KANO STATE GOVERNMENT OF NIGERIA

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

2025 – 2027

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Table of Contents

List of Figures

List of Tables

List of Abbreviations

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

Acknowledgements

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

The State also acknowledged the improvement and capacity enhancement that add value to the improvement in the Budget Preparation Process and eventually result in the development of implementable Budget in line with the policy priority of the Medium Term Expenditure Framework (MTEF) period of 2025 - 2027.

The State is also indebted to members of the Technical Working Group for their commitment towards ensuring timely completion and presentation of the document to the State House of Assembly in line with the Public Financial Management Law (PFM),2020 to effectively guide the preparation of 2025 budget and provide basis for a three-year Medium-Term Planning. The State also acknowledged extension of similar capacity building to members of the legislative Assembly for effective and efficient legislative process.

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

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

Honorable Musa Suleiman Shanono FNIM

Commissioner

Ministry of Planning and Budget

1 Introduction and Background

1.A Introduction

1. The Medium Term Expenditure Framework (MTEF) provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily at policy and decision takers in assessing of budget performance (both last and current year) and identifying significant factors affecting implementation of the State budget.
2. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.
3. Kano State Government decided to adopt the preparation of the MTEF for the first time in 2013 as part of the movement toward a comprehensive Public Financial Management process. This is the Tenth (11) rolling iteration of the document and covers the period 2025 - 2027.

1.A.1 Objectives

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

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

1.A.2 Budget Process

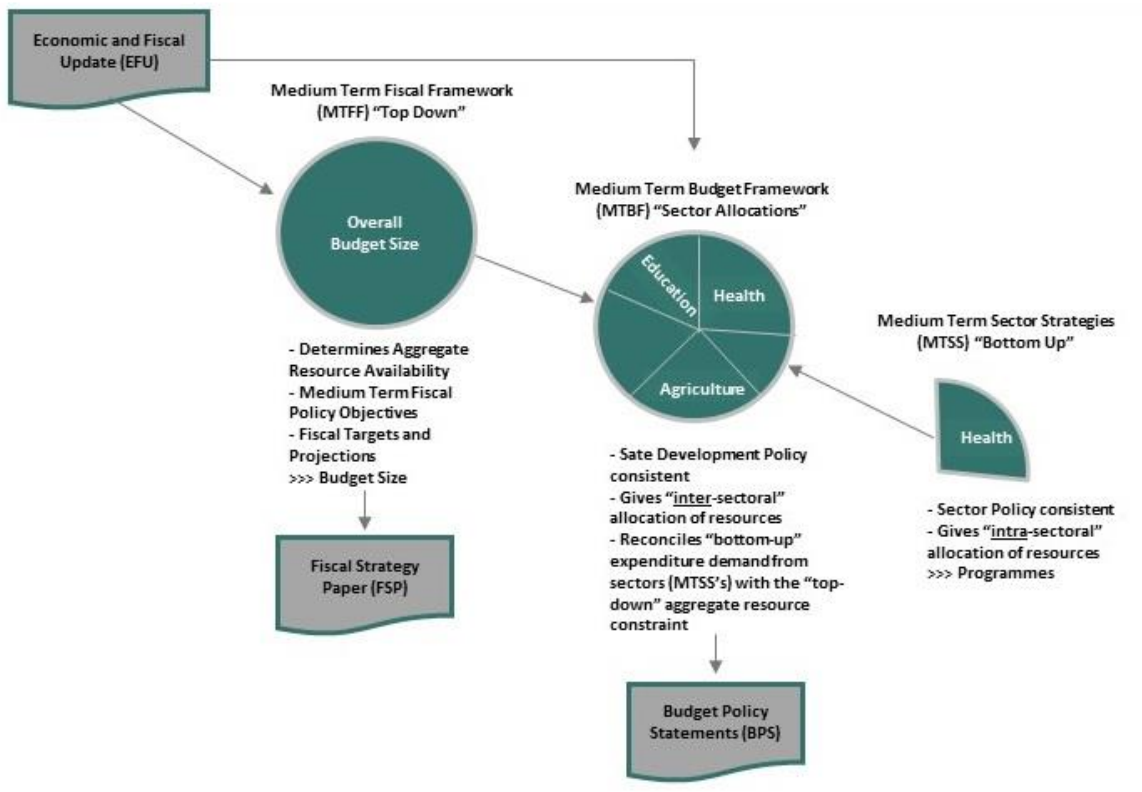
The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:

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

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

The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.3 Summary of Document Content

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

i. 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;

ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and

iii. Provide indicative sector envelopes for the period 2025 which constitute the MTBF.

- The MTEF is presented in Section 2 of this document. The MTEF provides economic and fiscal analysis in order to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in the Kano State Government. The MTEF also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:
- Overview of Global, National and State Economic Performance;
- Overview of the Petroleum Sector;
- Overview of the last year budget performance .

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

1.A.4 Preparation and Audience

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

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

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

1.B Background

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

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

1.B.1 Institutional Framework for PFM in Kano State

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

- **Kano Internal Revenue Services (KIRS)** - It is the main revenue collecting Agency on behalf of the State Government. It was established by legislative act;
- Other Revenue collecting MDAs; and
- **Office of the Accountant General.** This Office collects not only those revenues primarily subsumed by the KIRS and other revenue collecting agencies, but also all accrued revenues from Federation Accounts and Capital receipts as may be from time to time. The Office of the Accountant General is an integral Division of Ministry of Finance which has five Departments headed by substantive Directors.
- On the expenditure side, the institutional framework in respect of expenditure emanates from the provisions of the approved Budget for the year under review. This budget document derives its source from four streams namely:
- Policy pronouncements by the Government;
- Proposals from Ministries, Departments and Agencies of the State
- Citizens' Demand through Town Hall meeting Conducted in the State
- Public inputs through SHoA (conducted through Public hearing and representations); and SHoA resolution
- Kano State Development Plan III (KSDP).

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

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

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

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

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

Overview of Budget Calendar

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

Table 1: Budget Calendar

S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
		2024													
1	Press Briefing on 2024 Approved Budget by the Hon. Comm.													MoPB	
3	Updates and validation of 2024 Appropriation Law													MoPB	
2	Preparation and production of citizens Budget													MoPB	
3	Printing of 2024 Budget Document													MoPB	
4	Integrating 2024 Approved Budget with T-BEAMS													MoPB	
5	Budget Profilng and Cash Planning													MOPB	
6	Full year 2023 Budget Performance													MoPB/MoF/ MDAs	
7	Validation of 11 Sector Performance Report (SPR)													MOPB	
8	First quarter 2024 Budget Performance report (using T- BEAMS)													MoPB/MoF	
9	First Quarter 2024 M&E Report													MoPB	
10	First Quarter KANMAF Mutual Accountability Meeting with Donor Partners													FCDO/MoPB	
11	First Quarter Budget Forum														
12	Workshop on learning event/sharing experience On M & E Implementation													MOPB/PERL	
13	2025 Personnel Cost Bileteral Budget Discussion													OHCS/MoPB/Audit	

S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
		2024													
14	Second quarter 2024 Budget performance report (using T-Beams operations)													MOPB/KIRS/ MOF	
15	Development of MTSS of Remaining 2 Sectors and Review of the existing 9 sectos													MoPB	
16	MTRS Session for 2025 – 2027													MOPB/KIRS/ MOF	
17	MTDS Review													MOPB/KIRS/ MOF	
18	Preparation and production of 2025 -2027 MTEF document Technical Session													MoPB	
20	Sensitization workshop on MTEF document with relevant stakeholders													MoPB	
21	Prepration and circulation of 2025 Budget call circular including Medium Term (3 year), sector ceilings allocations													MOPB	
22	Collections and Collation of citizen input from 5 emirate into the 2025 Budget proposals													MOPB	
23	2024 Supplementary Budget/Amendement exercises													MoPB	
	Third Quarter 2024 Budget performance report (T-Beams)													MOPB/MOF/KIRS	
24	Second Quarter Budget Forum														
25	Conduct of PFM 2022 Rapid Annual Assessemt													MOPB/MOF/KIRS/Salary and wages	
26	Intractive meeting between MOPB and State House of Assembly on budget amendement Year 2025													MOPB/SHOA	

S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
		2024													
27	2025 -2027 MTEF draft presentation to the ExCo													MOPB	
28	Submission of 2025 - 2027 MTEF to Chairman Appropriation Committee State House of Assembly.													MOPB	
29	Consolidation of MDAs budget proposal 2025 (Zero Draft)													MoPB	
30	Consolidation workshop on MDA's 2025 Budget proposal with MTEF (Budget Summit)													MOPB	
31	Bilateral Budget Discussion with MDAs on 2025 budget Proposal and other Relevant stakeholders.													MoPB	
32	Preparation and intergration of 2025 Budget Proposal using T-BEAMS Operation														
33	Third Quarter 2024 M&E Report													MOPB	
34	Submission of draft 2025 budget proposal to EXCO													MoPB	
35	Review and approval of Draft Budget proposal													ExCo	
36	Presentation of the 2025 Budget proposal to State House of Assembly													H E	
37	Intractive Meeting between House Committee 0n Appropriation and MoPB on 2024 Budget													SHoA/MOPB	
38	2025 Budget scrutiny by House of Assembly and MDAs													SHoA/MDAs	
39	Public hearing by the KnSHoA on 2025 Appropriation Bill with all Stakeholders													SHoA	
40	Passage of 2024 Budget into law by the KnSHoA													SHoA	
41	Signing of 2024 appropriation law/General warrant													H E	

2 Economic and Fiscal Update

2.A Economic Overview

2.B Global Economy

The International Monetary Fund's (IMF's) April 2024 World Economic Outlook (WEO) reported a steady but slow improvement (growth of 3.2% projected in 2024 and 2025, as projected for 2023) in the performance of the global economy. The forecast indicated a slight acceleration (1.7% in 2024 to 1.8% in 2025) for advanced economies, to be offset by a modest slowdown (a decline from 4.3% in 2023 to 4.2% in both 2024 and 2025) in emerging market and developing economies. The slow growth projection is attributed to both near-term factors, such as still-high borrowing costs, withdrawal of fiscal support by multilateral and donor organizations; and longer-term effects from the COVID-19 pandemic and Russia's invasion of Ukraine, weak growth in productivity, and the increasing geo-economics fragmentation globally.

Global inflation is forecasted to decline steadily from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, occasioned on advanced economies returning to their inflation targets sooner than the emerging market and developing economies. Generally, core inflation is expected to decline more gradually after 2025. However, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict of Gaza and Israel, could raise interest rate expectations and reduce asset prices, along with the persistent core inflation where labour markets are still tight. A divergence in disinflation speeds among major economies could also cause currency movements that put financial sectors under pressure.

The global unemployment rate is expected to vary across regions. The IMF projects that the unemployment rate in advanced economies will decline to 5.0% in 2024, while emerging market and developing economies are expected to have an unemployment rate of around 6.3% in the same year. The degree of labour market flexibility, including cross-country labour and migration regulations, is expected to influence global employment levels in the coming years.

Amid the high government debt in many economies, a disruptive turn to tax hikes and spending cuts could weaken economic activity, erode confidence in the market, and sap support for necessary reform and spending to reduce risks from climate change. Geo-economics fragmentation could also intensify, with higher barriers to the flow of goods, capital, and people implying a supply-side slowdown. On the upside, looser fiscal policy than necessary could raise economic activity in the short term, although risking costlier policy adjustment later. Inflation could fall faster than expected amid further gains in labour force participation, allowing central banks to bring easing plans forward. Rapid growth in Artificial Intelligence (AI) and stronger structural reforms than anticipated could also spur productivity and growth.

Oil prices decreased in 2023 despite Middle East tensions. The weaker expectations about global oil demand growth contributed to this downward oil price pressures. On the supply side, the implementation of output curbs by OPEC+ was offset in excess by strong output growth in Iran and non-OPEC countries, led by the United States, Brazil, and Guyana. The Red Sea tensions have also led to a 50% rise in global freight rates of oil product tankers. Among the main routes affected is the one from the Middle East to Europe, for which prices increased by 200% from mid-November 2023 to mid-March 2024. The higher costs and the implied rerouting have only had a minor impact on crude oil prices. The IMF projects that oil prices will slide by 2.5% year-over-year to an average of $78.60 per barrel in 2024 and will continue to fall to $67.50 in 2029.

Risks to the above price outlook are balanced. Upside price risks could arise from an escalation of the Middle East conflict and attacks on Russian oil infrastructure. Downside risks could arise from a slowdown in Chinese oil demand and strong non-OPEC supply growth, possibly coupled with a rise in OPEC+ oil supply to regain market share. The outlook for demand growth is therefore highly uncertain. The economic outlook (GDP growth rate and inflation rate) of selected countries is shown in tables 2 and 3 below. Countries selected are chosen to represent G20, BRINCS, MINT, N11, Petro-economies, and other large African countries.

Table 2: Real GDP Growth – Selected Countries

Table 2: Real GDP Growth - Selected Countries

Country	Actual						Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mexico	2.2	-0.2	-8.2	4.8	3.9	3.2	2.4	1.4	2.1
Indonesia	5.2	5.0	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Türkiye	3.0	0.9	1.8	11.0	5.5	4.5	3.1	3.2	3.5
United States	2.9	2.3	-3.4	5.7	1.9	2.5	2.7	1.9	2.1
Germany	1.1	1.1	-4.6	2.8	1.8	-0.3	0.2	1.3	0.7
United Kingdom	1.7	1.7	-9.3	7.4	4.3	0.1	0.5	1.5	1.4
China	6.8	6.0	2.2	8.1	3.0	5.2	4.6	4.1	3.3
Ghana	6.2	6.5	0.4	4.2	3.1	2.3	2.8	4.4	5.0
South Africa	1.5	0.1	-6.4	4.9	1.9	0.6	0.9	1.2	1.4
Brazil	1.8	1.2	-3.9	4.6	3.0	2.9	2.2	2.1	2.0
Angola	-2.0	-0.7	-5.6	0.7	3.0	0.5	2.6	3.1	3.6
Nigeria	1.9	2.2	-1.8	3.6	3.3	2.9	3.3	3.0	3.3

Source: IMF's World Economic Outlook, April 2024

Table 3: Inflation (CPI) – Selected Countries

Table 3: Inflation (CPI) - Selected Countries

Country	Actual						Forecast		
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mexico	4.9	3.6	3.4	5.7	7.9	6.3	2.4	2.0	2.0
Indonesia	3.3	2.8	2.0	1.6	4.1	3.7	2.6	2.6	2.5
Türkiye	16.3	15.2	12.3	19.6	72.3	53.9	59.5	38.4	18.6
United States	2.4	1.8	1.3	4.7	8.0	4.1	2.9	2.0	2.1
Germany	1.9	1.4	0.4	3.2	8.7	6.0	2.4	2.0	2.0
United Kingdom	2.5	1.8	0.9	2.6	9.1	7.3	2.5	2.0	2.0
China	1.9	2.9	2.5	0.9	2.0	0.2	1.0	2.0	2.0
Ghana	9.8	7.1	9.9	10.0	31.9	37.5	22.3	11.5	8.0
South Africa	4.6	4.1	3.3	4.6	6.9	5.9	3.9	2.0	2.0
Brazil	3.7	3.7	3.2	8.3	9.3	4.6	4.1	3.0	3.0
Angola	19.6	17.1	22.3	25.8	21.4	13.6	22.0	12.8	7.4
Nigeria	12.1	11.4	13.2	17.0	18.8	24.7	26.3	23.0	14.0

Source: IMF's World Economic Outlook, April 2024

1.C 2.C Africa Economy

The outlook for sub-Saharan Africa is gradually improving as reported in the IMF WEO, April 2024. Growth is estimated to rise from 3.4% in 2023 to 3.8% in 2024, with nearly two thirds of countries anticipating higher growth. Economic recovery is expected to also continue beyond 2024, with growth projections reaching 4.0% in 2025.

Within the sub regions, economic activity in the West African Economic and Monetary Union (WAEMU) is projected to increase by 5.9% in 2024 and 6.2% in 2025 due to the solid performances of Benin, Côte d'Ivoire, Niger, and Senegal. Growth in Nigeria is projected at 3.3% in 2024 and 3.6% in 2025–2026 as macroeconomic and fiscal reforms gradually start to yield results. A more stable macroeconomic environment will lead to sustained but still slow growth of the non-oil economy as the initial shocks of fiscal reforms begins to dissipate. The oil sector is expected to stabilize with recovery in production and slightly lower prices.

Additionally, inflation has almost halved in the regions, public debt ratios have broadly stabilized, and several countries have issued Eurobonds in 2024. From the outlook, funding squeeze persists as the region's governments continue to grapple with financing shortages, high borrowing costs, and impending debt repayments. Risks to this outlook remain tilted to the downside as the region continues to be more vulnerable to global external shocks, as well as the threat of rising political instability, and frequent climate events.

Three policy priorities can help African countries adapt to these challenges: first, improving public finances without undermining development; second, monetary policy focused on ensuring price stability; and third, implementing structural reforms to diversify funding sources and economies. Amid these challenges, sub-Saharan African countries will need additional support from the international community to develop a more inclusive, sustainable, and prosperous future as analysed by the IMF.

According to African Development Bank's African Economic Outlook, 2024 Growth in Central Africa is expected to moderate from 4.3% in 2023 to 4.1% in 2024 before improving to 4.7% in 2025. The forecast upgrade for 2024 of 0.5 percentage point over the January 2024 projections for the region is attributable to stronger-than- expected growth in Chad and the Democratic Republic of Congo (DRC). Growth in Chad is projected at 5.2% in 2024 and 5.3% in 2025, with an upward revision of 1.3 percentage point for 2024 since the January 2024.

Many African currencies depreciated in 2022 and 2023, especially in commodity-exporting countries and globally integrated economies like Algeria, Kenya, Nigeria, and South Africa. Currency depreciation against the dollar was substantial due to monetary policy tightening in the United States, weak investment flows, and weak external demand, among other factors.

The fiscal positions of African countries were stretched by the COVID-19 policy responses and support for vulnerable populations against rising food and energy prices amid high debt and the impacts of climate change. These challenges, coupled with the residual effects of Russian invasion of Ukraine and the various policies engendered by new administrations across many African countries, pushed price stability beyond most central banks' grasp and led to higher borrowing costs for sub-Saharan African countries, placing greater pressure on exchange rates. The Israel-Gaza war is gradually re-enforcing these challenges.

African Economic outlook is rigged with uncertainty due to the current soaring food and energy prices, tightening global financial conditions as inflationary pressures rise, and the associated increase in domestic debt service costs that continues to heighten the debt vulnerabilities of African countries. Climate change with its damaging impact on domestic food supply and the potential risk of policy reversal in countries that recently transited to a new government equally pose significant threats to this forecast.

Other downside factors to this forecast include the effect of the existing Russia–Ukraine conflict and related sanctions on Russia, the Israel-Gaza war, and other socio-political and security issues. Overall, external position is expected to marginally improve, but uncertainty remains with increased food and energy prices weighing on commodity importers.

Upside factors include enhancing resilience by boosting intra-Africa trade, especially in manufacturing products to cushion economies from volatile commodity prices, accelerating structural reforms to build tax administration capacity and investments in digitalization and e-governance to enhance transparency, reduce illicit financial flows, and scale up domestic resource mobilization, improving institutional governance and enacting policies that can leverage the private sector financing especially in climate-proof and pandemic-proof greenfield projects, and mobilizing Africa's resources for inclusive and sustainable development. Sustainable growth will also require taking decisive action to reduce structural budget deficits and the accumulation of public debt in countries facing a high risk of debt distress or already in debt distress.

The January 28, 2024, announcement of the Military Juntas in Niger, Mali, and Burkina Faso to leave the Economic Community of West African States (ECOWAS) after their suspension from the bloc and the claim that the bloc had failed to help them tackle the jihadist violence in their countries while declaring what they termed "inhumane sanctions" While ECOWAS had called on all the three countries to return to civilian rule, the announcement is considered to have the potential to weaken the bloc as a platform for regional collaboration for development.

Growth in tourism-dependent economies is projected to decline from an estimated 6 percent in 2023 to 4.7 percent in 2024 and 3.8 percent in 2025, reflecting an abating base effect and growth slowdowns in important tourist source markets, especially China, Europe, and United State of America.

Non-resource-intensive economies, largely countries with more diversified economic structures, are likely to sustain their resilience. Average growth for the group is projected to accelerate to 5.4 percent in 2024 and 5.7 percent in 2025 from an estimated 4.4 percent in 2023. This group recovered the strongest from the effects of COVID-19. Increasing investment is expected to drive growth in some part of the African Countries like Kenya and Uganda. The projected higher growth underscores the importance of economic diversification to weather the effects of exogenous shocks.

The effective implementation of the African Continental Free Trade Area (AfCFTA) agreement within 2025-2027 is a key ingredient to booster intra-regional trade that can improve the macroeconomic and fiscal environment of the region.

1.D 2.D Nigerian Economy[1]

The effect of global economic integration has significant effect on Nigerian economy with positive and negative developments in parts of the globe having varying degrees of impact in the Nigerian economy. The shocks of higher commodity prices due to the Russia – Ukraine conflict which led to slow growth rate, regional disintegration among major global trading partners and blocks as well as the volatility in global monetary policy and capital flows had implications on Nigeria. This resulted in distributional and financial shocks, arising particularly from Nigeria's huge, though declining, dependence on crude oil revenue. The ongoing Israel-Gaza war is also likely to have similar effect on Nigeria.
The negative effect of the volatility in oil production has continued to expose the Nigerian economy to both domestic and external vulnerabilities. Shortages in oil production and exports even with an OPEC output quota of 1.5 million barrels per day (mbpd) further reinforced this vulnerability. It is noteworthy that Nigeria has struggled to meet its oil production targets due to operational challenges and insecurity amid growing crude oil theft and pipeline vandalism in the oil producing regions. The efforts to curb crude oil theft and boost oil production in Nigeria are expected to yield an average crude oil production of 1.75mbpd in the 2024 budget. This represents a notable improvement from the 1.30 mbpd recorded in 2023.

To accommodate the pressures on foreign reserves, Nigeria's foreign exchange policy has been revised continually. This has generated some pass-through effects on the volume of trade and led to rising inflation especially given the nature of the exchange rate changes and access restrictions. A single exchange rate policy was instituted in 2023 to put an end to the era of regulated and multiple exchange rates and to stimulate trade and foreign investment in the economy, but its effect is yet to be felt in 2024 as this policy has caused a significant depreciation of the Naira against the US Dollar.

Real GDP – Data from NBS revealed that Nigeria's economy entered a recession in 2020, with the real GDP contracting by 1.8%, reversing three years of recovery from 2017 to 2020. This downturn resulted from the fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. However, in the fourth quarter of 2020, the Nigerian economy expanded by 0.11%; exiting one of its worst recessions, having posted a decline of 6.1% and 3.6% in 2020 Q2 and 2020 Q3, respectively. The data from the NBS also reveals that the real GDP growth year-on-year (YoY) from March 2011 to March 2024 shows an average real growth rate of 2.68%. Note that the data reached an all-time high of 6.9 % in March 2011 and a record low of -6.1 % in June 2020.

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

Nigeria's economy advanced at a slower rate of 2.31% in the first quarter of 2023, compared to the 3.52% rise in the previous three-month period and below the market expectation of a 3% growth. However, the GDP grew by 3.46% (year-on-year) in real terms in the fourth quarter of 2023, lower than the 3.52% recorded in the fourth quarter of 2022 but higher than the 2.54% growth witnessed in the third quarter of 2023. Nigeria ended 2023 with a GDP growth of 2.9%, continuing the slower growth after the exit from recession in 2020; the country grew by 3.6% in 2021 and 3.3% in 2022 (according to data from NBS). Despite the deceleration in growth, the non-oil sector continued to be the main catalyst of the country's economic expansion, boosted by services.

Overall, the lower 2023 actual real GDP growth compared with previous two years was occasioned by the persistent fuel and foreign exchange shortages, with the naira depreciating by over 50% in 2023 and further dampening economic activities. According to the IMF forecast, it is expected that Nigeria’s economy will expand by 3.3% in 2024 and 3.0% in 2025. The Federal 2024-2026 MTEF/FSP anticipated 3.75% growth in 2023, increasing to 3.76% in 2024 and to later increase to 4.22% in 2025. Stable oil prices coupled with reforms initiated by the 2021 Petroleum Industry Act (PIA), the 2022 Start-up Act, and the commissioning of the Dangote refinery in May 2023 were expected to boost the economy. However, Dangote refinery could not commence operation within the year, full implementation of the PIA has also been slow.

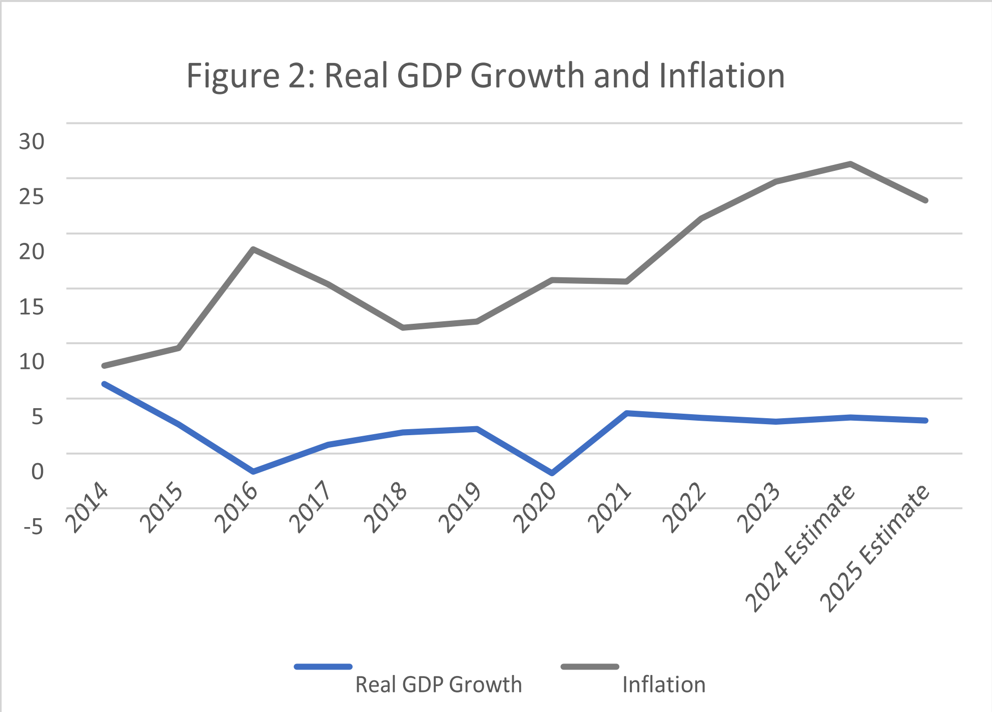
Nevertheless, the projections for the nation's economy paint an optimistic trajectory with the Federal Government of Nigeria anticipating real GDP growth of 3.76% in 2024 against IMF’s forecast of 3.3% and slightly surpassing the estimated 3.75% for 2023. This optimism is underpinned on the implementation of key government reforms set to shape the economic landscape. Foremost among the factors contributing to this positive outlook is the expectation of improved crude oil prices and production and a proactive policy environment. Possible risks to this projection include sustained rise in fiscal deficit and debt, elevated interest rates, high inflationary trend, foreign exchange liquidity pressures, poor non-oil revenues and slower sectoral development. In terms of sectors, the main drivers of GDP growth are the financial services, information and communication, and utilities sector. The Federal Government expects these sectors to continue to drive growth in the short term.

Inflation (CPI) - Nigeria is expected to experience moderate inflationary pressure in 2024 according to the analysis of the Nigerian Economic Summit Group’s Macroeconomic Outlook for 2024. The inflation rate is projected to average at 21.5% in 2024, from an average of 24.7% in 2023. The slowdown in inflationary pressure is expected to be driven by relative exchange rate stability and other heightened monetary measures by the Central Bank of Nigeria. In addition, food inflation will remain the fundamental driver of inflation due to increased cost of credit, insecurity, and internal displacement. The removal of fuel subsidies will continue to increase core inflation, primarily through high transport and energy costs. However, governments efforts aimed at inflation reduction and price stability, strategic fiscal policy measures, and the Accelerated Stabilisation and Advancement Plan (ASAP) submitted to the Presidency by the Federal Ministry of Finance and Economic Development are expected to curb the trend of inflation in the short to mid-term and stabilize the economy for development to take place.

The IMF projects inflation to rise to 26.3% in 2024 and slow down to 23% in 2025 and 14% in 2026. As of April 2024, headline inflation rate stood at 33.69%, rising from 29.9% in January 2024 to 31.7% in February and 33.2% in March 2024. This rise has resulted to frequent tightening of monetary policies with the Central Bank of Nigeria (CBN) increasing the interest rate from 18.75% in January 2024 to 22.75% in February, 24.75% in March, and to 26.25% in May 2024 (the highest rate since 2009) to cushion continued rise in headline inflation driven largely by food prices because of supply shortages and the high cost of logistics and distribution. The high lending rate is also anticipated to foster an environment conducive to increase the inflow of investment that can increase productivity and reduce supply-based inflationary trend.

The national annual real GDP growth and year-on-year inflation rates from 2014 to 2023 and 2024-2025 estimate is shown in Figure 2 below.

Figure 2: Real GDP Growth and Inflation



Data Source: WEO Database

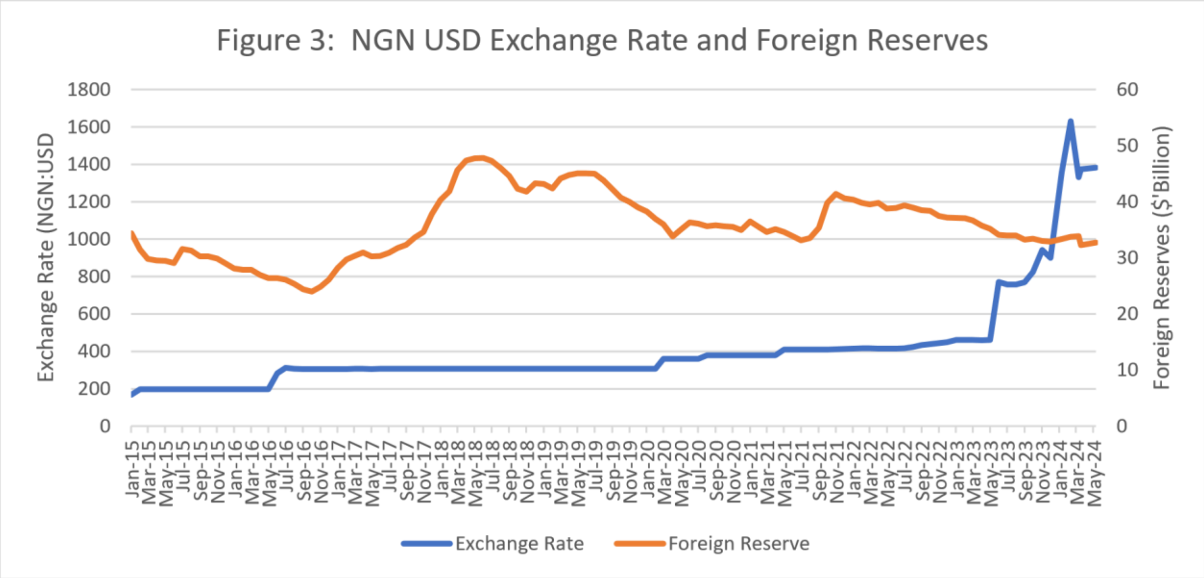
While anticipating enhanced productivity and output in labour-intensive sectors such as Construction, Agriculture, Trade, and Manufacturing sectors, the acceleration of unemployment rate is projected to slowdown in 2024 and 2025. The rate is anticipated to remain around 5.0% in 2024 due to the anticipated improved performance in these jobintensive sectors. With a population growth rate estimated at 3.2%, this trajectory is set to bolster the overall impact of economic growth on real per capita income of the country.

Foreign Exchange Rate – the exchange rate at the Importers and Exporters window depreciated by 5.7% in 2022, closing the year at N461.5/$1 compared to N435/$1 recorded in 2021. Similarly, the Naira has devalued against the dollar from N461/$1 in January 2023 to N770.4/$1 by the end of June 2023 and to N899.4/$1 by end of December 2023. This depreciation followed the abolition of foreign exchange rate segmentation by the Central Bank of Nigeria by collapsing all foreign exchange windows into the investors & exporters (I&E) window on June 14, 2023. Consequent upon the new exchange rate regime, the exchange rate continued to rise from N899.4/$1 by end of December 2023 to N1,356.9/$1 in January 2024, rising to an all-time high of over N1600/$1 in February 2024 and was at N1482.5/$1 as of May 31, 2024.

Foreign reserves was on the decline since mid-2019 but. The reserve stood at $37.1 billion on December 31, 2022, compared to $40.52 billion as of the end of December 31, 2021. The reserve was decreasing marginally amidst steady increase in global oil prices observed during the period. Nigeria commenced January 2023 with $36.99 billion reserve, it fell to $34.12bn as of the end of June 2023, and further down to $32.91bn as of end of December 2023 according to data from the Central Bank of Nigeria (CBN), The fall was largely due to the CBN's effort to manage the depreciation of the Naira. Although the reserve rose marginally to $33.83bn as of March 2024, the rise was not sustained as the reserve fell back to $32.25bn in April 2024 before rising marginally to $32.69bn in May 2024 also due to the CBN's effort to manage the depreciation of the Naira. The falling foreign reserve potentially condenses the policy options available to the CBN in controlling monetary aggregates.

The NGN:USD exchange rate, which is a key crude oil revenue parameter, for the period January 2015 to May 2024, is shown in Figure 3 below.

Figure 3: NGN:USD Exchange Rate and Foreign Reserves



Data Source: CBN

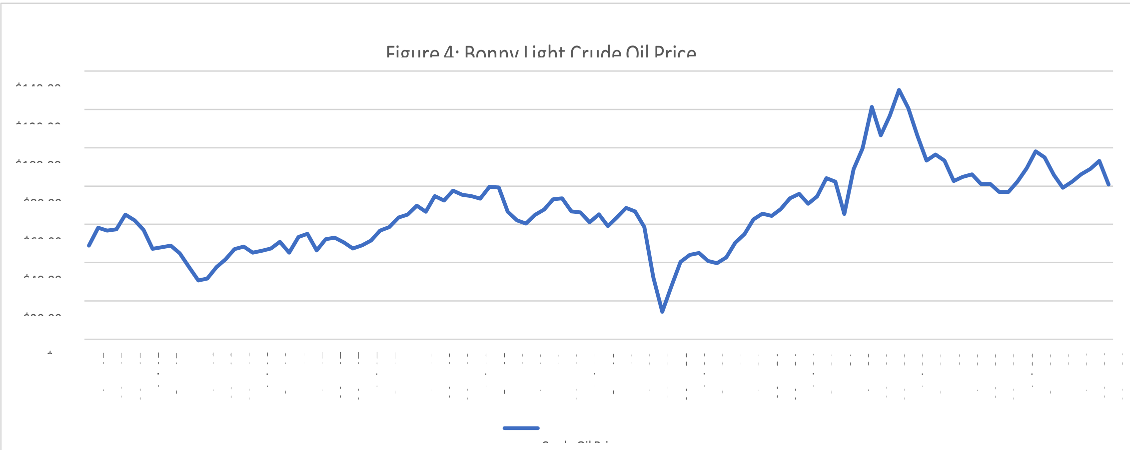
Crude oil price trended upward in 2022 following the Ukraine-Russian conflict which began on February 24, 2022. Rising from $99.64 in February 2022, oil price rose to $130.1 in June 2022 and closed at $82.5 in December 2022. This implies that crude oil price generally increased in the first half of 2022 but gradually decreased in the second half. The increase in the price of crude oil in 2022 was driven by the Ukraine-Russian conflict and other factors such as the failure of OPEC and non-OPEC members to increase their production level when the conflict began.

Oil price picked up at $84.78 in January 2023 but declined to $81.10 in March due to the rising crude supply availability and the building of unsold cargoes for April loading, specifically in the Atlantic Basin. The price however picked up in July 2023 at $82.27, rose to $98.16 in September, before declining again to $79.12 in December 2023 due to geopolitical turmoil and concerns/sentiments about the oil output levels of major producers around the world as non-OPEC+ supply strength coincided with slowing global oil demand growth.

The extension of OPEC+ output cuts through first quarter of 2024 propped up oil prices a little as prices picked up in January 2024 at $82.18 and steadily increased to $93.12 in April 2024. It is therefore important to always consider that the crude oil market is highly volatile, delicate, and unpredictable, reinforcing the rationale for a benchmark that is set significantly below the current/forecast price.

Crude Oil (Bonny Light) Price for the period of January 2015 to April 2024 from the data from CBN are presented in Figure 4 below.

Figure 4: Bonny Light Crude Oil Price



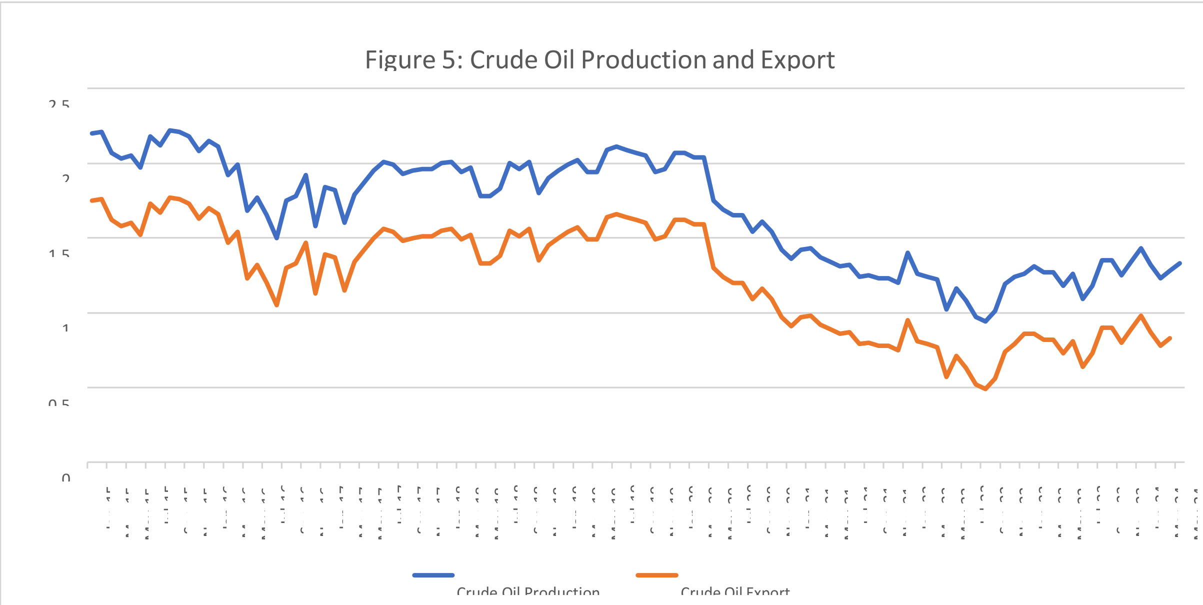
Data Source: CBN

The U.S. Energy Information Administration (EIA) is forecasting an average price of $89 in 2024 and $87 in 2025 for Brent Crude. The IMF forecast in its April 2024 WEO suggest a price of around $78.60 in 2024 and will continue to fall to $67.50 by 2029– lower than the EIA forecasts.

Crude Oil Production – The average crude oil production for Nigeria in the first quarter of 2024 rose by a meagre 1.03% to 1.327mbpd compared to an average of 1.313mbpd produced in the fourth quarter of 2023. However, this number fell to an average of 1.28mbpd in April 2024, representing a 4.07% decline compared to the production recorded in March 2024. These daily productions are far below the OPEC quota of 1.5mbpd till December 2025. This lower production is attributable to the occurrence of oil theft and pipeline vandalism in the oil producing region of Nigeria. The consistent inability to meet OPEC's output targets also led to the reduction of oil production quota for Nigeria.

Several things are likely to impact crude oil production and price in the medium term, including the full implementation of the Petroleum Industry Act (PIA), exploration of new oil wells like that of the Koimani oil site in Gombe State, and any significant boycott of Russian oil because of the ongoing conflict in Ukraine. The ability of the Federal Government to also effectively secure oil pipelines or eradicate oil theft can also increase Nigeria's production output.

Crude Oil Production and Export (including condensates) for the period January 2015 to May 2024 from data from CBN is presented in Figure 5 below. Figure 5: Crude Oil Production and Export



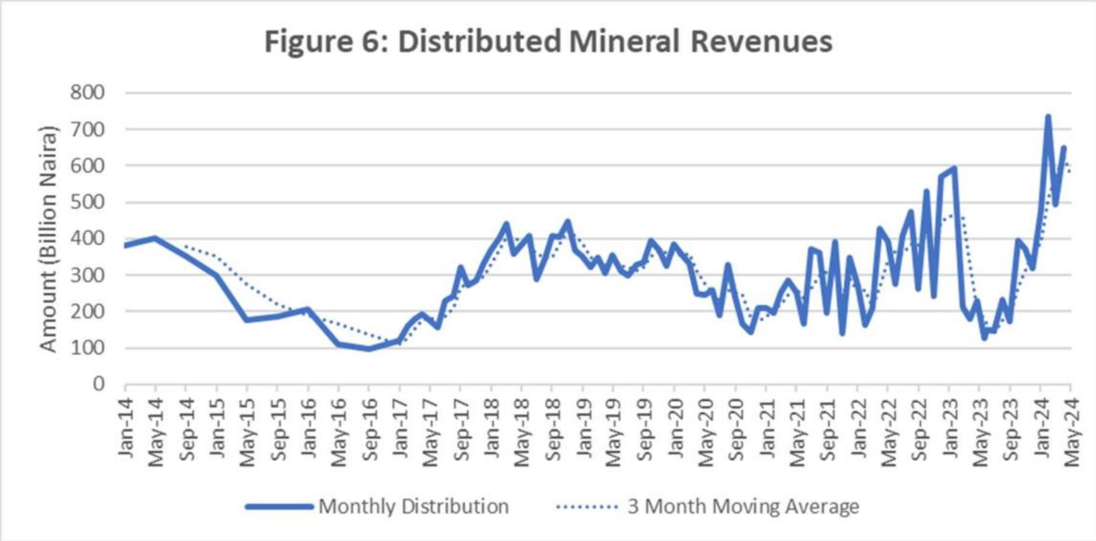
Data Source: CBN

The effective implementation of the Finance Act (Effective Date Variation) Order, 2023 and Customs, Excise Tariff (Variation) Amendment Order, 2023, the development of business continuity plans for tax and custom administration, rationalization of ineffective tax incentives and exemptions, as well as increased remittances and recovery of unremitted revenues from Government Owned Enterprises (GOEs) are critical to grow Nigeria's fiscal space. The proposed Accelerated Stabilisation and Advancement Plan (ASAP) by the Federal Ministry of Finance also contains strategies to urgently grow Nigeria's fiscal space.

A total of N648.58 billion generated as mineral revenues in the month of April 2023 was disbursed to the federal, states and local governments as part of the statutory allocation for May 2023. This was higher than the previous month's (March allocation distributed in April) of N494.784 billion. The highest mineral revenue earned as of May 2024 was in February 2024 where N736.47 billion was earned as mineral revenue.

Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2014 to May 2024 inclusive are shown in Figure 6 below.

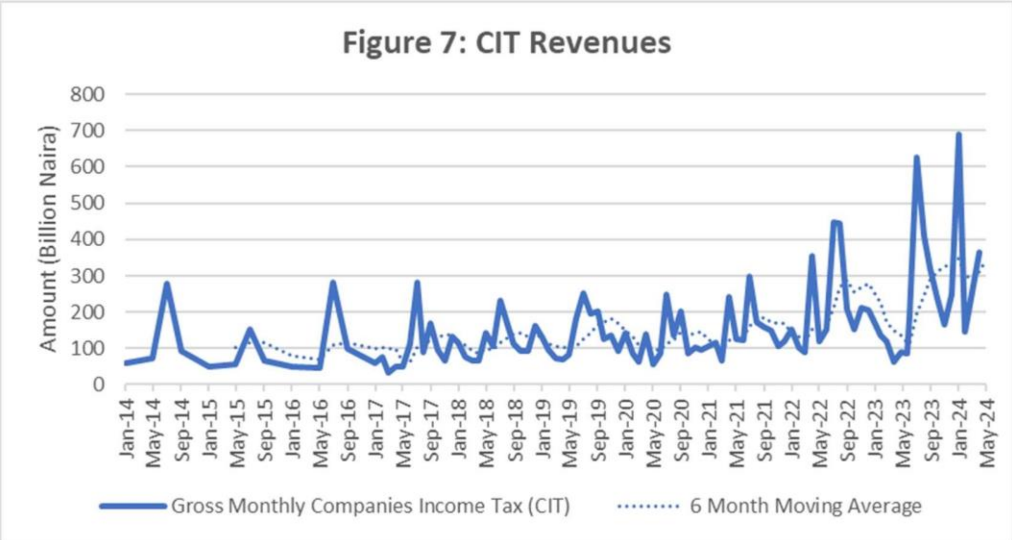
Figure 6: Distributed Mineral Revenue



Data Source: FAAC summary Sheets, OAGF/NBS

Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2014 to May 2024 inclusive are shown in Figure 7 below. The graph also includes linear trend.

Figure 7: CIT Revenues



Data Source: FAAC Summary Sheet, OAGF/NBS

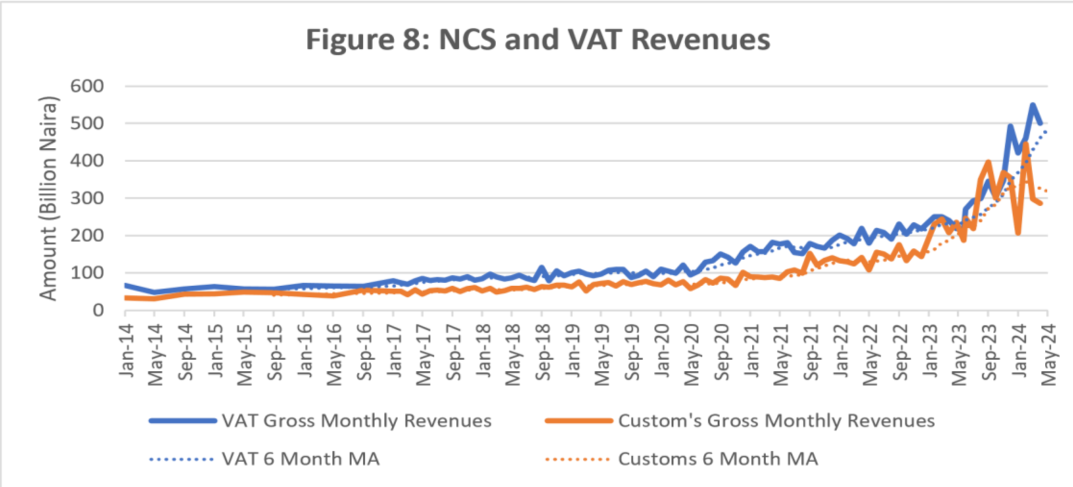
The graph (Figure 7) shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July because June collections are distributed in July, the month many companies file their return.

Nigeria generated a sum of N2.69 trillion from Company Income Tax (CIT) in 2023, a little higher than the N2.64 trillion generated in 2022, an increase of 2% compared to 2022. The high CIT generated in 2023 started in 2022 where CIT witnessed over 30% growth compared to the volume generated in 2021. This sustained increase is something to cheer

Nigeria as this shows growth of the non-oil sector. It is also a signal for policy makers towards planning for a sustainable increase in non-oil revenue.

Customs and Excise duties (NCS), which is distributed as part of Statutory Allocation, and Value Added Tax (VAT) and is distributed separately for the period January 2014 to May 2024 are shown in Figure 8 below.

Figure 8: NCS and VAT Revenue



Data Source: FAAC Summary Sheet, OAGF/NBS.

VAT showed a clear upward trend since late-2015, rising to N2.46 trillion in 2022 from N2 trillion in 2021. VAT collections further rose to N3.53 trillion in 2023 and currently at N1.93 trillion as of April 2024. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). The increase in VAT rate from 5% to 7.5% in the 2020 Finance Act contributed to the significant spike in VAT from August 2020. There is still a level of monthly volatility that makes it slightly difficult to forecast VAT, however, with the economy maintaining a positive real growth and inflation staying above 11% for a longer time, it is anticipated that VAT will continue to grow in nominal terms.

Exchange rate controls import policy, and the devaluation of the Naira may have affected some Customs receipts. However, there are still some short-term volatility and Federal Revenue reforms expected to increase collections in the medium term, but the timing of impact remains uncertain as Custom and Excise Duty stood at N3.34 trillion as of the end of 2023 and at N1.24 trillion as of April 2024.

The Federal Government, in April 2023, adopted a new Fiscal Policy Measures (FPM 2023) which was amended on July 6, 2023. The amended FPM provides for Supplementary Protection Measures (SPM) for the implementation of the ECOWAS Common External Tariff (CET) 2022 to 2026, increased excise duty rates on certain items such as tobacco and alcoholic beverages, and reduced import duty rates on some manufacturing items available to verifiable manufacturers. A new Fiscal Policy Measure 2024 is currently being considered by the Federal Government to address the implications of the implementation of the President Bola Ahmed Tinubu' inaugural address on a unified exchange rate regime and the removal of petroleum subsidy. These policies, and the expected reduction in the importation of petroleum products when Dangote Refinery commences full operation is expected to positively affect Nigeria's vulnerability to exchange rate volatility and food inflation that drives up the headline inflation of the country.

The policy thrust of the National Development Plan (NDP) 2021-2025, a medium-term plan for the implementation of the Nigeria Agenda (NA) 2050 (Nigeria's long term development plan) include a broad-based real GDP growth rate of about 5% on average during the plan period; an increased employment generation of about 21 million jobs; and an inclusive growth that will lift 35 million people out of poverty over the plan period (2021-2025). The implementation of this plan will affect the aggregate macro-fiscal performance of Nigeria and will set the stage for achieving the government's target of lifting 100 million Nigerians out of poverty in 10 years under the National Poverty Reduction and Growth Strategy.

In addition, the 16 amendments to the 1999 Constitution of the Federal Republic of Nigeria (as amended) which was approved in March 2023 gave powers to state governments to invest in railway and power infrastructure by moving railways and power from the exclusive list to the concurrent list is also expected to boost Nigeria's economic performance in the medium term, provided state governments maximises the opportunity.

1.D.1 Kano State Economy

MACRO ECONOMIC INDICA TORS FOR KANO

Kano State serves as a prominent commercial centre in northern Nigeria with population of 21.3 Million people, vast, yet untapped potentials. In September, 2023 the State Real GDP Growth is 2.54% and GDP Per Capita is $674 with Inflation rate of 28.92%. https://kaninvest.kn.gov.ng/kano-in-brief/ Kano State has established commercial base with long history of contact with Europe, North, Central and West Africa and the Middle East. The economy of the State is driven largely by Services with 70% contribution to GDP, followed by Agriculture [17.9%] and light manufacturing [12.1%]. The Services Sector has expanded rapidly since 2013, growing at an average rate of 17% pa, followed by agriculture at 10% and light industry at 9%.

The Kano economy is characterized by widespread informality, with more that 2 million micro enterprises, across all economic activities, employing over 3 million people. This is equivalent to 44% of the State's economically active population.

The Kano economy is driven largely by commerce, manufacturing and subsistence agriculture – the dominant activity, with up to 70% 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% 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.

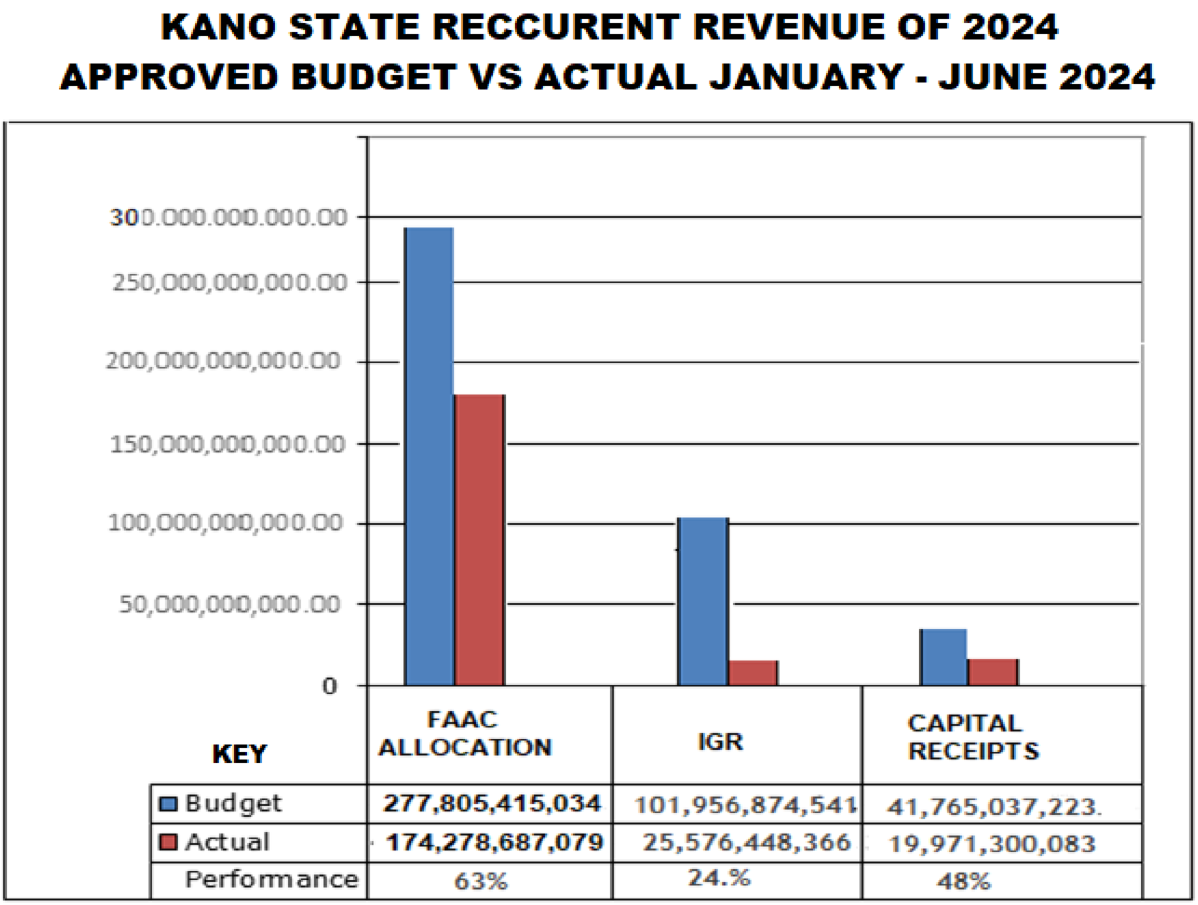
source: http://kanostate.gov.ng/economy/

Kano depends largely on statutory allocation from Federation Account. In 2023, 58.96% of the total State revenue derived from the federation account, while the 15.84% was derived from the internally generated revenue. Government has taken strategies to restructure administrative set up of revenue generating agencies especially the Kano Internal Revenue Services (KIRS). These includes: the harmonization of taxes of both State and Local Governments; expansion of revenue base to informal sector and centralization of revenue account.

1.E Fiscal Update

The half year performance of 2024 Budget shows that the total actual collection from the Federation Account Allocation Committee (FAAC), Internally Generated Revenue (IGR), and Capital Receipts. Showed below

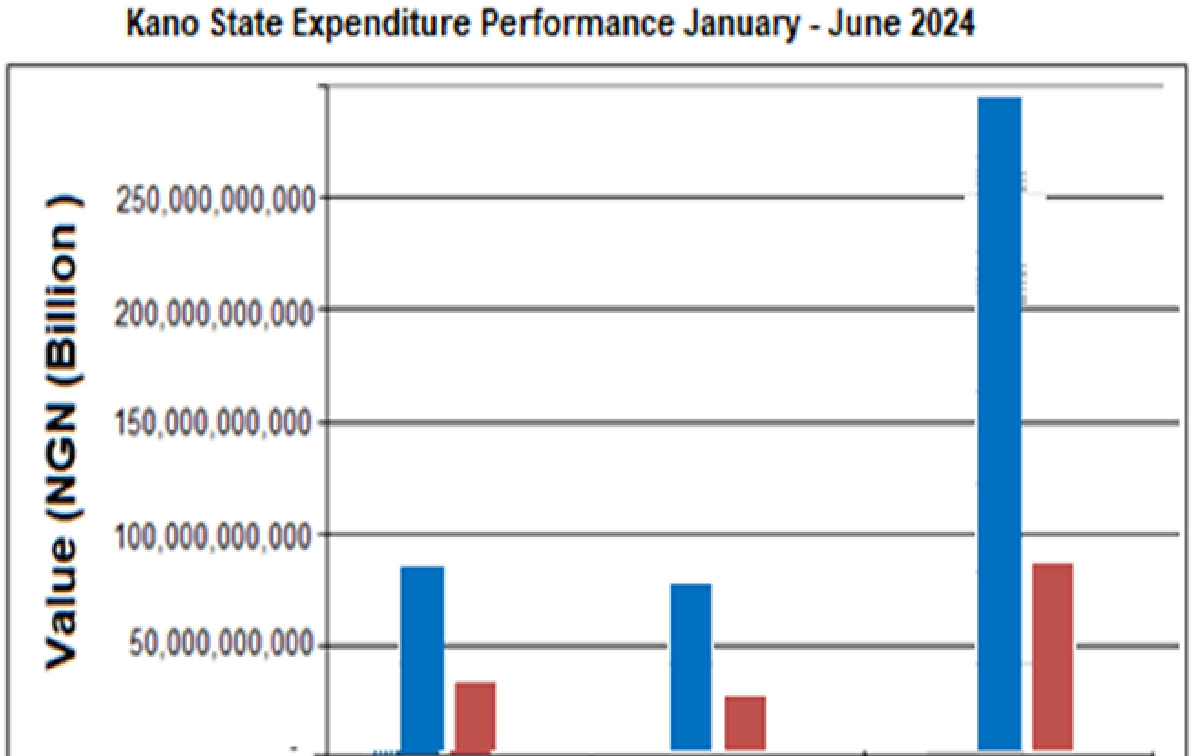
Figure 9



2024 HALF YEAR EXPENDITURE PERFORMANCE

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

Figure 10



KEY	Personnel Cost	Overhead Cost	Capital Expenditure
Budget	87,465,825,287.75	70,037,393,195.97	279,835,094,304.21
Actual	42,077,479,937.70	33,156,441,425.82	71,219,305,005.94
Performance	48%	47%	25%

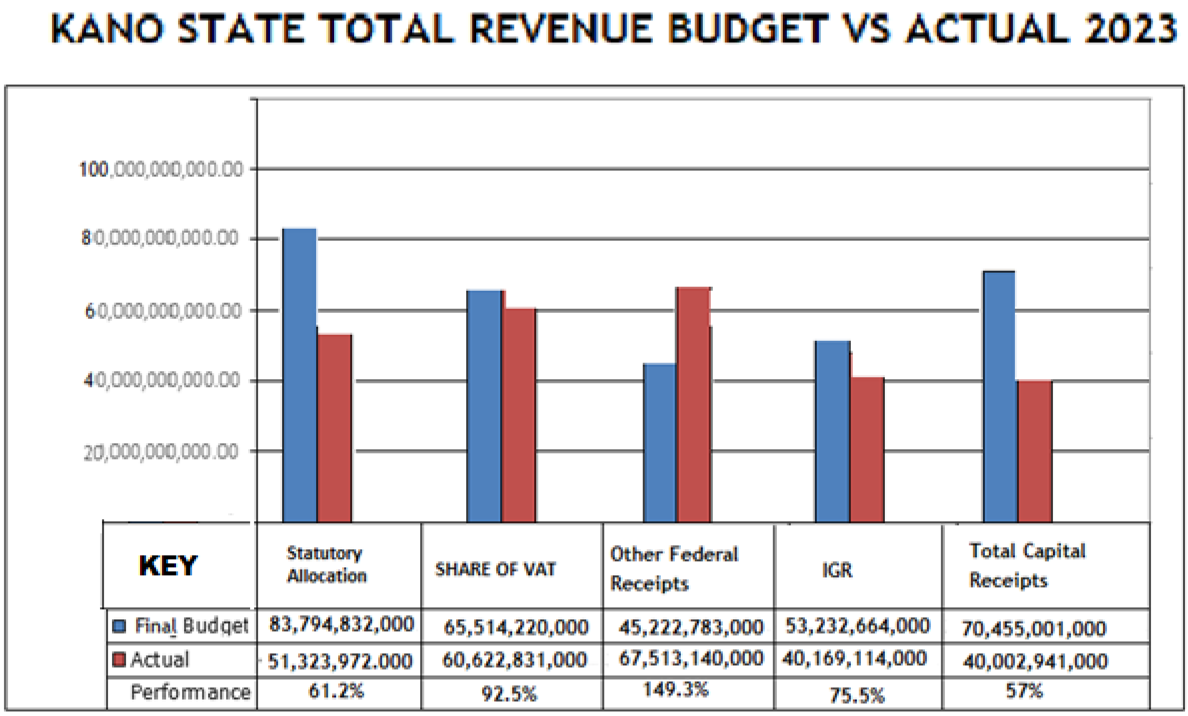
1.E.1 OVERVIEW PERFORMANCE OF THE 2023

The actuals figures used in the Fiscal Update below are based on the 2023 Financial Statement and audited accounts.

Revenue Side:

On the revenue size, the document looks at statutory allocation, VAT, IGR, Excess crude oil and capital receipts budget versus actual for the 2023 final budget.

Figure11: Revenue Collection in 2023



KEY	Statutory Allocation	SHARE OF VAT	Other Federal Receipts	IGR	Total Capital Receipts
Final Budget	83,794,832,000	65,514,220,000	45,222,783,000	53,232,664,000	70,455,001,000
Actual	51,323,972.000	60,622,831,000	67,513,140,000	40,169,114,000	40,002,941,000
Performance	61.2%	92.5%	149.3%	75.5%	57%

The Statutory Allocation is monthly receipts from the federation account being shared between the three tiers of government - federal, state and local governments. It is based on receipts from the mineral sector and also from non-mineral sources (Companies Income Tax and Customs and Excise duties).

Figure 2 **above indicates that; the 2023 budgetary provisions were higher than actual receipts by** 4,891,389,000.00 and the performance achievement is 61.2%

Value Added Tax (VAT) is an ad-valorem tax applied to sales of almost all goods and services within the Nigerian economy. it is applied at a rate of 7.5%. VAT is collected by Federal Inland Revenue Service (FIRS) and distributed across the three tiers of government – states share 50% of the total VAT receipts. The distribution to each state is based on a set of criteria slightly different to those used for Statutory Allocation.

The Kano State 2023 VAT performance indicated in the Figure 2. above. Generally, actual receipts figure from VAT were continuously increasing due to increasing of business activities in the state.

The State IGR is a revenue collection from statutory taxes and non- Tax revenues within Kano State. The major sources are personal income tax; development levy; road taxes; stamp duties; interests and penalties; fees (e.g., tenders and contract registration), fines; levies; rates; and licensing.

From the table figure 2 above the final budgeted and actual revenues generated reached 75.5% Respectively. The growing of internally generated revenue depended on the following factors: -

- Good governance; when the administrators utilize funds well, the citizens are encouraged to pay the taxes and other revenues;
- Implementation of key government reforms related to IGR;
- Political will - non-interference of the political class in the revenue administration in the state;
- Public sensitisation and enlightenment on the importance of regular tax payments; Re-structuring of Kano Internal Revenue Service (KIRS)

This is also a Federation Allocation Account Committees component where it shares with three tiers of government resulted from excess crude, NNPC Surplus, Exchange rate Gain etc which captured and share it as unforeseen or projected surplus.

Capital receipts Includes Aids, Grants and Loans receipts either in cash or kind into the government coffers from multilateral, bilateral and individual sources both from external and internal sources. Multilateral sources include receipts from agencies such as; United Nations (UN), European Union (EU), World Bank (WB) etc. while bilateral sources cover receipts from sources like; Foreign Common Wealth and Development Office (FCDO), The United States Agency for International Development (USAID), etc. The individual grants are mainly from private agencies such as; BUA Foundation, Ford Foundation, Dangote Foundation, Bill Gates & Melinda Foundation etc.

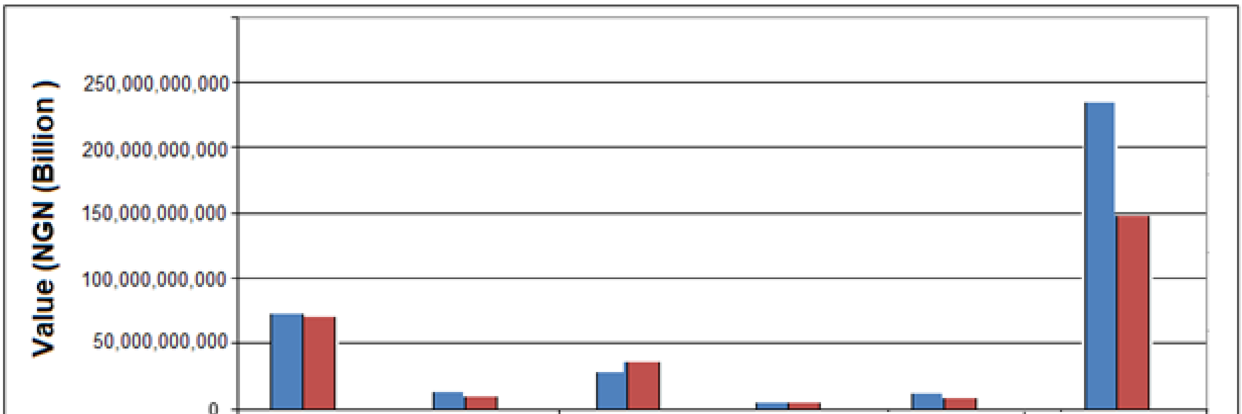
Other capital receipts include Miscellaneous and Treasury Opening balance. These are specifically refunds from Federal Government (for example for construction / maintenance of federal roads) and sales of government property.

Expenditure Side

80. Personnel, Overheads and Capital Expenditure – budget versus actual for the 2023 budget.

Figure 12:

KANO STATE TOTAL EXPENDITURE BUDGET VS ACTUAL 2023



KEY	Personnel Cost		Overhead Cost			Capital Expenditure
	Personnel Cost	Social Benefit & Contribution	Overhead Cost	Grants, Contri. & Subsidirs	Public Debt Ser.	
Final Budget	67,438,676,866	9,541,481,791	30,272,818,000	4,100,985,000	7,322,368,000	231,712,937,000
Actual	66,190,156,186	8,614,791,841	42,837,352,000	4,098,770,000	6,117,840,000	146,539,824,000
Performance	98%	90%	142%	100%	84%	63%

Personnel costs comprise of salaries, allowances and social benefits of civil servants and political appointees of KnSG. 2023. It is expected that personnel expenditure will continue to be on the increase in the future as a result of massive investment in establishing higher educational institutions and completion of other capital projects that will require additional manpower.

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

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

1.E.2 Debt Position

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

Table 4: Debt Position as at 31st December 2023

EXTERNAL DEBTS STOCKS FOR THE YEAR 2023

SN	CREDITOR	Project	1st January, 2023	Additional Loan	Principal	Interest	Total Debt Services	31st December, 2023
			N'000	N'000	N'000	N'000	N'000	N'000
1	IDA	National Urban Water Sector Reform III	1,436,750.40		-	15,188	15,188	2,983,646
2	IDA	National Urban Water Sector Reform III (2)	-	8,993,930	-	-	-	8,993,930
3	IDA	Multi-States Road Project	2,424,120.70		747,849.75	28,754.41	776,604	3,563,926
4	IDA	Malaria Control Booster Project	1,918,763.43		252,724.91	32,594.87	285,320	3,600,096
5	IDA	State Education Sector Project	9,606,342.90		206,972.48	124,970.23	331,943	19,178,413
6	IDA	Third National Fadama Development	2,215,607.25		99,851.53	29,071.41	128,923	4,362,641
7	IDA	Health System Development project 11 (Add)	1,160,411.48		48,930.39	11,892.18	60,823	1,310,717
8	IDA	Commercial Agricultural Development	6,618,503.76		359,598.49	87,384.55	446,983	12,953,085
9	IDA	Malaria Control Booster Project (Add. Financing)	1,392,654.25		119,101.10	470.67	119,572	2,672,244.8
10	IDA	National Erosion and Watershed Management Project	2,220,322.50		156,130.57	28,843.84	184,974	2,464,222
11	IDA	Rural Access Agricultural Marketing Project	1,676,208.80		-	7,331.72	7,332	3,480,921
12	IDA	Agro Processing Productivety Enhancement & Livehood Support (APPEALS)	16,255,014.44		939,103.68	352,655.35	1,291,759	31,499,507
		Sub Total	**46,124,674**	**8,993,930**	**2,930,263**	**719,157**	**3,649,420**	**97,063,350**

INTERNAL DEBTS STOCKS FOR THE 2023

S/N	Creditors	Project	1st January, 2023 N'000	Additional Loan N'000	Principal N'000	Interest N'000	Total Debt Services N'000	31st December, 2023 N'000
1	FGN	Budget Support	16,324,841	-	75,639.85	853,808.86	929,449	16,249,201
2	FGN	Salary Bail-out	14,000,000	-	500,000.00	619,335.62	1,119,336	13,500,000
3	FGN	Excess Crude Oil Account (ECA)	6,999,881	-	166,548.25	373,287.32	539,836	6,833,333
4	FGN	Small and Medium Enterprise Development Fund (SMEDF)	1,526,580	-	-	-	-	1,526,580
5	FGN	Power and Aviation Intervention fund (PAIF)	3,393,542	-	1,051,043.17	342,258.58	1,393,302	2,342,499
7	FGN	State Bond (Contractual Obligation)	15,217,125	-	1,802,499	1,708,883	3,511,382	13,414,626
8	FGN	Commercial Bank Loan	17,807,696	-	1,697,706.11	1,334,731.81	3,032,438	16,109,990
9	FGN	FGN Intervention Fund (Bridging Facility)	2,266,156	-	1,033,621.72	166,378.28	1,200,000	1,232,534.32
10	FGN	Ancore Borrowers	1,010,940	-			-	1,010,940
11	FGN	Bridging Financing Facility Intervention (2022)	18,225,336					18,225,336
		Sub Total	**96,772,097**	**-**	**6,327,058**	**5,398,684**	**11,725,742**	**90,445,039**
		Grand Total	**142,896,771**	**8,993,930**	**9,257,321**	**6,117,840**	**15,375,161**	**187,508,389**
		Current of Internal Debts						11,725,742
		Current of External Debts						3,649,420
		Sub Total Current Debts						**15,375,161**
		Non Current Internal Debts						78,719,297
		Non Current External Debts						93,413,931
		Sub Total Non-Current Debts						**172,133,228**

3 Fiscal Strategy Paper

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

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

Indicative Three Year Fiscal Framework

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

Table 9: Kano State Medium Term Fiscal Framework

Table 5:

[Return to Main Menu](#)

Kano State Macroeconomic and Mineral Framework 2025 - 2027

Item	2025	2026	2027
National Inflation (CPI)	27.00%	21.00%	19.00%
National Real GDP Growth	3.00%	3.00%	3.00%
Oil Price Benchmark	$66.00	$66.00	$68.00
Oil Production Benchmark (MBPD)	1.6000	1.6000	1.7000
NGN:USD Exchange Rate	1200	1200	1300
Other Assumptions			
PMS Under Recovery	1,000,000,000,000	2,500,000,000,000	2,500,000,000,000
Mineral Ratio (Before Subsidy)	35%	25%	20%

Kano State Fiscal Framework 2025 - 2027

Item	2025 Forecast	2026 Forecast	2027 Forecast
Opening Balance	24,000,000,000	20,000,000,000	18,000,000,000
Recurrent Revenue			
Statutory Allocation	96,957,317,320	96,957,317,320	100,000,000,000
VAT	97,365,709,782	118,674,828,304	141,503,934,674
IGR	75,718,779,890	80,261,906,683	85,077,621,084
Other Federation Account Revenues	170,424,029,420	129,553,928,004	144,496,814,689
Other Recurrent Revenues (Recurrent Grants)	8,626,843,730	7,028,484,505	7,028,484,505
Total Recurrent Revenue	**449,092,680,142**	**432,476,464,817**	**478,106,854,952**
Recurrent Expenditure			
Personnel (Salaries, Allowances and Contributions)	143,637,135,778	150,818,992,567	158,359,942,195
Social Benefits	8,243,257,035	1,100,000,000	1,100,000,000
Overheads	64,833,195,920	31,430,000,000	32,688,000,000
Grants, Contributions and Subsidies	8,348,385,093	1,745,000,000	1,810,000,000
Public Debt Service	12,674,229,120	5,100,000,000	5,200,000,000
Total	**237,736,202,946**	**190,193,992,567**	**199,157,942,195**
Transfer to Capital Account	**235,356,477,196**	**262,282,472,250**	**296,948,912,757**
Capital Receipts			
Capital Grants	10,198,699,213	8,405,370,679	8,405,370,679
Other Capital Receipts	0	0	0
Total	**10,198,699,213**	**8,405,370,679**	**8,405,370,679**
Reserves			
Contingency Reserve	6,095,680,636	5,629,331,895	6,091,429,225
Planning Reserve	8,566,902,516	7,911,493,474	8,560,927,560
Climate Response Reserve	5,162,107,926	4,767,181,965	5,158,507,632
Total Reserves	**19,824,691,078**	**18,308,007,333**	**19,810,864,417**
Capital Expenditure	**311,424,214,717**	**311,323,693,073**	**343,528,036,250**
Discretional Funds	275,342,774,965	285,324,299,849	316,487,883,272
Non-Discretional Funds	16,256,748,675	13,320,717,786	13,320,717,786
Planning and Climate Reserves	19,824,691,078	18,308,007,333	19,810,864,417
Financing (Loans)	65,869,038,308	46,265,182,039	44,265,182,039
Total Revenue (Including Opening Balance)	**549,160,417,663**	**507,147,017,535**	**548,777,407,670**
Total Expenditure (including Reserves)	**549,160,417,663**	**507,147,017,535**	**548,777,407,670**
Closing Balance			
Ratios			
Growth in Recurrent Revenue	38.11%	-3.70%	10.55%
Growth in Recurrent Expenditure	50.94%	-20.00%	4.71%
Capital Expenditure Ratio	57.16%	62.95%	64.16%
Deficit (Financing) to Total Expenditure	11.99%	9.12%	8.07%
Deficit (Financing) to GDP Ratio	NA	NA	NA

3.B.1 Assumptions

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

VAT – simple based on the past year (2023) and current half year (performance is used to forecast VAT for 2025 - 2027. This forecast should be revisited if there are any changes to the VAT rates.

Other Federation Account receipts – the estimation is based on the historical trend. The State is developing its mineral sector and is expected to receive more funds from derivation and other sources of funds.
Internally Generated Revenue (IGR) – the current administration is improving on the ongoing measures to grow IGR. The current year is increasing by 100% which in the half year reduced to 30%. Own Percentage is therefore used to forecast IGR for 2025 – 2027.

Grants – The internal grants are based on the actual receipts for 2023 and performance from January - June 2024. External grants are based on signed grant agreements with the development partners.

Financing – Kano State intends to secure loan/borrowing in 2025. All internal and external loans are projections based on signed agreements.

Personnel – It is anticipated that there will be a new minimum wage before the end of 2024 to cushion the effect of the subsidy removal and naira devaluation which will impact on the wage bill from the fourth quarter of 2024. The projection is that total wage bill will increase by 128% in September – December 2024 and 2025 with a gradual increase 2025 – 2027 fiscal years.

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

Overheads – Overhead has been relatively increase in 2023. It is anticipated that it will increase further by 29.5% due to the inflation rate in 2024. Consequently, own percentage method is used to forecast overhead for 2025 – 2027.

Special programme is expected to increase marginally on the actual performance level of 2024. This trend is expected in the period of forecast and have been incorporated in the basis of the forecast for 2025 – 2027.

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

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

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

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3. D Fiscal Risks

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

Table 6: Fiscal Risks

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

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

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

Policy Statement

The policy statement of the present administration states the following:

Policy Statement

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

Objectives and Targets

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

Kano State Expenditure by Sector									
2025 Budget Ceiling									
No.	**Sector**	**%**	**Personnel cost**	**%**	**Overhead Cost**	**%**	**Capital**	**%**	**Grand Total**
1	AGRICULTURE	2.73%	4,144,062,122	2.53%	2,173,207,641	5.03%	15,669,871,483	4.00%	21,987,141,246
2	GOVERNANCE INSTITUTIONS	13.09%	19,876,947,571	30.69%	26,352,525,570	5.22%	16,244,459,814	11.38%	62,473,932,955
3	MANUFACTURING, INDUSTRIES, COMMERCE & TROURISM	0.67%	1,010,058,315	0.87%	745,957,417	0.48%	1,486,589,583	0.59%	3,242,605,315
4	ENVIRONMENT & SANITATION	1.15%	1,748,891,743	0.65%	558,671,079	1.93%	6,025,877,950	1.52%	8,333,440,773
5	EDUCATION	48.28%	73,325,050,752	6.76%	5,800,349,979	27.49%	85,600,478,236	30.00%	164,725,878,966
6	HEALTH	22.01%	33,421,844,266	6.99%	5,997,422,304	17.33%	53,976,035,586	17.01%	93,395,302,156
7	INFRASTRUCTURE	1.54%	2,334,681,506	1.33%	1,140,275,856	24.71%	76,965,292,676	14.65%	80,440,250,038
8	WATER	1.31%	1,987,388,339	0.49%	422,400,066	7.35%	22,876,698,813	4.60%	25,286,487,218
9	TRANSPORT	1.64%	2,495,383,678	0.63%	541,967,088	2.52%	7,838,072,827	1.98%	10,875,423,594
10	WOMEN, YOUTH & PEOPLE WITH SPECIAL NEEDS	0.87%	1,328,405,133	24.19%	20,770,908,482	1.40%	4,358,398,724	4.82%	26,457,712,339
11	SECURITY, JUSTICE & EMERGENCY	6.72%	10,207,679,388	3.04%	2,606,540,059	2.14%	6,664,208,633	3.55%	19,478,428,080
	Public Debt Service			14.76%	12,674,229,120			2.31%	12,674,229,120
	Recurrent Contingencies			7.07%	6,071,355,472			1.11%	6,071,355,472
	Capital Planning Reserve					2.75%	8,573,880,266	1.56%	8,573,880,266
	Climate Response Reserve					1.65%	5,144,328,160	0.94%	5,144,328,160
	Total	**100%**	**151,880,392,813**	**100%**	**85,855,810,133**	**100%**	**311,424,214,717**	**100%**	**549,160,395,697**

1.F KEY CONSIDERATIONS IN THE ANNUAL BUDGET PROCESS.

The following issues should be taken into consideration:

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

2. Key Recommendations

- This document, is an executive summary, once completed, should be presented to ExCo for approval and to the appropriation committee SHoA for consideration;
- There is need for harmonisation/standardisation of data between the institutions responsible for PFM;
- Advocacy activities need to be undertaken with Exco and SHoA of the importance of this document, and should be used as the basis for the 2025 annual budget.
- KnSG has budgeted capital expenditure ratios as high as 57% and recurrent expenditure ratio of 43% including Consolidated revenue fund charges (CRF)
- For sectors that have existing MTSSs, allocations should reflect the requirements of the sector. For sectors that do not yet have MTSSs, MoPB should support the preparation of MTSSs;
- The state intensifies efforts to boost IGR in order to fund additional capital expenditure and reduce reliance on federal transfers;
- The state should continue in its transition to IPSAS Accrual reporting standards and development of Unified Chart of Accounts (NCoA) consistent with national standards.
- Management and coordination of the reform needs to be strengthened;
- KnSG reporting system to be strengthened with all relevant stakeholders for better understanding.
- KnSG adheres to the Budget Calendar as laid out in Section 1 in order to finalize and pass the 2025 Budget by 31st December 2024.