

KANO STATE GOVERNMENT OF NIGERIA

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

2026 – 2028

Document Control	
Document Version Number:	2026 - 2028
Document Prepared By:	Kano State Ministry of Planning & Budget
Document Approved By:	State Executive Council
Date of Approval:	September, 2025
Date of Publication:	October, 2025
Distribution List:	All State Stakeholders

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List of Abbreviations

AG	Accountant-General
KSIRS	Kano State Internal Revenue Services
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
IMF	International Monetary Fund
KnSG	Kano State Government
MDAs	Ministry, Department and Agencies
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Petroleum Motor Spirit
KSHoA	Kano State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook
PPB	Public Procurement Bureau
OSAuG	Office of The State Auditor General
KnSBS	Kano State Bureau of Statistics
CSOs	Civil Society Organisation
KSDP	Kano State Development Plan

Acknowledgements

Our gratitude goes to Allah (S.W.T) that made it possible for us to be an instrument of a positive change in the governance of Kano state under the able leadership of his excellency Alhaji Abba Kabir Yusuf, we are indebted to the Executive Governor for his **medal** and financial support and above all for creating the enabling environment for Ministries' planning and budget staff that worked tirelessly throughout the session to make this exercise a reality.

The State also acknowledged the improvement and capacity enhancement that add value to the improvement in the Budget Preparation Process and eventually result in the development of implementable Budget in line with the policy priority of the Medium Term Expenditure Framework (MTEF) period of 2026 - 2028.

The State is also indebted to members of the Technical Working Group for their commitment towards ensuring timely completion and presentation of the document to the State House of Assembly in line with the Public Financial Management Law (PFM), 2020 to effectively guide the preparation of 2026 budget and provide basis for a three-year Medium-Term Planning. The State also acknowledged extension of similar capacity building to members of the legislative Assembly for effective and efficient legislative process.

It's also important to mention and appreciate the role played by all and sundry of the Ministry for the process of impacting knowledge on the (MTEF) preparation in line with the global best practice and looking forward to further capacity building for sustainable improvement on the preparation and implementation of budget in achieving the State and National Vision.

We wish to appreciate the PACE – FCDO and all other partners for partnering with us and providing of technical support to the State this has indeed tremendously improved the capacity of the participants in the preparation of budget process.



Honorable Musa Suleiman Shanono FNIM
Commissioner
Ministry of Planning and Budget

1 Introduction and Background

1.A Introduction

1. The Medium Term Expenditure Framework (MTEF) provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily at policy and decision takers in assessing of budget performance (both last and current year) and identifying significant factors affecting implementation of the State budget.
2. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.
3. 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 (13) rolling iteration of the document and covers the period 2026 - 2028.

1.A.1 Objectives

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

- i. To Ensure overall and proper linkage between policy, planning and budgeting;
- ii. To improve fiscal policy formulation and implementation by instituting a medium term budget framework as part of the regular economic management process;
- iii. To improve budget allocations that reflects the State policy priorities and development needs of the State;
- iv. To provide robust medium term expenditure programmes of selected critical MDAs;
- v. Ensuring budget execution through more predictable cash releases, thereby guaranteeing more effective service delivery;
- vi. Reducing deviation between budgeted and executed levels of expenditures; and
- vii. To improve cash management for Transparency and Accountability

1.A.2 Budget Process

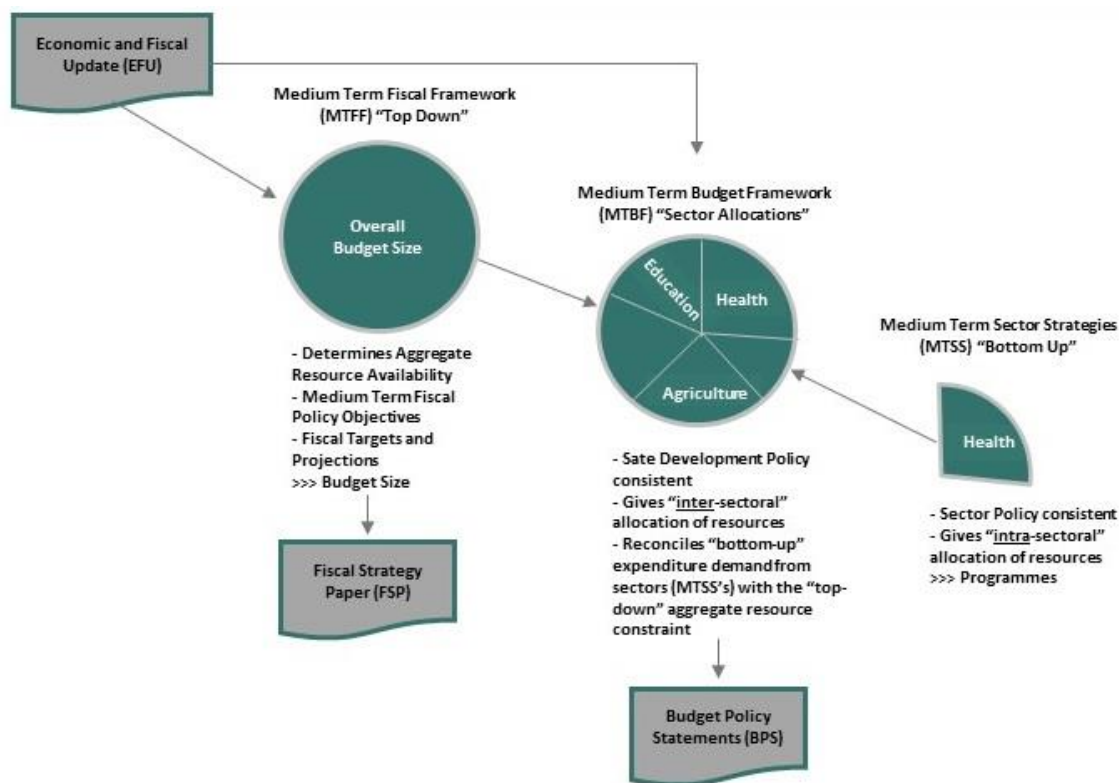
The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:

- i. Medium Term Fiscal Framework (MTFF);
- ii. Medium Term Budget Framework (MTBF);
- iii. Medium Term Sector Strategies (MTSS). – at present, nine sectors have sector strategies (Education, Health, Agriculture, Infrastructure, Commerce and Industry, Environment, Women Youth & People with special Needs, Water Supply & Transport are being developed).

It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget.

The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.3 Summary of Document Content

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 of 2026 – 2028. The objective of this document is

- 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;
- To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and
- Provide indicative sector envelopes for the period 2026 which constitute the MTBF.
 - The MTEF is presented in Section 2 of this document. The MTEF provides economic and fiscal analysis in order 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:
 - Overview of Global, National and State Economic Performance;
 - Overview of the Petroleum Sector;
 - Overview of the last year budget performance .

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.

1.A.4 Preparation and Audience

The purpose of this document is to provide an informed basis for the 2025 – 2027 budget preparation cycle for all of the key Stakeholders, specifically:

- Executive Council (ExCo) Members;
- Kano State House of Assembly (KSHoA);
- Ministry of Planning and Budget (MoPB);
- Ministry of Finance (MoF);
- Due Process Bureau (DPB)
- Kano State Bureau of Statistics (KnSBS);
- Office of the State Auditor General (OSAG);
- Local Government Auditor General,
- Kano Internal Revenue Services (KIRS);
- All Government Ministries, Departments and Agencies (MDA's); and
- Civil Society Organisations,
- Partners, Academia,
- Traditional Leaders and
- People with Special Needs

This document is prepared within in the first two quarters of the year prior to the annual budget preparation period. It is prepared by Kano State Government (MTEF) Working Group using data collected from International, National and State Ministries, Department and Agencies

1.B Background

Legislative Framework for PFM in Kano State - This refers to the legal instruments which governed the administration of PFM in Kano State. Such instruments include:

- Constitution of Federal Republic of Nigeria 1999 (as amended); Section 120 and 121
- Kano State Public Financial Management Law (2020);
- Kano State Financial Instructions (as revised);
- Annual Appropriation Laws
- Kano State Stores Regulations (as revised);
- Kano State Civil Service Rules (as revised);
- Treasury Circulars;
- Kano State Debt Management Law (2021)
- Kano State Audit Law (2021)
- Kano State Procurement Law (2021)
- Revenue Administration Law no.2 2010; and
- Personal Income Tax Act (PITA) 2004 LFN (as amended).
- MDAs Revenue Harmonization Law 2016
- Local Government Harmonize Rates & Levies Law 2015
- Kano Audited Account Report 2022
- State Executive Council Approvals;

1.B.1 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:

- **Kano Internal Revenue Services (KIRS)** - It is the main revenue collecting Agency on behalf of the State Government. It was established by legislative act;
- Other Revenue collecting MDAs; and
- **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.
- 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 disbursement 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 statute.

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

Another important institutional framework in the circle of financial management in the State also includes 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.

Overview of Budget Calendar

4. Indicative Budget Calendar for Kano State Government is presented below:

Table 1: Budget Calendar

KANO STATE GOVERNMENT															
MINISTRY OF PLANNING AND BUDGET															
INTEGRATED PLANNING AND BUDGET CALENDER- 2025															
S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
		2025													
1.	Press Briefing on 2025 Approved Budget by the Hon. Comm.													MoPB	
2	Updates and validation of 2025 Appropriation Law													MoPB	
3	Full year 2024 Budget Performance													MoPB/MoF/MDAs	
4	Preparation and production of citizens Budget													MoPB	
5	Budget Profiling and Cash Planning													MOPB	
6	Printing of 2025 Budget Document													MoPB	
7	Validation of 11 Sector Performance Report (SPR)													MOPB	
8	First Quarter KANMAF Mutual Accountability Meeting													FCDO/MoPB	
9	First Quarter Budget Forum														
10	First Quarter Budget Performance Report														
11	First Quarter M & E Report														
12	Workshop on learning event/sharing experience On M & E Implementation													MOPB/PERL	
13	Review of KSDP													MoPB	
14	E- Budget Process													MoPB	
15	Development of MTSS of Remaining 2 Sectors and Review and costing the existing 9 sectors													MoPB	
16	MTRS Session for 2026 - 2028													MOPB/KIRS/MOF	
17	MTDS Review													MOPB/KIRS/MOF	
18	Second quarter 2024 Budget performance report													MOPB/KIRS/MOF	
19	2025 Personnel Cost Bileteral Budget Discussion													OHCS/MoPB/Audit	
20	Preparation and production of 2026 -2028 MTEF document Technical Session													MoPB	
21	Sensitization workshop on MTEF document with relevant stakeholders													MoPB	
22	Preparation and circulation of 2026 Budget call circular including Medium Term (3 year), sector ceilings allocations													MOPB	

KANO STATE GOVERNMENT
MINISTRY OF PLANNING AND BUDGET
INTEGRATED PLANNING AND BUDGET CALENDER- 2025

S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
23	Collections and Collation of citizen input from 5 emirate into the 2026 Budget proposals													MOPB	
24	2025 Supplementary Budget/Amendement exercises													MoPB	
25	Intractive meeting between MOPB and State House of Assembly on budget amendement Year 2025													MOPB/SHOA	
26	2026 -2028 MTEF draft presentation to the ExCo													MOPB	
27	Submission of 2026 - 2028 MTEF to Chairman Appropriation Committee State House of Assembly.													MOPB	
28	Third Quarter 2025 Budget performance report													MOPB/MOF/ KIRS	
29	Second Quarter Budget Forum														
30	Conduct of PFM 2023 - 2024 Rapid Annual Assesemt													MOPB/MOF/ KIRS/Salary and wages	
31	Consolidation of MDAs budget proposal 2026 (Zero Draft)													MoPB	
32	Consolidation workshop on MDA's 2026 Budget proposal with MTEF (Budget Summit)													MOPB	
33	Bilateral Budget Discussion with MDAs on 2026 budget Proposal and other Relevant stakeholders.													MoPB	
34	Preparation and intergration of 2026 Budget Proposal using E - Budget Portal														
35	Third Quarter 2025 M&E Report													MOPB	
36	Submission of draft 2026 budget proposal to EXCO													MoPB	
37	Review and approval of Draft 2026 Budget proposal													ExCo	
38	Presentation of the 20256 Budget proposal to State House of Assembly													H E	
39	Intractive Meeting between House Committee On Appropriation and MoPB on 2026 Budget													SHoA/MOPB	
40	2026 Budget scrutiny by House of Assembly and MDAs													SHoA/MDAs	
41	Public hearing by the KnSHoA on 2026 Appropriation Bill with all Stakeholders													SHoA	
42	Passage of 2026 Budget into law by the KnSHoA													SHoA	
43	Signing of 2026 Appropriation Law/General warrant													H E	

2 Economic and Fiscal Update

2.A Economic Overview

2.B Global Economy

Global growth is slowing due to a substantial rise in trade barriers and the pervasive effects of an uncertain global policy environment. Growth is expected to weaken to 2.3 percent in 2025, with deceleration in most economies relative to last year. This would mark the slowest rate of global growth since 2008, aside from outright global recessions. In 2026-27, a tepid recovery is expected, leaving global output materially below January projections. Progress by emerging market and developing economies (EMDEs) in closing per capita income gaps with advanced economies and reducing extreme poverty is anticipated to remain insufficient. The outlook largely hinges on the evolution of trade policy globally. Growth could turn out to be lower if trade restrictions escalate or if policy uncertainty persists, which could also result in a build-up of financial stress. Other downside risks include weaker-than-expected growth in major economies with adverse global spill overs, worsening conflicts, and extreme weather events. On the upside, uncertainty and trade barriers could diminish if major economies reach lasting agreements that address trade tensions. The ongoing global headwinds underscore the need for determined multilateral policy efforts to foster a more predictable and transparent environment for resolving trade tensions, some of which stem from macroeconomic imbalances. Global policy efforts are also needed to confront the deteriorating circumstances of vulnerable EMDEs amid prevalent conflict and debt distress, while addressing long-standing challenges, including the effects of climate change. National policy makers need to contain risks related to inflation as well as strengthen their fiscal positions by raising additional domestic revenues and re-prioritizing spending. To facilitate job creation and boost long-term growth prospects in EMDEs, reforms are essential to enhance institutional quality, stimulate private investment growth, develop human capital, and improve labor market functioning.

After being buffeted by a series of adverse shocks over 2020-24, the global economy is facing another significant headwind this year, with increased trade barriers and heightened policy uncertainty leading to a notable deterioration of the outlook relative to January (figure 1.1.A). In particular, global output is expected to grow at its weakest pace since 2008, aside from outright global recessions (figure 1.1.B). The sharp increase in tariffs and the ensuing uncertainty are contributing to a broad-based growth slowdown and deteriorating prospects in most of the world's economies (figure 1.1.C). Subdued global growth prospects are unlikely to improve materially without policy actions to address increasing trade restrictions, geopolitical tensions, heightened uncertainty, and limited fiscal space.

The global outlook is predicated on tariff rates close to those of late May prevailing throughout the forecast horizon. Accordingly, pauses to previously announced tariff hikes between the United States and its trading partners are assumed to persist. This baseline nonetheless entails the highest U.S. average effective tariff rate in nearly a century. In addition, in view of recent rapid shifts in trade policies and the potential for a return to even higher tariffs, consumers and businesses continue to grapple with unusually elevated uncertainty (figure 1.1.D). In this context, a prospective recovery in global trade and investment—two important drivers of long-term development that have been relatively subdued in recent years—has been disrupted.

Commodity prices plunged in early April in response to deteriorating growth prospects. Oil prices posted an especially large decline, with the effects of a notable hike in oil production by OPEC+ nations compounded by a muted outlook for oil demand growth (figure 1.1.E). Base metal prices also dropped as markets priced in substantial headwinds to global manufacturing and industrial activity but have since partially recovered. Overall commodity prices are forecast to decline by 10 percent in 2025, softening further in 2026—mainly due to falling oil prices.

Global headline inflation generally remains elevated relative to central bank targets and prepandemic averages and has even risen in some advanced economies since late last year. Slower disinflation globally over the last six months has largely reflected continuing inflationary pressures from services prices. The recent rise in consumer inflation expectations has been influenced by the implementation of trade restrictions. In addition, core inflation in some economies is expected to remain high due to persistent services price increases. In all, GDP-weighted global inflation is projected to average 2.9 percent in 2025 and 2026—still a little above the average inflation target—but with notable heterogeneity across economies.

Global financial conditions have been tighter this year, on average, relative to late 2024, principally reflecting trade policy uncertainty. Volatility in financial markets spiked and equity markets plunged globally as trade tensions escalated in early April; however, asset prices largely recovered after an initial 90-day tariff pause was announced and following the rollback in U.S.-China tariffs in May (figure 1.1.F). Long-term government bond yields in major advanced economies have increased since late last year, albeit with pronounced volatility. EMDE financial conditions are also somewhat tighter, on average, relative to late last year. In early April, many EMDEs saw sharp declines in equity markets amid a surge in capital outflows. Sovereign spreads rose, albeit to differing degrees based on economies' exposure to announced trade barriers. Nevertheless, EMDE equity markets regained ground and spreads narrowed again following the partial de-escalation in trade tensions.

Against this backdrop, global growth is set to slow this year, to 2.3 percent—substantially weaker than previously projected amid the impact of higher trade barriers, elevated uncertainty, increased financial volatility, and weakened confidence. Thereafter, growth is forecast to firm to about 2.5 percent over 2026-27, as trade flows continue adjusting to higher tariffs such that global trade edges up, while policy uncertainty moderates from record-high levels. The downgrade to global growth this year is principally driven by advanced economies (figure 1.2.A). This slowdown is projected to be concentrated on investment, including foreign direct investment (FDI) and portfolio flows—which tend to respond

1.C 2.C Africa Economy

Growth in Sub-Saharan Africa (SSA) is forecast to edge up from 3.5 percent in 2024 to 3.7 percent this year and then average 4.2 percent in 2026-27. Growth this year and next is anticipated to be weaker than previously expected, owing to the deterioration in the external environment and domestic headwinds. Elevated government debt, still-high interest rates, and rising debt-servicing costs have narrowed fiscal space, prompting fiscal consolidation efforts in many countries, especially as financing needs remain high as international development assistance is cut back. Per capita income gains will remain inadequate to make significant progress in reducing extreme poverty in the region, which is home to most of the world's poor. Progress in these areas is likely to be impeded by the looming jobs challenge, which is expected to be the most acute in SSA relative to other regions, as the pace of job creation struggles to match the rapid expansion of working-age populations. Risks to the outlook remain tilted to the downside. The more significant risks are the possibility of weaker external demand in response to heightened trade policy tensions and a sharper-than-expected slowdown in China. Increased regional political instability poses an important risk to the growth outlook. Rising sovereign spreads and the possibility of higher-for-longer global interest rates, along with further reductions in donor support, risk pushing even more SSA economies into government debt distress. Intensification of ongoing droughts and greater frequency and intensity of other adverse weather events represent persistent risks to the SSA Growth in SSA is forecast to firm to 3.7 percent in 2025 and strengthen to an average of 4.2 percent in 2026-27, assuming the external environment does not deteriorate further, inflation eases as anticipated, and conflict de-escalates (figure 2.6.2.A). Against a backdrop of weakening EMDE growth, SSA is one of two regions where growth is projected to increase through the forecast

horizon. However, this growth is expected to fall short of its long-term average over 2000-19, and it is insufficient to make significant strides in reducing extreme poverty. Moreover, growth projections have been revised down by 0.4 percentage point for 2025 and 0.2 percentage point for 2026 (figure 2.6.2.B). The region's outlook has worsened following the deterioration in global conditions, dampened by the rise in trade barriers, heightened trade policy uncertainty, and weakening confidence. Although the direct effects of escalating trade tensions and a weakening global investor appetite are expected to be moderate, the outlook for SSA is affected by global spillovers from these shocks, primarily through lower global commodity demand.

The baseline projections assume that the tariffs in place as of late May will prevail for the rest of the forecast horizon. The regional outlook is also predicated on a gradual easing of monetary policy interest rates within the region, which should bolster private consumption and investment. However, elevated public debt and high borrowing costs necessitate continued fiscal consolidation efforts, which will weigh on demand. Fiscal balances are expected to improve, with the average primary fiscal deficit projected to reach balance within the forecast horizon. This reflects budgetary discipline in 2024 and narrowing primary deficits in non-resource-rich countries. However, weaker export demand means revenues for commodity exporters are set to fall, increasing pressure on their public finances. Furthermore, interest rate burdens across the region are set to rise further in 2025, partly offsetting the expected improvements in primary fiscal balances (figure 2.6.2.C).

Growth in Nigeria is forecast to strengthen to 3.6 percent in 2025 and to an average of 3.8 percent in 2026-27. Following monetary policy tightening in 2024 to address rapid currency depreciation, inflation is projected to decline gradually. Domestic reforms have helped spur investment, supporting growth in the services sector, especially in financial services and information and communication technology. Services activity will continue to be the main driver of growth, while the industrial sector will remain constrained by subdued crude oil production as last year's slight rebound wanes.

Growth in South Africa is projected to improve marginally to 0.7 percent in 2025 and to increase to a still weak average of 1.2 percent in 2026-27. For 2025 and 2026, this represents an average downgrade of 1 percentage point a year from previous forecasts. The significant downward revision throughout the forecast horizon reflects a more challenging environment marred by global trade tensions, rising export tariffs, and low potential growth. Despite the growth downgrades, the weak recovery will be supported by rising consumption and investment amid a more accommodative monetary policy stance in the context of subdued inflation. Increased energy availability and improvements in freight transport infrastructure and logistics are also expected to underpin activity. Additionally, several planned reforms aim to strengthen the capacity of local governments to deliver better social services and infrastructure to firms and households.

While non-resource-rich countries are expected to expand above their long-term trend rates, growth in industrial-commodity exporters is expected to lag, given that rising trade tensions are set to weigh on external demand. Growth in industrial commodity exporters, excluding the region's two largest economies and Sudan, is projected to decelerate to 3.6 percent in 2025, before recovering to an average of 4.4 percent a year in 2026-27. In Angola, slower growth in oil output is expected to be partly offset by non-oil activity. In particular, service activity is set to benefit from further moderation in inflation. Conversely, in non-resource rich countries, growth is forecast to steady at 5.7 percent in 2025 and to an average of 6.1 percent a year in 2026-27. The momentum is driven by an oil discovery boom in Uganda, where oil production is expected to start during the forecast horizon, as growth plateaus in most other economies.

Per capita income in SSA is projected to expand by an average of 1.6 percent a year in 2025-27, with growth in 2025 revised down by 0.4 percentage point. This pace would mean that, in terms of living standards, the region would fall even further behind other emerging markets and developing economies, excluding China and India (figure 2.6.2.D). These per capita income gains will remain inadequate for significantly reducing extreme poverty in the region, home to most of the world's poor. Per capita income growth in SSA is also expected to remain uneven, with incomes falling in some countries, particularly those plagued by violent conflict. By 2027, per capita income in over one-fourth of the region's economies will not have recovered to their pre-pandemic levels. Lifting per capita incomes and reducing extreme poverty in the region are likely to remain difficult as the jobs challenge intensifies in the coming years. The projected increase in SSA's working-age population is set to rise rapidly over the next five years and almost double between 2025-50, the largest numerical increase that any region has recorded over a 25-year period. Absent the policies needed to reinvigorate growth and address longstanding structural bottlenecks, it is unlikely that economies in SSA will be able to generate the job growth needed to keep pace with this unprecedented expansion in the region's working-age population.

Global Economic Prospects (GEP) June-2025- Sub-Sahara Analysis

1.D 2.D Nigerian Economy¹

A. Nigeria's Macro-Fiscal Performance

This section provides key highlights of Nigeria's macro-fiscal performance.

1. **Domestic policy changes are yet to make a fundamental economic shift in the short term.** Since the last Advisory Note in August 2024, the economy grew by 3.84% in the fourth quarter of 2024 but slowed to 3.13% in the first quarter of 2025. However, a significant drop in inflation was recorded, falling from 32.15% in August 2024 to 21.88% in July 2025. This decline was primarily due to the rebasing of the country's Consumer Price Index (CPI) and marginally influenced by currency stability and declining PMS prices. On the other hand, the exchange rate has stabilised in the region of N1,500 to N1,600, with foreign reserves hovering around the range of \$35-\$40 billion.
2. **While Nigeria's dependence on crude oil revenue has lessened, production levels remain a key factor.** In the first half of 2025, crude oil production averaged 1.675 million barrels per day (MBPD), a notable increase from 1.47 MBPD in 2023 and 1.55 MBPD in 2024, though it is still well below historical highs. The price of Bonny Light crude has fluctuated between \$65 and \$80 per barrel over the past year, with occasional sharp swings driven by geopolitical events.
3. **The removal of the fuel subsidy has saved trillions of Naira for the government, as the financial burden was moved to the general public – households and businesses.** This cost to the government in 2022 was estimated at N4.560 trillion. The short-term impact on the public is the financial strain through higher fuel prices, inflation, diminishing purchasing power, and vulnerability for small businesses.
4. **The impact of recent domestic policy changes on Federation Account revenues has been positive, particularly for non-mineral sources like Company Income Tax (CIT), Customs and Excise duties, and Value Added Tax (VAT).** In nominal terms, total accrued revenue surged by 75% in 2024 compared to 2023, and was 136% higher than in 2022. The devaluation of the Naira significantly boosted mineral revenues, more than doubling returns from dollar-denominated collections over the period.

¹ Sources: IMF WEO, July 2023, NBS Reports, CBN Reports, NNPC Reports, OPEC Reports and US Energy Information Administration Reports.

5. **Substantial deductions for special interventions, such as the Infrastructure and Security Funds, have meant that the growth in distributions to states has not kept pace with these accruals.** Allocation to states grew by 59% in 2024 compared to the 75% growth in total accruals. Furthermore, high inflation and the Naira devaluation have substantially eroded the purchasing power of these gains. The CPI-deflated (real) growth in Federation Account distributions to states in 2024 was only 15.6%.

B. Macro-mineral and Federation Revenue Estimates for the 2026 – 2028 MTEF and 2026 Budget

The primary purpose of this advisory is to establish prudent assumptions to inform federation revenue forecasts for states in 2026. These assumptions are based on an assessment of recent trends and projections from national and international bodies. It includes an initial impact evaluation of the four Tax Acts passed in mid-2025, particularly, the Nigeria Tax Act 2025 and the Nigeria Tax Administration Act 2025, with further analysis to be subsequently conducted. *See section 2 in the annexed report for a detailed review.*

Table 2 outlines a prudent fiscal position for Nigeria from 2025 to 2028. It projects that while Real GDP Growth will remain moderate, from a high of 3.4% in 2025 to a stable 3.3% by 2027, National Inflation is expected to decline from 24% in 2025 to 23% in 2026. This is set against a conservative Crude Oil Price Benchmark of 65 per barrel in 2025. A stable NGN: USD Exchange Rate of 1,500 is assumed throughout the period. The fiscal plan anticipates a gradual increase in the Mineral Ratio, from 18% to 24%, alongside a delayed positive impact from the NTA 2025, which is projected to yield returns in later years after an initial adjustment period.

Table 2 Potential Macro-Mineral Sector Assumptions for 2026-2028

Macro-Mineral Item	Year				Basis
	2025	2026	2027	2028	
Real GDP Growth	3.40%	3.20%	3.30%	3.30%	Based on IMF Article IV
National Inflation	24.00%	23.00%	17.00%	15.00%	Based on IMF Article IV
Crude Oil Price Actual	\$70	\$60	\$60	\$60	EIA forecast for 2025 and 2026, steady into 2027 and 2028
Crude Oil Price Benchmark	\$65	\$55	\$55	\$55	\$5 below Actual Price to allow for fluctuations
Crude Oil Production (MBPD)	1.65	1.7	1.75	1.8	Moderate increase throughout the period (includes lease condensate)
NGN: USD Exchange Rate	1500	1500	1500	1500	Current Rate
Mineral Ratio	18.00%	20.00%	22.00%	24.00%	2025 is based on Jan-Jun actuals. Assumes some efficiency gains in 2025 onwards.
Impact of NTA 2025 on VAT	NA	- 10.00%	5.00%	2.50%	Reduction in 2026 based on new exemptions and input cost VAT rebate. Administrative efficiency benefits in 2027 and 2028.
Impact of NTA 2025 on CIT	NA	0.00%	5.00%	2.50%	Efficiency benefits in 2027 and 2028.
Impact of NTA 2025 on C&E	NA	0.00%	5.00%	2.50%	Efficiency benefits in 2027 and 2028.

Table 3 shows that total revenue distribution to states is estimated to grow modestly, rising from a full-year estimate of N9.31 billion in 2025 to N10.47 billion in 2026, representing a 12.47% growth rate. This is a significant slowdown from the 39.90% growth rate estimated for 2025. *See Annexe D for a state-by-state breakdown.*

The primary driver of the growth in distributions to states in 2026 will be Value Added Tax (VAT), which is expected to increase by 25.42% (from an estimated N4.14 billion to N5.20 billion). This is a substantial gain, especially when compared to the Statutory Allocation, which is forecast to grow by 15.38%.

The slight drop in mineral-based revenues reflects the expectation of a decline in global crude oil prices in 2026, accompanied by static production and exchange rates. Growth in the key non-mineral revenues, whilst still positive, is impacted by the provisions of the Nigeria Tax Act passed in June 2025. State distributions are forecast to grow by more than FGN due to the increased share of VAT to States. The table does not include any provisions for distributions to States under Infrastructure and Security Funds, derivation refunds and any other non-standard FAAC distributions.

Table 3 Potential FAAC Revenue Accruals and Distributions for 2026 (Billion Naira)

Item	2025 Full Year (est.)	2025 Growth(est.)	2026 Forecast	2026 Growth (est.)
Gross Revenue Accruals				
Mineral Revenues (inc. Mineral Exchange Gain)	11,565.16	15.69%	0,238.25	-11.47%
CIT	7,752.72	47.51%	9,729.89	25.50%
Customs and Excise	4,435.54	34.36%	5,559.35	25.34%
VAT	8,963.49	36.55%	10,219.87	14.02%
EMTL	371.72	81.16%	673.40	81.16%
Exchange Gains Non-Mineral	186.24	-81.82%	-	-100.00%
Total Gross Accrued Revenues	33,274.87	26.29%	36,420.76	9.45%
Total Distributable Revenues				
Statutory Allocation	11,629.35	443.27%	13,418.16	15.38%
Derivation	1,390.42	93.86%	1,330.97	-4.28%
VAT	8,291.23	35.64%	9,453.38	14.02%
EMTL	356.86	81.16%	646.47	81.16%
Other FAAC	1,827.31	-70.59%	-	-100.00%
Total Distributed Revenue	23,495.16	52.76%	24,848.98	5.76%
Distribution to States				
Statutory Allocation	3,107.36	443.27%	3,585.33	15.38%
Derivation	1,390.42	93.86%	1,330.97	-4.28%
VAT	4,145.61	35.64%	5,199.36	25.42%
EMTL	178.43	81.16%	355.56	99.27%
Other FAAC	488.26	-77.92%	-	-100.00%
Total Distribution to States	9,310.08	39.90%	10,471.22	12.47%

Deep Dive into Nigeria Macro-Fiscal Performance and Key Considerations for 2026-2028 MTEF and 2026 Annual Budget

Overview

Nigeria has implemented major reforms over the last two years, which have impacted monetary and fiscal stability and economic resilience:

- The Naira exchange rate has settled in the range of 1,500 to 1,600 after the harmonisation of exchange rate regimes and the free-floating of the Naira
- The fuel subsidy has been removed, freeing up trillions of Naira to support the budgets of Federal, State and Local Governments, and for interventions aimed at the most vulnerable
- Real GDP growth is stable, and Inflation is on a downward trend
- Crude Oil production is close to the 1.5 Million Barrels Per Day (MBPD) threshold of Nigeria's OPEC quota. Including lease condensates, production is close to 1.7 MBPD over the first half of 2025
- The passage of the four Tax Acts in mid-2025 – Nigeria Tax Act 2025, Nigeria Tax Administration Act 2025, the Joint Revenue Board of Nigeria (Establishment) Act 2025 and the Nigeria Revenue Service Establishment Act 2025. These lay the foundation for improved tax administration, a fairer pro-growth tax regime, which should ultimately result in increases in economic growth and an increased Tax to GDP ratio (providing the government with more resources) over the medium term.

On the other hand, a weak global economic outlook is perpetuated by the conflicts in the Middle East and international trade policies (tariffs). These are manifested in low crude oil prices, which impact the resources available to the three tiers of government in Nigeria over the short to medium term. Climate shocks are also becoming more common, necessitating increased allocations to climate change adaptation and mitigation initiatives in the budgets of Federal, State and Local Governments. All of the above considerations need to be reflected in the 2026-2028 Medium Term Expenditure Frameworks (MTEFs) and 2026 budgets of the Federal, State and Local Governments of Nigeria.

This deep dive elaborates on the macro-fiscal dynamics discussed in the main Advisory Note. It aims to support State governments in finalising their MTEFs, both in terms of top-down resource estimation and allocation and bottom-up sector planning, and in commencing the annual budget preparation process for the 2026 budget (particularly in relation to the Budget Call Circular (BCC) and the formulation of budget proposals by Ministries, Departments and Agencies (MDAs)). Specifically, this Note covers the following areas:

1. [Section 1](#) - A Macro-Fiscal review covering the key Macroeconomic, Mineral Sector, and Federation Account revenue performance in 2024, year to date 2025, and the full-year outlook for 2025. This also includes a review of the time value of money in relation to Federation Account revenues
2. [Section 2](#) - Key considerations for the preparation of the 2026-2028 MTEF for all 36 States
3. [Section 3](#) - Key considerations for the preparation of the 2026 Annual Budget
4. [Section 4](#) - Recommendations for improved Budget Management, Control and Reporting

Also included as Annexures to this deep dive are a set of estimates for the major Federation Account Revenues (Statutory Allocation, Derivation, VAT, and Electronic Money Transfer Levy (EMTL)), as well as hyperlinks to all the online resources used to prepare this Advisory Note and an updated MTEF MS Excel template.

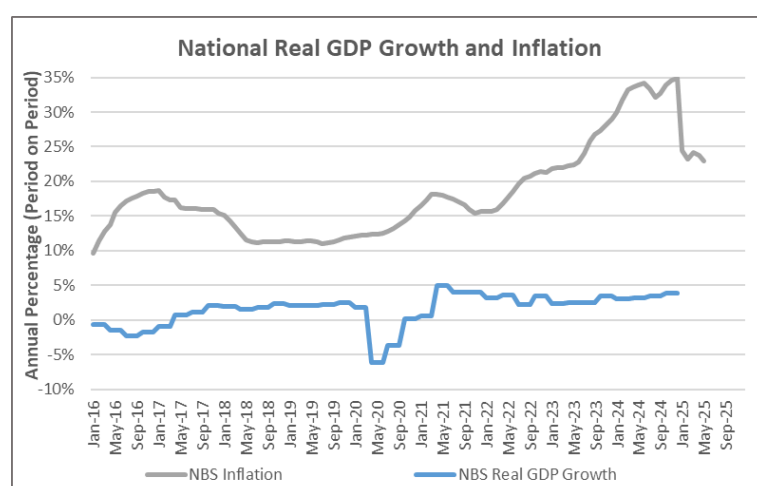
2 Deep Dive Section 1 - Macro-Fiscal Review

The past 24 months have been characterised by significant policy shifts that have reshaped the macro-fiscal landscape in Nigeria – not least the free float of the Naira, the official policy of fuel subsidy (Premium Motor Spirit (PMS) Under Recovery) removal, and FGN's movement away from using Central Bank of Nigeria (CBN) Ways and Means borrowing to fund its revenue shortfalls. These domestic policy changes have had profound impacts on the country's macro-fiscal performance.

This section will look at five (5) main areas:

- Performance of key macroeconomic variables (National Real GDP Growth, Inflation, Monetary Policy variables and Exchange Rate)
- Mineral Sector Performance (crude oil price and production)
- Performance of Revenues (mineral and non-mineral) accruing to the Federation Account
- FAAC distributions
- Analysis of trend in FAAC revenues in Real, USD-denominated, Per Capita and % GDP terms

Steadily increasing real GDP growth and rebased CPI inflation – after a brief dip in Quarter 1 of 2024, real GDP growth has crept up quarter by quarter over the remainder of 2024, from 2.98% in quarter 1 to 3.84% in quarter 4 and 3.13

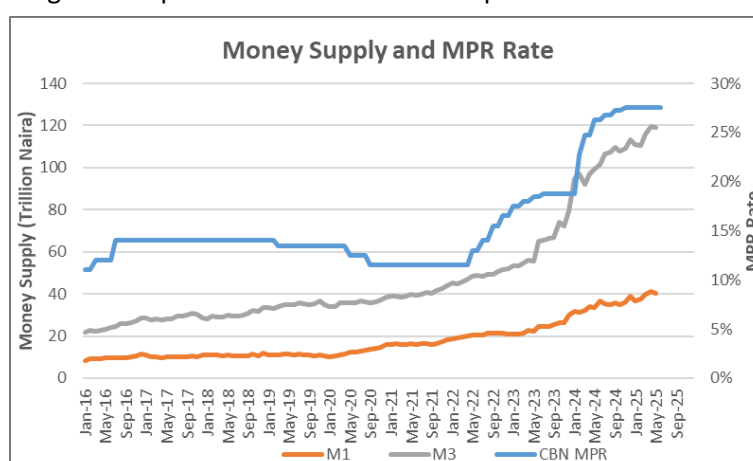


in quarter 1 2025, providing an overall growth rate of 3.40% for 2024, up from 2.74% in 2023. Transport and financial services were two of the largest contributors to the increased growth. A slight uptick in crude oil production also provided a positive contribution (real growth in the oil sector reached 5.54% in 2024). Worryingly, real agriculture sector growth was weak at 1.19% in 2024.

NBS undertook a Consumer Price Index (CPI) rebased exercise in early 2025, which has resulted in a significant drop in inflation from January 2025 onwards. The rebasing exercise, which was based on household expenditure data from surveys and

administrative sources, reduced the weighting on (1) Food and Non-Alcoholic Beverages and (2) Housing, Water, Electricity, Gas and Other Fuels, whilst significantly increasing the weightings for (1) Transport and (2) Restaurants and Accommodation Services. The increased weighting of transport reflects the increased price of PMS. CPI inflation had reached an all-time high of 34.80% in December 2024, before falling back by more than 10% to 24.48% in January 2025 - largely as a result of the rebasing exercise. By July 2025, figure had fallen to 21.88% - the lowest rate two years. This drop was also assisted by the impacts of the 2024 Naira devaluation and removal of the fuel subsidy, which started to out from the CPI inflation figures.

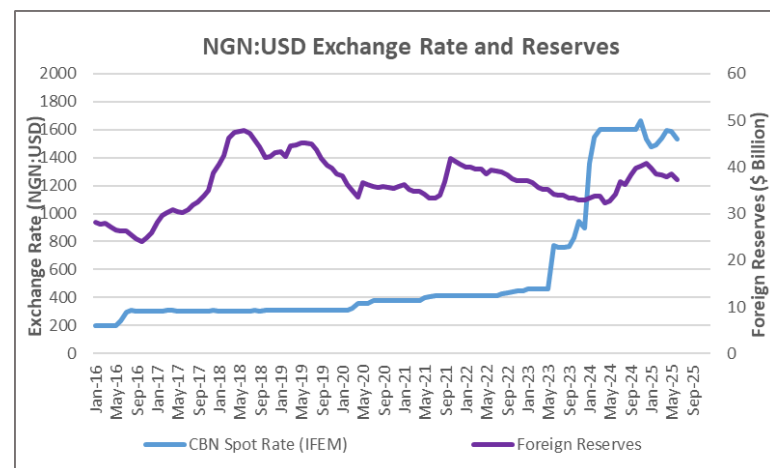
To combat rising inflation, the Central Bank of Nigeria (CBN) has aggressively raised interest rates over the last 16 months. Since the new Central Bank Governor took office, the Monetary Policy Rate (MPR) has been increased six times, from 18.75% before the first Monetary Policy Committee (MPC) meeting in February 2024 to 27.5% as of the end of June 2025. The direct impact of this monetary policy stance is the increase in the cost of borrowing for the government, private sector, and individuals, thus reducing effective demand. This raising of interest rates (i.e. MPR) has followed a similar path as other Lower Middle Income (and



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Advanced) countries globally. This increase in interest rates, along with the reduced dependence of FGN on CBN Ways and Means borrowing, has helped to bring the money supply under control. M3 money supply grew by only 19.9% in the 12-month period to May 2025. This compares the top 43.0% twelve months earlier (i.e. the 12-month period to May 2024), and 52.0% in the 12-month period to May 2023.

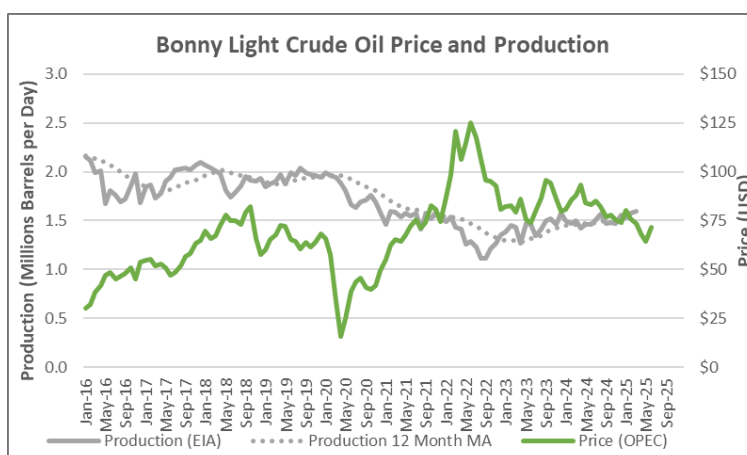
Stabilisation of the Exchange Rate –after years of multiple exchange rates and the fixing on the official exchange rate far above its market value, the free float of the Naira by the Central Bank of Nigeria (CBN) in mid-2023 saw a series of



devaluations that took the Naira from N460 to the US Dollar (USD) in May 2023 to N1,600 to the USD by mid-2024. Over the last 12 months, the rate has stabilised in the region of N1,500 to N1,600, with foreign reserves hovering around the range of \$35-\$40 billion. The devaluation has had multiple knock-on economic and fiscal implications – as noted above, inflation surged as the price of imported goods increased, not least PMS, which was also subject to the removal of the subsidy. Foreign debt service costs of Federal and State governments, as well as the naira valuation of foreign debt stocks are other impact points.

Flat Crude Oil Price, slight uptick in Crude Oil Production – after the brief spike in crude oil prices in mid-2022 as a result of the conflict in Ukraine (Bonny Light reached a high of \$125.22 per barrel in June 2022), prices quickly fell back below the \$100 mark by August 2022 as the global economy slowed and demand for crude oil followed suite. Tensions in the Middle East from late 2023 also saw the prices move back towards \$100 barrels per day; however, this was short-lived. The price of Bonny Light has been fluctuating within the range of \$65 to \$80 per barrel for the last 12 months, with occasional swings of up to \$10 in a single day as a result of incidents and political statements related to the ongoing Middle East conflict.

Crude Oil Production (including lease condensate) has averaged around 1.675 Million Barrels per day (MBPD) over the first months of 2025, according to figures published by the [Nigeria Upstream Petroleum Regulation Commission \(NUPRC\)](#). These figures are consistent with those published by [US Energy Information Administration \(EIA\)](#) the [Organisation of Petroleum Exporting Countries \(OPEC\)](#).



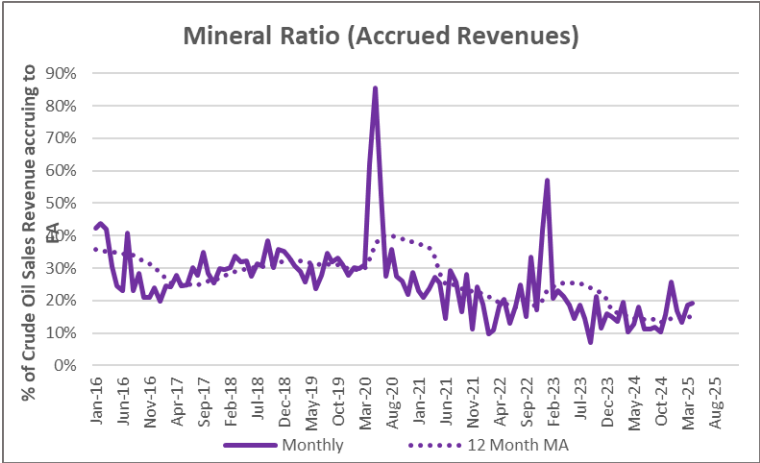
The 2025 production figure of 1.675 MBPD is higher than the 1.47 MBPD produced in 2023

1.55 MBPD in 2024. Around 250,000 barrels of Nigeria's production are in the form of lease condensate, which does not count towards its 1.5 MBPD OPEC (Organisation of Oil Exporting Countries) production quota. Nigeria is seeking to increase its output to 2.0 MBPD by 2027 amid expectations that production will move closer to its capacity of 2.4MBPD, as stated by the Nigerian National Petroleum Company (NNPC).

Strong growth in Federation Account Non-Mineral Revenues - the performance (growth) of the three main sources of Non-Mineral Revenue has continued to outstrip nominal GDP growth. Companies Income Tax (CIT) grew by 34.88% in 2024, whilst Customs and Excise (C&E) duties increased by 73.07%. Value Added Tax (VAT) grew by a whopping 93.22%. These figures do not include the N1.024 trillion of Non-Mineral Exchange Gain also realised in 2024, and Electronic Money Transfer Levy (EMTL), which reached N205 billion. In aggregate, non-mineral revenues reached N16.351 trillion in 2024, compared to N10.118 trillion in 2023 – an aggregate growth of 61.6%. As a proportion of GDP, they reached 5.89%.

Half-year figures for 2025 suggest the Annual growth trend for the current year will also be strong, albeit not quite as impressive as 2024. Again, based on the half-year figures and historical in-year collection profiles, CIT is likely to grow by 47.5% in 2025, with C&E and VAT estimated to grow by 34.4% and 36.6% respectively. These figures do not include EMTL and a small amount of Non-Mineral Exchange Gain. Exchange gains (both mineral and non-mineral) have fallen significantly in 2025 as the benchmark exchange rate for 2025 is very much in line with the market rate.

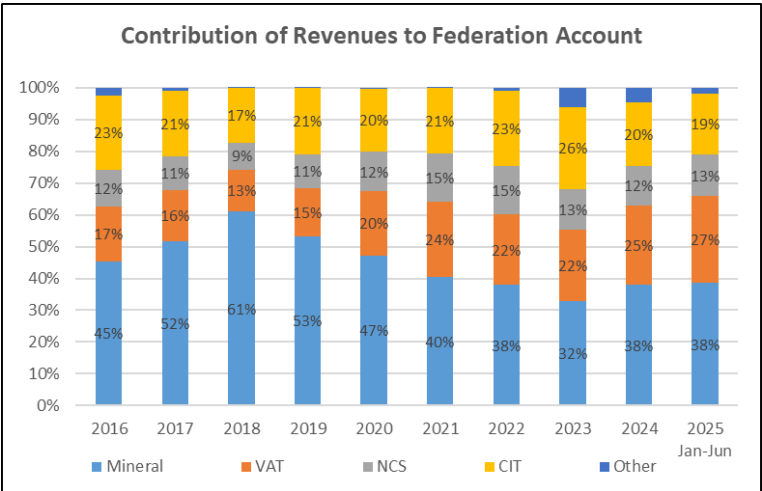
Continued low return on mineral sector activities – whilst nominal mineral revenues grew by more than 100% in 2024 compared to 2023, to N10.0 trillion (including Mineral Exchange Gains), the total mineral revenue accruing to the



Federation Account only represented 14.6% of crude oil GDP (this is referred to as the mineral ratio). This is significantly lower than the 20.3% mineral ratio in 2023 and even further below the mineral ratios observed 10+ years ago (around 35-40%). These figures are before deductions for special intervention funds, derivation refunds and excess crude. There does appear to be a slight uptick in the first four months of 2025, to 17%, but again, this is below the kind of ratios observed before 2015. This, along with the slight increase in production observed in the first half of 2025, should see mineral revenues exceed N11.5 trillion in 2025, representing a growth of circa 15%-16%.

Decreased reliance on Crude Oil revenues – the trend in the makeup of Federation Account revenues over the last ten years shows a clear reduction of government dependence on mineral sector revenues. This has been both as a result of periods of suppressed global crude oil prices, a sustained period of lower production (less than 1.5 MBPD), as well as strong growth in non-mineral revenues (far outstripping nominal GDP growth). The increase in the VAT rate from 5% to 7.5% boosted VAT collections.

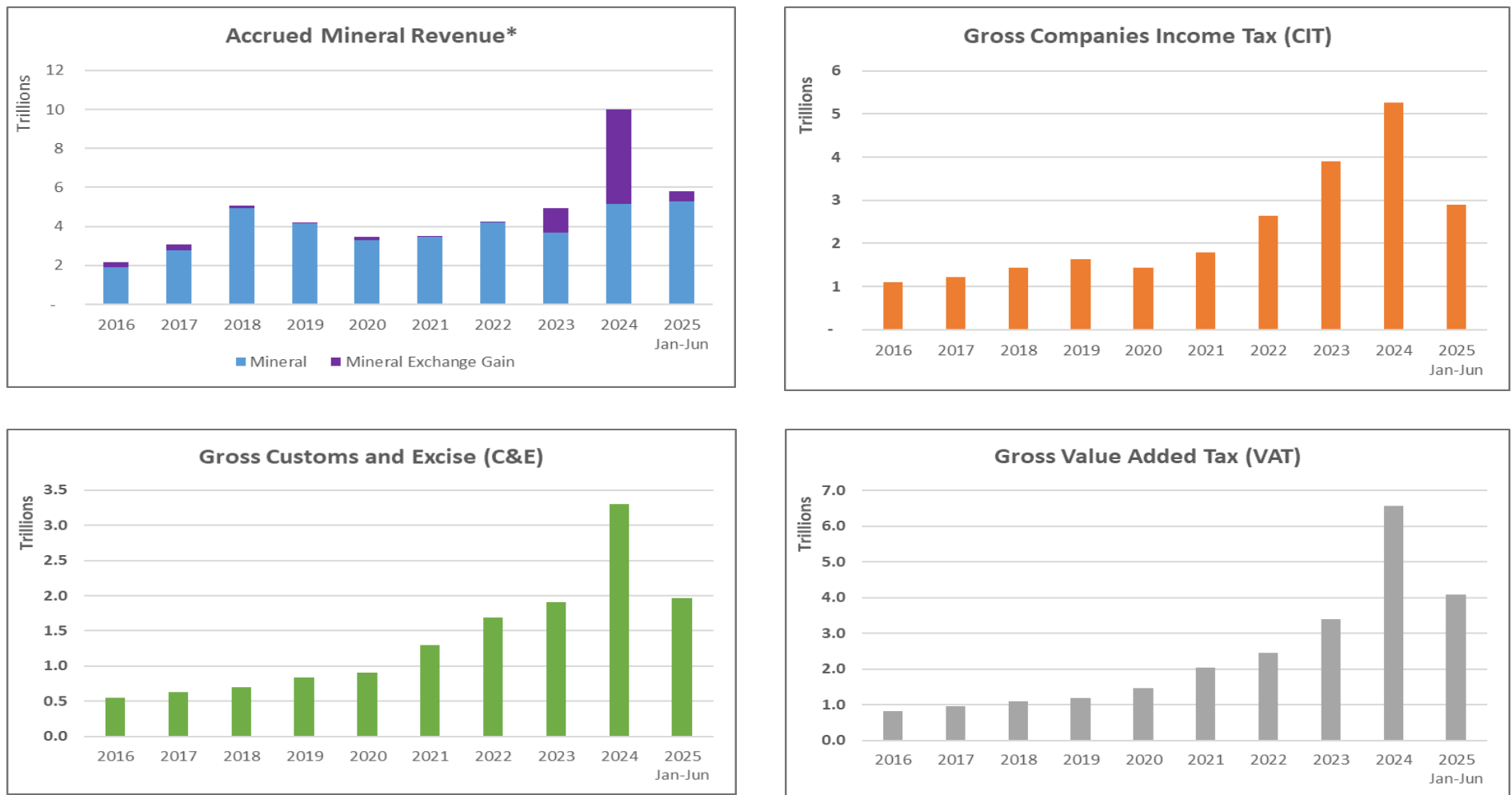
However, there is still a need to maximise benefit of Nigeria’s crude oil reserves in order to create fiscal space for critical economic and social structure investments to boost funding for critical service delivery.



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Gross Mineral and Non-Mineral (CIT, VAT, and C&E) revenue receipts from 2016 to 2024 and the 2025 half year are presented in figure 2 overleaf.

figure 2 Federation Account Gross Revenue Accruals



* Includes funds allocated to derivation refund and Mineral Exchange Gain.

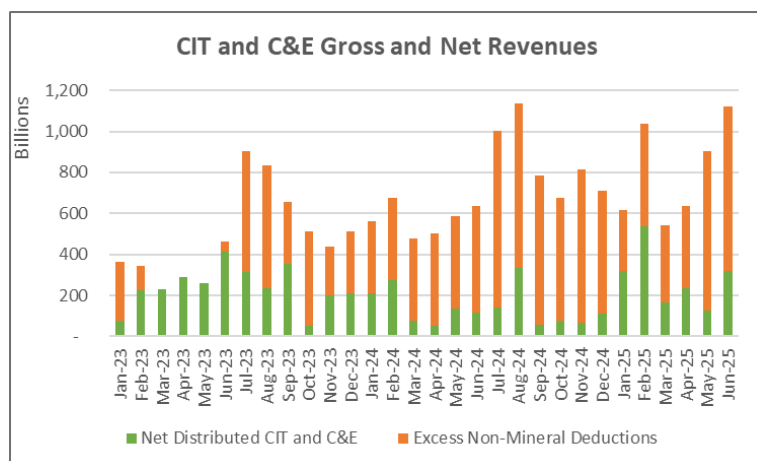
Despite the strong performance of the underlying revenues, particularly Non-Mineral revenues, there are considerable deductions that are impacting the level of Statutory Allocation being distributed. A total of N13.7 trillion was collected from Mineral Revenue sources, CIT and Customs in 2024 – these are the three revenues that fund statutory allocation and derivation. The total distribution under these two items was only N2.89 trillion – a difference of N10.8 trillion. This trend has continued in the first half of 2025, albeit not quite as stark: a total of N10.14 trillion has been collected from the three sources in the first six months of the year, whilst only N4.7 trillion has been distributed. Day-to-day cost of collections (e.g. 4% of CIT and 7% of Customs revenues) may account for a small amount of the difference, but the remainder has been diverted to fund other expenditures.

Factors reducing distributable Mineral Revenues – as noted above, crude oil prices and production have been relatively static since early 2023, but the amount of mineral revenue available for distribution through Statutory Allocation has significantly reduced. A total of N3 trillion was deducted from Mineral Revenues in 2024:

- **Derivation Refunds** – since 2020, more than N5.8 trillion has been deducted from FAAC to pay derivation refunds to the crude oil producing States. These funds would otherwise have been available for distribution through Statutory Allocation. The scale of the deductions has significantly increased in 2024, with more than N1.98 trillion deducted. 2025 is following a similar pattern, with N1.47 having been deducted in the first six months of the year.
- **Other deductions** – there are also other bulky deductions being taken from Mineral Revenues before they are distributed. Over the last 18 months, these have included:
 - N450 billion to cover signature bonus and refunds to States for Excess Crude Account (ECA) withdrawals in March 2024
 - N65 billion refunds to the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)
 - N600 billion for the Presidential Metering Initiative
 - N40 billion for Oil Theft Prevention
 - N850 for Signature Bonus

The above total is N865 billion over the first seven months of the year.

Reductions in distributable non-Mineral revenues - a significant proportion of CIT and Customs revenues have been deducted from FAAC as “Excess Non-Mineral” over the last 18 months, meaning the growth levels for the



gross revenue receipts noted above have not been reflected in Statutory Allocation distributions. The “Excess” deductions are to be made when the revenue in the month exceeds 1/12 of the budgeted revenue in the FGN annual budget, and are intended to be used to augment distributions in the months when actual revenues fall short of the budget. However, what has been observed in terms of deductions and distributions of Excess Non-Mineral does not appear to be made in a systematic manner – rather, they have been used to fund various initiatives, including the

share of signature bonuses to States, different infrastructure and security initiatives, etc.

In 2024, a total of N6.9 trillion was deducted as Excess Non-Mineral, whilst a meagre N100 billion was distributed. In the first six months of 2025, N3.16 trillion has been deducted.

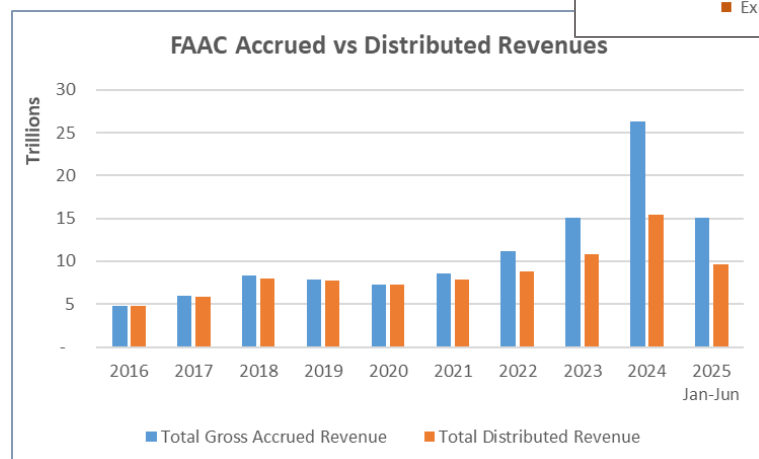
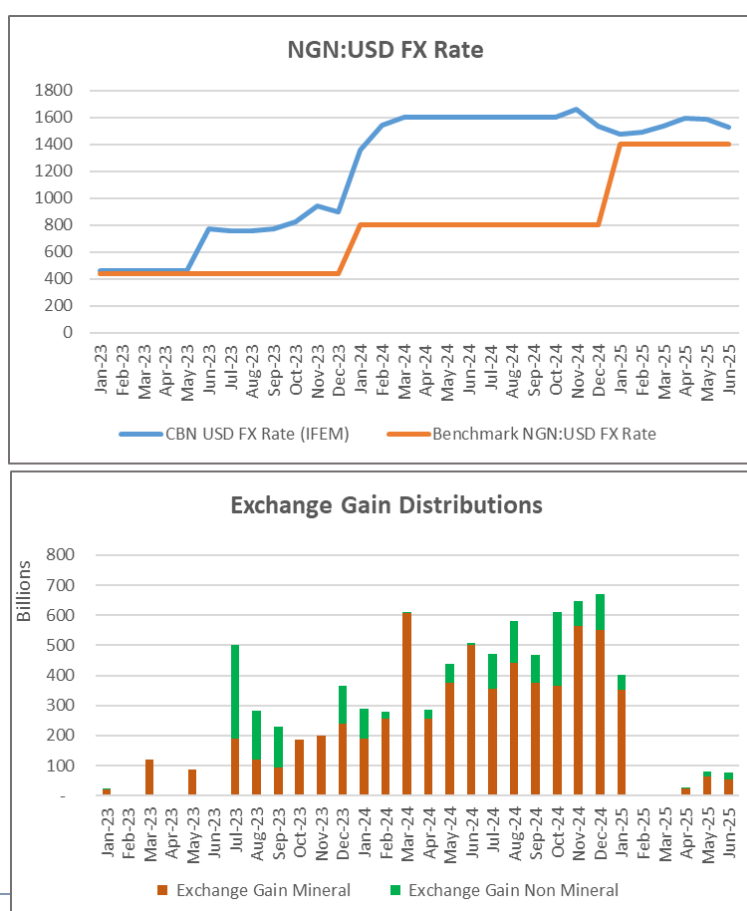
To put these figures into context, the total collection for gross CIT and Customs in the first half of 2025 was N4.85 trillion. So, 65% of the gross accrued revenue has been deducted as excess non-mineral.

Exchange Gain – the market exchange rates in 2024 were significantly above the benchmark rates in the FGN 2024-2026 MTEF-FSP document, as a result of the devaluations of the naira as discussed earlier in this section.

This resulted in higher-than-forecast revenues from transactions based on foreign currencies (imports and exports). This “windfall” is separated from the underlying revenue sources (e.g. Mineral Revenue, Customs, etc) and presented as “Exchange Gain Mineral” and “Exchange Gain Non-Mineral” in the monthly FAAC Schedule 1.

Exchange Gains, particularly for Mineral revenues, was a significant contributor to Federation Account revenues in 2024. A total of N5.86 trillion was distributed as Exchange Gain in 2024 (N4.83 trillion as Mineral and N1.02 trillion as Non-Mineral). However, as the exchange rate benchmark for 2025 was set close to the market rate (1,500 to the USD), the increased revenues from the deviations are now captured mainly under the standard revenue streams (mineral, CIT and C&E) (albeit there have been some minor exchange gain distributions in the second quarter of 2025).

The total gross revenues accruing to the Federation Account and distributed



2025.

revenues are shown in the adjacent graph. Prior to 2021, accrued and distributed revenues were fairly equal, with the exception of 2016 when distributed revenues slightly exceeded accrued revenue due to excess crude distribution, augmentation and NNPC refunds. However, as noted above, significant deductions for derivation refunds, PMS Under Recovery, and other ad hoc deductions (as well as the usual costs of collections) have caused a significant differential between accrued and distributed revenues in 2022-

In summary, Table 4 below presents the total revenue accruals to the Federation Account in 2023, 2024, and Year to Date (YTD) (January to June) in 2025, as well as a full-year forecast for 2025 based on historical flow dynamics. It also presents the total distributable revenues (i.e. after cost of collection deductions and the other deductions discussed in this section), and the proportion available to States based on the vertical sharing ratios.

Table 4 FAAC Revenues Accruals and Distributions 2022-2024 (figures in Billion Naira)

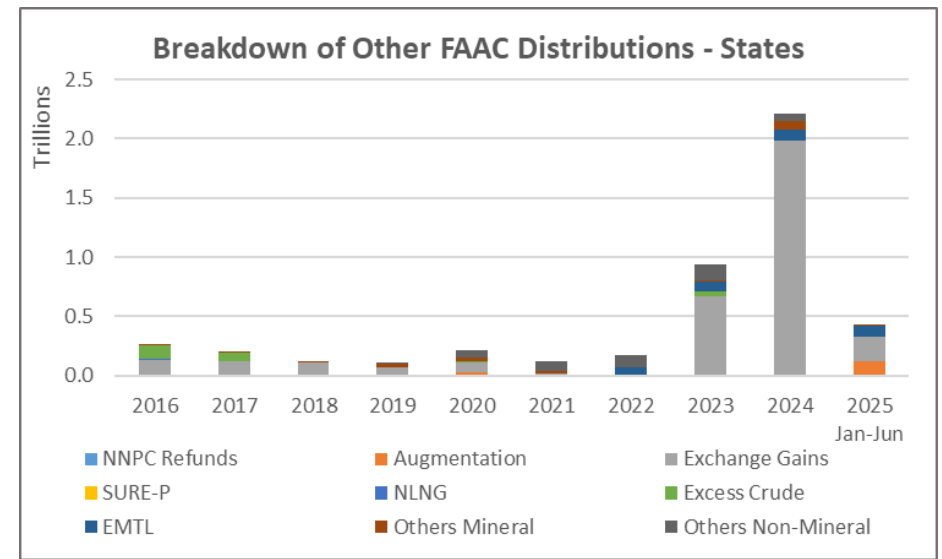
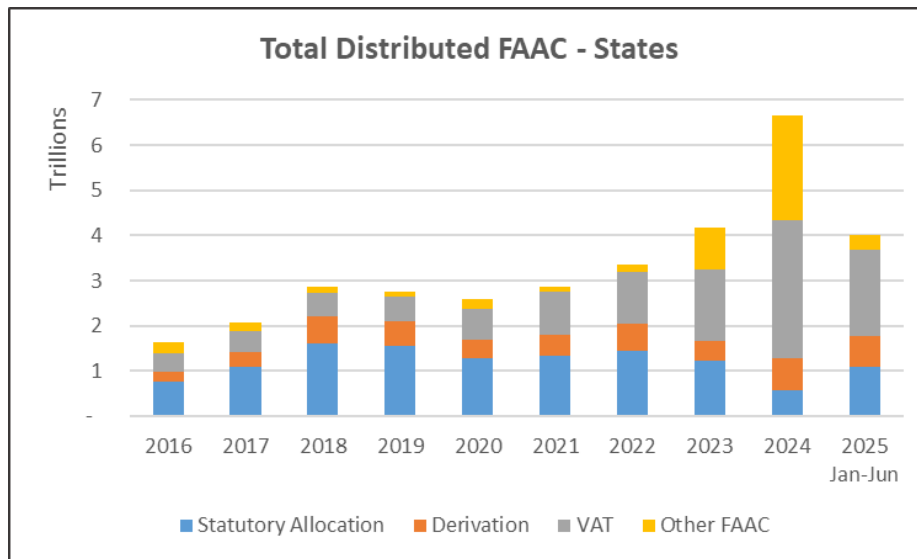
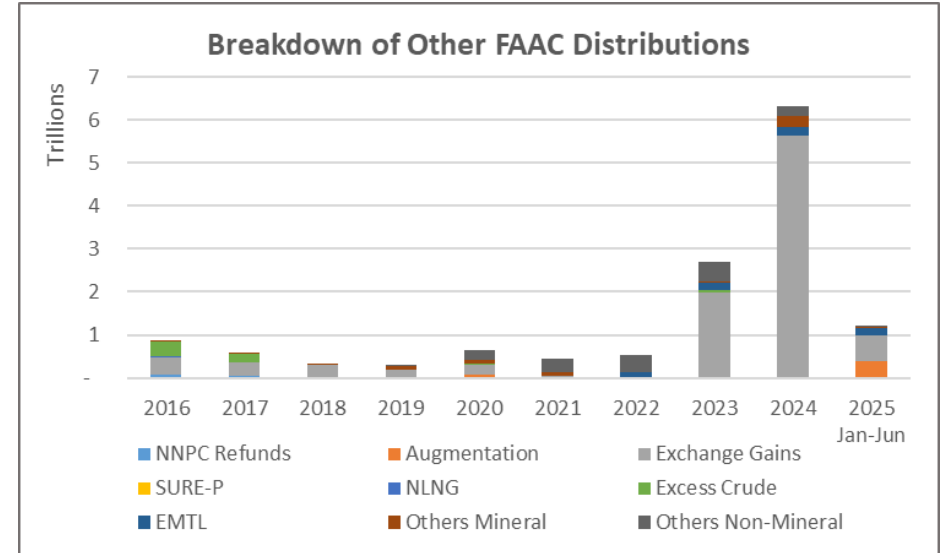
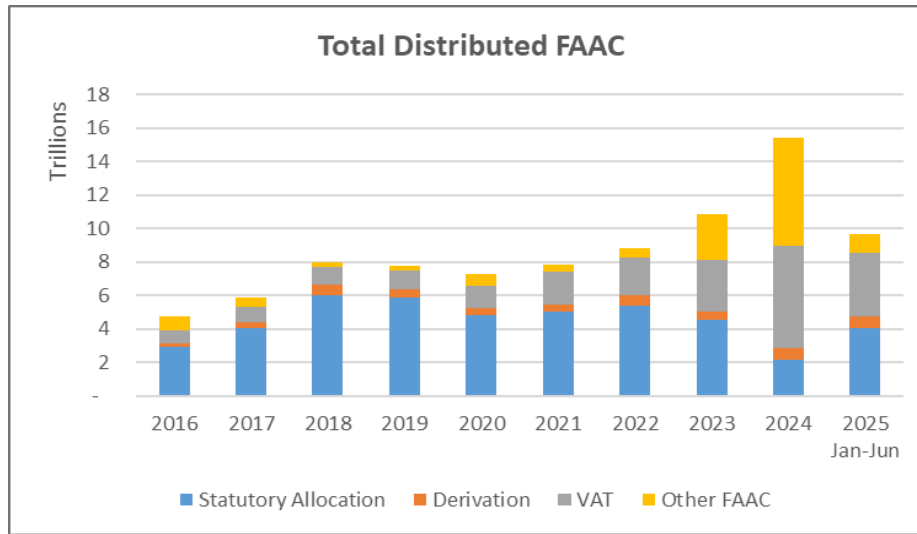
Item	2023 Full Year Actuals	2024 Full Year Actuals	2024 Growth	2025 Jan-Jun	2025 Full Year Estimate	2025 Estimated Growth
Gross Revenue Accruals						
Mineral Revenues (inc. Mineral Exchange Gain)	4,931.73	9,996.96	102.71%	5,782.58	11,565.16	15.69%
CIT	3,896.48	5,255.69	34.88%	2,893.51	7,752.72	47.51%
Customs and Excise	1,907.43	3,301.22	73.07%	1,960.48	4,435.54	34.36%
VAT	3,397.32	6,564.30	93.22%	4,098.61	8,963.49	36.55%
EMTL	176.51	205.20	16.25%	185.86	371.72	81.16%
Exchange Gains Non-Mineral	740.84	1,024.61	38.30%	93.12	186.24	-81.82%
Total Gross Accrued Revenues	15,050.31	26,347.98	75.07%	15,014.16	33,274.87	26.29%
Total Distributable Revenues						
Statutory Allocation	4,543.34	2,140.64	-52.88%	4,033.55	11,629.35	443.27%
Derivation	444.03	717.24	61.53%	695.21	1,390.42	93.86%
VAT	3,156.26	6,112.68	93.67%	3,816.63	8,291.23	35.64%
EMTL	169.45	196.99	16.25%	178.43	356.86	81.16%
Other FAAC	2,532.55	6,213.02	145.33%	913.66	1,827.31	-70.59%
Total Distributed Revenue	10,845.63	15,380.57	41.81%	9,637.47	23,495.16	52.76%
Distribution to States						
Statutory Allocation	1,213.98	571.98	-52.88%	1,077.77	3,107.36	443.27%
Derivation	444.03	717.24	61.53%	695.21	1,390.42	93.86%
VAT	1,578.13	3,056.34	93.67%	1,908.31	4,145.61	35.64%
EMTL	84.73	98.49	16.25%	89.21	178.43	81.16%
Other FAAC	858.24	2,210.93	157.61%	244.13	488.26	-77.92%
Total Distribution to States	4,179.11	6,654.98	59.24%	4,014.63	9,310.08	39.90%

The 2025 forecast full-year actuals and implied growth underscore the analysis provided in this section. In summary:

- Strong growth in Non-Mineral revenues, particularly VAT and CIT;
- Significant reduction in Exchange Gains as these are now incorporated into the Mineral, CIT and C&E revenues;
- Modest increase in Gross Mineral Sector revenues but significant deductions resulting in a significant drop in distributable Statutory Allocation; and
- Because of the share of VAT going to States (and Local Governments), their FAAC revenue performances in 2025 compared to 2024 will be stronger than the Federal Government.

The longer-term trend in FAAC distributions is presented in Figure 3 overleaf. It shows the total distributions to the three tiers of government and the distributions to the States. It also shows a detailed breakdown of "Other FAAC Revenues", i.e. those coded under 110103 in the National Chart of Accounts, again for three tiers in total, and for States.

Figure 3 Federation Account Distributions – Total (Top Row) and States Only (Bottom Row)



Time value of money analysis – with high levels of inflation, population growth and a series of devaluations of the Naira, the real performance of Federation Account revenues (gross revenue accruals, and distributions), including non-mineral revenues, is far more variable. The graphs on the two overleaf pages show both gross revenues, accruals and total FAAC distributions to States on the following basis:

- In US Dollar terms
- As a percentage of Gross Domestic Product
- Real (2013 constant) based on NBS CPI inflation

In US dollar terms, which is often used as the basis for purchasing power parity, both FAAC revenues accruals and distributions have declined considerably in the last two years, by 36% and 46% respectively (comparison of 2024 and 2022 figures). To put this into context, the NGN:USD Exchange Rate in 2022 averaged 425, whilst in 2024 it averaged 1,575. That amounts to a near fourfold depreciation. Realistically, the 425 rate in 2022 was artificially low due to the exchange rate regime at the time (i.e. the NGN:USD rate should have been higher).

Whilst not specifically a measure of the time value of money, a positive development is the revenue to GDP ratios, particularly for non-mineral revenues, which have increased considerably over time. This is due to the increase in the VAT rate from 5% to 7.5% as well as improvements in tax administration and broadening the tax base. Distributions to States have not followed suit, primarily due to the deductions discussed earlier in this section.

Finally, assessing the revenue performance in real terms, which again provides an indication of purchasing power, performance has been variable. Nigeria has suffered from inflation above 10% per annum for the entirety of the last ten years, reaching 34.8% in late 2024. As such, the value of the Naira in 2024 is only 22.7% of the value of the Naira in 2015. Even looking at the last two years, inflation averaged 25% in 2023 and 33.2% 2024. This resulted in an erosion of purchasing power of 65% between the beginning of 2023 and the beginning of 2025. However, revenue growth has more than kept pace with inflation – accrued revenues in 2024 were 136% higher than those in 2022, and distributed revenues (to States) were 74.5% higher in 2024 than in 2022.

Figure 4 Time Value of Accrued Federation Account Revenues

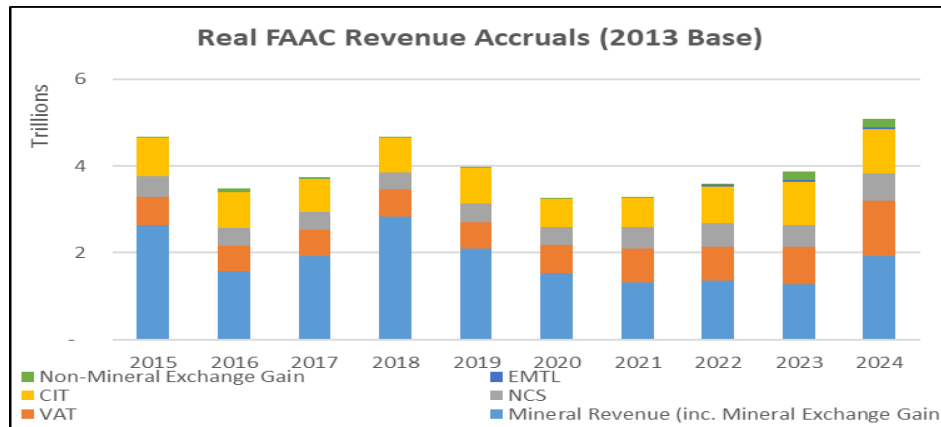
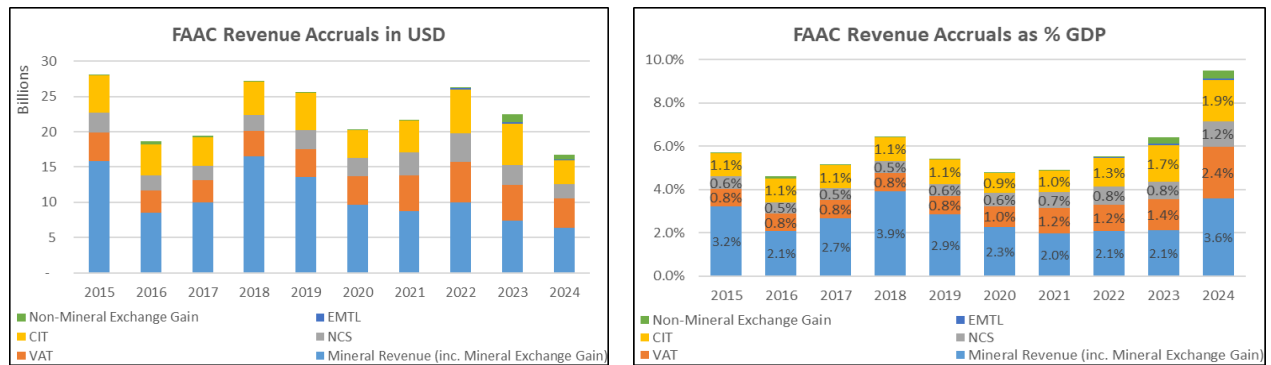
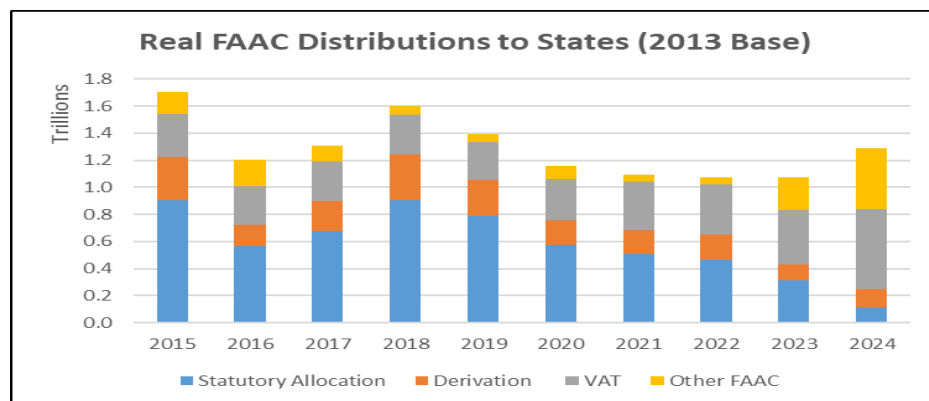
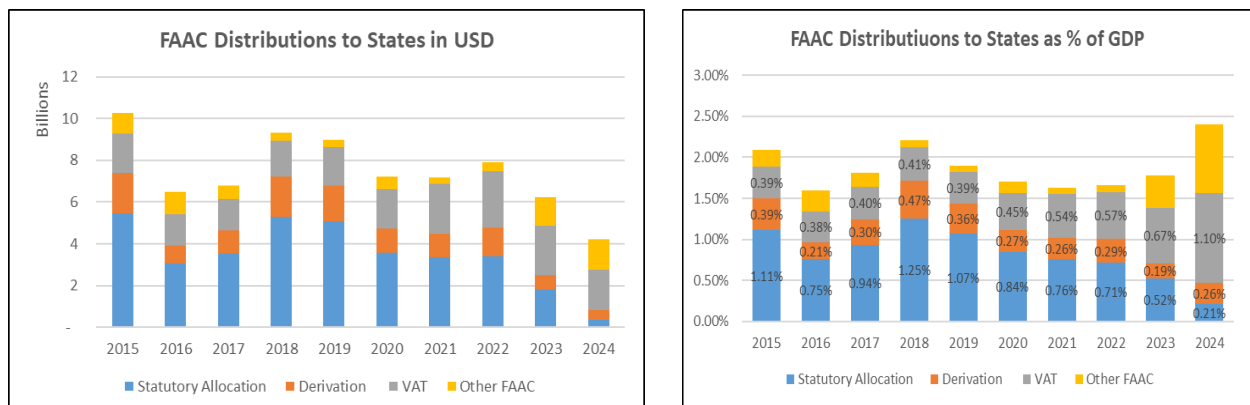


Figure 5 Time Value of Distributed Federation Account Revenues to States



3 Deep Dive Section 2 – 2026-2028 MTEF – Key Considerations

Having concluded the review of macro-fiscal performance in 2024 and for the 2025 full-year forecast in Section 1, Section 2 looks ahead to 2026 and the two out-years covered by the MTEF (2027 and 2028). This section looks at the key macroeconomic and mineral sector indices that impact government finances and will try to identify the key future dynamics that will affect these indices. It will then go on to make suggestions on the forecasts for these indices for 2026-2028, and the likely FAAC revenues. Finally, there will be a brief analysis of other factors influencing revenues and expenditures over the MTEF period.

The macroeconomic and mineral sector indices that are critical in developing state fiscal forecasts, which form part of the FSP section of the MTEF document, are presented in Table 5 below. The table shows the effects of specific indices on different types of revenue and their impact on expenditure.



Table 5: Influence of Macroeconomic and Mineral Sector Variables on State Fiscal Forecasts


Macro-Mineral / Fiscal Relationships	Statutory Allocation				VAT	Borrowing	IGR	Expenditure
	Mineral Revenue	Customs	CIT	Derivation				
National Real GDP Growth		Major	Major		Major		Moderate	
National Inflation		Major	Major		Major	Minor	Minor	Moderate
State Level Macroeconomic Indices					Minor	Moderate	Major	Moderate
Crude Oil Prices	Major			Major				
Crude Oil Production	Major			Major				
Exchange Rate	Major			Major		Moderate		Moderate
Mineral Ratio (and PMS Under Recovery)	Major			Major				

The above parameters are similar to those presented in the Federal Government's MTEF-FSP document (besides the Mineral Ratio, which is implicit in the FGN MTEF but explicit in the state MTEF). The Federal Government 2026-2028 MTEF/FSP is unlikely to be available before the commencement of the preparation of MTEFs in states, and its projections are often optimistic (targets rather than a balanced estimate, as stated by the Minister of State for Budget and National Planning on several occasions). Therefore, to support state governments in setting their assumptions for 2026-2028, some of the key considerations are presented in Table 6 below. This includes a brief recap of the relevant historical performance as discussed in Section 1.

Table 6: Key Considerations and Recommendations for Macroeconomic and Mineral Variables

Item	Considerations
National Real GDP Growth	Real GDP growth increased quarter on quarter from Q2-4 in 2024, from 2.98% in Q1 to 3.84% in Q4. This gave an overall growth rate of 3.4% for the year. This is slightly lower than the 3.8% annual growth forecast for 2024 in the FGN 2025-2027 MTEF. However, nominal GDP was significantly above the forecast in the MTEF, at N277 trillion. The 2025-2027 MTEF envisaged growth of 4.6% in 2026, which appears optimistic. The economy grew by 3.13% (year-on-year) in real terms in Q1 2025.

Item	Considerations
	<p>In its most recent Article IV report, the IMF forecasts growth at 3.4% in 2025, falling slightly to 2% in 2026, premised on crude oil production of 1.7 MBPD and a strong contribution by the agriculture sector to growth. It forecasts a margin increase in 2027 and 2028, to 3.3% growth in both years.</p> <p>The World Bank is slightly more optimistic in its latest Global Economic Prospects report, forecasting 3.6% growth in 2025, followed by 3.7% and 3.8% in 2026 and 2027, respectively.</p> <p>Several factors can alter these outlooks over the next 4-5 months – not least the trajectory of crude oil prices and production (positive deviations from the current price and production levels could have significant positive impacts on GDP).</p> <p>Adopting the prudent estimates of the IMF would be sensible in this period of uncertainty.</p> 
National Inflation	<p>As noted in section 1, the rebasing of the CPI basket resulted in a significant reduction in the inflation rate from 34.80% to 24.48% in January 2025. The most recent inflation figures, for May 2025, stood at 22.97%. As the effects of the Naira devaluation and the removal of the fuel subsidy work their way out of the figures, they are likely to reduce slightly over the remainder of 2025.</p> <p>The IMF forecasts CPI inflation at 24% in 2025, falling to 23% in 2026 and then dropping to 17% in 2027 and 15% in 2028. The cessation of CBN financing of the FGN deficit (which resulted in significant increases in the money supply) and the stabilisation of the Naira in the foreign exchange markets bring a greater degree of predictability to the forecasts.</p> <p>The IMF forecasts are still somewhat higher than the FGN 2025-2027 MTEF projections for inflation, which were 15.75% and 14.21% respectively, for 2025 and 2026. But these forecasts are more “targets” than balanced estimates, and do not reflect the latest macro-fiscal trends. Adopting IMF estimates would be prudent.</p>
State-Level Macroeconomic Indices	<p>State-level macroeconomic performance (particularly, GDP and inflation) will impact IGR and expenditures. However, few if any state has a long time series of state GDP or GDP forecasts using them as the basis for statistical forecasting (e.g. elasticity-based forecasting of IGR). As noted in Section 1, it is recommended that states undertake a thorough stocktake of their economic performance and outlook, and update their Medium Term Revenue Strategies (MTRs). Fully implementing state-level GDP estimation across all the states will better inform them of the size of IGR they can potentially collect (e.g. IGR to GDP ratio).</p>
Crude Oil Prices	<p>The price of Bonny Light averaged \$72.39 per barrel in the first six months of 2025, according to the Organisation of Petroleum Exporting Countries (OPEC), with a low of \$64.55 in May and a high of \$80.14 in January.</p> <p>The latest US Energy Information Administration (EIA) Short-Term Energy Outlook (STEO) forecasts Brent Crude prices of \$69 for 2025 and \$58 for 2026 based on a buildup of oil inventories as OPEC looks to increase production volumes in the second half of 2025. Based on this, Bonny Light would be around \$70 and \$59 in 2025 and 2026, respectively.</p> <p>The IMF uses a slightly different benchmark for its outlook, taking an average of UK Brent, Dubai Fateh, and West Texas Intermediate. It’s forecast in the April 2025 WEO is for a basket price of \$62.38 in 2026, which equates to</p> 

Item	Considerations
	<p>approximately \$64.50 for Bonny Light. The World Bank, in its June 2025 Global Economic Prospects report, forecasts \$62 for Brent Crude in 2026, increasing marginally to \$65 in 2027. These equate to prices of around \$63 and \$66 for Bonny Light in 2026 and 2027, respectively.</p> <p>In recent years, FGN has moved away from providing a buffer in its crude oil price benchmark, adopting a price close to the market price at the time of the development of the MTEF-FSP. However, State Governments are urged to adopt some degree of caution, especially due to the volatile situation in the Middle East.</p> <p>A prudent approach would be to adopt a slight discount against the forecast market prices – say \$5 per barrel.</p>
Crude Oil Production	<p>According to the latest NURPC figures, Nigeria produced 1.675 MBPD over the first six months of 2025, comprising 1.475 MBPD of crude oil and 200,000 barrels per day of lease condensate. These figures are close to the upper limit Nigeria can produce based on its current OPEC production quota. Whilst Nigeria may be desirous to increase production towards and over 2.0 MBPD over the second half of 2025, States should adopt caution in adopting “target” based estimates as opposed to a balanced view on what is achievable, which is probably in line with current production levels.</p>
NGN:USD Exchange Rate	<p>The Naira: US Dollar exchange rate has stabilised over the last 12 months, settling in the range of 1,500 to 1,600. With Foreign Reserves reaching around \$37 billion as at the end of June 2025, and the settlement of several outstanding liabilities having been completed, there is reason for optimism that further depreciations of the Naira are unlikely in the short to medium term.</p>  <p>However, to take a balanced view, supply and demand factors should be considered when anticipating the exchange rate in 2026 and beyond. Some of the key factors include:</p> <ul style="list-style-type: none"> • FGN Borrowing Strategy, particularly the proportion of new foreign currency-denominated debt issuances (FGN is concluding on its 2024-2027 Medium Term Debt Strategy, which should provide more clarity on this issue). • Foreign debt service obligation on existing debt stock (a Eurobond principal repayment of \$1.18 billion is due in November 2025). • Crude oil price and production – material increases in either should further boost foreign reserves, potentially leading to an appreciation of the Naira. • Monetary policy stance of the CBN, including the potential for increasing the supply of US Dollars to the open market. <p>Adopting the current rate of 1,500 would be prudent for the three years covered by the MTEF.</p>
Mineral Ratio	<p>The Mineral Ratio is the percentage of Mineral Sector (oil and gas) GDP that accrues to the federation account as mineral revenue for distribution through FAAC. As noted in Section 1, this has fallen to around 18% in 2025 based on mineral revenues (including Exchange Gain) accruing to the Federation Account (including those used for derivation refunds).</p>

Item	Considerations
	It is difficult to see the mineral ratio increasing significantly over the short to medium term, especially with the relatively low price of crude oil. A rate of 20% might be considered for 2026, increasing to 22% in 2027 and 24% in 2028.
Derivation Refunds	Derivation Refunds are difficult to predict. A total of N1.98 trillion was deducted from mineral revenues in 2024 as Derivation Refunds. For the first half of 2025, the figure was N1.47 trillion. In the absence of any explicit communication from FAAC, it is recommended that a provision of N3 trillion be put against the 2026 FAAC figures, with a possible reduction to N2 trillion in 2027 and 2028 as the totality of the refunds is cleared.
Excess Non-Mineral and Other Deductions	<p>As well as derivation refunds, there have been other deductions from FAAC accrued revenues over recent years. A total of N6.9 trillion was deducted as Excess Non-Mineral Revenue in 2024. In the first six months of 2025, the figure is N3.158 trillion. These revenues appear to be used to fund various presidential interventions, such as the Infrastructure and Security Trust funds. The precise use of these funds, including what transfers have been made to State Governments, is not clear.</p> <p>There have also been deductions of N500 billion against mineral revenues in the first six months of 2025 for LGA Signature Bonus, albeit this appears to have concluded.</p> <p>It would be prudent to assume the Excess Non-Mineral deductions will continue into 2026 and beyond, unless otherwise stated by FAAC or within the FGN MTEF-FSP. A figure of N10 trillion per year for 2026, 2027 and 2028 might be considered, to cover both the deductions for derivation refunds and the Excess Non-Mineral deductions.</p>
New Tax Legislations, Regulations and Orders	<p>The 2024 Deduction of Tax at Source (Withholding) Regulation, VAT Modification Orde 2024 and the four 2025 Tax Acts including the Nigeria Tax Act 2025, Nigeria Tax Administration Act 2025, the Joint Revenue Board of Nigeria (Establishment) Act 2025 and Nigeria Revenue Service Establishment Act 2025 issued by the Executive and passed by the National Assembly respectively, cover tax policy and tax administration. These introduce exemptions, revised administrative frameworks, consolidation and harmonisation of revenue items. These are expected to simplify compliance, improve efficiency and optimise revenue collection.</p> <p>At the policy level, there are several factors that need to be taken into consideration when forecasting FAAC revenues for 2026 onwards:</p> <ol style="list-style-type: none"> 1. The Nigeria Tax Act 2025 exempts low-income earners with taxable income of NGN800,000 or less per annum from income tax. This will impact States whose average and active taxpayer income bracket is this. Such States must expand their tax base leveraging enumeration campaigns, technology, system interoperability, data exchange with various MDAs (including Federal, State and local government such as MDAs NIMC, CAC, FIRS, NIBBS, Ministry of Lands, Ministry of Commerce, NIS, etc). 2. The Act also exempts "small company" earning a gross turnover of N50,000,000 or less per annum with total fixed assets not exceeding N250,000,000, from income tax if such is not providing professional services. This is expected to impact revenue accruing from tax on profit of companies. 3. Also, it introduces a 5% surcharge to be imposed on chargeable fossil fuel² products provided or produced in Nigeria. Its commencement is subject the

² This will exclude clean or renewable products, household kerosene, LPG and CNG

Item	Considerations
	<p>Minister of Finance issuing an order accordingly. The surcharge is to be computed on retail price of the products and accounted for monthly by the Nigeria Revenue Service. While this will accrue more revenues upon commencement, it may heighten inflationary pressures given that an essential fuel like petrol isn't exempted.</p> <p>4. Effective administration of VAT exemptions and input VAT credit/refund is important to avoid carousel fraud that may endanger the recent increases in VAT collection and distribution. The Nigeria Revenue Service must continue to implement risk-based compliance strategies and ramp up nationwide adoption of its TaxPro Max Solution/ an easier to use VAT fiscalisation system to support VAT accounting and remittance by persons making taxable supplies. It can leverage the new section 23 of The Nigeria Tax Administration Act 2025 which warrants that any person making taxable supply must use the Electronic Fiscal System provided by the Service, for recording and reporting all supplies.</p> <p>5. Still in relation to VAT, there are changes to the vertical and horizontal sharing formula. Firstly, the increase in State Governments' share to 55% at the expense of the Federal Government (whose share would drop to 10%). And the proposed increase in the Derivation³ from 20% to 30% (and associated reduction of Population from 30% to 20%), while equality is kept at 50%. It is important States simulate the impact of this new distribution formula and reflect the relative impact on their VAT receipts to keep their projections realistic.</p> <p>The FGN MTEF-FSP for 2026-2028, once released, should provide some more specific indication of the impacts the new Tax Acts will have on Federation Account revenues. For now, in keeping with the advice on other macroeconomic and mineral sector assumptions, States are recommended to take a prudent view on these dynamics and continually monitor for more in-depth analysis by FGN and other commentators.</p>

Based on the above analysis, the following Macro-Mineral sector assumptions might be considered.

Table 7 Potential Macro-Mineral Sector Assumptions for 2025-2028

Macro-Mineral Item	Year				Basis
	2025	2026	2027	2028	
National Real GDP Growth	3.40%	3.20%	3.30%	3.30%	Based on IMF Article IV
National Inflation	24.00%	23.00%	17.00%	15.00%	Based on IMF Article IV
Crude Oil Price Actual	\$70	\$60	\$60	\$60	EIA Forecast for 2025 and 2026, steady into 2027 and 2028
Crude Oil Price Benchmark	\$65	\$55	\$55	\$55	\$5 below forecast Actual Price to allow for fluctuations
Crude Oil Production (MBPD)	1.65	1.7	1.75	1.8	Moderate increase over the period the MTEF (includes lease condensate)
NGN:USD Exchange Rate	1500	1500	1500	1500	Current Rate
Mineral Ratio	18.00%	20.00%	22.00%	24.00%	2025 is based on Jan-Jun actuals. Assumes some efficiency gains in 2025 onwards.
Impact of Tax Bills on VAT	NA	-10.00%	5.00%	2.50%	Reduction in 2026 based on new exemptions and input cost VAT rebate. Administrative efficiency benefits in 2027 and 2028.
Impact of Tax Bills on CIT	NA	0.00%	5.00%	2.50%	Efficiency benefits in 2027 and 2028.
Impact of Tax Bills on C&E	NA	0.00%	5.00%	2.50%	Efficiency benefits in 2027 and 2028.

³ Now called **"Consumption"** redefining the distribution to be based on place of Consumption, irrespective of where the return is filed

Based on the above assumptions, Table 8 below provides estimates for aggregate revenue accruals to FAAC and distributions. This reflects the increase in the share of VAT to States from 50% to 55% from 2026 onwards. Estimates for each of the main FAAC revenue distributions to each State for 2026 are presented in Annex C.

Table 8 Potential FAAC Revenue Accruals and Distributions for 2026 (Billion Naira)

Item	2025 Full Year Estimate	2025 Estimated Growth	2026 Forecast	2026 Estimated Growth
Gross Revenue Accruals				
Mineral Revenues (inc. Mineral Exchange Gain)	11,565.16	15.69%	10,238.25	-11.47%
CIT	7,752.72	47.51%	9,729.89	25.50%
Customs and Excise	4,435.54	34.36%	5,559.35	25.34%
VAT	8,963.49	36.55%	10,219.87	14.02%
EMTL	371.72	81.16%	673.40	81.16%
Exchange Gains Non-Mineral	186.24	-81.82%	-	-100.00%
Total Gross Accrued Revenues	33,274.87	26.29%	36,420.76	9.45%
Total Distributable Revenues				
Statutory Allocation	11,629.35	443.27%	13,418.16	15.38%
Derivation	1,390.42	93.86%	1,330.97	-4.28%
VAT	8,291.23	35.64%	9,453.38	14.02%
EMTL	356.86	81.16%	646.47	81.16%
Other FAAC	1,827.31	-70.59%	-	-100.00%
Total Distributed Revenue	23,495.16	52.76%	24,848.98	5.76%
Distribution to States				
Statutory Allocation	3,107.36	443.27%	3,585.33	15.38%
Derivation	1,390.42	93.86%	1,330.97	-4.28%
VAT	4,145.61	35.64%	5,199.36	25.42%
EMTL	178.43	81.16%	355.56	99.27%
Other FAAC	488.26	-77.92%	-	-100.00%
Total Distribution to States	9,310.08	39.90%	10,471.22	12.47%

The slight drop in mineral-based revenues reflects the expectation of a drop in global crude oil prices in 2026, accompanied by static production and exchange rates. Growth in the key non-mineral revenues, whilst still positive, is impacted by the provisions of the four Tax Acts passed in mid-2025. State distributions are forecast to grow by more than FGN due to the increased share of VAT to States. The table does not include any provisions for distributions to States under Infrastructure and Security Funds, derivation refunds and any other non-standard FAAC distributions.

As noted in Table 6, the situation with a number of the variables discussed above is dynamic, and things could change significantly.

There are also several issues impacting Independent Revenue (IGR), and recurrent and capital expenditure estimates:

- From January 2026, the **Nigeria Tax Act 2025** in Section 196, repeals the Taxes and Levies (Approved list for Collection) Act, Cap. T2 law of the Federation of Nigeria 2004, This was one of a several principal legislations repealed and upon which State taxes, fees and levies are anchored. The 2025 Nigeria Tax Administration Act while providing the broad scope of taxing responsibility (including tax on income, profit and gains) by relevant tax authority in States, it did not provide a detailed nor revised list replacing specific taxes and levies in the previous Act e.g. business premises, road taxes, pools betting and lotteries, gamins and casino taxes, development levy, street naming registration fee, Right of Occupancy fees, Market taxes, etc. Expectations are this will be addressed on under subsequent legislation or regulation aimed at harmonisation of taxes and levies. It is important States engage this discussion by the Presidential Fiscal Policy and Tax Reform Committee to reflect the desires of the States.
- **Inflation** is impacting overhead expenditure costs and capital expenditure costs – particularly for imported goods (for example, medicines, vaccines, and other health sector supplies). Every day, costs like fuel will increase.
- **New National Minimum Wage** - implementation of the new national minimum wage of N70,000 per month for States that are yet to adopt the new minimum wage would have a significant impact on their salary (and pension contribution) costs. States should ensure that policies and estimates in this regard are adequately captured in their MTEF and Annual Budget.
- **Capital Budget Implementation:** Capital projects often face cost overruns due to factors like poor planning, design changes, delays, or unforeseen circumstances. These cost overruns can strain budget allocations for capital expenditures and impact the overall budget balance. States should be able to forecast the level of capital expenditure that will need to be carried forward to 2026 and make sufficient provision in MDA ceilings for this carry forward.

Annexe B – FAAC Estimates for States for 2026

Table 9 FAAC Estimates for States for 2026 (Billion Naira) *

State	Statutory Allocation	Derivation	VAT	EMTL	Total Gross FAAC
Abia	88.53	13.79	105.77	9.20	217.30
Adamawa	94.18	-	116.48	8.09	218.75
Akwa Ibom	95.06	274.75	125.76	8.90	504.47
Anambra	94.01	18.99	130.49	11.64	255.13
Bauchi	113.10	-	128.56	9.15	250.81
Bayelsa	83.66	214.03	105.30	6.75	409.74
Benue	106.03	-	124.26	8.90	239.20
Borno	117.47	-	126.71	9.05	253.23
Cross River	95.08	-	106.54	8.09	209.70
Delta	96.00	446.44	134.17	11.24	687.85
Ebonyi	84.59	-	102.30	7.14	194.04
Edo	88.41	44.74	121.45	10.08	264.68
Ekiti	84.54	-	104.96	7.47	196.96
Enugu	95.08	-	113.60	9.53	218.21
Gombe	89.06	-	104.62	7.25	200.92
Imo	98.30	25.70	117.48	9.72	251.20
Jigawa	105.73	-	127.30	8.71	241.74
Kaduna	123.88	-	146.78	11.71	282.37
Kano	149.97	-	194.49	14.96	359.42
Katsina	116.22	-	142.20	10.32	268.75
Kebbi	99.84	-	110.49	7.92	218.25
Kogi	104.50	-	113.66	8.24	226.40
Kwara	84.16	-	105.60	7.76	197.52
Lagos	126.66	-	772.10	32.25	931.01
Nassarawa	87.19	-	96.63	7.21	191.04
Niger	111.99	-	124.15	8.99	245.14
Ogun	87.84	-	119.31	10.49	217.64
Ondo	88.01	38.39	114.15	9.06	249.61
Osun	86.23	-	114.11	8.90	209.24
Oyo	106.05	-	196.20	15.10	317.35
Plateau	98.73	-	112.72	8.62	220.07
Rivers	101.97	254.14	301.73	12.40	670.23
Sokoto	104.20	-	119.51	8.49	232.20
Taraba	91.08	-	105.31	7.17	203.56
Yobe	93.89	-	102.48	7.21	203.58
Zamfara	94.09	-	111.98	7.85	213.92

* Estimates of VAT distributions per State are based on the horizontal sharing ratios as observed in 2024. They do not reflect the new derivation-based sharing horizontal formula. Further analysis on the impact of this change will be shared with States in September 2025.

Figures do not include derivation refunds.

Annexe C – Key Documents

The following commentary, reports and data are available through the associated hyperlinks.

Global Publications

[Global Economic Prospects -- June 2025](#) (World Bank)

[US Energy Information Administration Short Term Energy Outlook – July 2025](#)

[Nigeria: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Nigeria](#) (IMF)

[World Economic Outlook, April 2025: A Critical Juncture amid Policy Shifts](#) (IMF)

[Organization of the Petroleum Exporting Countries](#) (Monthly Oil Market Report)

National Publications

CBN Monetary Policy Communique: [Monetary Policy COMMUNIQUE No.157](#)

NBS Inflation Reports: [Nigeria - Consumer Price Index and Inflation](#)

NBS GDP Reports: [Nigeria - Gross Domestic Product](#)

OAGF June 2024 FAAC Distributions: [FAAC Report – The OAGF Website](#)

[Oil Production Status Report – Nigerian Upstream Petroleum Regulatory Commission](#)

FGN 2025-2027 MTEF-FSP: <https://budgetoffice.gov.ng/index.php/2025-2027-medium-term-expenditure-framework-fiscal-strategy-paper/2025-2027-medium-term-expenditure-framework-fiscal-strategy-paper/download>

Updated EFU-FSP-BPS MS Excel Template:

[EFU-FSP-BPS MS Excel](#)

Note the following updates have been made:

- Worksheet A. Macro-Fiscal Framework – rows 14 and 48 have been added.

Latest Budget Templates (MDA, Consolidation, Instructions):

[Budget Templates](#)

Annexe D – Analysis of Unreported Actual Expenditures by Administrative and Economic Codes

Table 10 Analysis of Unreported Expenditures by Administrative and Economic Codes

State	Number of MDAs with Expenditure		Number of Economic Line Item Codes	
	2024 Final Budget	2024 Performance Year to Date (Q1-Q4)	2024 Final Budget	2024 Performance Year to Date (Q1-Q4)
Abia	118	108	191	145
Adamawa	109	107	192	159
Akwa Ibom	114	101	283	199
Anambra	1072	204	166	131
Bauchi	98	88	243	204
Bayelsa	165	165	205	161
Benue	98	88	168	132
Borno	112	96	179	141
Cross River	142	109	328	237
Delta	169	131	225	210
Ebonyi	109	104	183	158
Edo	140	122	123	107
Ekiti	264	253	169	143
Enugu	129	92	178	141
Gombe	88	88	357	256
Imo	53	39	88	60
Jigawa	129	121	346	306
Kaduna	81	81	262	197
Kano	169	144	196	142
Katsina	114	112	227	205
Kebbi	109	99	162	121
Kogi	95	91	456	273
Kwara	77	76	220	169
Lagos	192	191	208	209
Nasarawa	110	106	367	299
Niger	143	122	117	97
Ogun	197	170	198	175
Ondo	188	186	192	173
Osun	90	89	156	156
Oyo	39	37	95	89
Plateau	105	104	264	209
Sokoto	124	117	165	141
Taraba	103	96	161	129
Yobe	154	141	165	137
Zamfara	157	138	324	180

N.B.: "Unreported actual expenditures" are expenditures budgeted but not recorded in the financial reports.

3.A.1 Kano State Economy

MACRO ECONOMIC INDICATORS FOR KANO

Kano State is a prominent state located in the northern region of Nigeria. It is one of the most populous and historically significant states in the country. Geographically, Kano State is situated in the northwestern part of Nigeria, bordered by several other states including Katsina to the northwest, Jigawa to the northeast, Bauchi to the east, and Kaduna to the southwest. The state lies within the semi-arid region of the Sahel savanna, with its geographic coordinates spanning Lat Long (11.999970, 8.534860). Kano State covers a total land area of approximately 20,131 square kilometers, making it the 20th largest state in Nigeria by land mass. The landscape of Kano State is generally flat and open, with a few isolated hills and rocky outcrops scattered throughout the region. The state is drained by several seasonal rivers and streams, including the Challawa, Wudil, and Watari rivers, which flow towards the Hadejia River system. These water bodies play a crucial role in supporting agricultural activities, particularly during the rainy season. Kano State is divided into 44 local government areas, with the city of Kano serving as the state capital and largest metropolitan area. The city of Kano is renowned for its rich cultural heritage, vibrant markets, and historic architecture, including the famous Kano Wall and the ancient Dala Hill. The geographic location of Kano State has played a pivotal role in its historical development as a major center of trade and commerce. Its strategic position along ancient trans-Saharan trade routes facilitated the exchange of goods and cultural influences with other regions of Africa and beyond. Today, Kano State remains an important economic hub, with a diverse range of industries, including agriculture, manufacturing, and commerce.

Macroeconomic Indicators

Gross Domestic Product (GDP):

- Kano State has the sixth-largest economy among the states in Nigeria.
- The state's GDP was estimated at ₦10.87 trillion (\$27.17 billion) 13th of 36 states in 2021, contributing approximately 6.8% to Nigeria's total GDP.
- The main economic activities driving Kano State's GDP include agriculture, manufacturing, trade, and services.

Economic Growth Rate:

- Kano State has experienced steady economic growth in recent years, with an average annual growth rate of around 2.9% between 2015 and 2021.
- However, the economic growth rate has been somewhat volatile, with fluctuations attributed to factors such as global commodity prices, security challenges, and policy changes.

Inflation Rate:

- Kano State generally follows the national inflation trend, which has been relatively high in recent years.
- Nigeria's annual inflation rate rose to 29.90 per cent in January 2024 from 28.92 per cent in December 2023.
- The high inflation rate can be attributed to several factors, including rising food prices, energy costs, and currency fluctuations.

Key Economic Sectors:

1. Agriculture: This sector remains a significant contributor to Kano State's economy, with crops such as groundnuts, cotton, millet, and sorghum being major products.
2. Manufacturing: Kano State has a thriving manufacturing sector, particularly in textiles, leathers, and food processing.

3. Trade and Commerce: The state's strategic location and rich history as a trade hub have contributed to a vibrant commercial sector, with markets like the renowned Kano Kurmi Market playing a crucial role.
4. Services: The services sector, including banking, telecommunications, and hospitality, has been growing steadily in Kano State, driven by urbanization and economic diversification.

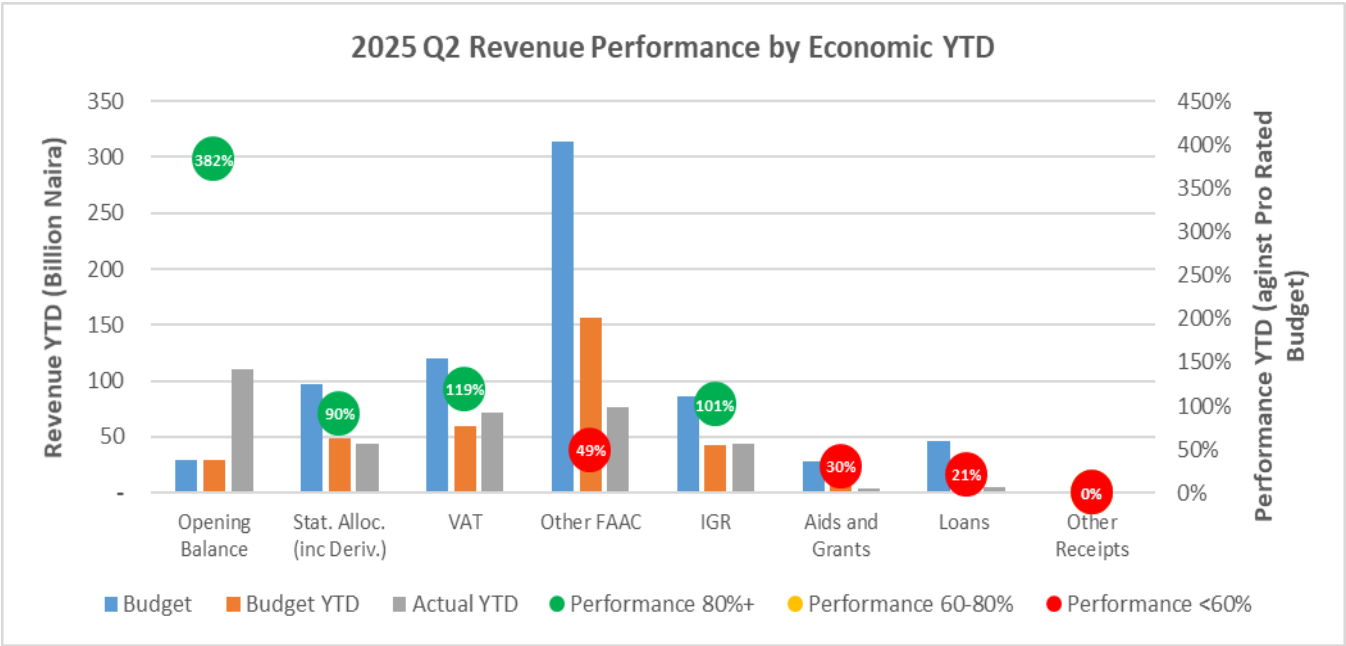
- World Population Clock: 8.1 Billion People (LIVE, 2024) - Worldometer. (2024). Worldometers.info. [https://www.worldometers.info/world-population/#~:text=8.1%20Billion%20\(current\)](https://www.worldometers.info/world-population/#~:text=8.1%20Billion%20(current))
- <https://finance.kn.gov.ng/wp-content/uploads/2021/12/2021-kano-state-dsa-dms-report.pdf>
- [https://www.nigerianstat.gov.ng/pdfuploads/State_Nominal_GDP_2013_%E2%80%93_2017%20\(1\).pdf](https://www.nigerianstat.gov.ng/pdfuploads/State_Nominal_GDP_2013_%E2%80%93_2017%20(1).pdf)

3.B Fiscal Update

The half year performance of 2025 Budget shows that the total actual collection from the Federation Account Allocation Committee (FAAC), Internally Generated Revenue (IGR), and Capital Receipts.

The table below shows the actual revenue collected by the state against Approved one within six month of the year (Half year) which including the one comes from Federal known as FAAC comprising Statutory Value Added Tax and other received. Others including Internally Generated revenue known as IGR, Aids and Grants and treasury opening balance

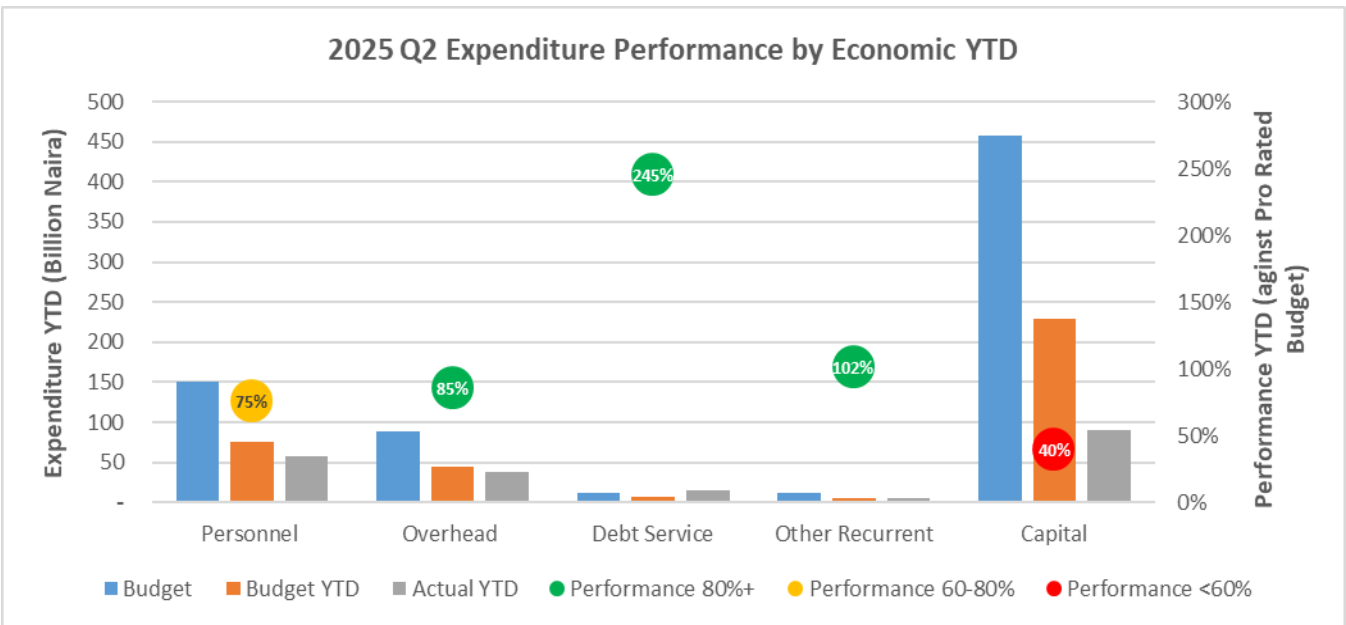
Figure 9



2025 HALF YEAR EXPENDITURE PERFORMANCE

Below table is the expenditure budget component of half year performance compared with approved budget comprising personnel cost, overhead cost and capital expenditure.

Figure 10



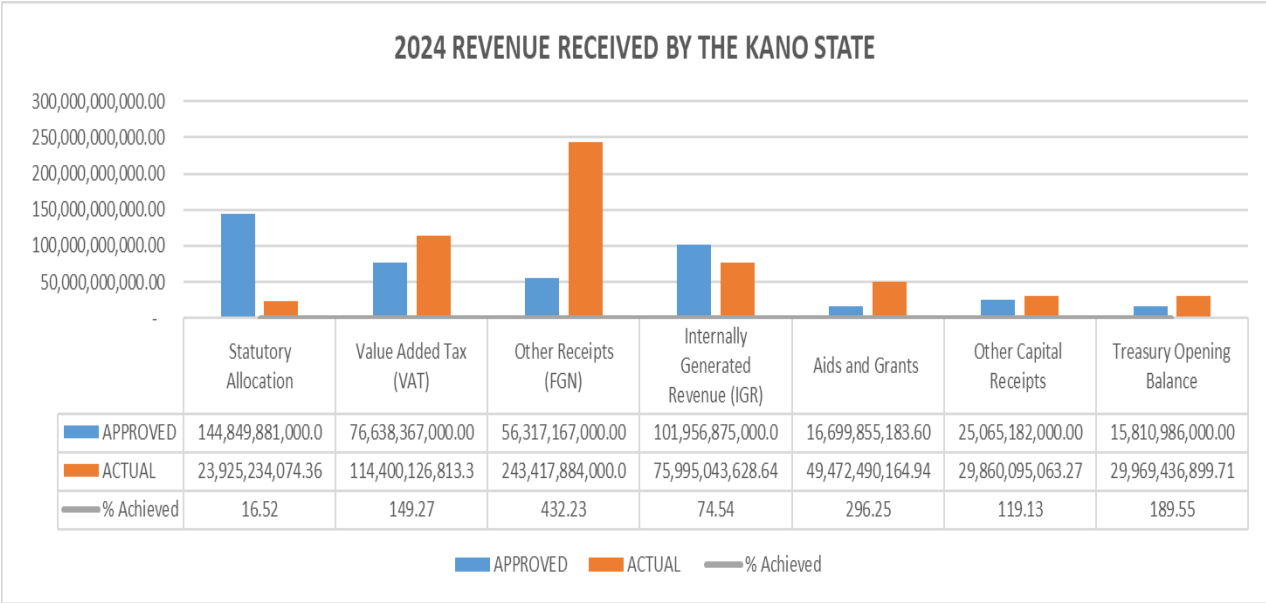
3.B.1 OVERVIEW PERFORMANCE OF THE 2024

The actuals figures used in the Fiscal Update below are based on the 2024 Financial Statement and audited accounts.

Revenue Side:

On the revenue size, the document looks at statutory allocation, VAT, IGR, Excess crude oil and capital receipts budget versus actual for the 2024 Approved budget.

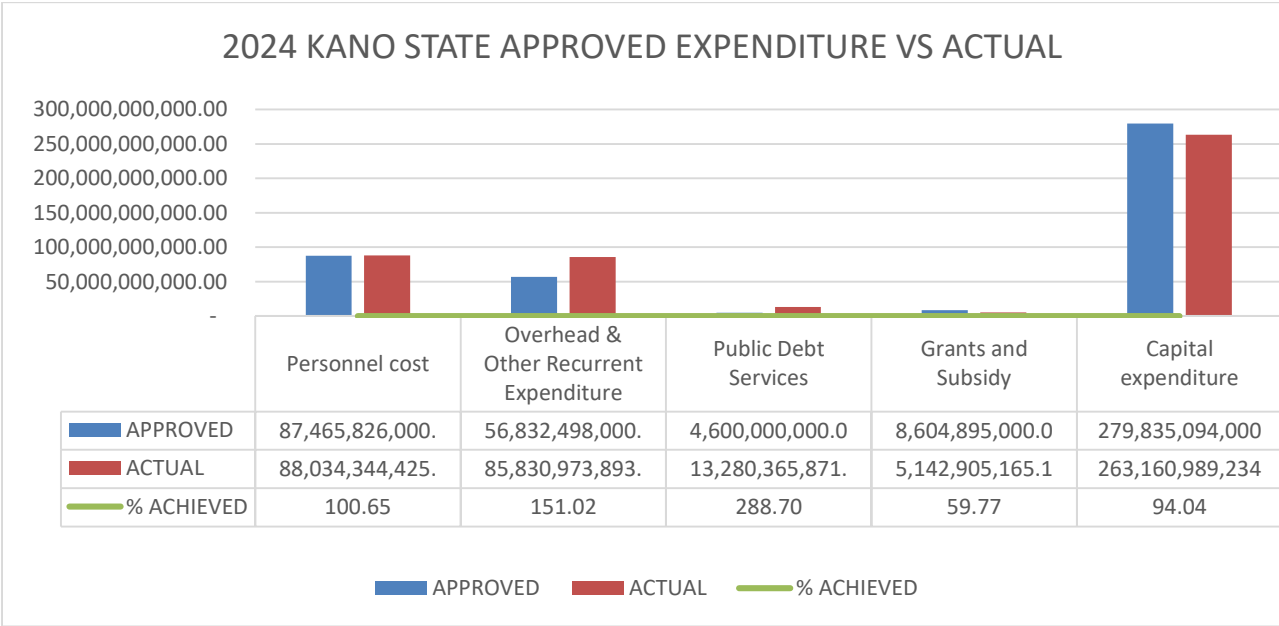
Figure11: Revenue Collection in 2024



Expenditure Side

80. The expenditure size comprising Personnel, Overheads and Capital Expenditure – Original budget versus actual for the 2024 budget using 2024 Audited financial Statement.

Figure 12:



Personnel costs comprise of salaries, allowances and social benefits of civil servants and political appointees of KnSG. 2024. It is expected that personnel expenditure will continue to be on the increase in the future as a result of massive investment in establishing higher educational institutions and completion of other capital projects that will require additional manpower.

Overhead cost comprises running cost of the MDAs, Public Debt Charges, Grants, Contribution and Subsidies. is expenditure of monthly releases to MDAs (including subventions to Parastatals) to cover every day running costs and the cost of maintaining assets.

Capital expenditure is a projects and program which is a high cost in nature and generate assets to the State. e.g. roads, schools, hospitals etc. the State Government continuously provide infrastructural facilities to modernization of health facilities, upgrading of schools' infrastructure and improve the livelihood of the its people. Normally, capital expenditure is higher than recurrent expenditure as it is in figure 3 above.

3.B.2 Debt Position

81. A summary of the consolidated debt position for Kano State Government is provided in the table below.

Table 4: Debt Position as at 31st December 2024

SCHEDULE 9b								
EXTERNAL AND INTERNAL PUBLIC DEBTS								
EXTERNAL DEBTS STOCKS FOR THE YEAR 2024								
SN	CREDITOR	Project	1st January, 2024	Additional Loan	Principal	Interest	Total Debt Services	31st December, 2024
			N'000	N'000	N'000	N'000	N'000	N'000
1	IDA	National Urban Water Sector Reform III	4,784,664		-	29,007	29,007	4,784,664
2	IDA	National Urban Water Sector Reform III (2)	15,948,879		-	305,771	305,771	15,948,879
11	IDA	Rural Access Agricultural Marketing Project	6,356,913		774,805	30,868	805,674	5,582,108
3	IDA	Multi-States Road Project	6,197,610		1,023,462	42,756	1,066,218	5,174,147
4	IDA	Malaria Control Booster Project	5,940,483		429,638	153,722	583,360	5,510,845
5	IDA	State Education Sector Project	31,728,312		307,205	152,362	459,568	31,421,107
6	IDA	Third National Fadama Development	7,193,564		147,923	37,007	184,931	7,045,640
7	IDA	Health System Development project 11 (Add)	2,443,918		361,799	85,895	447,694	2,082,119
8	IDA	Commercial Agricultural Development	21,288,819		504,371	110,176	614,547	20,784,449
9	IDA	Malaria Control Booster Project (Add. Financing)	4,548,023		351,538	35,722	387,261	4,196,485
10	IDA	National Erosion and Watershed Management Project	4,214,002		237,726	21,855	259,581	3,976,276
12	IDA	Agro Processing Productivity Enhancement & Livelihood Supp	53,737,099		1,832,429	664,364	2,496,793	51,904,670
13	IDA	Kano State- Accelerated Nutrition Results -IDA	-	29,860,095.06	784,885	3,205	788,090	29,075,210
		Sub Total	164,382,287	29,860,095	6,755,782	1,672,712	8,428,494	187,486,600

INTERNAL DEBTS STOCKS FOR THE YEAR 2024

S/N	Creditors	Project	1st January, 2024	Additional Loan	Principal	Interest	Total Debt Services	31st December, 2024
			N'000	N'000	N'000	N'000	N'000	N'000
1	FGN	Budget Support	16,249,201	-	16,249,201	-	16,249,201	-
2	FGN	Salary Bail-out	13,500,000	-	13,500,000	-	13,500,000	-
3	FGN	Excess Crude Oil Account (ECA)	6,833,333	-	6,833,333	-	6,833,333	-
11	FGN	Bridging Financing Facility Intervention (2022)	18,225,336	-	18,225,336	-	18,225,336	-
4	FGN	Small and Medium Enterprise Development Fund (SMEDF)	1,526,580	-	1,498,325	-	1,498,325	28,255
5	FGN	Power and Aviation Intervention fund (PAIF)	2,342,499	-	1,149,128	244,174	1,393,302	1,193,371
7	FGN	State Bond (Contractual Obligation)	13,414,626	-	2,010,279	1,501,103	3,511,382	11,404,347
8	FGN	Commercial Bank Loan	16,109,990	-	1,580,964	1,451,474	3,032,438	14,529,026
9	FGN	FGN Intervention Fund (Bridging Facility)	1,232,534	-	547,383.97	52,616.03	600,000	685,150
10	FGN	Ancore Borrowers	1,010,940	-	984,940		984,940	26,000
		Sub Total	90,445,040	-	62,578,890	3,249,367	65,828,257	27,866,149
		Grand Total	254,827,327	29,860,095	69,334,673	4,922,078	74,256,751	215,352,749
		Short Term Public Debt (Borrowing)			-			
		Internal Public Debt (Borrowing)						10,035,447
		External Public Debt (Borrowing)						8,428,494
		Sub Total Current Debts						18,463,941
		Long Term Public Debt (Borrowing)						
		Internal Public Debt (Borrowing)						17,830,702
		External Public Debt (Borrowing)						179,058,106
		Sub Total Non-Current Debts						196,888,808
		Grand Total						215,352,749
		FAAC File deduction stood at over 16.9B while DMO reports indicate 18.5B leaving an approximate difference of 1.6B which is been disclosed as contingent assets subject to reconciliation between the State PDMO and DMO office Abuja						

3 Fiscal Strategy Paper

3.A Macroeconomic Framework figures provide underlying macro-economic framework for the Kano State Medium Term Fiscal Framework. The table below shows the National Macroeconomic indicators forecast which are also applicable to Kano State.

The Macroeconomic framework reflects mineral sector benchmarks (production, price and NGN: USD exchange rate) that are in line with the latest actuals. Real GDP growth and Inflation (CPI) are mineral sector performance, while the national real GDP and inflation figures are consistent with the IMF World Economic Outlook.

Indicative Three Year Fiscal Framework

The indicative three-year fiscal framework for the period 2025 -2027 is presented in the table below.

Table 9: Kano State Medium Term Fiscal Framework

Table 5:

[Return to Main Menu](#)
Kano State Macroeconomic and Mineral Framework 2026 - 2028

Item	2026	2027	2028
National Inflation (CPI)	23.00%	17.00%	15.00%
National Real GDP Growth	3.20%	3.30%	3.30%
State Inflation (CPI)			
State Real GDP Growth			
State GDP Nominal	-		
Oil Price Actual			
Oil Price Benchmark	\$55.00	\$55.00	\$55.00
Oil Production Benchmark (MBPD)	1.7000	1.7500	1.8000
NGN:USD Exchange Rate	1500	1500	1500
Other Assumptions			
PMS Under Recovery	10,000,000,000,000	10,000,000,000,000	10,000,000,000,000
Mineral Ratio (Before Subsidy)	20%	22%	24%

Kano State Fiscal Framework 2026 - 2028

Item	2026 Forecast	2027 Forecast	2028 Forecast
Opening Balance	30,000,000,000	20,000,000,000	18,000,000,000

Recurrent Revenue			
Statutory Allocation	146,930,680,000	189,836,482,590	235,385,883,482
Derivation			
VAT	182,408,666,000	219,170,740,237	258,967,189,307
IGR	131,798,211,000	139,706,103,024	148,088,469,205
Other Federation Account Revenues	80,000,000,000	20,151,000,000	20,151,000,000
Other Recurrent Revenues (Recurrent Grants)	19,800,000,000	17,600,000,000	17,600,000,000
Total Recurrent Revenue	560,937,557,000	586,464,325,851	680,192,541,994

Recurrent Expenditure

Personnel (Salaries, Allowances and Contributions)	154,000,000,000	160,000,000,000	160,000,000,000
Social Benefits	11,000,000,000	11,588,306,326	11,820,072,452
Overheads	116,000,000,000	116,000,000,000	116,000,000,000
Grants, Contributions and Subsidies	20,000,000,000	20,000,000,000	20,000,000,000
Public Debt Service	20,000,000,000	15,000,000,000	10,000,000,000
Total	321,000,000,000	322,588,306,326	317,820,072,452

Transfer to Capital Account

	269,937,557,000	283,876,019,525	380,372,469,541
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Capital Receipts

Capital Grants	58,078,650,000	48,184,875,665	48,084,875,665
Other Capital Receipts	0	0	0
Total	58,078,650,000	48,184,875,665	48,084,875,665

Reserves

Contingency Reserve	5,909,375,561	6,064,643,259	6,981,925,420
Planning Reserve	3,671,426,933	3,786,574,889	4,760,539,390
Climate Response Reserve	6,342,853,866	7,573,149,779	9,521,078,779
Total Reserves	16,923,656,360	17,424,367,927	21,263,543,589
Capital Expenditure	403,285,301,000	392,592,845,682	487,072,013,537
Discretionary Funds	346,042,615,000	342,598,486,746	434,255,761,101
Non-Discretionary Funds	57,242,686,000	38,634,634,268	38,534,634,268

Financing (Loans)

	75,269,094,000	66,596,593,751	65,596,593,751
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Total Revenue (Including Opening Balance)	724,285,301,000	721,245,795,267	811,874,011,410
Total Expenditure (including Reserves)	724,285,301,000	721,245,795,267	811,874,011,410
Closing Balance			

exchange rate and the oil production Benchmark for the 3 years. Once they are actualised coupled with the subsidy removal, the State can receive the forecasted figures for cash allocation. It is based on historical mineral revenue flows and Own-percentage forecast was used.

VAT – simple based on the past year (2024) and current based on the new Tax law which is effectively from January, 2026. This forecast should be revisited if there are any changes to the VAT rates.

Other Federation Account receipts – the estimation is based on the historical trend and other measures. The State is developing its mineral sector and is expected to receive more funds from derivation and other sources of funds.

Internally Generated Revenue (IGR) – the current administration is improving on the ongoing measures to grow IGR. The current year is increasing by 75% which in the half year is 50%. Own Percentage is therefore used to forecast IGR for 2026 – 2028 due to the new Tax law which is effectively from January, 2026.

Grants – The internal grants are based on the actual receipts for 2024 and performance from January - June 2025. External grants are based on signed grant agreements with the development partners.

Financing – Kano State intends to secure loan/borrowing in 2026. All internal and external loans are projections based on signed agreements.

Social Contribution and Social Benefits – A substantial amount is being owed as pension and gratuity payment. It is appropriate to make adequate provision for these items and other social commitments. Hence, the own value, representing computation for outstanding commitments as well as estimation for next medium term is used.

Overheads – Overhead has been relatively retained as it is in 2025. It is anticipated that it will be anticipating that the inflation rate in 2026 will be static. Consequently, own percentage method is used to forecast overhead for 2026 – 2026.

Special programme is expected to increase marginally on the actual performance level of 2025 and New emerging of New Agencies. This trend is expected in the period of forecast and have been incorporated in the basis of the forecast for 2026 – 2028.

Public Debt Service - is based on the projected principal and interest repayments for 2025 - 2027.

Contingency and Planning Reserves – This is the reserve set aside for the unforeseen that might occur. Contingency is estimated at 3.61% of the entire Budget size or 6.37% of the Capital expenditure size.

Capital Expenditure – is based on the Recurrent Budget Surplus plus capital receipts (Aids, Grants and Loan) less contingency reserve.

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3. D Fiscal Risks

The analysis and forecasting basis as laid out an implies some fiscal risks, including but not limited to.

Table 6: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Security situation countrywide could affect economic activity and oil production, resulting in risk to VAT and Statutory Allocation	Medium	High	The estimates for VAT and statutory allocation are not overly ambitious. In addition, clear prioritisation of projects in the capital budget is required. Increase IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.). Proactive engagement of relevant stakeholders to reduce negative effects of insecurity.
Likely fall in the oil price below the benchmark due to abrupt end of Russia - Ukraine war that result in unmet Statutory Allocation Projection.	Medium	High	The estimate for statutory should be less ambitious to guard against effects of global oil price fall. The State should reduce reliance on oil seek alternative sources funding budget.
Risk to price hike of selected Agricultural commodities such as wheat that Russia and Ukraine are responsible for 30% of global production.	Low	Medium	The State should encourage production of the commodities by providing required incentive for farmers to produce them.
Risks associated with debt financing	Low	Medium	Minimize borrowing and ensure that it is within the threshold set in the Debt Management Framework.
Mismanagement and inefficient use of financial resources	Medium	High	Strict adherence to existing and new institutional and legal/regulatory framework that will require more transparent and efficient use of financial resources.
Floods, Fulani herdsmen/ farmers crises and other natural disasters impact on economic activity and hence IGR tax base, causing increased overhead expenditure	Medium	Medium	Increased investment to increase climate resilience (flood control and irrigation), improved security situation, adaptation and awareness

Risk	Likelihood	Impact	Reaction
Prevalence of COVID-19 pandemic and its negative impact on the economy and the livelihood of the populace	Medium	Medium	In the short term, it is important to sensitize the populace on measures of containment of the pandemic and seek to progressively diversify the economy in order to reduce dependence on the federation Account.
Risks arising from Change in Government Policy which could result to shifts in expenditure priorities	Low	Low	The State should strictly adhere to the fiscal framework for effective implementation of government priority programmes and projects.
Security situation countrywide could affect economic activity and oil production, resulting in risk to VAT and Statutory Allocation	Medium	High	The estimates for VAT and statutory allocation are not overly ambitious. In addition, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.). Proactive engagement of relevant stakeholders to reduce negative effects of insecurity.
Risks associated with debt financing	Low	Medium	Minimize borrowing and ensure that it is within the threshold set in the Debt Management Framework. The state anticipation of about N23,530,000,000.00 external loan from IDB as well as N15,000,000,000.00 commercial bank loan is a source of fiscal risk, especially if these fail to materialize.
Mismanagement and inefficient use of financial resources	Medium	High	Strict adherence to existing and new institutional and legal/regulatory framework that will require more transparent and efficient use of financial resources.

It should be noted however that no budget is without risk. The ongoing implementation of the 2024 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Policy Statement

The policy statement of the present administration states the following:

Policy Statement

- Improving quality of basic and post basic education through emergency declaration on education
- Improving quality Health Care Delivery Services
- Improving Skills acquisition through empowerment programs
- Sustainable initiatives to address climate change
- Improving Security lives and properties of citizens
- Improved Agriculture and food security
- Provision of portable Water drinking and hygienic
- Fight against corruption and efficient Service delivery

Objectives and Targets

- Prudential Financial spending of state funds;
- Transition towards a 55:45 ratio of recurrent and capital budget allocation by taking into consideration the requirement to fund asset servicing and maintenance;
- Adequate funding and contingency for security;
- reducing recurrent costs and making more money available for capital development projects;
- Collaborations with development partners, local and international, Nongovernmental Organisations (NGOs), Civil Society Organization (CSOs) and Public-Private Partnerships (PPP), Community Leaders and
- Investing on the gains made in the Governance Reform in the state.

KANO STATE GOVERNMENT									
2026 SECTOR ALLOCATION									
No	Sector	%	Personnel Cost	%	Overhead	%	2026 Capital	%	Grand Total
1	AGRICULTURE	2.63	4,332,843,000.00	2.00	3,120,000,000.00	7.15	28,828,155,000.00	5.01	36,280,998,000.00
2	GOVERNANCE INSTITUTIONS	10.41	17,177,747,000.00	31.00	48,360,000,000.00	6.61	26,649,585,000.00	12.73	92,187,332,000.00
3	MANUFACTURING, INDUSTRIES, COMMERCE & TOURISM	0.69	1,145,704,000.00	1.50	2,340,000,000.00	0.52	2,102,447,000.00	0.77	5,588,151,000.00
4	ENVIRONMENT & SANITATION	0.99	1,638,415,000.00	3.32	5,184,228,000.00	3.00	12,098,559,000.00	2.61	18,921,202,000.00
5	EDUCATION	44.91	74,095,440,000.00	21.00	23,362,429,000.00	30.00	120,985,589,000.00	30.16	218,443,458,000.00
6	HEALTH	22.34	36,864,035,000.00	11.00	17,160,000,000.00	18.63	75,124,205,000.00	17.83	129,148,240,000.00
7	INFRASTRUCTURE	1.27	2,093,749,000.00	3.00	7,414,188,000.00	19.63	79,157,060,000.00	12.24	88,664,997,000.00
8	WATER	1.02	3,687,916,000.00	3.00	10,680,000,000.00	7.00	28,229,971,000.00	5.88	42,597,887,000.00
9	TRANSPORT	1.79	2,955,625,000.00	2.00	3,120,000,000.00	2.00	8,065,706,000.00	1.95	14,141,331,000.00
10	WOMEN, YOUTH & PEOPLE WITH SPECIAL NEEDS	0.83	1,368,055,000.00	2.13	3,226,306,000.00	1.50	6,049,280,000.00	1.47	10,643,641,000.00
11	SECURITY, JUSTICE & EMERGENCY	6.45	8,640,471,000.00	3.87	6,032,849,000.00	1.52	6,147,664,000.00	2.87	20,820,984,000.00
12	Social Benefits	6.67	11,000,000,000.00		-	-	-	1.52	11,000,000,000.00
13	Public Debt Services	-	-	12.82	20,000,000,000.00	-	-	2.76	20,000,000,000.00
14	Contingency Reserve	-	-	3.79	6,000,000,000.00	-	-	0.83	6,000,000,000.00
15	Planning Reserve	-	-		-	0.87	3,504,224,000.00	0.48	3,504,224,000.00
16	Climate Response Reserve	-			-	1.57	6,342,854,000.00	0.88	6,342,854,000.00
TOTAL		100	165,000,000,000.00	100.43	156,000,000,000.00	100	403,285,301,000.00	100.00	724,285,301,000.00

3.C KEY CONSIDERATIONS IN THE ANNUAL BUDGET PROCESS.

The following issues should be taken into consideration:

- Need to re-organise the sectors to reflect at least the issues identified by each sector.
- Main streaming community participation in programme design, implementation and reporting;
- Need to strengthen bilateral discussions between MoPB and MDA's for effectiveness and efficiency in budget execution.
- Revive and strengthen the State Economic Management Team and sector planning Team
- Ensure donor expenditure is captured in MDA budget submissions and reporting; Improved budget performance reporting and M&E systems;

2. Key Recommendations

- This document, is an executive summary, once completed, should be presented to ExCo for approval and to the appropriation committee SHoA for consideration;
- There is need for harmonisation/standardisation of data between the institutions responsible for PFM;
- Advocacy activities need to be undertaken with Exco and SHoA of the importance of this document, and should be used as the basis for the 2026 annual budget.
- KnSG has budgeted capital expenditure ratios as high as 57% and recurrent expenditure ratio of 43% including Consolidated revenue fund charges (CRF)
- For sectors that have existing MTSSs, allocations should reflect the requirements of the sector. For sectors that do not yet have MTSSs, MoPB should support the preparation of MTSSs;
- The state intensifies efforts to boost IGR in order to fund additional capital expenditure and reduce reliance on federal transfers;
- The state should continue in its transition to IPSAS Accrual reporting standards and development of Unified Chart of Accounts (NCoA) consistent with national standards.
- Management and coordination of the reform needs to be strengthened;
- KnSG reporting system to be strengthened with all relevant stakeholders for better understanding.
- KnSG adheres to the Budget Calendar as laid out in Section 1 in order to finalize and pass the 2026 Budget by 31st December 2025.