbursements to State Governments in H1 2019 were 2.88% Lower than Disbursements in H1 2018 but 44.7% Higher than Disbursements in H1 2017

Figure 5 presents FAAC disbursements to states in the first halves of 2017, 2018 and 2019. For 2019, states received the highest disbursements in February while the lowest disbursements were in May. Thus, unlike the observations for aggregate and federal government disbursements where disbursements were highest in June, states had their highest disbursements in February. However, similar to what was observed for aggregate disbursements, after an increase in disbursements between January and February, disbursements to states decreased in three consecutive months. Finally, disbursements increased in June.

For the first six months of 2019, disbursements to states were N223.67 billion in January, N230.66 billion in February, N220.87 billion in March, N218.08 billion in April, N214.41 billion in May, N228.04 billion in June. Thus, disbursements increased by 3.1% between January and February. But, disbursements fell by 4.2% between February and March, by 1.3% between March and April, and by 1.7% between April and May. Finally, disbursements increased by 6.4% between May and June.

A comparison of the 2019 figures with the 2018 figures shows an aggregate decrease in 2019. Disbursements were lower in 2019 than in 2018 in all months except February. The disbursements for January to June 2018 were, respectively, N227.3 billion, N224.9 billion, N231.2 billion, N226.1 billion, N231.7 billion, N234.2 billion. These imply that February 2019 disbursements were 2.6% higher than February 2018 disbursements. For the other months of 2019, disbursements were lower than the corresponding months of 2018. Thus, disbursements in 2019 were lower than disbursements in 2018 by 1.6% in January, 4.5% in March, 3.6% in April, 7.5% in May, and 2.6% in June.

"For the first six months of 2019, disbursements to states were N223.67 billion in January, N230.66 billion in February, N220.87 billion in March, N218.08 billion in April, N214.41 billion in May, N228.04 billion in June."



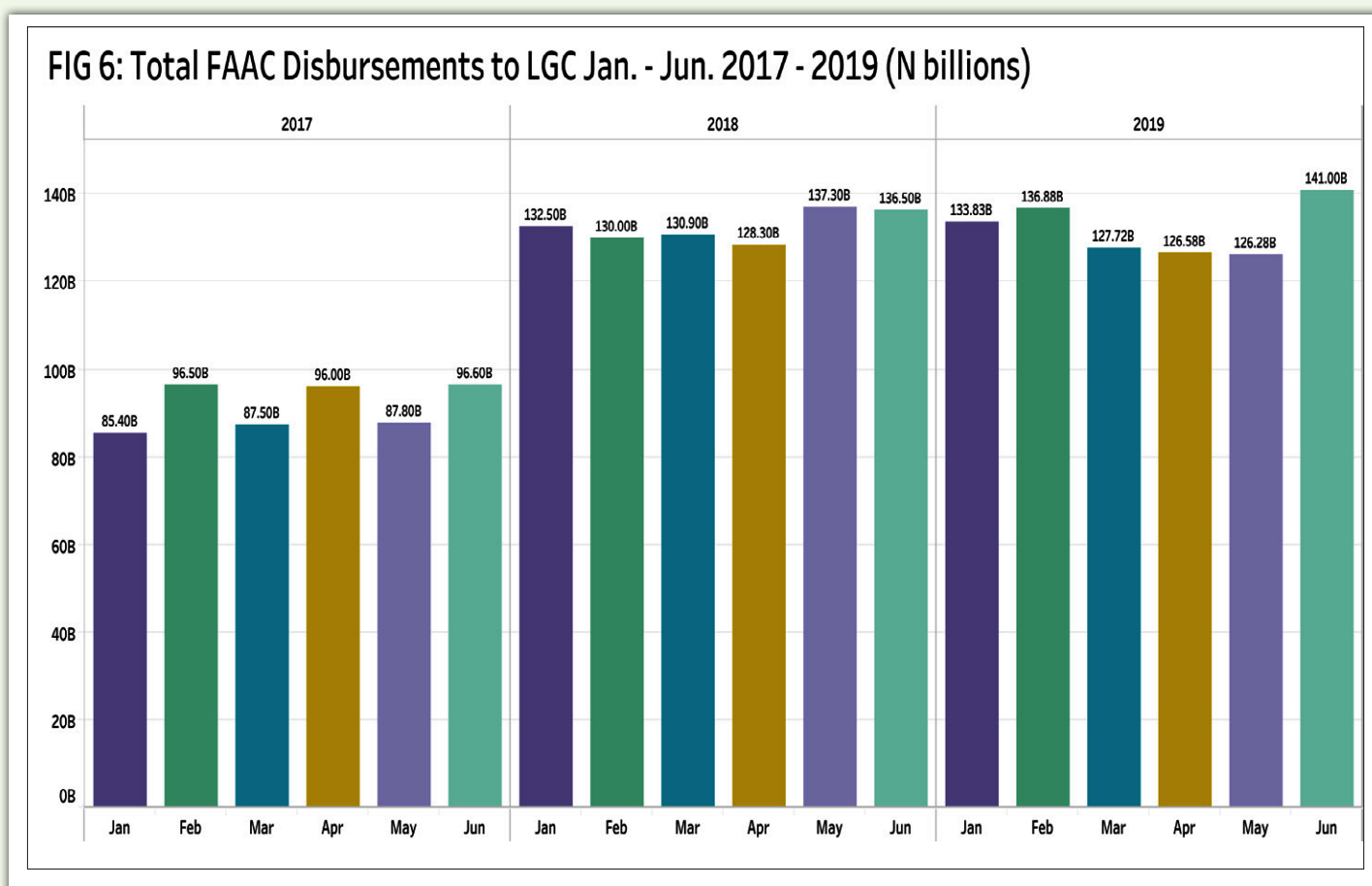
Sources: National Bureau of Statistics, Office of the Accountant General of the Federation, Fiscal Disbursements Units @ NEITI

FAAC Disbursements to Local Governments in H1 2019 were 0.4% Lower than Disbursements in H1 2018 but 44.1% Higher than Disbursements in H1 2017

Disbursements to local governments in the first halves of 2017, 2018 and 2019 are presented in Figure 6. The disbursements for the first half of 2019 were N133.83 billion in January, N136.88 billion in February, N127.72 billion in March, N126.58 billion in April, N126.28 billion in May, and N141.00 billion in June. Thus, disbursements were highest in June and lowest in May. This is similar to observations for aggregate disbursements and disbursements to the federal government. Disbursements in the highest month of June were 11.7% higher than disbursements in the lowest month of May. Between January and February, disbursements to local governments increased by 2.3%. Thereafter, disbursements fell by 6.7% between February and March, by 0.9% between March and April, and by 0.2% between April and May. Finally, disbursements to local governments increased by 11.7% between May and June.

Figure 6 reveals that disbursements in the first half of 2018 were N132.5 billion in January, N130.0 billion in February, N130.9 billion in March, N128.3 billion in April, N137.3 billion in May, and N136.5 billion in June. These indicate that disbursements in 2019 were higher than disbursements in the corresponding months of 2018 in three months (January, February and June). Specifically, disbursements in 2019 were higher than disbursements in 2018 by 1.0% in January, 5.3% in February, and 3.3% in June. On the other hand, they were lower than the 2018 figures by 2.4% in March, 1.3% in April and 8.0% in May.

"Figure 6 reveals that disbursements in the first half of 2018 were N132.5 billion in January, N130.0 billion in February, N130.9 billion in March, N128.3 billion in April, N137.3 billion in May, and N136.5 billion in June."



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

Net Monthly FAAC Disbursements to States in H1 2019 Ranged between N1.51 billion and N19.32 billion, Whereas Half-yearly Disbursements Ranged between N10.09 billion to N108.69 billion

Figure 7 presents monthly net FAAC disbursements for the states for the first half of 2019. The lowest disbursement of N1.51 billion was received by Osun State in May, while the highest disbursement of N19.32 billion was received by Delta State in April. This indicates a difference of N17.81 billion between the highest disbursement and lowest disbursement.

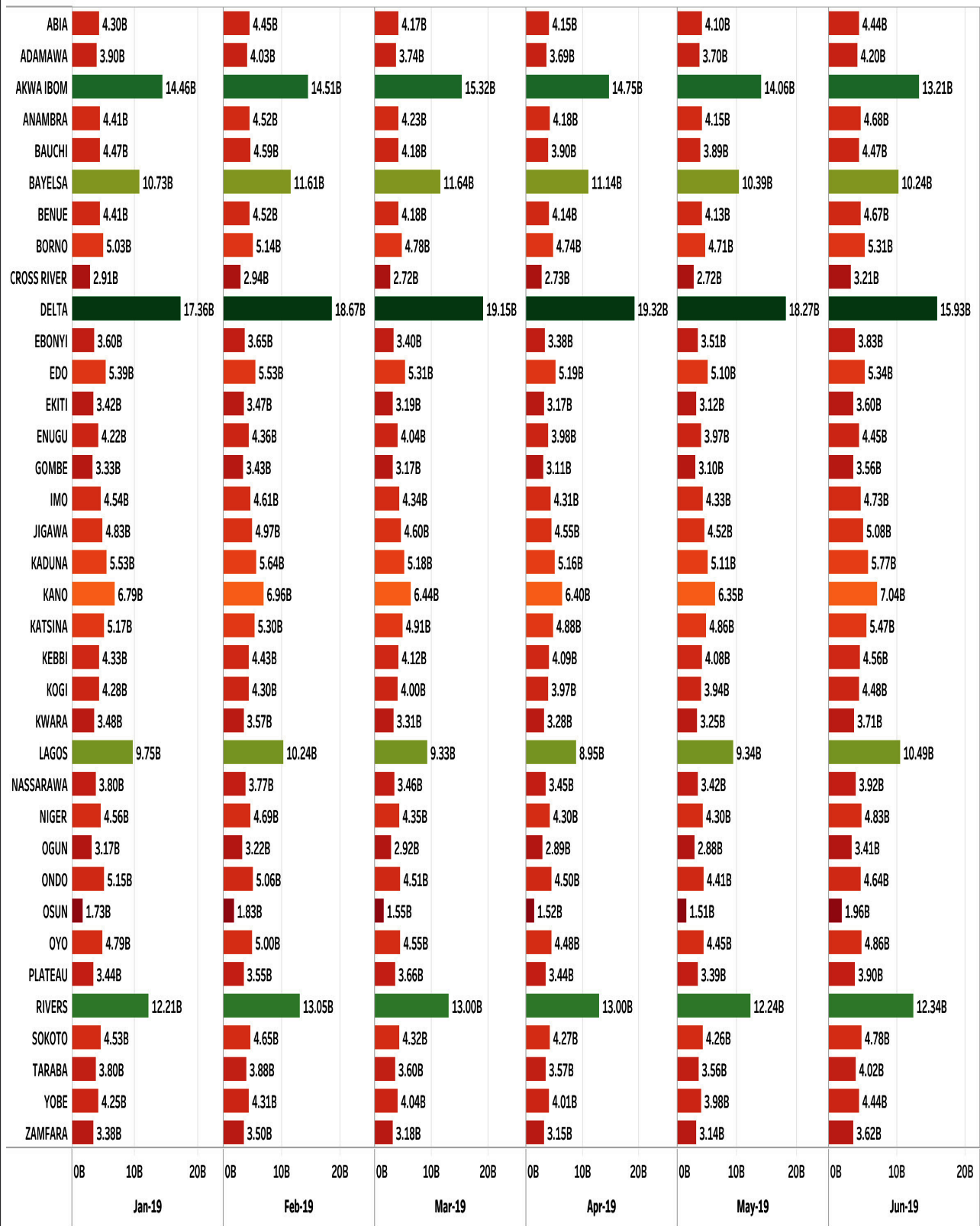
Figure 7 shows some relative stability for some states in the disbursements received each month. For 15 states, the difference between the highest and lowest disbursement was less than N500 million. These states are: Abia, Imo, Edo, Ebonyi, Osun, Kwara, Gombe, Yobe, Taraba, Zamfara, Kebbi, Enugu, Ekiti, Cross River, and Nasarawa. It could be inferred that such states will have a broad idea of how much disbursements they will receive. However, for the other states, there is a wider difference between the lowest and highest disbursements. For 17 states, the difference between the lowest and highest disbursement was between N500 million and N1 billion: Adamawa, Plateau, Sokoto, Ogun, Niger, Anambra, Kogi, Benue, Oyo, Jigawa, Borno, Katsina, Kaduna, Kano, Bauchi, Ondo and Rivers states. There are four states where the difference between lowest and highest disbursements was greater than N1 billion: Bayelsa, Lagos, Akwa Ibom, and Delta. These states are also the highest receiving states. Planning would be more difficult in these states owing to the high volatility in disbursements from month to month.

Figure 8 presents half-yearly disbursements for the first halves of 2017, 2018 and 2019. Focusing in the first half of 2019, total revenue received by states ranged between N10.09 billion for Osun State and N108.69 billion for Delta State. The difference between these states revenues is N98.6 billion.

Figure 8 shows an interesting pattern of the wide disparities in disbursements received by states. Five broad categories can be identified. First, some states received disbursements in the range between N10 billion and N19.99 billion. Six states were in this category: Osun, Cross River, Ogun, Gombe, Ekiti, and Zamfara states. Second, some states received disbursements in the range between N20 billion and N29.9 billion. Most states (21) were in this category: Kwara, Plateau, Ebonyi, Nasarawa, Taraba, Adamawa, Kogi, Enugu, Yobe, Bauchi, Abia, Kebbi, Benue, Anambra, Sokoto, Imo, Niger, Oyo, Ondo, Jigawa, and Borno states. The third category is for states that received disbursements in the range between N30 billion and N39.9 billion. Four states were in this category: Katsina, Edo, Kaduna, and Kano states. The fourth category is for states that received disbursements in the range between N50 billion and N99.9 billion. Four states were in this category: Lagos, Bayelsa, Rivers, and Akwa Ibom states. The fifth category is for states that received above N100 billion. Delta State is the only state in this category.

"Figure 8 shows an interesting pattern of the wide disparities in disbursements received by states. Five broad categories can be identified."

FIG 7: Net FAAC Disbursements to STATES, H1 2019 (N billions)



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

Nine States, or 25% of the States, had Net FAAC Disbursements in H1 2019 Higher than in H1 2018

Figure 8 presents net FAAC disbursements for the states for the first halves of 2017 to 2019. Disbursements in the first half of 2019 were higher than the first half of 2017 for all states. This corroborates earlier observations where it was seen that disbursements in 2019 exceeded 2017 by at least 40% for all tiers of government.

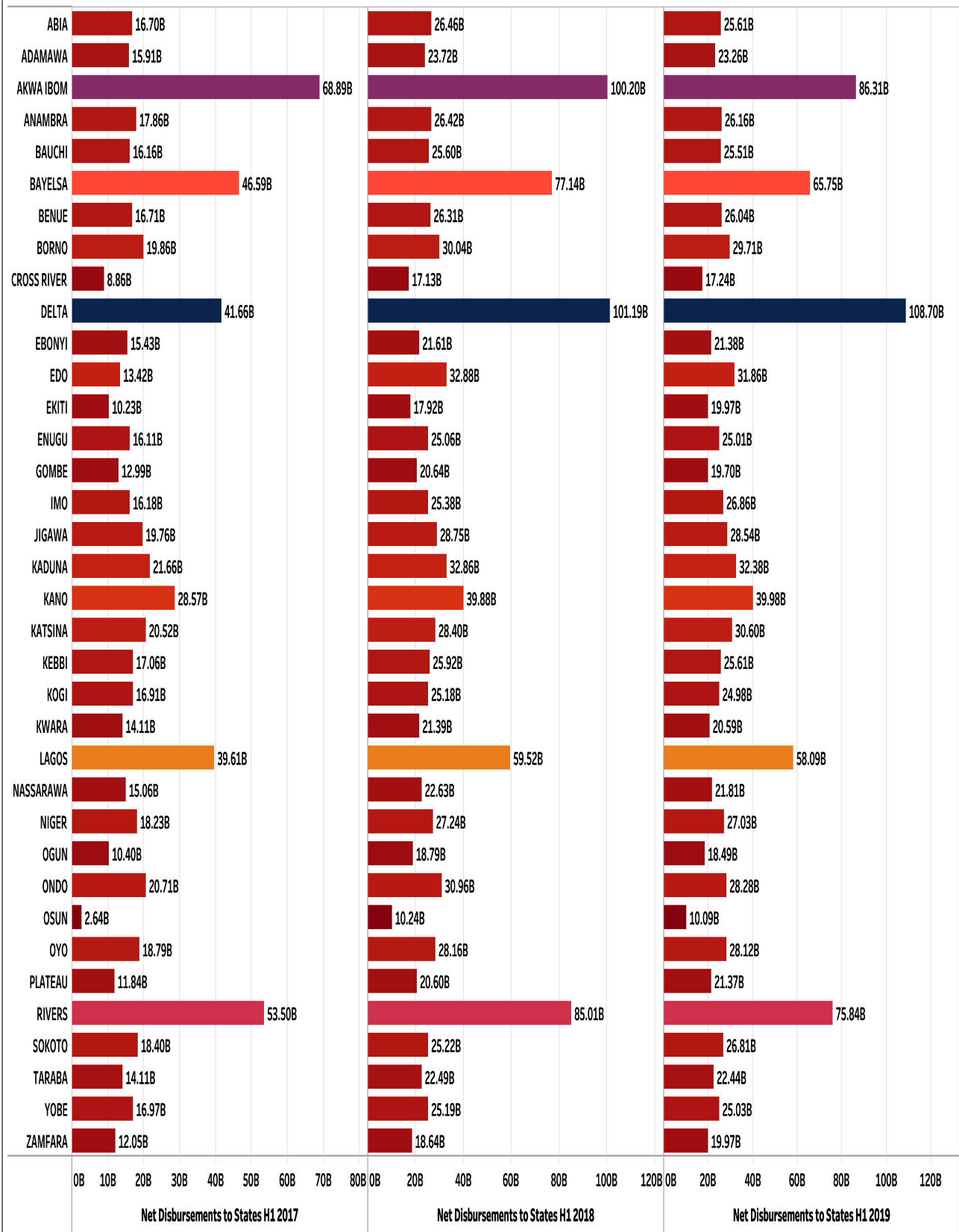
When the figures for 2019 are compared with those for 2018, it is observed that nine states had their 2019 first half disbursements higher than 2018 first half disbursements. This represents only 25% of the states. These states are Cross River, Delta, Ekiti, Imo, Kano, Katsina, Plateau, Sokoto, and Zamfara. The degrees by which the 2019 disbursements exceed the 2018 disbursements vary widely and ranged between N95.9 million and N7.5 billion. Specifically, the amounts by which the 2019 disbursements exceeded the corresponding 2018 figures are: N95.9 million (Kano), N110.5 million (Cross River), N771.3 million (Plateau), N1.3 billion (Zamfara), N1.4 billion (Imo), N1.5 billion (Sokoto), N2.1 billion (Ekiti), N2.2 billion (Katsina), and N7.5 billion (Delta).

For majority of the states (27), their disbursements in the first half of 2019 were lower than disbursements in the first half of 2018. Thus, 75% of the states received higher revenue in the first half of 2018 than the first half of 2019. The amounts by which the 2018 disbursements exceeded the corresponding 2019 figures are: N38.5 million (Oyo), N46.7 million (Enugu), N58.6 million (Taraba), N87.1 million (Bauchi), N149 million (Osun), N158.8 million (Yobe), N201.02 million (Kogi), N203.6 million (Niger), N208.01 million (Jigawa), N228.2 million (Ebonyi), N259.9 million (Anambra), N263.6 million (Benue), N302.2 million (Ogun), N307.1 million (Kebbi), N322.3 million (Borno), N454.1 million (Adamawa), N485.2 million (Kaduna), N802.4 million (Kwara), N819.2 million (Nasarawa), N847.1 million (Abia), N931.1 million (Gombe), N1.01 billion (Edo), N1.4 billion (Lagos), N2.6 billion (Ondo), N9.1 billion (Rivers), N11.3 billion (Bayelsa), and N13.8 billion (Akwa Ibom).

Delta State represents a particularly interesting case. Delta State was the fourth highest recipient of FAAC disbursements in H1 2017. However, the state had become the highest recipient in H1 2018, and this first position was maintained in 2019. Delta State received N41.66 billion in the first half of 2017 but this surged to N101.19 billion in the first half of 2018. This represents a 142.89% increase. The amount received by the state increased further in the first half of 2019 to N108.7 billion. Thus, in the first half of 2019, the disbursement received by Delta State was 7.42% higher than its receipt in the first half of 2018, and 160.92% higher than its receipt in the first half of 2017.

"Delta State represents a particularly interesting case. Delta State was the fourth highest recipient of FAAC disbursements in H1 2017.

FIG 8: Total Net FAAC Disbursements to STATES H1 2017, H1 2018, H1 2019



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

Conclusion

This review is an analysis of FAAC disbursements in the first half of 2019. The review showed that a total of N3.842 trillion was disbursed by FAAC in the first half of 2019. This figure is slightly lower than the N3.946 trillion disbursed in the first half of 2018 but higher than the N2.788 trillion disbursed in the first half of 2017. With N1.599 trillion, the federal government received the largest share of the amounts disbursed. This was followed by states which received N1.335 trillion, while total disbursements to local governments were N792 billion.

In addition, this review showed that total disbursements in the first quarter of 2019 were N1.929 trillion, while total FAAC disbursements in the second quarter of 2019 were N1.913 trillion. Thus, total disbursements in the second quarter of 2019 were lower than total disbursements in the first quarter of 2019 by 0.83%.

Finally, the review showed that total FAAC disbursements in Q2 2019 were the lowest since Q4 2017. Also, net monthly FAAC disbursements to states ranged between N1.51 billion and N19.32 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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