



KWARA STATE GOVERNMENT

DEMONSTRATION OF FISCAL MANAGEMENT & RESPONSIBILITY

EDITION: AUGUST 2015

This document contains statements and other assertions of performance based on internal knowledge and understanding of circumstances surrounding specific events that led to or impacted the State's performance during the 2011 – 2014 period captured.

These interpretation are not audited statements and do not purport to be representations of the State's Ministry of Finance or that of the State's Accountant General.

ADDITIONAL INFORMATION

All communication regarding this document and requests for additional information should be directed to the Kwara State Public Private Partnership (KP³) Bureau.

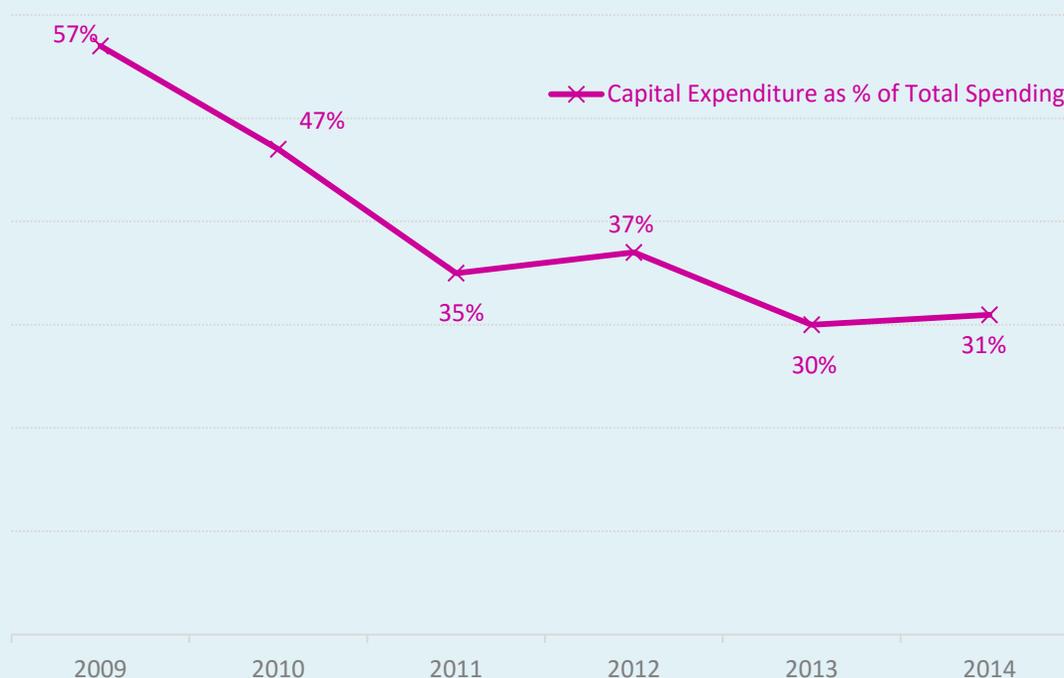
Kwara State Government (KWSG) was given a rating of 'STABLE' by Agosto & Co. in October 2014.

The following is a qualitative and illustrative demonstration of how the KWSG has implemented its fiscal and fiduciary responsibilities with utmost discipline to drive the State towards greater prosperity and financial security.

The main source document is the October 2014 Rating Rationale by Agosto & Co., which in turn relied upon the State's audited financials which were compiled and certified as 'UNQUALIFIED' by KPMG.

For the full and historical financial reports, visit <http://www.kwarastate.gov.ng/main/article/Kwara-State-Financial-Statements>

CAPITAL EXPENDITURE (CAPEX) & TOTAL SPENDING

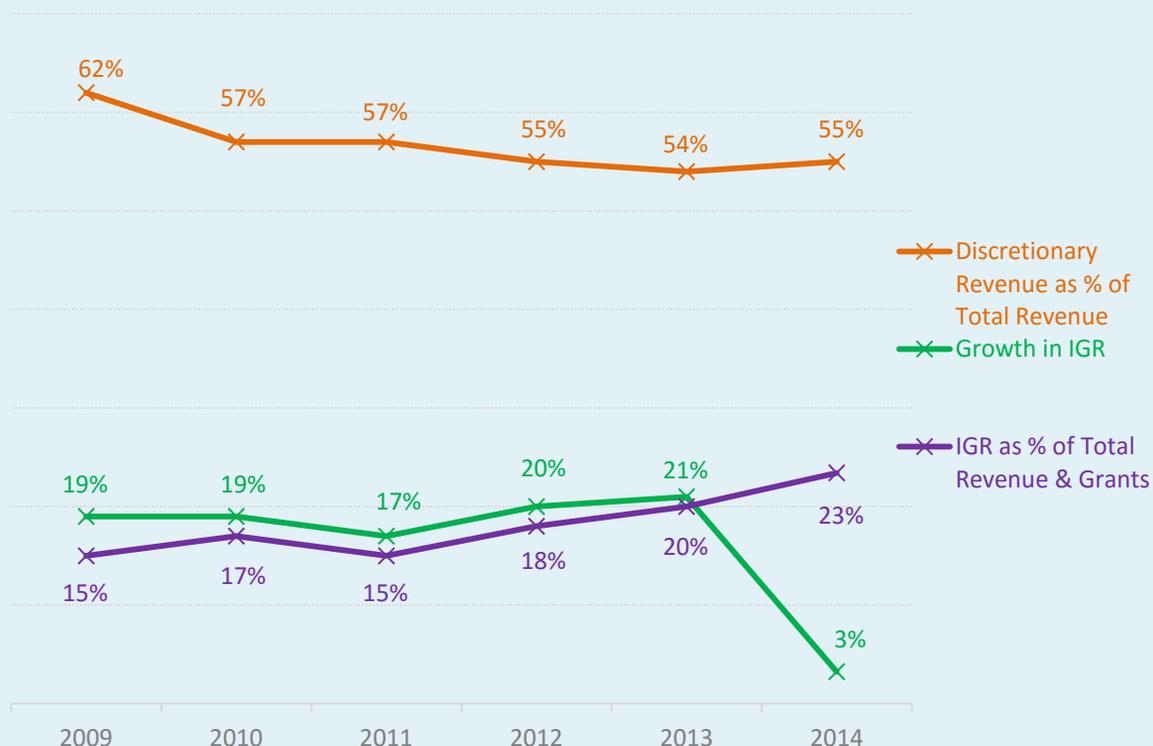


NOTES:

Generally, over the 2011 – 2014 period, the focus was on finishing projects commenced by the previous administration, then taking stock of the new status in order to make sure all activities would be based on present and future needs, not based on potentially obsolete information and assumptions.

1. CAPEX over the 2011 – 2015 period was restricted mainly due to the servicing of the 2009 ₦17B Bond issue. The risk of default could under no circumstance manifest as it would jeopardize future capital raising exercises as per SEC rules and the market confidence. Therefore, the KWSG was careful in further debt raising for CAPEX.
2. The 2012 spike represents the occasional commercial debt that was incurred in order to implement projects that emerged as important and urgent based on various exigencies at the time. Similarly for the remainder of the period, indebtedness increased slightly to carry out more CAPEX especially in the social services sectors.
3. By August 2014, the ₦17B 2008 – 2014 Bond had been completely paid off. Shortly before then, an environmental scan for new CAPEX to be deployed via a new 7-year proposed ₦23B Bond had begun. Review the [Kwara Infrastructure Investment & Financing Strategy \(KIIFS\)](#) and [2015 – 2019 Work Plan](#) for details.

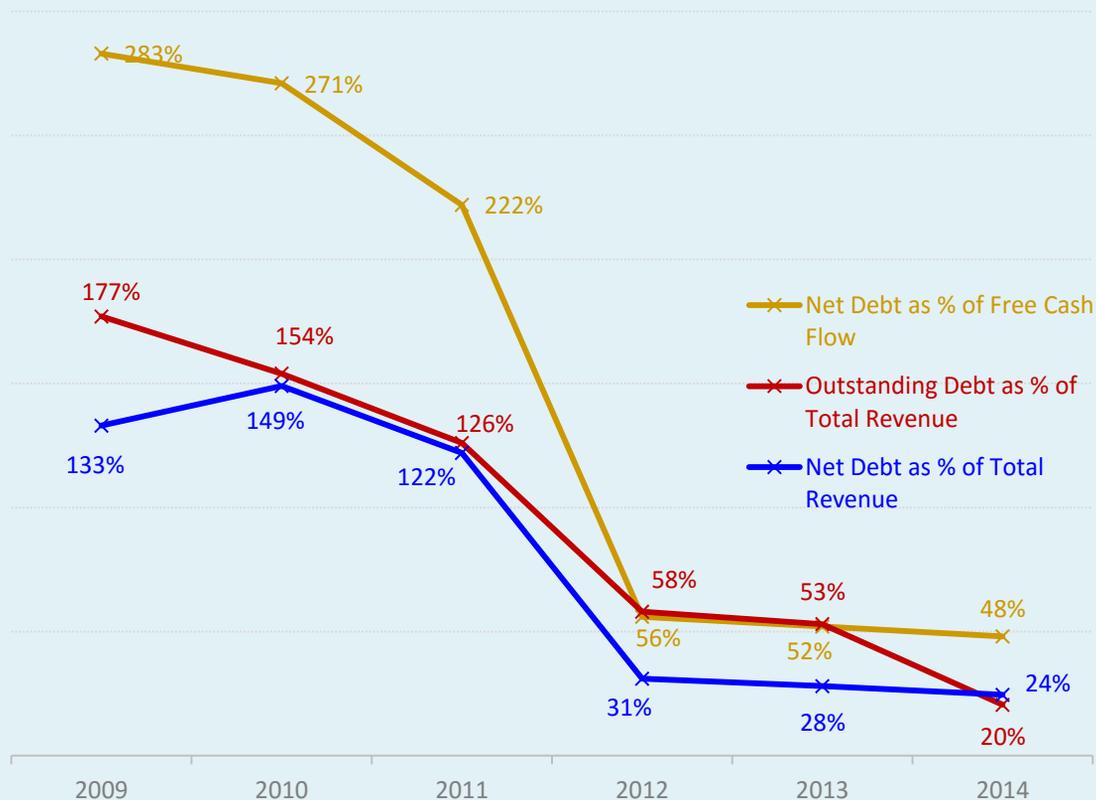
INTERNALLY GENERATED REVENUE VS. TOTAL REVENUE



NOTES:

- Growth in IGR:** Rate of IGR growth certainly experienced a significant drop. However, in absolute terms, there is still a net increase, and the overall impact is not negative. That notwithstanding, it also reveals the trigger for the fiscal management reforms currently being institutionalized through the establishment and operations of the Kwara State Internal Revenue Service (KW-IRS).
- IGR as % of Total Revenue & Grants:** KWSG's capacity for internal revenue generation grew steadily despite that the State's sweeping reforms for improved fiscal discipline were not yet introduced. This may also be as a result of the downward pressure on the Federal Government's allocations. However, in absolute terms the State's IGR growth is evident and poised for significant increases once KW-IRS is fully operational. Find out about KW-IRS from the website www.kwarapp.gov.ng.
- Discretionary Revenue as % of Total Revenue:** This is the most critical of these ratios as it indicates ongoing capacity in terms of unencumbered liquidity for projects and other strategic CAPEX. Even if these funds are presently pledged, restructure of terms, cancelling projects/programs with relatively lower impact and other steps for better financial management can easily be taken. The fact that more than 50% of the revenue is open to the new possibilities for different varied utilization communicates the State's additional capacity and flexibility.

DEBT POSITION



NOTES:

Free Cashflow = Total Revenue & Grants – Non Discretionary Spending

Non Discretionary Spending = Statutory Transfers + Interest Payments + Personnel Costs

Outstanding Debt = Total Interest payments and principal outstanding

Net Debt = Total debt net of cash and cash equivalents

KWSG's overall indebtedness has been declining at an admirable rate as evidenced by the image above. Timely repayment of the 2008 – 2014 ₦17B Bond was on course as KWSG was firmly dedicated to this, both as a matter of the principle of continuity in governance rather than disruptions, and a commitment to larger system-wide fiscal management and discipline.

The latter is also especially relevant to how the State took on more expensive commercial debt, given that it was especially conscious to match debt with specific programming and ensuring long term effects would not constitute a hindrance to further growth.

Springing off this strong fiscal situation, the KWSG is planning the implementation of a comprehensive infrastructure investments and financing strategy that will guide the KWSG to greater financial security and prosperity. Review the [Kwara Infrastructure Investment & Financing Strategy KIIFS](#) and [2015 – 2019 Work Plan](#) for details.