**States of States BudgiT 2017 Report**

**Executive Summary Prepared by NGF Secretariat**

**Introduction**

The drop in oil price from its peak price of $140 per barrel to $56 per barrel, is the most obvious factor responsible for the States continued struggle to meet their financial obligations. It becomes imperative that alternative funding sources like solid minerals and agricultural produce are tapped judiciously, while encouraging accountability and transparency. Internally Generated Revenue (IGR), Value Added Tax (VAT), Gross Statutory Allocation (GSA), Debt Stock (DS), Fiscal Sustainability Index (FSI), Net FAAC Allocation, Ease of Doing Business and Various Health Indicators are key metrics for planning.

**Internally Generated Revenue (IGR)**

IGR is the sum of funds accrued through imposition of levies and taxes on facilities, sales of goods and services, through State controlled entities[[1]](#footnote-1). The urgency for States to improve on their tax collection efficiency has never been more pronounced. Collection efficiency in Kano is abysmal. The inefficiencies in collection are reflected in the fact that the top five States accounted for 65.49% of the total IGR for 2016, compared to 1.72% accrued by the bottom five States. The States of Osun, Cross river state and Lagos lead all states in IGR uptake per capital, while Borno, Jigawa, Kebbi and katsina occupy the opposite end of the spectrum.

**Value Added Tax (V A T)**

VAT is a form of consumption tax that is levied on a product at each stage of its production and distribution**[[2]](#footnote-2)**. VAT accounts for 40% of the Federal Inland Revenue Service, (FIRS) 2016 N4.96trillion target. Many States lack the formal structure that pay VAT. Lack of transparency coupled with poor sensitization and awareness efforts by State governments has hampered payment and collection of VAT. This is evident in the fact that 30 out of the 36 States average the same collection value, when taking into account the disparity in population this becomes worrisome as it highlights the inefficiency in tax collection.

**NET Statutory Allocation (NSA)**

NSA denotes the funds allocated by the federal government to the States, after obligationsbacked by Irrevocable Standing Payment Orders (ISPO’s) are deducted from States share of revenue[[3]](#footnote-3).

Fund allocation to States is dependent on certain predetermined percentages. The effect of huge debt supported by ISPO’s continue to deplete the account of States. This is an untainted reflection of the rapidly escalating accumulation of debts, and associated obligations. The top four funded States comprised mainly of oil-producing States they are: Akwa-Ibom, Rivers, Bayelsa and Delta, with N10.69bn, N7.64bn, N7.21bn and 6.22bn respectively in statutory allocations compared to Osun N-183m, Lagos N491m, Cross-River N910m and Ogun N1.06bn, which make out the bottom four.

**Debt Stock**

This represents the total pool of debt the States owe all lenders. Debts taken against higher oil prices currently have higher repayment cost, this is the major reason why State coffers are severely depleted. Twenty-four of the thirty-six state governors have demanded a bailout relief fund package from the federal government to enable them pay civil servants who are owed for extended periods of time. Average growth rate of both debt and internally generated revenue of States were 22.16% and 9.04% respectively, showing that the States debt are not sustainable in the long run. Delta, Kebbi, Gombe and Ebonyi States saw their total debt fall, whereas States like Oyo, Yobe and Lagos saw their debt rise.

**Fiscal Sustainability Index (FSI)**

FSI measures the capability of States to meet their recurrent expenditure[[4]](#footnote-4) using its VAT revenue, IGR and advantage income. It also measures the ability of States to sustainably manage their debt profiles. Ogun State recorded a sharp increase in its internally generated revenue, which led to an increase in their fiscal sustainability ranking while consecutively running a recurrent budget deficit. Kano, Katsina, Rivers and Lagos top the section that measures the ability of States to meet its recurrent expenditure. Anambra and Yobe lead the debt-to-revenue ratio category. River, Lagos and Ogun are the overall top three States on the index, meanwhile Osun, Ekiti, and Borno are the bottom ranked States.

**Opportunities**

All States can benefit from the following:

* Freeing up resources for social infrastructure, this cannot be overemphasized.
* Reducing cost beyond rhetoric’s, by reducing overhead cost.
* Linking future borrowings to sustainable projects that can recoup the cost of the projects.
* Create a thriving environment for SME’s, this will in turn bolster job creation in a bid to expanding the tax base.

**Matrix of Opportunities Available to States**

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| S/No | STATE | OPPORTUNITIES |
| 1 | Abia State | Oil Palm, River Ports and Footwear |
| 2 | Adamawa State | Livestock, Sugar Cane and Hydroelectricity |
| 3 | Akwa Ibom State | Cocoa, Sea Port and Petro-Chemical |
| 4 | Anambra State | Clay, River Port and Poultry |
| 5 | Bauchi State | Sugar, Tourism and Livestock |
| 6 | Bayelsa State | Aqua-Culture, Sea Port and Petro-Chemical |
| 7 | Benue State | Fish, Soya Bean and Fruit Concentrate |
| 8 | Borno State | Livestock, Alfafa and Honey |
| 9 | Cross River State | Cocoa, Sea Port and Carbon Trading |
| 10 | Delta State | Lignite, Sea Port and Ply Wood |
| 11 | Ebonyi State | Rice, Potatoes and Industrial Starch |
| 12 | Edo State | Oil Palm, Rubber and Cashew |
| 13 | Ekiti State | Granite, Red Bricks and Tourism |
| 14 | Enugu State | Tourism, Red \Bricks and Wind Power |
| 15 | Gombe State | Tourism, Cotton and Cement |
| 16 | Imo State | Oil Palm, Rice and Fish |
| 17 | Jigawa State | Wind Power, Soy Beans and Tomatoes |
| 18 | Kaduna State | Livestock, Logistics Hub and Feed Mills |
| 19 | Kano State | Feed Mills, Cotton and Commerce |
| 20 | Katsina State | Livestock, Cotton and Feed Mills |
| 21 | Kebbi State | Rice, Wind Power and Glassware |
| 22 | Kogi State | Fish, River Port and Iron Ore |
| 23 | Kwara State | Feed Mills, Tomatoes and Cement |
| 24 | Lagos State | Aquaculture, Sea Port and Housing |
| 25 | Nasarawa State | Logistic Hub, Aluminum and Grain |
| 26 | Niger State | Uranium, River Port and Feed Mills |
| 27 | Ogun State | Housing, Manufacturing Hub and Education |
| 28 | Ondo State | Cocoa, Deep Sea Port and Bitumen |
| 29 | Osun State | Food Hub, Cocoa and Red Bricks |
| 30 | Oyo State | Hydro Power, Fishing and Feed Mills |
| 31 | Plateau State | Tourism, Industrial Starch and Potato |
| 32 | Rivers State | Oil Palm, Manufacturing Hub and Petro-Chemical |
| 33 | Sokoto State | Gypsum Dry Wall, Cement and Hydro-Electricity |
| 34 | Taraba State | Hydro-Power, Vegetables and Tourism |
| 35 | Yobe State | Cement, Diatomite and Livestock |
| 36 | Zamfara State | Solar Power, Manufacturing Hub and Mining |

**Matrix of States Top Agricultural Products**

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| S/No | STATE | TOP AGRICULTURAL PRODUCTS |
| 1 | Abia State | Oil Palm, Cassava and Rice |
| 2 | Adamawa State | Maize, Cassava and Millet |
| 3 | Akwa Ibom State | Oil Palm, Banana and Timber |
| 4 | Anambra State | Yam, Cassava and Rice |
| 5 | Bauchi State | Sugarcane, Cassava and Cowpea |
| 6 | Bayelsa State | Fish, Cassava and Rice |
| 7 | Benue State | Fish, Yam and Citrus Fruits |
| 8 | Borno State | Beef, Groundnut and Onion |
| 9 | Cross River State | Pineapple, Timber and Cocoa |
| 10 | Delta State | Oil Palm, Cassava and Rubber |
| 11 | Ebonyi State | Rice, Sweet Potatoes and Oil Palm |
| 12 | Edo State | Oil Palm, Banana and Fish |
| 13 | Ekiti State | Cocoa, Cassava and Yam |
| 14 | Enugu State | Oil Palm, Cassava and Melon |
| 15 | Gombe State | Gum Arabic, Tomatoes and Sorghum |
| 16 | Imo State | Oil Palm, Rice and Cassava |
| 17 | Jigawa State | Cowpea, Sorghum and Livestock |
| 18 | Kaduna State | Sugarcane, Livestock(Poultry) and Maize |
| 19 | Kano State | Groundnut, Livestock and Cowpea |
| 20 | Katsina State | Livestock, Cotton and Sorghum. |
| 21 | Kebbi State | Rice, Maize and Onions. |
| 22 | Kogi State | Fish, Cassava and Rice |
| 23 | Kwara State | Livestock, Maize and Sugarcane |
| 24 | Lagos State | Fish, Vegetables and Livestock |
| 25 | Nasarawa State | Maize, Groundnut and Rice |
| 26 | Niger State | Maize, Fish and Rice. |
| 27 | Ogun State | Timber, Cassava and Maize |
| 28 | Ondo State | Oil Palm, Cocoa and Cocoyam |
| 29 | Osun State | Cocoa, Cassava and Yam |
| 30 | Oyo State | Oil Palm, Cassava and Cashew Nut |
| 31 | Plateau State | Potato, Maize and Groundnut |
| 32 | Rivers State | Oil Palm, Fish and Raffia Palm |
| 33 | Sokoto State | Cowpea, Onion and Livestock(Cattle) |
| 34 | Taraba State | Maize, Sorghum and Rice |
| 35 | Yobe State | Groundnut, Cowpea and Millet |
| 36 | Zamfara State | Guinea Corn, Livestock and Cowpea |

1. https://nairaproject.com/projects/1284.html [↑](#footnote-ref-1)
2. Olatunji, O. (2009). A Review of Value Added Tax (VAT) Administration in Nigeria. *International Business Management*, *3*(4), 61-68. [↑](#footnote-ref-2)
3. The Accountant General of the Federation (AGF) is legally empowered to withdraw sums due to debt holders from state governments’ revenue accounts with the Federal Government including interest and capital repayments. [↑](#footnote-ref-3)
4. A recurrent expenditure is any expenditure that does not result in the acquisition or creation of fixed assets. its main components are Wages, supplements and depreciation. [↑](#footnote-ref-4)