KANO STATE GOVERNMENT OF NIGERIA

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

2027 – 2029

Document Control	
Document Version Number:	2027 - 2029
Document Prepared By:	Kano State Ministry of Planning & Budget
Document Approved By:	State Executive Council
Date of Approval:	August, 2026
Date of Publication:	September, 2026
Distribution List:	All State Stakeholders

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List of Abbreviations

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

Acknowledgements

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

The State also acknowledged the improvement and capacity enhancement that add value to the improvement in the Budget Preparation Process and eventually result in the development of implementable Budget in line with the policy priority of the Medium Term Expenditure Framework (MTEF) period of 2027 - 2029.

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 2027 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 partners for partnering with us and providing 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, FCNA
Commissioner
Ministry of Planning and Budget

1.0 Introduction and Background

1.1 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 Fourteenth (14) rolling iteration of the document and covers the period 2027 - 2029.

1.2 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

1.3 **Budget Process**

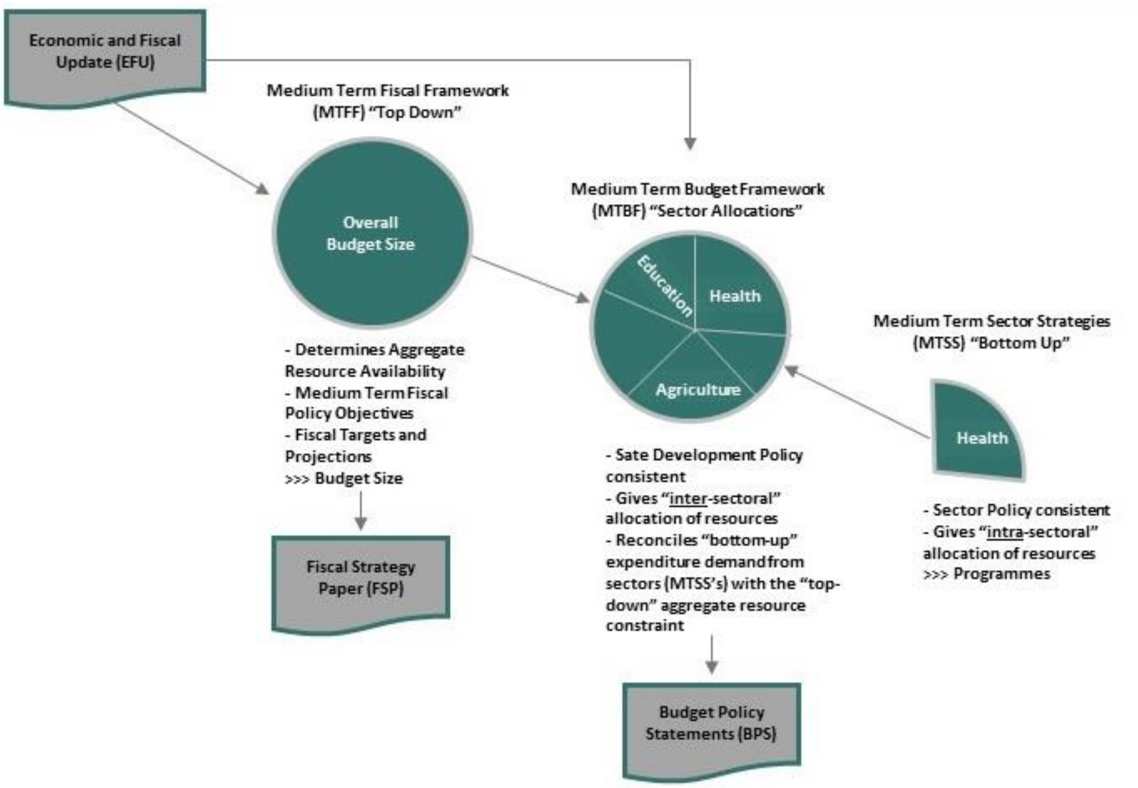
The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:

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



1.4 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 2027 – 2029. 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 2027 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.

1.5 Preparation and Audience

The purpose of this document is to provide an informed basis for the 2027 – 2029 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 in within in the first Two ~~wo~~ 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

1.6 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;

1.7 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.

1. 8 Overview of Budget Calendar

Indicative Budget Calendar for Kano State Government is presented below:

Table 1: Budget Calendar

KANO STATE GOVERNMENT
MINISTRY OF PLANNING AND BUDGET
INTEGRATED PLANNING AND BUDGET CALENDER- 2026

S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
		2026													
1	Press Briefing on 2026 Approved Budget by the Hon. Comm.													MoPB	
2	Updates and validation of 2026 Appropriation Law													MoPB	
3	Printing of 2026 Budget Document													MoPB	
7	KSDP Approved and Presented to the EXCO													MOPB	
8	Development of MTSS of Remaining 2 Sectors, Review and costing the existing 9 sectos													MoPB/MoF/ MDAs	
9	Validation of 11 Sector Performance Report (SPR)													MOPB	
	Full Year 2025 Budget Performance													Mof	
	Preparation and production of citizens Budget														
	Budget Profilng and Cash Planning														
10	First Quarter KANMAF Matual Accountability Meeting													FCDO/MoPB	
11	First 2026 Quarter IGR Monthly Performance Review													MOPB	
12	First Quarter 2026 Budget Performance Report													MOPB/MOF/ KRS	
13	M & E Rapid Annual Performance Assessment (RAA 2023 -2024													MOPB	
14	Workshop on learning event/sharing experience On M & E Implementation CCB Report													MOPB/PERL	
15	Capacity Building on E- Budget Process													MoPB	
17	2026 Personnel Cost Bileteral Budget Discussion													OHCS/MoPB/ Audit	
	Second quarter 2026 Budget performance report														
20	Second Quarter 2026 Quarter IGR Monthly Revenue Review meeting/Target Setting 2027 - 2029													MOPB/KIRS/ MOF	
21	Medium Debt Strategy Review Workshop 2027 - 2029													MOPB/KIRS/ MOF	
22	Preparation and production of 2027 -2029 MTEF document Technical Session													MoPB	
23	Sensitization workshop on MTEF document with relevant stakeholders													MoPB	
	Conduct of PFM 2024 - 2025 Rapid Annual Assessemt														
24	Prepration and circulation of 2027 Budget call circular including Medium Term (3 year), sector ceilings allocations													MOPB	
25	Collections and Collation of citizen input from 5 cluster areas into the 2027 Budget proposals													MOPB	

KANO STATE GOVERNMENT
MINISTRY OF PLANNING AND BUDGET
INTEGRATED PLANNING AND BUDGET CALENDER- 2026

S/N	Planning and budgeting activities	Month												Responsible parties	STATUS
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
		2026													
26	2026 Supplementary Budget/Amendement exercises													MoPB	
28	Second Quarter Budget Forum														
30	Intractive meeting between MOPB and State House of Assembly on budget amendement Year 2026													MOPB/SHOA	
31	2026 -2029 MTEF draft presentation to the ExCo													MOPB	
32	Submission of 2027 - 2029 MTEF to Chairman Appropriation Committee State House of Assembly.													MOPB	
33	Consolidation of MDAs budget proposal 2027 (Zero Draft)													MoPB	
34	Consolidation workshop on MDA's 2027 Budget proposal with MTEF (Budget Summit)													MOPB	
35	Bilateral Budget Discussion with MDAs on 2027 budget Proposal and other Relevant stakeholders.													MoPB	
36	Preparation and intergration of 2027 Budget Proposal using E - Budget Portal													MoPB	
37	Third Quarter 2026 M&E Report													MOPB	
	Third Quarter 2026 Budget performance report														
38	Submission of draft 2027 budget proposal to EXCO													MoPB	
39	Review and approval of Draft 2027 Budget proposal													ExCo	
40	Presentation of the 2027 Budget proposal to State House of Assembly													H E	
41	Intractive Meeting between House Committee 0n Appropriation and MoPB on 2027 Budget													SHoA/MOPB	
42	2027 Budget scrutiny by House of Assembly and MDAs													SHoA/MDAs	
43	Public hearing by the KnSHoA on 2027 Appropriation Bill with all Stakeholders													SHoA	
44	Passage of 2027 Budget into law by the KnSHoA													SHoA	
45	Signing of 2027 Appropriation Law/General warrant													H E	

2.0 Economic and Fiscal Update

2.1 Economic Overview

2.1.1 Global Economy

Global growth is projected to be 3.0 percent in 2026 and 3.4 percent in 2027, down from the average of 3.5 percent observed in 2024–25 and broadly unchanged on a cumulative basis compared with the forecasts in the April 2026 World Economic Outlook (WEO). The modest slowdown reflects the effects of the war in the Middle East being partly offset by accelerated demand-driven momentum in the global technology cycle thanks to advances in artificial intelligence (AI) and its adoption. The impact varies widely based on countries' exposure to the war and position in the technology value chain. Energy exporters outside the conflict zone benefit from favourable terms of trade, whereas economies plugged into the technology-led upturn experience stronger activity even if they are energy importers. In contrast, activity weakens for energy importers with limited participation in the technology value chain, a group that includes many low-income countries. Global headline inflation is expected to increase from 4.1 percent in 2025 to 4.7 percent in 2026 before declining to 3.9 percent in 2027. Slightly revised upward from April, these projections indicate that the disinflation trend in place since the beginning of 2024 has stalled..

Global economic activity and the outlook are being shaped by two major forces, pushing in opposite directions with asymmetric effects across countries. First is the negative supply shock induced by the war in the Middle East. Second is the ongoing positive technology shock manifesting in accelerated momentum of the global technology cycle, in no small part driven by advances in and deployment of artificial intelligence (AI) tools. The global economy as a whole has, so far, weathered the shock from the war better than feared. Movements in and repercussions from the main channels of transmission—commodity prices, inflation expectations, and financial conditions—have been relatively limited. However, transmission is still in the early stages—commercial and strategic destocking have provided temporary relief from reduced energy flows, whereas forward-looking indicators such as supply chain pressure and manufacturing purchasing managers' indices point to softer momentum ahead—and some countries are experiencing more strain than others. (International Monetary Fund | July 2026)

• ***Commodity prices*** are still elevated, but ceasefires and a memorandum of understanding between Iran and the United States have cooled prices from their April 2026 peaks, in part by justifying adjustment in inventories to tackle what are perceived to be temporary shortfalls. Energy prices are roughly 25 percent higher than pre-war levels. The oil futures curve is in backwardation—higher spot prices than futures—

through the end of 2026, in line with supply disruptions and heightened geopolitical risk. Even so, the curve implies an average petroleum spot price index of $78 per barrel for 2026, compared with the $82 per barrel assumed under the reference forecast in the April 2026 *World Economic Outlook* (WEO) and $100 per barrel

- Inflation: The discrepancy between headline and core inflation has been wider in countries that had more slack and narrower in countries that put in place measures to cap fuel prices. Elevated energy prices and higher headline inflation readings have stoked inflation expectations for 2026 across countries, whereas expectations for 2027 have moved much less (Figure 2). The variation across countries is considerable, however, and in some cases household expectations have reacted more.

- **Global financial conditions** have eased since their peaks in early April and continue to be accommodative by historical standards. The easing trend has been accompanied by bouts of volatility, and markets are pricing in higher nominal policy rates in response to the reappearance of inflationary pressures. This, along with other factors, has raised long-term sovereign yields, again with variation across countries.

2.1.2 Africa Economy

Growth in Sub-Saharan Africa is projected to remain at 4.1% in 2026 – the same pace as in 2025 -- with projections revised downward by 0.3 percentage points compared to estimates published in October 2025. Rising fuel, food, and fertilizer prices, combined with tighter financial conditions, are likely to push inflation higher, disrupt economic activity, and disproportionately affect the most vulnerable households, which spend a larger share of their income on food and energy.

Geopolitical risks—including the conflict in the Middle East—alongside high debt-service burdens and long-standing structural constraints continue to weigh on the region's capacity to accelerate growth and create jobs. High public debt and rising debt service continue to crowd out development spending, while declining external financing—especially development assistance—adds pressure on low-income countries. After falling from 4.4% in 2024 to 3.7% in 2025, median inflation is projected to rise to 4.8% in 2026, largely due to spillovers from the Middle East conflict. These challenges are compounded by global policy uncertainty, rising trade tensions, and the risk of tighter global financial conditions that could weaken exports and restrict access to finance.

In the short term, governments should target scare resources to protect the most vulnerable households while maintaining macroeconomic stability—through controlled inflation and prudent fiscal management—to manage the current shock and position African countries for a faster recovery once the crisis subsides.

Well-designed industrial policy can help countries expand priority sectors and capture growing demand for African goods—from critical minerals to pharmaceuticals—while moving toward higher-value activities and better jobs. Success depends on realistic design, strong implementation capacity, and integration with broader ecosystems, including infrastructure, skills, finance, and regional markets.

Source: https://www.worldbank.org/en/region/afr/publication/africa-economic-update

2.1.3 Nigerian Economy

A. Nigeria's Macro-Fiscal Performance

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

1. Nigeria has implemented major reforms over the last two years, which have improved monetary and fiscal stability and enhanced resilience:

- Real GDP growth is stable, and Inflation has reduced substantially but is still above 15%
- The Naira exchange rate has appreciated slightly, fluctuating in the range of 1,3500 – 1,400 to the USD. Foreign Reserves now exceed $50 billion.
- The fuel subsidy has been removed, but mineral revenues have not risen substantially in relation to the mineral sector GDP
- Crude Oil production is approaching the OPEC quota of 1.5 MBPD, plus condensates of around 200,000 BPD.
- On the other hand, there is a weak global economic outlook, which is perpetuated by the conflicts in the Middle East and Ukraine, and issues related to global trade policies (tariffs).
- Climate shocks are also becoming more common, necessitating increased allocations to climate change adaptation and mitigation initiatives
- 2027 Elections in Nigeria may also impact preparation, approval and implementation of the 2027 budget
- Crude Oil Prices are unstable due to the conflict in the Middle East.
- The passage of the four Tax Bills in mid-2025 lays the foundation for improved tax administration and a fairer pro-growth tax regime
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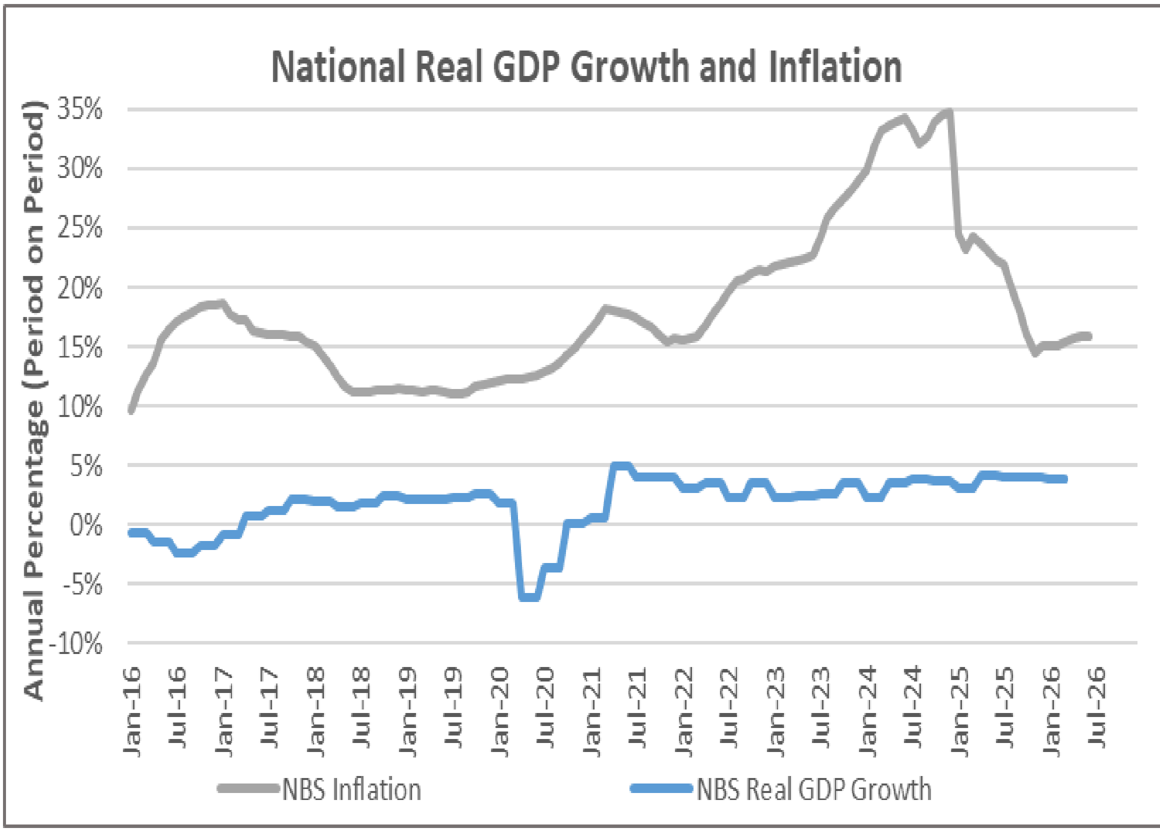
- The NGF produced an Advisory Note to support State governments in their medium- and annual budgeting process in preparation for the 2027 budget. Specifically, it covers the following areas:
- Section 1 - A Macro-Fiscal review covering the key Macroeconomic, Mineral Sector, and Federation Account revenue performance in 2025, year-to-date 2026, and the full-year outlook for 2027
- This includes a review of the time value of money in relation to Federation Account revenue;
- Section 2 - Key considerations for the preparation of the 2027-2029 MTEF for all 36 States;
- Section 3 - Key considerations for the preparation of the 2027 Annual Budget; and
- Section 4 - Recommendations for improved Budget Management, Control, and Reporting.

Review Of Macro-Fiscal Performance

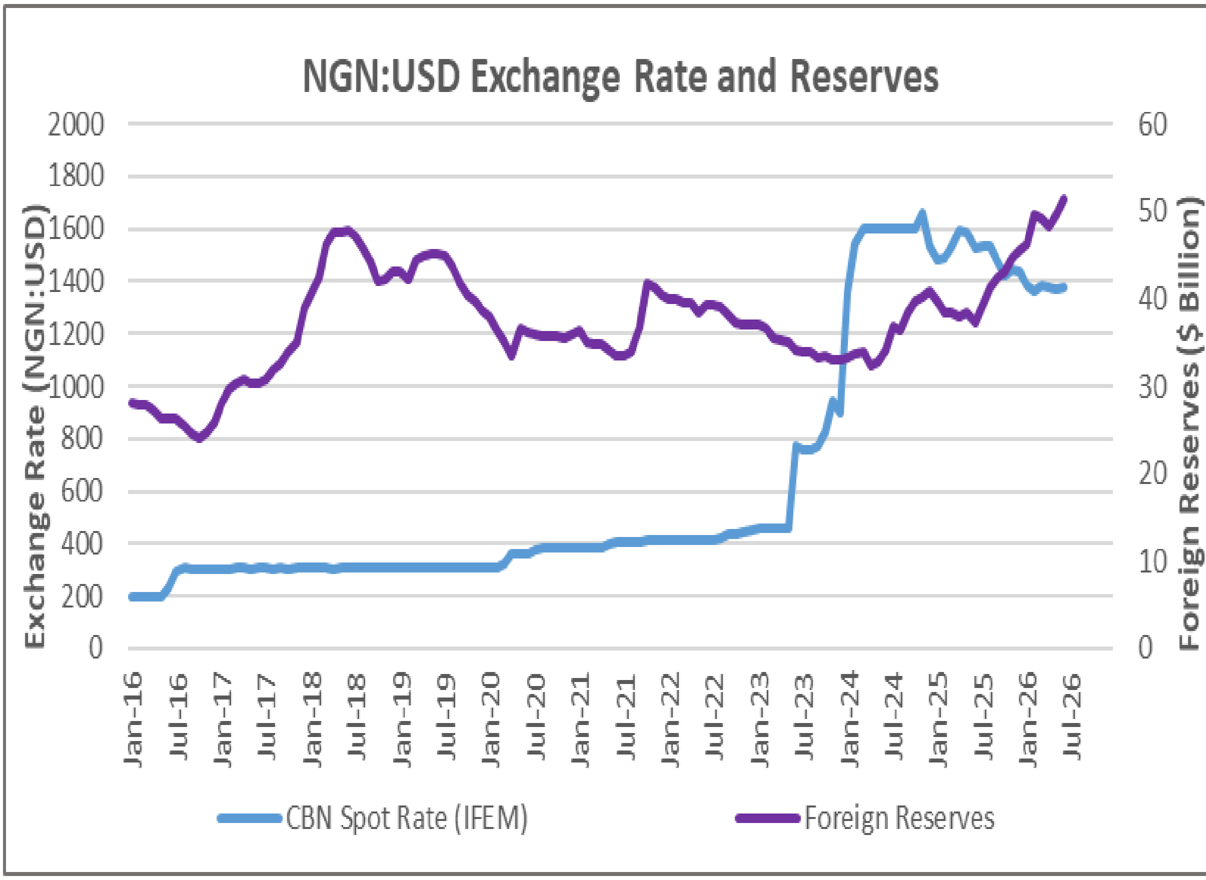
2.1.3.1 KEY MACROECONOMIC VARIABLES: GDP AND INFLATION



- CPI inflation has slowed. Significantly, it has fallen from a high of 34.8% in December 2024 to 15.91% in June 2026. Factors include
- Rebasing (basked of goods) exercise undertaken in early 2026
- Naira appreciation
- Tighter Monetary Policy
- Real GDP Growth has been fairly steady since the

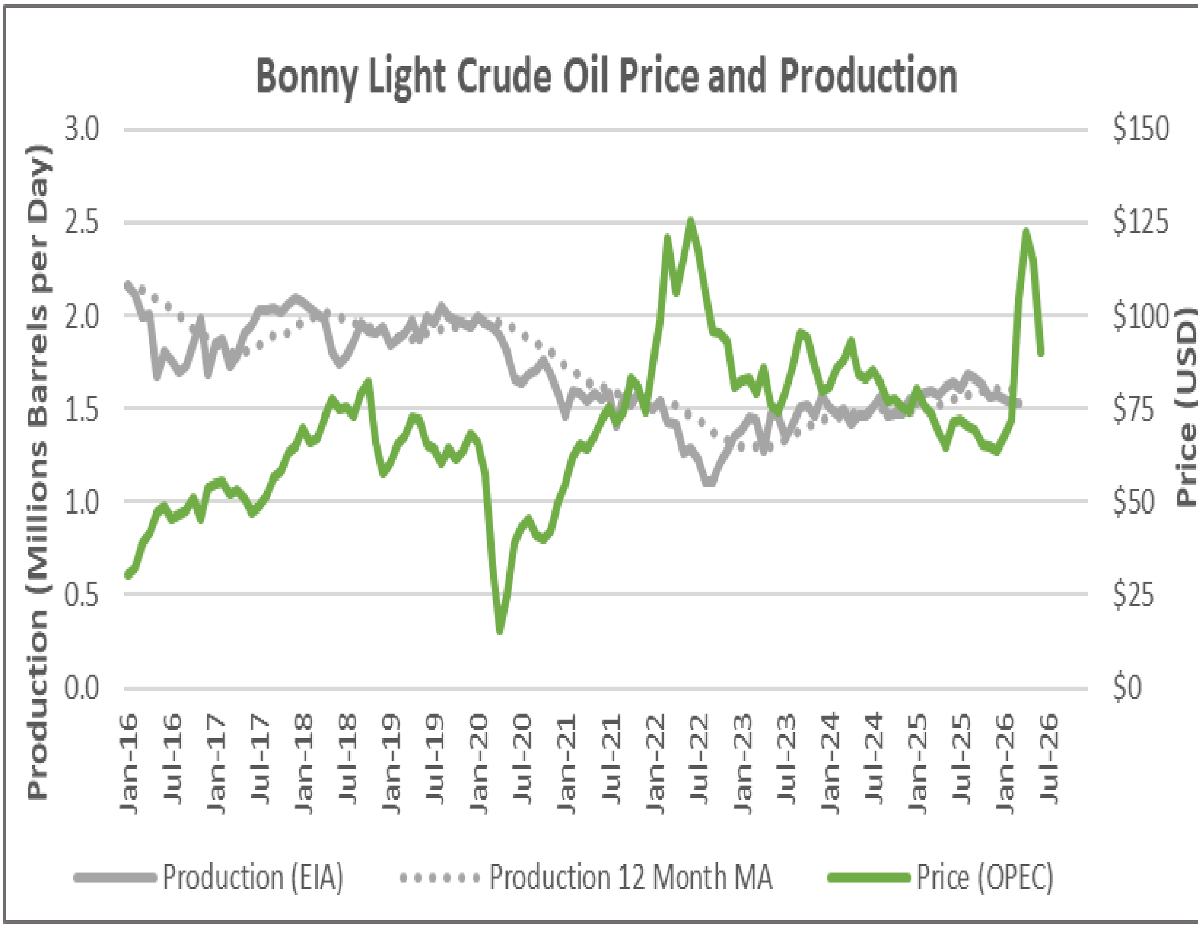
COVID-19 global economic downturn (2020) and subsequent bounce back (2021)

2.1.3.2 KEY MACROECONOMIC VARIABLES: EXCHANGE RATE AND FOREIGN RESERVES



- Modest appreciation of the Naira in the first six months of 2026 – average rate of N1,377 to the USD compared to N1,506 in 2025.
- Foreign reserves growing exceeding USD 51 billion in June 2026 – up 38% from June 2025.
- Backlog of FX transactions is cleared, Will result in a marginal decline in the Naira value of exports (not least crude oil), but eases pressure on foreign debt service and consumer prices.

2.1.3.3 MINERAL SECTOR PERFORMANCE: CRUDE OIL PRICE AND PRODUCTION



- Production creeping upwards towards OPEC quota of 1.5 MBPD
- Additional circa 200,000 BPD of condensate brings total production to around 1.7 MBPD
- High levels of price fluctuations as the US and Iran battle over access to the Strait of Hormuz – highs of over $120 per barrel and lows of $70 per barrel in 2026.
- For each month that the price of oil is $5 higher than anticipated, each State can expect an additional N500 million in Stat. All, whilst the derivation states can expect an additional N9 billion collectively

2.1.3.4 STRONG PERFORMANCE OF FAAC REVENUE: NON MINERAL REVENUES

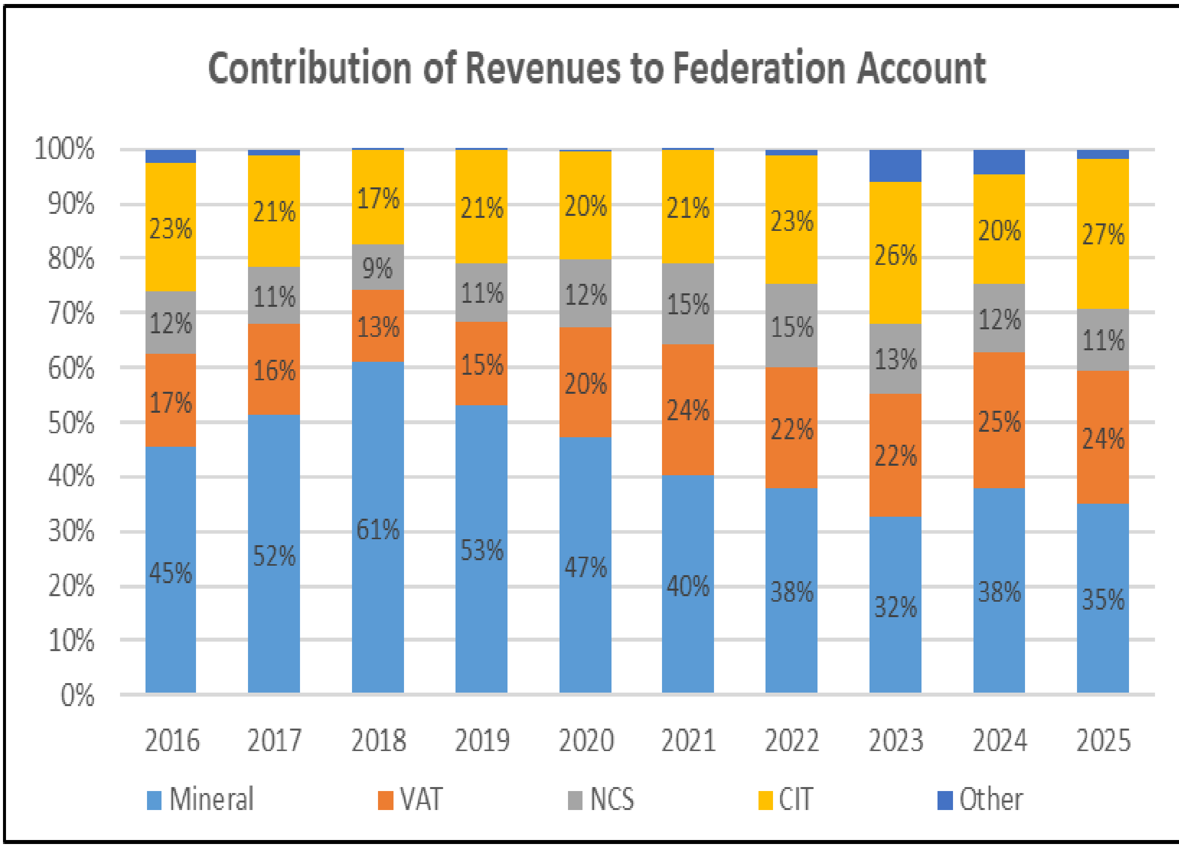
- The three main sources of Non-Mineral Revenue have continued to grow significantly:
- Companies Income Tax (CIT) grew by 74.88% in 2025, ■ Customs and Excise (C&E) duties grew by 19.88%.
- Value Added Tax (VAT) grew by a whopping 27.02%.
- All three outstripped inflation, which averaged 20.54% in 2025.
- These figures do not include the Electronic Money Transfer Levy (EMTL), which reached N436 billion in 2025, more than double what was generated in 2024.
- In aggregate, non-mineral revenues reached N22.4 trillion in 2025, compared to N16.4 trillion in 2024 – an aggregate growth of 37%.
- Half-year figures for 2026 suggest the Annual growth trend for the current year will also be positive, albeit not quite as impressive as 2025.
- Again, based on the half-year figures and historical in-year collection profiles
- CIT is likely to grow by 9.7% in 2026
- C&E is estimated to grow by 5.0%
- VAT is estimated to grow by 25.8%
- New tax acts are not fully implemented yet, and the long-term impact on revenues is not yet clear.

2.1.3.5 GROSS FAAC REVENUE ACCRUALS: MINERAL REVENUES

- Nominal mineral revenues grew by more than 22% in 2025 compared to 2024, to N12.2 trillion
- Total mineral revenue accruing to the Federation Account only represented 18.2% of crude oil GDP, up from 14.6% in 2024 (this is referred to as the mineral ratio).
- This is significantly lower than the mineral ratios observed 10+ years ago (around 35-40%).
- These figures are before deductions for special intervention funds, derivation refunds and excess crude
- This, along with the slight increase in production and price premiums from the Middle East conflict, should see mineral revenues exceed

  N12.5 trillion in 2026, representing a growth of circa 4-5%

2.1.3.6 DECREASING RELIANCE ON MINERAL REVENUE



- There is reduction in contribution of mineral revenue to the Federation Account revenues over the last ten years
- This has been as a result of
- periods of suppressed global crude oil prices,
- a sustained period of lower production (less than 1.6 MBPD)
- the strong growth in non-mineral revenues

2.1.3.7 FAAC DEDUCTIONS

- In 2023 and 2024, these were largely derivation refunds to the oil-producing states in Southern Nigeria. They reached a high of N2.7 trillion in 2025 for the refunds. In the first seven months of 2026, only N139 billion has been deducted for derivation refunds.
- However, 2024 and 2025 also saw increasingly large deductions being taken from Non-Mineral Revenues – reaching N8.1 trillion in 2025.

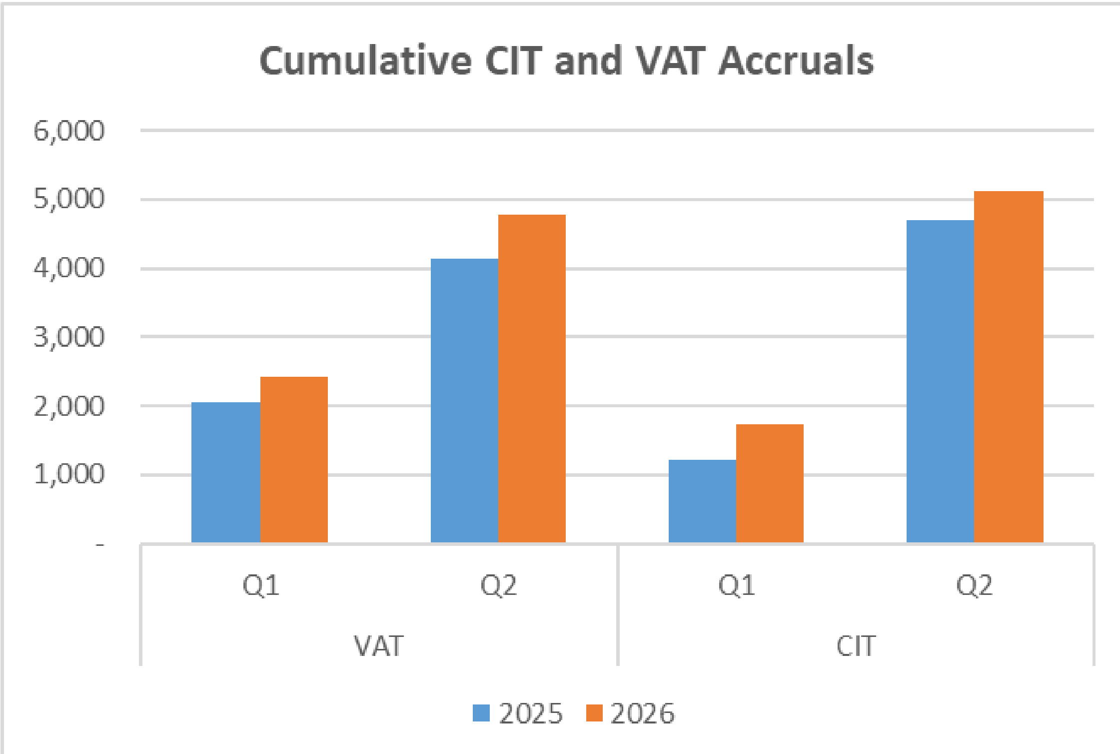
  This trend has continued into 2026, with N4.9 trillion having been deducted in the first seven months, including the following:

  N2.653 trillion as Excess Non-Oil;

  N770 billion as Infrastructure Development Fund; and

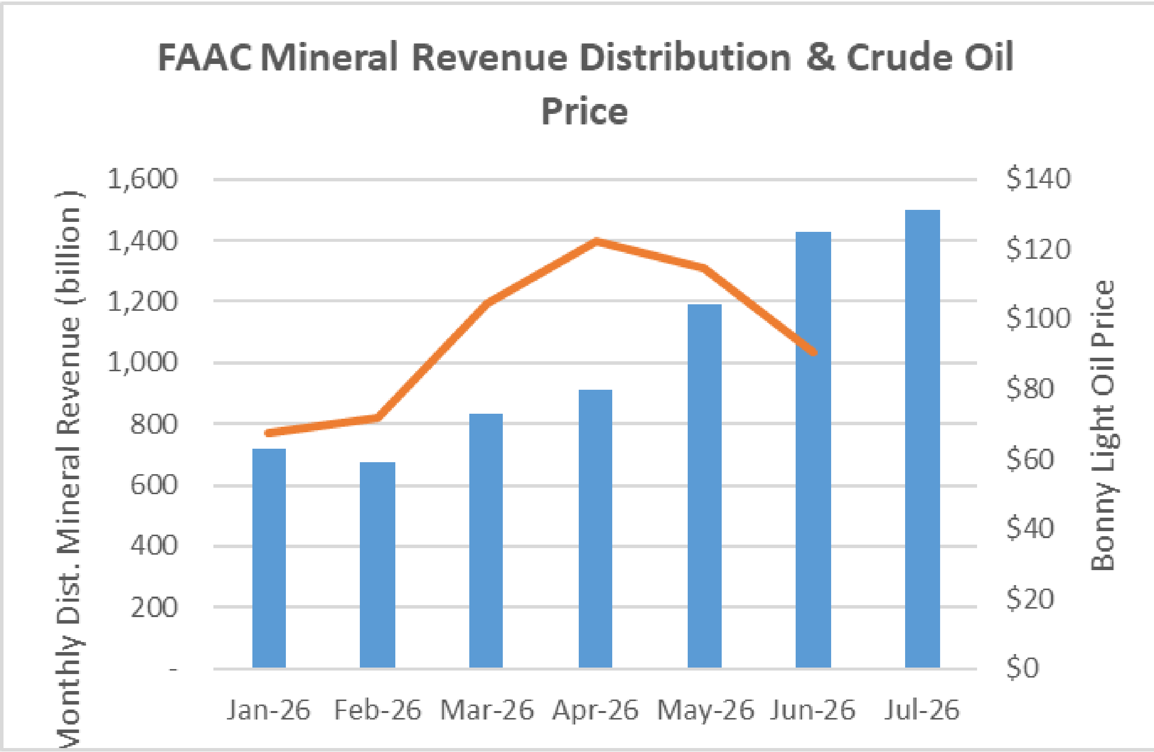
- N1 trillion for National Security Trust Fund.
- State Governments are seeing the benefits of some of the deductions as they are being shared through the State Infrastructure and Security Trust Fund, amongst other initiatives.

2.1.3.8 IMPLICATION OF TAX ACTS ON FAAC REVENUES



- Too early to provide a detailed analysis of the impact of the new Tax laws on FAAC revenues.
- Some provisions are yet to be fully implemented.
- 2026 half-year figures for the two largest tax revenues, CIT and VAT, show continued positive growth compared to 2025
- CIT is up 9.0%
- VAT is up 15.5%.

2.1.3.9 IMPLICATION OF MIDDLE EAST CONFLICT ON MINERAL REVENUES



For each month that the price of oil is $5 higher than anticipated, each State can expect an additional N500 million in Statutory Allocation, whilst the derivation states can expect an additional N9 billion collectively.

Given the lag between the sale of oil and accruals to the federation account (circa 2 months), the graphs shows the relationship clearly.

2.2 KEY CONSIDERATIONS FOR 2027-2029 MTEF.

Outlook for 2027-2029

It is critical that State Governments take into account the latest macro-fiscal developments when formulating their 2027-2029 MTEF and 2027 annual budgets.

- The Federal Government of Nigeria (FGN) is yet to release its own MTEF-FSP document for 2027-2029.
- Therefore, NGF is providing some recommendations on what assumptions to make on some of the key variables.
- These are based on forecasts from various international bodies, including the IMF and the US Energy Information Administration (EIA), as well as a balanced view based on the latest trends provided in the Advisory Note.
- The suggested macroeconomic, mineral sector, and other key assumptions that underpin FAAC revenue projections are summarised in the next slide.

2.3 RECOMMENDATIONS FOR KEY MACROECONOMIC AND MINERAL ASSUMPTIONS

Macro-Mineral Item	Year				Basis
	2026	2027	2028	2029	
National Real GDP Growth	4.10%	4.30%	4.30%	4.30%	Based on IMF April 2026 WEO
National Inflation	16.00%	15.90%	14.00%	12.00%	Based on IMF April 2026 WEO
Nominal GDP (Trillion Naira)	484.77	545.81	609.13	673.44	Based on IMF April 2026 WEO Growth Projections and 2025 Actual Nominal GDP
Crude Oil Price Actual	$82	$65	$70	$75	EIA Forecast for 2026 and 2027, steady increase into 2028 and 2029
Crude Oil Price Benchmark	$70	$60	$65	$70	$5 below forecast Actual Price to allow for fluctuations for 2027-2029
Crude Oil Production (MBPD)	1.70	1.75	1.80	1.85	Moderate increase over the period the MTEF (includes lease condensate)
NGN:USD Exchange Rate	1,400	1,400	1,400	1,400	Current Rate
Mineral Ratio	20%	21%	22.0%	23%	2026 is based on Jan-Jun actuals. Assumes some efficiency gains from 2027 onwards.
FAAC Deductions (Trillion)	10.00	8.00	6.00	5.00	Based on 2023-2026 Trend, and considering post-election spending

2.4 POTENTIAL FAAC REVENUE ACCRUALS AND DISTRIBUTIONS FOR 2027 (BILLION NAIRA)

Item	2026 Jan-JuL	2026 Full Year Estimate	2026 Estimated Growth	2027 Forecast	2027 Estimated Growth
Gross Revenue Accruals					
Mineral Revenues (inc. Mineral Exchange Gain)	7,404.24	12,692.99	4.16%	11,267.55	-11.23%
CIT	5,589.55	10,286.62	9.69%	12,301.47	19.59%
Customs and Excise	2,173.69	4,153.10	4.94%	4,925.54	18.60%
VAT	5,680.02	10,493.38	25.78%	12,729.21	21.31%
EMTL	39.91	39.91	-90.85%	-	-100.00%
Exchange Gains Non-Mineral	-	-	-100.00%	-	
Total Gross Accrued Revenues	**20,887.41**	**37,665.99**	**9.03%**	**41,223.77**	**9.45%**
Total Distributable Revenues					
Statutory Allocation	6,683.26	14,780.43	34.29%	18,192.93	23.09%
Derivation	763.37	1,650.09	8.99%	1,464.78	-11.23%
VAT	4,420.11	9,758.85	26.24%	11,774.52	20.65%
EMTL	38.31	38.31	-90.85%	-	-100.00%
Other FAAC	617.90	1,235.79	5.60%	-	-100.00%
Total Distributed Revenue	**12,522.94**	**27,463.47**	**25.75%**	**31,432.23**	**14.45%**
Distribution to States					
Statutory Allocation	1,784.07	3,949.33	34.29%	4,861.15	23.09%
Derivation	763.37	1,650.09	8.99%	1,464.78	-11.23%
VAT	2,388.74	5,367.37	38.86%	6,475.99	20.65%
EMTL	19.15	19.15	-90.85%	-	-100.00%
Other FAAC	171.54	343.09	-9.02%	-	-100.00%
Total Distribution to States	**5,126.87**	**11,329.03**	**27.20%**	**12,801.92**	**13.00%**

2.5 OTHER FACTORS IMPACTING REVENUES AND EXPENDITURES

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

- **Elections** could impact IGR (as movement restrictions and periods of insecurity prevail), and also result in the need for emergency response expenditures. SEIC will also need higher provision for administration of the elections themselves.

- **The 2025 Tax Acts** will impact State-level taxes – specifically, Capital Gains Tax and Personal Income Tax, as well as other small taxes and levies

- **New National Minimum Wage** - implementation of the new national minimum wage of N70,000 per month for States that are yet to adopt the new minimum wage

- **Capital Budget Implementation:** Capital projects often face cost overruns due to factors like poor planning, design changes, delays, or unforeseen circumstances. These cost overruns can strain budget allocations for capital expenditures and impact the overall budget balance.

2.6 HOW USEFUL HAS NGF ADVISORY BEEN?

Item	2025 Full Actual	2025 Full Year Forecast per 2025 Advisory Note	Variance	2026 Forecast in 2025 Advisory Note	Updated Forecast for 2026 in 2026 Advisory Note	Variance
Gross Revenue Accruals						
Mineral Revenues (inc. Mineral Exchange Gain)	11,565.16	12,186.14	5.37%	10,238.25	12,692.99	23.98%
CIT	7,752.72	9,378.14	20.97%	9,729.89	10,286.62	5.72%
Customs and Excise	4,435.54	3,957.58	-10.78%	5,559.35	4,153.10	-25.30%
VAT	8,963.49	8,342.83	-6.92%	10,219.87	10,493.38	2.68%
EMTL	371.72	436.20	17.34%	673.40	39.91	-94.07%
Exchange Gains Non-Mineral	186.24	244.73	31.41%	-	-	
Total Gross Accrued Revenues	**33,274.87**	**34,545.62**	**3.82%**	**36,420.76**	**37,665.99**	**3.42%**
Distribution to States						
Statutory Allocation	2,940.97	3,107.36	5.66%	3,585.33	3,949.33	10.15%
Derivation	1,514.02	1,390.42	-8.16%	1,330.97	1,650.09	23.98%
VAT	3,865.19	4,145.61	7.26%	5,199.36	5,367.37	3.23%
EMTL	209.38	178.43	-14.78%	355.56	19.15	-94.61%
Other FAAC	377.12	488.26	29.47%	-	343.09	
Total Distribution to States	**8,906.67**	**9,310.08**	**4.53%**	**10,471.22**	**11,329.03**	**8.19%**

- NGF provides an independent advisory based on pragmatic assumptions and detailed analysis of macro-trends

The variances in the forecasts in the 2025 advisory note were minimum – actual gross FAAC revenue accruals were only 3.8% lower than the projections provided by NGF, with distributions to states also low at 4.5% lower than the NGF forecast.

- The full year forecasts for FAAC revenue accruals 2026 in this Advisory Note only vary by 3.4% from the 2025 advisory. This underscores the usefulness of this Advisory in terms of setting a realistic revenue estimate for 2027 budgets.

2.7 ANNUAL BUDGET KEY CONSIDERATIONS, BUDGET MANAGEMENT, CONTROL AND REPORTING

OVERVIEW OF KEY CONSIDERATIONS FOR THE 2027 ANNUAL

- The States have made tremendous improvements in budget preparation processes.
- However, some areas require improvement, and the key considerations on budget preparation, management, control, and reporting are based on lessons learned over the last six years.
- Preparation of a credible budget.
- Administrative – Budget Entities
- Economic – Revenue and expenditure Items
- Function coding, including the use of function code to identify BED expenditures
- Function coding, including the use of function code to identify BED expenditures
- Programme coding, including the use of activity level code to identify PHC expenditures Fund and Location coding
- Adequate Provision for Critical Expenditure items. Including Debt Service
- Capital Expenditure Project descriptions and coding
- Capital Receipt descriptions and coding

2.8 Kano State Economy

MACRO ECONOMIC INDICA TORS FOR KANO

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

Macroeconomic Indicators

Gross Domestic Product (GDP):

- Kano State has the sixth-largest economy among the states in Nigeria.
- The state's GDP was estimated at ₦10.87 trillion ($27.17 billion) 13th of 36 states in 2025, contributing approximately 6.8% to Nigeria's total GDP.
- The main economic activities driving Kano State's GDP include agriculture, manufacturing, trade, and services.

Economic Growth Rate:

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

Inflation Rate:

- The Kano State Inflation rate as at July, 2026 is 12.4%, the annual food inflation rate is 21.2% according to the National Bureau of Statistics.

The food Consumer price index is about 157.9 based on 2024=100

- food prices, energy costs, and currency fluctuations.

Key Economic Sectors:

1. Agriculture: This sector remains a significant contributor to Kano State's economy, with crops such as groundnuts, cotton, millet, and sorghum being major products.

2. Manufacturing: Kano State has a thriving manufacturing sector, particularly in textiles, leathergoods, and food processing.

3. Trade and Commerce: The state's strategic location and rich history as a trade hub have contributed to a vibrant commercial sector, with markets like the renowned Kano Kurmi Market playing a crucial role.

4. Services: The services sector, including banking, telecommunications, and hospitality, has been growing steadily in Kano State, driven by urbanization and economic diversification.

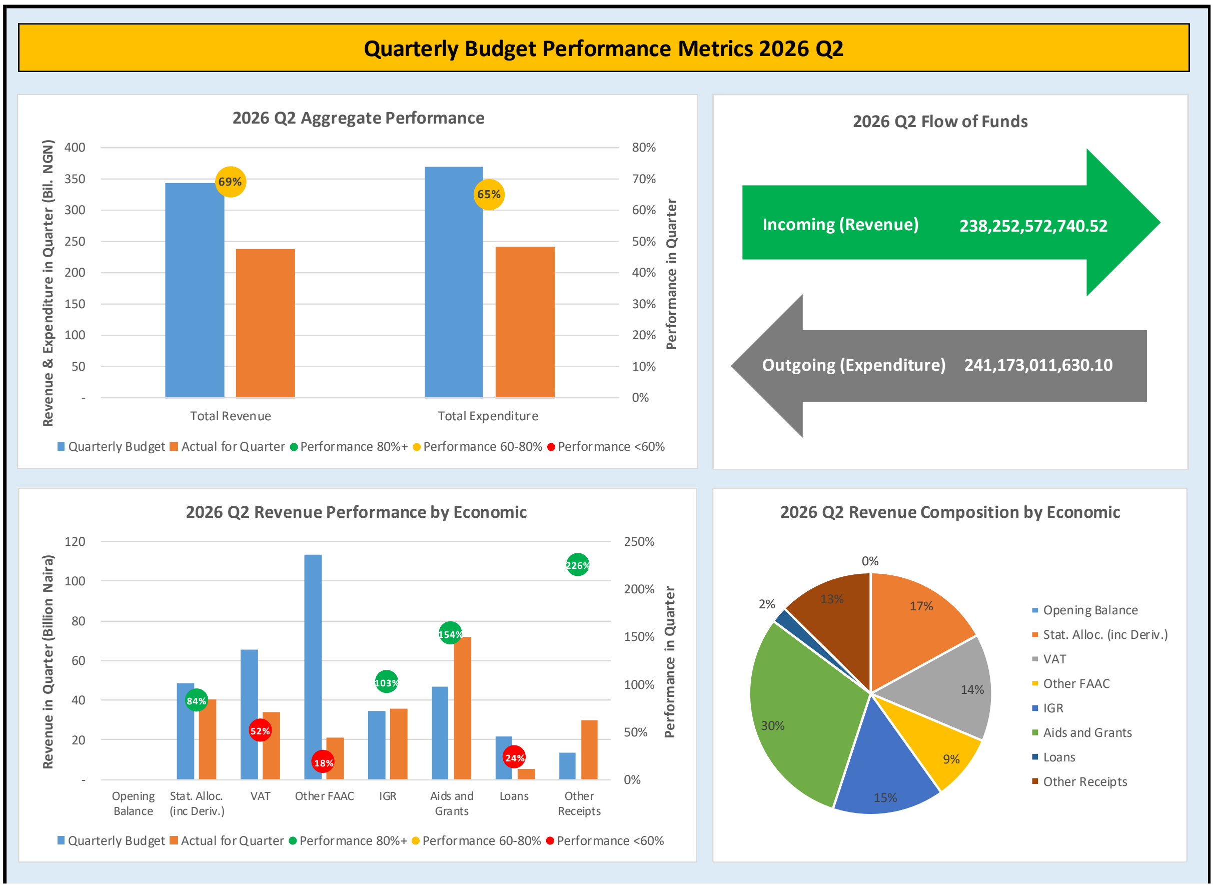
- World Population Clock: 8.1 Billion People (LIVE, 2024) - Worldometer. (2024). Worldometers.info. https://www.worldometers.info/world-population/#:~:text=8.1%20Billion%20(current)
- https://finance.kn.gov.ng/wp-content/uploads/2021/12/2021-kano-state-dsa-dms-report.pdf
- https://www.nigerianstat.gov.ng/pdfuploads/State_Nominal_GDP_2013_%E2%80%93_2017%20(1).pdf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

2.9 Fiscal Update of kano State

The half year performance of 2026 Budget shows that the total actual collection from the Federation Account Allocation Committee (FAAC), Internally Generated Revenue (IGR), and Capital Receipts.

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

Figure 9



2026 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

2. 10 OVERVIEW PERFORMANCE OF THE 2025

The actuals figures used in the Fiscal Update below are based on the 2025 Financial Statement and audited accounts.

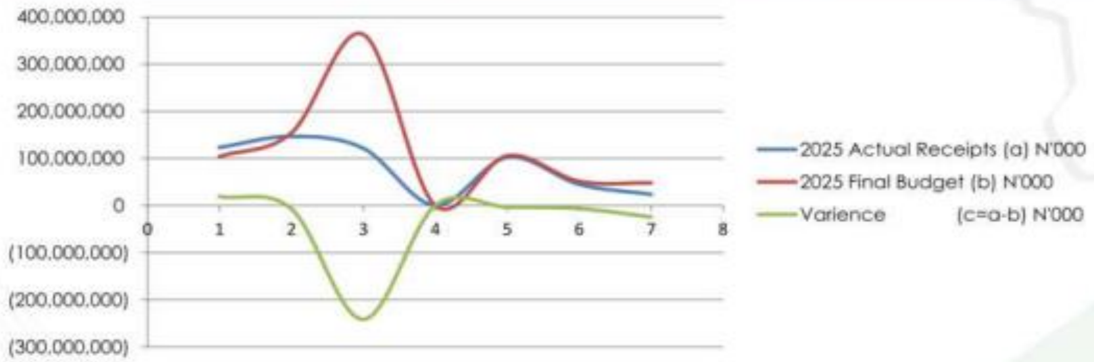
Revenue Side:

On the revenue size, the document looks at statutory allocation, VAT, IGR, Excess crude oil and capital receipts budget versus actual for the 2025 Approved budget.

Figure11: Revenue Collection in 2024

2025 Revenue Received by the State

DESCRIPTION	2025 Actual Receipts (a)	2025 Final Budget (b)	Varience (c=a-b)	Budget Deviation d = (c/b)%
	N'000	N'000	N'000	%
Statutory Allocation (FAAC)	123,082,226	103,744,664	19,337,563	19
Value Added Tax (VAT)-(FAAC)	146,810,171	153,971,674	(7,161,503)	(5)
Other Receipts (FAAC)	121,299,321	362,576,784	(241,277,463)	(67)
Other Receipts (State)	158,988	-	158,988	0
Internally Generated Revenue (IGR)	102,258,691	105,552,126	(3,293,434)	(3)
Aids and Grants (Capital Receipts)	44,859,431	51,319,178	(6,459,746)	(13)
Proceeds from Borrowing	23,690,705	47,969,367	(24,278,661)	(51)
Total Inflows	**562,159,535**	**825,133,792**	**(262,974,258)**	**(32)**



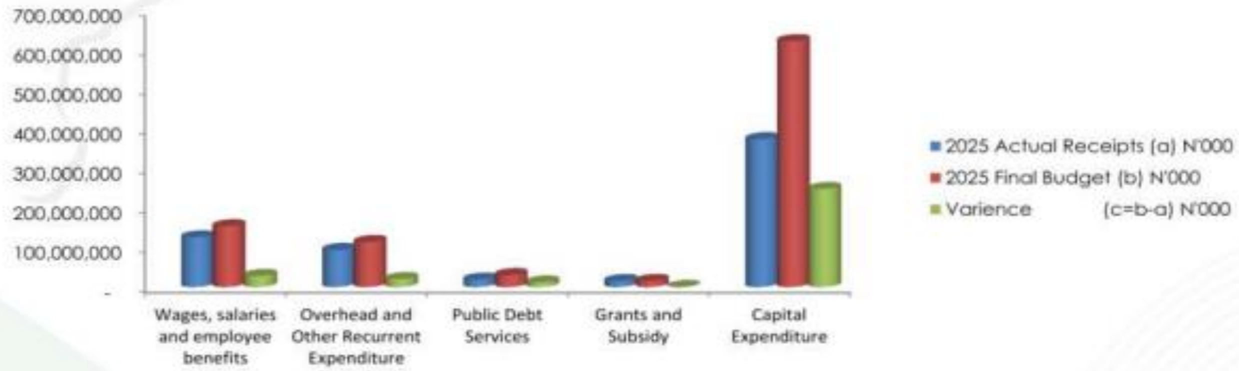
2.11 Expenditure Side

The expenditure size comprising Personnel, Overheads and Capital Expenditure – Original budget versus actual for the 2024 budget using 2025 Audited financial Statement.

Figure 12:

Kano State 2025 Approved Expenditure VS Actual

DESCRIPTION	2025 Actual Receipts (a)	2025 Final Budget (b)	Varience (c=b-a)	Budget Deviation d = (c/b)%
	N'000	N'000	N'000	%
Wages, salaries and employee benefits	125,629,218	153,703,574	28,074,356	18
Overhead and Other Recurrent Expenditure	93,799,023	113,800,924	20,001,901	18
Public Debt Services	18,708,959	30,316,173	11,607,213	38
Grants and Subsidy	15,228,050	15,445,277	217,227	1
Capital Expenditure	373,914,750	621,867,844	247,953,094	40
Total Outflows	**627,280,001**	**935,133,792**	**307,853,792**	**33**



Personnel costs comprise of salaries, allowances and social benefits of civil servants and political appointees of KnSG. 2025. 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 above.

2.12 Debt Position

80. 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 2025

KANO STATE DOMESTIC DEBT STOCK PROFILE AS AT 31ST DECEMBER 2025

LOAN TITLE	Creditor	OPENING BALANCE	ADDITIONAL/NEW DISBURSEMENT	DEBT SERVICE			Debt Outstanding as at 31st Dec. 2025
				PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	
		N'000	N'000	N'000	N'000	N'000	N'000
RESTRUCTURED COMMERCIAL BANK LOANS (FGN BONDS)	FGN	14,529,026	1,362	1,670,570	1,361,868	3,032,438	12,858,456
STATE BONDS (Contractual Obligation)	FGN	11,404,347	899	2,612,177	899,205	3,511,382	8,792,169
A. PAIF (Power and Aviation Intervention Fund)	FGN	1,156,343	237	1,156,343	236,959	1,393,302	-
B. FGN (2021) Bridge Financing	FGN	1,788,889	-	-	-	-	1,788,889
ABP (Anchor Borrower Program)	FGN	1,010,940	-	1,010,940	-	1,010,940	-
MICRO SMALL MEDIUM ENTERPRISE DEVELOPMENT FUND (MSMEDF)	FGN	28,255	-	28,255	-	28,255	-
Sub-Total		**29,917,800**		**6,478,285**	**2,498,031**	**8,976,317**	**23,439,514**
Grand Total		**217,404,400**	**23,690,705**	**13,760,228**	**4,948,731**	**18,708,959**	**224,077,590**

Long Term Public Debt (Borrowing)		**Principal**	**Interest**	**Total Debt Service**
Internal Public Debt (Borrowing)		8,886,179	5,577,019	14,463,198
External Public Debt (Borrowing)		126,657,201	64,248,232	190,905,433
Sub-Total Current Debt		**135,543,380**	**69,825,251**	**205,368,631**

Short Term Public Debt (Borrowing)		**Principal**	**Interest**	**Total Debt Service**
Internal Public Debt (Borrowing)		6,478,285	2,498,031	8,976,317
External Public Debt (Borrowing)		7,281,943	2,450,700	9,732,643
Sub-Total Non-Current Debt		**13,760,228**	**4,948,731**	**18,708,959**
Grand Total Debts		**149,303,608**	**74,773,982**	**224,077,590**

KANO STATE EXTERNAL DEBT SERVICE AND POSITION AS AT 31st DECEMBER 2025

Loan Title	Opening Balance in USD	Debt Service in USD			New Disburse-ment in USD	Amount Outstanding (USD)
		Principal	Interest	Total Payment		
National Urban Water Sector Reform III	3,116,399.97	-	20,787.05	20,787.05		3,526,799.90
National Urban Water Sector Reform III (2)	10,387,999.89	-	-	0.00		
Multi State Road Project	3,370,082.81	1,012,833.57	20,890.99	1,033,724.56		2,023,015.34
Malaria Control Booster Project	3,589,384.37	316,862.67	74,594.25	391,456.92		3,454,296.54
State Education Sector Project	20,465,542.17	274,117.10	160,940.56	435,057.66		21,225,948.27
Third National Fadama Development	4,589,044.31	132,185.52	40,572.56	172,758.08		4,688,920.38
Health System Development Project II	1,356,148.89	63,473.99	17,251.66	80,725.65		1,361,283.67
Commercial Agricultural Development P.	13,537,556.34	484,758.78	141,336.74	626,095.52		13,737,490.46
Malaria Control Booster Project Add fin	2,733,300.80	162,613.53	44,687.63	207,301.16		2,709,010.45
National Erosion and Watershed Management P	2,589,872.19	300,000.00	17,741.16	317,741.16		2,139,872.19
Rural Access Agricultural Marketting Proj	3,635,799.96	-	10,275.92	10,275.92		4,114,599.89
Rural Access Agricultural Marketting Proj	-	-	61,618.14	61,618.14	3,080,907.22	3,080,907.22
Agro Processing Productivity Enhencement and Livelyhood Supp project	33,807,122.50	1,215,951.00	424,636.77	1,640,587.77		32,591,171.50
Kano State- Accelerated Nutrition Results -IDA	18,937,586.61	1,009,347.79	400,426.96	1,409,774.75		19,957,984.49
Kano State Agro Climatic Resilience in Semi-arid Landscape (ACReSAL) Project	-	-	128,299.33	128,299.33	12,829,934.63	12,829,934.63
Kano State Agro Pastoral Development Project	-	-	-	0.00	595,403.20	595,403.20
TOTAL	**122,115,840.81**	**4,972,143.95**	**1,564,059.72**	**6,536,203.67**	**16,506,245.05**	**128,036,638.13**

KANO STATE FORIEGN DEBT STOCK PROFILE AS AT 31ST DECEMBER 2025

LOAN TITLE	Creditor	OPENING BALANCE	ADDITIONAL/NEW DISBURSEMENT	DEBT SERVICE			Debt Outstanding as at 31st Dec. 2025
				PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
National Urban Water Sector Reform III		4,784,664		-	30,551	30,551	5,061,865
National Urban Water Sector Reform III (2)		15,948,879		-	-	-	16,872,882
Multi State Road Project		5,174,147		1,502,524	30,967	1,533,492	2,903,547
Malaria Control Booster Project		5,510,845		472,429	111,243	583,671	4,957,804
State Education Sector Project		31,421,107		406,507	238,579	645,086	30,464,693
Third National Fadama Development		7,045,640		196,027	60,139	256,166	6,729,506
Health System Development Project II		2,082,119		95,341	25,911	121,252	1,953,792
Commercial Agricultural Development P.		20,784,449		562,254	365,086	927,339	19,716,831
Malaria Control Booster Project Add fin		4,196,485		239,896	65,929	305,825	3,888,126
National Erosion and Watershed Management Project		3,976,276		456,027	26,960	482,986	3,071,267
Rural Access Agricultural Marketting Project		5,582,108		-	14,353	14,353	5,905,509
Rural Access Agricultural Marketting Project		-	4,421,894	-	46,838	46,838	4,421,894
Agro Processing Productivity Enhencement and Livelyhood Supp project		51,904,670		1,830,593	639,079	2,469,673	46,776,710
Kano State- Accelerated Nutrition Results	IDA	29,075,210		1,520,345	603,088	2,123,434	28,644,839
Kano State Agro Climatic Resilience in Semi-arid Landscape (ACReSAL) Project		-	18,414,255	-	191,976	191,976	18,414,255
Kano State Agro Pastoral Development Project		-	854,557	-	-	-	854,557
Sub-Total		**187,486,600**	**23,690,705**	**7,281,943**	**2,450,700**	**9,732,643**	**200,638,076**

2.13 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 2027-2029 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 2027 - 2029

Item	2027	2028	2029
National Inflation (CPI)	15.96%	17.00%	15.00%
National Real GDP Growth	4.10%	3.30%	3.30%
State Inflation (CPI)			
State Real GDP Growth			
State GDP Nominal			
Oil Price Actual			
Oil Price Benchmark	$64.00	$64.00	$54.00
Oil Production Benchmark (MBPD)	1.8000	1.7500	1.8000
NGN:USD Exchange Rate	1400	1400	1400
Other Assumptions			
PMS Under Recovery	10,000,000,000,000	10,000,000,000,000	10,000,000,000,000
Mineral Ratio (Before Subsidy)	22%	22%	24%

Kano State Fiscal Framework 2027 - 2029

Item	2027 Forecast	2028 Forecast	2029 Forecast
Opening Balance	30,000,000,000	20,000,000,000	18,000,000,000
Recurrent Revenue			
Statutory Allocation	228,599,359,181	268,291,721,159	308,521,839,798
VAT	218,200,657,922	262,589,036,069	310,716,947,720
IGR	142,190,710,525	150,722,153,157	159,765,482,346
Other Federation Account Revenues	50,000,000,000	60,151,000,000	50,151,000,000
Other Recurrent Revenues (Recurrent Grants)	46,200,000,000	40,100,000,000	41,100,000,000
Total Recurrent Revenue	**685,190,727,628**	**781,853,910,384**	**870,255,269,864**
Recurrent Expenditure			
Personnel (Salaries, Allowances and Contributions)	140,000,000,000	160,000,000,000	160,000,000,000
Social Benefits	27,555,285,844	28,657,497,278	29,230,647,223
Overheads	116,000,000,000	116,000,000,000	116,000,000,000
Grants, Contributions and Subsidies	20,000,000,000	20,000,000,000	20,000,000,000
Public Debt Service	30,000,000,000	15,000,000,000	10,000,000,000
Total	**333,555,285,844**	**339,657,497,278**	**335,230,647,223**
Transfer to Capital Account	**381,635,441,784**	**462,196,413,107**	**553,024,622,641**
Capital Receipts			
Capital Grants	150,777,375,665	87,146,375,665	84,851,375,665
Other Capital Receipts	0	0	0
Total	**150,777,375,665**	**87,146,375,665**	**84,851,375,665**
Reserves			
Contingency Reserve	7,151,907,276	8,018,539,104	8,882,552,699
Planning Reserve	5,951,610,671	6,079,393,825	6,974,725,921
Climate Response Reserve	11,903,221,341	12,158,787,650	13,949,451,841
Total Reserves	**25,006,739,288**	**26,256,720,580**	**29,806,730,460**
Capital Expenditure	**618,009,159,794**	**619,920,843,419**	**706,590,039,358**
Discretional Funds	443,727,193,514	506,986,527,675	590,264,727,329
Non-Discretional Funds	156,427,134,268	94,696,134,268	95,401,134,268
Planning and Climate Reserves	17,854,832,012	18,238,181,476	20,924,177,762
Financing (Loans)	92,748,249,621	78,596,593,751	77,596,593,751
Total Revenue (Including Opening Balance)	**958,716,352,914**	**967,596,879,800**	**1,050,703,239,280**
Total Expenditure (including Reserves)	**958,716,352,914**	**967,596,879,800**	**1,050,703,239,280**
Closing Balance			

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

VAT – simple based on the past year (2025) and current based on the new Tax law which is effectively from January, 2026. This forecast should be revisited if there are any changes to the VAT rates.

Other Federation Account receipts – the estimation is based on the historical trend and other measures. The State is developing its mineral sector and is expected to receive more funds from derivation and other sources of funds.
Internally Generated Revenue (IGR) – the current administration is improving on the ongoing measures to grow IGR. The current year is increasing by 75% which in the half year is 50%. Own Percentage is therefore used to forecast IGR for 2027 – 2029 due to the new Tax law which is effectively from January, 2026.

Grants – The internal grants are based on the actual receipts for 2025 and performance from January - June 2026. External grants are based on signed grant agreements with the development partners.

Financing – Kano State intends to secure loan/borrowing in 2027. All internal and external loans are projections based on signed agreements.

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

Overheads – Overhead has been relatively retained as it is in 2026. It is anticipated that it will be anticipating that the inflation rate in 2026 will be static. Consequently, own percentage method is used to forecast overhead for 2027 – 2029.

Special programme is expected to increase marginally on the actual performance level of 2025 and New emerging of New Agencies. This trend is expected in the period of forecast and have been incorporated in the basis of the forecast for 2027 – 2029.

Public Debt Service - is based on the projected principal and interest repayments for 2027 - 2029.

Contingency and Planning Reserves – This is the reserve set aside for the unforeseen that might occur. Contingency is estimated at 1.8% of the entire Budget size or 2.73% of the Capital expenditure size including climate Response reserves.

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

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3.1 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 including the new Tax Law that stresses production rather than Consumption.	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. The need for State Government to facilitate and encourage production such as small-scale industries.
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.

Risk	Likelihood	Impact	Reaction
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
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.

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.

3.2 Policy Statement

The policy statement of the present administration states the following:

Policy Statement

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

Objectives and Targets

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

3.3 Sector Ceiling for 2027 Budget

KANO STATE 2027 SECTOR CEILLING									
No.	**Sector**	**2027%**	**PERSONNEL COST**	**2027%**	**OVERHEAD COST**	**2027%**	**CAPITAL EXPENDITURE**	**2027%**	**TOTAL ALLOCATION FOR SECTOR**
1	AGRICULTURE	1.95%	3,266,299,542.57	0.21%	359,240,858.85	4.49%	27,752,476,337.24	3.27%	31,378,016,738.66
2	GOVERNANCE INSTITUTIONS	11.13%	18,653,154,887.38	40.44%	70,029,848,146.70	5.37%	33,179,053,384.99	12.71%	121,862,056,419.07
3	MANUFACTURING, INDUSTRIES, COMMERCE & TF	0.55%	924,801,280.60	0.45%	783,851,848.37	0.64%	3,937,325,503.45	0.59%	5,645,978,632.41
4	ENVIRONMENT & SANITATION	0.70%	1,173,299,894.31	0.92%	1,601,111,950.58	2.98%	18,393,193,786.26	2.21%	21,167,605,631.15
5	EDUCATION	37.74%	63,231,786,883.96	12.61%	21,840,681,478.25	25.98%	160,580,220,113.62	25.62%	245,652,688,475.82
6	HEALTH	22.78%	38,175,810,139.15	5.11%	8,846,629,899.45	15.72%	97,134,398,991.10	15.04%	144,156,839,029.69
7	INFRASTRUCTURE	0.94%	1,578,937,200.28	1.78%	3,079,299,478.42	32.40%	200,265,490,852.27	21.37%	204,923,727,530.98
8	WATER	0.71%	1,183,801,336.23	0.85%	1,476,342,312.25	6.19%	38,263,011,029.45	4.27%	40,923,154,677.93
9	TRANSPORT	1.52%	2,549,533,448.48	0.46%	794,662,960.89	0.78%	4,826,356,709.88	0.85%	8,170,553,119.25
10	WOMEN, YOUTH & PEOPLE WITH SPECIAL NEEDS	0.63%	1,058,884,122.18	1.08%	1,878,018,700.05	1.82%	11,229,859,168.62	1.48%	14,166,761,990.84
11	SECURITY, JUSTICE & EMERGENCY	4.90%	8,203,691,264.86	3.07%	5,310,312,366.20	0.90%	5,592,941,904.78	1.99%	19,106,945,535.84
	Contingency Reserve			4.13%	7,151,907,276.28			0.75%	7,151,907,276.28
	Planning Reserve					0.96%	5,951,610,670.70	0.62%	5,951,610,670.70
	Climate Response Reserve					1.76%	10,903,221,341.40	1.14%	10,903,221,341.40
	Social Benefits	16.45%	27,555,285,843.98		-			2.87%	27,555,285,843.98
	Grants, Contributions and Subsidies			11.55%	20,000,000,000.00			2.09%	20,000,000,000.00
	Public Debt Service			17.33%	30,000,000,000.00			3.13%	30,000,000,000.00
	GRAND TOTAL	**100.00%**	**167,555,285,843.98**	**100.00%**	**173,151,907,276.28**	**100.00%**	**618,009,159,793.75**	**100.00%**	**958,716,352,914.01**

3.4 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 2027 annual budget.
- KnSG has budgeted capital expenditure ratios as high as 64.46% and recurrent expenditure ratio of 35.54% 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 2027 Budget on or before 31st December 2026.