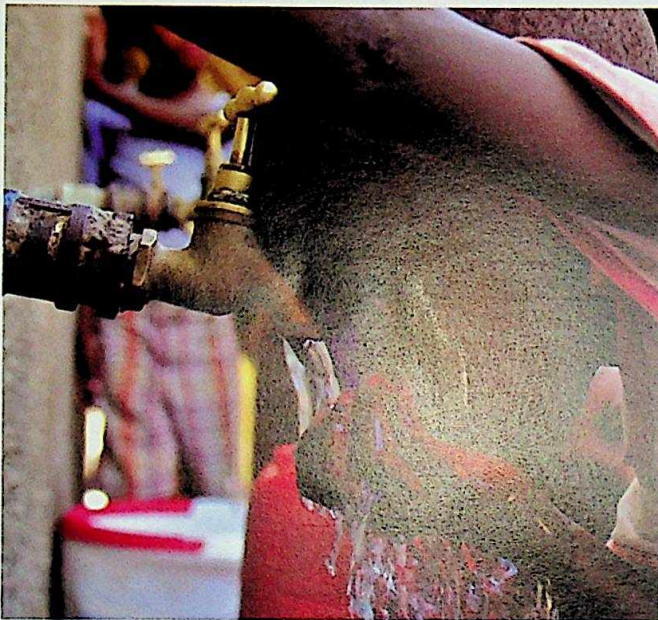


## Receipts 2004–2010



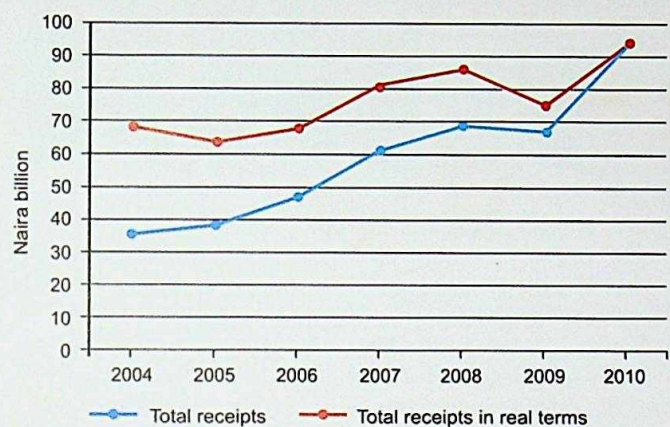
This Fact Sheet analyses published data on the Kaduna State Government's (KDSG's) revenue and capital receipts between the years 2004 and 2010. The main key findings are:

- Between 2004 and 2010, 80% of the KDSG's receipts were from recurrent revenue and 70% of this was statutory allocation. Capital receipts (loans and grant) were immaterial until 2010.
- When adjusted for inflation there was only a small rise in statutory allocation over the period, but VAT and BOIR tax receipts have performed well.
- In contrast, other aspects of internally generated revenue (e.g. rents on government property) have fallen significantly and need to be the subject of detailed analysis for accountability.

### Actual total cash availability 2004–2009

Total cash availability is defined as the opening unspent cash balance plus all receipts including: revenue, grants, contributions from local governments, and loans. Based on the reports of the Auditor General/Accountant General, total cash availability rose from N35 billion in 2004 to N94 billion in 2010. However, in real terms (converted to 2010 prices) there was a rise of only 10% over the 5 year period to 2009. The significant increase in 2010 was the result of large grant receipts and the issue of a State Bond (internal loan).

**Figure 1: Total cash availability for Kaduna State Government (N billion)**

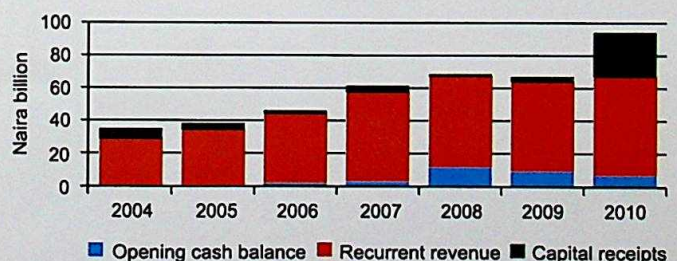


### Components of cash availability

Total cash availability is made up of the opening unspent cash balance plus recurrent revenue from the Federation Account, VAT and internally generated revenue, plus capital receipts: grants, contributions from local governments, and loans.

*Note: Because it is a tax, VAT is included under recurrent revenue in this fact sheet, along with Federation Account revenue and internally generated revenue (IGR). By law, however, VAT received by states must be spent on capital development.*

**Figure 2: Components of cash availability 2004–2010 (N billion)**



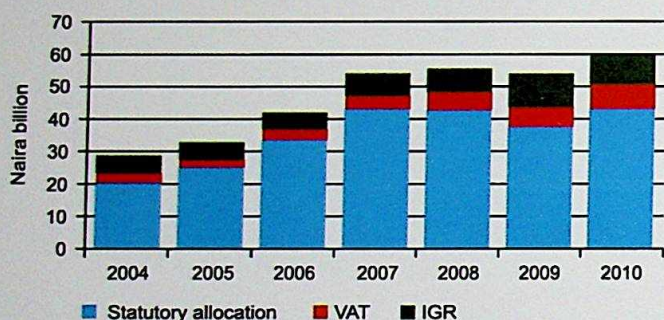
As can be seen from Figure 2, recurrent revenue accounted for between 80% and 90% of total cash availability between 2004 and 2009, and capital receipts were insignificant. However, in 2010 there were major capital receipts (grants

and bond, as indicated above and discussed below). In 2008 Kaduna State Government accumulated a substantial opening cash balance, which has slowly been decreasing since then.

**Recurrent revenue**

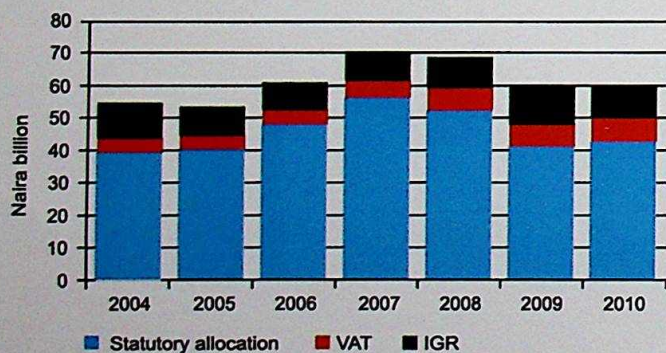
Recurrent revenue (Statutory Allocation, VAT and IGR) rose from N29 billion in 2004 to N60 billion in 2010.

**Figure 3: Recurrent revenue 2004–2010 (N billion)**



When adjusted for inflation, however, it can be seen that there has been little real growth. Although total recurrent revenue grew by nearly 30% in real terms between 2004 and 2007. Since then it has fallen to a level that was only 10% higher in real terms in 2010 than it was in 2004.

**Figure 4: Recurrent revenue at 2010 prices (N billion)**



**Statutory allocation**

Over the period, Statutory Allocation from the Federation Account has been affected by oil price variations and supplemented by payouts from the excess crude account. There have also been windfall gains from the Paris Club debt write-offs. The underlying trend of statutory allocation has been static, however, being only 9% higher in real terms in 2010 than it was in 2004, and the balance on the excess crude account was finally exhausted in 2011.

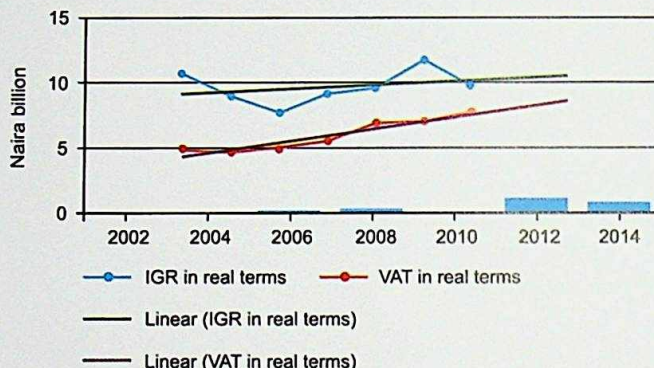
**VAT**

Encouragingly, VAT (the smallest component of recurrent revenue) has increased by 53% in real terms over the period, probably mirroring the growth in Kaduna State's GDP.

**Internally generated revenue (IGR)**

Compared with VAT, overall IGR has been disappointing, showing only a slight upward trend over the period and a 2010 figure that was actually lower in real terms than it was in 2004. If the existing trends continue, VAT can be expected to overtake IGR before 2015.

**Figure 5: IGR and VAT in real terms (2010 prices) (N billion)**



**Accountability for IGR**

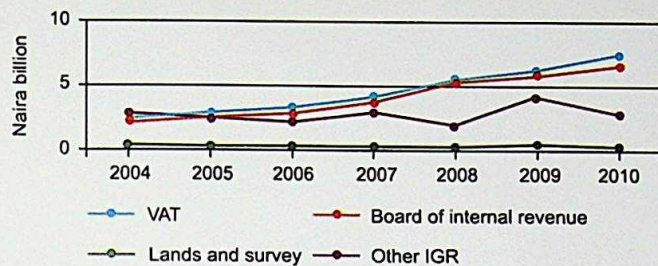
Within IGR there are significantly different trends depending on the type of revenue. Since KDSG's repeatedly stated objective of making significant increases in IGR is clearly not being met, and since the revenue/cost structure of KDSG is rapidly reaching crisis point (see fiscal forecasts), it is strongly recommended that KDSG should summarise IGR results by collecting agency and hold these collecting agencies accountable for their budgets.

At the moment the results published in the Accountant General's report summarise revenue collections by agency *within* each type of revenue. Thus, while all the detailed information is available, the summary is not published in a way that enables agencies to be held to account. To facilitate accountability and control, the analysis should also be available for revenue type *within* collecting agency: *it is the agencies' job to improve collections*. Fees, for example, are collected by many agencies. Some meet their budgets, but many do not. This type of information is now vital for assessing methods of improvement.

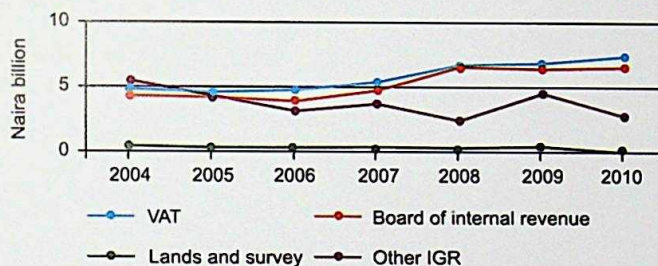
SPARC has analysed taxes and fees collected by the Board of Internal Revenue (BOIR) and found that an impressive improvement of 48% in real terms has been made since 2004. This is almost as good as the increase in VAT (see the following Figures). In contrast, the revenue collected by the Ministry of Lands (rental on government property), which is always only a small fraction of the budget, has fallen by 64% in real terms, and other IGR has fallen by 47%, thus effectively undoing all the good work of BOIR.

**VAT compared with components of IGR, 2004-2010 (N billion)**

**Figure 6: Actual cash (N billion)**



**Figure 7: Actual cash in real terms (2010 prices) (N billion)**



It is recommended that for the next version of this Fact Sheet SPARC assists KDSG to summarise the historical trends of revenue collection (2004 to 2011) for all collecting agencies.

**Capital receipts**

Capital receipts consist of internal grants (from the Federal government), contributions from local governments for joint projects, external grants (from donor partners), internal loans (from banks, bonds or supplier finance) and external loans (from overseas lenders, mainly donor partners).

*Note: Analysis of capital receipts is incomplete because:*

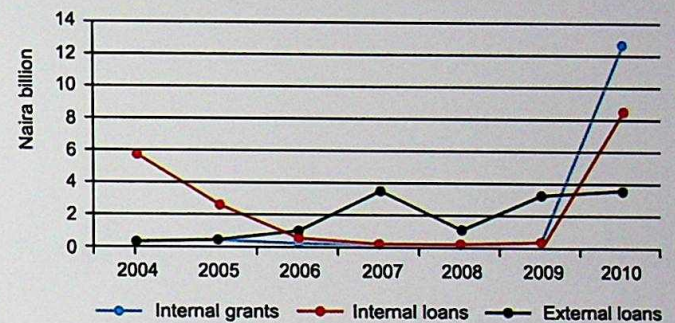
- No donor partners have disclosed the amounts spent on behalf of Kaduna State Government as grants in kind. As there are no donor cash grants, external grants are shown as zero.
- Internal grants are very variable, and it is not known if all information is included or whether there are some off-budget grant bank accounts.
- Contributions from local governments have not always been separately reported in the annual accounts. As a result, these have been included under internal grants in this fact sheet.

**Internal grants**

Based on the reports of the Auditor General/Accountant General, internal grants were insignificant between 2004 and 2009. In 2010 there was a significant increase caused, in the main, by unusually high grant receipts of N11.87

billion from the Education Trust Fund (ETF). These ETF receipts were matched by exactly equivalent expenditure from the ETF (see Fact Sheet 3). At the time of writing, it is uncertain whether this amount has been correctly recorded in the accounts, although an audit certificate has been given.

**Figure 8: Capital receipts 2004-2010 (N million)**



**Internal loans**

Internal loans in 2004 were largely supplier finance. These were repaid in full and internal loans were insignificant over the period 2007 to 2009.

In 2010 N8.5 billion was raised as the first tranche of a N15 billion Kaduna State Government Bond, to be repaid in five years. It is probable that the second tranche will not be drawn, but there are additional plans to increase internal bank loans at market rates of interest (typically 18% to 19%). This is potentially an area of high fiscal risk, and has been noted in the debt sustainability report.



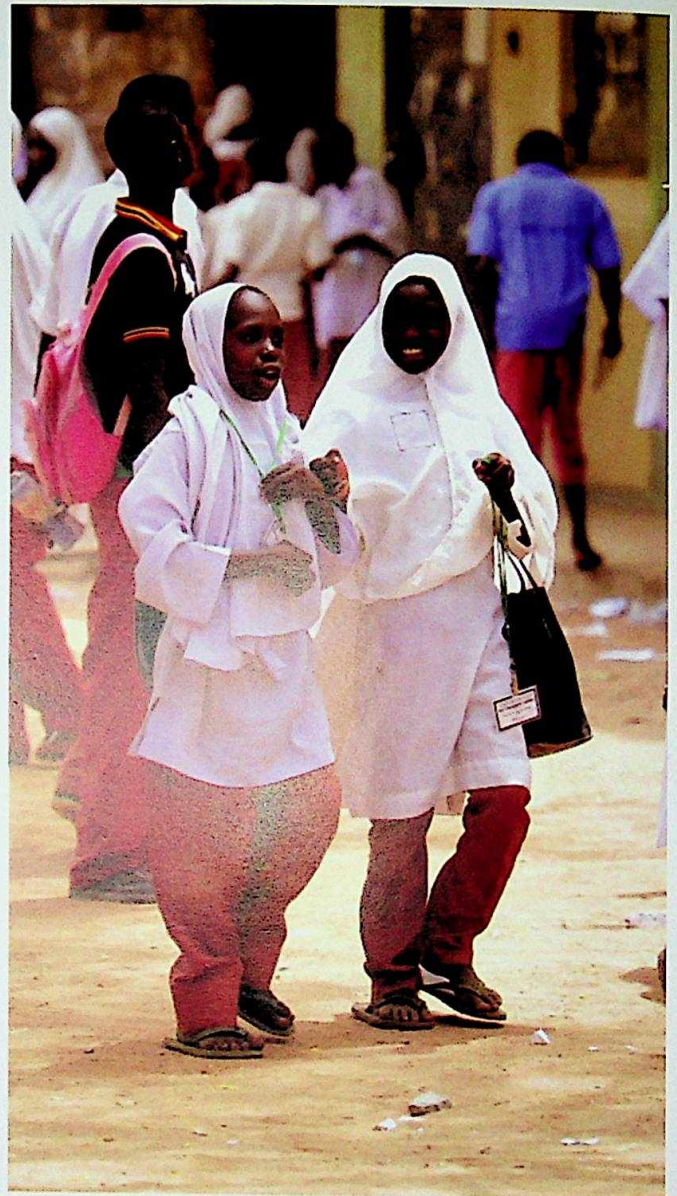
**External loans**

External loans financing donor-assisted projects have increased slowly over the period. The amount of cash drawn down on these loans is small (e.g. compared with the cash raised by the BOIR, it is less than half the amount). The loans are on subsidised terms and pose little risk compared with the proposed internal loans.

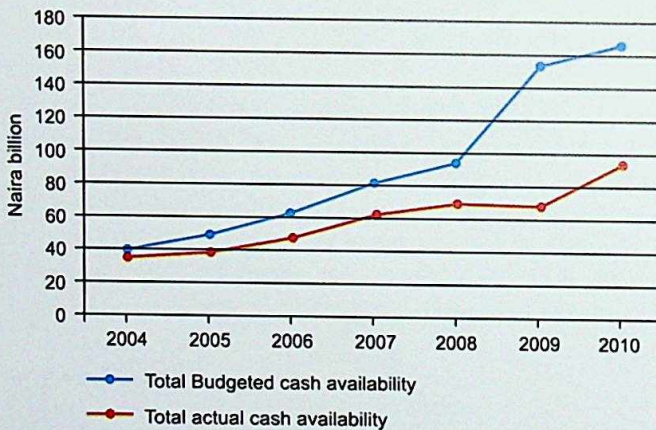
**Budgeted receipts**

In 2004 total receipts were fairly accurately estimated. Between then and 2009, there was a steadily growing divergence between budgeted receipts and reality. In 2010, the gap was closed slightly, and it is hoped that trend will now continue.

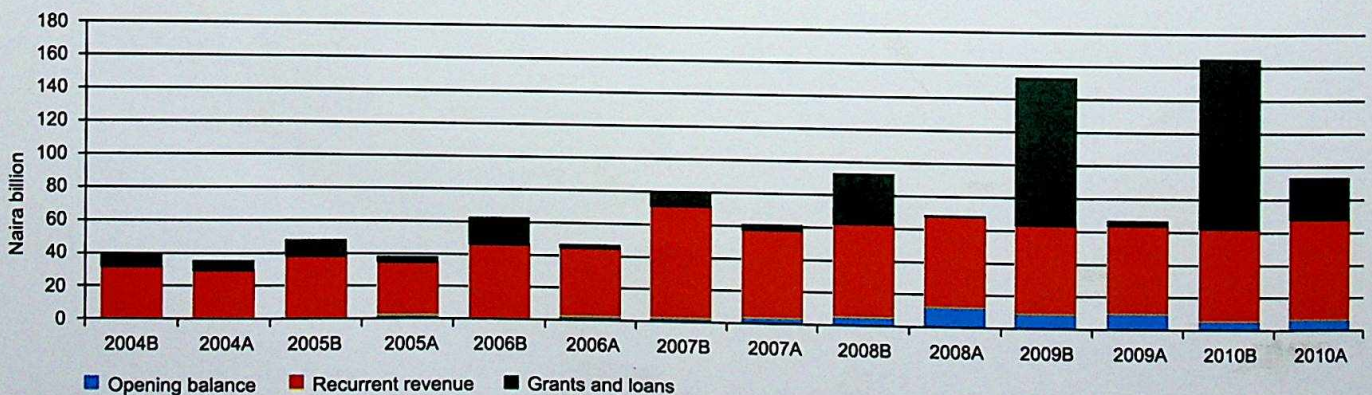
Within these statistics it is the high estimation of budgeted grants and loans to finance ambitious capital expenditure plans which have fallen short of expectation (see Fact Sheet 03).



**Figure 9: Budgeted vs. actual receipts 2004-2010 (N billion)**



**Figure 10: Budget vs. actual receipts 2004-2010 (N billion)**



Sources: Kaduna State Government Annual Budgets (2004-2010), Reports of the Auditor General (2004-2008), Report of the Accountant General (2010).