Internally Generated Revenue (IGR) grew by 25% in 2018 but accounted for 31% of total States Revenue

According to data released by the National Bureau of Statistics (NBS), the 36 Nigerian States and the FCT generated a total revenue of N3.7 trillion in 2018. This represents a 40% increase from N2.7 trillion generated in 2017. (IGR), a component of total States Revenue was N1.17 trillion in 2018, an increase of 25% from N936.5 billion in 2017. IGR represented 31% of total States Revenue, while the other component- net Federal Account Allocation Committee (FAAC) Allocation had a share of 69% (N2.6 trillion). On the composition of IGR, Pay As You Earn (PAYE) accounted for 57% of total IGR across states; Direct Assessment had a share of 4%; Road and Other Taxes – 16% and MDAs & Other Revenue – 23%.

Figure 1: States Internally Generated Revenue (Billion Naira)

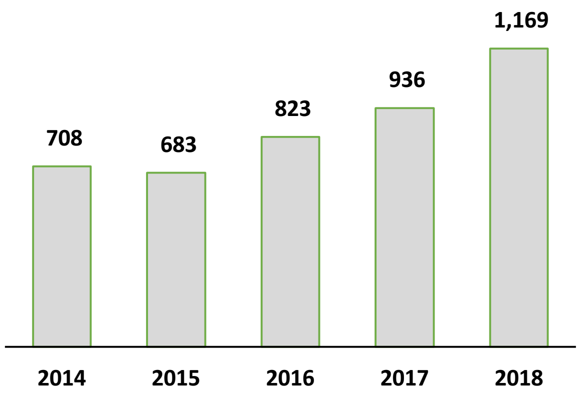
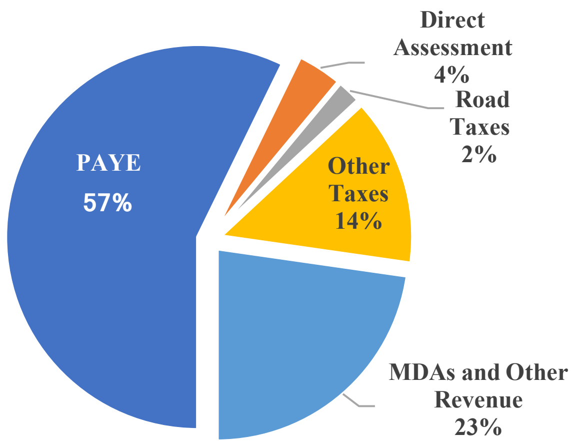


Figure 2: Composition of States IGR in 2018

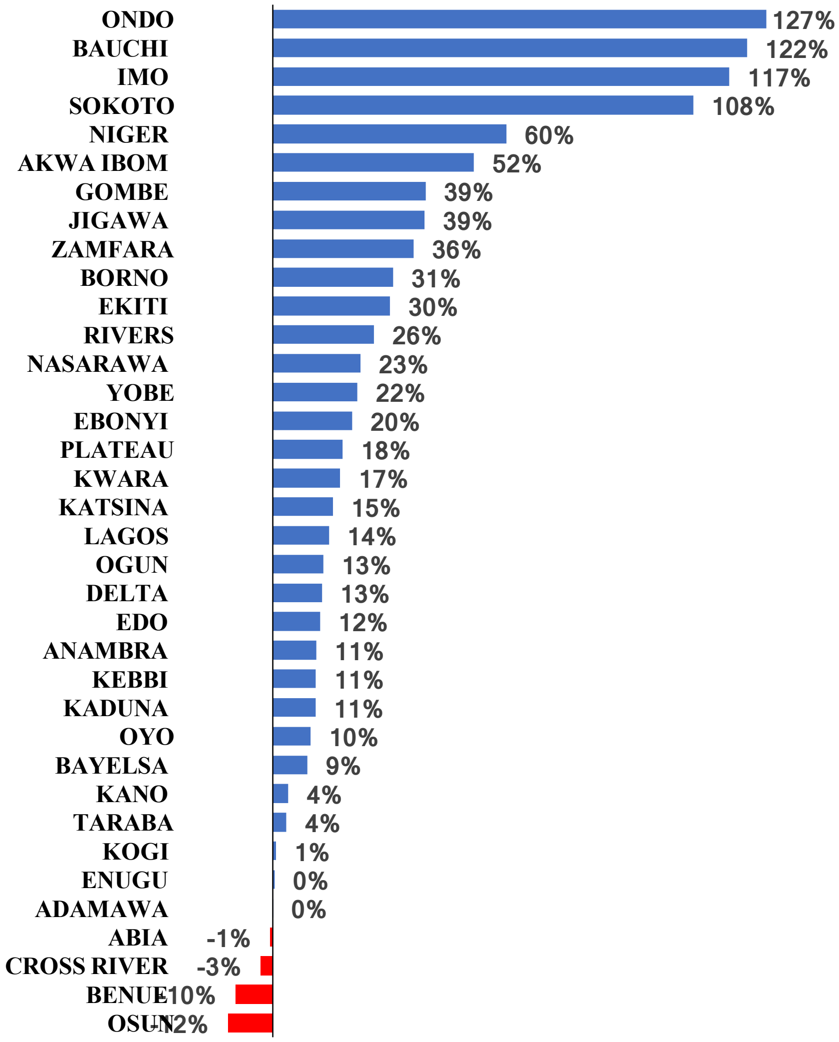


Data Source: National Bureau of Statistics & NESG Research

Ondo, Bauchi, Imo and Sokoto more than doubled their IGR in 2018

The top five states with fast growing IGR include: Ondo (127% growth), Bauchi (122%), Imo (117%), Sokoto (108%) and Niger (60%). Improvements in many of these states were as a result of reforms such as automation of the tax payment process, stakeholder's sensitisation about the tax process, introduction of new levies, appointment of new heads of the revenue agencies, etc. The bottom states include Osun with a decline of 11.5%, Benue (-9.5%), Cross River (-3.1%), Adamawa (0.1%) and Enugu (0.5%). IGR expanded in Rivers and Lagos by 26% and 14.4% respectively.

Figure 3: Internally Generated Revenue Growth Rate (2017 - 2018)



Data Source: National Bureau of Statistics & NESG Research

Within the last four years, IGR has grown across the six geopolitical regions of the country. The North Central led the IGR growth at 212% from 2014 to 2018, followed by the North West (136%) led by Sokoto, Kano and Kaduna and the North East (63%). IGR in the South West grew by 60% in the period, led by Ogun and Ondo States. In the South South, IGR grew by 33% with significant contributions (in terms of growth) from Edo and Akwa-Ibom States. IGR grew by 26% in the South East. Anambra and Imo experienced the highest growth in the region, within the four-year period.

Table 1: Growth in Internally Generated Revenue across Regions in Nigeria

RANK	REGION	GROWTH RATE (2014 TO 2018)
1	North Central	212%
2	North West	136%
3	North East	63%
4	South West	60%
5	South South	33%

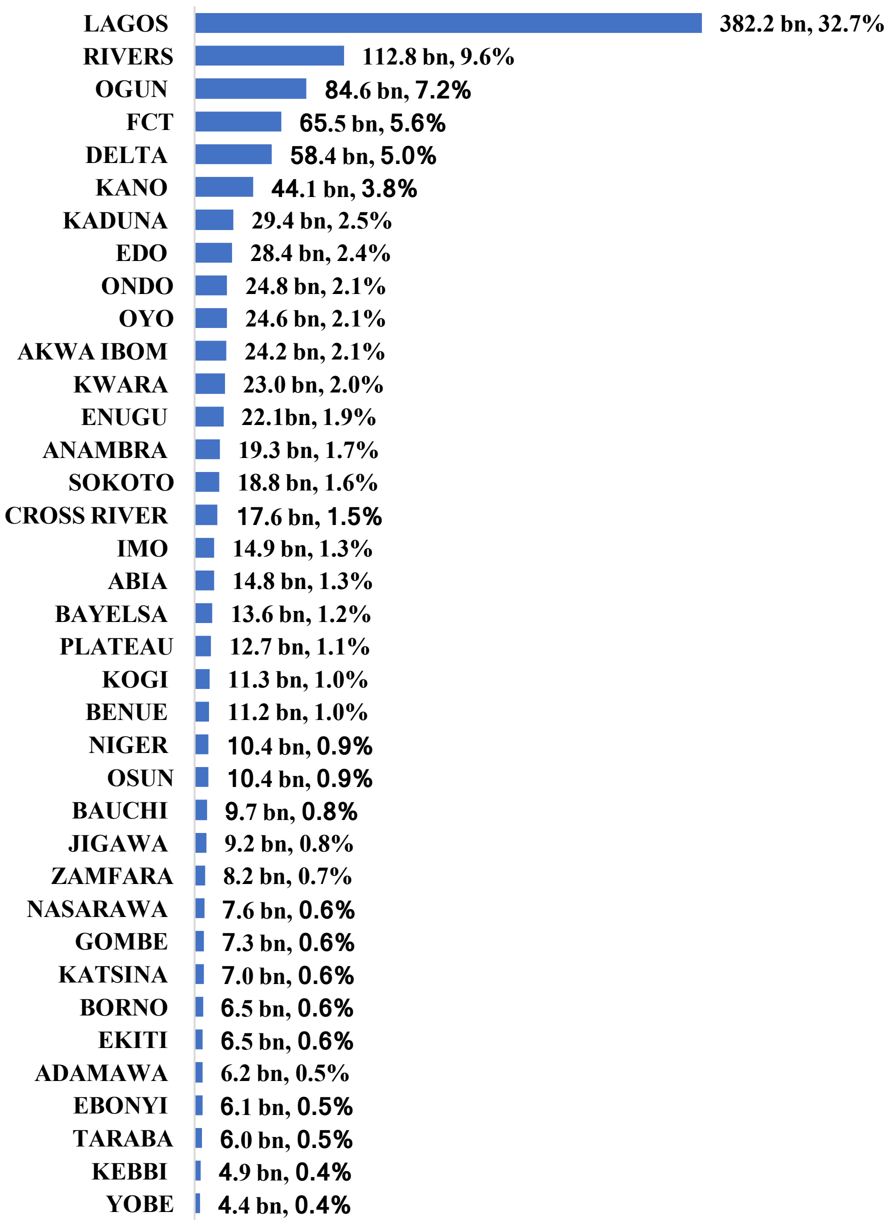
6	South East	26%

Data Source: National Bureau of Statistics & NESG Research

Lagos earned the highest IGR in 2018, however its share in total IGR declined

In terms of share, Lagos accounted for 33% (N382 billion) of total IGR in 2018, the highest among all 36 states and the FCT, although this represents a decline from 36% in 2017. Rivers was second with a share of 9.7% (N112.8 billion), while Ogun (7.3%), FCT (5.6%) and Delta (5%) were third, fourth and fifth, respectively. The top five states accounted for 60% of total IGR in 2018. At the bottom of the list are Yobe (0.4%), Kebbi (0.4%), Taraba (0.5%), Ebonyi (0.5%) and Adamawa (0.5%) states.

Figure 4: Internally Generated Revenue (Billion naira) & share (%)

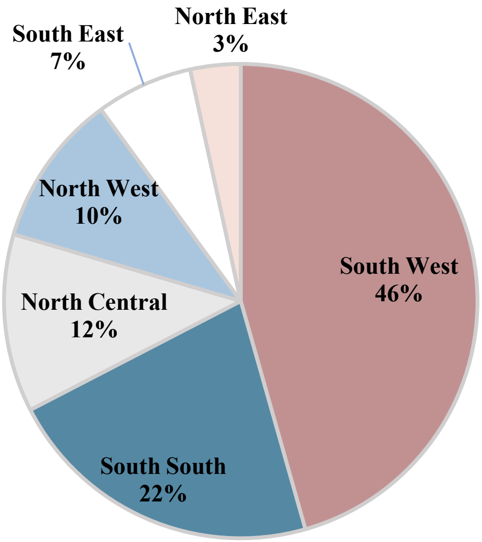


Data Source: National Bureau of Statistics & NESG Research

From a regional perspective, South West topped IGR list and North East generated the least IGR

The South West generated the highest IGR worth N533 billion representing 46% of total IGR in 2018. Lagos accounted for 72% of IGR in the region. The South South (led by Rivers State) generated the second highest IGR and accounted for 22% of total IGR. While the North Central accounted for 12% of total IGR in 2018, the North West accounted for 10%. This was followed by the South East (7%) and North East (3%).

Figure 5: Internally Generated Revenue by Region (2018)



Data Source: National Bureau of Statistics & NESG Research

Conclusion

IGR remains fundamental for the fiscal sustainability of States across Nigeria and also in meeting the developmental objectives of state governments. Over the years, state governments have made significant progress in increasing IGR. Within the last four years (from 2015 to 2018) for instance, IGR increased sharply by 71%. Despite the progress, formal tax/revenue to GDP still remains low and suggests more efforts are required to improve revenue collection. The following reforms are crucial:

- **Tax regulatory, administrative and legal reforms are instrumental in improving IGR.** For instance, Kaduna State's remarkable progress in improving IGR stemmed from amending relevant tax laws and implementing several policies and reforms such as automation of tax collection process, issuance of electronic tax clearance certificate, capacity building for tax officials, blockage of leakages and prohibition of cash collection as the establishment of a tax information and compliant office. Other state governments can implement such policies to simplify tax procedures and ease the payment process.

- **States government must embark on agenda-setting and ease of doing business reforms to ensure competitiveness and business growth.** Defining a medium to long term agenda for the state, identifying areas where the states intends to build comparative advantages and developing sectoral plans with relevant stakeholders must be embarked upon. In addition, streamlining regulatory processes to ensure efficiency and effectiveness is equally important in attracting and retaining investments in the state.

- **Efficient utilisation of resources in providing basic amenities within the state is crucial in improving citizens trust and tax morale.** Findings from a recent study carried out by the NESG showed that about "50% of Nigerians are dissatisfied or very dissatisfied with the services they receive from government facilities, especially electricity, security and road maintenance. More generally, the link between taxation and service delivery appears to be broken – in most states, people believe that public services have worsened over the last three years, while taxes have increased". States and local governments must therefore commit to a new social contract to deliver social infrastructure, security and other services in their respective states.

For more information about the content of this report and other research services, please contact:

NESG Research Team

Email: research@nesgroup.org
Tel: +234-01-295 2849 +234-01-295 2003