OPERATION & MANAGEMENT OF THE FEDERATION ACCOUNT

In The Context of The Nigerian Constitution, Acts and Executive Orders

Presented By

Afolabi E. Olowookere, Ph.D.
Managing Director | Chief Economist
Analysts Data Services & Resources Ltd.
olowookere.ae@adsrng.com; +234 (0) 8032734460

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Presentation **Outline**

- Nigeria's Fiscal Federalism
- Federation Account: Constitutional Context
- Federation Account: Examining The Data
- Amendments to Revenue Sources and Distribution: Acts and Executive Orders
- Summary and Conclusion

Nigeria operates a federal system or federalism comprising federal, state and local governments.

In a federal system, different governments provide different services to overlapping jurisdictions.

Fiscal federalism denotes an intergovernmental fiscal relation defining functions and responsibilities among the various tiers of government as well as the financial resources to achieve stated objectives.

It relates to the division of tax income and functional responsibilities among the various tiers of government in a federal state.

Certain revenues are pooled and distributed among Nigeria's 3 tiers of government by the Federation Account Allocation Committee (FAAC)

This distribution has always been central in financing government operations both at the national and sub-national levels.

However, recent global development and prevailing domestic economic conditions are affecting FAAC distribution.

Nigeria's Fiscal **Federalism**

Federation Account: Constitutional Context

Federation Account: Constitutional Context

- Section 162 of the 1999 Constitution of the Federal Republic of Nigeria stipulates the creation of the Federation Account
  - into which all revenues collected by the Government of the Federation shall be paid
  - except proceeds from the Personal Income Tax of the Army, Police, Foreign Affairs and the residents of the FCT.
- It goes further to mandate that any amount standing to the credit of the Federation Account shall be distributed among the three (3) tiers of Government
  - following the advice given to the President by the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) and
  - the approval of the National Assembly.

Federation Account: Constitutional Context (Cont'd)

- Before May 1999, the Vertical formula for allocating federally-collected revenue was:
    - Federal (48.5%), States (24%), Local Governments (20%), Statutory Stabilisation (0.5%), General Ecology (2.0%), Federal Capital Territory (1%), and Oil Mineral Producing Areas Development Commission - OMPADEC (3%).
- The 1999 Constitution replaces OMPADEC's 3% with a 13% Derivation payable to Oil Producing States.
- The sharing formula among the States (Horizontal) is as follows: Minimum responsibilities of government-equality of states (40%); Population (30%); Social development factor (10%); Education (4%); Health (3%); Water (3%); and Internal revenue effort (20%).
- Value Added Tax (VAT) is distributed as follows: Federal (15%), State (50%), and LGs (35%).
    - VAT distribution among States is in the proportion of total VAT collections from each State.

Federation Account: Constitutional Context (Cont'd)

- Following a Supreme Court's ruling in 2002 on the legality of some funds such as the Ecological and Stabilisation Account sharing from the Federation Account,
    - the Statutory Revenue Allocation Formula was adjusted as Federal (54.68%), States (24.72%), and LGs (20.60%).
- The Statutory Revenue Allocation Formula was further modified in May 2003 through a Modification Order as follows:
    - Federal (52.68%), States (26.72%) and LGs (20.60%).
    - These revenues are shared after the necessary collection costs by the relevant agencies and other deductions are made.

Revenue Sharing: **Current Formula**

Federation Account Distribution
FGN (52.68%)
States (26.72%)
LGAs (20.60%)

VAT Pool Distribution
FGN (15%)
States (50%)
LGAs (35%)

FGN portion consists of:

- FG — 48.5%
- FGN Share of Derivation and Ecology — 1%
- FCT — 1%
- Stabilization Account — 0.5%
- Development of Natural Resources — 1.68%

Federation Account: Examining The Data

Details of Federation Account (2023), N'bn

- The Federation Account revenue data can be classified as:
  - Oil revenue
  - Solid minerals and other mining revenues
  - Dividend payment (NLNG)
  - Non-oil tax revenue
- The table shows the 2023 performance (budget vs actual) of each of the items, and the variance
- For instance, it shows the:
  - various revenue lines under oil revenue
  - deductions, and
  - net revenue from oil that goes into the federation account

S/NO	DESCRIPTION	2023 APPROVED BUDGET			ACTUAL				3rd Quarter Actual Vs Quarterly Budget	
		Annual	Quarterly	3QTRS	First Quarter	Second Quarter	Third Quarter	3QTRS		
A	OIL REVENUE	₦b	₦b	₦b	₦b	₦b	₦b	₦b	₦b	%
1	Gross Profit Oil from Crude Oil & Gas Sales	490.84	122.71	368.13	282.14	363.68	469.67	1,115.49	346.96	282.74
2	PPT & Gas Income @ 30% CITA	5,161.87	1,290.47	3,871.40	1,015.62	784.59	450.13	2,250.34	-840.34	(65.12)
3	Oil & Gas Royalties	3,498.97	874.74	2,624.23	602.78	429.65	610.45	1,642.89	-264.29	(30.21)
4	Concessional Rentals	4.95	1.24	3.71	0.45	2.73	3.13	6.30	1.89	152.50
5	Gas Flared Penalty	112.71	28.18	84.53	18.88	34.06	42.32	95.27	14.14	50.20
6	Incidental Oil Revenue (Royalty Recovery & Marginal Field	100.58	25.14	75.42	51.64	30.11	25.85	107.60	0.71	2.84
7	Miscellaneous (Pipeline Fees etc)	14.79	3.70	11.09	3.85	3.55	2.76	10.16	-0.94	(25.29)
8	Exchange Gain	0.00	0.00	0.00	16.09	9.34	281.80	307.24	281.80	
9	Sub-Total Oil & Gas Revenue	9,384.72	2,346.17	7,038.52	1,991.46	1,657.72	1,886.11	5,535.30	-460.06	(19.61)
10	13% Derivation	1,220.01	305.00	915.01	258.89	215.50	245.19	719.59	-59.81	(19.61)
11	Total Oil & Gas Revenue after Derivation	8,164.71	2,041.17	6,123.51	1,732.57	1,442.22	1,640.92	4,815.71	-400.25	(19.61)
12	Deductions									
13	Fiscal Deductions (Base JV Cash Call + EF + MCA + RA)	0.00	0.00	0.00	392.23	135.19	0.00	527.42	0.00	
14	Other Federally Funded Upstream Projects	3,431.80	857.95	2,573.85	1,246.31	676.66	0.00	1,922.96	-857.95	(100.00)
15	NUPRC 4% Cost of Collection (Royalty,Concessional,Gas Flared & Miscellanous)	106.30	26.57	79.72	0.00	0.00	0.00	0.00	-26.57	(100.00)
16	NUPRC 4% CoC with Incidental Rev & Signature Bonus	6.31	1.58	4.74	0.00	0.00	0.00	0.00	-1.58	
17	Total Deductions	3,544.41	886.11	2,658.32	1,638.54	811.85	0.00	2,450.38	-886.11	(100.00)
18	Net Oil Revenue	4,620.29	1,155.06	3,465.19	94.03	630.37	1,640.92	2,365.32	485.85	42.06
19	TO FEDERATION ACCOUNT (OIL)	4,620.29	1,155.06	3,465.19	94.03	630.37	1,640.92	2,365.32	485.85	42.06
B	SOLID MINERAL & OTHER MINING REVENUES									
20	Total Solid Minerals Revenue	8.68	2.17	6.51	2.29	3.28	4.99	10.57	2.82	129.88
21	Less 13% Derivation	1.13	0.28	0.84	0.30	0.43	0.65	1.38	0.37	131.60
22	Net Solid Minerals after Derivation	7.55	1.89	5.67	1.99	2.86	4.34	9.19	2.45	129.62
C	DIVIDEND PAYMENT (NLNG)	153.73	38.43	115.30	0.00	0.00	0.00	0.00	-38.43	(100.00)

Details of Federation Account (2023), N'bn - Contd

- The Non-oil Revenue comprises largely
  - Corporate tax
  - VAT
  - Electronic Money Transfer Levy
  - Customs: Imports & Excise Fees
  - Special Levies (Federation Account)
- Costs of collections of relevant agencies as well as other relevant statutory tranfers are deducted
- The net amount is then also transfered to the federation acccount
- The Total Distributable row therefore gives the components to be distributed as FAAC based on the appropriate sharing formular
- The last row gives Grand Total of the amount to be shared as FAAC

S/NO	DESCRIPTION	2023 APPROVED BUDGET			ACTUAL				3rd Quarter Actual Vs Quarterly Budget	
		Annual	Quarterly	3QTRS	First Quarter	Second Quarter	Third Quarter	3QTRS		
D	NON-OIL TAX REVENUE									
23	Corporate Tax	2,092.67	523.17	1,569.51	469.20	1,283.81	1,610.20	3,363.22	1,087.03	207.78
24	Value-Added Tax	2,953.77	738.45	2,215.35	709.59	781.35	948.07	2,439.01	209.62	28.39
25	Electronic Money Transfer Levy (EMTL)	137.03	34.26	102.78	41.02	42.00	39.51	122.54	5.25	15.33
26	Customs: Imports, Excise & Fees	2,115.87	528.96	1,586.88	355.49	326.74	524.64	1,206.87	-4.32	(0.82)
27	Special Levies (Federation Account)	372.53	93.12	279.36	36.92	45.48	73.61	156.01	-19.51	(20.95)
28	Sub-Total	7,671.87	1,917.96	5,753.88	1,612.23	2,479.39	3,196.03	7,287.65	1,278.07	66.64
29	FIRS Tax Refunds	75.00	18.75	56.25	4.00	0.00	0.00	4.00	-18.75	(100.00)
30	4% Collection Cost (CIT, Stamp Duties & Capital Gains)	83.71	20.93	62.78	24.62	62.18	68.33	155.13	47.40	226.53
31	4% Collection Cost (VAT & Surcharge on Luxury Items)	118.15	29.54	88.61	25.89	28.72	33.22	87.84	3.69	(0.78)
32	3% Transfer to North East Development Commission (NEDC) from VAT	85.07	21.27	63.80	21.29	23.44	28.44	73.17	7.17	33.74
33	0.5% Transfer to Nigerian Police Trust Fund from VAT	14.18	3.54	10.63	0.00	0.03	0.02	0.05	-3.52	(99.44)
34	Tax Amnesty Cost of Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
35	7% Cost of Collection (Duty, Excise & Fees)	148.11	37.03	111.08	24.88	22.87	36.72	84.48	-0.30	(0.82)
36	7% Cost of Collection (Spec. Levies -Fed. Acct.)	26.08	6.52	19.56	2.58	3.18	5.15	10.92	-1.37	(20.96)
37	TO FEDERATION ACCOUNT (NON-OIL)	4,409.45	1,102.36	3,307.09	807.52	1,570.65	2,102.58	4,480.76	1,000.22	90.73
38	Total VAT Pool	2,736.38	684.09	2,052.28	663.31	730.10	884.80	2,278.20	200.70	29.34
39	Net Non-Oil	7,239.73	1,809.93	5,429.80	1,534.85	2,367.68	3,057.36	6,959.89	1,247.43	68.92
40	TO FEDERATION ACCOUNT (Main Pool)	9,030.53	2,257.63	6,772.90	901.55	2,201.02	3,743.50	6,846.08	1,485.87	65.82
E	TOTAL DISTRIBUTABLE									
1	Federation Account (Main Pool)	9,030.53	2,257.63	6,772.90	901.55	2,201.02	3,743.50	6,846.08	1,485.87	65.82
2	VAT Pool Account	2,736.38	684.09	2,052.28	663.31	730.10	884.80	2,278.20	200.70	29.34
3	Electronic Money Transfer Levy (EMTL)	137.03	34.26	102.77	41.02	42.00	39.51	122.54	5.25	15.34
4	GRAND TOTAL	11,903.94	2,975.98	8,927.95	1,564.86	2,931.12	4,628.30	9,124.28	1,652.31	55.52

FACC Distribution **July 2024**

01 A communique issued by the FAAC indicated a total sum of **N1.35 trilion** Federation Account Revenue was shared in July for June, 2024.

02 **N459.78 billion, N461.98 billion** and **N337.02 billion** were shared to the Federal, state and local governments, respectively.

S/N	Description	2024 Total (N'b)	2023 Total (N'b)	% change
1.	Statutory	142.51	301.50	-52.73
2.	Exchange Difference Revenue	472.19	320.89	47.15
3.	Electronic Money Transfer (EMTL)	15.69	11.44	37.21
4	Non-oil Excess Account	200.00	-	
5	VAT	523.97	273.22	91.77
	Total	**1354.38**	**907.05**	**49.32**

S/N	Beneficiaries	2024 Total (N'b)	2023 Total (N'b)	% change
1.	FGN	459.78	345.56	33.05
2.	State	461.98	295.95	56.10
3.	LGCs	337.02	218.06	54.55
4.	13% of mineral revenue	95.60	47.48	101.35
	Total	**1,354.38**	**907.05**	**49.32**

03 A total sum of N95.60 billion (13% of mineral revenue) was shared to the relevant States as derivation revenue.

04 **The total distributable revenue comprised:**

- *Statutory revenue of N142.51 billion*
- *Value Added Tax (VAT) revenue of N 523.97 billion*
- *Electronic Money Transfer Levy (EMTL) revenue of N15.69 billion*
- *Exchange Difference revenue of N472.19 billion.*

Summary of Gross Revenue Distribution by Beneficiaries (N'bn)

- The gross sum of **N82.23 trillion** has been shared by FAAC from 2017 to 2024'H1.
- FGN, States and LGCs have received a sum of **N25.63trn, N19.57trn** and **N14.54trn** respectively as gross revenue from the federation account from 2017 till date.
- The balances shared were in the forms of costs of collections, 13% Derivation, Transfers and Special funds.
  - NUPRC has replaced DPR in collecting the 4%

Year	FGN	State	LGCs	13% Derivation Fund	Cost of Collection - NCS/NCS Refund	4% Cost of Collection - DPR	Deductions: Cost of Collections - FIRS/FIRS Tax Refund	Transfer to Excess Crude	Police Trust Fund	North East Development Commission	GRAND TOTAL
2017	2,675	1,743	1,310	442	47	30	127	99	-	-	6,472
2018	3,475	2,213	1,669	634	55	51	112	310	-	-	8,518
2019	3,401	2,208	1,662	577	64	51	129	133	-	-	8,229
2020	2,976	2,113	1,579	526	72	48	142	149	32	49	7,685
2021	3,188	2,435	1,809	750	103	84	293	470	34	61	9,226
2022	3,515	2,834	2,097	976	129	122	249	1,645	270	72	12,356
2023	4,074	3,628	2,669	1,106	153	286	573	3,177	95	105	16,284
2024H1	2,322	2,399	1,747	2,019	124	414	308	3,413		86	13,461
Grand Total	25,626	19,573	14,542	7,030	747	1,086	1,933	9,396	431	373	82,231

Source: OAGF, ADSR Research

Amendments to Revenue Sources and Distribution: Acts and Executive Orders

Amendments to Revenue Sources and Distribution

- There are some recent changes to the revenues that go into the federation account and the sharing arrangement; including:

Amendments to Sources

- Road Infrastructure Development and Refurbishment Investment Tax Credit (RITC) Scheme (Executive Order 007)
- Finance Acts
- Electronic Money Transfer Levy
- Executive Orders on Oil and Gas

Amendments to Distribution

- Nigerian Police Trust Fund
- North East Development Commission
- Petroleum Industry Act (PIA)

Drivers of Future Amendments

- Calls for Resource Control and Devolution of Powers
- Constitution Amendment Directs Devolution of Powers on Prisons, Railways & Electricity to The States
- Supreme Court ruling to allow direct payment to LGAs

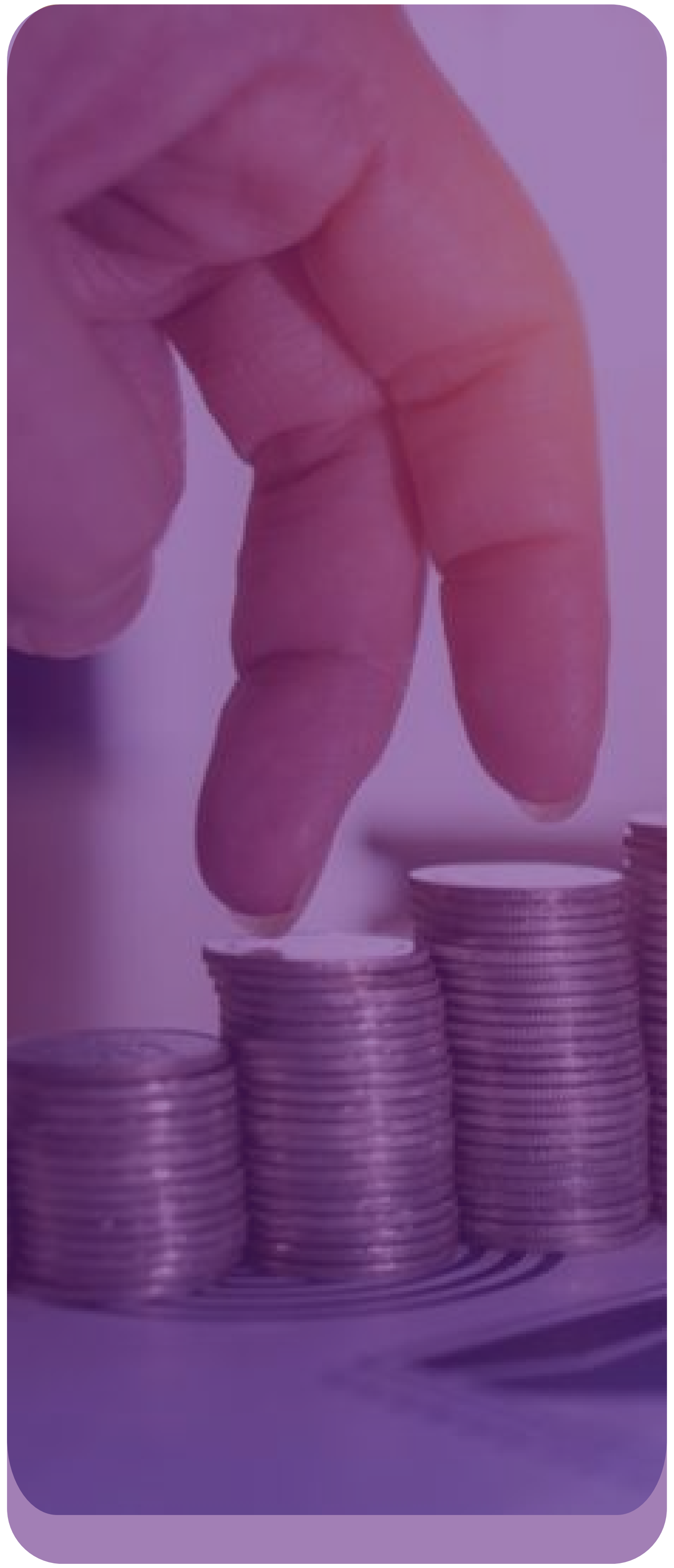
Road Infrastructure Development and Refurbishment Investment Tax Credit (RITC) Scheme (Executive Order 007)

- This scheme was signed on 25 January 2019 Under Executive Order 007 in which private companies are incentivized to invest in road infrastructure development across Nigeria in exchange for tax credits for a period of ten (10) years.
- The scheme allows companies to use their tax liabilities to offset the cost of road infrastructure development, promoting collaboration between the public and private sectors.
- Companies that have participated in the scheme include; Dangote Cement, BUA Cement, MTN, Access bank, GZI Industries, Mainstream Energy Solutions, NLNG, NNPC and Transcorp Group.

Implications for FAAC

- Since the corporate tax collected has reduced due to the tax credit issued, this will result in a lower total amount available for distribution through FAAC.
- Need for New Accounting Mechanisms: FAAC may need to develop and implement new accounting systems to track and account for the tax credits issued under the RITC scheme.
  - This would create transparency in how tax liabilities are offset against road infrastructure investments as well as the long-run benefit of the scheme

Finance Acts



- The FGN has used Finance Acts to make signifiant changes to the countries laws in recent times.
- For instance, the Finance Act (2019) introduced some major changes, including:
  - Increased VAT Rate from 5% to 7.5%
  - Widened application of excise duty
  - Exempted entities with annual turnover of less than N25million from VAT
  - Expanded the list of items exempted from VAT
  - Exempted small companies with annual turnover of less than N25million from paying CIT

Implications for FAAC

- While changes such as the VAT rate increase have positive effects on the Federation Account, the exemption granted small companies on VAT and CIT payment will be expected to reduce inflow into FAAC.

Electronic Money Transfer Levy

- In 2020, the Finance Act introduced the Electronic Money Transfer Levy (EMTL), adding a charge on electronic fund transfers to enhance regulation and taxation of digital financial transactions.
- The levy is imposed as a singular and one-off charge of N50 on electronic receipts or electronic transfer on the sum of N10,000 or more.
- Section 21 of Finance Act, 2023 introduced the most recent amendment to Section 89A of the SDA by reallocating the sharing formula to now include 15% to the Federal, 35% to the Local and 50% to the State Government.

Implications For FAAC

- Increased Revenue for Distribution: The EMTL serves as an additional revenue source for the Federation Account, thereby increasing the pool of funds available for distribution to Federal, State, and local governments.
- Revenue from ETML not predictable: The volume of electronic transactions may fluctuate based on economic conditions, meaning the revenue from EMTL may impact FAAC's revenue projections, particularly as there may be other charges that can discourage electronic transfers and make people prefer cash transactions.

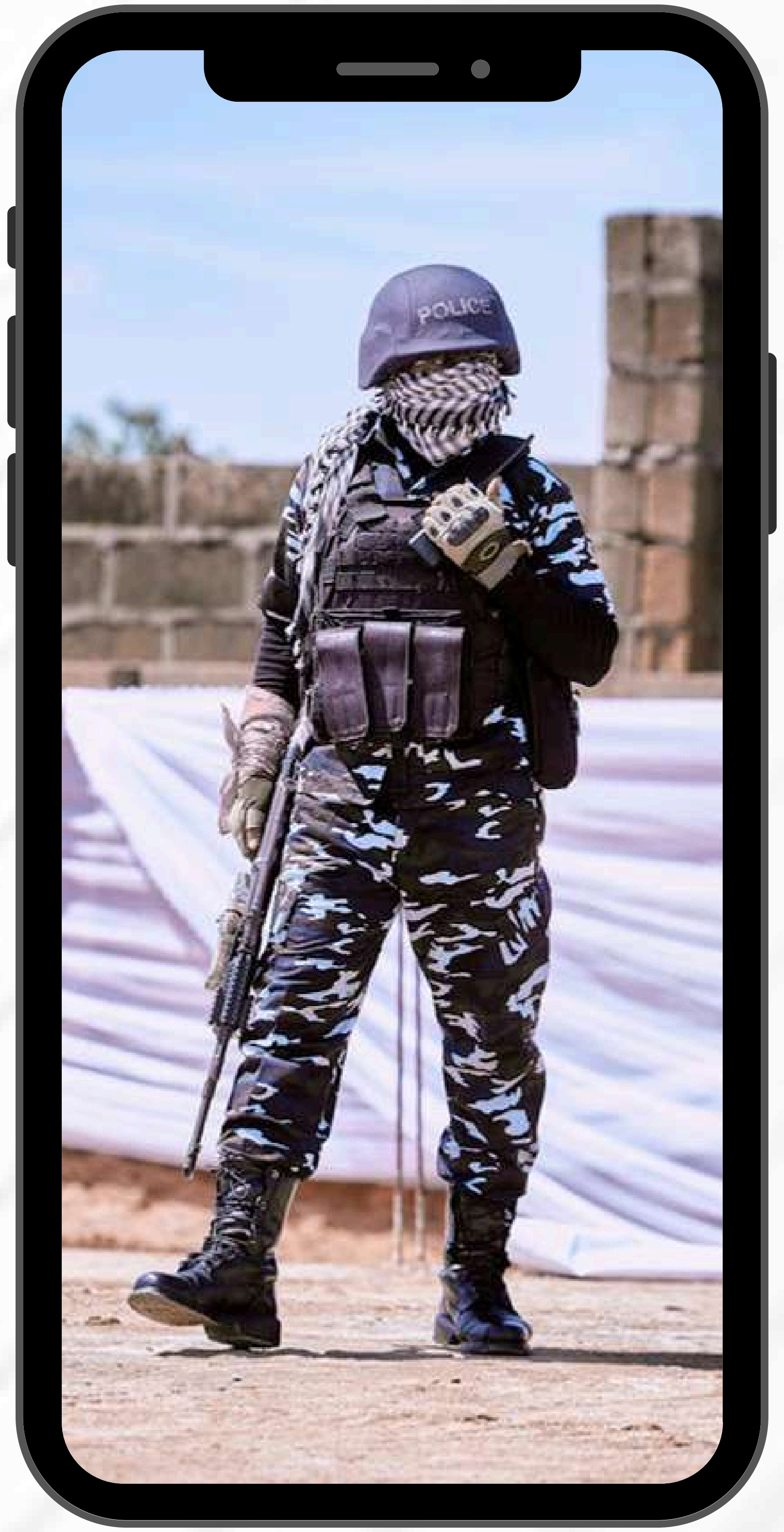
Executive Orders on Oil and Gas

- On 28 February 2024, the President signed three Executive Orders to improve investments in the petroleum sector.
- The Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order (OGCO) introduces tax incentives for various sectors of the gas industry and will be applicable for a maximum of ten (10) years.
- The Executive Orders are on:
  - 1. Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order, 2024
  - 2. Presidential Directive on Local Content Compliance Requirements, 2024
  - 3. Presidential Directive on Reduction of Petroleum Sector Contracting Costs and Timelines, 2024

Implications for FAAC

- Immediate reduction in FAAC Inflows: Following these incentives, lower inflows should be expected in the short run
- Increased Revenue : If successful, the executive orders could increase oil and gas production, leading to higher revenues from exports, royalties, and taxes. This would increase the funds available for distribution through FAAC to the federal, state, and local governments.
- Unstable Revenue Flows: With deregulation and increased dependence on global oil prices, FAAC revenues could become more unstable, especially during periods of low oil prices or production disruptions due to insecurity or oil theft.

The Nigerian Police Trust Fund



- The Nigerian Police Trust Fund (Establishment) Act, 2019 mandates
  - the payment of 0.5% of the total revenue accruing to the Federation Account and
  - a levy of 0.005% of the net profit of companies operating in Nigeria
  - into the Trust Fund for the training and retraining of the personnel of the Nigeria Police Force.

Implications for FAAC

- Reduction in Distributable Revenue: The 0.5% deduction from the Federation Account reduces the amount available for distribution.
- Long-term Benefits for Security Infrastructure: Though the short-term impact may be felt through reduced allocations, improved security infrastructure could enhance economic stability and tax revenues in the long run.
- However, the legality of this fund has been challenged in the court and it has been ruled that FGN cannot deduct money from the Federation Account to fund an FG Agency.

The North East Development Commission

- The North-East Development Commission (Establishment) Act, 2017 provides that the Commission shall be funded with 10% of annual statutory allocations due to the states in the north-east region, 10% of the Ecological funds for 10 years and 3% of annual VAT collection as first line charge for 10 years.

- This commission is established to address the developmental challenges faced by the northeastern region of Nigeria.

- In July 2024, FAAC allocated a gross revenue of N16.2bn to the commission
- According to the 2024 budget, the FG allocated N126.94bn as statutory transfer to the commission.

- The 10% of the ecological funds for a period of 10 years are intended to address environmental challenges and support ecological and environmental restoration efforts in the region.

Implications for FAAC

- VAT Deductions as First-Line Charge: The 3% VAT deduction reduces the overall revenue available for distribution through FAAC, impacting all tiers of government.
- Other regions in the country will also target FAAC when they have some form of crises
- However, Long-Term Economic Stability: Successful rebuilding of the North-East could foster regional stability and growth, leading to economic revitalization and increase national revenue over time in the long run. However, the short-term reduction in FAAC allocations could pose challenges for fiscal planning across the country.

The Petroleum Industry Act (PIA)

- The PIA has the major aim to restructure and transform the Nigerian oil and gas industry.
- It seeks to provide governance, legal, regulatory and fiscal framework for the Nigerian Petroleum Industry.
- The Act is expected to influence government's directions on its monetary and fiscal policy interventions in a manner that oil and gas provide greater and stable contribution to the economy.
- It was signed into law on the 16th of August, 2021.

Among its various objectives are to:

- Establish a progressive fiscal framework that encourages investment in the Nigerian petroleum industry, balancing rewards with risk and enhancing revenues to the Federal Government of Nigeria;
- Simplify the administration of petroleum tax
- Promote equity and transparency in the petroleum industry fiscal regime.
- Establish a framework for the creation of a commercially oriented national petroleum company;
- Make institutions efficient with separate roles for petroleum industry

Implications of the PIA for Federation Account

IMPLICATIONS	BAU	BEST CASE	WORST CASE
Establishment of Regulatory Agencies	↑ 1.5	↑ 2	→ 0
Multiple Agencies and Costs of Collection	↘ -1	→ 0	↓ -2
NNPC and its Commercial Operations	↗ 1	↑ 2	↘ -1
Remittance into FAAC vs CRF	↘ -1	→ 0	↓ -2
Newly-created Funds in PIA and FAAC	↘ -1	↗ 1	↘ -1
PIA and New Taxes	↓ -2	↑ 2	↓ -2
PIA on Fuel Subsidy	↘ -1	↑ 2	↓ -2
AGGREGATE IMPACT	↘ (0.5)	↑ 1.3	↓ [illegible]

*Source: ADSR Research Estimates**

BAU – Based on the current environment, PIA is expected to have a moderately negative impact on FAAC.

Best Case – If the opportunities are fully realized, PIA is expected to have a highly positive impact on FAAC.

Worst Case – If the challenges crystalize, PIA will likely have a very highly negative impact on FAAC.

Parameters considered for the scenarios

- Level of production
- Level of investment in the sector
- Number of refineries and companies paying taxes, licenses, royalties and other fees in sector
- Issues of oil theft
- Hostilities around the oil producing regions
- Regulatory efficiency and transparency

Key

- **BAU – Parameters remain at the same level.**
- **Best Case – Improvements in the parameters while underlying issues are resolved.**
- **Worst Case – Underlying issues worsens while performance of the parameters worsens**

** These are simple estimates of direction, more rigorous estimates of direction and magnitude can be obtained through dedicated modeling exercise using a CGE or spreadsheet based programming, exploring accounting relationship among relevant concepts and variables.*

Calls for Resource Control and Devolution of Powers

- Many of the Nigerian States are agitating for more responsibility and functions within the federal structure to improve the welfare of their residents.

- Such agitations have resulted in calls to restructure the country's federalism, allow for states to control certain resources in their jurisdiction and

Implications for FAAC

- Calls for more responsibilities and power devolution have resource (re)allocation underneath

- To the extent that such calls are yielded, FACC sharing formula will be impacted in the future

Constitution Amendment Directs Devolution of Powers on Prisons, Railways & Electricity to The States

- As part of the 16 constitution amendment bills signed into law by the Presidents in March 2023, Nigerian states are now allowed to generate, transmit and distribute electricity in areas covered by the national grid.
- In addition, railways and correctional services have now been moved from Exclusive Legislative List to the Concurrent List

Implications for FAAC

- Having succeeded in moving some items from Exclusive to Concurrent list, sub-national government will continue to ask for more
- But they will likely face resource constraints in executing some of these newly-assigned functions
- States may therefore demand a larger share of FAAC allocations to fund these new activities, going forward

Supreme Court ruling to allow direct payment to LGAs

- On the 11th of July 2024, the Supreme Court ruled that 20.6% of the federation account allocation must be directly paid to the 774 local government area accounts, instead of being paid through the State Joint Local Government Account Allocation Committee (SJLGAC).
- The Federal Government and state governors agreed to a three-month moratorium which implies that the LGAs allocations will continue to be paid into joint accounts with state governments until October 2024.

Implications for FAAC

- Frictions may ensue between some states and their LGAs, to the extent that the direct FAAC allocation is unable to meet the LGAs needs
- Such LGAs will likely clamour for a higher allocation in the future, arguing that all actitivies are local.

Summary & Conclusion

Summary & Conclusion

01

The Federation Account Allocation Committee (FAAC or the "Committee") disburses allocations from the revenues generated into the Federations Accounts. All tiers of Government depend on revenue from the federation account to finance development projects.

02

However, there has been some changes in the country's fiscal management, specifically amendment of some constitutonsal provisions and issuance of executive orders and acts, which will continue to affect the revenue available for distribution

03

Recent Amendments coming from the North East Development Commission, Finance Acts and some Executive Orders, e.g. 007 are expected to cause a reduction in the revenue available for distribution.

04

The Electronic Money Transfer Levy amended act and VAT increase are leading to increase in revenue available for distribution to the three tiers of government.

05

Calls for resource control and devolution of power, the movement of electricity, railway and correctional services as well as the recent Supreme Court ruling on the autonomy of LGAs are some of the factors that will drive how FAAC will be shared in the nearest future

06

- The foregoing has placed FAAC at a critical juncture. As the committee adapts to these changes, it faces the task of balancing the needs of different levels of government while ensuring equal development across the country. FAAC's ability to navigate these changes effectively will be crucial in shaping Nigeria's fiscal environment and supporting the country's overall development path.

Thank You

+234 7037470047
info@adsrng.com, mail.adsr@gmail.com
www.adsrng.com, www.adsranastat.com

Analysts' House,
Opposite University of Ibadan 2nd Gate,
Ibadan, Nigeria

adsrng.com