A TECHNICAL REPORT ON THE ANALYSIS OF REVENUE ALLOCATION TO STATE GOVERNMENTS BY FAAC FOR JULY 2024

WRITTEN BY

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WITH STUDENT ID

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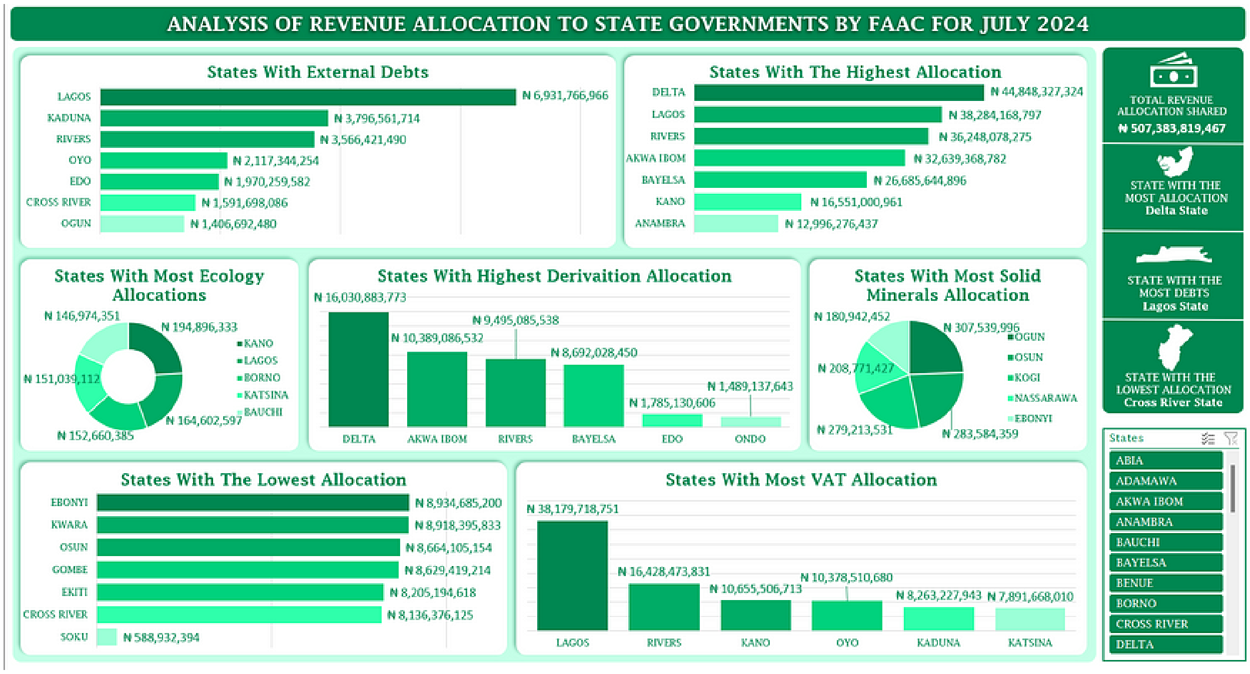
1. OUTLINE

ABOUT THE PROJECT



This project explores Nigeria's FAAC (Federation Account Allocation Committee) allocations, examining how monthly revenue is shared among states. By analyzing factors like oil revenue, VAT contributions, debt profiles, and ecological funds, the project uncovers the structural reasons behind disparities in state allocations. It provides insights into how governance, resource distribution, and federal policies shape the financial landscape, offering a deeper understanding of Nigeria's public finance system.

DATASET OVERVIEW

The dataset was sourced from the National Bureau of Statistics and contains detailed monthly FAAC allocations to Nigerian states. It includes details on: Statutory Revenue

- VAT Allocation
- Derivation Funds
- Ecology and Solid Minerals Allocations
- Debts owed by each State
- PROJECT OVERVIEW
- Understand Allocation Patterns: Analyze how revenue is distributed across states.
- Highlight Disparities: Uncover the structural factors behind allocation differences.
- Support Policy Reform: Offer data-backed insights to inform a more balanced and fair revenue-sharing formula.

- Empower Citizens: Equip students, researchers, and the general public with the knowledge to question and engage with fiscal governance.

DATASET

https://microdata.nigerianstat.gov.ng/index.php/catalog/156

TOOL USED

Excel: For Data Cleaning, Analysis, creating Charts, and Dashboard

DATA CLEANING

The dataset for this project was gotten from the National Bureau of Statistics website, and it was a full Excel Workbook of the Report, so I had to extract the worksheet I needed and clean it.

- I unmerged any merged cells to ensure each data point was in its own cell, making it easier to sort and analyze.
- I updated column headers to better reflect the data in each column, improving clarity and readability for analysis.
- Irrelevant or empty columns and cells were removed to streamline the dataset and focus only on useful data.
- I formatted the dataset as an Excel table, which enhanced sorting, filtering, and referencing, making the analysis smoother.
- The data was organized and formatted consistently to ensure accuracy and reduce potential errors during analysis.

This approach made the dataset more structured and ready for analysis.

PRE-ANALYSIS

PROJECT SPLIT

CATEGORY ONE- Independent Values
States

CATEGORY TWO- Dependent Values
No LGC's
Total Gross Amount
Total Net Amount
Total Deductions
Solid Minerals
Excahnge Gain Allocation
Net Share of Ecology
Net VAT Allocations
Electronic Money Transfer Levy

Potential Analysis And Questions
What was the total Amount Shared by the Federal Government
Which state has the most LGC's
DId the number of LGC's affect the total Allocation Received.
What was the total amount shared out in VAT allocations
What was the total amount received for Money Transfer Levy
What was the total amount that was supposed to be shared out before deductions.

Industry Type of Data
Government Finance

Stakeholders of the Project
The stakeholders of this project include: The Government, Government Agencies, Accountability Groups, Private Sectors and Citizens

What Success Means to the Stakeholders
If they can track how fair, transparent and timely distribution of government revenue, ensuring each state receive adequate funds to drive economic growth.

Story of the Data
The dataset shows the revue allocation shared to states for the month of July 2024, It shows the different revenue collected, like Ecology, VAT, External Debts owend by differnt states, The Exchange Gain Allocation and the Total Net Amount finally received after deductions

Potential Insights
Find out which state received the most allocation
Find out which state recived the most allocation in regards to VAT
Find out which state had the highest debts
Find out which state received the most ecology allocation
How many state received the 13% share of deriavation

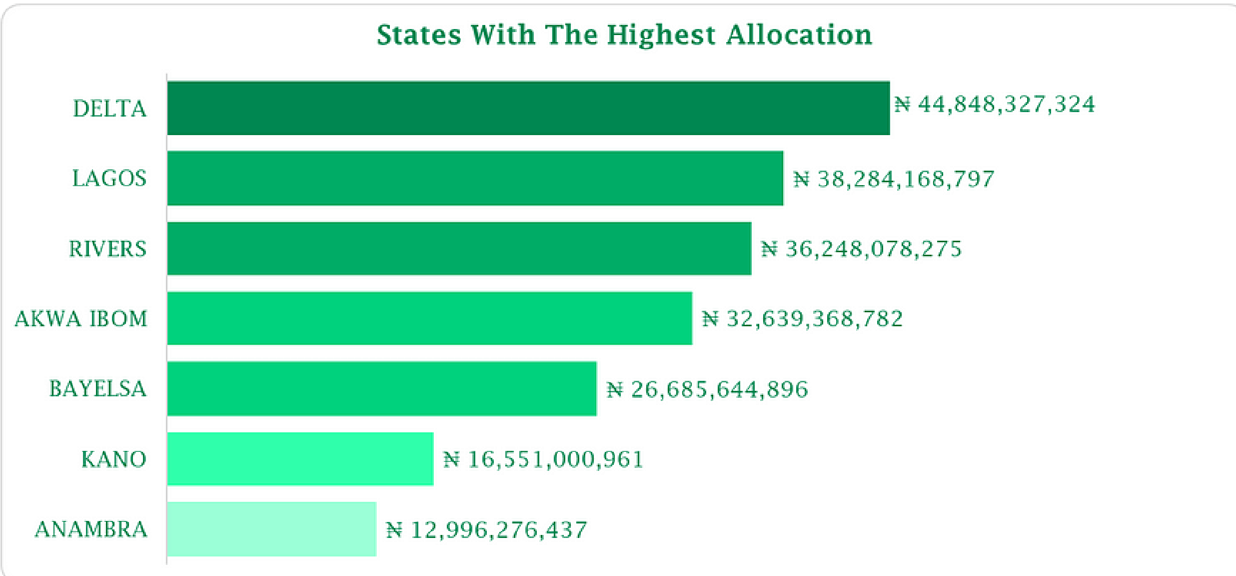
Before creating the charts, I performed a pre-analysis to gain a deeper understanding of the dataset and guide the storytelling process. This included:

- Project Breakdown: I classified the data into dependent and independent variables, which helped clarify the relationships and potential insights within the dataset.
- Generating Key Questions: Based on the grouped variables, I developed key questions that the dataset could answer, highlighting the insights that could emerge even before visualization.
- Early Insights: Through thoughtful consideration of the questions and data, I uncovered preliminary insights that shaped the direction of the analysis and focused on valuable outcomes.
- Storytelling: With a clear grasp of the dataset, I crafted a narrative by connecting the relationships between data points and the insights gained.
- Identifying Industry & Stakeholders: This process also allowed me to pinpoint the relevant industry, identify key stakeholders, and understand how the findings would define success for the organization. This approach ensured the analysis was not only insightful but also aligned with the needs of the industry and stakeholders.

CHART ANALYSIS

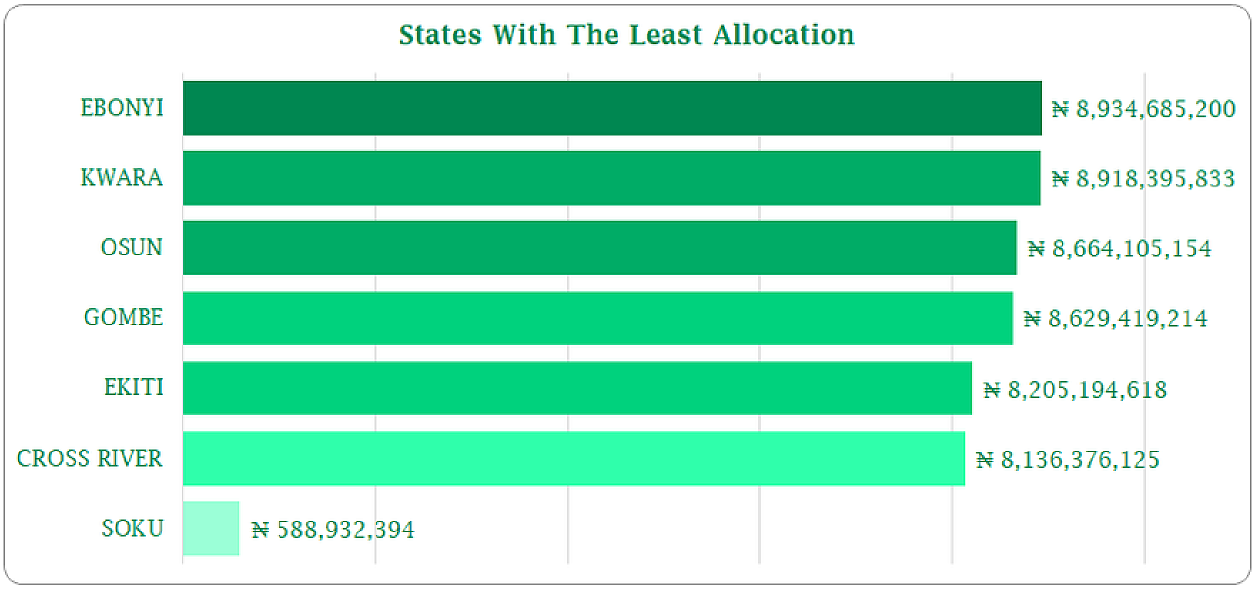
Once I was done with my Pre-Analysis, I started creating my charts. Here is the Analysis for each chart.

States With The Highest Allocation



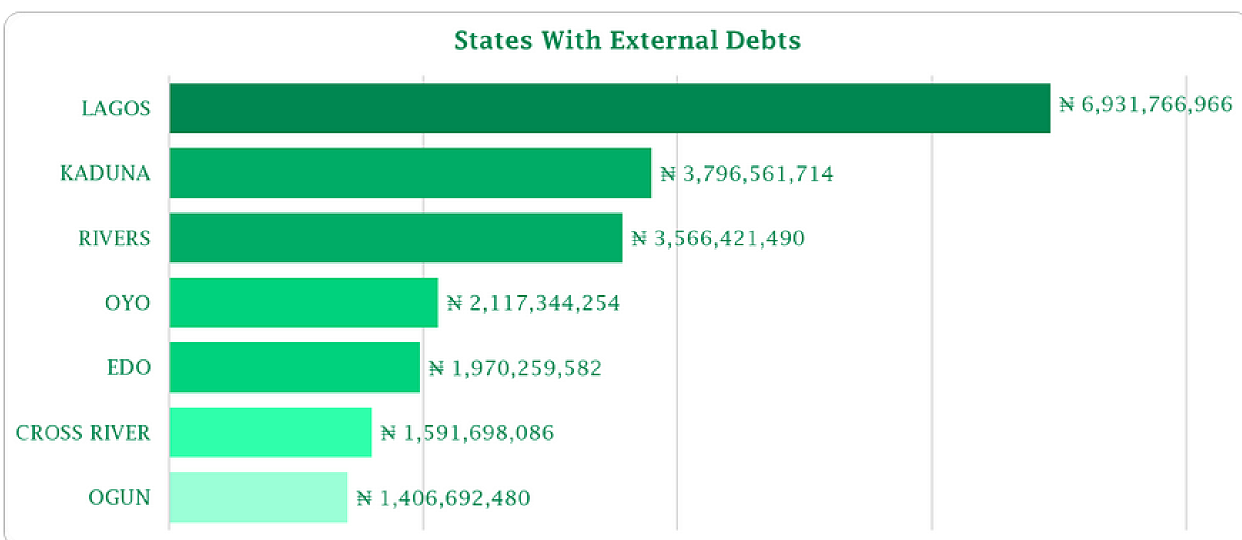
This chart shows that Delta State stands out as the top recipient of allocations, receiving a hefty sum of ₦44.8 billion. Lagos and Rivers follow closely with ₦38.3 billion and ₦36.2 billion, respectively, making them the next major beneficiaries. Akwa Ibom and Bayelsa also received significant amounts, while Kano and Anambra are noticeably lower on the list, with ₦16.6 billion and ₦13.0 billion. There's a clear gap between the top five states, many of which are oil-producing, and the rest, which may reflect the influence of revenue-sharing policies tied to economic activities or natural resources. These differences raise important questions about how funds are distributed and whether all regions are being equitably supported.

States With The Least Allocation



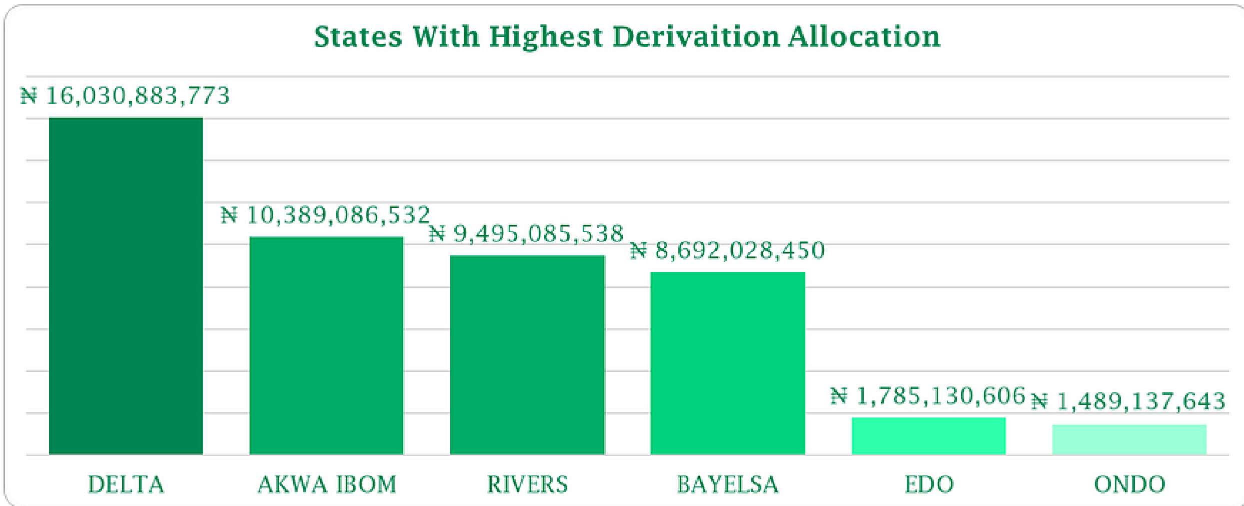
The chart shows the states with the least federal allocations, ranging from ₦8.13 billion to ₦8.93 billion. Ebonyi received the highest in this group, while Cross River got the least allocation with just ₦8.13 billion. However, Soku, which is not a state but a disputed oil-rich community, received ₦588 million. Its inclusion likely reflects a special allocation due to its resource status or legal rulings, highlighting the need to separate state funds from exceptional disbursements for transparency.

States With The Most External Debts



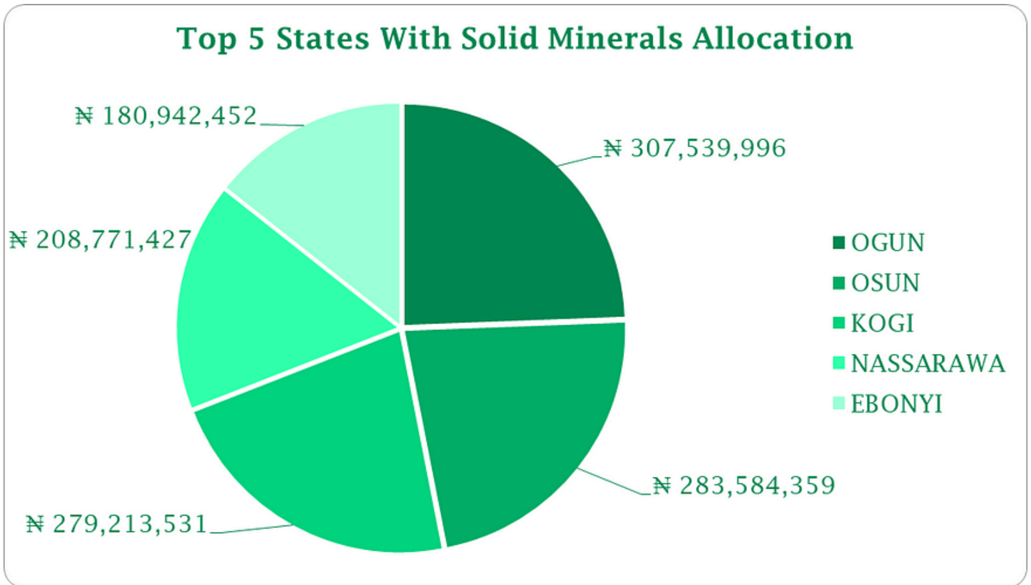
The chart reveals the external debts of Nigerian states as of July 2024, with Lagos holding the highest debts at ₦6.93 billion, followed by Kaduna and Rivers at ₦3.80 billion and ₦3.57 billion, respectively. Oyo and Edo show moderate debt levels, while Cross River and Ogun have the least debts with ₦1.5 billion and ₦1.4 billion respectively. These differences reflect varying economic strategies and financial reliance across states, shaping their development and fiscal planning.

Allocation of Derivation Fund



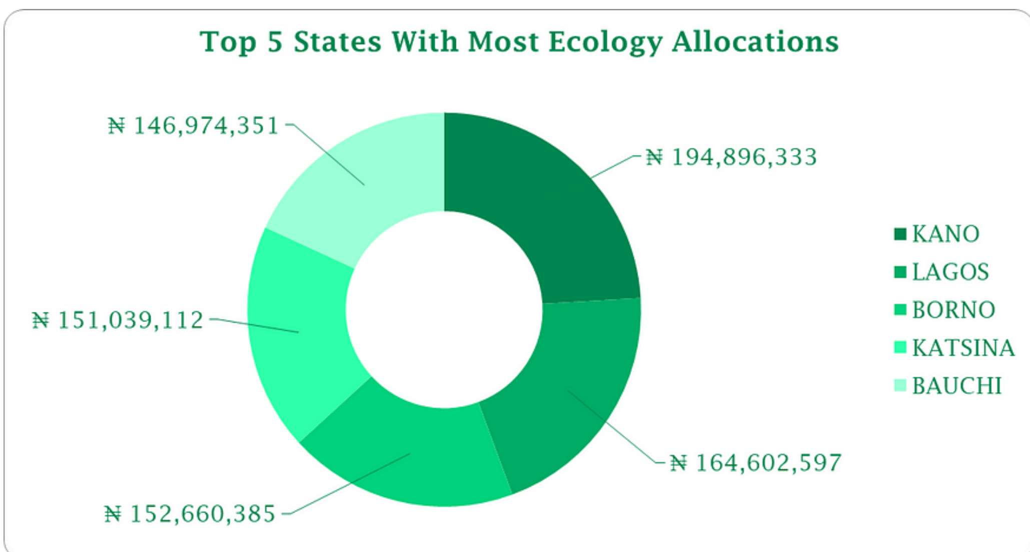
The chart highlights states receiving the highest derivation allocations, with Delta leading at ₦16.03 billion, followed by Akwa Ibom at ₦10.39 billion and Rivers at ₦9.50 billion. Bayelsa, Edo, and Ondo also receive notable amounts, showing the financial impact of oil production on state revenue. The derivation fund is a 13% revenue allocation to oil-producing states, meant to compensate for environmental impact and support local development. These funds are crucial for infrastructure and economic growth in these regions.

Top States With Solid Mineral Allocation



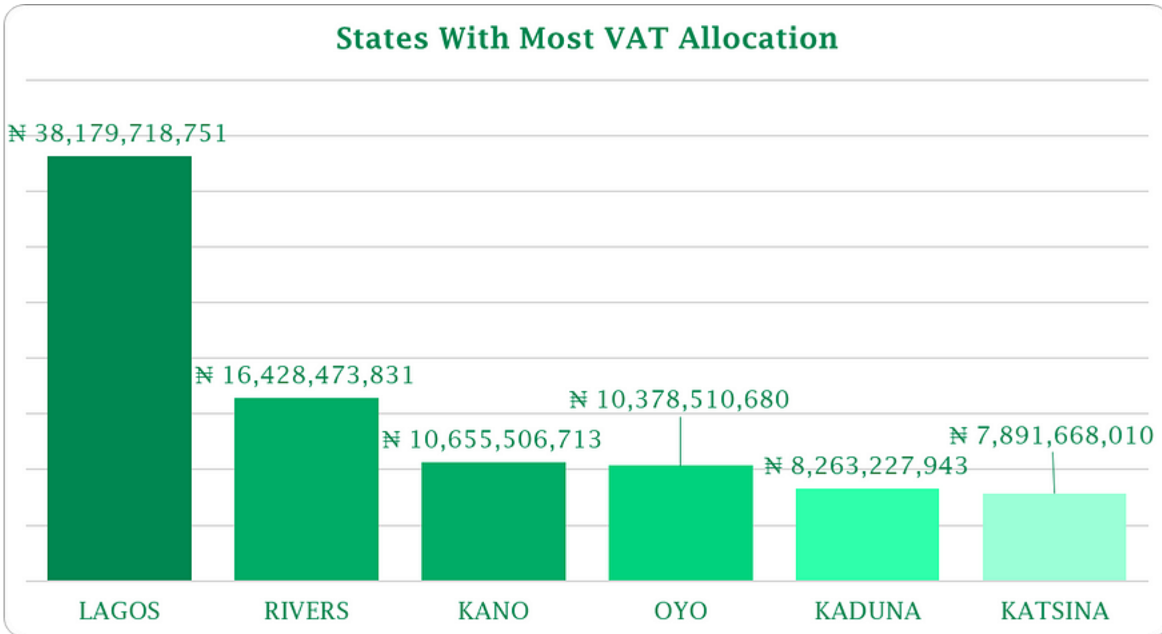
The chart shows the top five Nigerian states receiving solid minerals allocations. Ogun leads with ₦307.54 million, followed by Osun at ₦283.58 million and Kogi at ₦279.21 million. Nasarawa and Ebonyi received ₦208.77 million and ₦180.94 million, respectively. These figures reflect the distribution of revenue from solid mineral resources, supporting economic activities and infrastructure development in these regions.

Top States With The Most Ecology Fund



The chart highlights the top five Nigerian states receiving ecology allocations, with Kano leading at ₦194.90 million, followed by Lagos at ₦164.60 million. Borno, Katsina, and Bauchi received ₦152.66 million, ₦151.04 million, and ₦146.97 million, respectively, and in the top 5 states 4 of the states that received this fund were the northern states. Ecology allocations are funds designated to address environmental challenges such as flooding, erosion, and deforestation. These allocations help states manage ecological issues and support sustainable development.

States With The Most VAT Allocation



The chart highlights states with the highest VAT allocations, with Lagos leading at ₦38.18 billion, followed by Rivers at ₦16.43 billion. Kano, Oyo, Kaduna, and Katsina ₦10.7 billion, ₦10.4 billion, ₦8.3 billion and ₦7.9 billion respectively, reflecting their economic activity and contribution to VAT revenue in Nigeria. These allocations are crucial for state budgeting and development.

OBSERVATIONS

FINAL OBSERVATIONS

MOST ALLOCATIONS

Delta State recived the highest allocation of ₦44.8 bilion, followed by Lagos ₦38.2 billion, Rivers ₦36.2 billion, Akwa Ibom 32.6 billion, Bayelsa ₦26.6 billion, Kano 16.5 billion and Anambra ₦12.9 billion. Among the top 7 states with the highest allocation 5 are oil producing states, meaning oil revenue is an important factor in allocation.

LOWEST ALLOCATIONS

Cross River State received the lowest allocation of ₦8.1 billion, followed by Ekiti with ₦8.2 billion, then Gombe ₦8.6 billion, Osun ₦8.6 billion also, Kwara ₦8.9 and Ebonyi ₦8.9 also. This shows a high differnce between the states with high allocation and those with low allocation, with a whopping difference of ₦36.7 billion Among all this states with low revenue, non is among the oil producing states, though they received other allocations like solid minerals, ecology, VAT etc.

EXTERNAL DEBTS

Lagos State had the highest external debts amounting to ₦6.9 billion, significantly higher than the next state Kaduna with ₦3.7 billion, Rivers ₦3.5 billion, Oyo ₦2.1 billion Edo ₦1.9 billion, Cross River ₦1.5 billion, and Ogun state with ₦1.4 billion. Some of the states with high loans are oil producing states or major commercial states, which means they might have a lot of high expenditure, Debt management issues, Revenue management or other factors. So they source for external loans to keep up with governace.

VAT ALLOCATIONS

In terms of VAT allocation for the top 7 states, Lagos state received a whopping sum of ₦38.1 billion, far ahead of Rivers State with ₦16.4 billion, Kano ₦10.6 billion, then Oyo, Kaduna and Katsina with ₦10.3 billion, ₦8.2 billion and ₦7.8 billion respectively. This establishes Lagos as Nigeria's ecoomy hub, contributing significantly to national VAT revenue. With other states receiving considerably lower VAT allocations compared to Lagos state

13% DERIVATION ALLOCATION

Delta State leads in Derivation allocation, receiving ₦16.9 billion, followed by Akwa Ibom with ₦10.3 billion, Rivers ₦9.4 billion, Bayelsa, Edo and Ondo comes up next with ₦8.6 billion, ₦1.7 billion, and ₦1.4 billion respectively. These states benefits from their oil producing status which entitles them to additional revenue. Though from report Akwa Ibom is the top oil producing state, Delta state received more money than them wihch might be due to factors used in the sharing fomular.

ECOLOGY ALLOCATION

For Ecology allocation, Kano State received the highest allocation with ₦194.8 million, followed by Lagos state ₦164.6 million, then Borno state with ₦152.6 million. Katsina and Bauchi ends the top 5 with ₦151 million and ₦146.9 million respectively. From the top 5 states, 4 are Northern states which suggest a focus on environmental intervention, possibly related to desertification control and climate adaptation projects.

SOLID MINERALS ALLOCATION

Ogun state received the highest Solid Minerals allocation ₦307.5 million, followed by Osun ₦283.5 million, then Kogi Nassarawa and Ebonyi comes up next with ₦279.2 million, ₦208.7 million, and ₦180.9 million respectively. This indicates that these states have significant mining activities, which contributed to their revenue inflow from solid minerals.

OTHER KEY OBSERVATIONS

A total of ₦ 507,383,819,467.08 was shared to states as revenue for July 2024
Soku which is not a state but was a disputed area between Rivers State and Bayelsa State received the Deraviation Allocation (though it was later deducted), Solid Mineral Allocation and Exchange Gain Allocation amounting to a total net amount of ₦588.9 million.
Of all the states that received VAT allocations, only Lagos State had a VAT deduction, which amounted to ₦7.6 billion yet they still come up as the state with the highest VAT allocations.
Some states had issues of contractual obligations to (ISPO) and this money was deducted from their final revenue allocation., which had an impact on their allocation from the FAAC. And among the bottom 7 states with low allocations, 4 of them had contractual obligations.

- Delta received the highest allocation at ₦44.8 billion, followed by Lagos at ₦38.2 billion and Rivers at ₦36.2 billion. Akwa Ibom, Bayelsa, Kano, and Anambra also received substantial amounts, showing a strong concentration of funds toward oil-producing states.
- Cross River received the lowest allocation at ₦8.1 billion, with Ekiti, Gombe, Osun, Kwara, and Ebonyi falling within the ₦8–9 billion range. None of these are oil-producing states, highlighting disparities in fund distribution.
- Lagos has the highest external debt at ₦6.9 billion, far exceeding Kaduna at ₦3.7 billion and Rivers at ₦3.5 billion. Oyo, Edo, Cross River, and Ogun follow with smaller debts, reflecting varying financial strategies among states.
- Lagos leads VAT allocations with ₦38.1 billion, followed by Rivers, Kano, Oyo, Kaduna, and Katsina. This reinforces Lagos as Nigeria’s economic hub, contributing significantly to VAT revenue.
- Delta received the highest 13% derivation allocation at ₦16.9 billion, followed by Akwa Ibom, Rivers, Bayelsa, Edo, and Ondo. These states benefit from oil revenue, which entitles them to additional funds.
- Kano received the highest ecology allocation at ₦194.8 million, followed by Lagos, Borno, Katsina, and Bauchi. The focus on Northern states suggests priority environmental interventions like desertification control.
- Ogun received the highest solid minerals allocation at ₦307.5 million, followed by Osun, Kogi, Nasarawa, and Ebonyi, likely due to their mining activities.

RECOMMENDATIONS

FINAL RECOMMENDATIONS

MOST ALLOCATIONS

States reciving the highest allocations should ensure that these funds are effectively utilized for infrastructure, social services and economic diversificaction, Agencies involve should assess whether thses high allocations translate to economic developments, improved living standards for citizens and provide clear accountablity measures to prevent mismanagement.

LOWEST ALLOCATIONS

Ststes with low allocations must strengthen their internally generated revenue (IGR) strategies to reduce over reliance on federal allocation. Economic diversisification should be encouraged through investments in agriculture, tourism and industrilization. Agencies involved should assess whether allocation formulas adequately support these states and consider adjustments to the sharing formula to address diferences and ensure fair support to states with limited resources. Special intervention funds can also be allocated to these states to foster developments.

13% DERIVATION ALLOCATION

Oil producing states must use their derivation funds for sustainable economic developments rather than consumption based spending. Investment in infrastruture, education and alternative industries should be prioritized to prepare for a post-oil economy, and they should be encouraged to develop host communities and provide social services for those commuities that get affected from oil exploration. Agencies should enforce strict monitoring and reporting requirements to prevent fund misallocation an corruption. Alos the sharing formula should be revised as Akwa Ibom state that produces more oil got a lesser allocation than Delta State

ECOLOGY ALLOCATION

Ecology funds should be channeled toward mitigating environmental degradation, especially in states prone to flooding, desertification, and erosion. States receiving these funds must establish clear action plans for disaster management and climate adaptation. Agencies should ensure funds are disbursed based on environmental impact assessments rather than fixed entitlements also before ecology funds are allocated, the agencies in charge should take into consideration the evironmental challenges each state has during the period of time. And the 50% given to NDDC and HYPPADEC should be put into good use in host communites that are affected by Oil exploration and Hydro-power exploartion to improve the lives of host communies.

EXTERNAL DEBTS

States with high external debts should try to rengotiate their debts or restructure them to ease payments and also focus on resposible borrowing strategies to prevent financial distress. Budget spending accounatbility is necessary to enure that borrowed funds are used for the revenue generating projects rather than expenditures that wont be beneficial to the state. And agencies should be put in place to improve transparency in loan approvals and advisory support to states struggling with debts repayment.

VAT ALLOCATIONS

VAT distribution should always be aligned with each state's economic activity to encourage tax complaince and business growth. States should implement policies that promote business expansion and attract investment by creating business-friendly environments to increase their VAT revenue. Agencies must ensure VAT deductions are transparent and that states receive their rightful share promptly. They can can also implement digital monitoring systems to enhance accountability..

SOLID MINERALS ALLOCATION

Revenue from solid minerals should be reinvested into local mining communities to boost economic activities and improve living conditions. States with solid mineral resources should develop policies that attract responsible mining investments while ensuring environmental sustainability. Agencies should enhance revenue collection mechanisms and curb illegal mining to maximize earnings from this sector

OTHER KEY OBSERVATIONS

Further investigation is needed to clarify why Soku, which is not a state, received an allocation of ₦588 million. Understanding why this happened will help improve transparency in revenue distribution and improve trust from citizens.
States must actively monitor and renegotiation unfavourable obligations where necessary to avoid excessive financial burden and agencies should standardize deduction policies to prevent excessive financial burdens on states.

In conclusion a more balanced and transparent revenue allocation system is crucial for national development. States must enhance financial discipline, improve revenue generation, and ensure efficient fund utilization, while agencies must enforce accountability and fairness in allocation distribution. A collaborative approach between federal institutions and state governments is essential for long-term economic stability and growth

- States receiving the highest allocations should ensure that these funds are effectively utilized for infrastructure, social services, and economic diversification. Agencies should assess whether these high allocations translate to economic development, improved living standards, and provide clear accountability measures to prevent mismanagement.
- States with low allocations must strengthen their internally generated revenue (IGR) strategies to reduce reliance on federal allocation. Economic diversification should be encouraged through investments in agriculture, tourism, and industrialization. Agencies should assess whether allocation formulas adequately support these states and consider adjustments to the sharing formula to ensure fair support for states with limited resources. Special intervention funds can also be allocated to foster development.
- States with high external debts should negotiate or restructure their debts to ease payments and focus on responsible borrowing strategies to prevent financial distress. Budget accountability is necessary to ensure borrowed funds are used for revenue-generating projects rather than expenditures that will not benefit the state. Agencies should improve transparency in loan approvals and offer advisory support to states struggling with debt repayment.

- VAT distribution should be aligned with each state's economic activity to encourage tax compliance and business growth. States should implement policies that promote business expansion and attract investment by creating business-friendly environments to increase their VAT revenue. Agencies must ensure VAT deductions are transparent and that states receive their rightful share promptly. Digital monitoring systems can be implemented to enhance accountability.
- Oil-producing states must use their derivation funds for sustainable economic development rather than consumption-based spending. Investment in infrastructure, education, and alternative industries should be prioritized to prepare for a post-oil economy. States should develop host communities and provide social services for those affected by oil exploration. Agencies should enforce strict monitoring and reporting requirements to prevent fund misallocation and corruption. The sharing formula should also be revised as Akwa Ibom, which produces more oil, received a lower allocation than Delta.
- Ecology funds should be used to mitigate environmental degradation, especially in states prone to flooding, desertification, and erosion. States receiving these funds must establish clear action plans for disaster management and climate adaptation. Agencies should ensure funds are disbursed based on environmental impact assessments rather than fixed entitlements, taking into consideration the specific environmental challenges each state faces. The 50% given to NDDC and HYPPDEC should be utilized effectively to improve the lives of host communities affected by oil and hydro-power exploration.
- Revenue from solid minerals should be reinvested into local mining communities to boost economic activities and improve living conditions. States with solid mineral resources should develop policies that attract responsible mining investments while ensuring environmental sustainability. Agencies should enhance revenue collection mechanisms and curb illegal mining to maximize earnings from this sector.
- Further investigation is needed to clarify why Soku, which is not a state, received an allocation of ₦588 million. Understanding why this happened will help improve transparency in revenue distribution and increase public trust. States must actively monitor and renegotiate unfavorable financial obligations where necessary to avoid excessive burdens. Agencies should standardize deduction policies to prevent unnecessary financial strain on states.
- A more balanced and transparent revenue allocation system is crucial for national development. States must enhance financial discipline, improve revenue generation, and ensure efficient fund utilization, while agencies must enforce accountability and fairness in allocation distribution. A collaborative approach between federal institutions and state governments is essential for long-term economic stability and growth.

CONCLUSION

This project provided a data-driven analysis of Nigeria’s FAAC allocation system, highlighting the structural and economic factors that influence revenue distribution among states. Through detailed examination of statutory allocations, VAT contributions, derivation funds, ecological and mineral revenues, as well as debt deductions, the analysis revealed key disparities and dependencies within the system.

The insights generated from this study can support better fiscal planning, inform policy discussions, and promote transparency in public finance. It also underscores the importance of data in understanding governance and guiding equitable development strategies.