



KANO STATE GOVERNMENT

2025

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

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Chapter 1: Introduction

Kano State Debt Sustainability Analysis-Debt Management Strategy (DSA-DMS), 2025 covers the period of 5-year historical history from 2020 to 2024 and 10-year projection 2025-2034, under various macroeconomic assumptions and shock scenarios. To ensure that State debt stock remains sustainable in the medium to long-term, the State's macroeconomic framework is used to assess the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

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

Global growth is projected at 3.0 percent for 2025 and 3.1 percent in 2026. The forecast for 2025 is 0.2 percentage points higher than that in the reference forecast of the April 2025 World Economic Outlook (WEO) and 0.1 percentage points higher for 2026. This reflects stronger-than-expected front-loading in anticipation of higher tariffs; lower average effective US tariff rates than announced in April; an improvement in financial conditions, including due to a weaker US dollar; and fiscal expansion in some major jurisdictions. Global headline inflation is expected to fall to 4.2 percent in 2025 and 3.6 percent in 2026, a path similar to the one projected in April. The overall picture hides notable cross-country differences, with forecasts predicting inflation will remain above target in the United States and be more subdued in other large economies.

Risks to the outlook are tilted to the downside, as they were in April 2025 WEO. A rebound in effective tariff rates could lead to weaker growth. Elevated uncertainty could start

weighing more heavily on activity, also as deadlines for additional tariffs expire without progress on substantial, permanent agreements. Geopolitical tensions could disrupt global supply chains and push commodity prices up. Larger fiscal deficits or increased risk aversion could raise long-term interest rates and tighten global financial conditions. Combined with fragmentation concerns, this could reignite volatility in financial markets. On the upside, global growth could be lifted if trade negotiations lead to a predictable framework and to a decline in tariffs. Policies need to bring confidence, predictability, and sustainability by calming tensions, preserving price and financial stability, restoring fiscal buffers, and implementing much-needed structural reforms.

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

Economic growth is expected to be sluggish and marginal in 2025 due to low productivity in critical sectors and low levels of investments. The services sector will remain the main driver of economic growth but will be incapable of generating significant jobs in 2025. The oil sector will continue to rebound and also drive output in 2025. The full impact of various reform programs like fiscal and tax reforms and exchange rate management reforms is expected to be evident. Similarly, investments in critical sectors such as agriculture should increase. The commencement of the Dangote refinery will support logistics and productivity in the economy, while export receipts from refined petroleum products will support foreign exchange inflows, thereby strengthening the naira

Inflation is expected to remain high in 2025, albeit at a moderately lower rate compared to 2024. The inflation rate is projected to average 31.81% in a bull case scenario, 34.52% in a base case scenario, and 37.16% in a bear case scenario. The sustained inflationary pressure will be driven by recurring challenges such as currency depreciation, food inflation due to insecurity and climate change impacts (such as flooding), high energy costs, and elevated logistics costs.

The exchange rate is projected to remain highly volatile in 2025. driven by internal and external economic conditions and geopolitical dynamics. Nigeria's heavy reliance on imports and the underdevelopment of key real economy sectors, such as agriculture and manufacturing, have played an underlying role in shaping the exchange rate trend

Nigeria's continued reliance on oil and gas export earnings remains a vital issue for the economy's stability and strength. A more diversified, robust, and dynamic economy and fiscal regime must be developed and harnessed to address the country's multifold challenges, including insecurity. multidimensional poverty, and unemployment. At the core of any diversification strategy is the need to promote a realistic and stable relationship between the government and the private sector. On its part, the government should be focused on creating the ideal environment for businesses and investors to thrive. This includes enacting policies that balance protecting the public and encouraging entrepreneurial risk. It also includes promoting a transparent, efficient, and customer-centric environment among government bodies and regulatory agencies.

On monetary policy, the Central Bank of Nigeria needs to reassess its approach to raising the MPR. The CBN has rapidly increased rates in 2024. However, this has not led to a significant decline in inflation due to the role of supply-side fundamentals. which continues to impact inflation significantly. Thus, there is a need to deploy collaborative, supply-side strategies that promote productivity in key areas such as food and energy.

The continued spate of insecurity poses a serious threat to realizing Nigeria's 2025 ambitions and subsequent growth plans. The inability to tackle Nigeria's multifold security challenges could threaten productivity in the energy sector, the nation's ability to attract investment inflows, and growth activities in the non-oil sector. All tiers of government

must take necessary steps to mitigate the growing impact of the trend on the economy and sociopolitical stability.

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

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

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

Chapter 2: The State Fiscal and Debt Framework

Kano Government is making strenuous efforts to win the confidence of foreign investors to invest in the State, most especially in the mining, agriculture, providing an enabling environment for SMEs to grow and pave way for industrial development of the State. The Government also rolled out a social intervention programme to provide support to the poor and the unemployed; reconstructed and equipped skills acquisition Centre to provide training for women and youth towards self-reliance; and building the critical infrastructure needed to speed up the development of the State. In line with the provision of the overarching State development policy document.

The Government has put in place a harmonized revenue law to expand the tax net and boost internally generated revenue. The increase in IGR is expected to positively impact on the financial obligation of the State as well as the economic development of the State. The State plans to augment the State budget through borrowings from domestic loans and external loans.

2.1 Medium-Term Budget Forecast

The Economic and Fiscal Update (EFU) provides economic and fiscal analysis which forms the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Kano State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. On the other hand, Fiscal Strategy Paper (FSP) is a key element in Medium Term Budget Framework (MTBF) and annual budget process, and as such, it determines the resources available to fund Government projects and programmes from a fiscally sustainable perspective.

Kano State Government decided to adopt the preparation of the MTEF for the first time in 2013 as part of the movement toward a comprehensive Public Financial Management process. This is the Tenth (10) rolling iteration of the document and covers the period 2025-2027. The implication for the 2025-2027 forecast is that if more capital receipts are not obtained and the IGR increases, the same scenario may still be recorded since the State IGR cannot fund recurrent expenditure, but the debt stock continues to be remained sustainable over the period.

Objectives

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

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

In accordance with international best practice in budgeting, the production of a Medium-Term Expenditure Framework (MTEF) is the first step in the budget preparation cycle for Kano State Government (KnSG) for the period 2025 - 2027. The purpose of this document is three-fold:

- a. to provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update.
- b. to set out medium term fiscal objectives and targets, including tax policy, revenue mobilization, level of public expenditure, deficit financing and public debt - Fiscal Strategy Paper and MTFF.
- c. Provide indicative sector envelopes for the period 2025 which constitutes the MTBF.

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

- a. Overview of Global, National and State Economic Performance.

- b. Overview of the Petroleum Sector.
- c. Trends in budget performance over the last six years.

The MTEF is a key element in the KNSG Medium Term Expenditure Framework (MTEF) process and annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

Institutional Framework for PFM in Kano state

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

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

This budget document derives its source from four streams namely:

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

The commitment in the budget is actualized through the issuance of Warrants to State Accountant-General (AG) initiated by MoPB, certified by Ministry of Justice and approved by the Executive Governor to carry out the mandate. The Warrant itself could be General

or provisional. This instrument authorizes the AG to commence spending of public Funds within the stipulation of the approved legislative Budget of the year.

All MDAs serve as springboard for the implementation of the Budget provisions. In compliance with the Financial Instructions, relevant circulars and provisions, as well as other relative directives that from time to time are ushered in by the State Executive Council.

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

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

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

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

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

planning and budgeting, as well as ensuring budget execution through more predictable cash releases to the affected projects.

Fiscal policies strongly recommend that the existing debt and new borrowing should be kept below the established threshold in line with the Fiscal Responsibility Act, 2007. The Fiscal Strategy Paper prioritized projects and programmes in a sustainable manner and consistent with its development policy objective of the Government.

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

Kano State Medium Term Expenditure Framework (MTEF), 2025-2027

Items	2025	2026	2027
Nominal GDP Growth (N'billion)	338,038.80	397,487.90	457,923.00
National Real GDP Growth	4.60%	4.40%	5.50%
Oil Price Benchmark (US\$ per barrel)	75.00	76.20	75.30
Budget Oil Production Volume (mbpd)	2.06	2.1	2.35
Average Exchange Rate (N/US\$)	1,400	1,400	1,400
National Inflation	15.75%	14.21%	10.04%
Revenue			
Gross Statutory Allocation	32,843.86	45,140.67	51,002.07
Other FAAC transfers	311,661.12	319,706.68	329,137.88
VAT Allocation	157,045.12	162,519.27	173,681.28
IGR	85,863.78	109,093.86	119,230.84
Grants	27,848.37	37,124.92	38,035.21
Sales of Govt Assets and Privatization Proceeds	45869.36681	49869.36681	52869.36681
Total Revenue	661,131.61	723,454.77	763,956.65
Expenditure			
Personnel costs	96,238.85	100,126.70	112,787.58
Overhead costs	124,757.50	126,677.65	138,597.79
Other Recurrent Expenditure*	55,056.53	83,749.33	102,002.96
Capital Expenditure	457,084.76	490,198.24	502,535.61
Total Expenditure	733,137.64	800,751.92	855,923.94
New Borrowing	72,006.03	77,297.16	91,967.30
Domestic Borrowing	60,000.00	50,000.00	65,928.11
External Borrowing	12,006.03	27,297.16	26,039.19

*Other Recurrent Expenditure comprises Debt Charges and other recurrent Expenditure

Assumption of the MTEF, 2025-2027

- a. Statutory Allocations - The assumption is based on an elastic forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- b. VAT – The estimation is based on elasticity forecast using the combined change in GDP and inflation rate. As the Nigeria VAT was projected using estimated aggregate nominal consumption, taking into account variable items and collection efficiency. Consumption expenditure on which VAT is charged is assumed to increase from an average of N97.32 trillion in 2025, to N104.18 trillion in 2026 and N119.42 trillion in 2027, after adjusting for exemptions, zero rated items and companies whose turnover fall below the N25 million threshold. Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of reform measures. The VAT projections over the medium term are based on holding the rate at 7.5%. Raising the VAT rate however remains a policy option for government to keep in view over the medium term.
- c. Other Federation Account Distributions – The assumption is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- d. Internally Generated Revenue (IGR) the key issue with Kano State IGR was identified. The key areas are assumed to be the case based on 1. Mapping of informal sector resulting in broadened tax base; 2. Passage of MDAs revenue harmonization law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; 3. Restructuring of the Kano Internal Revenue Service resulting for efficiencies, 4. The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; 5. Policy of the present administration to shift tax burden to the wealthy individuals. 6. Introduction of new land use levies and charges; 7.

Review of Kano State Revenue Administration Law 8. Waiver to the taxpayers, respectively. It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching the target level and growing by 5% annually. All subsequent years' collection should be properly monitored regularly to assess whether the target will be achievable.

- e. Grants – The internal grants are mostly based on the expected grant from local donors and programs. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc.
- f. Financing (Net Loans) – the internal and external loans are projections based on agreement ZGS 2025-2027 EFU-FSP-BPS Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027.
- g. Personnel – It is anticipated that the new minimum wage of Seventy Thousand will increase the expenditure of personal cost in the State. As the 2025 FGN personnel cost expenditure is expected to increase significantly to align with the updated National Minimum Wage. Nation Wide the personnel cost for FY2023 was N3.83 trillion. As of July, the figure for FY2024 is N2.67 trillion, 65% of the N4.10 trillion appropriated in the 2024 Budget. For 2025, the personnel cost is projected to increase by about 60% due to adjustments in minimum wage and consequential adjustments, which will directly impact employees' salaries. Also, the employee and employer contributions will be affected as part of the personnel cost.
- h. Overheads – Overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate. The provision for MDA overhead has been low over the years and is treated as a residual item. However, for FY2025, the overhead expenditure of MDAs will be increased to reflect and match the capital expenditure and consider the prices of goods and services.
- i. Capital Expenditure – Capital expenditure by sector – Educational sector has the largest allocation of followed by infrastructure sector then Health sector with the allocation of as well as Governance and water sector. The immediate imperative is to aggressively allocate resources to stimulate inclusive growth, create new jobs, and achieve sustainable development based on the new government policies and critical ongoing projects aligned to the revised Policies. Highlights on Some of the Projects to be Executed in 2024 Fiscal Year.

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

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

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

Kano State Government introduced "***Kano State Revenue (Revenue Administration Law)***" A Law to provide the harmonization, Administration and Collection of revenue due to the State and Local Government Council. The Board of Kano State Internal Revenue Services has been restructured with a view to sanitizing the Revenue system in the State

in respect of Assessment, Collection and Remittance to Revenue Single Account (RSA) for effective service delivery in the State and Related Matters.

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

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

Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2020 - 2024)

Kano State's economy increased 62.03 percent in 2024 to N65,085 million through the state internally generate revenue. The increased signaled economic reforms that improved tax, as well as the implementations other policies that strengthen the state internal revenue that held within the period, such as Kano State Revenues Tax Laws, Personal Income Tax Act, Kano State Local Government Revenue Administration Consolidation Codification Law, Tax and Levies Gazette, as well as Mapping Tax Stations by Local Government.

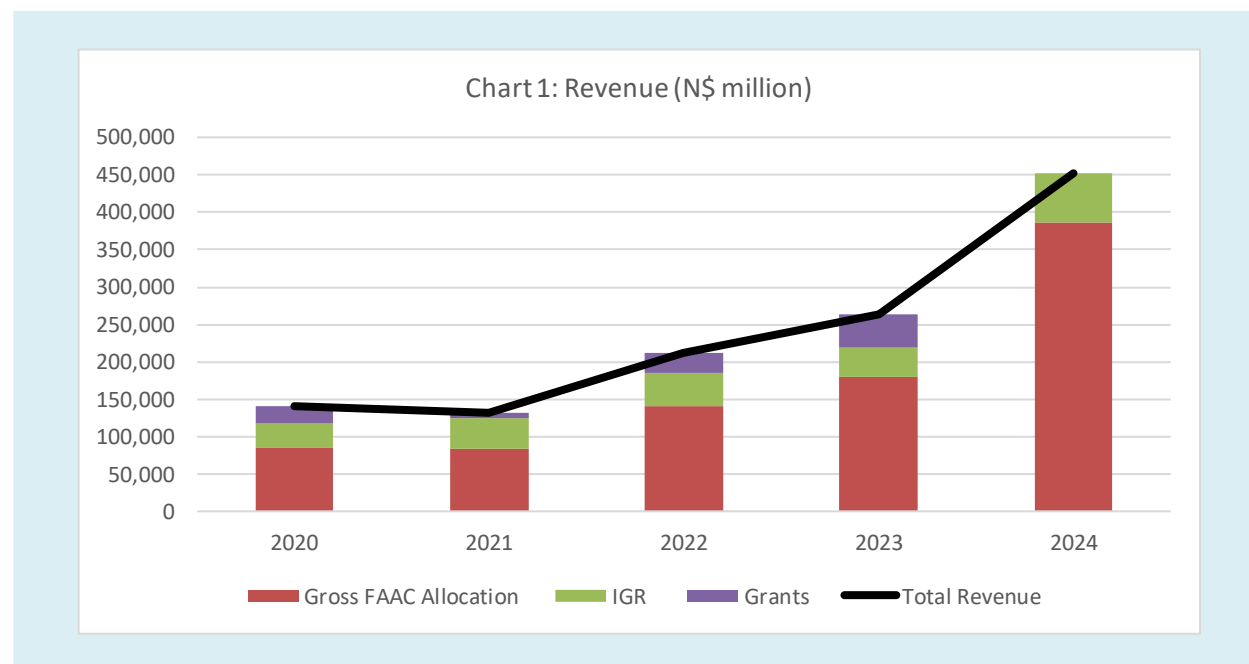
3.1 Revenue and Expenditure

The State's total revenue comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. The State's Revenue recorded N141,735 million in 2020, N211,971 million in 2022, and N452,021 million in 2020 respectively. Kano State recorded FAAC allocation N86,043 million in 2020, N84,666 million in 2021, N141,653 million in 2022, N179,460 million in 2023 and N386,936 million in 2024, the historical trend revealed a growth 349.70 percent or N300,893 million from 2020-2024.

The State IGR increased 102.81 percent or 32,993 million to 2024 from 2020. An increase was due to economic reforms to improve taxes, as well as the implementations other policies that strengthen the state internal revenue that held within the historical period, which comprises N32,092 million in 2020, N40,243 million in 2021, N43,286 million in 2022, N40,169 million in 2023 and N65,085 million, but a declined reflecting in 2023 was as a results of the new reforms adopted by the new administration that introduced e-tax collection and mobile tax office wide across the state. As the increased in 2024 was as a result of economic reforms that improved tax, as well as the implementations other policies that strengthen the state internal revenue that held within the period, such as Kano State Revenues Tax Laws, Personal Income Tax Act, Kano State Local Government Revenue Administration Consolidation Codification Law, Tax and Levies Gazette, as well as Mapping Tax Stations by Local Government. Kano State Recorded a grant were recorded from 2022 to 2023.

Total Revenue, 2020-2024 (NGN' Million)

Revenue	2020	2021	2022	2023	2024
Total Revenue	141,735	132,195	211,971	264,151	452,021
Gross FAAC Allocation	86,043	84,666	141,653	179,460	386,936
IGR	32,092	40,243	43,286	40,169	65,085
Grants	23,600	7,286	27,031	44,522	0



Expenditure- The State's Total expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) recorded an increased 86.40 percent in 2024 to N511,488 million. Chart1 to 3 shows the trend of Revenue, Expenditure and Fiscal Outturns from 2019 - 2023.

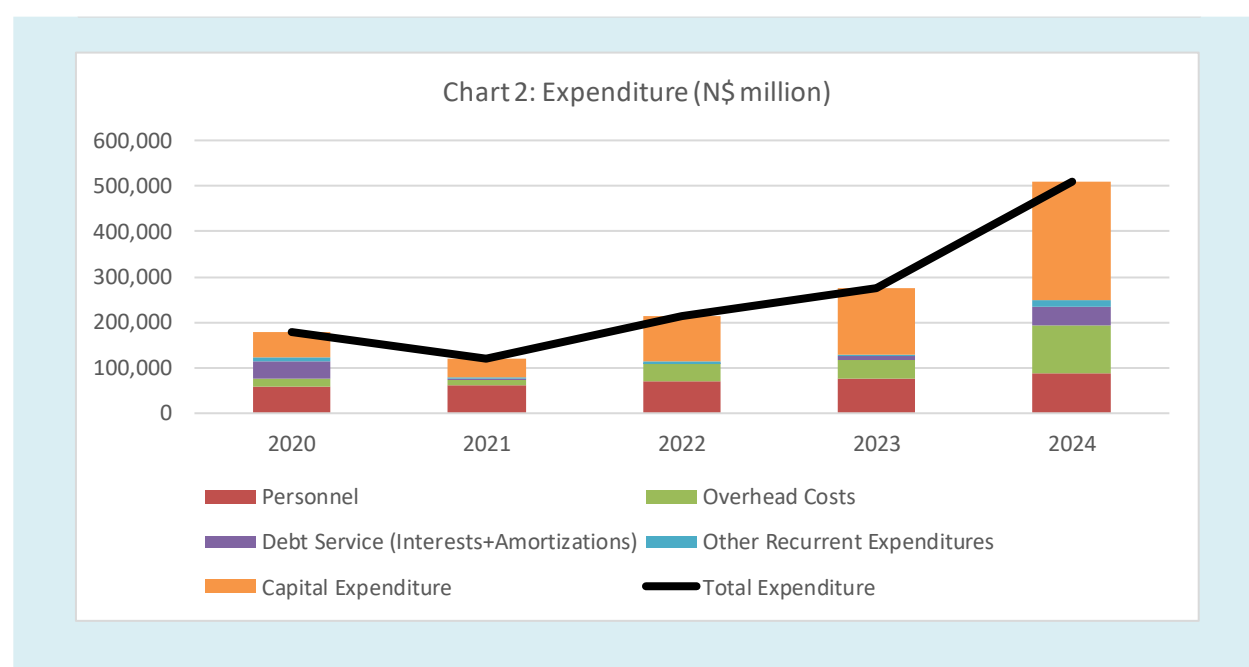
Personnel Cost - Kano State Personnel costs stood at N56,800 billion in 2020, N61,772 million in 2021, N69,029 million in 2022, N74,805 million in 2023 and N88,039 million in 2024, which presented a growth 55.00 percent in 2024. Kano State Overhead costs amounted to N19,200 million in 2020, N38,363 in 2022, and N104,254 million in 2024.

The Total debt service is based on the existing debt stock which comprises the principal and interest repayments for 2020 to 2024. Other Recurrent Expenditure recorded the sum of N8,600 million in 2020, N3,693 million and N13,676 million in 2024 respectively.

Capital Expenditure - Capital Expenditure amounted to N55,100 million in 2020, N41,676 million in 2021, N100,219 million, N146,540 million in 2023 and N263,161 million in 2024 respectively.

Total Expenditure, 2020-2024 (NGN' Million)

Expenditure Performance	2020	2021	2022	2023	2024
Total Expenditure	178,379	119,597	212,060	274,399	511,488
Personnel	56,800	61,772	69,029	74,805	88,039
Overhead Costs	19,200	9,291	38,363	42,837	104,254
Debt Service (Interests + Amortizations)	38,679	3,635	757	6,118	42,359
Other Recurrent Expenditures	8,600	3,223	3,693	4,099	13,676
Capital Expenditure	55,100	41,676	100,219	146,540	263,161



3.2 Existing Public Debt Portfolio

Subnational Debt Management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk. In a broader macroeconomic context for public policy, governments should seek to ensure that both the level and rate of growth in their public debt are on a sustainable path and that the debt can be serviced under a wide range of circumstances, including economic and financial market stress, while meeting cost and risk objectives.

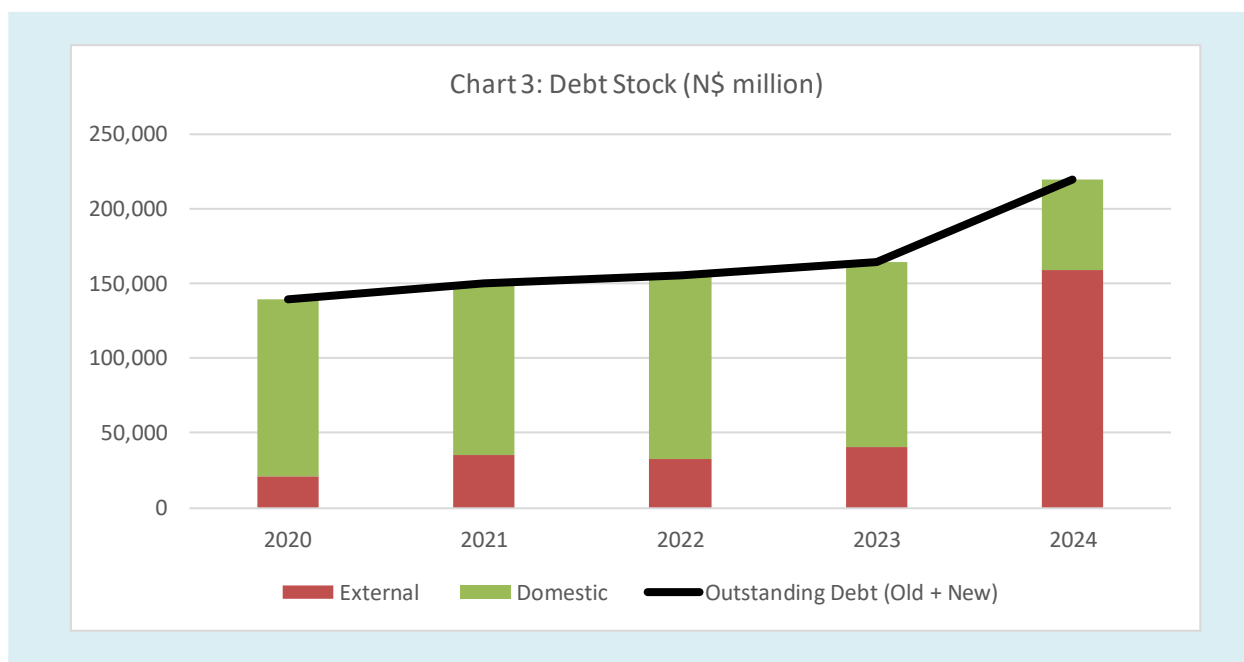
Every government faces policy choices concerning debt management objectives, in particular its preferred risk tolerance, the parts of the government balance sheet that debt managers should be responsible for, the management of contingent liabilities, and the establishment of sound governance for public debt management. Poorly structured debt portfolios, in terms of maturity, currency, or interest rate composition and large contingent liabilities, have been important factors in inducing or propagating economic crises in many countries throughout history.

Sound risk management practices are essential given that a government's debt portfolio is usually the largest financial portfolio in the country and can contain complex and risky financial structures, which have the potential to generate substantial risk to the government's balance sheet and overall financial stability.

3.2.1 Debt Stock - Kano State Debt increased 33.92 percent in 2024 to N219,400 million, the increase reflected in the external debt that ensued as a result of additional loan disbursement through concessional loan. Even though the domestic debt shows a decline as result of maturing the Budget Support Facility, Salary Bailout Facility, and Excess Crude Account Backed Loan, as the State government repaid 87.14 percent of the Infrastructure Loan in 2024.

Total Debt Stock, 2020-2024 (NGN' Million)

Debt Stock	2020	2021	2022	2023	2024
Outstanding Debt (Old + New)	138,862	150,261	155,550	163,829	219,400
External	20,916	35,013	32,817	40,902	158,751
Domestic	117,946	115,247	122,732	122,927	60,650

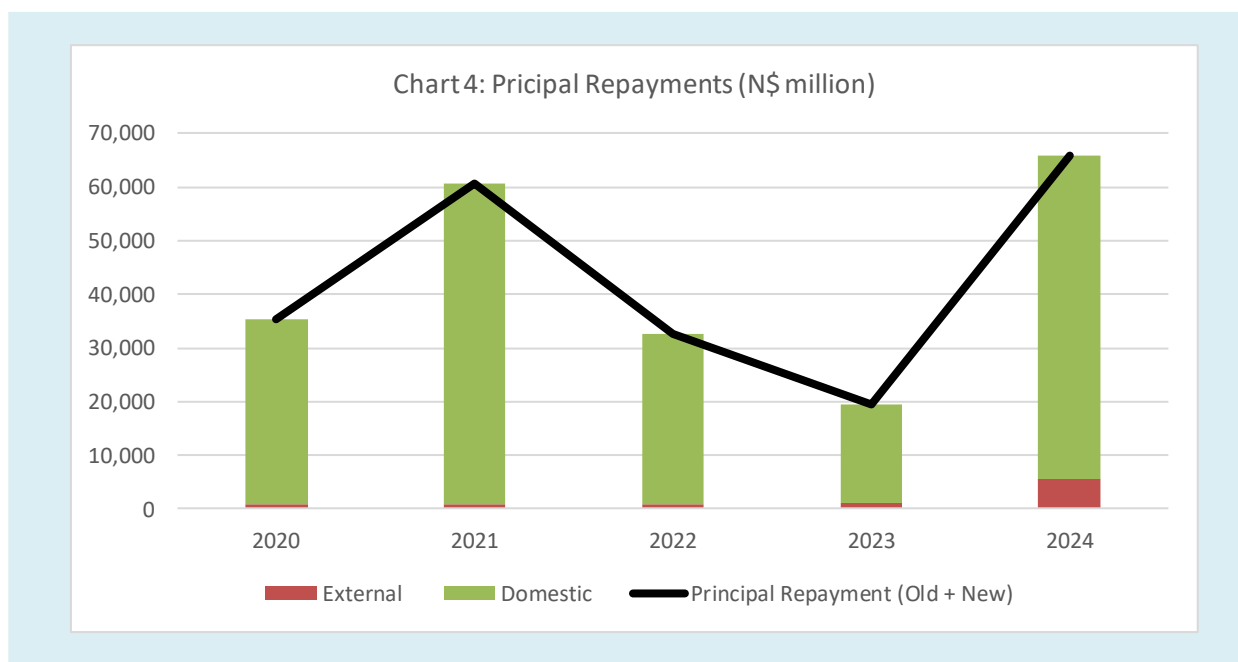


3.2.2 Debt composition - The main domestic debt portfolio consists of Budget Support Facility, Salary Bail-out facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). The composition of external debt to domestic debt portfolio stood at 24.97 percent to 75.03 percent in 2023 compared to 72.36 percent to 27.64 percent in 2024.

3.2.3 Debt Service amounted to Total debt service that comprises the interest payment and principal repayment stood at N38,470 million in 2020, N37,849 million in 2022 and N70,377 million in 2024. The principal repayment stood at N35,345 million in 2020, N32,623 million in 2022, and N65,784 million in 2024, respectively.

Total Principal Repayment, 2020-2024 (NGN' Million)

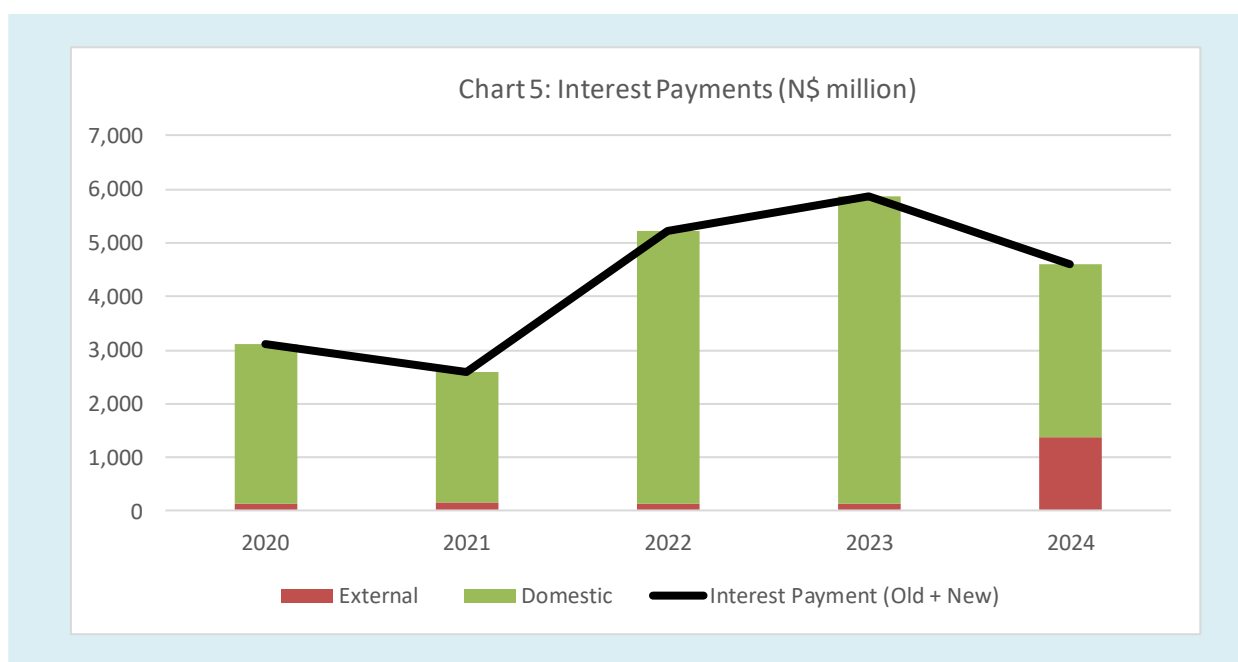
Principal Repayment	2020	2021	2022	2023	2024
Principal Repayment	35,345	60,548	32,623	19,364	65,784
External	734	741	888	1,054	5,645
Domestic	34,612	59,808	31,735	18,309	60,139



Interest repayment stood at N3,125 million in 2020, N5,227 million in 2022, and N4,593 million in 2024 respectively.

Total Interest Payment, 2020-2024 (NGN' Million)

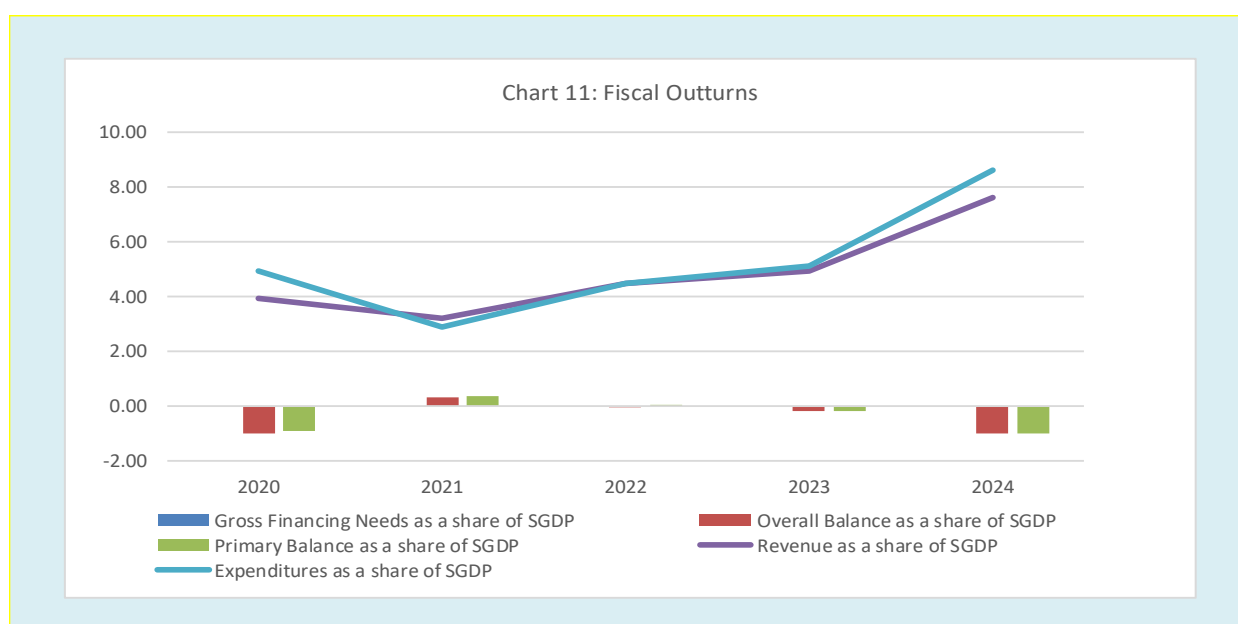
Interest Payment	2020	2021	2022	2023	2024
Interest Payment	3,125	2,584	5,227	5,863	4,593
External	138	154	130	141	1,382
Domestic	2,987	2,430	5,096	5,722	3,211



Overall balance as a share of GDP analysis is a key economic indicator that measures a government's total revenue versus its total expenditure, expressed as a percentage of the country's Gross Domestic Product (GDP), as the positive balance shows a fiscal surplus, indicating the government collected more than it spent in 2021 (0.31) and 2022 (0.00), while a negative balance is a fiscal deficit, showing spending exceeded revenue as indicated in 2020 (-1.02), 2023 (-0.19) and 2024 (-1.00) respective. Gross Financing Needs (GFN) to GDP analysis measure the Kano State's total borrowing requirements as a percentage of its economy, providing insight into its capacity to service debt and manage fiscal sustainability.

The primary balance as a share of SGDP analysis assesses a government's fiscal health which indicated -0.93 percent in 2020, 0.37 percent in 2021, 0.01 percent in 2022, -0.19 percent in 2023, and -1.00 percent in 2024 respectively. As the Revenue as a share of SGDP ratios revealed 3.93 percent in 2020, 4.48 percent in 2022 and 7.61 percent in 2024. Expenditures as a share of SGDP ratios show 4.95 percent in 2020, 4.49 percent in 2022 and 8.62 percent in 2024 respectively.

	2020	2021	2022	2023	2024
Gross Financing Needs as a share of SGDP	0.00	0.00	0.00	0.00	0.00
Overall Balance as a share of SGDP	-1.02	0.31	0.00	-0.19	-1.00
Primary Balance as a share of SGDP	-0.93	0.37	0.01	-0.19	-1.00
Revenue as a share of SGDP	3.93	3.21	4.48	4.93	7.61
Expenditures as a share of SGDP	4.95	2.91	4.49	5.13	8.62



The kano State debt burden indicators reveal the historical trends of debt to GDP, debt to revenue, debt service to revenue and personnel cost to revenue ratios below the thresholds during the period, except the debt service to revenue breath threshold with 7.76 percent in 2021, to 47.76 percent. The details of the debt burden indicators are as shown in the table below and the Charts titled - Kano State Debt burden indicators, 2024-2033 in page 33.

Kano State Debt burden indicators, 2020-2024

Indicators	Thresholds	2020	2021	2022	2023	2024
Debt as % of GDP	25%	3.85	3.65	3.29	3.06	3.70
Debt as % of Revenue	200%	97.97	113.67	73.38	62.02	48.54
Debt Service as % of Revenue	40%	27.14	47.76	17.86	9.55	15.57
Personnel Cost as % of Revenue	60%	40.07	46.73	32.57	28.32	19.48
Debt Service as % of FAAC Allocation	Nil	44.71	74.57	26.72	14.06	18.19
Interest Payment as % of Revenue	Nil	2.20	1.95	2.47	2.22	1.02
External Debt Service as % of Revenue	Nil	0.61	0.68	0.48	0.45	1.55

Note: Nil means not available

Source: Kano State DMD

Debt Sensitivity Analysis

The historical Debt Sensitivity Analysis revealed that the ratios of debt stock as a share of SGDP, debt stock as a share of revenue, personnel cost as a share of revenue are below the thresholds from 2020 to 2024, as the debt service as a share of revenue ratio breached threshold in 2021 respectively, please see a Figure of Debt Sensitivity Analysis in page 35.

Chapter 4: Debt Sustainability Analysis

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

The debt sustainability analysis determines borrowing paths that can be maintained without facing debt-service difficulties or resorting to exceptional financing (i.e., debt rescheduling or accumulation of arrears). DSAs provide a link between debt dynamics and macroeconomic policies and are therefore forward-looking and probabilistic. Whether a country, and specifically its government, will be able to service its debt depends on its existing debt burden as well as its prospective policy stance (particularly the fiscal and exchange rate paths) and expected international developments (which may influence the cost of financing as well as the willingness of investors to roll over existing debts).

When governments face resource constraints, they often resort to borrowing to finance their expenditure plans. When outlays exceed revenues, a government has two basic options: eliminate the deficit by cutting expenditures or raising more revenues, or finance it through new (net) borrowing, which increases the stock of public debt. Governments may borrow by issuing securities, such as government bonds and bills, or through loans from domestic or foreign institutions.

The kano State debt burden indicators reveal the historical trends of debt to GDP, debt to revenue, debt service to revenue and personnel cost to revenue ratios below the thresholds during the period, except the debt service to revenue breath threshold with 7.76 percent in 2021, to 47.76 percent. The details of the debt burden indicators are as shown in the table below.

Table 1: Kano State Debt burden indicators, 2020-2024

Indicators	Thresholds	2020	2021	2022	2023	2024
Debt as % of GDP	25%	3.85	3.65	3.29	3.06	3.70
Debt as % of Revenue	200%	97.97	113.67	73.38	62.02	48.54
Debt Service as % of Revenue	40%	27.14	47.76	17.86	9.55	15.57
Personnel Cost as % of Revenue	60%	40.07	46.73	32.57	28.32	19.48
Debt Service as % of FAAC Allocation	Nil	44.71	74.57	26.72	14.06	18.19
Interest Payment as % of Revenue	Nil	2.20	1.95	2.47	2.22	1.02
External Debt Service as % of Revenue	Nil	0.61	0.68	0.48	0.45	1.55

Note: Nil means not available

Source: Kano State DMD

4.1 Borrowing Options and Borrowing Terms of New Debt

The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. Domestic borrowing is mainly through the commercial banks, Sub-national Bonds, Federal Government Interventions, and other Interventions from Central Bank of Nigeria, which serves as one of the main sources of borrowing with an average ratio of 63.36 percent over the projection period and given the remaining funding envelopes of 36.64 percent from the external windows are mainly from the concessional and bilateral windows.

Borrowing Options

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Domestic Financing (NGN' Million)										
Commercial Bank Loans 1 < 5 years	10,000.0	0.0	0.0	0.0	13,905.5	0.0	22,326.2	0.0	0.0	23,154.7
Commercial Bank Loans - 6 years >	0.0	0.0	15,928.1	17,467.4	0.0	20,501.7	20,000.0	20,173.4	16,114.3	0.0
State Bonds - 1 < 5 years)	0.0	50,000.0	0.0	0.0	0.0	0.0	0.0	60,159.7	0.0	0.0
State Bonds - 6 years >	50,000.0	0.0	50,000.0	60,000.0	25,400.0	0.0	0.0	0.0	46,537.7	78,126.7
Other Domestic Financing	0.0	0.0		0.0	0.0	0.0	16,816.3	0.0	0.0	0.0
External Financing (US\$' Million)										
External Financing - Concessional Loans (e.g., WB, AfDB)	7.5	19.5	0.0	21.1	16.2	34.7	0.0	29.0	0.0	22.5
External Financing -	0.0	0.0	18.6	0.0	0.0	14.4	28.9	0.0	41.2	0.0

Bilateral Loans										
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Borrowing Requirements	72,006.0	77,297.2	91,967.3	106,995.2	61,978.5	89,276.9	99,626.7	120,887.5	120,386.3	132,762.9

Nominal Exchange Rate - the Nominal Exchange Rate is expected to remain stable both in the medium and long term, as a result of the robust foreign exchange policy, which has resulted in deepening the foreign exchange market to accommodate all foreign exchange obligations and stemmed speculative demands. The table below shows the Borrowing Terms of New Debt (issued/contracted from 2025 onwards).

Borrowing Terms of New Debt

Borrowing Terms for New Domestic Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	4	0
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	10	2
State Bonds (maturity 1 to 5 years)	23.00%	5	0
State Bonds (maturity 6 years or longer)	23.00%	10	0
Other Domestic Financing	32.00%	5	1
Borrowing Terms for New External Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.47%	30	7
External Financing - Bilateral Loans	1.15%	20	5
Other External Financing	3.00%	7	5

4.3.1 DSA Simulation Results

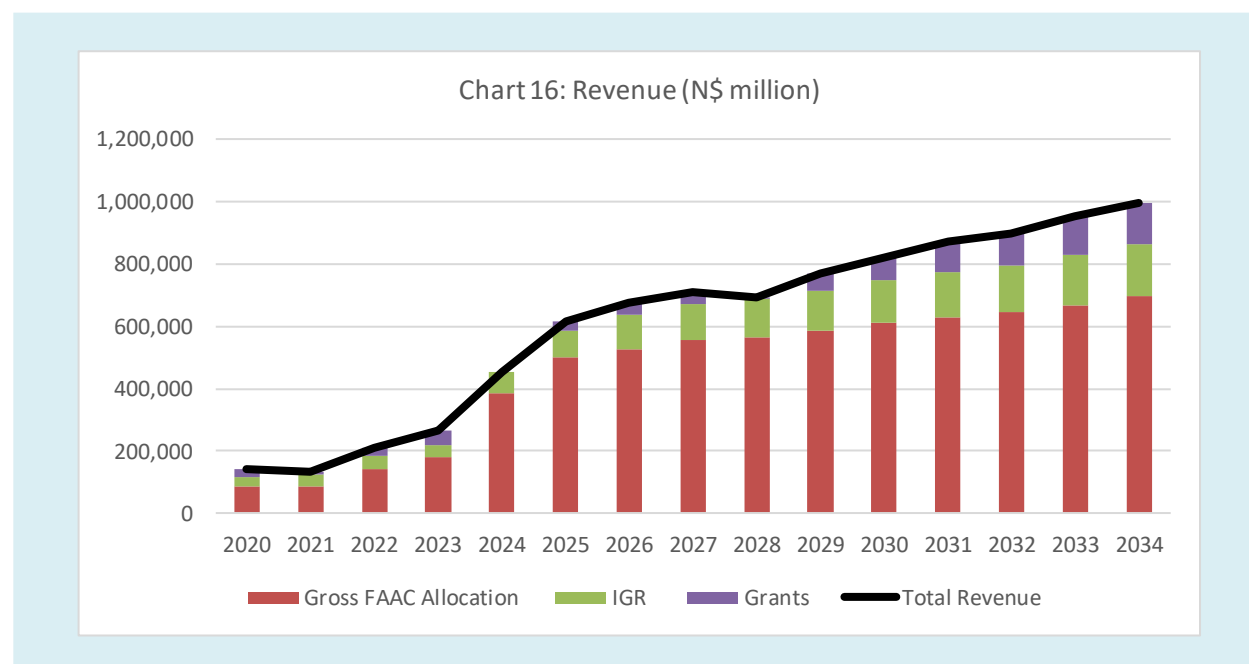
Revenue, expenditure, overall and primary balance over the long-term.

Revenue The Macroeconomic framework is based on IMF's national real GDP growth and IMF World Economic Outlook document, and mineral benchmarks (oil price, production, and NGN/USD exchange rate) as well as inflation forecasts, which was in line with the Federal Government of Nigeria's MTEF/FSP 2025-2027.

4.3.2 Revenue – Kano State's total revenue is expected to raise over the projected period from 2025 to 2034, which largely driven by FAAC allocation with estimated contribute average of 74.73 percent or N598,322 million over the projected period, the Internally

Generated Revenue is expected to contribute an average of 16.58 percent or N132,764 million during the period.

The FAAC allocation projected to contribute N501,550 million in 2025, N584,730 million in 2029 and N698,003 million 2034, as the IGR estimated a growth of N85,864 million, N130,505 million in 2029 and N166,190 million in 2034, Grant projected at N27,848 million in 2025, N55,000 million in 2029 and N133,025 million in 2034 respectively. Estimated Revenue were sources from the Approved 2024 Budget, MTEF 2025-2027, and the projections period from 2027-2034 projections as estimated by the official of Kano State Ministry of Budget and Economic Planning.



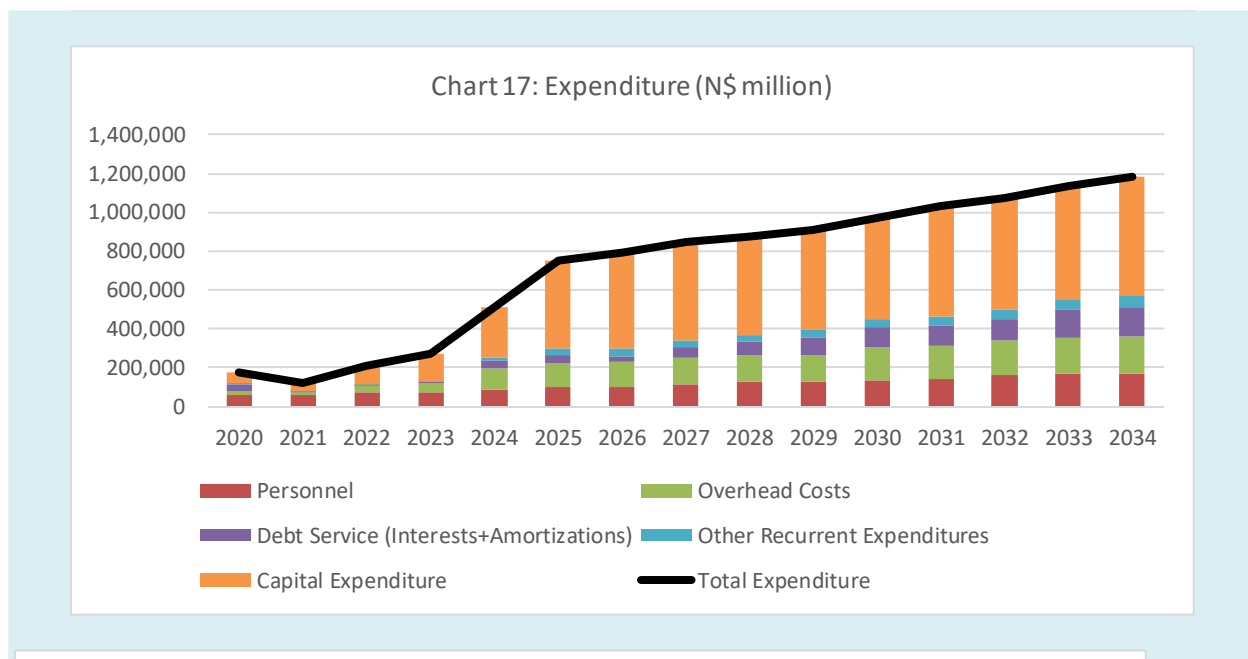
4.3.2 Expenditure – the kano State’s total expenditure is projected at N753,478 million in 2025, N877,436 million in 2028, N1,029,747 million in 2031, and N1,185,693 million in 2034 respectively, the Capital expenditure has the largest share over the estimated period with an average of 55.67 percent. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including agriculture, youth, Housing, education, Health and Water Resources within the period.

Personnel - The staff auditing is to check abnormalities in the pay roll. The Kano State government determined and adopted the new minimum wages that was recommended by the Nigeria's Governors Forum. The personnel cost is expected to be N94,239 million in 2025, N128,109 million in 2029 and N171,414 million in 2034. The State Overheads costs projected N124,757 million in 2025, NN138,438 million in 2029 and N192,039 million in 2034 respectively.

Total Debt Service – Kano State's total debt service is based on the projected principal repayments and interest payments for 2025 approved budget and State's MTEF 2025-2027. Hence, based on the projection, the public debt service will remain largely stable with minimal growth over the medium term.

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

Capital Expenditure – the State Capital Expenditure is based on the balance from the recurrent account plus capital receipts, and less contingency reserve as outlined above. The capital expenditure has the largest share under expenditures with an estimated to be N457,085 million in 2025, N517,344 million in 2029, and N610,666 million in 2034 respectively.



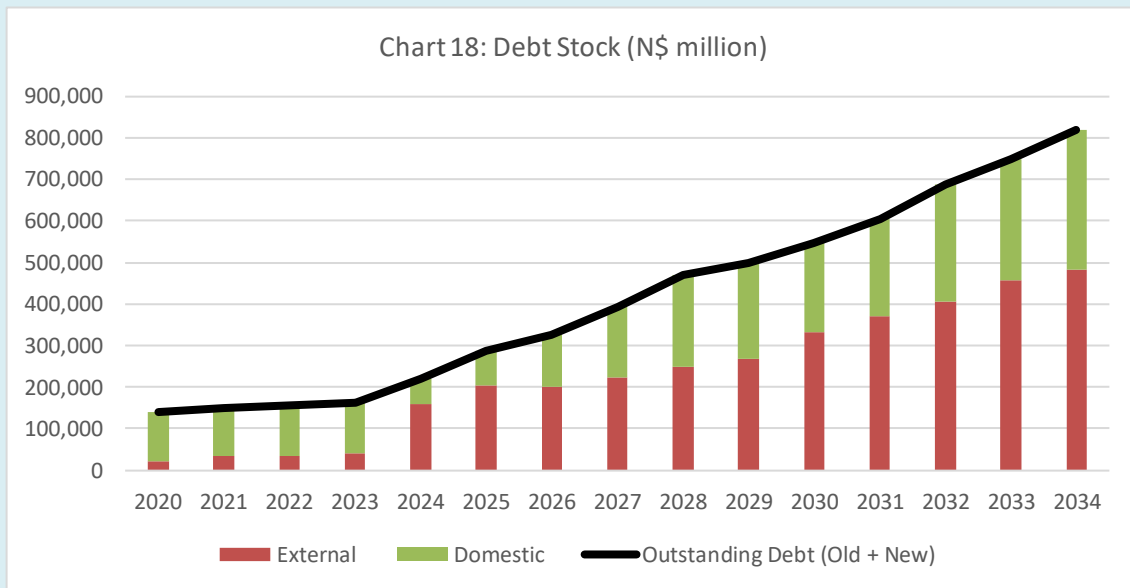
Gross Financing Needs (GFN) –The GFN for Kano State 2025-2027 estimate at N72,006.0 million in 2025, N77,297.2 million in 2026, and N91,967.3 million in 2027 respectively. The gross financing needs projection from 2028 to 2034 estimated to have an average of N104,559.2 million, the period is hinged on the anticipated improvement on the revenue due to the various initiatives and reforms by Government, as well as efficiency and quality of spending. The Kano State Government will continue to rely on Domestic and External sources of borrowing to meet its financing needs, such as:

- a. part of domestic financing, the Kano state government intended to raise N200,000 million through the **Shariah Instrument (Sukuk Bond)** with N50,000 million yearly into four trenches, with the intention to finance its critical infrastructures in the state.
- b. for the external financing, the state government planned to borrow for **climate financing** that will focus on new energy systems that can deliver clean energy, as well as infrastructure that can withstand climate change impacts in the state, through concessional windows.

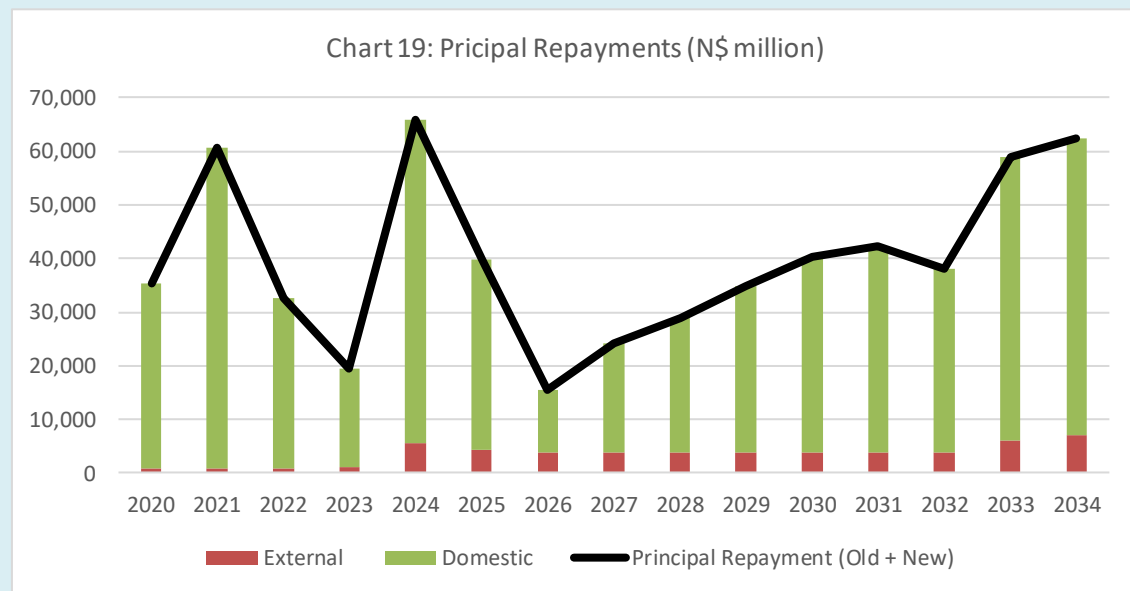
Kano State should sustain the current Budget reform program particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.

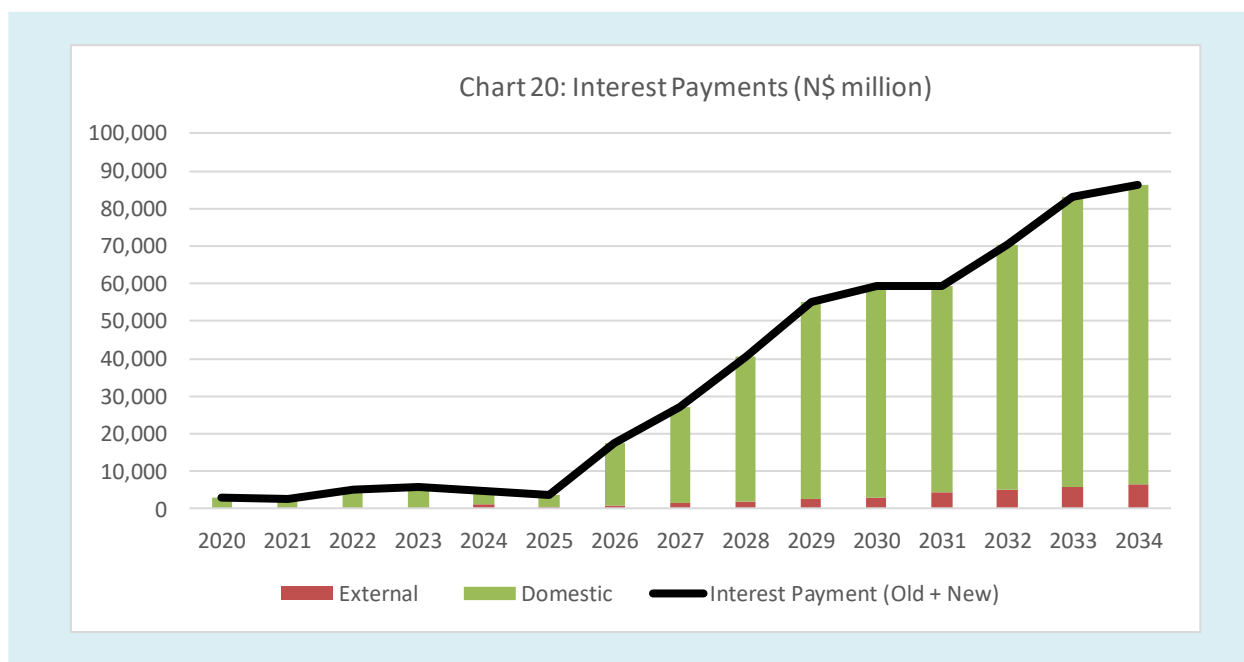
Kano State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$75 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration Reports validate the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

Debt Stock Kano State's Debt Stock projected to be N288,444 million in 2025, N470,434 million in 2028, N603,848 million in 2031 and N818,443 million in 2034. The increase in debt stock was based on the expected new additional borrowing from both the domestic and external windows as well as expected disbursements on existing external loans over the medium term.



Principal repayment and Interest payment projected at N39,925 million and N3,797 million in 2025 as well as N62,390 million and N86,275 million in 2034. (see Charts 18 to 20, below).





Main Key Findings

2024 Kano State Debt Sustainability Analysis under Baseline Scenario, the analysis result shows that the ratio of Debt as % of GDP is projected to stay below the threshold 25 percent over the projected period from 4.69 percent in 2025, 5.55 percent in 2028, 5.18 percent in 2031 and 5.15 percent in 2034 respectively.

Debt sustainability analysis revealed that the ratio of Debt to revenue remains below its indicative threshold of 200 percent under the baseline scenario with an average of 65.54 percent over the period. The exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain below the threshold over the projection period, with the strong-minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

Under the revenue-based indicators, the analysis revealed the debt to revenue for 2025, 2029, and 2034 were projected to be 46.88 percent, 64.59 and 82.07 respectively and which were all below the threshold of 200 percent over the projection period.

The outcome of the analysis shows that the debt service to revenue ratio projected to 7.11 percent in 2025, 11.68 percent in 2029 and 14.91 percent in 2034, as against the

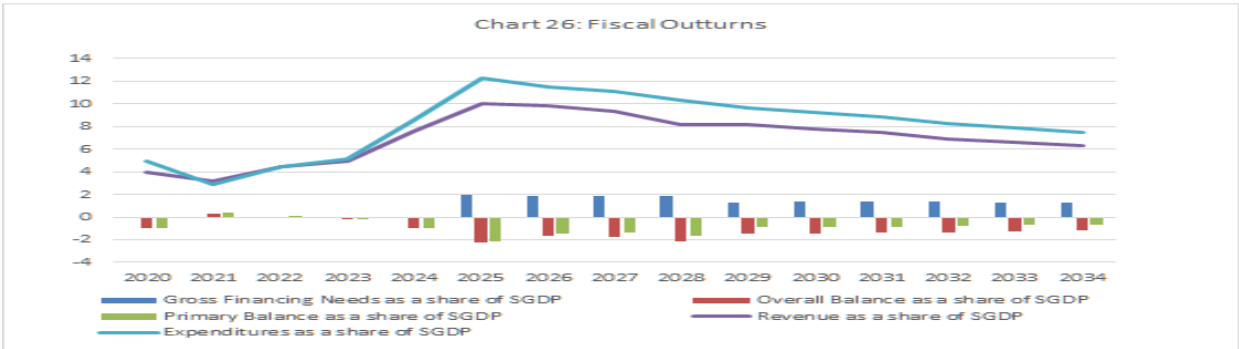
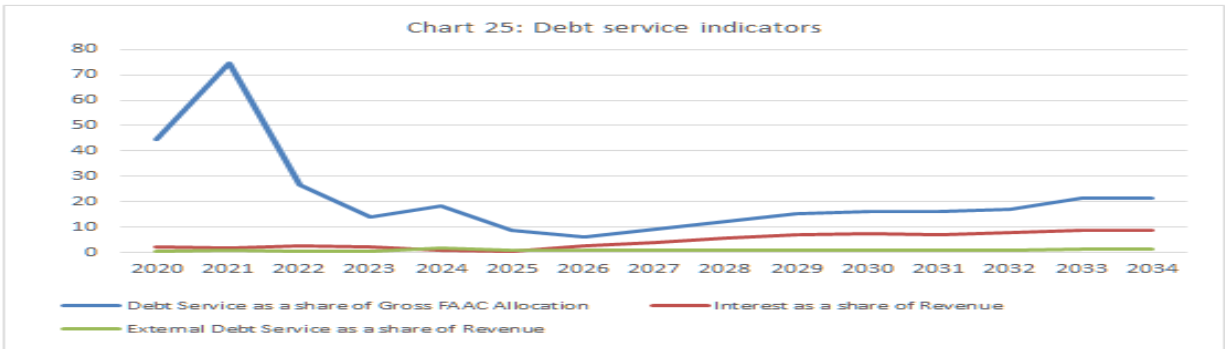
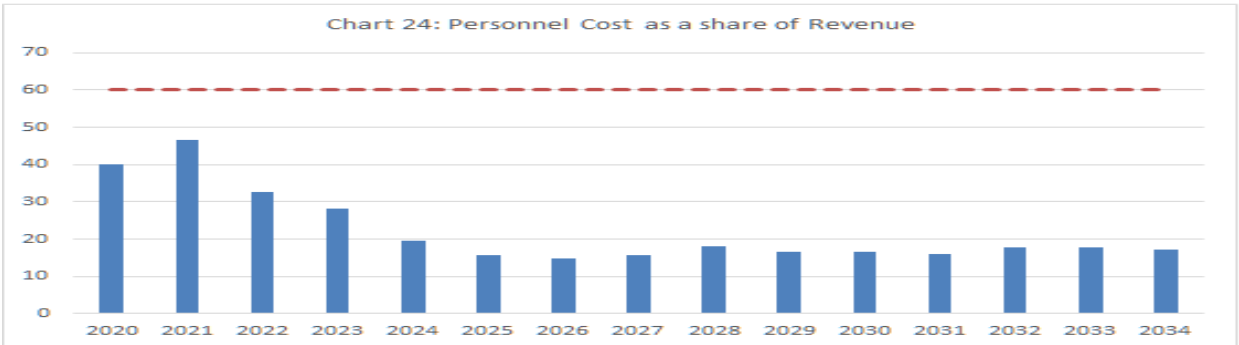
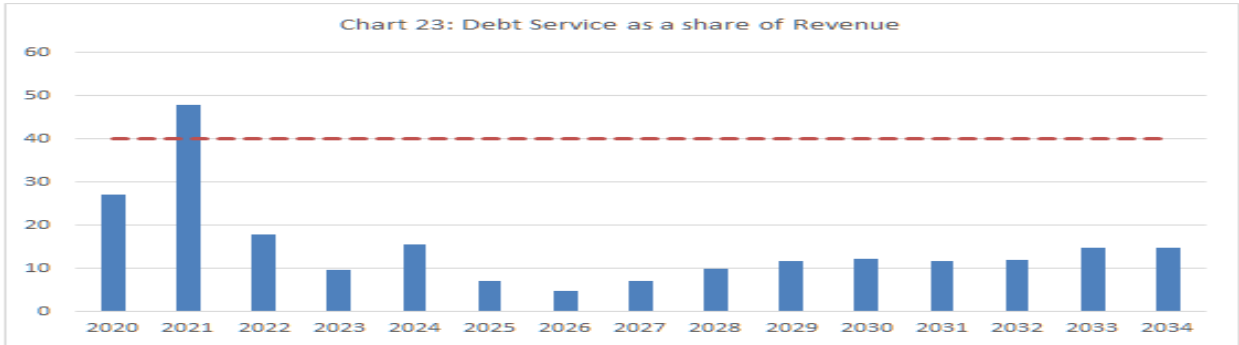
threshold of 40 percent to the end of the projection period in the medium to long term. Personnel cost to revenue remained below the threshold of 60 percent from 15.64 percent in 2025, 16.63 percent and 17.19 percent in 2034. Thus, Kano State Debt remained sustainable on the revenue and debt indicators.

2025 debt sustainability analysis projected a decline in debt service to gross FAAC allocation ratio to be 8.72 in 2025 and 21.30 percent in 2034, interest to revenue 0.62 percent in 2025 and 8.65 percent in 2034, as well as external debt service to revenue that estimated to 0.82 percent in 2025 and 1.38 percent in 2034 respectively. *Please table and Charts: Kano State Debt burden indicators, 2025-2034 below in pages 30 and 31 of the report.*

Table: Kano State Debt burden indicators, 2025-2034

	Threshold	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Debt as % of SGDP	25	4.69	4.74	5.15	5.55	5.28	5.21	5.18	5.29	5.18	5.15
Debt as % of Revenue	200	46.88	48.19	55.19	67.72	64.59	66.62	69.37	76.38	78.36	82.07
Debt Service as % of Revenue	40	7.11	4.88	7.23	10.02	11.68	12.13	11.66	12.06	14.90	14.91
Personnel Cost as % of Revenue	60	15.64	14.86	15.86	18.06	16.63	16.67	16.02	17.70	17.68	17.19
Debt Service as a share of Gross FAAC Allocation	nil	8.72	6.23	9.28	12.29	15.38	16.29	16.17	16.84	21.27	21.30
Interest as a share of Revenue	nil	0.62	2.59	3.83	5.85	7.15	7.22	6.80	7.83	8.72	8.65
External Debt Service as a share of Revenue	nil	0.82	0.69	0.75	0.81	0.82	0.84	0.95	0.97	1.25	1.38

Charts: Kano State Debt burden indicators, 2024-2033



Conclusion

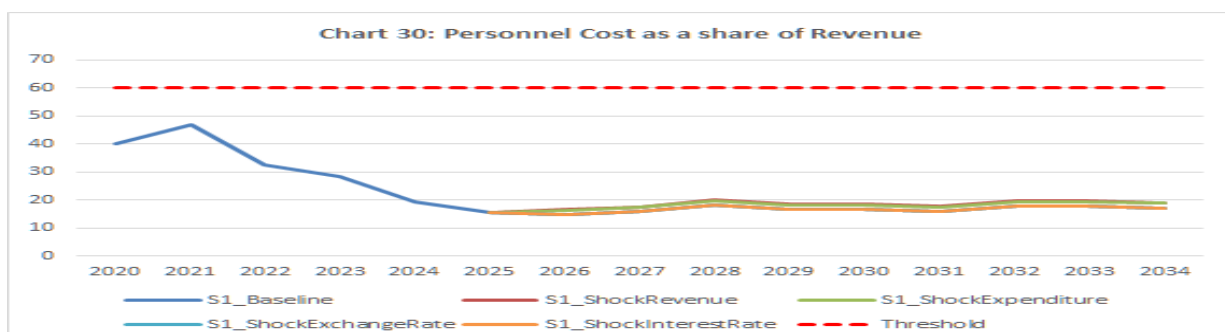
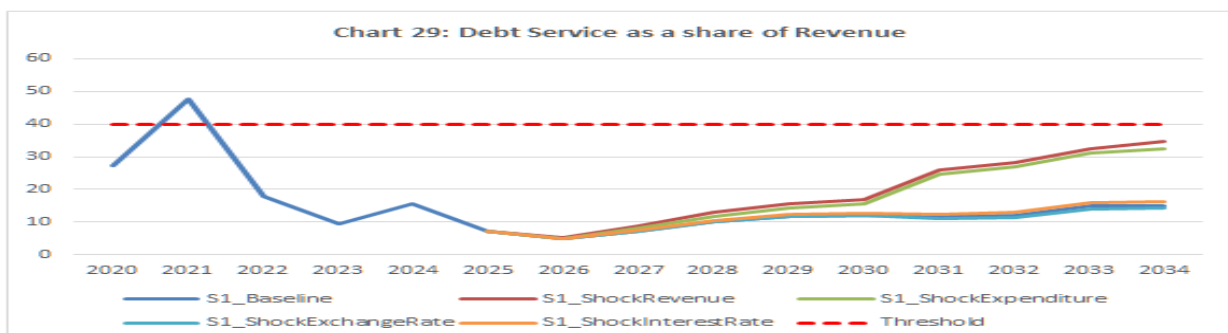
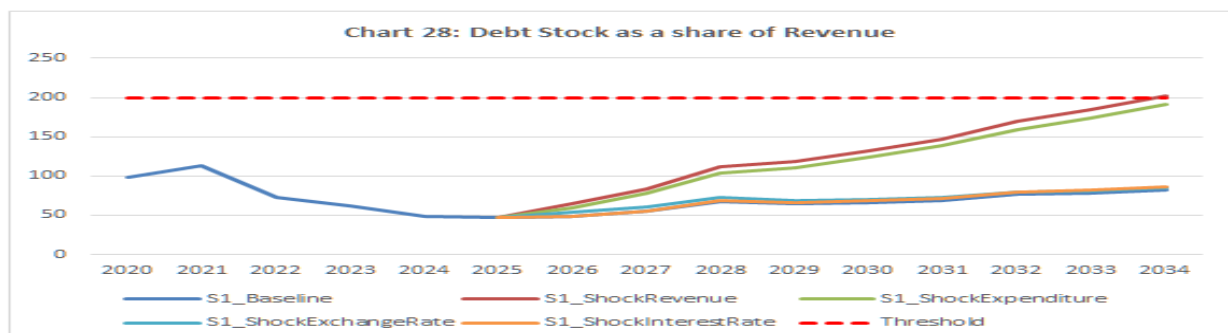
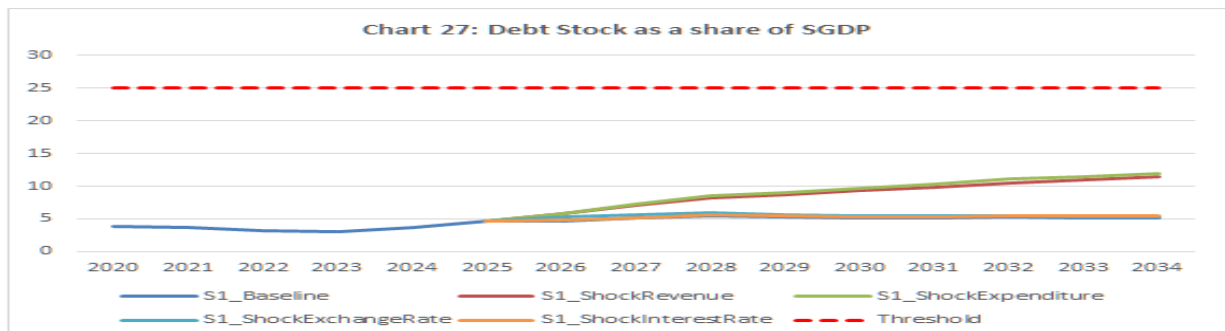
The outcome of the 2025 Debt Sustainability Analysis revealed that Kano State's Debt remains at a Low Risk of Debt distress with substantial space to accommodate shocks. Kano State Risk Rating remains at a Low Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Public Financial Management, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

4.3.2 DSA Sensitivity Analysis

2025 Kano State debt sustainability analysis revealed that the State Debt remains at a low risk of debt distress under sensitivity analysis. As the analysis under pessimistic scenario shows deteriorated or weakening ratios due to application of revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. **The shocks applied under debt stock to GDP, debt stock to revenue, debt service to revenue, as well as personnel cost to revenue are all remains below the thresholds from 2025 to 2034.** Looking at the debt sensitivity analysis, the debt stock to GDP, debt service to revenue and personnel cost to revenue are below thresholds over the projected period from 2025 to 2034, except debt stock to revenue that are slightly above the threshold by 2 percent in 2034 to 202 percent comparing the threshold of 200 under the revenue shocks.

This indicated an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from FAAC allocation, as well as implementing far-reaching policies that will bolster the internal revenue and GDP growth, which lead to become critical, given the continued volatility in the FAAC allocation. Kano State is supposed to be competing with Kano State in terms of revenue generations.

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



Note:

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

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

In line with the 2025 debt sustainability analysis, projections, the Kano State Debt remains sustainable due to strict adherence to prudent debt management as well as fiscal discipline. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline to be able to honor its future financial obligations. Fiscal policies guiding Cash Management and IGR are expected to consolidate on the gains of the State achievements.

With the MTB and FSP, the fiscal policy both on revenue expansion and expenditure control is targeted towards mobilization of funds for the budget as well as investments in the State. The Government has reviewed its fiscal policies in the areas of Cash management, IGR, etc. These fiscal components are targeted towards boosting revenue generation for Government financial obligation as well as investment, this is achievable

through proper linkage between policy, planning and budgeting, as well as ensuring budget execution through more predictable cash releases to the affected projects. The Government is ready to apply fiscal policies necessary to achieve desired revenue generation, budget planning, as well as expenditure control, bearing in mind investment that will complement the efforts of the State's revenue generation.

Chapter 5: Debt Management Strategy

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

different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

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

The debt strategy provides alternative strategies to meet the financing requirements for Kano State. The strategies are shown by the breakdown of funding mix between the domestic and external windows, within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The Kano State's Debt Management Strategy, 2025-2029, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2029, as projected in the baseline scenario. Risk is measured by the deviation from the expected value within the period caused by an unexpected shock, as projected in the most adverse scenario. The following four strategies are assessed by the government.

5.1 Alternative Borrowing Options

Strategy 1 (S1) Reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2025 and MTEF, 2025-2027. External gross borrowing is expected to come through Concessional and Bilateral loans accounts with an average of 52.04 percent and 15.06 percent over the strategic period of 2029. Domestic gross financing comprises Commercial Bank Loans and State bonds. The Commercial Bank Loans with maturity of 1-5 years and above 6 years are projected to account for an average of 2.69 percent and 3.75 percent over the strategic period, the remaining domestic financing gap concentrated it financing through State Bonds which

was expected to comprise Sukuk Bonds over the strategic period, as the bonds with maturity of above 1-5 years and State Bonds above 6 years are estimated to fill the financing gap with an average of 5.62 percent and 20.84 percent over the projected period.

Strategy 2 (S2) Focus more on financing through commercial bank loans: the financing distribution for 2025 assumed to be the same with strategy 1 both in the domestic and external financing, as the remaining borrowing distributions from 2026 to 2029, concentrate more of it financing through other windows. The Commercial Bank Loans projected with an average of 11.92 percent with the maturity of 1-5 years, and above 6 years estimated with an average of 14.84 percent, the State Bond of above 6 years and other domestic financing estimated with an average of 10.14 percent and 9.51 percent, as the other gross financing needs through the external borrowing under concessional and bilateral loans which estimated to account on average of 31.29 percent and 22.29 percent, respectively over the strategic period.

Strategy (S3) Focus its financing through domestic debt market. In strategy 3, the Kano state government decided to focus its financing from 2025 to 2029, through Commercial Bank loans (1-5 years) recorded an average of 7.73 percent, Commercial Bank loans with the maturity of above 6 years estimated at 1.87 percent, State Bond with the maturity of 1-5 years is estimated at 11.99 percent, State Bond with the maturity of above 6 years projected at 22.15 percent, other financing expected with an average of 5.88 percent, as the Concessional and Bilateral loans estimated for 22.57 percent and 27 percent respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2025 remain the same with strategy 1.

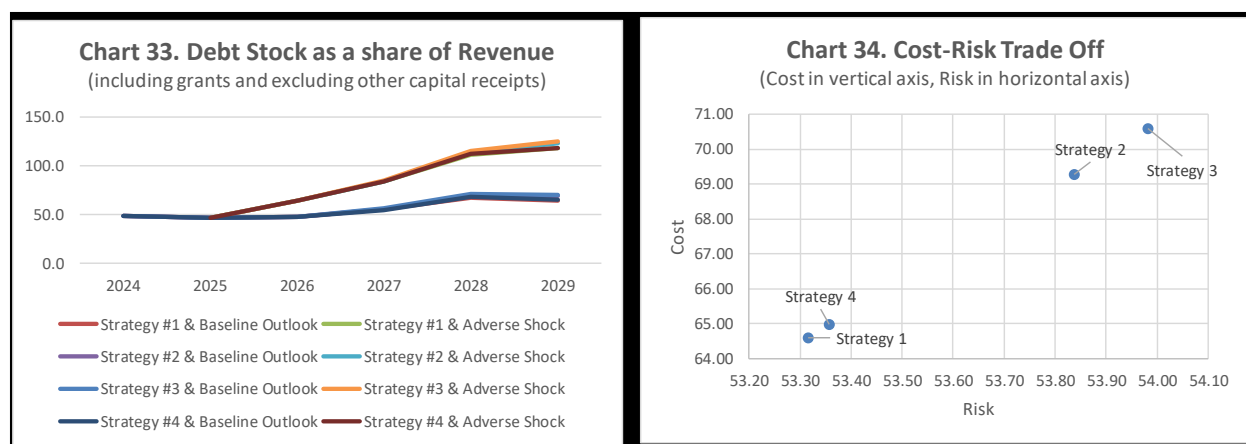
Strategy (S4) increases the share of external borrowing. In this strategy, External Financing through Concessional and Bilateral loans focused it financing with an average of 46.11 percent and 17.12 percent from 2025-2029, other financing needs are measured to be Commercial bank loans with the maturity of 1-5 years, Commercial bank loans above 6 years, State Bonds of 1-5 years, State bonds above 6 years, and Other Domestic Financing with an average of 8.65 percent, 5.88 percent, 10.60 percent, 5.79 percent and 5.84 percent over the projected period.

5.2 DMS Simulation Results

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

a. Debt as a share Revenue:

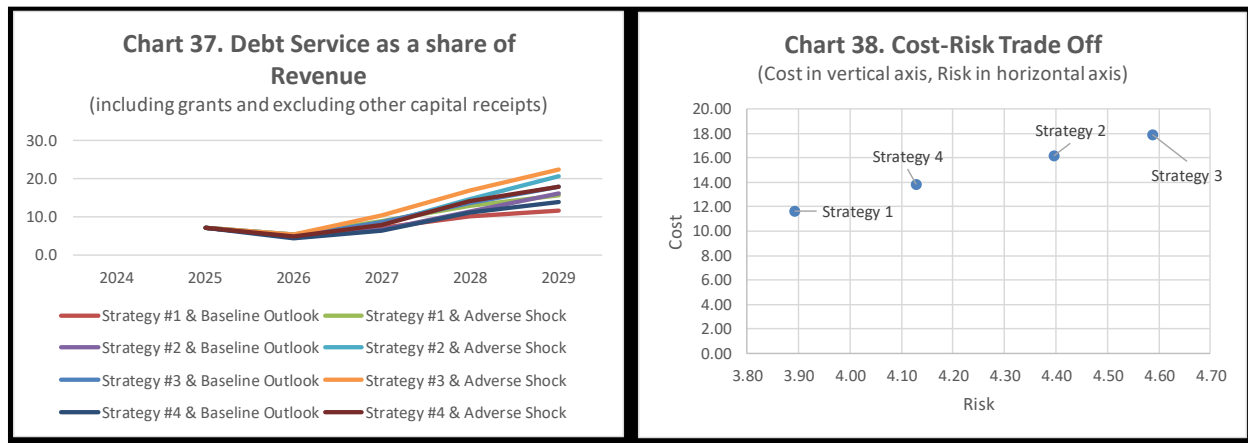
- Strategy 1, under the Debt to Revenue, the cost estimated at 64.59 percent in 2029, as against Strategy 2 of 69.29 percent, Strategy 3 of 70.59 percent and Strategy 4 of 64.97 percent respectively, over the DMS period of 2027, compared with the Risks that measured of Strategy 1 at 53.32 percent, Strategy 2 at 53.84 percent, Strategy 3 at 53.98 percent as well as Strategy 4 with an estimated of 53.36 percent respectively.
- Analysis using this debt indicator of debt to revenue shows that S1 has the lowest costs and risks with the average measured by 64.59 percent and 53.32 percent compared with Strategies 2, 3 and 4 under debt to revenue ratios over the DMS period of 2029.



b. Debt Service as a share of Revenue:

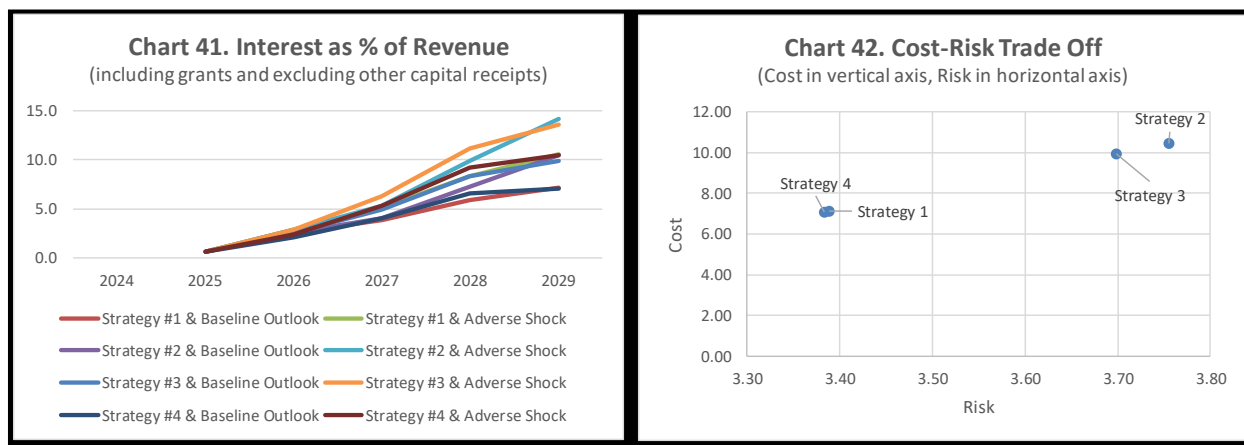
- In terms of Debt Service to Revenue, Strategy 1 is recorded to be the lowest strategy with an estimate cost of 11.68 percent and risks of 3.89 percent compared to Strategy 4 and Strategy 2 with moderate costs of 13.81 percent and 4.13 percent as well as 16.22 percent and 4.40 percent, as Strategy 3 recorded the highest costs of 17.93 percent and risks of 4.59 percent over the strategic period.

- Therefore, Strategy 1 recorded with the lowest costs and risks compared with Strategy 3 that recorded with the highest costs and risks ratios, and the S4 and S2 were estimated as moderate strategies costs and risks over the strategic period.



c. Interest as a share of Revenue

- Strategy 4 is the least costly and risky with regards to Interest as percentage of revenues, which are estimated at 7.10 percent and 3.38 percent, compared with Strategy 1 (costs 7.15 percent and risks 3.39 percent), Strategy 3 (9.93 percent and risks 3.70 percent), and Strategy 2 (costs 10.45 percent and risks 3.75 percent) at the end of strategy period.
- The analysis shows that S4 has the lowest cost and risks of 7.10 percent and 3.38 percent compared with Strategy 2 that recorded the highest costs and risks 10.45 percent and 3.76 percent by the end of strategy period.



5.3 DMS Assessment

In comparison to the current debt position, the Kano State debt portfolio stood at N219,400.39 million as of December 31, 2024, which expected an increase to N497,533.00 million under S1 during the strategic period, compared to N533,678.26 million for S2, N543,679.77 million for S3, and N500,416.53 million for S4 over the strategy period of 2029. In addition to this, the costs and risks trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for 2025-2029.

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, the DMS Analytical Tool's results of cost and risk show that baseline Strategy (S1) has the lowest costs and risks, as the analysis indicated that Strategy 4 and Strategy 2 were rated with the moderate costs and risks, and S3 was rated with highest costs and risks indicators. **The results of the analysis of the Cost and Risk Indicators, Costs and Risks trade-offs, and the Shock Scenarios show that the implementation of S1 would facilitate the achievements of the objective of meeting governments financing needs at a lower cost and prudent degree of risk and is therefore recommended to the Kano State Government.**

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

Summary of 2025 DSA-DMS Report

The outcome of the 2025 Debt Sustainability Analysis revealed that Kano State's Debt remains at a Low Risk of Debt distress with substantial space to accommodate shocks. Kano State Risk Rating remains at a Low Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Public Financial Management, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results regarding costs and risks indicators resulted in recommendation Strategy 1 (S1), as the results were just marginally better when compared with other strategies over the period.

Annex I: Baseline Assumptions

- a. Statutory Allocations - The assumption is based on an elastic forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- b. VAT – The estimation is based on elasticity forecast using the combined change in GDP and inflation rate. As the Nigeria VAT was projected using estimated aggregate nominal consumption, taking into account variable items and collection efficiency. Consumption expenditure on which VAT is charged is assumed to increase from an average of N97.32 trillion in 2025, to N104.18 trillion in 2026 and N119.42 trillion in 2027, after adjusting for exemptions, zero rated items and companies whose turnover

fall below the N25 million threshold. Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of reform measures. The VAT projections over the medium term are based on holding the rate at 7.5%. Raising the VAT rate however remains a policy option for government to keep in view over the medium term.

- c. Other Federation Account Distributions – The assumption is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- d. Internally Generated Revenue (IGR) the key issue with Kano State IGR was identified. The key areas are assumed to be the case based on 1. Mapping of informal sector resulting in broadened tax base; 2. Passage of MDAs revenue harmonization law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; 3. Re-structuring of the Kano Internal Revenue Service resulting for efficiencies, 4. The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; 5. Policy of the present administration to shift tax burden to the wealthy individuals. 6. Introduction of new land use levies and charges; 7. Review of Kano State Revenue Administration Law 8. Waiver to the taxpayers, respectively. It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching the target level and growing by 5% annually. All subsequent years' collection should be properly monitored regularly to assess whether the target will be achievable.
- e. Grants – The internal grants are mostly based on the expected grant from local donors and programs. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc.

- f. Financing (Net Loans) – the internal and external loans are projections based on agreement ZGS 2025-2027 EFU-FSP-BPS Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027.
- g. Personnel – It is anticipated that the new minimum wage of Seventy Thousand will increase the expenditure of personal cost in the State. As the 2025 FGN personnel cost expenditure is expected to increase significantly to align with the updated National Minimum Wage. Nation Wide the personnel cost for FY2023 was N3.83 trillion. As of July, the figure for FY2024 is N2.67 trillion, 65% of the N4.10 trillion appropriated in the 2024 Budget. For 2025, the personnel cost is projected to increase by about 60% due to adjustments in minimum wage and consequential adjustments, which will directly impact employees' salaries. Also, the employee and employer contributions will be affected as part of the personnel cost.
- h. Overheads – Overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate. The provision for MDA overhead has been low over the years and is treated as a residual item. However, for FY2025, the overhead expenditure of MDAs will be increased to reflect and match the capital expenditure and consider the prices of goods and services.
- i. Capital Expenditure – Capital expenditure by sector – Educational sector has the largest allocation of followed by infrastructure sector then Health sector with the allocation of as well as Governance and water sector. The immediate imperative is to aggressively allocate resources to stimulate inclusive growth, create new jobs, and achieve sustainable development based on the new government policies and critical ongoing projects aligned to the revised Policies. Highlights on Some of the Projects to be Executed in 2024 Fiscal Year.

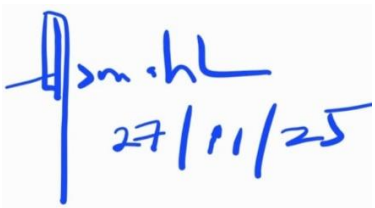
2025		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	World bank, National Planning, Nigerian Bureau of Statistics projection	WB and DMO
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allowance)	Statutory Allocation is based on governor's forum using the assumptions in the macroeconomic framework above and historical data on mineral and non-mineral revenue flows.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Statutory Allocation is based on governor's forum using the assumptions in the macroeconomic framework above and historical data on mineral and non-mineral revenue flows.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	1.b. of which Deductions		2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	2. Derivation (if applicable to the State)		2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other Federation Account Receipts this figure has been used for the 2025 - 2027 an estimate comprises of NNPC refund, Exchange rate gains, Ecological fund etc	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	4. VAT Allocation	VAT is based on the lowest of the moving averages and governor's forum – in this case the 4Year weighted moving average.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	5. IGR	Internally Generated Revenue (IGR) the key issue with Kano State IGR was identified. The key areas are assumed to be the case based on 1. Mapping of informal sector resulting in broadened tax base; 2. Passage of MDAs revenue harmonisation law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; 3. Re-structuring of the Kano Internal Revenue Service resulting for efficiencies; 4. The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; 5. Policy of the present administration to shift tax burden to the wealthy individuals; 6. Introduction of new land use levies and charges; 7. Review of Kano state revenue administration law 8. Waver to the tax payers, respectively. It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching target level and growing by 5% annually. All subsequent years' collection should be properly monitored regularly to assess whether the target will be achievable.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	6. Capital Receipts	Capital Receipt – Capital Receipt for both scenarios was based on projection of 2024 approved budget, however the Ministry is taking in to account of actual performance of the capital receipts in 2023 as a base year for 2024budget projection to be considered by the Council deliberation and resolution.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	6.a. Grants	Grants – This indicated that the grant collection trend is far below the budgeted figure there is a need to review the subsequent year budget forecast.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	6.b. Sales of Government Assets and Privatization Proceeds	Capital Receipt – Capital Receipt for both scenarios was based on projection of 2024 approved budget, however the Ministry is taking in to account of actual performance of the capital receipts in 2023 as a base year for 2024budget projection to be considered by the Council deliberation and resolution.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	6.c. Other Non-Debt Creating Capital Receipts	Consolidated Revenue Fund Charges – CRF constitute pension contribution, Public Debt Charges, Office of the Auditor General State, House of Assembly, of the Auditor General Local Govt, Judiciary etc. The 2023 provision are 7.7 billion own value projection.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Penstons, Civil Servant Social Benefits, other)	Personnel –There is slight change in personnel cost as it will be conferred with 2022 based on actual expenditure out turn of 2023 half year.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	2. Overhead costs	Overheads – The drop in overheads in 2024 was a result of likely to reduce revenues (IGR and Federal Transfers). The forecasts for 2025 – 2027 assume that the overhead expenditure will remain as that of 2024, and 2% annually thereafter. This should be considered within the context of the new administration's policy priorities, and also first and second quarter performance figures for 2023 should also be used to guide.	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	The internal and external loans are projections based on agreement Kano State's MTEF, 2025-2027 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	DMO, Nigeria
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	5. Capital Expenditure	Capital expenditure by sector – Educational sector has the largest allocation of followed by infrastructure sector then Health sector with the allocation of as well as Governance and water sector with the allocation of 7.36%	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
Closing Cash and Bank Balance	Closing Cash and Bank Balance	Financial Statements	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
Debt Amortization and Interest Payments	Debt Outstanding at end-2024		
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	Domestic Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	New Debt issued/contracted from 2025 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	External Financing - Bilateral Loans	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	Other External Financing	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans,	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	State Bonds (maturity 1 to 5 years)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	State Bonds (maturity 6 years or longer)	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	Other Domestic Financing	The internal and external loans are projections based on agreement Kano State's MTEF, 2024-2026 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 51	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 51	Insert the Borrowing Terms for New External Debt: Interest rate (5%), maturity (8 years) and grace period (8)	
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans,	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	State Bonds (maturity 1 to 5 years)	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	State Bonds (maturity 6 years or longer)	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	Other Domestic Financing	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	External Financing - Bilateral Loans	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
	Other External Financing	Financing distributions was based on 2025 Approved Budget and Kano State's MTEF, 2025-2027	2025 Approved Budget, Kano State MTEF, 2025-2027, and 2024 DSA-MDS Team (2028-2035)
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 52	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 52		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans,	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 53	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 53		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans,	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 54	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 54		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans,	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team

Annex II: Kano State Baseline Scenarios, 2020-2034

Indicator	Actuals				Projections										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	3,603,837.11	4,113,697.82	4,727,906.84	5,353,353.15	5,936,525.17	6,150,365.01	6,842,607.78	7,613,256.48	8,470,699.49	9,424,712.02	10,486,170.21	11,667,175.13	12,981,190.73	14,443,197.34	15,905,203.94
Exchange Rate NGN/US\$ (end-Period)	305.79	306.50	326.00	379.00	1,300.00	1,602.69	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
Fiscal Indicators (Million Naira)															
Revenue															
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	151,792.10	134,333.47	211,971.11	272,198.61	541,095.58	732,137.64	800,751.92	855,923.94	855,508.25	890,083.13	962,563.14	1,029,914.50	1,080,766.84	1,138,857.32	1,196,850.57
1.a. of which Net Statutory Allocation ('net' means of deductions)	52,027.00	56,031.95	60,214.94	51,323.97	23,925.23	32,843.86	45,140.67	51,002.07	56,863.47	62,724.87	68,586.27	74,447.68	80,309.08	86,170.48	92,031.88
1.b. of which Deductions	52,027.00	56,031.95	60,214.94	51,323.97	6,407.20	32,843.86	45,140.67	51,002.07	56,863.47	62,724.87	68,586.27	74,447.68	80,309.08	86,170.48	92,031.88
2. Derivation (If applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	6,894.00	4,482.56	35,628.59	60,622.83	248,010.33	311,661.12	319,706.68	329,137.88	330,569.08	341,000.28	353,451.48	358,862.68	365,293.88	377,725.09	386,156.29
4. VAT Allocation	27,422.00	24,151.05	45,809.73	67,513.14	114,400.13	157,045.12	162,519.17	173,681.29	178,841.29	181,005.29	189,167.31	194,329.31	198,491.31	202,653.32	210,815.33
5. IGR	32,091.60	40,243.21	43,286.42	40,169.11	65,085.10	85,863.78	109,093.86	119,330.84	123,367.82	130,504.80	137,641.78	144,778.76	151,915.74	159,052.72	166,189.71
6. Capital Receipts	33,657.50	9,424.70	27,031.42	52,569.55	89,074.79	145,723.76	164,201.45	182,871.88	165,864.59	174,847.89	213,736.30	257,406.07	284,756.82	311,255.71	322,657.37
6.a. Grants	23,600.00	7,286.09	27,031.42	44,521.92	0.00	27,848.37	37,124.92	38,035.21	5,000.00	55,000.00	119,900.00	98,000.00	103,000.00	127,000.00	133,025.07
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	8,202.00	2,138.61	0.00	8,047.63	59,214.70	45,869.37	49,869.37	52,869.37	53,869.37	57,869.37	57,869.37	60,869.37	60,869.37	63,869.37	66,869.37
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	1,857.50	0.00	0.00	0.00	29,860.10	72,006.03	77,297.16	91,967.30	106,995.22	61,978.52	89,276.93	99,626.70	120,887.35	120,386.35	132,762.93
Expenditure															
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	178,379.11	119,596.57	212,060.43	274,398.73	511,488.38	753,478.30	789,313.93	844,941.45	877,435.75	909,836.12	972,599.14	1,029,747.50	1,070,844.84	1,136,712.32	1,185,693.49
2. Overhead costs	56,800.00	61,772.09	69,029.02	74,804.95	88,038.54	96,318.85	100,126.70	112,787.58	125,448.46	128,109.33	136,770.21	139,431.09	159,091.97	168,752.84	171,413.72
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	19,200.00	9,290.72	38,362.77	42,817.35	104,254.25	124,757.50	126,677.65	138,597.79	137,517.94	138,438.09	169,358.24	172,778.39	179,198.53	185,118.68	192,038.83
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	3,157.91	2,637.45	757.27	0.00	0.00	3,797.48	17,414.43	27,252.76	40,603.58	55,060.45	59,272.58	59,193.93	70,403.62	83,210.65	86,274.52
3.b. of which interest deducted from FAAC Allocation	2,987.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	170.55	2,637.45	757.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure	8,600.00	3,222.52	3,692.59	4,098.77	13,676.00	31,674.31	39,461.02	39,642.14	33,823.26	36,004.39	46,185.51	49,366.64	53,547.76	59,728.88	62,910.01
6. Amortization (principal) payments	55,100.00	41,675.91	100,218.79	146,539.62	263,160.99	457,084.76	490,198.24	502,535.61	511,039.98	517,344.35	520,748.71	567,153.08	570,557.45	580,894.82	610,666.19
Budget Balance ('+' means surplus, '-' means deficit)	35,521.21	997.88	0.00	6,117.84	42,358.60	39,925.41	15,433.89	24,125.56	29,002.54	34,879.51	40,263.88	42,324.37	38,045.51	59,006.44	62,390.24
Opening Cash and Bank Balance	-26,587.01	14,736.89	-89.33	-2,200.13	29,607.20	-20,340.67	11,440.00	10,982.49	-21,527.51	-19,752.99	-10,036.00	167.00	9,522.00	2,145.00	11,157.07
Closing Cash and Bank Balance	44,109.01	17,522.00	32,258.89	32,169.57	29,969.40	59,576.60	39,235.93	50,675.93	61,658.42	39,730.92	19,977.93	9,941.93	10,108.93	20,930.93	22,175.93
Financing Needs and Sources (Million Naira)															
Financing Needs															
i. Primary balance						117,875.39	127,166.53	144,836.66	160,864.59	119,847.89	142,146.30	159,496.07	181,756.82	184,255.71	199,632.30
ii. Debt service						-94,493.17	-82,878.21	-82,475.85	-113,185.98	-49,660.91	-52,645.84	-57,810.76	-63,385.69	-39,893.62	-39,810.47
Amortizations						41,722.89	32,848.32	51,378.12	69,606.11	89,919.96	99,515.86	101,518.30	108,449.13	142,217.10	148,664.75
Interests						39,925.41	15,433.89	24,125.56	29,002.54	34,879.51	40,263.88	42,324.37	38,045.51	59,006.44	62,390.24
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						3,797.48	17,414.43	27,252.76	40,603.58	55,060.45	59,272.58	59,193.93	70,403.62	83,210.65	86,274.52
Financing Sources															
i. Financing Sources Other than Borrowing						-20,340.67	11,440.00	10,982.49	-21,527.51	-19,752.99	-10,036.00	167.00	9,522.00	2,145.00	11,157.07
ii. Gross Borrowings						72,006.03	77,297.16	91,967.30	106,995.22	61,978.52	89,276.93	99,626.70	120,887.35	120,386.35	132,762.93
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						10,000.00	0.00	0.00	0.00	13,905.53	0.00	23,266.24	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	15,928.11	17,467.36	0.00	20,501.70	20,000.00	20,173.40	16,114.32	0.00
State Bonds (maturity 1 to 5 years)						0.00	50,000.00	0.00	0.00	0.00	0.00	0.00	60,159.71	0.00	0.00
State Bonds (maturity 6 years or longer)						50,000.00	0.00	50,000.00	60,000.00	25,400.00	0.00	0.00	46,537.67	78,126.71	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	16,816.32	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						12,006.03	77,297.16	0.00	0.00	29,527.87	22,672.99	48,625.34	0.00	40,554.34	0.00
External Financing - Bilateral Loans						0.00	0.00	26,039.19	0.00	0.00	20,139.71	40,484.14	0.00	57,734.36	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stocks)															
External	138,861.98	150,260.62	155,549.55	163,829.44	219,400.39	288,444.27	324,599.57	392,441.30	470,433.99	497,533.00	546,546.06	603,848.38	686,690.33	748,070.23	818,442.93
Domestic	20,916.48	35,013.42	32,817.15	40,902.04	158,790.59	203,275.37	200,994.97	223,177.39	248,861.32	267,703.21	332,660.16	369,338.84	406,100.55	457,863.18	482,199.00
Gross borrowing (flow)	117,945.50	115,247.20	122,732.40	122,927.40	60,649.80	72,006.03	77,297.16	91,967.30	106,995.22	61,978.52	89,276.93	99,626.70	120,887.35	120,386.35	132,762.93
External						12,006.03	77,297.16	26,039.19	29,527.87	22,672.99	68,775.23	40,484.14	40,554.34	57,734.36	31,481.57
Domestic						60,000.00	50,000.00	65,928.11	77,467.36	39,305.53	20,501.70	59,142.56	60,159.71	62,651.99	101,281.36
Amortizations (flow)	35,345.49	60,548.38	32,622.60	19,363.88	65,783.97	39,925.41	15,433.89	24,125.56	29,002.54	34,879.51	40,263.88	42,324.37	38,045.51	59,006.44	62,390.24
External	733.89	740.58	887.75	1,054.50	5,645.09	4,444.51	3,869.59	3,856.76	3,843.94	3,831.11	3,818.28	3,805.46	3,792.63	5,971.73	7,145.74
Domestic	34,611.61	59,807.80	31,734.86	60,138.88	35,480.90	35,480.90	11,564.30	20,268.80	25,136.88	31,005.33	36,453.88	38,142.88	34,213.71	55,044.49	55,044.49
Interests (flow)	3,124.96	5,584.01	5,226.74	5,862.93	4,593.13	3,797.48	17,414.43	27,252.76	40,603.58	55,060.45	59,272.58	59,193.93	70,403.62	83,210.65	86,274.52
External	137.60	153.80	130.40	140.70	1,382.03	580.48	753.43	1,459.76	1,757.74	2,487.04	3,047.03	4,478.48	4,942.64	5,942.89	6,574.21
Domestic	2,987.36	2,430.21	5,096.34	5,722.22	3,211.10	32,080.62	61,862.27	67,841.73	77,992.69	27,099.01	59,013.05	57,302.33	82,841.94	61,379.90	70,372.69
Net borrowing (gross borrowing minus amortizations)						7,561.52	23,427.57	22,182.42	25,683.93	1					

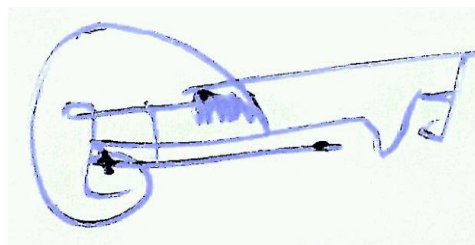
TECHNICAL TEAM MEMBERS

S/N	NAME	RANK	ORGANISATION
1	Muhammad Nazir Halliru	Dir. General	KANINVEST
2	Auwalu Abba	Dir Debt	PDMO
3	Ahmad Garba Auwal	Dir Internal Audit	Accouter Gen. Office
4	Sani Alhasan	DAGS	Office of the Commissioner of Finance
5	Kabiru Umar	Dir Portfolio Management	PDMO



Dr. Ismail Aliyu Danmaraya

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Dr. Hamisu Sadi Ali

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