



KANO STATE GOVERNMENT

2022

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

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Chapter 1: Introduction

The Kano State Debt Sustainability Analysis (KS - DSA) covers the period of 5-year historical from 2017 to 2021 and 10-year projection 2022-2031, under various macroeconomic assumptions and shock scenarios. To ensure that State debt stock remains sustainable in the medium to long-term, the State's macroeconomic framework is used to assess the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

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

The baseline forecast is for growth to slow from 6.1 percent last year to 3.2 percent in 2022, 0.4 percentage point lower than in the April 2022 World Economic Outlook. Lower growth earlier this year, reduced household purchasing power, and tighter monetary policy drove a downward revision of 1.4 percentage points in the United States. In China, further lockdowns and the deepening real estate crisis have led growth to be revised down by 1.1 percentage points, with major global spillovers. And in Europe, significant downgrades reflect spillovers from the war in Ukraine and tighter monetary policy. Global inflation has been revised up due to food and energy prices as well as lingering supply-demand imbalances and is anticipated to reach 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies this year—upward revisions of 0.9 and 0.8 percentage point, respectively. In 2023, disinflationary monetary policy is expected to bite, with global output growing by just 2.9 percent.

The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could be harder to bring down than anticipated either if labor markets are tighter than expected or inflation expectations unanchored; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. A plausible alternative scenario in which risks materialize, inflation rises further, and global growth declines to about 2.6 percent and 2.0 percent in 2022 and 2023, respectively, would put growth in the bottom 10 percent of outcomes since 1970.

Nigeria's economy grew by 3.6% in 2021 from a 1.8% contraction in 2020, underpinned on the supply side by 4.4% expansion in the non-oil sector against 8.3% contraction in the oil sector; non-oil growth was driven by agriculture (2.1%) and services (5.6%). On the demand side, public and private consumption were contributors to GDP growth. Per capita income grew by 1.0% in 2021. The fiscal deficit narrowed to 4.8% of GDP in 2021 from 5.4% in 2020, due to a modest uptick in revenues, and was financed by borrowing. Public debt stood at \$95.8 billion in 2021, or about 22.5% of GDP.

Annual average inflation stood at 17.0% in 2021 against 13.2% the previous year and above the central bank's 6–9% target. Inflation was fueled by food price rises at the start of the year and exchange rate pass-through. The central bank kept the policy rate unchanged at 11.5% in 2021 to support economic recovery. The current account deficit narrowed to 2.9% of GDP in 2021 from 4% the preceding year, supported by recovery in oil receipts. Improved oil exports and disbursement of the SDR allocation of \$3.4 billion (0.8% of GDP), pending decision on its use, helped to boost gross reserves to \$40.1 billion in 2021. The ratio of NPLs to gross loans was 4.9% in December 2021 (regulatory requirement 5%), while the capital-adequacy ratio was 14.5% (regulatory benchmark 10%). Poverty and unemployment remained high, broadly unchanged from 40% and 33.3%, respectively, in 2020.

In its effort to cushion the effect dwindling revenue, Kano State Government has put in place a harmonized revenue law to expand the tax net and boost Internally Generated Revenue. The increase in Internally Generated Revenue is expected to positively impact on the debt obligations and economic development of the State. The State plans to augment the State budget through borrowings from domestic and external loans. Consequently, the MTDS had to be adjusted to ensure the financing gap of government is met.

Chapter 2: The State Fiscal and Debt Framework

The 2021 Budget is named "Budget of Economic Rejuvenation" which is expected to sustain our Agricultural drive, Youth empowerment and provide an enabling environment for SMEs to grow and pave way for industrial development of the State. In line with the provision of the overarching State development policy document (i.e., the State Comprehensive Development Framework), Focus and Direction of the 2022 Budget:

Policy Statements

- Continuation of Free and compulsory Education in Primary & Secondary school levels.
- Sustenance of policy development for the created four (4) No. additional Emirate Council.
- Security of lives and property of citizenry.
- Agriculture and Food Security.
- Fight against corruption.
- Improving Health Care Service delivery.
- Encourage Public Private Partnership Arrangement.
- Empowerment project Program.

Objective

- Efficient and Effective Public spending through Public Financial Management Law (PFM) 2020
- To continue Synergy and collaboration with various Stakeholders

2.1 Medium-Term Budget Forecast

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

On the other hand, Fiscal Strategy Paper (FSP) is a key element in Medium Term Budget Framework (MTBF) and annual budget process, and as such, it determines the resources

available to fund Government projects and programmes from a fiscally sustainable perspective.

Kano State Government decided to adopt the preparation of the EFU-FSP for the first time in 2013 as part of the movement toward a comprehensive Medium Term Expenditure Framework (MTEF) process. This is the Eight rolling iteration of the document and covers the period 2022-2024.

Objectives

The EFU-FSP and BPS documents strengthen top-down budgeting in line with the requirements of fiscal responsibility legislation. The document assists Kano State Government (KNSG) in achieving the following objectives:

- a. Ensure overall and proper linkage between policy, planning and budgeting;
- b. To improve fiscal policy formulation and implementation by instituting a medium
- c. term budget framework as part of the regular economic management process;
- d. To improve budget allocations that reflects the KNSG policy priorities and
- e. development needs of the State;
- f. To provide robust medium term expenditure programmes of selected critical MDAs;
- g. Ensuring budget execution through more predictable cash releases, thereby
- h. guaranteeing more effective service delivery;
- i. Reducing deviation between budgeted and executed levels of expenditures; and
- j. To improve cash management.

In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU) and Fiscal Strategy Paper (FSP) is the first step in the budget preparation cycle for Kano State Government (KNSG) for the period 2022-2024. The purpose of this document is three-fold:

1. 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;
2. 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

3. Provide indicative sector envelopes for the period 2022-2024.

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

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

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

Institutional Framework for PFM in Kano state

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

- a. Kano Internal Revenue Services (KIRS) - It is the main revenue collecting Agency on behalf of the State Government. It was established by legislative act;
- b. Other Revenue / income collecting MDAs; and,
- c. 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 other accrued revenues from Federation Accounts and other 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:

- a. Policy pronouncements by the Government;
- b. Proposals from Ministries and Departments as well as other Agencies of the State Government;
- c. Public inputs through SHoA (conducted through Public hearing and representations); and or SHoA resolution; and,
- d. Kano State Development Plan (KSDP).

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

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

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

The Office State Accountant General (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 Due Process Office. This institution plays a significant role in ensuring compliance with the existing Monetary & Fiscal Policies by every Government establishment. It ensures adherence with the best practice: as well as monitors the execution of all capital projects.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmes in a

sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document It provides justification and corroborate the estimation for medium-term major Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks. The indicative three-year fiscal framework for the period 2022-2024 is presented in the table below.

Kano State Medium Term Expenditure Framework (MTEF), 2022-2024

Items	2022	2023	2024
National Inflation	13.00%	11.00%	10.00%
National Real GDP Growth	4.20%	2.30%	3.30%
Budget Oil Production Volume (mbpd)	1.88	2.23	2.22
Budget Oil Benchmark Price (US\$ per barrel)	57	57	55
Average Exchange Rate (N/US\$)	410.15	410.15	410.13
Revenue			
Gross Statutory Allocation	80,457.93	78,797.60	85,980.41
Other FAAC transfers	6,436.63	7,126.37	7,126.37
VAT Allocation	34,679.21	42,231.73	36,621.84
IGR	38,152.45	34,877.94	36,621.84
Recurrent Revenue	159,726.22	163,033.64	166,350.46
Grants	14,717.62	13,320.05	31,051.42
Sales of Government Assets	0	0	0
Other Non-Debt Creating Capital Receipts	6,888.81	0	5,250.00
Capital Receipt	21,606.43	13,320.05	36,301.42
Expenditure			
Personnel costs	66,036.85	54,287.99	55,916.63
Overhead costs	24,755.81	20,592.45	21,004.29
Other Recurrent Expenditure*	27,075.44	50,098.92	47,827.37
Capital Expenditure	75,064.55	62,913.34	85,953.09
Total Expenditure	192,932.65	187,892.69	210,701.38
Budget Deficit	-11,600.00	-11,539.00	-8,049.51
New Domestic Borrowing	11,600.00	6,539.00	8,049.51
New External Borrowing	0.00	5,000.00	0.00

*Other Recurrent Expenditure comprises Debt Charges and other recurrent Expenditure

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

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

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

Kano State Government introduced "***Kano State Revenue (Revenue Administration Law)***" A Law to provide the harmonization, Administration and Collection of revenue due

to the State and Local Government Council. The Board of Kano State Internal Revenue Services has been restructured view to sanitizing the Revenue system in the State in respect of Assessment, Collection and Remittance to Revenue Single Account (RSA) for effective service delivery in the State and Related Matters.

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

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

Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2017 - 2021)

Kano State's Internally Generate Revenue (IGR) amounted to N40,243 million in 2021 compared to N32,092 million in 2020, representing an increase of N8,152 million or 25.40 percent.

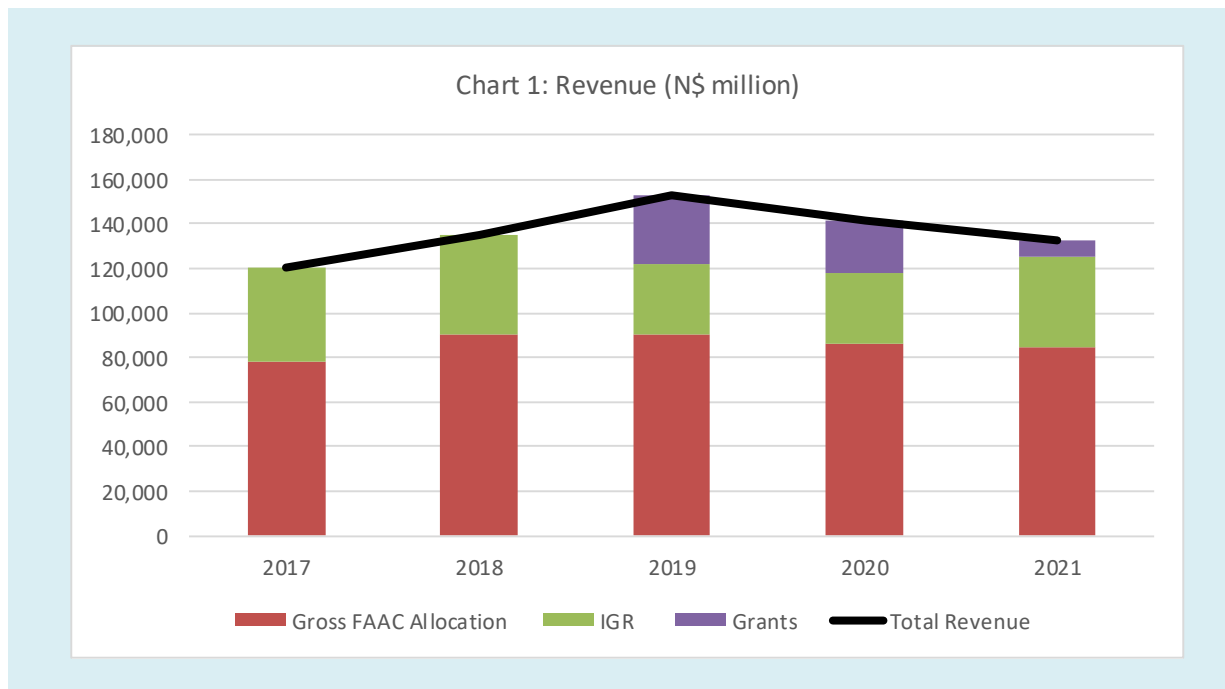
3.1 Revenue and Expenditure

Revenue - The State's economy comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. the State's Revenue amounted to N132,195 million in 2021, N141,735 million in 2020, N152,810 million in 2019, N134,746 million in 2018, and N120,489 million in 2017 respectively, the declined in 2020 was as a result of COVID-19 pandemic shutdown of economic activities, as well as revenue accrued to the to the State.

Gross FAAC Allocation: Kano recorded a declined in the review period relative to the preceding year, as the FAAC Allocations stood at N78,069 million in 2017, N90,179 million in 2019, and N84,666 million in 2021, respectively.

Internally Generated Revenue: Kano State IGR was recorded at N42,420 million in 2017, N44,107 million in 2018, N31,795 million in 2019, N32,092 million in 2020 and N40,243 million in 2021, respectively. The improvement in IGR before pandemic is mainly due to the tax reforms aimed at improving collection efficiency and broadening the tax revenue base.

Revenue	2017	2018	2019	2020	2021
Total Revenue	120,489	134,746	152,810	141,735	132,195
Gross FAAC Allocation	78,069	90,639	90,179	86,043	84,666
IGR	42,420	44,107	31,795	32,092	40,243
Grants	0	0	30,836	23,600	7,286



Expenditure- The State's Total expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) recorded at N119,597 million in 2021, N178,379 in 2020, N169,319 million in 2019, N168,6111 million in 2018, and N183,144 million in 2017, respectively. Chart1 to 3 shows the trend of Revenue, Expenditure and Fiscal Outturns from 2017 and 2021.

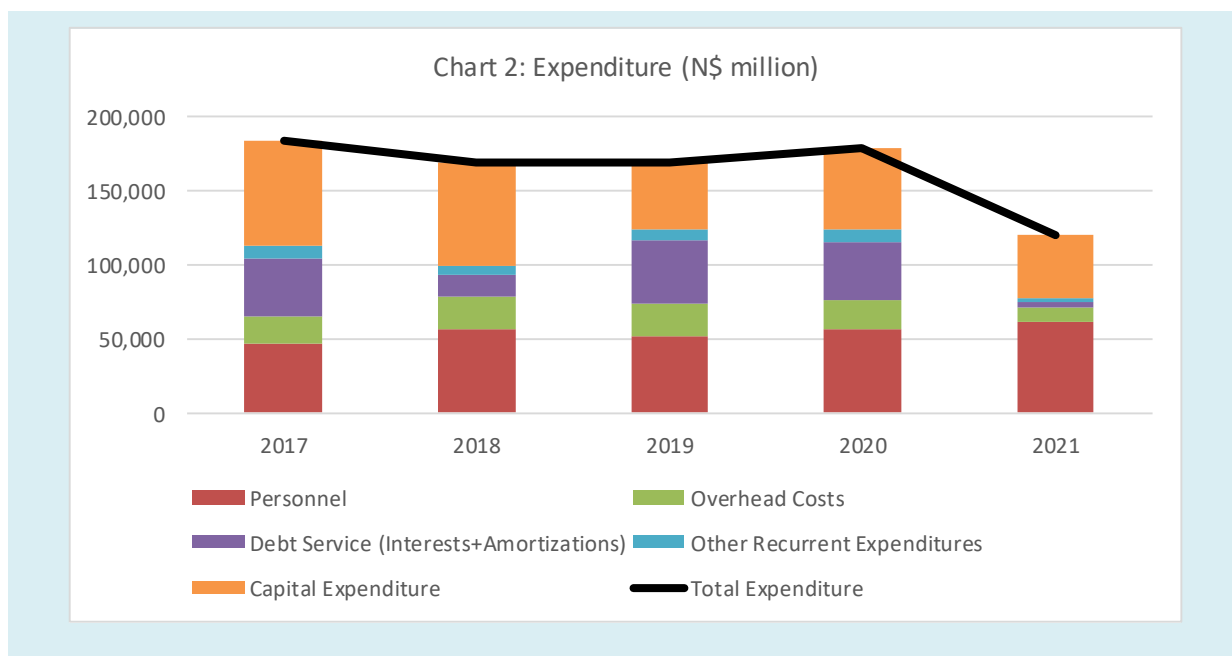
Personnel: Kano State Personnel costs stood at N46,684 million in 2017, N56,068 million in 2018, N52,300 million in 2019, N56,800.00 billion in 2020, and N61,772 million in 2021, respectively.

Overhead Cost: Kano State Overhead costs amounted at N18,473 million in 2017, N22,465 million in 2018, N21,700 million in 2019, N19,200 million in 2020, and N9,291 million in 2021 respectively.

Other Recurrent Expenditure: Kano State recorded Other Recurrent Expenditure recorded the sum of N3,223 million in 2021 compared with N7,444 million in 2017.

Capital Expenditure: Capital Expenditure amounted to N70,969 million in 2017, 69,869 million in 2018, 45,100 million in 2019, N55,100 million in 2020 and N41,676 million in 2021, respectively.

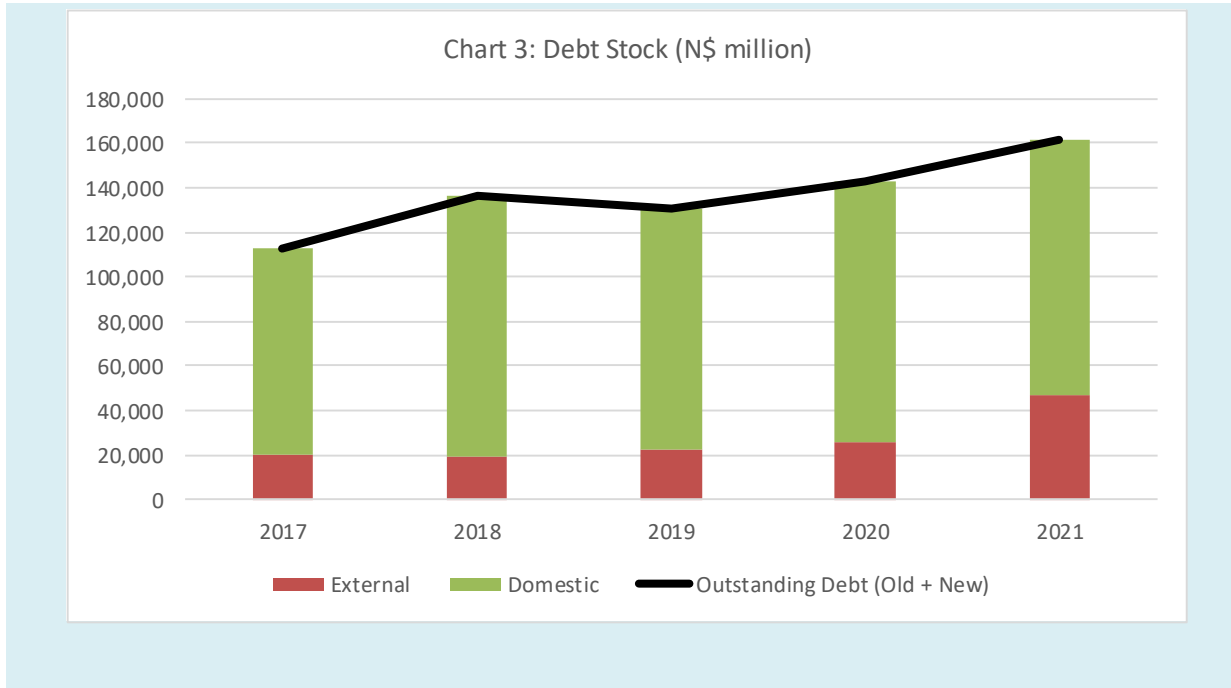
Expenditure Performance	2017	2018	2019	2020	2021
Total Expenditure	183,144	168,611	169,319	178,379	119,597
Personnel	46,684	56,068	52,300	56,800	61,772
Overhead Costs	18,473	22,465	21,700	19,200	9,291
Debt Service (Interests + Amortizations)	39,574	14,637	42,919	38,679	3,635
Other Recurrent Expenditures	7,444	5,572	7,300	8,600	3,223
Capital Expenditure	70,969	69,869	45,100	55,100	41,676



3.2 Existing Public Debt Portfolio

3.2.1 Debt Stock - Kano State Total Debt comprised External and Domestic Debts stood at N161,415 million in 2021 compared to N142,996 million in 2020, which representing an increase of 12.88 percent or N18.419 million, respectively. Domestic Debt stock stood at N114,236 million in 2021 compared to N116,935 million in 2020. External Debt stock stood at N47,178 million in 2021 compared to N26,061 million in 2020.

	2017	2018	2019	2020	2021
Outstanding Debt (Old + New)	112,586	136,549	130,284	142,996	161,415
External	20,329	19,467	22,530	26,061	47,178
Domestic	92,257	117,082	107,754	116,935	114,236

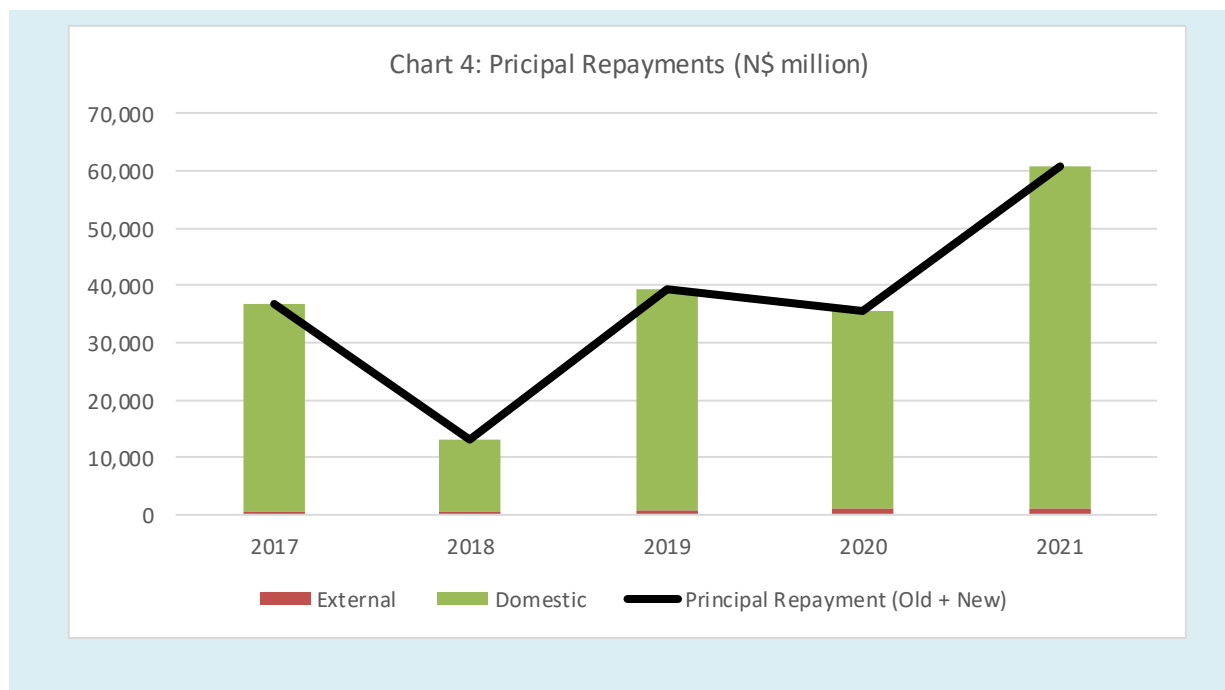


3.2.2 Debt composition - The main domestic debt portfolio consists of Budget Support Facility, Salary Bail-out facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). The composition of external debt to domestic debt portfolio stood at 18.23 percent to 81.77 percent in 2020, compared to debt composition of the external debt to domestic debt portfolio of 29.23 percent to 70.77 percent in 2021.

3.2.3 Debt Service amounted to Total debt service that comprises the interest payment and principal repayment stood at N39,574 million in 2017, N14,637 million in 2018, N42,919 million in 2019, N38,679 million in 2020 and N63,443 million in 2021, respectively.

The principal repayment stood at N36,744 million in 2017, N12,961 million in 2018, N39,232 million in 2019, N35,521 million in 2020 and N60,806 million in 2021, respectively.

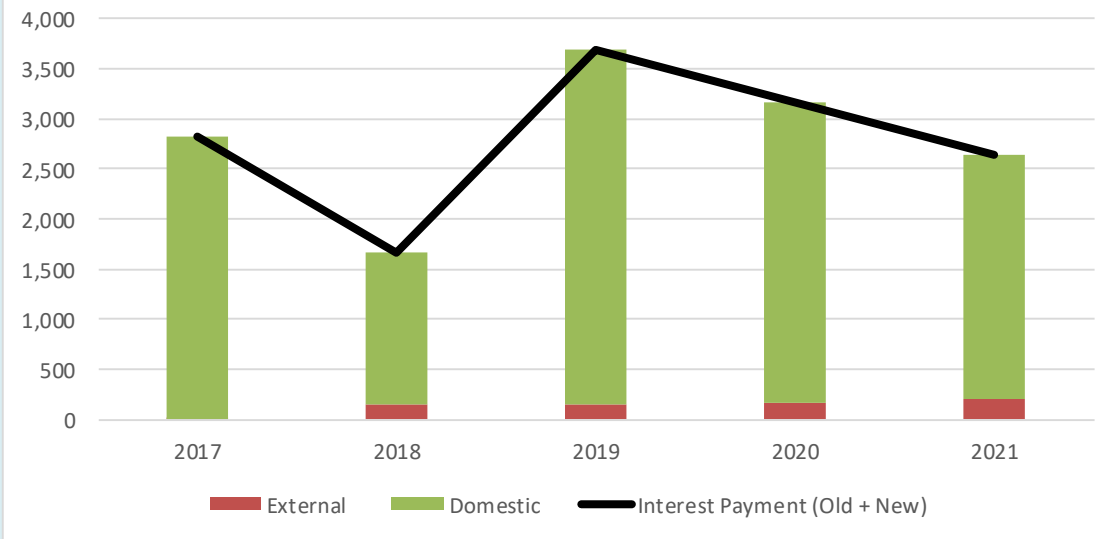
Principal Repayment	2017	2018	2019	2020	2021
Principal Repayment	36,744	12,962	39,232	35,526	60,806
External	435	545	762	914	998
Domestic	36,310	12,417	38,470	34,612	59,808



Interest repayment stood at N2,830 million in 2017, N1,675 million in 2018, N3,687 million in 2019, N3,158 million in 2020 and N2,637 million in 2021, respectively.

Interest Payment	2017	2018	2019	2020	2021
Interest Payment	2,830	1,675	3,687	3,159	2,637
External	13	153	155	171	207
Domestic	2,818	1,522	3,532	2,987	2,430

Chart 5: Interest Payments (N\$ million)



Chapter 4: Debt Sustainability Analysis

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

Table 1: Kano State Debt burden indicators as at end-2021

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	3.84
Debt as % of Revenue	200%	122.10
Debt Service as % of Revenue	40%	47.99
Personnel Cost as % of Revenue	60%	46.73
Debt Service as % of FAAC Allocation	Nil	74.93
Interest Payment as % of Revenue	Nil	2.00
External Debt Service as % of Revenue	Nil	0.91

Note: Nil means not available

Source: Kano State DMD

4.1 Borrowing Options

The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. Domestic borrowing serves as one of the main sources of borrowing with average ratio of 79.36 percent over the projection period from 2022 to 2031 and given the limited funding envelopes from the external borrowing with long processing time required, domestic borrowing are mainly through: the commercial banks, Federal Government and other Central Bank of Nigeria (Interventions).

Borrowing Options

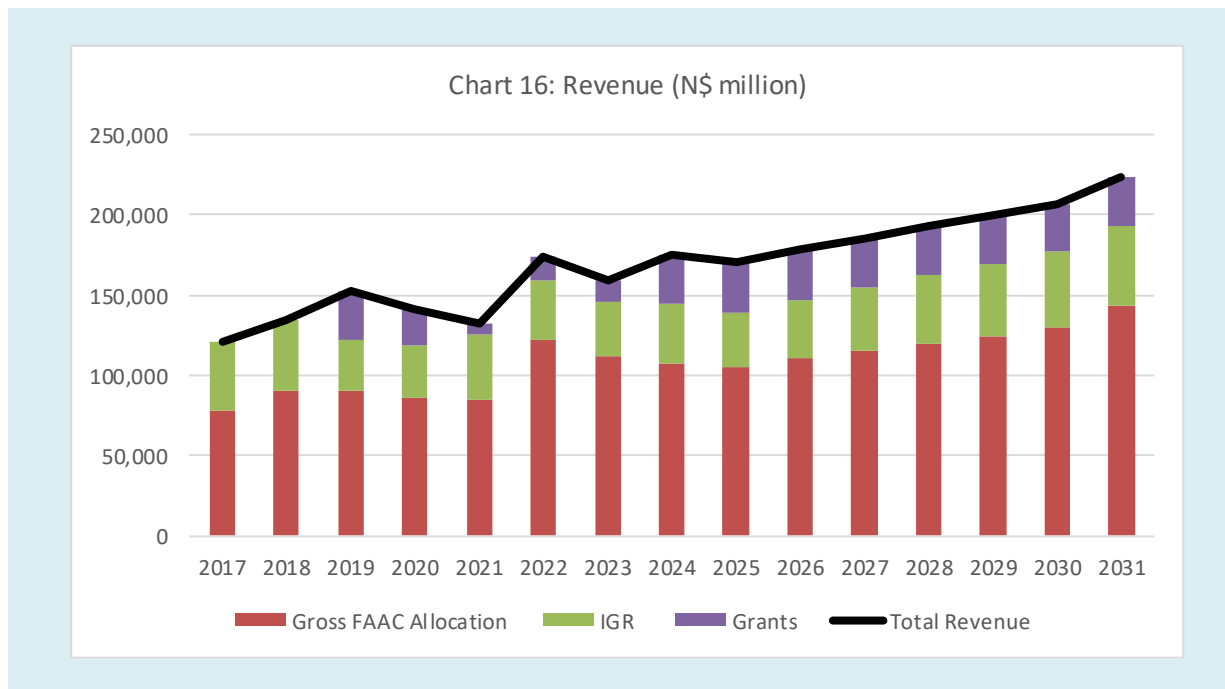
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Domestic Financing (NGN' Million)										
Commercial Bank Loans 1 (< 5 years)	0.0	3,652.0	0.0	7,701.3	7,000.0	7,146.0	4,167.3	7,586.6	7,272.9	6,885.9
Commercial Bank Loans - 6 years >	11,600.0	2,539.0	7,813.1	0.0	12,161.4	0.0	11,015.7	12,395.2	11,273.3	9,919.6
State Bonds - 1 (< 5 years)	0.0	0.0	0.0	0.0	0.0	9,209.9	0.0	0.0	0.0	0.0
State Bonds - 6 years >	0.0	0.0	0.0	13,000.0	0.0	0.0	15,000.0	0.0	0.0	0.0
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Financing (US\$' Million)										
External Financing - Concessional Loans (e.g., WB, AfDB)	0.0	12.1	0.0	19.0	15.8	0.0	0.0	29.3	0.0	14.8
External Financing - Bilateral Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.4	0.0
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Borrowing Requirements	11,600.0	11,191.0	7,813.1	28,563.8	25,693.0	16,355.9	30,183.0	32,099.1	24,472.7	22,900.5

4.3.1 DSA Simulation Results

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

Revenue The Macroeconomic framework is based on IMF's national real GDP growth and inflation forecasts from 2022, IMF World Economic Outlook document, and mineral benchmarks (oil price, production and NGN/USD exchange rate) from Federal Government of Nigeria's MTEF/FSP 2022-2024.

4.3.2 Revenue is expected to grow during the projected period, driven largely by expected improvement through FAAC allocation by N121,574 million or 69.69 percent of total Revenue, IGR estimated at N38,152 million or 21.87 percent of total Revenue and Grant projected at N14,718 million or 8.44 percent of total Revenue in 2022. Estimated on Revenue were sources from the Approved 2022 Budget, MTEF 2022-2024, and the projections period from 2025-2031 projections as estimated by the official of Kano State Ministry of Budget and Economic Planning.



4.3.2 Expenditure is projected to grow from N198,504 million in 2022, N196,894 million in 2025, N228,973 million in 2028 and N251,347 million in 2031, the Capital expenditure has the largest share over the estimated period. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including agriculture, youth, Housing, education, Health and Water Resources within the period

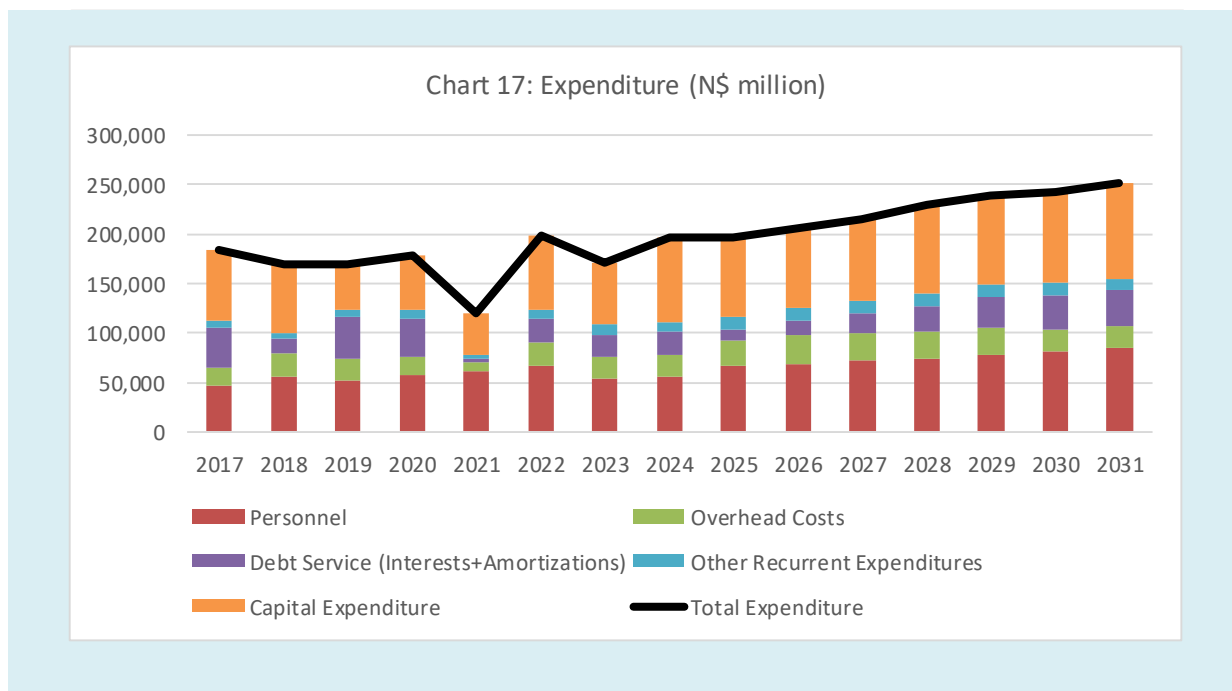
Personnel - The staff auditing is to check abnormalities in the pay roll. The State is determined to sustain the exercise to reduce personnel cost. It is anticipated that the number of political office holders will also be reduced, and the personnel cost is projected at N66,037 million in 2022, N69,009 million in 2026, N77,636 million in 2029 and N84,545 million in 2031, respectively.

Overheads - Annual increases were relatively low over the period 2015 and 2016. However, there was a large increase in 2017-2019 and fell in 2020 and 2021. Moving average excluding outlier is used to forecast overheads because the expected growth rate for 2022-2024 is expected to increase from N24,756 million in 2022 to N23,056 million in 2031 respectively.

Total Debt Service - is based on the projected principal and interest repayments for 2022, 2023 and 2024. Hence, based on the projection public debt service will remain largely stable with minimal growth over the medium term.

Other Recurrent Expenditures - other recurrent expenditure comprises Social Contribution and Social Benefits – Pensions and gratuity payments is expected to remain at the level of 2021 actual.

Capital Expenditure - is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The capital expenditure projected at N75,065 million in 2022, N81,461 million in 2025, N89,433 million in 2028, and N97,668 million in 2031 respectively.

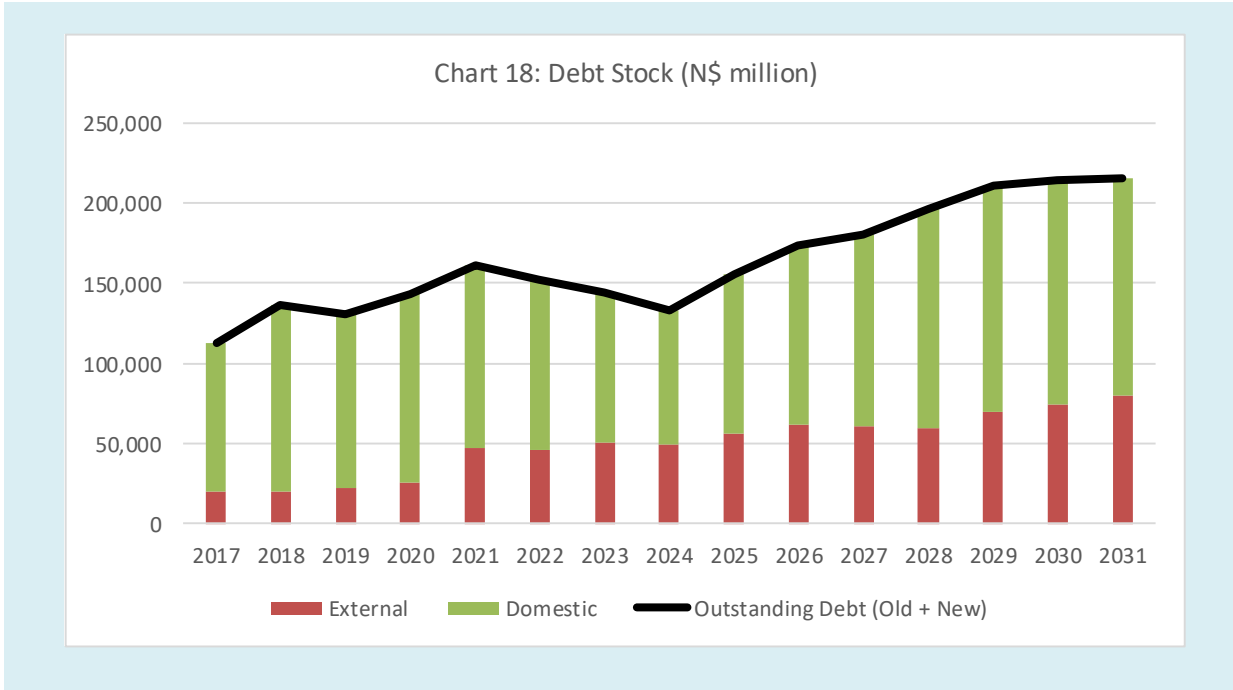


Gross Financing Needs (GFN) - is the sum of budget deficits and funds required to roll over debt that matures over the year. The GFN for Kano State 2022-2024 estimate at N11,600 million in 2022, N11,191 million in 2023, N7,813.14 million in 2024, respectively. The gross financing needs projection from 2025 to 2031 is estimated to have an average of N30,388.89 million, the period is hinged on the anticipated improvement on the revenue due to the various initiatives and reforms by Government, as well as efficiency and quality of spending.

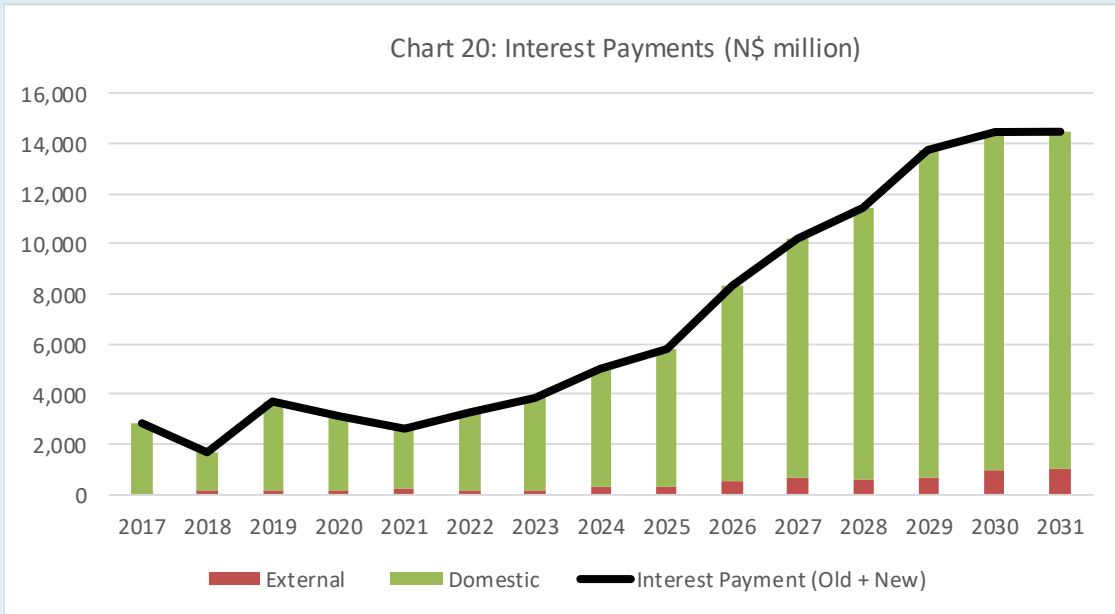
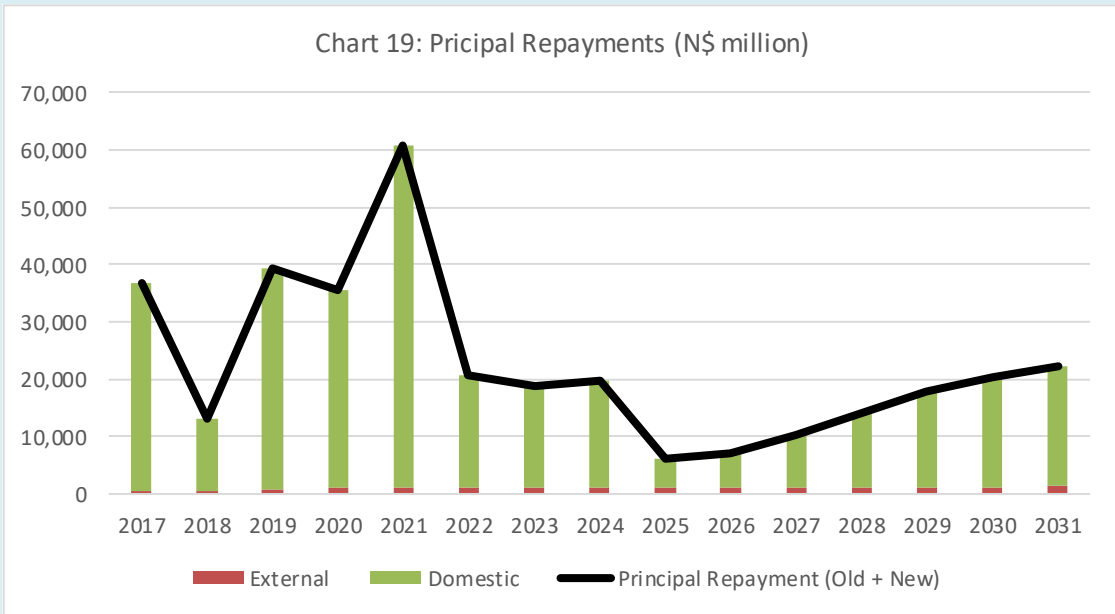
Kano State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.

Kano State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government’s budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$57 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration Reports validates the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

Debt Stock Kano State’s Debt Stock estimated to increase from N152,207 million in 2022, N144,503 million in 2023, N132,672 million in 2024, N155,240 million in 2025, N173,930 million in 2026, N179,964 million in 2027, N196,077 million in 2028, N210,276 million in 2029, N214,285 million in 2030 and N214,891 million in 2031, respectively.



Principal Repayment estimated to decline from N20,808 million in 2022 to N22,295 million in 2031. Interest Payment N3,253 million in 2022 to N14,450 million in 2031. (see Charts 18 to 20, below).



Main Key Findings

On the Total Debt Sustainability Analysis under Baseline Scenario, the Debt Sustainability Analysis results shows that the ratio of Debt as % of GDP is projected at 3.27 percent in 2022, 2.81 percent in 2023, 2.37 percent in 2024, 2.55 percent in 2025, 2.61 percent in 2026, 2.48 percent in 2027, 2.47 percent in 2028, 2.43 percent in 2029, 2.27 percent in 2030 and 2.10 percent in 2031, respectively, as against the indicative threshold of 25 percent.

On the Total Debt Sustainability Analysis, the results show that the ratio of Debt to revenue remains below its indicative threshold under the Baseline scenario. However, based on the Most Extreme Shock in Revenue, Expenditure, Exchange rate and Interest rate, and historical remains moderate debt distress over the projection period.

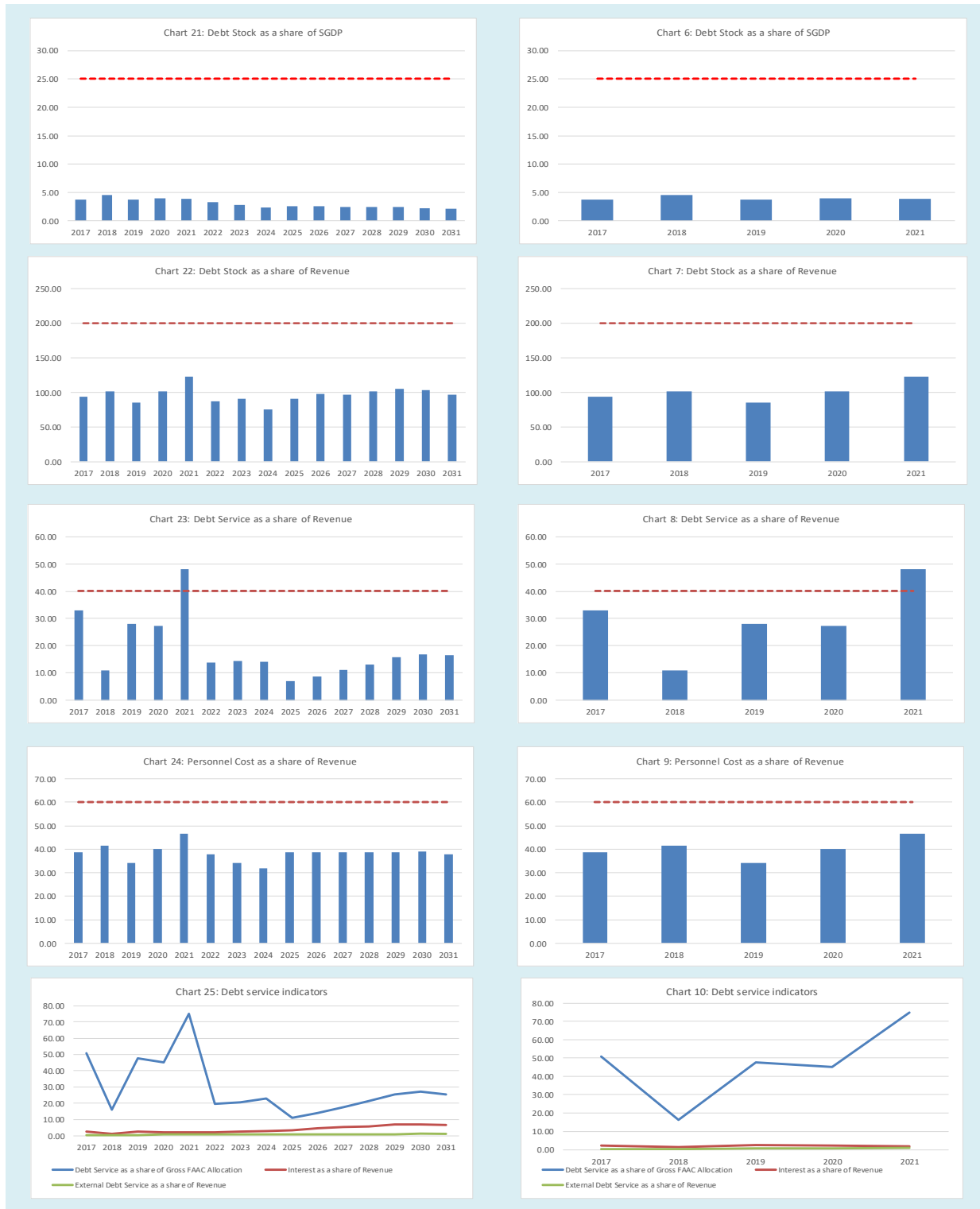
2022 DSA exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2021 to 2030, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

The revenue-based indicators show that the Debt to Revenue for 2022, 2025, 2028 and 2031 were projected at 122.10 percent, 91.14 percent, 101.76 percent, and 96.26 percent respectively and were still below the threshold of 200 percent. Kano State would remain under the threshold for Debt to SGDP ratio for 25 percent over the projection period.

For the Debt Service to Revenue, the outcome estimates the ratios in 2022 (13.79 percent), 2024 (14.05 percent), 2026 (8.61 percent), 2028 (13.23 percent) and 2031 (16.46 percent), as against the threshold of 40 percent to the end of the projection period in the medium to long term.

The Personnel Cost to Revenue remained below threshold of 60 percent from 37.86 percent in 2022, 38.83 percent in 2025, 38.80 percent in 2028, and 37.87 percent in 2031. Thus, Kano State Debt remained sustainable on the revenue and debt indicators.

Debt Service to Gross FAAC Allocation estimated at 19.79 percent in 2022, 13.90 percent in 2026 and 25.62 percent in 2031. Interest to Revenue projected at 1.86 percent in 2022, 4.68 percent in 2026 and 6.47 percent in 2031. External Debt Service to Revenue 0.69 percent in 2022, 0.91 percent in 2026 and 1.09 percent in 2031.



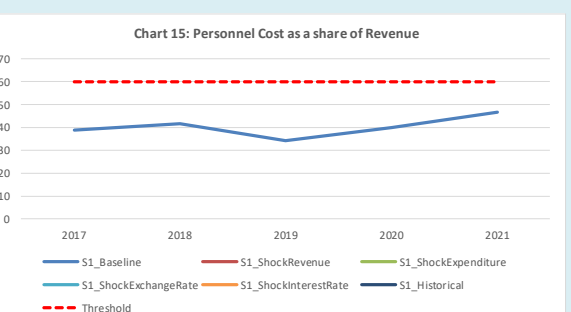
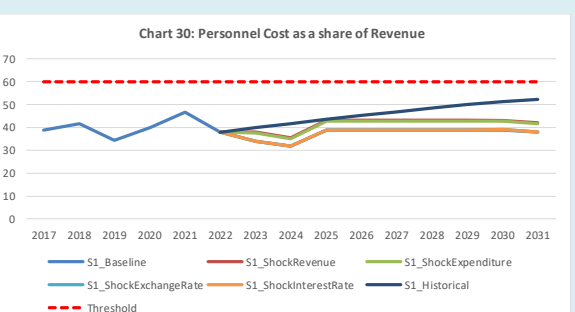
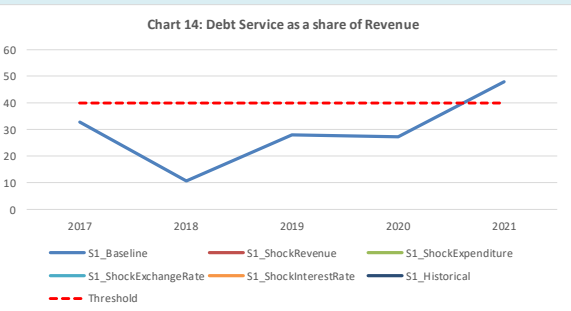
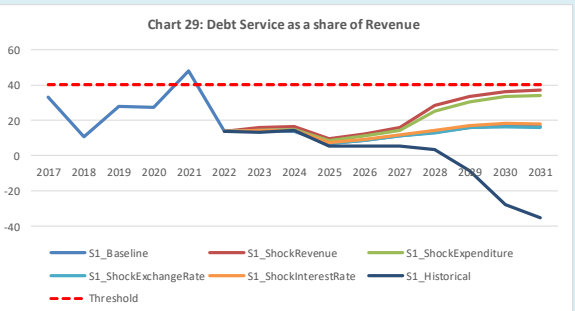
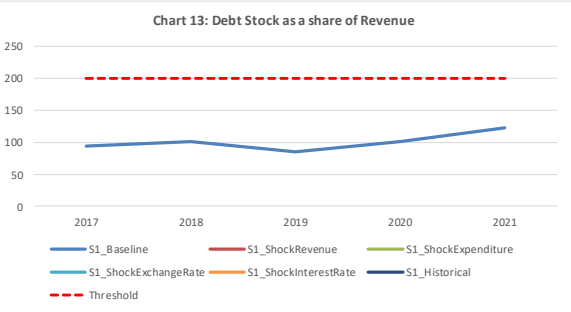
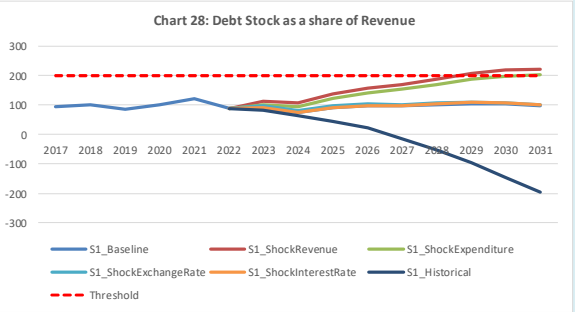
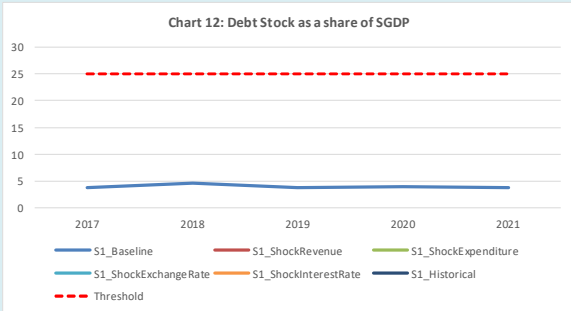
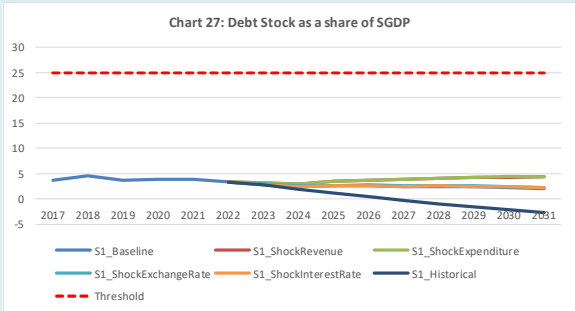
Conclusion

The outcome of the 2022 DSA revealed that Kano's Total Debt remains at a Moderate Risk of Debt distress with substantial space to accommodate shocks.

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

4.3.2 DSA Sensitivity Analysis

Kano State, 2022 DSA analysis remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows deteriorate related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. The shocks apply breached the threshold under debt service as percent of Revenue breached the benchmarks from 2028 to 2031 through revenue and expenditure Shocks. There is, an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.



Chapter 5: Debt Management Strategy

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, in light of factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Kano State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The Kano State's Debt Management Strategy, 2022-2026, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2026, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2026 caused by an un-expected shock, as projected in the most adverse scenario. The following four strategies are assessed by the government.

5.1 Alternative Borrowing Options

Strategy 1 (S1) Reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2022 and MTEF, 2022-2024. External gross borrowing under Concessional loans accounts on average 22.85 percent over the strategic period mainly through World Bank and African Development Bank. The Domestic gross financing comprises commercial bank loans and State bonds. The Commercial Bank loans with the maturity of 1-5 years is projected to account on average of 21.63 percent over the strategic period. The Commercial Bank loans with the maturity of above 6 years

and State bonds (above 6 years) estimated with an average of 40.20 percent and 15.32 percent over the DMS period of 2022-2026.

Strategy 2 (S2) Focus more on financing through commercial bank loans: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2022 as its in strategy 1. The remaining of borrowing distributions from 2022 to 2026, the state government will focus its financing through commercial bank loans with average 37.31 percent under maturity of 1-5 years and 50.01 percent under maturity of above 6 years, other gross financing needs through the State bond with the maturity period of 1-5 years and external borrowing through bilateral loan estimated to account on average of 11.78 percent and 5.25 percent over the strategic period.

Strategy (S3) Focus its financing through domestic debt market. In strategy 3, the government decided to focus its financing from 2022 to 2026, through State Bonds (1-5 years), State Bonds (above 6 years), Commercial Bank loans (1-5 years), Commercial Bank loans with the maturity of above 6 years, Concessional Loans and bilateral loans with an average of 40.95 percent, 13.67 percent, 14.71 percent, 18.30 percent, 13.13 percent, and 7.32 percent, respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2022 remains the same with strategy 1.

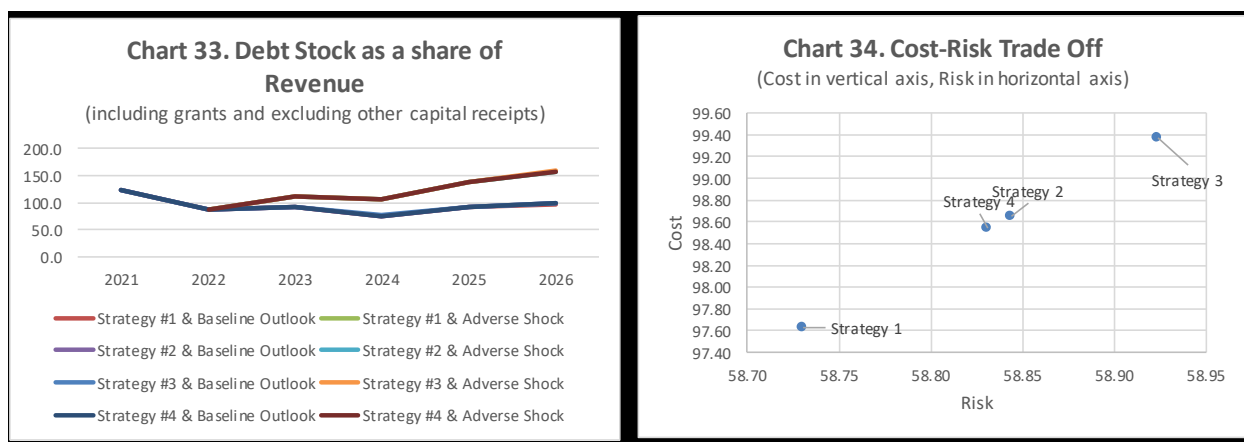
Strategy (S4) increases the share of external borrowing. In this strategy, External Financing (Concessional Loans) represents an average of 11.83 percent from 2022-2026, Bilateral loans 9.25 percent, other gross financing comprises other Domestic financing, Commercial bank loans (1-5 years), Commercial bank loans (above 6 years) and State bonds (1-5 years) with average period of 46.95 percent, 22.86 percent and 13.14 percent, respectively.

5.2 DMS Simulation Results

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

a. Debt as a share Revenue:

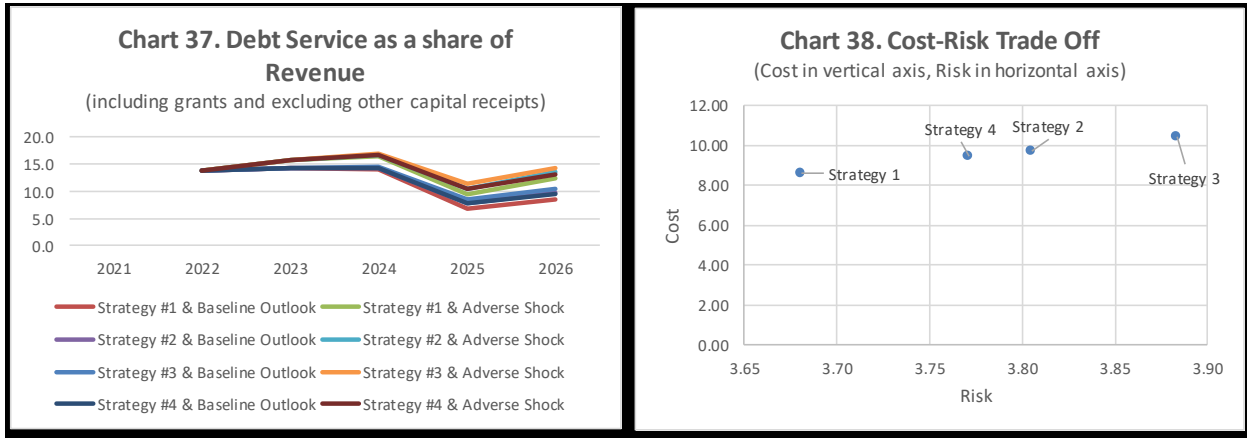
- Strategy 1 shows the Cost ratio of Debt to Revenue estimated at 97.63 percent in 2026, as against Strategy 4 (98.54 percent), Strategy 2 (98.66 percent) and Strategy 3 (99.37 percent), over the DMS period of 2025, compared with the Risks measured of Strategy 1 (58.73 percent), Strategy 4 (58.83 percent), Strategy 2 (58.84 percent) and Strategy 3 (58.92 percent), respectively.
- Analysis using this debt indicator of debt to revenue shows that S1 has the lowest costs and risks with the average measured by 97.63 percent and 58.73 percent compared with Strategy 1 and Strategy 2, Strategy 3 has the highest Costs and Risks under debt to GDP ratios over the DMS period of 2026.



b. Debt Service as a share of Revenue:

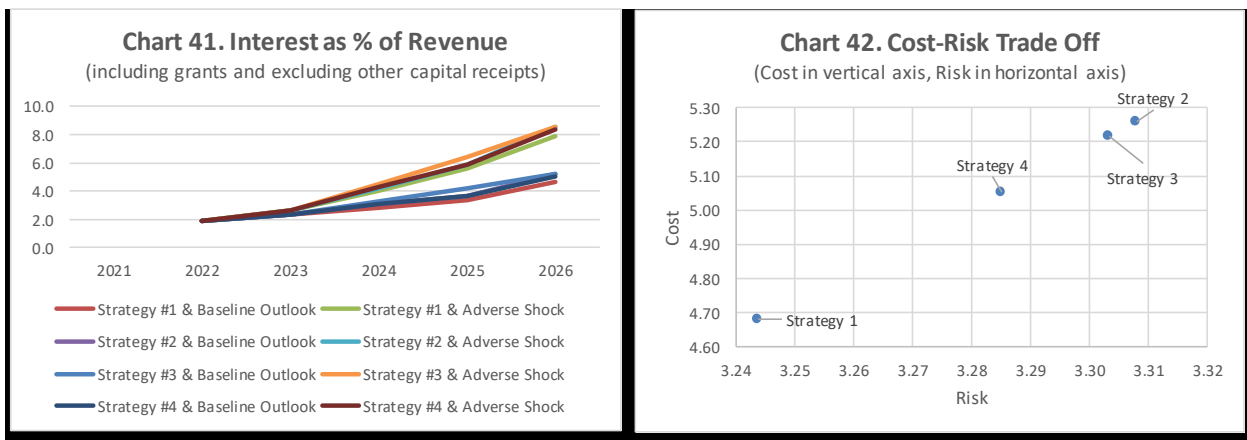
- In terms of Debt Service to Revenue, Strategy 1 has the lowest costs of 8.61 percent and lowest risks of 3.68 percent compared to Strategy 4 (moderate costs at 9.43 percent and risks at 3.77 percent), Strategy 2 (moderate costs at 9.73 percent and lowest risks at 3.81 percent) and S3 has highest costs of 10.44 percent and risks at 3.88 percent), respectively, as at end of the strategic period of 2026
- S1 has the lowest cost and risks of 8.61 percent and 3.68 percent and Strategy 3 has the highest costs and risks of 10.44 percent and 3.88 percent, compared

Strategy 2 and Strategy 4 that estimated to have moderate costs and Moderate during the projection period of 2026.



c. Interest as a share of Revenue

- S1 is the least costly and risky with regards Interest to Government revenues, which estimated at 4.68 percent and 3.24 percent, Strategy 2 (costs 5.26 percent and risks 3.31 percent), Strategy 3 (5.21 percent and risks 3.30 percent), and Strategy 4 (costs 5.05 percent and risks 3.29 percent) by the end of strategy period.
- The analysis shows that, the S1 has the lowest cost and risks of 4.68 percent and 3.24 percent compared with Strategy 2 that has the highest costs and risks of 5.26 percent and 3.31 percent by the end of strategy period of 2026.



5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of cost and risk would suggest that the recommended strategy be S1 these results were just marginally better when compared with other S2, S3 and S4. ***it was considered that S1 is the most feasible of the strategies to implement in the short-term and it would still greatly improve the portfolio's debt position relative to the base year 2021.***

In comparison to the current debt position, Kano State debt portfolio stood at N161,414.74 million as at end-2021, which expected an increase to N 173,929.95 million under S1 during the strategic period, compared to S2 (N 175,752.03 million), S3 (N 177,023.97 million), and S4 (N 175,543.16 million). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2022-2026.

The Debt Management Strategy, 2022-2026 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2022 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annex I: Baseline Assumptions

Statutory Allocations – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.

VAT – Is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2020-2022 is in line with the current rate of collections due to covid-19 pandemic be revisited if there are any changes to the VAT rates as proposed in the previous forecast.

Other Federation Account Distributions – the estimation is based on the current receipt (i.e. from January to May, 2020). Furthermore, it is anticipated that new FAAC will investigate the crises that caused by the advent of the covid-19 pandemic so that the sharing formula would be investigate carefully.

Internally Generated Revenue (IGR) – The key issue with IGR, as identified in figure 9: IGR above is whether the 2020 figure was a “one-off” drop and the IGR will return to the 2016 trend in 2020 and beyond. It is assumed that this will be the case. This assumption is based on the following: Mapping of informal sector resulting in broadened tax base; Passage of MDAs revenue harmonization law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; Restructuring of the Kano Internal Revenue Service resulting for efficiencies, The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; • Policy of the present administration to shift tax burden to the wealthy individuals. • Introduction of new land use levies and charges; Review of Kano state revenue administration law; Waiver to the taxpayers due to covid 19 pandemic; It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching target level and growing by 5% annually. All subsequent years’ collection should be properly monitored regularly to assess whether the target will be achievable.

Grants – the internal grants are mostly based on the actual receipts and performance for 2021. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc

Other Non-Debt Creating Capital Receipts - Consolidated Revenue Fund Charges – CRF constitute pension contribution, Public Debt Charges, Office of the Auditor General State, House of Assembly, of the Auditor General Local Govt, Judiciary etc. The 2021 provision are 7.7 billion own value projection.

Financing (Net Loans) – the internal and external loans are projections based on agreement KGS 2022-2023 EFU-FSP-BPS Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024

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

Overheads – Overheads – The drop in overheads in 2021 was a result of likely to reduced revenues (IGR and Federal Transfers). The forecasts for 2022 - 2024 assume that the overhead expenditure will remain as that of 2021, and then it will grow at 5% annually thereafter. This should be considered within the context of the new administration’s policy priorities, and also first and second quarter performance figures for 2021 should also be used to guide.

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

2022		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	World bank and DMG projection	WB and DMG
Revenue	<p>Revenue</p> <ol style="list-style-type: none"> Gross Statutory Allocation (‘gross’ means with no deductions; do not include VAT Allowance) 1.a. of which Net Statutory Allocation (‘net’ means of deductions) 1.b. of which Deductions Derivation (if applicable to the State) Other FAAC transfers (exchange rate gain, augmentation, others) VAT Allocation IGR Capital Receipts <ol style="list-style-type: none"> Grants Sales of Government Assets and Privatization Proceeds Other Non-Debt Creating Capital Receipts 	<p>Statutory Allocation – is based on governor’s forum using the assumptions in the macro economic framework above and historical data on mineral and non-mineral revenue flows.</p> <p>Statutory Allocation – is based on governor’s forum using the assumptions in the macro economic framework above and historical data on mineral and non-mineral revenue flows.</p> <p>Statutory Allocation – is based on governor’s forum using the assumptions in the macro economic framework above and historical data on mineral and non-mineral revenue flows.</p> <p>Other Federation Account Receipts – This figure has been used for the 2021 - 2023 an estimate comprises of NNPC refund, Exchange rate gains, Ecological fund etc.</p> <p>VAT – is based on the lowest of the moving averages and governor’s forum – in this case the 4-year weighted moving average.</p> <p>Internally Generated Revenue (IGR) – The key issue with IGR, as identified in figure 9: IGR above is whether the 2020 figure was a “one-off” drop and the IGR will return to the 2016 trend in 2020 and beyond. It is assumed that this will be the case. This assumption is based on the following: Mapping of informal sector resulting in broadened tax base; Passage of MDAs revenue harmonisation law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; Restructuring of the Kano Internal Revenue Service resulting for efficiencies, the resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; Policy of the present administration to shift tax burden to the wealthy individuals. Introduction of new land use levies and charges; Review of Kano state revenue administration law; Waiver to the tax payers due to covid 19 pandemic; It is assumed that with the implementation of the above reform the future revenue collection will improve by reaching target level and growing by 5% annually. All subsequent years’ collection should be properly monitored regularly to assess whether the target will be achievable.</p> <p>Capital Receipt - Capital Receipt for both scenarios was based on projection of 2021 approved budget; however the Ministry is taking in to account of actual performance of the capital receipts in 2020 as a base year for 2022 budget projection to be considered by the Council deliberation and resolution.</p> <p>Grants – This indicated that the grant collection trend is far below the budgeted figure there is a need to review the subsequent year budget forecast.</p> <p>Consolidated Revenue Fund Charges – CRF constitute pension contribution, Public Debt Charges, Office of the Auditor General State, House of Assembly, of the Auditor General Local Govt, Judiciary etc. The 2021 provision are 7.7 billion own value projection.</p>	<p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p>
Expenditure	<p>Expenditure</p> <ol style="list-style-type: none"> Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) Overhead costs Interest Payments (Public Debt Charges, Including interests deducted from FAAC Allocation) Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments) Capital Expenditure 	<p>Personnel – As a result of the Covid 19 there is slight change in personnel cost as it will be conformed with 2021 based on actual expenditure out turn of 2021 half year.</p> <p>Overheads – The drop in overheads in 2021 was a result of likely to reduced revenues (IGR and Federal Transfers). The forecasts for 2022 - 2024 assume that the overhead expenditure will remain as that of 2021, and then it will grow at 5% annually thereafter. This should be considered within the context of the new administration’s policy priorities, and also first and second quarter performance figures for 2021 should also be used to guide.</p> <p>Amortization and interest payments estimated using profiles recorded in the DMG. Include the external debt service paid through FAAC deductions</p> <p>Capital expenditure by sector – Educational sector has the largest allocation of followed by infrastructure sector then Health sector with the allocation of as well as Government Sector and water sector with the allocation of 7.36%</p>	<p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>DMO, Nigeria</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p>
Closing Cash and Bank Balance	Closing Cash and Bank Balance	Financial Statements	Kano State’s EFU-FSP-BPS, 2022-2024
Debt Amortization and Interest Payments	<p>Debt Outstanding at end-2021</p> <p>External Debt - amortization and interest</p> <p>Domestic Debt - amortization and interest</p> <p>New debt issued/contracted from 2022 onwards</p> <p>New External Financing</p> <p>External Financing - Concessional loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p> <p>New Domestic Financing</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p>	<p>Amortization and interest payments estimated using profiles recorded in the DMG. Include the external debt service paid through FAAC deductions</p> <p>Amortization and interest payments estimated using profiles recorded in the DMG. Include the external debt service paid through FAAC deductions</p> <p>The internal and external loans are projections based on agreement Kano State’s EFU-FSP-BPS, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024</p> <p>The internal and external loans are projections based on agreement Kano State’s EFU-FSP-BPS, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024</p> <p>The internal and external loans are projections based on agreement Kano State’s EFU-FSP-BPS, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024</p> <p>The internal and external loans are projections based on agreement Kano State’s EFU-FSP-BPS, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024</p> <p>The internal and external loans are projections based on agreement Kano State’s EFU-FSP-BPS, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024</p> <p>The internal and external loans are projections based on agreement Kano State’s EFU-FSP-BPS, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024</p>	<p>DMO, Nigeria</p> <p>DMO, Nigeria</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p>
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 51	<p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 51</p> <p>New Domestic Financing In Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing In Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Financing distributions was based on Kano State’s EFU-FSP-BPS, 2022-2024</p>	<p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p> <p>Kano State’s EFU-FSP-BPS, 2022-2024</p>
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 52	<p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 52</p> <p>New Domestic Financing In Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing In Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p>	<p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p>
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 53	<p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 53</p> <p>New Domestic Financing In Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing In Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p>	<p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p>
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 54	<p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 54</p> <p>New Domestic Financing In Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing In Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p> <p>Financing distributions was agreed by the State DSA-DMS Technical Team</p>	<p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p> <p>DSA-DMS Technical Team</p>

Annex II: Kano State Baseline Scenarios, 2017-2031

Indicator	Actuals					Projections									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
BASELINE SCENARIO															
Economic Indicators															
State GDP (at current prices)	2,974,429.00	3,010,339.00	3,437,136.00	3,603,837.00	4,200,023.00	4,657,011.00	5,145,513.00	5,596,054.00	6,097,908.00	6,657,696.00	7,268,873.00	7,936,155.00	8,664,694.00	9,460,113.00	10,255,532.00
Exchange Rate NGN/US\$ (end-Period)	306.00	307.00	326.00	381.00	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99	412.99
Fiscal Indicators (Million Naira)															
Revenue	135,947.63	153,874.11	186,822.72	151,792.10	134,333.47	192,932.65	170,747.09	188,484.60	204,586.86	209,988.29	208,523.50	229,922.81	239,541.16	239,668.06	255,246.85
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	52,860.00	67,446.00	65,656.00	52,027.00	56,031.95	80,457.93	62,000.00	64,000.00	66,000.00	68,000.00	70,000.00	72,000.00	74,000.00	76,000.00	82,000.00
1.a. of which Net Statutory Allocation ('net' means of deductions)	52,860.00	67,446.00	65,656.00	52,027.00	56,031.95	80,457.93	78,797.60	85,980.41	66,000.00	68,000.00	70,000.00	72,000.00	74,000.00	76,000.00	82,000.00
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	4,787.00	3,138.00	2,892.00	6,594.00	4,482.56	6,436.63	7,126.37	7,126.37	5,700.00	6,500.00	6,900.00	7,000.00	7,230.00	7,511.00	9,511.00
4. VAT Allocation	20,422.00	20,055.00	21,631.00	27,422.00	24,151.05	34,679.21	42,231.73	36,621.84	33,386.87	35,895.37	38,403.87	40,912.38	43,420.88	45,929.38	51,929.38
5. IGR	42,419.81	44,107.38	31,795.34	32,091.60	40,243.21	38,152.45	34,877.94	36,621.84	34,320.00	36,960.00	39,600.00	42,240.00	44,880.00	47,520.00	49,511.00
6. Capital Receipts	15,458.82	19,127.74	64,848.38	33,657.50	9,424.70	33,206.43	24,511.05	44,114.56	65,179.98	62,632.92	53,619.63	67,770.43	70,010.29	62,707.69	62,295.47
6.a. Grants	0.00	0.00	30,835.61	23,600.00	7,286.09	14,717.62	13,320.05	31,051.42	30,916.20	30,789.96	30,663.71	30,537.47	30,411.22	30,284.97	30,284.97
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	684.21	19,127.74	27,946.27	8,200.00	2,138.61	6,888.81	0.00	5,250.00	5,700.00	6,150.00	6,600.00	7,050.00	7,500.00	7,950.00	9,110.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	14,774.61	0.00	6,066.50	1,857.50	0.00	11,600.00	11,191.00	7,813.14	28,563.78	25,692.96	16,355.92	30,182.96	32,099.07	24,472.72	22,900.50
Expenditure	183,144.28	168,610.95	169,318.83	178,379.11	119,596.57	198,503.98	171,218.42	197,241.94	196,894.19	205,823.29	214,388.50	228,972.81	238,751.16	242,858.06	251,346.85
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	46,684.33	56,067.90	52,300.00	56,800.00	61,772.09	66,036.85	54,287.99	55,916.63	66,134.05	69,009.44	71,884.84	74,760.23	77,635.62	80,511.02	84,545.02
2. Overhead costs	18,473.18	22,465.08	21,700.00	19,200.00	9,290.72	24,755.81	20,592.45	21,004.29	25,992.90	28,719.40	27,445.91	27,445.91	27,445.91	22,625.43	23,056.33
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	2,830.47	1,675.25	3,686.94	3,157.91	2,637.45	3,252.55	3,827.20	5,006.36	5,776.84	8,339.46	10,226.81	11,430.10	13,746.37	14,478.20	14,450.04
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	2,817.62	1,522.19	3,531.90	2,987.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	12.84	153.05	155.04	170.55	2,637.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	7,443.51	5,572.00	7,300.00	8,600.00	3,222.52	8,586.63	10,702.62	9,716.73	11,533.99	11,633.71	11,733.42	11,833.13	11,932.85	12,032.56	9,333.23
5. Capital Expenditure	70,968.78	69,869.26	45,100.00	55,100.00	41,675.91	75,064.55	62,913.34	85,953.09	81,460.97	81,118.31	82,775.66	89,433.00	90,090.34	92,747.68	97,667.65
6. Amortization (principal) payments	36,744.02	12,961.46	39,231.90	35,521.21	997.88	20,807.59	18,894.83	19,644.85	5,995.44	7,002.96	10,321.87	14,070.43	17,900.06	20,463.17	22,294.58
Budget Balance ('+' means surplus, '-' means deficit)	-47,196.65	-14,736.84	17,503.89	-26,587.01	14,736.89	-5,571.33	-471.33	-8,757.34	7,692.66	4,165.00	-5,865.00	950.00	790.00	-3,190.00	3,900.00
Opening Cash and Bank Balance	71,279.72	24,083.07	9,346.23	26,850.12	263.11	15,000.00	9,428.67	8,957.34	200.00	7,892.66	12,057.66	6,192.66	7,142.66	7,932.66	4,742.66
Closing Cash and Bank Balance	24,083.07	9,346.23	26,850.12	263.11	15,000.00	9,428.67	8,957.34	200.00	7,892.66	12,057.66	6,192.66	7,142.66	7,932.66	4,742.66	8,642.66

Annex II: Kano State Baseline Scenarios, 2017-2031...Cont'd

Financing Needs and Sources (Million Naira)

Financing Needs	18,488.81	11,191.00	13,063.14	34,263.78	31,842.96	22,955.92	37,232.96	39,599.07	32,422.72	32,010.50
i. Primary balance	0.00	11,059.70	2,830.73	-14,798.84	-12,335.54	-8,272.24	-10,782.43	-7,162.63	-671.35	8,634.11
ii. Debt service	24,060.14	22,722.03	24,651.20	11,772.28	15,342.42	20,548.67	25,500.53	31,646.44	34,941.37	36,744.61
Amortizations	20,807.59	18,894.83	19,644.85	5,995.44	7,002.96	10,321.87	14,070.43	17,900.06	20,463.17	22,294.58
Interests	3,252.55	3,827.20	5,006.36	5,776.84	8,339.46	10,226.81	11,430.10	13,746.37	14,478.20	14,450.04
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-5,571.33	-471.33	-8,757.34	7,692.66	4,165.00	-5,865.00	950.00	790.00	-3,190.00	3,900.00
Financing Sources	18,488.81	11,191.00	13,063.14	34,263.78	31,842.96	22,955.92	37,232.96	39,599.07	32,422.72	32,010.50
i. Financing Sources Other than Borrowing	6,888.81	0.00	5,250.00	5,700.00	6,150.00	6,600.00	7,050.00	7,500.00	7,950.00	9,110.00
ii. Gross Borrowings	11,600.00	11,191.00	7,813.14	28,563.78	25,692.96	16,355.92	30,182.96	32,099.07	24,472.72	22,900.50
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.00	3,652.00	0.00	7,701.30	7,000.00	7,145.99	4,167.31	7,586.57	7,272.90	6,885.94
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	11,600.00	2,539.00	7,813.14	0.00	12,161.43	0.00	11,015.65	12,395.21	11,273.27	9,919.62
State Bonds (maturity 1 to 5 years)	0.00	0.00	0.00	0.00	0.00	9,209.92	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)	0.00	0.00	0.00	13,000.00	0.00	0.00	15,000.00	0.00	0.00	0.00
Other Domestic Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.00	5,000.00	0.00	7,862.48	6,531.53	0.00	0.00	12,117.28	0.00	6,094.94
External Financing - Bilateral Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,926.54	0.00
Other External Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Debt Stocks and Flows (Million Naira)

Debt (stock)	112,585.86	136,548.88	130,283.96	142,995.89	161,414.74	152,207.15	144,503.32	132,671.61	155,239.95	173,929.95	179,964.00	196,076.52	210,275.52	214,285.07	214,891.00
External	20,328.80	19,466.57	22,530.19	26,061.28	47,178.45	46,145.97	50,092.85	49,019.07	55,787.13	61,203.59	60,067.87	58,911.49	69,851.75	74,601.27	79,301.80
Domestic	92,257.05	117,082.32	107,753.77	116,934.60	114,236.29	106,061.18	94,410.47	83,652.54	99,452.81	112,726.36	119,896.13	137,165.03	140,423.77	139,683.80	135,589.20
Gross borrowing (flow)						11,600.00	11,191.00	7,813.14	28,563.78	25,692.96	16,355.92	30,182.96	32,099.07	24,472.72	22,900.50
External						0.00	5,000.00	0.00	7,862.48	6,531.53	0.00	0.00	12,117.28	5,926.54	6,094.94
Domestic						11,600.00	6,191.00	7,813.14	20,701.30	19,161.43	16,355.92	30,182.96	19,981.79	18,546.17	16,805.56
Amortizations (flow)	36,744.32	12,962.35	39,231.90	35,526.01	60,805.68	20,807.59	18,894.83	19,644.85	5,995.44	7,002.96	10,321.87	14,070.43	17,900.06	20,463.17	22,294.58
External	434.52	544.91	761.84	914.40	997.88	1,032.48	1,053.12	1,073.77	1,094.42	1,115.07	1,135.72	1,156.37	1,177.02	1,177.02	1,394.41
Domestic	36,309.80	12,417.44	38,470.05	34,611.61	59,807.80	19,775.12	17,841.70	18,571.07	4,901.02	5,887.88	9,186.15	12,914.06	16,723.04	19,286.14	20,900.17
Interests (flow)	2,830.48	1,675.50	3,686.94	3,158.81	2,637.45	3,252.55	3,827.20	5,006.36	5,776.84	8,339.46	10,226.81	11,430.10	13,746.37	14,478.20	14,450.04
External	12.85	153.30	155.04	171.45	207.24	165.20	185.85	288.69	329.99	499.40	685.50	602.90	664.85	964.13	1,032.29
Domestic	2,817.62	1,522.19	3,531.90	2,987.36	2,430.21	3,087.36	3,641.36	4,717.67	5,446.85	7,840.06	9,541.30	10,827.19	13,081.52	13,514.07	13,417.75
Net borrowing (gross borrowing minus amortizations)						-9,207.59	-7,703.83	-11,831.71	22,568.34	18,690.00	6,034.05	16,112.52	14,199.00	4,009.55	605.92
External						-1,032.48	3,946.88	-1,073.77	6,768.06	5,416.45	-1,135.72	-1,156.37	10,940.26	4,749.52	4,700.53
Domestic						-8,175.12	-11,650.70	-10,757.93	15,800.28	13,273.55	7,169.77	17,268.90	3,258.74	-739.97	-4,094.60

Debt and Debt-Service Indicators

Debt Stock as % of SGDP	3.79	4.54	3.79	3.97	3.84	3.27	2.81	2.37	2.55	2.61	2.48	2.47	2.43	2.27	2.10
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	93.44	101.34	85.26	100.89	122.10	87.25	90.57	75.63	91.14	97.63	96.98	101.76	105.17	103.40	96.26
Debt Service as % of SGDP						0.52	0.44	0.44	0.19	0.23	0.28	0.32	0.37	0.37	0.36
Debt Service as % of Revenue (including grants and excluding other capital receipts)						13.79	14.24	14.05	6.91	8.61	11.07	13.23	15.83	16.86	16.46
Interest as % of SGDP						0.07	0.07	0.09	0.09	0.13	0.14	0.14	0.16	0.15	0.14
Interest as % of Revenue (including grants and excluding other capital receipts)						1.86	2.40	2.85	3.39	4.68	5.51	5.93	6.88	6.99	6.47
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						37.86	34.02	31.88	38.83	38.74	38.74	38.80	38.83	38.85	37.87

Kano State - Technical Team

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