



# **ALLOCATION OF REVENUE (FEDERATION ACCOUNT, ETC.) ACT**

## ARRANGEMENT OF SECTIONS

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## CITATION

**An Act to prescribe the basis for distribution of revenue accruing to the Federation Account between the Federal and State Governments and the Local Government Councils in the States; the formula for distribution amongst the States *inter se*; the proportion of the total revenue of each State to be contributed to the State Joint Local Government Account; and for other purposes connected therewith.**

[1982 No.1.]

[Commencement]

[22nd January, 1982]

### **1. Distribution of the Federation Accounts, etc.**

The amount standing to the credit of the Federation Account, less the sum equivalent to 13 per cent of the revenue accruing to the Federation Account directly from any natural resources as a first line charge for distribution to the beneficiaries of the derivation funds in accordance with the Constitution shall, be distributed among the Federal and State Governments and the Local Government Councils in each State of the Federation on the following basis, that is to say-

<i>a</i>	the Federal Government	56.00 per cent
<i>b</i>	the State Governments	24.00 per cent

<i>c</i>	the Local Government Councils	20.00 per cent
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[1992 No.106. S.I.9 of 2002.]

## 2. Formula for distribution between the Federal and State Governments

- (1) The 56.00 per cent specified in section 1 (a) of this Act shall be allocated to the Federal Government and utilised as follows-

<i>a</i>	Federal Government	48.50 per cent
<i>b</i>	General Ecological Problems	2.00 per cent
<i>c</i>	Federal Capital Territory	1.00 per cent
<i>D</i>	Development of Natural Resources	3.00 per cent

[1992 No.106. S.I. 9 of 2002.]

- (2) The 24.00 per cent standing to the credit of all the States in the Federation Account as specified in section 1 (b) of this Act shall be distributed among the States of the Federation using the factors specified in this Act.

[S.1. 9 of 2002.]

- (3) For the purpose of subsection-

- (a) Land mass of a State or local government shall be the proportional areal size (PAS) of the State or the local government to the total areal size of Nigeria, and shall be obtained as follows-

- (i) for each State -

$$(\text{PAS}) = \frac{\text{Areal size of State} \times 100}{\text{Total areal size of Nigeria}}$$

- (ii) for each Local Government-

$$(\text{PAS}) = \frac{\text{Areal size of Local Government Area} \times 100}{\text{Total areal size of Nigeria}}$$

- (b) The allocation due to terrain is made on the basis of the proportional areal size of the three identified major terrain types

present in the State or Local Government area respectively, which are-

- (i) wetlands / waterbodies;
  - (ii) plains; and
  - (iii) highlands;
- (c) (i) education as a parameter for allocation to Social Development Factor (SDF) shall be measured in terms of primary school enrolment which attracts 60 per cent of the allocation to education while the remaining 40 per cent is made using secondary/commercial school enrolment; and allocation on the basis of primary school enrolment is made solely on direct proportion. 50 per cent of the allocation on the basis of secondary/commercial school enrolment is made in direct proportion while the remaining 50 per cent is made in inverse proportion. School enrolment refers to public funded schools only;
- (ii) health as a parameter for allocation to social development factor shall be measured in terms of the number of State/Local Government hospital beds there are and 50 per cent of the allocation to health shall be made in direct proportion to the number of the State hospital beds, while the remaining 50 per cent shall be made in inverse proportion;
- (iii) water as a parameter for allocation to social development factor shall be represented by mean annual rainfall in the State headquarters and territorial spread of State: 50 per cent of the allocation to water shall be made in direct proportion to the State's territorial spread, while the remaining 50 per cent shall be made in inverse proportion to the mean annual rainfall in each State headquarters, using the most current live year figures, the same year for all the States.
- (4) For the avoidance of doubt, a sum equivalent to the difference between the amount standing to the credit of the Federation Account in anyone year, less the aggregate of the sums specified in section 1 of this Act shall revert to the Federation Account to be allocated and distributed in accordance with the provisions of this Act.

### **3. Formula for distribution between Local Government Councils**

Subject to the provisions of this Act, the amount standing to the credit of local government councils in the Federation Account shall be distributed among the States of the Federation for the benefit of their local government councils using the same factors specified in this Act.

### **4. Proportion of revenue to be paid by each State to State Joint Local Government Account**

- (1) In addition to the allocation made from the Federation Account under section 1 of this Act to Local Government Councils, there shall be paid by each State in the Federation to the State Joint Local

Government Account (as specified in subsection (5) of section 162 of the Constitution of the Federal Republic of Nigeria) in each quarter of the financial year, a sum representing 10 per cent of the internally-generated revenue for that quarter of the State concerned.

- (2) The 10 per cent of each State's internally-generated revenue payable to the Local Government Councils in the State, under the provision of subsection (1) of this section, shall be distributed among the Local Governments in that State on such terms and in such manner as the State House of Assembly may prescribe.

### **5. Allocations under special Funds**

- (1) An amount equivalent to 1 per cent of the Federation Account shall be allocated to the Federal Capital Territory.
- (2) An amount equivalent to 3 per cent of the Federation Account derived from mineral revenue shall be paid into a fund to be administered by the Niger Delta Development Commission established by the Niger Delta Development Commission (Establishment, etc.) Act for the development of the mineral producing areas, in accordance with such directives as may be issued in that behalf, from time to time by the National Assembly, and the fund shall be distributed among the areas on the basis of need, subject to section 7 of the Niger Delta Development Commission (Establishment, etc.) Act.
- (3) For the purposes of subsection (2) of this section, and for the avoidance of any doubt, the distinction hitherto made between on-

shore and off-shore oil mineral revenue for the purpose of revenue sharing and the administration of the Fund for the development of the oil mineral producing areas, is hereby abolished.

- (4) An amount equivalent to 2 per cent of the Federation Account shall be paid into a fund to be administered by an Agency to be set up for that purpose for the amelioration of general ecological problems in any part of Nigeria, in accordance with directives as may be issued from time to time by the National Assembly.
- (5) An amount equivalent to 0.5 per cent of the Federation Account shall be allocated and paid into a fund to be designated "Stabilisation Fund", which shall be administered by the Minister for Finance; the residue arising out of using mineral revenue, instead of the Federation Account as the base for allocation to the Fund for the development of the mineral producing areas shall be added to this Fund.
- (6) An amount equivalent to 1 per cent of the Federation Account derived from mineral revenue shall be shared among the mineral producing States based on the amount of mineral produced from each State and in the application of this provision, the dichotomy of on-shore and off-shore oil production and mineral oil and nonmineral oil revenue is hereby abolished.
- (7) For the purpose of this Act, and for the avoidance of any doubt, where any State of the Federation suffers absolute decline in its revenue arising from factors outside its control, as a result of the implementation of this Act, the Stabilisation Fund shall be used to initially augment the allocation to that State, in accordance with acceptable threshold, to be worked out by the National Revenue Mobilisation Allocation, and Fiscal Commission, at which recourse can be had to the Fund and for how long.

[1992 No.106.]

## **6. Establishment of Federation Account Allocation Committee and functions**

- (1) There is hereby established for the Federation, a body to be known as the Federation Account Allocation Committee which shall comprise the following members, that is to say-
  - (a) the Federal Minister of Finance to be chairman thereof;

- (b) the Commissioner for Finance of each State in the Federation;
  - (c) two persons to be appointed by the President; and
  - (d) the Accountant-General of the Federation.
- (2) The Permanent Secretary of the Federal Ministry of Finance or such officer as may be designated by the said Minister shall be the Secretary to the Committee.
- (3) The functions of the Committee shall be-
- (a) to ensure that allocations made to the States from the Federation Account are promptly and fully paid into the treasury of each State on the basis and terms prescribed by this Act; and
  - (b) to report annually to the National Assembly in respect of the function specified in the above paragraph.

#### **7. Establishment of Joint Local Government Account Allocation Committee for each State and functions**

There is hereby established for each State in the Federation, a body to be known as the State Joint Local Government Account Allocation Committee which shall comprise the following members, that is to say-

- (a) the Commissioner charged with the responsibility for Local Government in the State to be the chairman thereof;
  - (b) the Chairman of each Local Government Council in the State;
  - (c) two persons to be appointed by the Governor of the State;
  - (d) two representatives of the Accountant-General of the Federation; and
  - (e) the Accountant-General of the State.
- (2) The Permanent Secretary of the State Ministry charged with responsibility for local government or such officer as may be designated by the said Commissioner shall be the Secretary to the Committee.

- (3) The functions of the Committee shall be to ensure that allocations made to the Local Government Councils in the State from the Federation Account and from the State concerned are promptly paid into the State Joint Local Government Account and distributed to Local Government Councils in accordance with the provisions of any law made in that behalf by the House of Assembly of the State.

## **8. Limit on power of State Governments for borrowing money**

The power of State Governments for borrowing money shall not extend to money, funds or revenue allocated to Local Government Councils under this Act.

## **9. Report by Accountants-General in the Federation**

- (1) Not later than ninety days following the end of each financial year, the Accountant-General of the Federation shall report to each House of the National Assembly on the payments made to each State under this Act and stating whether or not the payments were correctly made under this Act.
- (2) Not later than ninety days following the end of each financial year, the Accountant-General of each State shall report to the House of Assembly of the State and each House of the National Assembly on the payments made to each Local Government Council in the State and stating whether or not the payments made were correctly made under this Act and under the relevant Law of the State governing such payments.

## **10. Interpretation**

In this Act, unless the context otherwise requires -

**"Constitution"** means the Constitution of the Federal Republic of Nigeria 1999;

**"Federation Account"** means the Federation Account established under section 162 (1) of the Constitution.

## **11. Short title**

This Act may be cited as the Allocation of Revenue (Federation Account, etc.) Act.



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