



KANO STATE GOVERNMENT

2024

**DEBT SUSTAINABILITY ANALYSIS &
DEBT MANAGEMENT STRATEGY (DSA-DMS)
REPORT**

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Chapter 1: Introduction

Kano State Debt Sustainability Analysis (KS - DSA) covers the period of 5-year historical history from 2019 to 2023 and 10-year projection 2024-2033, under various macroeconomic assumptions and shock scenarios. To ensure that State debt stock remains sustainable in the medium to long-term, the State's macroeconomic framework is used to assess the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

The Kano State DSA-DMS forecast for primary balance that comprises the difference between revenue and expenditure, plus the existing debt service (interest payment and principal repayments). The revenue was based on the harmonized revenue law of the state government, which provided for capital gains tax, and other property tax to expand the tax base to maximally increase the state internally generated revenue that are considered achievable. Also, the state forecasts increased recurrent and capital expenditures with expected growth in the National economy with cascading effects in the State's economy leading to an increase in overall economic activities in the private sector, as well as job creation in the public sector.

Global growth is projected to stay at 3.1 percent in 2024 and 3.2 percent in 2025, with the 2024 forecast 0.2 percentage point higher than that in the October 2023 World Economic Outlook (WEO) on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. The forecast for 2024–25 is, however, below the historical (2000–19) average of 3.8 percent, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025, with the 2025 forecast revised down.

With disinflation and steady growth, the likelihood of a hard landing has receded, and risks to global growth are broadly balanced. On the upside, faster disinflation could lead

to further easing financial conditions. Looser fiscal policy than necessary and then assumed in the projections could imply temporarily higher growth, but at the risk of a more costly adjustment later. Stronger structural reform momentum could bolster productivity with positive cross-border spillovers. On the downside, new commodity price spikes from geopolitical shocks—including continued attacks in the Red Sea—and supply disruptions or more persistent underlying inflation could prolong tight monetary conditions. Deepening property sector woes in China or, elsewhere, a disruptive turn to tax hikes and spending cuts could also cause growth disappointments.

Policymakers' near-term challenge is to successfully manage the final descent of inflation to target, calibrating monetary policy in response to underlying inflation dynamics and—where wage and price pressures are clearly dissipating, adjusting to a less restrictive stance. At the same time, in many cases, with inflation declining and economies better able to absorb effects of fiscal tightening, a renewed focus on fiscal consolidation to rebuild budgetary capacity to deal with future shocks, raise revenue for new spending priorities, and curb the rise of public debt is needed. Targeted and carefully sequenced structural reforms would reinforce productivity growth and debt sustainability and accelerate convergence toward higher income levels. More efficient multilateral coordination is needed for, among other things, debt resolution, to avoid debt distress and create space for necessary investments, as well as to mitigate the effects of climate change.

economic growth in Nigeria slowed from 3.3 percent in 2022 to 2.9 percent in 2023 due to high inflation and sluggish growth in the global economy, which declined from 3.5 percent in 2022 to 3.2 percent in 2023. Growth was driven by services and agriculture on the supply side and by consumption and investment on the demand side. Inflation rose from 18.8 percent in 2022 to 24.5 percent in 2023, due to rising fuel costs and a depreciating naira. Petrol prices increased 167 percent, from naira 254 per liter in May 2023 to naira 671 in December 2023.

The exchange rate was depreciated by 95.6 percent in 2023, resulting from the floating of the naira in June 2023. Monetary policy was tightened to control inflation, with the policy rate increased from 17.5 percent in January 2023 to 18.75 percent in December

2023. The fiscal deficit narrowed from 5.4 percent of GDP in 2022 to 5.1 percent, as general government revenues improved from 6.7 percent of GDP in 2022 to 7.6 percent in 2023, although remaining low. The deficit was financed mainly by domestic borrowing, including from the Central Bank's Ways and Means. Public debt remained low at 40 percent of GDP in 2023, but the federal government debt service to revenue ratio was high, at 111 percent, due to weak revenues. The current account surplus improved from 0.2 percent of GDP in 2022 to 0.9 percent in 2023, driven by higher oil prices and exports. International reserves remained robust but dropped from 6.6 months of import cover in 2022 to 5 months in 2023, reflecting tight global financing conditions. The poverty level remains high, with multidimensional poverty at 63 percent and income poverty at 40 percent. Income inequality is lower than in many middle-income countries, with a Gini coefficient of 0.35.

Economic growth is projected to increase to 3.2 percent in 2024 and 3.4 percent in 2025, due to improved security, higher oil production, and stronger consumer demand. Inflation is expected to rise to 31.6 percent in 2024, driven by higher food prices and continued depreciation of the naira, before moderating to 20.7 percent in 2025 as inflationary pressures abate. The fiscal deficit, financed by domestic borrowing, is projected to narrow to 4.3 percent of GDP in 2024 and 4.1 percent in 2025 as both oil and nonoil revenues improve. The current account surplus is expected to improve to 3.0 percent of GDP in 2024 and 3.6 percent in 2025 due to higher oil exports. Headwinds include insecurity, lower oil production, rising fuel and food prices, and further exchange rate depreciation. Tailwinds include new oil production from the Dangote refinery, which is expected to lower energy prices as it starts supplying the local market.

Despite some evidence of structural transformation, reflected in agriculture employment's falling share in total employment from 49.3 percent in 2000 to 35.2 percent in 2021, the pace of transformation is not sufficient to propel industrial take-off. Labor has relocated to the services sector, whose share of employment rose from 39.4 percent in 2000 to 52.1 percent in 2021. However, industry's share of employment has increased only marginally over the past 20 years, from 11.3 percent to 12.7 percent, reflecting slow

industrialization. Furthermore, wage employment is low, at 11.8 percent, reflecting low-quality jobs and characterized by high informality, at 92.6 percent.

Kano is a richly endowed state, with vast, yet untapped potential. It has an established commercial base with a long history of contact with Europe, North, Central and West Africa and the Middle East. Kano is the commercial and investment hub of Northern Nigeria, with a GDP of approximately US\$13 billion. The economy is driven largely by Services with 70 percent contribution to GDP, followed by Agriculture (17.9 percent) and light manufacturing (12.1 percent). The Services Sector has expanded rapidly since 2013, growing at an average rate of 17 percent pa, followed by agriculture at 10 percent and the light industry at 9 percent.

The Kano economy is characterized by widespread informality, with more than 1.8 million micro enterprises, across all economic activities, employing over 2 million people. This is equivalent to 44 percent of the State's economically active population.

The Kano economy is driven largely by commerce, manufacturing and subsistence agriculture – the dominant activity, with up to 70 percent of the population engaged directly or indirectly. The informal sector is strong and diverse, with numerous MSMEs across all economic activities and contributing approximately 60 – 70 percent of output and employment. The State has historically been a major commercial and manufacturing Centre in the West African sub region even before the incorporation of the country into the European System of global commerce. It has been a major entry port and southern hub of the trans Saharan trade route for centuries.

Kano depends largely on statutory allocation from Federation Account. In 2022, 87 percent of the total State revenue derived from the federation account, while the remaining 13 percent was derived from the internally generated revenue. The government has taken strategies to restructure administrative set up of revenue generating agencies, especially the Kano Internal Revenue Services (KIRS). These include: the harmonization of taxes of both State and Local Governments; expansion of revenue base to informal sector and centralization of revenue account.

The increase in Internally Generated Revenue is expected to positively impact on the debt obligations and economic development of the State. The State plans to augment the State budget through borrowings from domestic and external loans. Consequently, the MTDS had to be adjusted to ensure the financing gap of government is met.

Chapter 2: The State Fiscal and Debt Framework

2024 is expected to sustain on Agricultural drive, Human Capital Development, strategic & critical infrastructure to support growth as well as development, and provide an enabling environment for SMEs to grow and pave way for industrial development of the State. In line with the provision of the overarching State development policy document.

2.1 Medium-Term Budget Forecast

The Economic and Fiscal Update (EFU) provides economic and fiscal analysis which forms the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Kano State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.

On the other hand, Fiscal Strategy Paper (FSP) is a key element in Medium Term Budget Framework (MTBF) and annual budget process, and as such, it determines the resources available to fund Government projects and programmes from a fiscally sustainable perspective.

Kano State Government decided to adopt the preparation of the MTEF for the first time in 2013 as part of the movement toward a comprehensive Public Financial Management process. This is the Tenth (10) rolling iteration of the document and covers the period 2024-2026.

The implication for the 2024-2026 forecast is that if more capital receipts are not obtained and the IGR increases, the same scenario may still be recorded since the State IGR cannot fund recurrent expenditure, but the debt stock continues to be remained sustainable over the period.

Objectives

The MTEF documents strengthen top-down budgeting in line with the requirements of fiscal responsibility legislation. The document assists the State in achieving the following objectives:

- a. to ensure overall and proper linkage between policy, planning and budgeting.

- b. to improve fiscal policy formulation and implementation by instituting a medium-term budget framework as part of the regular economic management process.
- c. to improve budget allocations that reflect the State policy priorities and development needs of the State.
- d. to provide robust medium term expenditure programmes of selected critical MDAs.
- e. ensuring budget execution through more predictable cash releases, thereby guaranteeing more effective service delivery.
- f. reducing deviation between budgeted and executed levels of expenditures.
- g. to improve cash management for Transparency and Accountability

In accordance with international best practice in budgeting, the production of a Medium-Term Expenditure Framework (MTEF) is the first step in the budget preparation cycle for Kano State Government (KnSG) for the period 2024 - 2026. The purpose of this document is three-fold:

- a. to provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update.
- b. to set out medium term fiscal objectives and targets, including tax policy, revenue mobilization, level of public expenditure, deficit financing and public debt - Fiscal Strategy Paper and MTFF.
- c. Provide indicative sector envelopes for the period 2024 which constitutes the MTBF.

The MTEF is presented in Section 2 of this document. MTEF provides economic and fiscal analysis to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in the Kano State Government. The MTEF also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

- a. Overview of Global, National and State Economic Performance.
- b. Overview of the Petroleum Sector.
- c. Trends in budget performance over the last six years.

The MTEF is a key element in the KNSG Medium Term Expenditure Framework (MTEF) process and annual budget process. As such, it determines the resources available to

fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

Institutional Framework for PFM in Kano state

This refers to the physical arrangement through which all PFM Process are being carried out. This process depends on whether the financial item is either revenue or expenditure. On the revenue side, the framework in this dimension provides the roles of the following institutions:

- a. Kano Internal Revenue Services (KIRS) - It is the main revenue collecting Agency on behalf of the State Government. It was established by legislative act.
- b. Office of the Accountant General. This Office collects not only those revenues primarily subsumed by the KIRS and other revenue collecting agencies, but also all accrued revenues from Federation Accounts and Capital receipts as may be from time to time. The Office of the Accountant General is an integral Division of Ministry of Finance which has five Departments headed by substantive Directors.
- c. On the expenditure side, the institutional framework in respect of expenditure emanates from the provisions of the approved Budget for the year under review.

This budget document derives its source from four streams namely:

- Policy pronouncements by the Government.
- Proposals from Ministries, Departments and Agencies of the State.
- Citizens' Demand through Town Hall meeting Conducted in the State.
- Public inputs through SHoA (conducted through public hearing and representations) and SHoA resolution.
- Kano State Development Plan III (KSDP).

The commitment in the budget is actualized through the issuance of Warrants to State Accountant-General (AG) initiated by MoPB, certified by Ministry of Justice and approved by the Executive Governor to carry out the mandate. The Warrant itself could be General or provisional. This instrument authorizes the AG to commence spending of public Funds within the stipulation of the approved legislative Budget of the year.

All MDAs serve as springboard for the implementation of the Budget provisions. In compliance with the Financial Instructions, relevant circulars and provisions, as well as

other relative directives that from time to time are ushered in by the State Executive Council.

The legislative arm of the Government also exercises oversight functions to ensure compliance with the contents of the approved Budget document as well as adherence to all available guiding rules and statutes.

The OSAG on the other hand, and on behalf of the State legislative arm keeps track of all financial transactions of the Government and renders appropriate comments and qualification.

Another important institutional framework in the circle of financial management in the State also includes the Public Procurement Bureau. This institution plays a significant role in ensuring compliance with the existing Monetary & Fiscal Policies by every Government establishment. It ensures adherence with the best practice: as well as monitors the execution of all capital projects.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmes in a sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document It provides justification and corroborate the estimation for medium-term major Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks.

In line with the Medium-Term Budget forecast and FSP strategy, the Government has reviewed its fiscal policies in the areas of Cash management, IGR, etc. These fiscal components are targeted towards boosting revenue generation for Government financial obligation as well as investment, this is achievable through proper linkage between policy, planning and budgeting, as well as ensuring budget execution through more predictable cash releases to the affected projects.

Fiscal policies strongly recommend that the existing debt and new borrowing should be kept below the established threshold in line with the Fiscal Responsibility Act, 2007. The

Fiscal Strategy Paper prioritized projects and programmes in a sustainable manner and consistent with its development policy objective of the Government.

The details of the macroeconomic assumptions are as shown in the table below. The indicative three-year fiscal framework for the period 2024-2026 is presented in the table below.

Kano State Medium Term Expenditure Framework (MTEF), 2024-2026

Items	2024	2025	2026
National Inflation	20.00%	15.50%	15.20%
National Real GDP Growth	3.00%	3.00%	3.00%
Budget Oil Production Volume (mbpd)	1.6	1.7	1.8
Oil Price Benchmark (US\$ per barrel)	65	65	65
Average Exchange Rate (N/US\$)	1,300	1,200	1,100
Revenue			
Gross Statutory Allocation	144,849.88	175,140.67	181,002.07
Other FAAC transfers	56,317.17	47,706.68	49,137.88
VAT Allocation	76,638.37	98,519.27	123,681.28
IGR	101,956.87	109,093.86	121,230.84
Grants	16,699.86	7,124.92	7,035.21
Sales of Govt Assets and Privatization Proceeds	0	0	0
Total Revenue	396,462.15	437,585.40	482,087.28
Expenditure			
Personnel costs	87,465.83	100,126.70	112,787.58
Overhead costs	54,757.50	66,677.65	78,597.79
Other Recurrent Expenditure*	42,103.74	51,016.46	54,571.88
Capital Expenditure	256,169.69	250,198.24	269,535.61
Total Expenditure	440,496.76	468,019.05	515,492.86
New Domestic Borrowing	4,100.00	30,433.65	14,000.00
New External Borrowing	20,965.18	0.00	10,839.58

*Other Recurrent Expenditure comprises Debt Charges and other recurrent Expenditure

Assumption of the MTEF, 2024-2026

- a. Statutory Allocations – Statutory Allocation is based on governor’s forum using the assumptions in the macroeconomic framework above and historical data on mineral and non-mineral revenue flows.

- b. VAT – VAT is based on the lowest of the moving averages and governor’s forum – in this case the 4-Year weighted moving average.
- c. Other Federation Account Distributions – Other Federation Account Receipts this figure has been used for the 2024 - 2026 an estimate comprises of NNPC refund, Exchange rate gains, Ecological fund etc.
- d. Internally Generated Revenue (IGR) - Internally Generated Revenue (IGR) the key issue with Kano State IGR was identified. The key areas are assumed to be the case based on 1. Mapping of informal sector resulting in broadened tax base; 2. Passage of MDAs revenue harmonization law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; 3. Re-structuring of the Kano Internal Revenue Service resulting for efficiencies, 4. The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; 5. Policy of the present administration to shift tax burden to the wealthy individuals.6. Introduction of new land use levies and charges; 7. Review of Kano State Revenue Administration Law 8. Waiver to the taxpayers, respectively. It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching the target level and growing by 5% annually. All subsequent years’ collection should be properly monitored regularly to assess whether the target will be achievable.
- e. Grants – Grants – This indicated that the grant collection trend is far below the budgeted figure there is a need to review the subsequent year budget forecast.
- f. Other Non-Debt Creating Capital Receipts - Consolidated Revenue Fund Charges – CRF constitute pension contribution, Public Debt Charges, Office of the Auditor General State, House of Assembly, of the Auditor General Local Govt, Judiciary etc.
- g. Financing (Net Loans) – the internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.
- h. Personnel – it is anticipated that the new minimum wage will definitely have a negative impact on staff new recruitment because of the burden on the side of the government. This to some extent will reduce the state contribution for Contributory Pension Scheme in the state.
- i. Overheads – The drop in overheads in 2022 was a result of likely to reduced revenues (IGR and Federal Transfers). The forecasts for 2024 – 2026 assume that the overhead expenditure will remain as that of 2022, and then it will grow at 5% annually thereafter. This should be

considered within the context of the new administration's policy priorities, and also first and second quarter performance figures for 2023 should also be used to guide.

- j. Capital Expenditure – Capital expenditure by sector – Educational sector has the largest allocation of followed by infrastructure sector then Health sector with the allocation of as well as Governance and water sector with the allocation of 7.36 percent.

2.2 State's Revenue policies: Kano State Comprehensive Development Framework (CDF) which is the key policy document of the State Government has outlined the focus of the State's Public Expenditure and Financial Management Reforms (PEFM) recognizing "exercise of control and stewardship in the use of public funds" as one of the primary objectives of the reforms. Ultimately, the reforms seem to entrench a good PFM system which is essential for the implementation of policies and the attainment of the overall State's developmental objectives.

Kano State Government enacted Public Financial Management Law, 2020 with a view to providing sound Public Expenditure and Financial Management in Kano State aimed at ensuring that for the purpose of overall economic development of the State Government strives towards the following:

- a. Limit or reduce government debt to prudent levels by ensuring that the budget deficit at the end of a financial year shall not exceed six per centum of the estimated gross state domestic product and to ensure that such levels be maintained thereafter.
- b. Ensure prudent management of the financial risks faced by the Government, having regard to changing economic circumstances.
- c. Adopt policies relating to spending which do not increase government debt to excessive levels.
- d. Adopt policies relating to spending and taxing, as are consistent with a reasonable degree of stability and predictability in the level of tax rates in the future.
- e. Ensure that the sum which is calculated as the guarantee and given as a percentage of the gross state domestic product for the current financial year along with the two preceding financial years, does not in the aggregate exceed 4.5 per centum.
- f. Ensure that at the end of a financial year the total liabilities of the Government (including external debt at the current exchange rates) do not exceed twenty per

centum of the estimated gross state domestic product for that financial year and that at the end of the financial year.

Kano State Government introduced “***Kano State Revenue (Revenue Administration Law)***” A Law to provide the harmonization, Administration and Collection of revenue due to the State and Local Government Council. The Board of Kano State Internal Revenue Services has been restructured with a view to sanitizing the Revenue system in the State in respect of Assessment, Collection and Remittance to Revenue Single Account (RSA) for effective service delivery in the State and Related Matters.

2.3 State’s Expenditure Policies: Kano State’s Expenditure Policies drives through a State’s Comprehensive Development Framework (CDF) which is to develop a holistic socioeconomic development strategy that puts together all major elements affecting the development of the State. The effort represents a shared vision of all stakeholders, a development framework that is designed to guide short and medium-term state development plans and ensure effective linkage to the budget through a Medium-Term Expenditure Framework with sufficient flexibility to respond to emerging needs and exigencies.

This section provides a brief review of the development process of the State since its creation, the overall development objectives, and priorities, as well as its mission and vision. The section also gives an overview of the conceptual underpinnings for the sustainable economic development of the State outlined in the Kano State CDF.

Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2019 - 2023)

Kano State's Internally Generate Revenue (IGR) amounted was increased by N8,374 million or 26.34 percent from 2019 to 2023, an increase was due to the implementations policies that strengthen the Kano's internal revenue that held within the period.

3.1 Revenue and Expenditure

The State's total revenue comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. The State's Revenue recorded N264,151 million in 2023, N211,971 million in 2022, N132,195 million in 2021, N141,735 million in 2020, and N152,810 million in 2019 respectively.

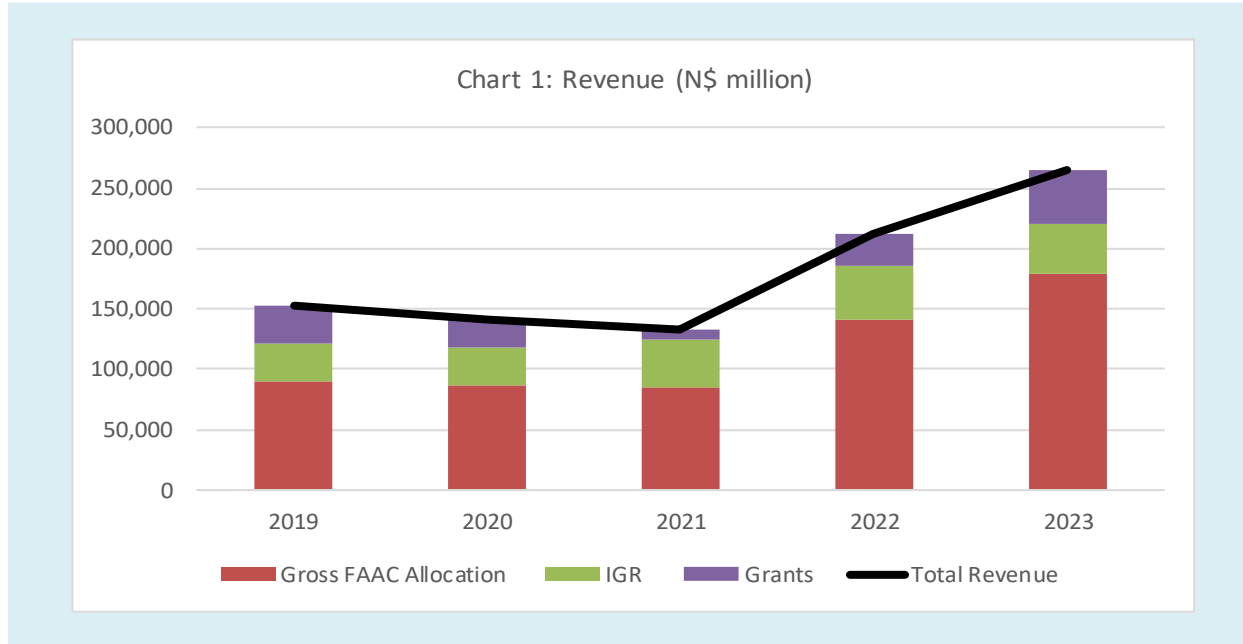
Kano State FAAC allocation recorded N90,179 million in 2019, N86,043 million, N84,666 million in 2021, N141,653 million in 2022 and N179,460 million in 2023, the historical trend shows additional inflows from federation accounts by N56,987 million or 67.31 percent in 2022 and N37,807 million or 26.69 percent in 2023, an increased was as results of removal of fuel subsidy across the country of the new administration.

The State IGR recorded an increase of N8,374 million or 26.34 percent from 2019 to 2023. An increase was due to economic reforms to improve taxes, as well as the implementations other policies that strengthen the state internal revenue that held within the period, which comprises N31,795 million in 2019, N32,092 million in 2020, N40,243 million in 2021, N43,286 million in 2022 and N40,169 million in 2023, but a declined reflecting in 2023 was as a results of the new reforms adopted by the new administration that introduced e-tax collection and mobile tax office wide across the state. If fully implemented the Kano State IGR are expected to increase by more than double within the a short term period.

Kano State Recorded a grant of N30,836 million in 2019, N7,286 million in 2021 and N44,522 million 2023 respectively.

Total Revenue, 2019-2023 (NGN' Million)

Revenue	2019	2020	2021	2022	2023
Total Revenue	152,810	141,735	132,195	211,971	264,151
Gross FAAC Allocation	90,179	86,043	84,666	141,653	179,460
IGR	31,795	32,092	40,243	43,286	40,169
Grants	30,836	23,600	7,286	27,031	44,522



Expenditure- The State's Total expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) stood at N169,319 million in 2019, N178,379 million in 2020, N119,597 million in 2021, N212,060 million in 2022, and N274,399 million in 2023. Chart1 to 3 shows the trend of Revenue, Expenditure and Fiscal Outturns from 2019 - 2023.

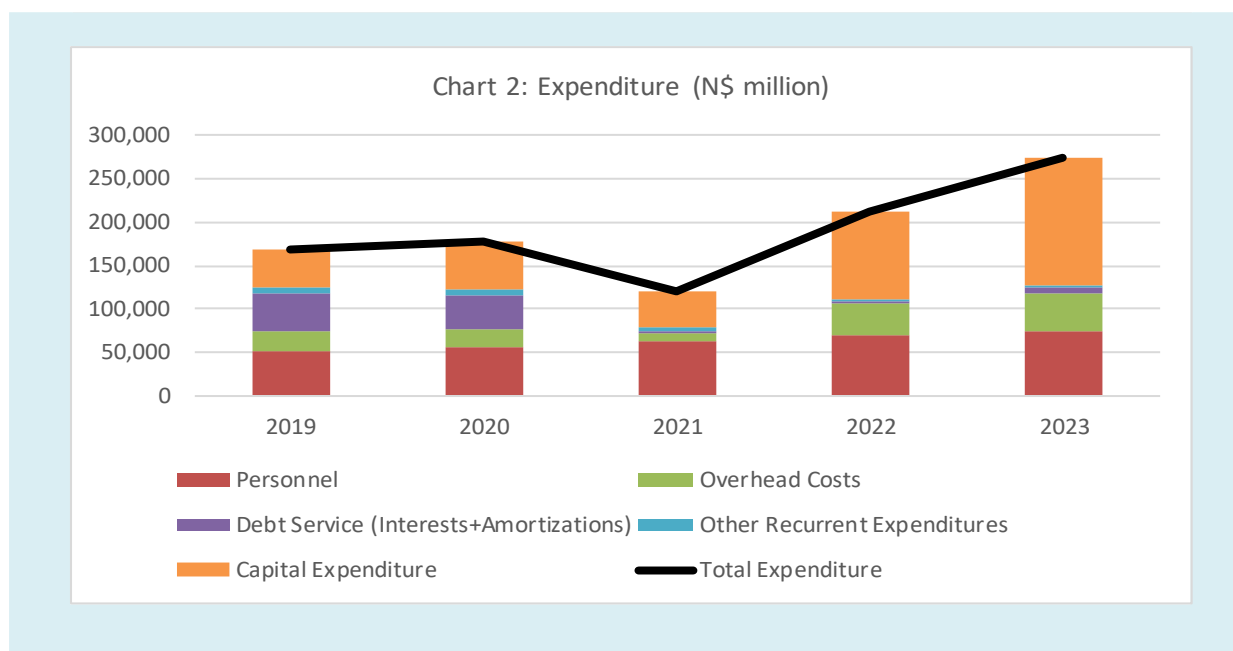
Personnel Cost - Kano State Personnel costs stood at N52,300 million in 2019, N56,800 billion in 2020, N61,772 million in 2021, N69,029 million in 2022 and N74,805 million in 2023 respectively.

Kano State Overhead costs amounted to N21,700 million in 2019, N19,200 million in 2020, N9,291 million in 2021, N38,363 in 2022 and N42,837 million in 2023. Other Recurrent Expenditure recorded the sum of N7,300 million in 2019, N3,223 million in 2021 and N4,099 million in 2023 respectively.

Capital Expenditure - Capital Expenditure amounted to N45,100 million in 2019, N55,100 million in 2020, N41,676 million in 2021, N100,219 million and N146,540 million in 2023 respectively.

Total Expenditure, 2019-2023 (NGN' Million)

Expenditure Performance	2019	2020	2021	2022	2023
Total Expenditure	169,319	178,379	119,597	212,060	274,399
Personnel	52,300	56,800	61,772	69,029	74,805
Overhead Costs	21,700	19,200	9,291	38,363	42,837
Debt Service (Interests + Amortizations)	42,919	38,679	3,635	757	6,118
Other Recurrent Expenditures	7,300	8,600	3,223	3,693	4,099
Capital Expenditure	45,100	55,100	41,676	100,219	146,540

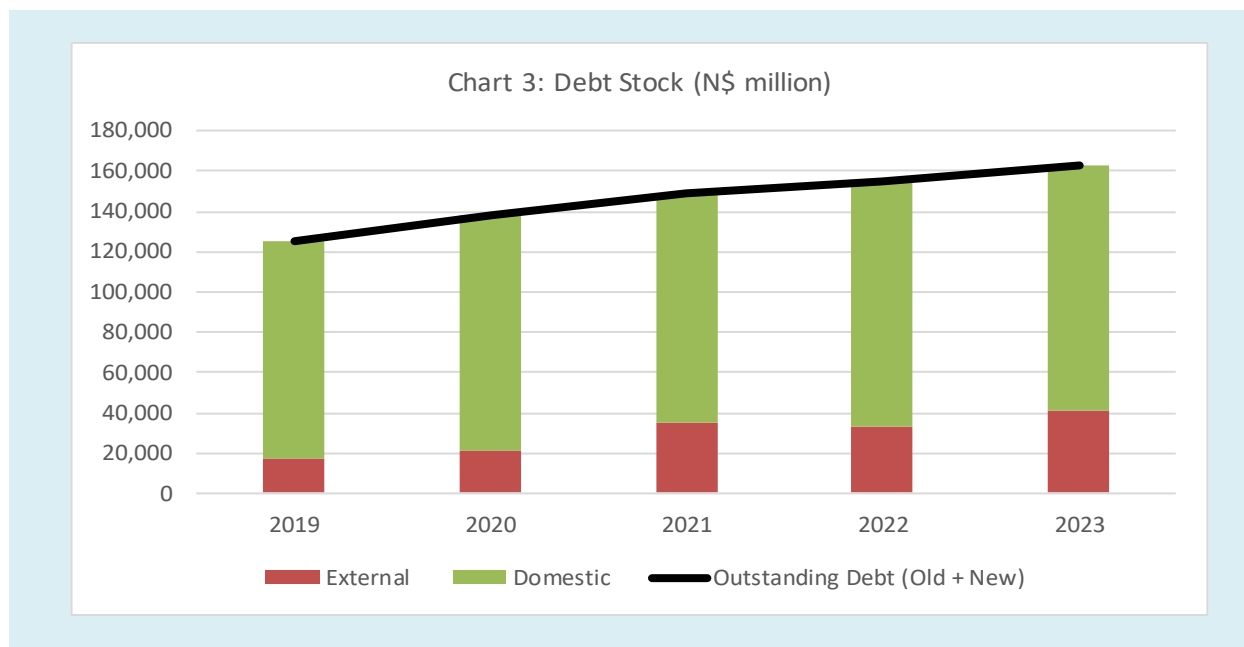


3.2 Existing Public Debt Portfolio

3.2.1 Debt Stock - Kano State Total Debt comprised External and Domestic Debts which stood at N162,819 million in 2023, N154,539 million in 2022, N149,250 million in 2021, N137,851 million 2020, as well as N125,252 million in 2019. External Debt stock stood at N40,902 million and Domestic Debt stock stood at N121,916 million in 2023 respectively.

Total Debt Stock, 2019-2023 (NGN' Million)

	2019	2020	2021	2022	2023
Outstanding Debt (Old + New)	125,252	137,851	149,250	154,539	162,819
External	17,498	20,916	35,013	32,817	40,902
Domestic	107,754	116,935	114,236	121,721	121,916

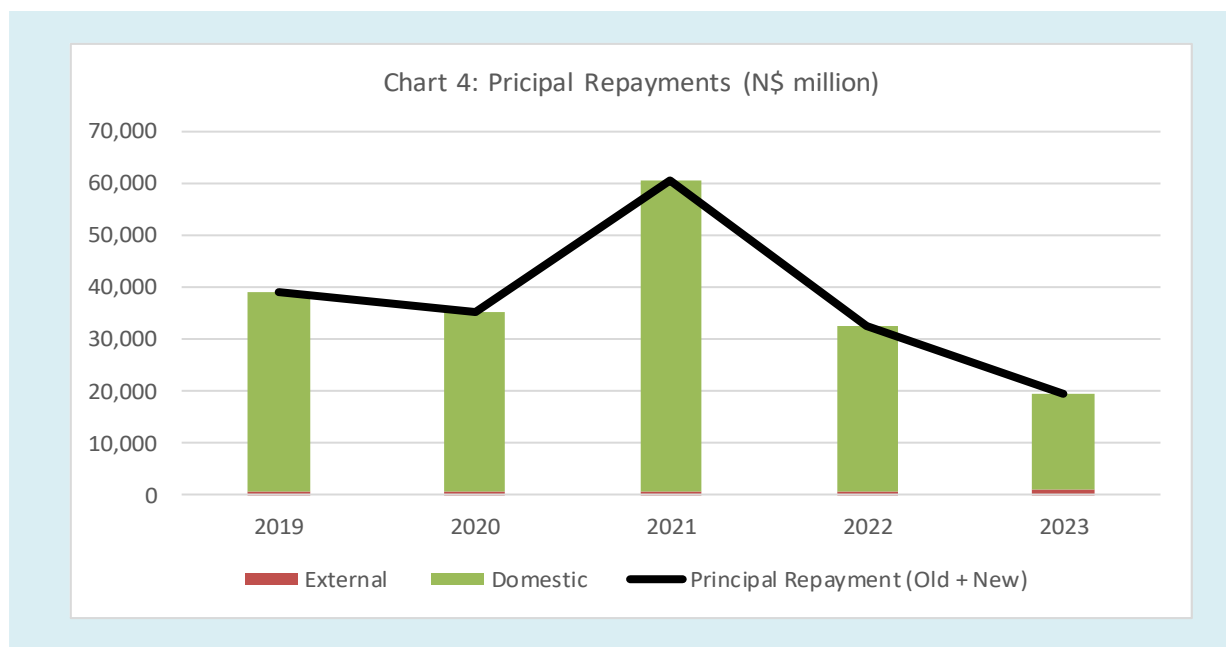


3.2.2 Debt composition - The main domestic debt portfolio consists of Budget Support Facility, Salary Bail-out facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). The composition of external debt to domestic debt portfolio stood at 25.12 percent to 74.88 percent in 2023 compared with 21.24 percent to 78.76 percent in 2022.

3.2.3 Debt Service amounted to Total debt service that comprises the interest payment and principal repayment stood at N42,714 million in 2019, N38,470 million in 2020, N63,132 million in 2021, N37,849 million in 2022 and N25,227 million in 2023. The principal repayment stood at N39,062 million in 2019, N60,548 million in 2021, and N19,364 million in 2022, respectively.

Total Principal Repayment, 2019-2023 (NGN' Million)

Principal Repayment	2019	2020	2021	2022	2023
Principal Repayment	39,062	35,345	60,548	32,623	19,364
External	592	734	741	888	1,054
Domestic	38,470	34,612	59,808	31,735	18,309

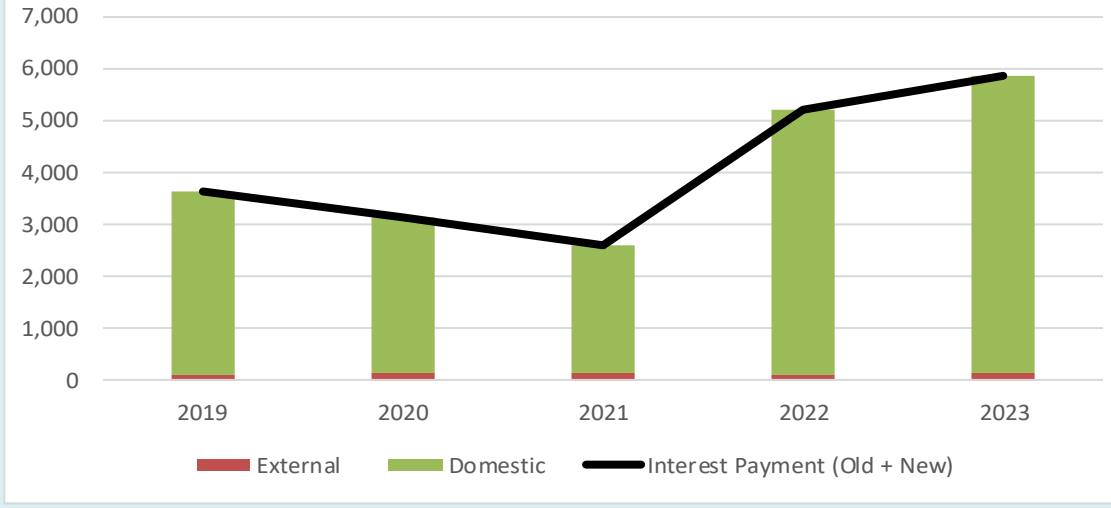


Interest repayment stood at N3,652 million in 2019, N3,125 million in 2020, N2,584 million in 2021, N5,227 million in 2022 and N5,863 million in 2023 respectively.

Total Interest Payment, 2019-2023 (NGN' Million)

Interest Payment	2019	2020	2021	2022	2023
Interest Payment	3,652	3,125	2,584	5,227	5,863
External	120	138	154	130	141
Domestic	3,532	2,987	2,430	5,096	5,722

Chart 5: Interest Payments (N\$ million)



Chapter 4: Debt Sustainability Analysis

"The concept of debt sustainability refers to the ability of the government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden".

Table 1: Kano State Debt burden indicators as at end-2023

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	3.04
Debt as % of Revenue	200%	61.64
Debt Service as % of Revenue	40%	9.55
Personnel Cost as % of Revenue	60%	28.32
Debt Service as % of FAAC Allocation	Nil	14.06
Interest Payment as % of Revenue	Nil	2.22
External Debt Service as % of Revenue	Nil	0.45

Note: Nil means not available

Source: Kano State DMD

4.1 Borrowing Options and Borrowing Terms of New Debt

The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. Domestic borrowing serves as one of the main sources of borrowing with the average ratio of 70.84 percent over the projection period from 2024 to 2033 and given the limited funding envelopes of 29.36 percent from the external borrowing. As the domestic borrowing is mainly through the commercial banks, Sub-national Bonds, Federal Government Interventions, and other Interventions from Central Bank of Nigeria.

Borrowing Options

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Domestic Financing (NGN' Million)										
Commercial Bank Loans 1 < 5 years	0.0	0.0	0.0	0.0	8,456.9	0.0	6,016.2	15,000.0	6,468.4	0.0
Commercial Bank Loans - 6 years >	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Bonds - 1 < 5 years)	0.0	0.0	0.0	10,000.0	0.0	0.0	0.0	0.0	14,213.3	0.0
State Bonds - 6 years >	0.0	30,433.6	0.0	0.0	20,000.0	0.0	20,645.3	0.0	0.0	28,007.7
Other Domestic Financing	4,100.0	0.0	14,000.0	0.0	0.0	16,628.8	0.0	25,338.9	0.0	4,720.6
External Financing (US\$' Million)										
External Financing - Concessional Loans (e.g., WB, AfDB)	16.1	0.0	9.9	13.5	0.0	10.4	11.0	0.0	12.7	13.4
External Financing - Bilateral Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Borrowing Requirements	25,065.2	30,433.6	24,839.6	23,541.8	28,456.9	27,052.1	37,661.4	40,338.9	33,364.3	46,117.5

Nominal Exchange Rate - the Nominal Exchange Rate is expected to remain stable both in the medium and long term, as a result of the robust foreign exchange policy, which has resulted in deepening the foreign exchange market to accommodate all foreign exchange obligations and stemmed speculative demands. The table below shows the Borrowing Terms of New Debt (issued/contracted from 2024 onwards).

Borrowing Terms of New Debt

Borrowing Terms for New Domestic Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.00%	0	0
State Bonds (maturity 1 to 5 years)	19.30%	5	1
State Bonds (maturity 6 years or longer)	19.89%	10	1
Other Domestic Financing	9.00%	7	1
Borrowing Terms for New External Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.47%	30	7
External Financing - Bilateral Loans	1.15%	20	5
Other External Financing	3.00%	7	5

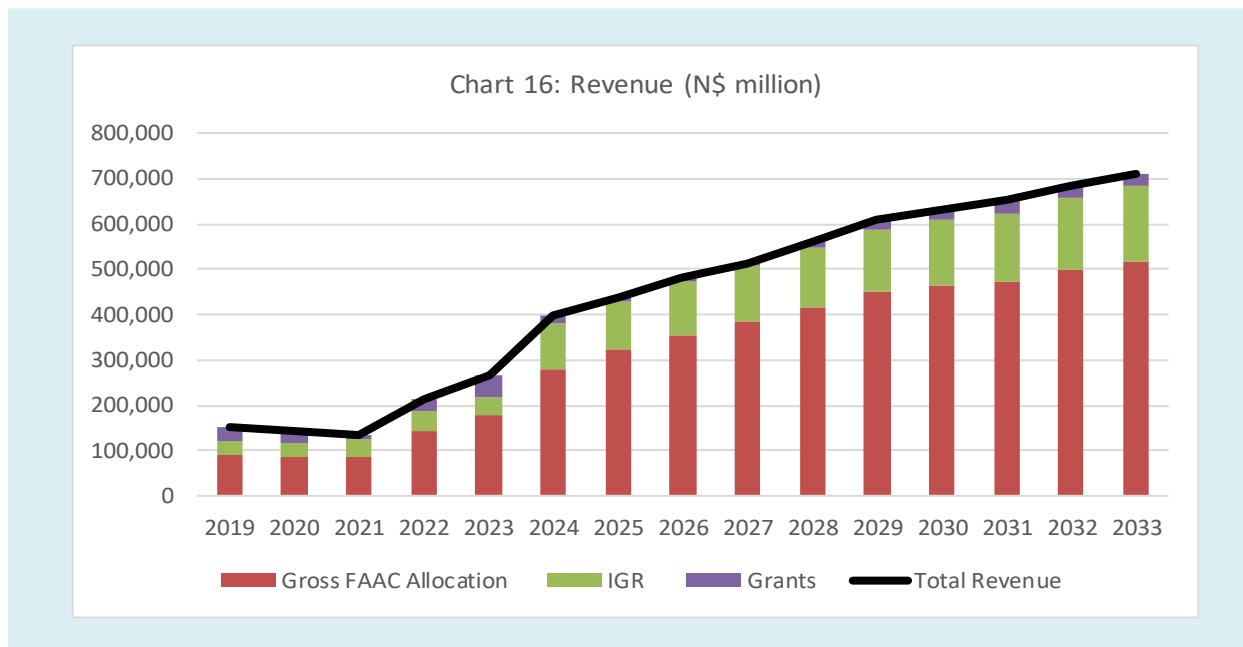
4.3.1 DSA Simulation Results

Revenue, expenditure, overall and primary balance over the long-term.

Revenue The Macroeconomic framework is based on IMF’s national real GDP growth and IMF World Economic Outlook document, and mineral benchmarks (oil price, production, and NGN/USD exchange rate) as well as inflation forecasts, which was in line with the Federal Government of Nigeria’s MTEF/FSP 2024-2026.

4.3.2 Revenue – Kano State’s total revenue is expected to raise over the projected period from 2024 to 2033, as the FAAC allocation was estimated to contribute an average of N415,947 million or 73.15 percent over the projection period, the Internally Generated Revenue is expected to contribute an average of 23.84 percent or N134,573 million during the period.

The FAAC allocation projected to contribute N277,805 million in 2024, N386,276 million, N463,640 million in 2030, and N518,003 million in 2033, the IGR estimated at N101,957 million in 2024, N123,368 million in 2027, N144,779 million in 2030, and N166,190 million in 2033, Grant projected at N16,700 million in 2024, N5,000 million in 2027, N23,000 million in 2030, as well as N25,701 million in 2033 respectively. Estimated Revenue were sources from the Approved 2024 Budget, MTEF 2024-2026, and the projections period from 2026-2032 projections as estimated by the official of Kano State Ministry of Budget and Economic Planning.



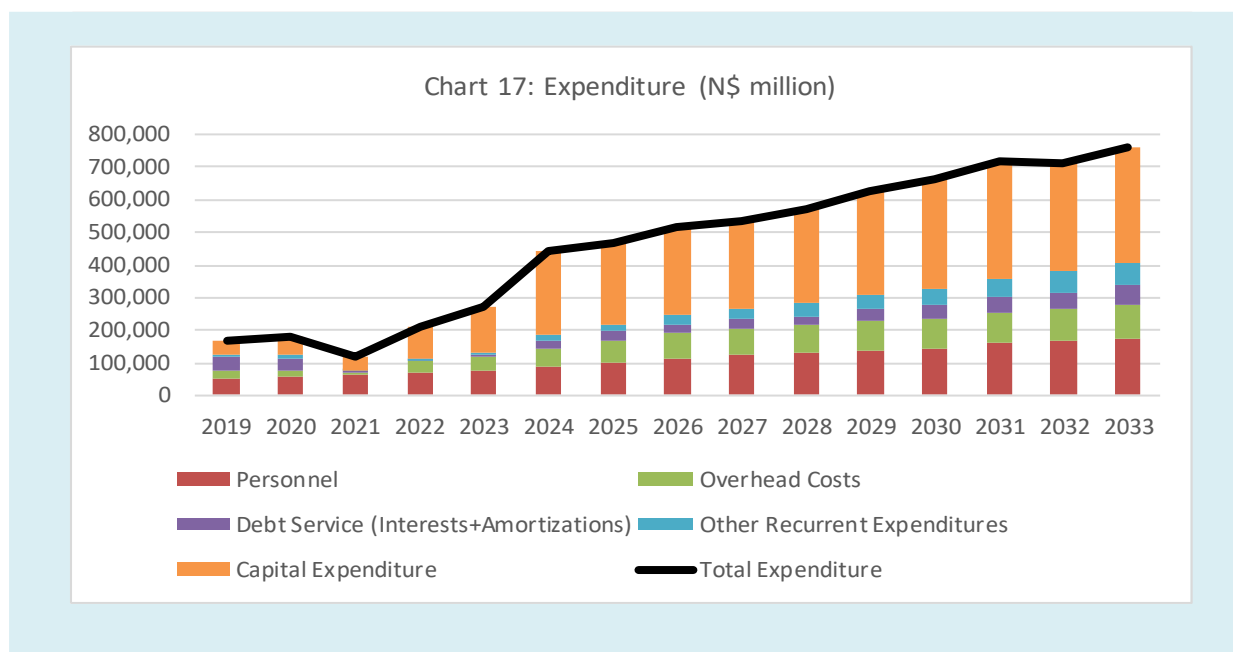
4.3.2 Expenditure – the kano State’s total expenditure is projected at N440,497 million in 2024, N468,019 million in 2025, N515,493 million 2026, N536,751 million in 2027, N570,258 million in 2028, N629,505 million in 2029, N665,913 million in 20230, N718,427 million in 2031, N712,821 million in 2032 and N758,179 million in 2033 respectively, the Capital expenditure has the largest share over the estimated period with an average of N303,531 million or 50.46 percent as percentage of total. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including agriculture, youth, Housing, education, Health and Water Resources within the period.

Personnel - The staff auditing is to check abnormalities in the pay roll. The Kano State government determined and adopted the new minimum wages that was recommended by the Nigeria’s Governors Forum, as a result of the removal subsidy, devaluation of national currency naira, food prices escalated, high inflation in the country. The personnel cost is expected at N87,466 million in 2024, N125,448 million in 2027, N143,431 million in 2030 as well as N171,414 million in 2033. The State Overheads costs projected at N54,757 million in 2024, N85,438 million in 2028, N105,039 million in 2033 respectively.

Total Debt Service – Kano State’s total debt service is based on the projected principal repayments and interest payments for 2024 approved budget and State’s MTEF 2024-2026. Hence, based on the projection, the public debt service will remain largely stable with minimal growth over the medium term.

Other Recurrent Expenditures - other recurrent expenditure comprises Social Contribution and Social Benefits – Pensions and gratuity payments is expected to remain at the low level compared to other expenditures.

Capital Expenditure – the State Capital Expenditure is based on the balance from the recurrent account plus capital receipts, and less contingency reserve as outlined above. The capital expenditure has the largest share under expenditures with an estimated of N250,198 million in 2024, N269,536 million in 2026, N288,344 million 2028, N337,153 million in 2030 and N350,666 million in 2033 respectively.



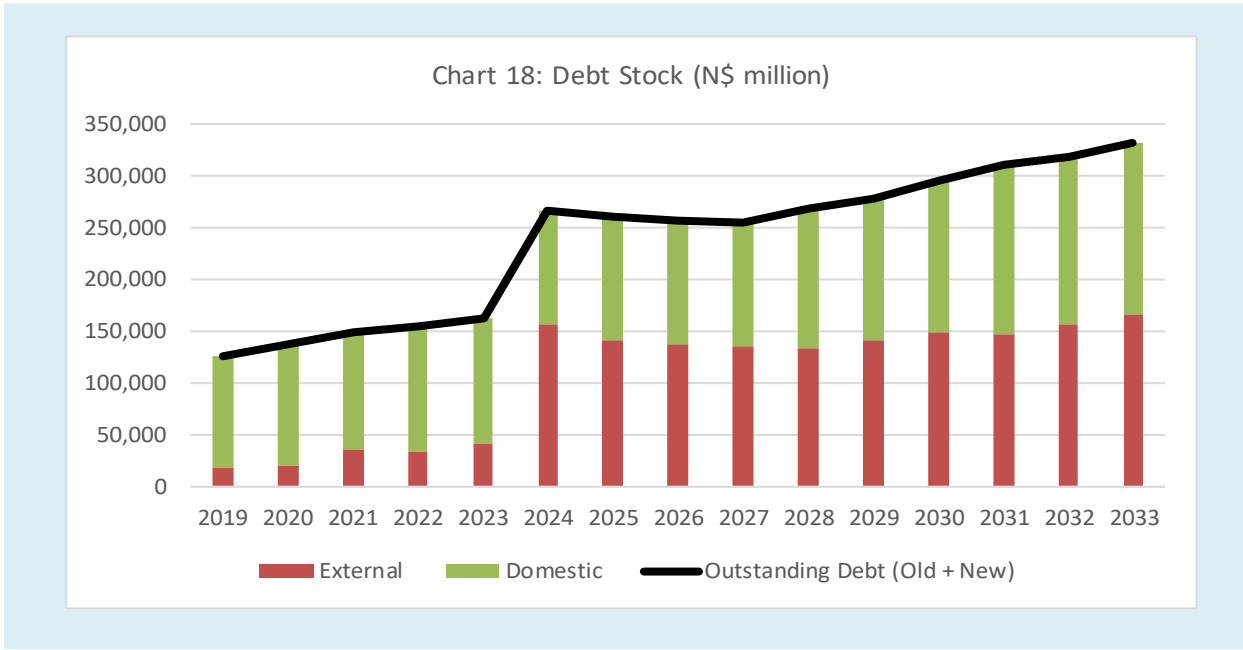
Gross Financing Needs (GFN) - is the sum of budget deficits and funds required to roll over debt that matures over the year. The GFN for Kano State 2024-2026 estimate at N 25,065.2 million in 2024, N30,433.6 million in 2025 and N24,839.6 million in 2026 respectively. The gross financing needs projection from 2027 to 2033 estimated to have an average of N33,790 million, the period is hinged on the anticipated improvement on

the revenue due to the various initiatives and reforms by Government, as well as efficiency and quality of spending.

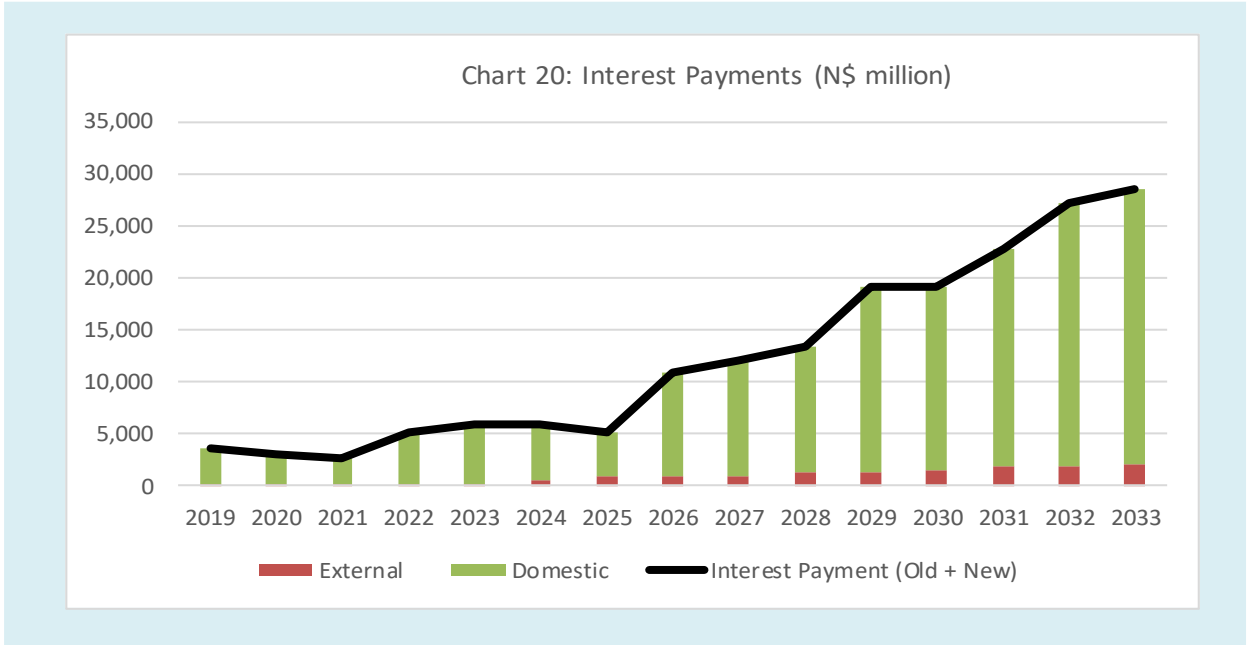
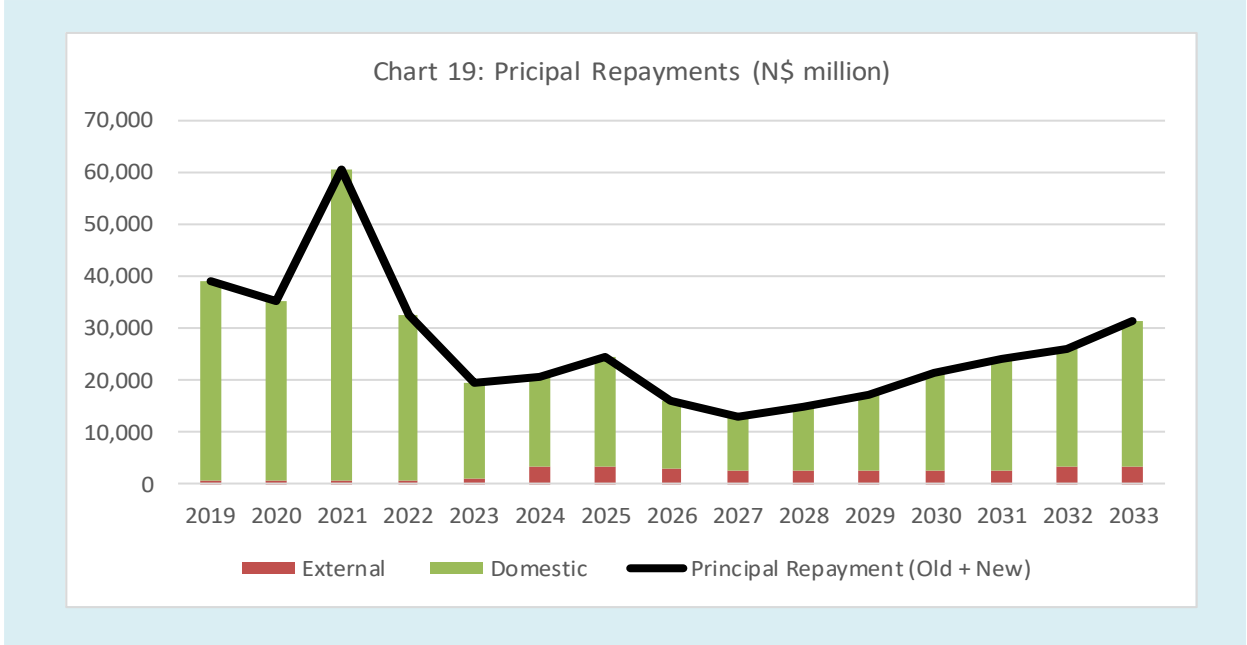
Kano State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.

Kano State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government’s budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$65 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration Reports validate the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

Debt Stock Kano State’s Debt Stock is estimated at N266,445 million, N260,407 million, N257,418 million, N255,529 million, N268,948 million, N278,616 million, N294,714 million, N310,750 million, N317,938 million and N332,513 million in the period of 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, and 2033 respectively.



Principal repayment and Interest payment projected at N20,834 million and N5,990 million in 2024 as well as N31,542 million and N28,608 million in 2033. (see Charts 18 to 20, below).



Main Key Findings

2024 Kano State Debt Sustainability Analysis under Baseline Scenario, the analysis result shows that the ratio of Debt as % of GDP is projected to stay below the threshold 25 percent over the projected period from 2024 to 2033, the ratio of debt as percentage of GDP projected at 4.33 percent in 2024, 3.38 percent in 2026, 2.85 percent in 2028, 2.53 percent in 2030, 2.09 percent in 2033 as against the indicative threshold.

Debt sustainability analysis revealed that the ratio of Debt to revenue remains below its indicative threshold of 200 percent under the baseline scenario with an average of 51.08 percent over the period. The exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain below the threshold over the projection period, with the strong-minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

Under the revenue-based indicators, the analysis revealed the debt to revenue for 2024, 2027, 2030 and 2033 were projected at 67.21 percent, 49.65 percent, 46.67 percent, and 46.84 percent respectively and which were all below the threshold of 200 percent over the projection period.

The outcome of the analysis shows that the debt service to revenue ratio projected at 6.77 percent in 2024, 4.84 percent in 2027, 6.44 percent in 2030 and 8.47 percent in 2033, as against the threshold of 40 percent to the end of the projection period in the medium to long term. Personnel cost to revenue remained below the threshold of 60 percent from 22.06 percent in 2024, 24.38 percent in 2027, 22.72 percent in 2030 and 24.15 percent in 2033. Thus, Kano State Debt remained sustainable on the revenue and debt indicators.

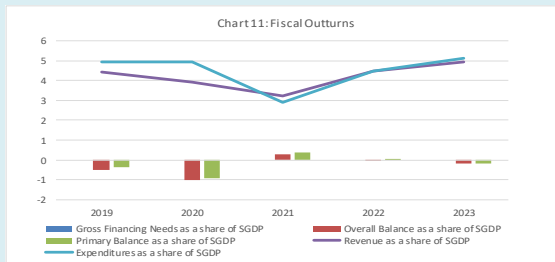
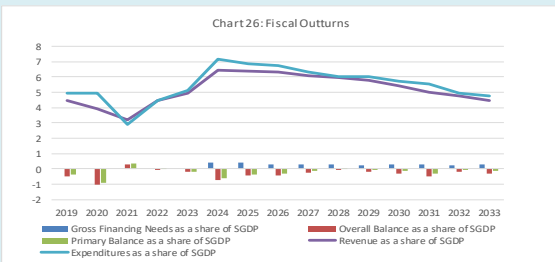
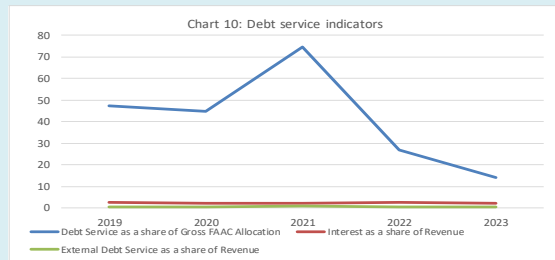
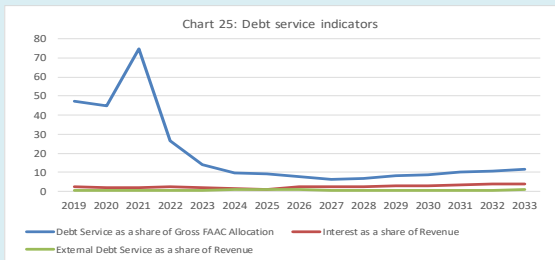
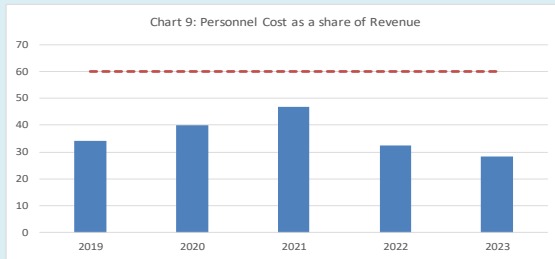
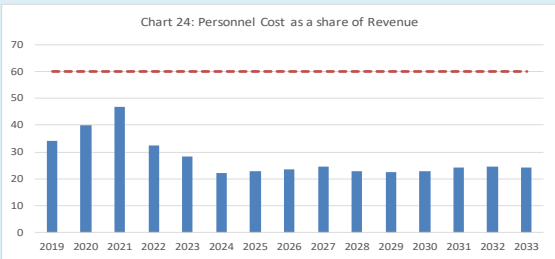
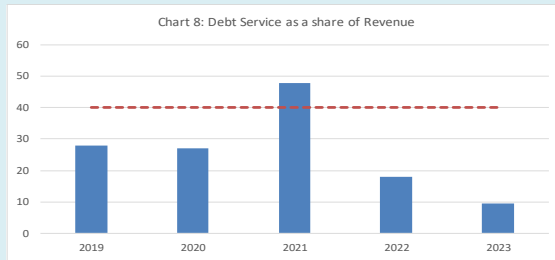
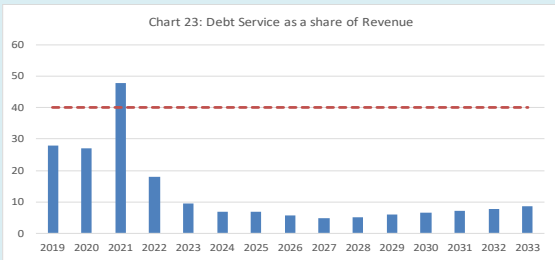
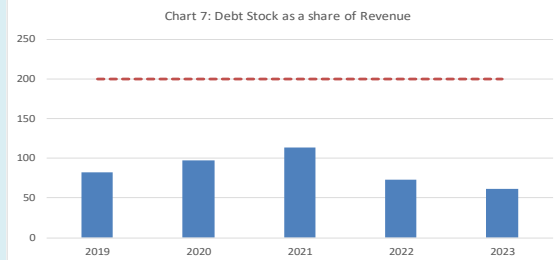
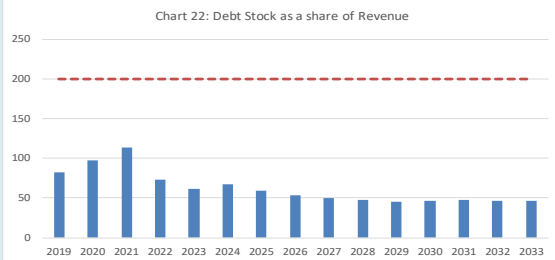
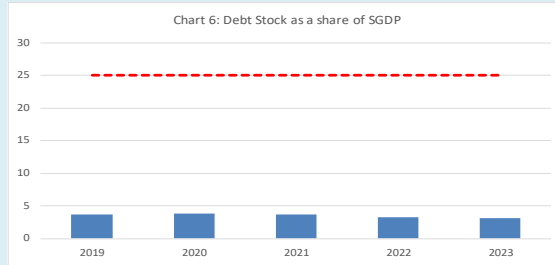
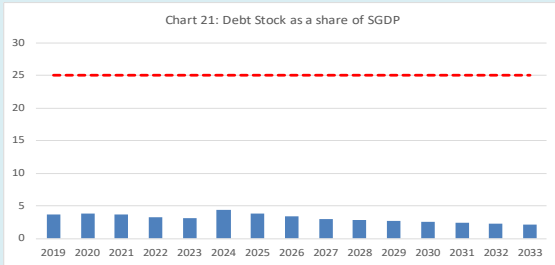
2024 debt sustainability analysis projected a decline in debt service to gross FAAC allocation ration from 14.06 percent in 2023 to 9.66 percent in 2024, Interest to revenue from 2.22 percent in 2023 to 1.51 percent in 2024, except for the External debt service to revenue that estimated to increase from 0.45 percent in 2023 to 1.03 percent in 2024

respectively. *Please table and Charts: Kano State Debt burden indicators, 2024-2033 below in pages 30 and 31 of the report.*

Table: Kano State Debt burden indicators, 2024-2033

	Threshold	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt as % of SGDP	25	3.64	3.83	3.63	3.27	3.04	4.33	3.81	3.38	3.02	2.85	2.66	2.53	2.39	2.20	2.09
Debt as % of Revenue	200	81.97	97.26	112.90	72.91	61.64	67.21	59.51	53.40	49.65	47.75	45.72	46.67	47.59	46.44	46.84
Debt Service as % of Revenue	40	27.95	27.14	47.76	17.86	9.55	6.77	6.75	5.59	4.84	5.04	5.98	6.44	7.20	7.79	8.47
Personnel Cost as % of Revenue	60	34.23	40.07	46.73	32.57	28.32	22.06	22.88	23.40	24.38	22.75	22.44	22.72	24.36	24.65	24.15
Debt Service as a share of Gross FAAC Allocation	nil	47.37	44.71	74.57	26.72	14.06	9.66	9.20	7.61	6.45	6.79	8.08	8.77	9.98	10.70	11.61
Interest as a share of Revenue	nil	2.39	2.20	1.95	2.47	2.22	1.51	1.19	2.27	2.34	2.37	3.13	3.03	3.48	3.97	4.03
External Debt Service as a share of Revenue	nil	0.47	0.61	0.68	0.48	0.45	1.03	0.96	0.81	0.73	0.73	0.67	0.69	0.70	0.77	0.78
Gross Financing Needs as a share of SGDP	nil	0.00	0.00	0.00	0.00	0.00	0.41	0.44	0.33	0.28	0.30	0.26	0.32	0.31	0.23	0.29
Overall Balance as a share of SGDP	nil	-0.48	-1.02	0.31	0.00	-0.19	-0.72	-0.44	-0.44	-0.26	-0.07	-0.19	-0.30	-0.50	-0.20	-0.30
Primary Balance as a share of SGDP	nil	-0.37	-0.93	0.37	0.01	-0.19	-0.62	-0.37	-0.29	-0.12	0.07	-0.01	-0.13	-0.33	-0.01	-0.12
Revenue as a share of SGDP	nil	4.45	3.93	3.21	4.48	4.93	6.45	6.40	6.33	6.08	5.98	5.81	5.41	5.03	4.74	4.46
Expenditures as a share of SGDP	nil	4.93	4.95	2.91	4.49	5.13	7.16	6.84	6.77	6.34	6.05	6.00	5.71	5.53	4.94	4.77

Charts: Kano State Debt burden indicators, 2024-2033



Conclusion

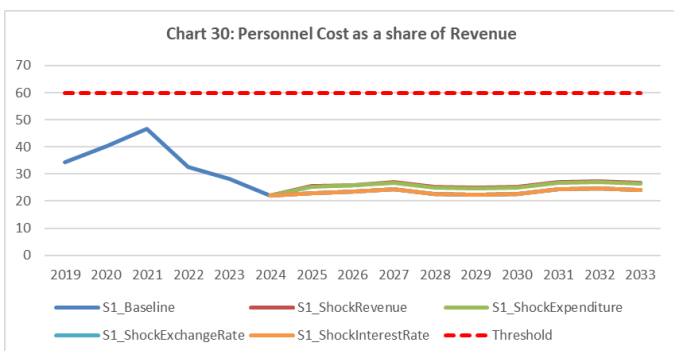
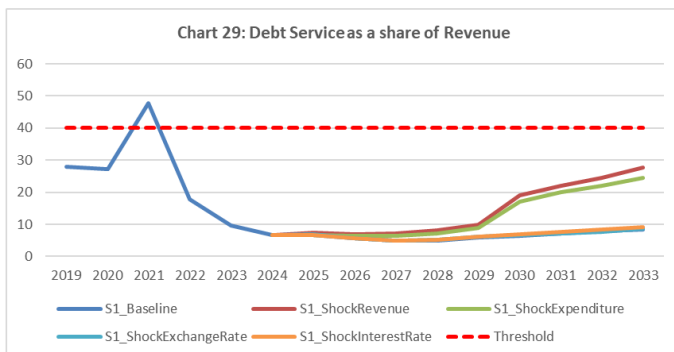
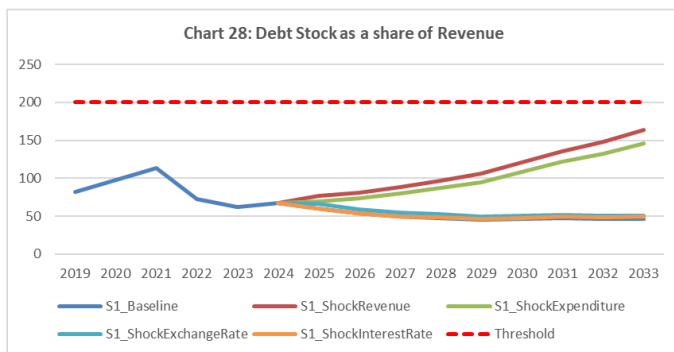
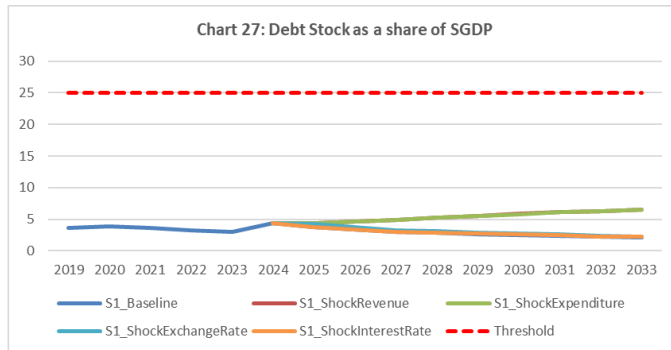
The outcome of the 2024 Debt Sustainability Analysis revealed that Kano State's Debt remains at a Low Risk of Debt distress with substantial space to accommodate shocks. Kano State Risk Rating remains at a Low Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Public Financial Management, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

4.3.2 DSA Sensitivity Analysis

2024 Kano State debt sustainability analysis revealed that the State Debt remains at a low risk of debt distress under sensitivity analysis. As the analysis under pessimistic scenario shows deteriorated or weakening ratios due to application of revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. **The shocks applied under debt stock to GDP, debt stock to revenue, debt service to revenue, as well as personnel cost to revenue are all remains below the thresholds from 2024 to 2033.** Looking at the debt sensitivity analysis the debt stock to GDP and debt stock to revenue shocks are slightly closer to thresholds, which indicated an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from FAAC allocation, as well as implementing far-reaching policies that will bolster the internal revenue and GDP growth, which lead to become critical, given the continued volatility in the FAAC allocation. Kano State is supposed to be competing with Lagos State in terms of revenue generations.

In line with Kano 2024 debt sustainability analysis, the debt projections remain sustainable due to strict adherence to prudent debt management as well as fiscal discipline. As the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt

management and fiscal discipline to be able to honor its future financial obligations. Fiscal policies guiding Cash Management and IGR are expected to consolidate on the gains of the State achievements. *Please see Charts: DSA Sensitivity Analysis below.*



Note:

- a. The shock under debt sensitivity analysis has an in-built shocking mechanism which has alternative tests and the bound tests (temporary shocks) which are

automatic shocks that the template applies on the variable provided in the various scenarios. For the bound tests, the historical average was shocked in the second and third year of the projection period and includes a combination of some of the shocks. Therefore, the analysis of the standard stress tests for various indicators below the threshold as well as the negative (-) of historical indicator revealed a positive outcome in the analysis, compared with the indicators that breaches the thresholds which always indicating a negative outcome result under the debt sensitivity analysis.

- b. **Shock Revenue scenario** includes a 10% decline of the Gross Statutory Allocation, Derivation, Other FAAC Transfers, VAT Allocation, IGR and Grants in nominal terms each year, starting from the second year of projection.
- c. **Shock Expenditure scenario** includes a 10% increase in the Personnel cost, Overhead cost, Other recurrent expenditure and Capital expenditure in nominal terms each year, starting from the second year of projections.
- d. **Shock Exchange Rate Scenario** includes a one-time 20% devaluation (NGN/US\$) in the second year only.
- e. **Shock Interest Rate Scenario** includes a 200 basis points increase of the new domestic financing interest rate each year, starting from the second year of projection.
- f. **Historical scenario** assumes that the State GDP, revenues and primary expenditures in 2024-2033 grow in line with their respective historical average growth rates observed in 2019-2023. Please note that the revenue includes grants and excludes other capital receipts and the primary expenditure is calculated as Personnel cost + Overhead cost + Other recurrent expenditure + Capital expenditure”.

Strict adherence to prudent debt management as well as fiscal discipline contributed towards debt sustainability. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline to be able to honor its future financial obligations without recourse to any financing options.

In line with the 2024 debt sustainability analysis, projections, the Kano State Debt remains sustainable due to strict adherence to prudent debt management as well as fiscal discipline. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline to be able to honor its future financial obligations. Fiscal policies guiding Cash Management and IGR are expected to consolidate on the gains of the State achievements.

With the MTB and FSP, the fiscal policy both on revenue expansion and expenditure control is targeted towards mobilization of funds for the budget as well as investments in the State. The Government has reviewed its fiscal policies in the areas of Cash management, IGR, etc. These fiscal components are targeted towards boosting revenue generation for Government financial obligation as well as investment, this is achievable through proper linkage between policy, planning and budgeting, as well as ensuring budget execution through more predictable cash releases to the affected projects. The Government is ready to apply fiscal policies necessary to achieve desired revenue generation, budget planning, as well as expenditure control, bearing in mind investment that will complement the efforts of the State's revenue generation.

Chapter 5: Debt Management Strategy

Sovereign debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities. The debt management strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, in light of factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The risks inherent in the structure of the government's debt should be carefully monitored and evaluated. These risks should be mitigated to the extent feasible by modifying the debt structure, taking into account the cost of doing so. To guide borrowing decisions and reduce the government's risk, the authorities should consider the financial and other risk characteristics of the government's cash flows associated with external and domestic financing.

The debt strategy provides alternative strategies to meet the financing requirements for Kano State. The strategies are shown by the breakdown of funding mix between the domestic and external windows, within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The Kano State's Debt Management Strategy, 2024-2028, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2028, as projected in the baseline scenario. Risk is measured by the deviation from the expected value within the period caused by an unexpected shock, as projected in the most adverse scenario. The following four strategies are assessed by the government.

5.1 Alternative Borrowing Options

Strategy 1 (S1) Reflects a “status quo” MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2024 and MTEF, 2024-2026. External gross borrowing are expected to come through Concessional loans accounts with an average of 36.96 percent over the strategic period mainly through World Bank and African Development Bank. The Domestic gross financing comprises Commercial Bank Loans, Other Domestic Financing and State bonds. The Commercial Bank Loans with maturity of 1-5 years is projected to account on average of 5.94 percent over the strategic period, State Bonds with maturity of above 1-5 years, State Bonds above 6 years and Other Domestic financing are estimated to be fill the financing gap with an average of 8.50 percent, 34.06 percent and 14.54 percent over the strategy period.

Strategy 2 (S2) Focus more on financing through commercial bank loans: the financing distribution for 2024 assumed to be the same with strategy 1 both in the domestic and external financing, as the remaining borrowing distributions from 2024 to 2028, concentrate more of it financing through Commercial Bank Loan compare to other strategies with an average of 24.11 percent with the maturity of 1-5 years, the State Bonds 1-5 years and above 6 years estimated with the with an average of 12.72 percent and 24.17 percent, other gross financing needs through the external borrowing under concessional and bilateral loans which estimated to account on average of 16.73 percent and 7.68 percent, respectively over the strategic period.

Strategy (S3) Focus its financing through domestic debt market. In strategy 3 the financing gap of strategy 3 concentrated it financing through State Bonds which was expected to comprises Sukuk Bonds and Green Bonds over the strategic period with an average of 17.28 percent and 46.32 percent through State Bonds 1-5 years and State Bonds above 6 years, other financing are from Commercial Bank loans 1-5 years, Other Domestic Financing as well as Concessional Lonas of external financing with an average of 7.28 percent, 3.27 percent and 25.85 percent, respectively. The borrowing distribution for 2024 with the proportions of external and domestic financing remain the same with strategy 1.

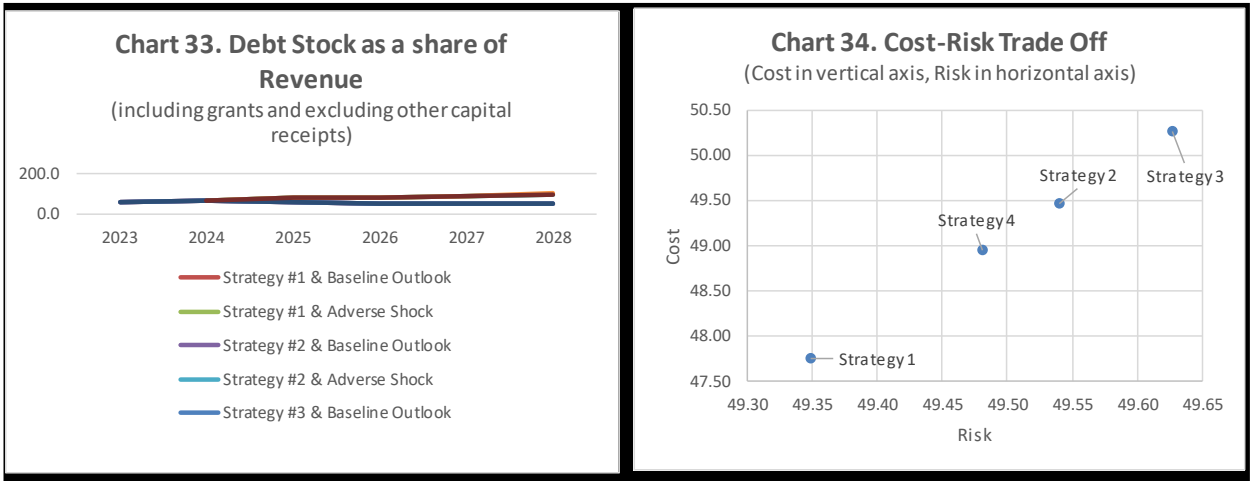
Strategy (S4) increases the share of external borrowing. In this strategy, External Financing through Concessional Loans focused it financing with an average of 45.53 percent from 2024-2028, other financing needs are measured to be Commercial bank loans with the maturity of 1-5 years, State Bonds of 1-5 years, State bonds above 6 years, and Other Domestic Financing with an average of 16.61 percent, 7.52 percent, 14.74 percent, as well as 15.59 percent over the projected period.

5.2 DMS Simulation Results

Analysis of strategies & outcomes of the analysis. The cost risk trade off charts illustrates the performance of the alternative strategies with respect to four debt burden indicators.

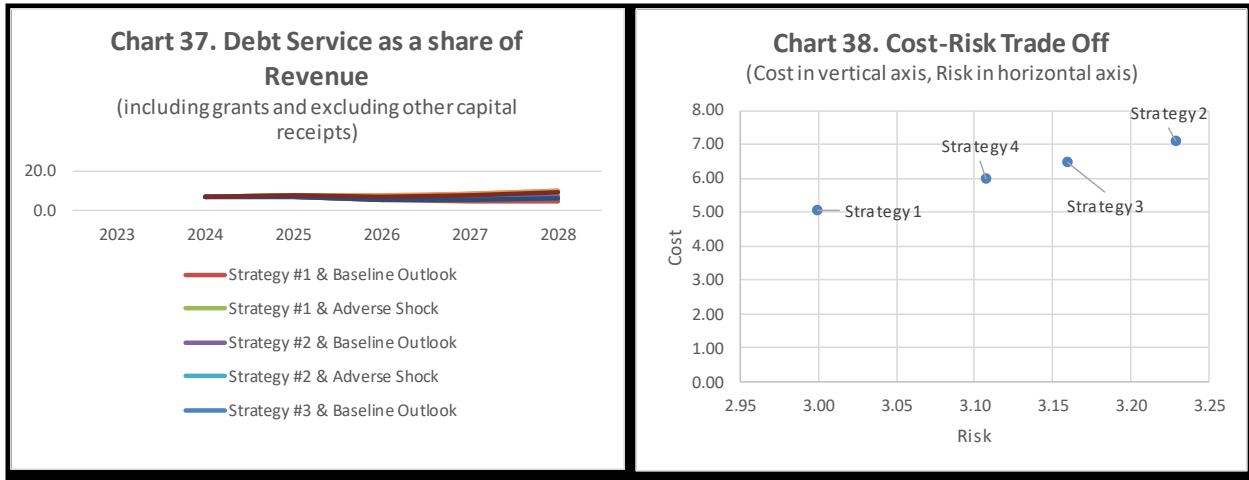
a. Debt as a share Revenue:

- Strategy 1, under the Debt to Revenue, the cost estimated at 47.75 percent in 2028, as against Strategy 2 of 49.47 percent, Strategy 3 of 50.25 percent and Strategy 4 of 48.94 percent) respectively, over the DMS period of 2027, compared with the Risks that measured of Strategy 1 at 49.35 percent, Strategy 2 at 49.54 percent, Strategy 3 at 49.63 percent) as well as Strategy 4 with an estimated of 49.48 percent respectively.
- Analysis using this debt indicator of debt to revenue shows that S1 has the lowest costs and risks with the average measured by 47.75 percent and 49.35 percent compared with Strategy 2, 3 and 4 under debt to revenue ratios over the DMS period of 2028.



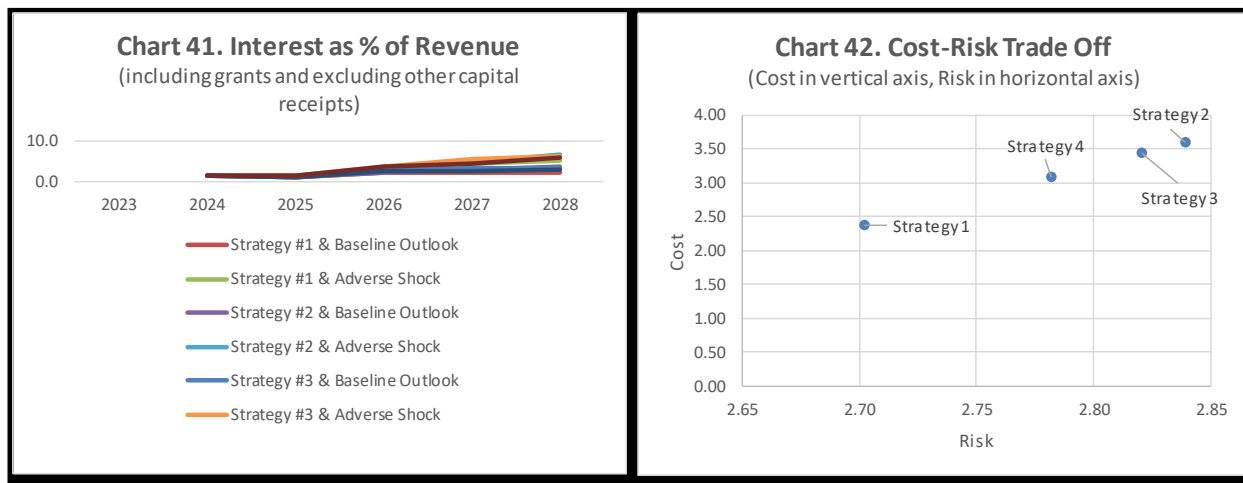
b. Debt Service as a share of Revenue:

- In terms of Debt Service to Revenue, Strategy 1 is recorded to be the lowest strategy with an estimate of 5.04 percent and lowest risks of 3.00 percent compared to Strategy 3 and Strategy 4 with moderate costs of 6.48 percent and 3.16 percent as well as 6.01 percent and 3.11 percent, as Strategy 3 has highest costs of 7.10 percent and highest risks of 3.23 percent) over the strategic period.
- Therefore, Strategy 1 recorded with the lowest costs and risks compared with Strategy 2 that has the highest costs and risks, as Strategy 3 and Strategy 4 that estimated with the moderate costs and risks over the strategic period.



c. Interest as a share of Revenue

- Strategy 1 is the least costly and risky with regards Interest to Government revenues, which are estimated at 2.37 percent and 2.70 percent, Strategy 2 (costs 3.60 percent and risks 2.84 percent), Strategy 3 (3.43 percent and risks 2.82 percent), and Strategy 4 (costs 3.08 percent and risks 2.78 percent) at the end of strategy period.
- The analysis shows that S1 has the lowest cost and risks of 2.37 percent and 2.70 percent compared with Strategy 2 that has the highest costs and risks of 3.60 percent and 2.84 percent by the end of strategy period.



5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of cost and risk would suggest that the recommended strategy be S1 these results were just marginally better when compared with other S2, S3 and S4. ***It was considered that S1 is the most feasible of the strategies to implement in the short-term and it would still greatly improve the portfolio's debt position relative to the base year 2024.*** In line with the result, it is highly recommended that S1 should be considered in the medium Term to raise the required amount of funding at the lowest possible cost over the medium term, consistent with a prudent degree of risk. Implementing S1 would require adopting the following guidelines:

- New borrowings would be tilted more towards long-term external financing, especially from concessional and semi-concessional sources for the development of infrastructure projects.
- New domestic borrowings would be through more long-term than short-term debt instruments.
- New debt instruments would be introduced in domestic capital markets.
 - a. Sukuk Bond; and,
 - b. Green Bond.

In comparison to the current debt position, Kano State debt portfolio stood at N162,818.52 million as of December 31, 2023, which expected an increase to N268,947.53 million under S1 during the strategic period, compared to N278,629.23 million for S2, N283,051.47 million for S3, and N275,641.01 million for S4 respectively. In addition to this, the costs and risks trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2024-2028.

The Debt Management Strategy, 2024-2028 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2024 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

The Fiscal Strategy Paper prioritized projects and programmes in a sustainable manner and consistent with its development policy objective of the Government. The fiscal policies strongly recommend that the existing debt and new borrowing should be kept below the established threshold. Also, Fiscal Responsibility Act, 2007 as well as Debt Management Act, 2003 provides for prudent spending of public funds. The Government will always operate with the law by keeping its debt stock below the established threshold at minimum cost and risk. The cost of carrying out debt and risk exposure depend largely on the debt management strategy adopted by the Government. The debt management strategy to be adopted will be able to provide for the Government the much-needed fund at minimum cost and risk without recourse to other financing options. Given the projections, both Baseline and Optimistic scenario show that the debt is sustainable and resilient, and this is due to high expectations on the revenue. With the MTB and FSP, the fiscal policy both on revenue expansion and expenditure control are targeted towards mobilization of funds for the budget as well as investments in the State. This will among others improve budget allocations that reflect the KnSG policy priorities and development needs of the State; Reduce deviation between budgeted and executed levels of expenditures; and improve cash management.

The Debt management strategy to be adopted both in the baseline and the most-adverse shock would be subjected to the principle of cost and risk analysis. The Government is expected by the Fiscal Responsibility Act, 2007, and the Debt Management Act, 2003, provides that the State borrows or raises the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies. The borrowed fund should be used for capital projects as well as human capital development. Other strategies such as portfolio mix of domestic and external debt ratio in order to hedge against risk.

Summary of 2024 DSA-DMS Report

The outcome of the 2024 Debt Sustainability Analysis revealed that Kano State's Debt remains at a Low Risk of Debt distress with substantial space to accommodate shocks. Kano State Risk Rating remains at a Low Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Public Financial Management, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of cost and risk would suggest that the recommended strategy be S1 these results were just marginally better when compared with other strategies over the period.

I: Baseline Assumptions

2024		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	World Bank, National Planning, Nigerian Bureau of Statistics projection	WB and DMO
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allowance)	Statutory Allocation is based on government's forum using the assumptions in the macroeconomic framework above and historical data on mineral and non-mineral revenue flows.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Statutory Allocation is based on government's forum using the assumptions in the macroeconomic framework above and historical data on mineral and non-mineral revenue flows.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other Federation Account Receipts this figure has been used for the 2024 - 2026 an estimate comprised of NNPC refund, Exchange rate gains, Ecological fund etc.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	4. VAT Allocation	VAT is based on the lowest of the moving averages and government's forum - in this case the 4-year weighted moving average.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	5. IGR	Internally Generated Revenue (IGR) the key issue with Kano State IGR was identified, the key areas are assumed to be the case based on 1. Mapping of informal sector resulting in broadened tax base; 2. Passage of MDAs revenue harmonization law creating collection and administration efficiencies and blocking leakage; and reduction in multiple taxation; 3. Re-structuring of the Kano Internal Revenue Service resulting for efficiencies; 4. The revolve of the new national administration to conquer the security challenges for improved business environment and economic activities; 5. Policy of the present administration to shift tax burden to the wealthy individuals; 6. Introduction of new land use levies and charges; 7. Review of Kano state revenue administration law B, Waiver to the tax payers, respectively, it is assumed that with the implementation of the above reform the future revenue collection will improve by reaching target level and growing by 5% annually. All subsequent years' collection should be properly monitored regularly to assess whether the target will be achievable.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	6. Capital Receipts	Capital Receipt - Capital Receipt for both scenarios was based on projection of 2022 approved budget, however the Ministry is taking in to account of actual performance of the capital receipts in 2020 as a base year for 2022 budget projection to be considered by the Council deliberation and resolution.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	6.a. Grants	Grants - This indicated that the grant collection trend is far below the budgeted figure there is a need to review the subsequent year budget forecast.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	6.b. Sales of Government Assets and Privatization Proceeds	Capital Receipt - Capital Receipt for both scenarios was based on projection of 2022 approved budget, however the Ministry is taking in to account of actual performance of the capital receipts in 2020 as a base year for 2022 budget projection to be considered by the Council deliberation and resolution.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	6.c. Other Non-Debt Creating Capital Receipts	Consolidated Revenue Fund Charges - CRF constitute pension contribution, Public Debt Charges, Office of the Auditor General State, House of Assembly, of the Auditor General Local Govt, Judiciary etc. The 2023 projection are 7.2 billion own value projection.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel - There is slight change in personnel cost as it will be conformed with 2022 based on actual expenditure out turn of 2023 half year.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	2. Overhead costs	Overheads - The drop in overheads in 2022 was a result of likely to reduced revenues (IGR and Federal Transfers). The forecasts for 2024 - 2026 assume that the overhead expenditure will remain as that of 2022, and then it will grow at 5% annually thereafter. This should be considered within the context of the new administration's policy priorities, and also first and second quarter performance figures for 2023 should also be used to guide the internal and external debt servicing which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Capital expenditure by sector - Educational sector has the target allocation of followed by infrastructure sector then Health sector with the allocation of as well as Governance and water sector with the allocation of 7.36%	DMO, Nigeria
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	5. Capital Expenditure		2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
Closing Cash and Bank Balance	Closing Cash and Bank Balance	Financial Statements	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
Debt Amortization and Interest Payments	Debt Outstanding at end-2023	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	Domestic Debt - amortization and interest		
	New debt issued/contracted from 2024 onwards		
	New External Financing	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	External Financing - Bilateral Loans	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Other External Financing	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	New Domestic Financing	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	State Bonds (maturity 1 to 5 years)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	State Bonds (maturity 6 years or longer)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Other Domestic Financing	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges - this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	Planned Borrowings (new bonds, new loans, etc) for Debt Strategy S1	Insert the Borrowing Terms for New External Debt: Interest rate (%), maturity (years) and grace period (y)	
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2026	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2027	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	State Bonds (maturity 1 to 5 years)	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2028	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	State Bonds (maturity 6 years or longer)	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2029	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Other Domestic Financing	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2030	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2030	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	External Financing - Bilateral Loans	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2030	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
	Other External Financing	Financing distributions was based on 2024 Approved Budget and Kano State's MTEF, 2024-2030	2024 Approved Budget, Kano State MTEF, 2024-2026, and 2024 DSA-MDS Team (2025-2033)
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	Planned Borrowings (new bonds, new loans, etc) for Debt Strategy S2		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	Planned Borrowings (new bonds, new loans, etc) for Debt Strategy S3		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	Planned Borrowings (new bonds, new loans, etc) for Debt Strategy S4		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team

Statutory Allocations – Statutory Allocation is based on governor’s forum using the assumptions in the macroeconomic framework above and historical data on mineral and non-mineral revenue flows.

VAT – VAT is based on the lowest of the moving averages and governor’s forum – in this case the 4-Year weighted moving average.

Other Federation Account Distributions – Other Federation Account Receipts this figure has been used for the 2024 - 2026 an estimate comprises of NNPC refund, Exchange rate gains, Ecological fund etc.

Internally Generated Revenue (IGR) - Internally Generated Revenue (IGR) the key issue with Kano State IGR was identified. The key areas are assumed to be the case based on 1. Mapping of informal sector resulting in broadened tax base; 2. Passage of MDAs revenue harmonization law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; 3. Re-structuring of the Kano Internal Revenue Service resulting for efficiencies, 4. The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; 5. Policy of the present administration to shift tax burden to the wealthy individuals.6. Introduction of new land use levies and charges; 7. Review of Kano State Revenue Administration Law 8. Waiver to the taxpayers, respectively. It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching the target level and growing by 5% annually. All subsequent years’ collection should be properly monitored regularly to assess whether the target will be achievable.

Grants – Grants – This indicated that the grant collection trend is far below the budgeted figure there is a need to review the subsequent year budget forecast.

Other Non-Debt Creating Capital Receipts - Consolidated Revenue Fund Charges – CRF constitute pension contribution, Public Debt Charges, Office of the Auditor General State, House of Assembly, of the Auditor General Local Govt, Judiciary etc.

Financing (Net Loans) – the internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2023-2025.

Personnel – it is anticipated that the new minimum wage will definitely have a negative impact on staff new recruitment because of the burden on the side of the government. This to some extent will reduce the state contribution for Contributory Pension Scheme in the state.

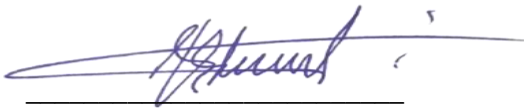
Overheads – The drop in overheads in 2022 was a result of likely to reduced revenues (IGR and Federal Transfers). The forecasts for 2024 – 2026 assume that the overhead expenditure will remain as that of 2022, and then it will grow at 5% annually thereafter. This should be

considered within the context of the new administration's policy priorities, and also first and second quarter performance figures for 2023 should also be used to guide.

Capital Expenditure – Capital expenditure by sector – Educational sector has the largest allocation of followed by infrastructure sector then Health sector with the allocation of as well as Governance and water sector with the allocation of 7.36 percent.

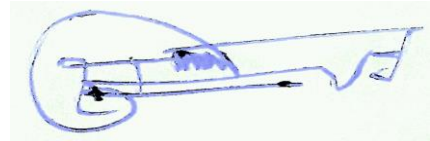
Kano State - Technical Team

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