



**KANO STATE GOVERNMENT**

**2021**

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

## Table of Contents

Chapter 1: Introduction.....	3
Chapter 2: The State Fiscal and Debt Framework .....	5
Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2016 - 2020) .....	12
Chapter 4: Debt Sustainability Analysis .....	18
Chapter 5: Debt Management Strategy .....	28
Annex I: Baseline Assumptions .....	33
Annex II: Kano State Baseline Scenarios, 2020-2030 .....	36
Kano State - Technical Team .....	39

## **Chapter 1: Introduction**

Kano State Debt Sustainability Analysis (KS - DSA) covers the period of 5-year historical from 2016 to 2020 and 10-year projection 2021-2030, 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.

Coronavirus Disease (COVID-19) which appeared in Asia gradually became a global pandemic in the early days of year 2020. The global fight against the deadly virus led to the shutdown of the economies of the world and this affects Nigeria's revenue that accrued to the State. Both import and export commodities were affected. This unprecedented dire situation led to recession in some part of the world. Nigeria had its fair share of the COVID-19 pandemic recession due to fall in the revenue and this seriously led to loss of job, businesses and lives. Nigeria and many countries are currently experiencing various degrees of economic difficulties due to the consequences of policies like lockdown, which came into effect in many parts of the world to contain the virus. The COVID -19 pandemic hit Kano State around March 2020 and this adversely affected the economy's positive economic performance.

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), the State’s 2021 Budget has the following as its major objectives among others:

- Address economic sector as the main growth driver of the State comprises of the Ministry of Agriculture, Animal Husbandry, Environment, Commerce, Works and Transport and Rural Electrification Board;
- Improve environmental sector, such as water, housing, Sewage and Drainages, Town and Country Planning and Community Development;
- Pursuit of multi-sectoral social protection programs that prioritize and further co-ordinate youth empowerment, employment and entrepreneurship, a ward based mobilization programme “we can” is being introduced.;
- Improved Local Governance and Community mobilization for participation in the socioeconomic development process.

### **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 2021-2023.

## **Objectives**

The EFU-FSP and BPS documents strengthen top down budgeting in line with the requirements of fiscal responsibility legislation. The document assists 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 2021 - 2023. 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 2021-2023.

The EFU is presented in Section 2 of this document. The EFU 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 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 exercise 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 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 2020-2023 is presented in the table below.

### **Kano State Medium Term Expenditure Framework (MTEF), 2021-2023**

Items	2021	2022	2023
National Inflation	11.95%	10.94%	11.02%
National Real GDP Growth	3.00%	4.68%	3.86%
State Real GDP Growth	2.90%		
Oil Production Benchmark	1.8600	2.2000	2.2000
Oil Price Benchmark	\$40	\$40	\$40
<b>Other Assumption</b>			
Mineral Ratio	34%	36%	38%
<b>Revenue</b>			
Gross Statutory Allocation	52,250.00	60,000.00	62,000.00
Derivation			
Other FAAC transfers	1,969.33	4,800.00	4,800.00
VAT Allocation	28,402.37	25,861.37	28,369.87
IGR	25,217.16	26,400.00	29,040.00
<b>Recurrent Revenue</b>	<b>107,838.86</b>	<b>117,061.37</b>	<b>124,209.87</b>
Grants	36,263.17	13,400.79	13,311.08
Sales of Government Assets	0.00	0.00	0.00
Other Non-Debt Creating Capital Receipts	26,561.14	0.00	0.00
<b>Capital Receipt</b>	<b>62,824.31</b>	<b>13,400.79</b>	<b>13,311.08</b>
<b>Expenditure</b>			
Personnel costs	60,949.13	57,507.87	60,383.26
Overhead costs	16,085.40	17,539.88	17,539.88
Other Recurrent Expenditure*	26,178.73	32,023.53	39,675.23
Capital Expenditure	94,449.90	39,405.08	40,146.29
<b>Total Expenditure</b>	<b>197,663.16</b>	<b>146,476.36</b>	<b>157,744.66</b>
<b>Budget Deficit</b>	<b>-27,000.00</b>	<b>-16,014.20</b>	<b>-20,223.71</b>
New Domestic Borrowing	20,000.00	5,864.68	14,263.02
New External Borrowing	7,000.00	10,149.53	5,960.69

\*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 (2016 - 2020)

The Kano State economy experienced a growth under Internally Generate Revenue (IGR) from N40,360 million in 2016, N42,420 million in 2017, N44,107 million in 2018, N31,795 million in 2019 and N32,092 million in 2020 respectively.

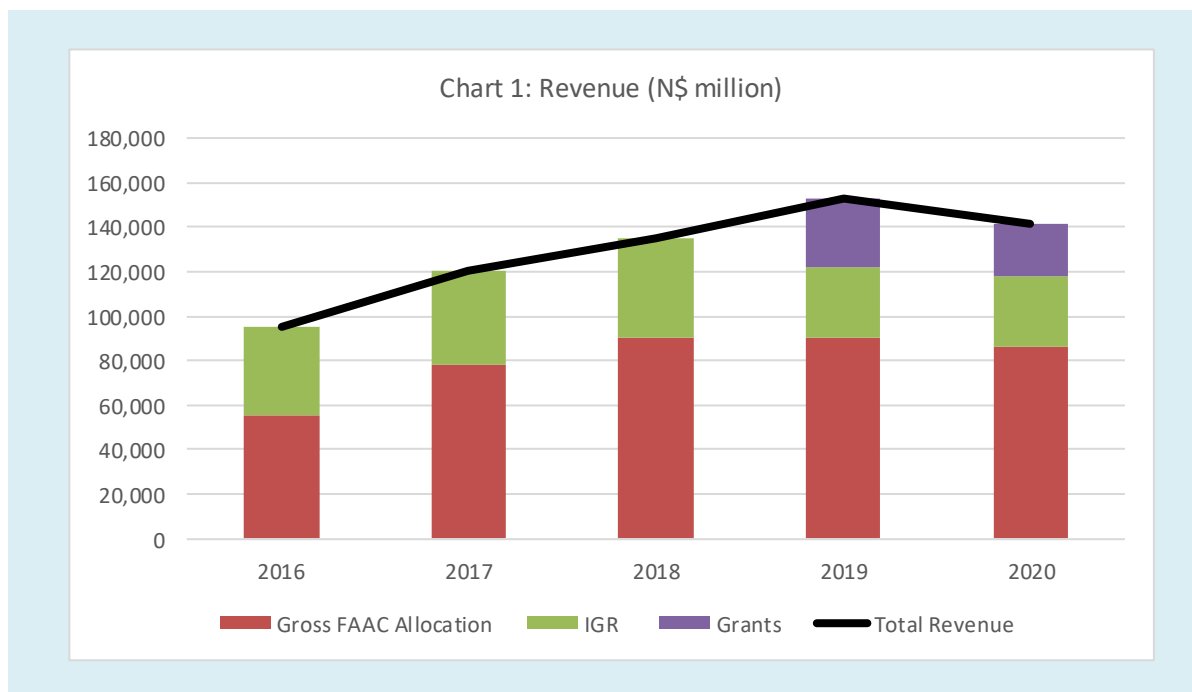
### 3.1 Revenue and Expenditure

**Revenue** - The State's economy comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. the State's Revenue amounted to N141,735 million as at end 2020 compared with N152,810 million in 2019, N134,746 million in 2018, N120,489 million in 2017 and N95,383 million in 2016 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 N55,023 million in 2016 N90,639 million in 2018 and N86,043 million in 2020, respectively.

**Internally Generated Revenue:** Kano State IGR was recorded at N40,360 million in 2016, N42,420 million in 2017, N44,107 million in 2018, N31,795 million in 2019 and N32,092 million in 2020 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	2016	2017	2018	2019	2020
Total Revenue	95,383	120,489	134,746	152,810	141,735
Gross FAAC Allocation	55,023	78,069	90,639	90,179	86,043
IGR	40,360	42,420	44,107	31,795	32,092
Grants	0	0	0	30,836	23,600



**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 N174,470 million as at end-2020 compared with N183,144 million in 2017, N168,6111 million in 2018, N169,319 million in 2019 and 178,379 million in 2020. Chart1 to 3 shows the trend of Revenue, Expenditure and Fiscal Outturns from 2016 and 2020.

**Personnel:** Kano State Personnel costs stood at N47,849 million in 2016, N46,684 million in 2017, N56,068 million in 2018, N52,300 million in 2019 and N56,800.00 billion in 2020, respectively.

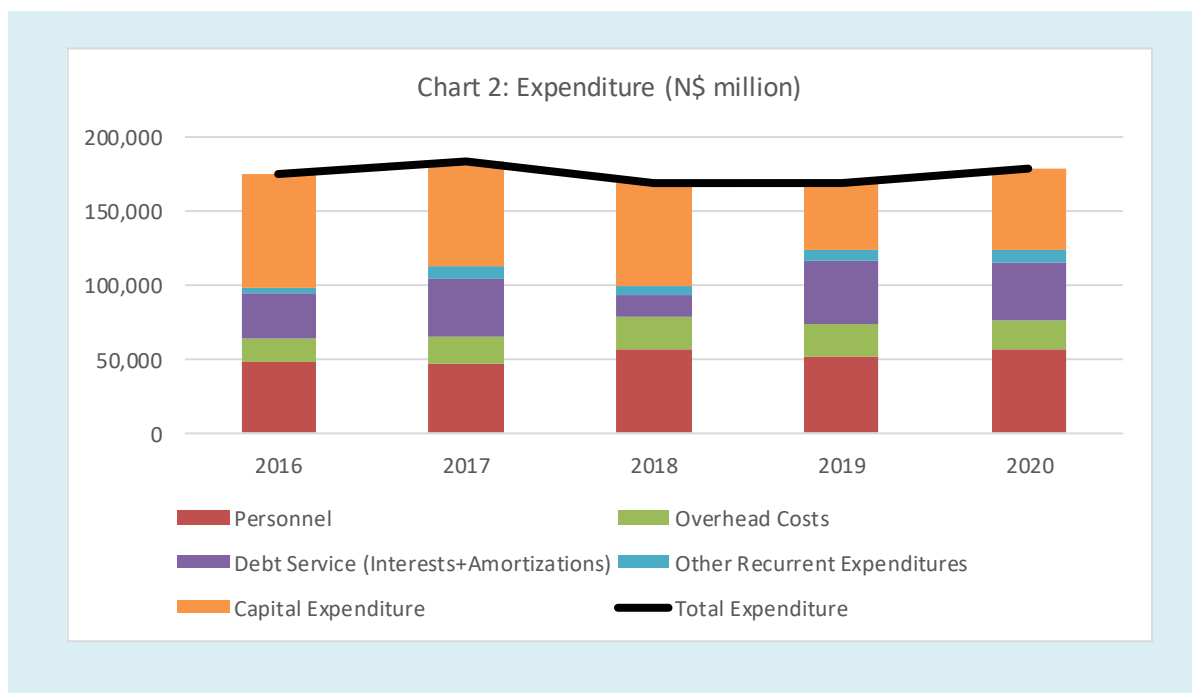
**Overhead Cost:** Kano State Overhead costs amounted at N16,478 million in 2016, N18,473 million in 2017, N22,465 million in 2018, N21,700 million in 2019 and N19,200 million in 2020, respectively.

**Debt Service:** The Total debt service that comprises the interest payment and principal repayment stood at N29,783 million in 2016, N39,574 million in 2017, N14.637 million in 2018, N42,919 million in 2019 and N38,679 million in 2020, respectively.

**Other Recurrent Expenditure:** Kano State recorded Other Recurrent Expenditure recorded the sum of N8,600.00 million in 2020 compared with n4,572 million in 2016.

**Capital Expenditure:** Capital Expenditure amounted to N75,789 million in 2016, N70,969 million in 2017, 69,869 million in 2018, 45,100 million in 2019 and N55,100 million in 2020 respectively.

Expenditure Performance	2016	2017	2018	2019	2020
Total Expenditure	174,470	183,144	168,611	169,319	178,379
Personnel	47,849	46,684	56,068	52,300	56,800
Overhead Costs	16,478	18,473	22,465	21,700	19,200
Debt Service (Interests + Amortizations)	29,783	39,574	14,637	42,919	38,679
Other Recurrent Expenditures	4,572	7,444	5,572	7,300	8,600
Capital Expenditure	75,789	70,969	69,869	45,100	55,100

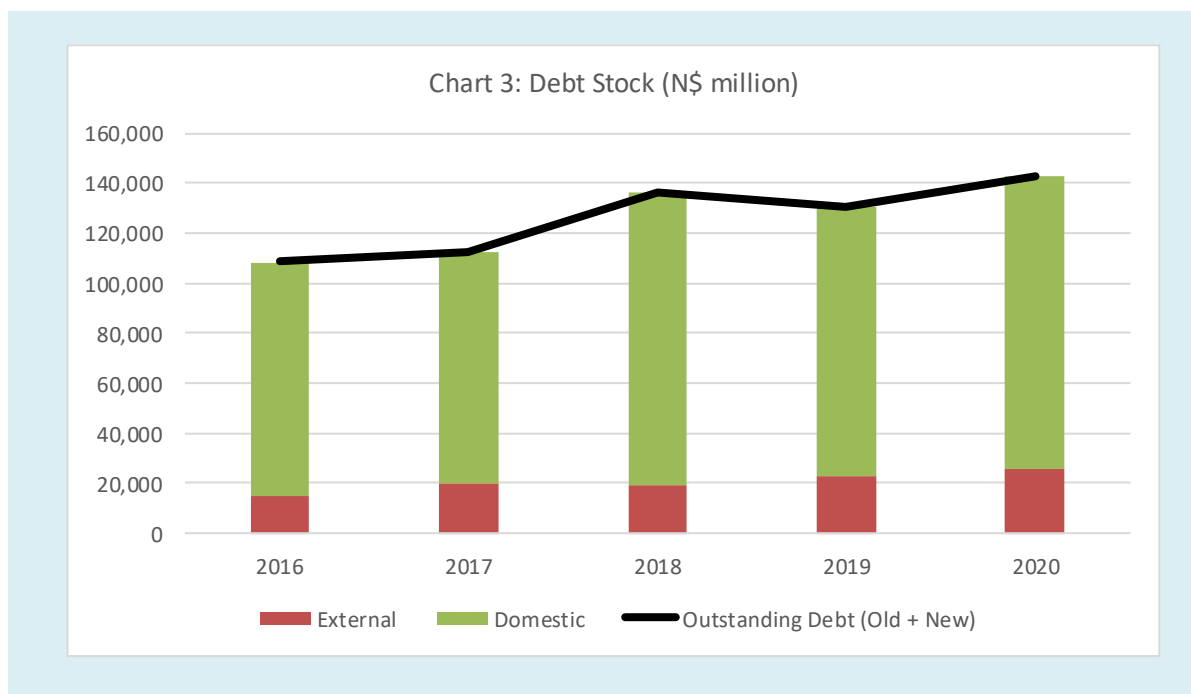


### 3.2 Existing Public Debt Portfolio

3.2.1 Debt Stock - Kano State Total Debt comprised External and Domestic Debts stood at N142,859 million at December 31, 2020 compared to N130,283.96 million as at

December 31, 2019. The State debt increased by 9.65 percent or N12,575.12 million, respectively. Domestic Debt stock stood at N116,934.60 million as at December 31, 2020 compared to N107,753.77 million in as at December 31, 2019. The increase was largely due to increased of N5,939.2 million 2020 from Contractors Arrears.

	2016	2017	2018	2019	2020
Outstanding Debt (Old + New)	108,463	112,572	136,517	130,284	142,859
External	14,748	20,315	19,435	22,530	25,924
Domestic	93,715	92,257	117,082	107,754	116,935

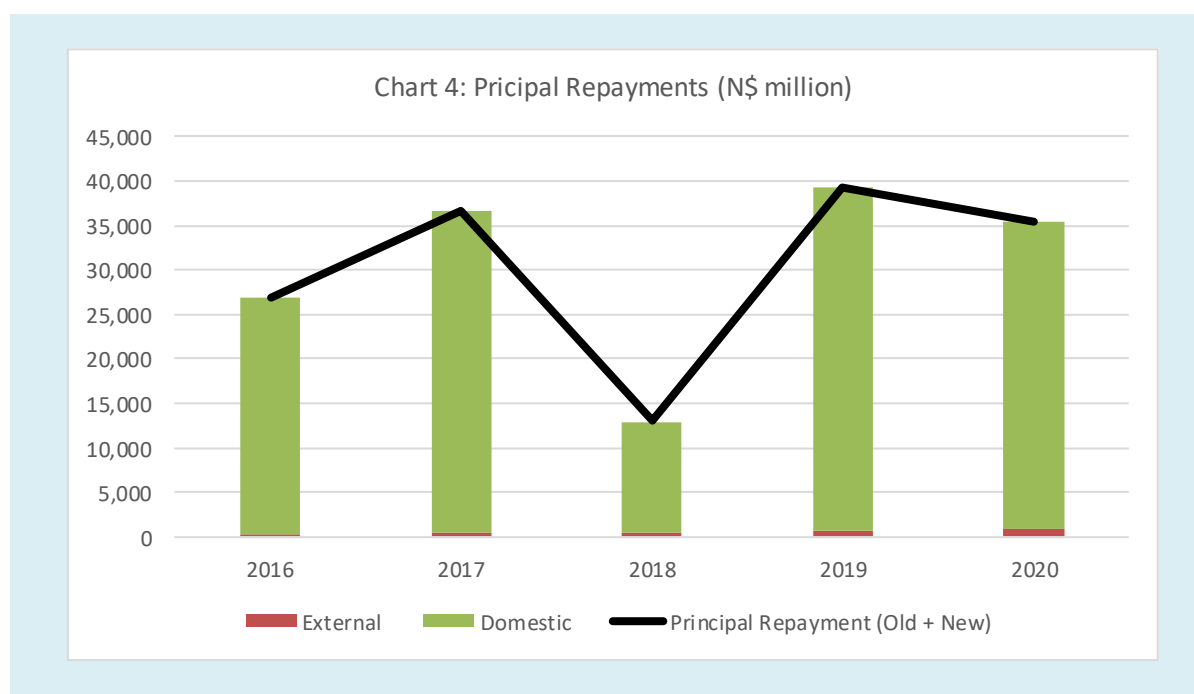


**3.2.2 Debt composition** - The main domestic debt portfolio consists of Budget Support Facility, Salary Bail-out facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). In 2019 the composition of external debt to domestic debt portfolio stood at 18.15 percent to 81.85 percent in 2020, compared to the debt composition of the external debt to domestic debt portfolio of 17.29 percent to 82.71 percent in 2019.

**3.2.3 Debt Service** amounted to Total debt service that comprises the interest payment and principal repayment stood at N29,783 million in 2016, N39,574 million in 2017, N14.637 million in 2018, N42,919 million in 2019 and N38,679 million in 2020, respectively.

The principal repayment stood at N26,980 million in 2016, N26,744 million in 2017, N12,961 million in 2018, N39,232 million in 2019 and N35,521 million respectively.

Principal Repayment	2016	2017	2018	2019	2020
Principal Repayment	26,980	36,744	12,961	39,232	35,521
External	282	434	544	762	910
Domestic	26,698	36,310	12,417	38,470	34,612

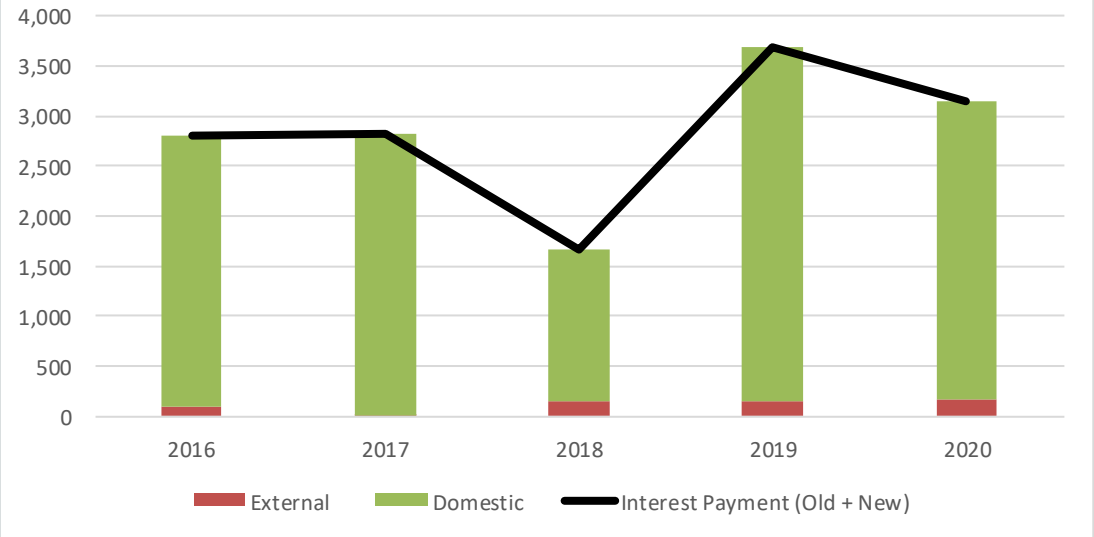


Interest repayment stood at N2,803 million in 2016, N2,830 million in 2017, N1,675 million in 2018, N3,687 million in 2019 and N3,158 million respectively.

Interest Payment	2016	2017	2018	2019	2020
Interest Payment	2,803	2,830	1,675	3,687	3,158
External	101	13	153	155	171
Domestic	2,702.03	2,817.62	1,522.19	3,531.90	2,987.36



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-2020**

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	3.96
Debt as % of Revenue	200%	100.79
Debt Service as % of Revenue	40%	27.29
Personnel Cost as % of Revenue	60%	40.07
Debt Service as % of FAAC Allocation	Nil	44.95
Interest Payment as % of Revenue	Nil	2.23
External Debt Service as % of Revenue	Nil	0.76

**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 61.36 percent over the projection period from 2021 to 2030 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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Domestic Financing</b>										
Commercial Bank Loans 1 <> 5 years	10,000.0	5,864.7	0.0	5,000.0	7,000.0	9,500.0	9,167.3	8,586.6	7,272.9	6,885.9
Commercial Bank Loans - 6 years >	10,000.0	0.0	14,263.0	5,000.0	11,210.5	0.0	3,677.2	5,036.0	0.0	9,077.2
State Bonds - 1 <> 5 years)	0.0	0.0	0.0	0.0	0.0	9,000.0	0.0	0.0	0.0	0.0
State Bonds - 6 years >	0.0	0.0	0.0	15,000.0	0.0	0.0	15,000.0	0.0	8,673.2	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
<b>External Financing</b>										
External Financing - Concessional Loans (e.g., WB, AfDB)	18.5	26.8	15.7	0.0	29.8	22.0	0.0	49.3	0.0	28.8
External Financing - Bilateral Loans	0.0	0.0	0.0	19.0	0.0	7.3	0.0	0.0	39.5	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
<b>Total Gross Borrowing Requirements</b>	<b>27,000.0</b>	<b>16,014.2</b>	<b>20,223.7</b>	<b>32,215.4</b>	<b>29,510.4</b>	<b>29,612.9</b>	<b>27,844.5</b>	<b>32,322.5</b>	<b>30,929.7</b>	<b>26,862.4</b>

### 4.3.1 DSA Simulation Results

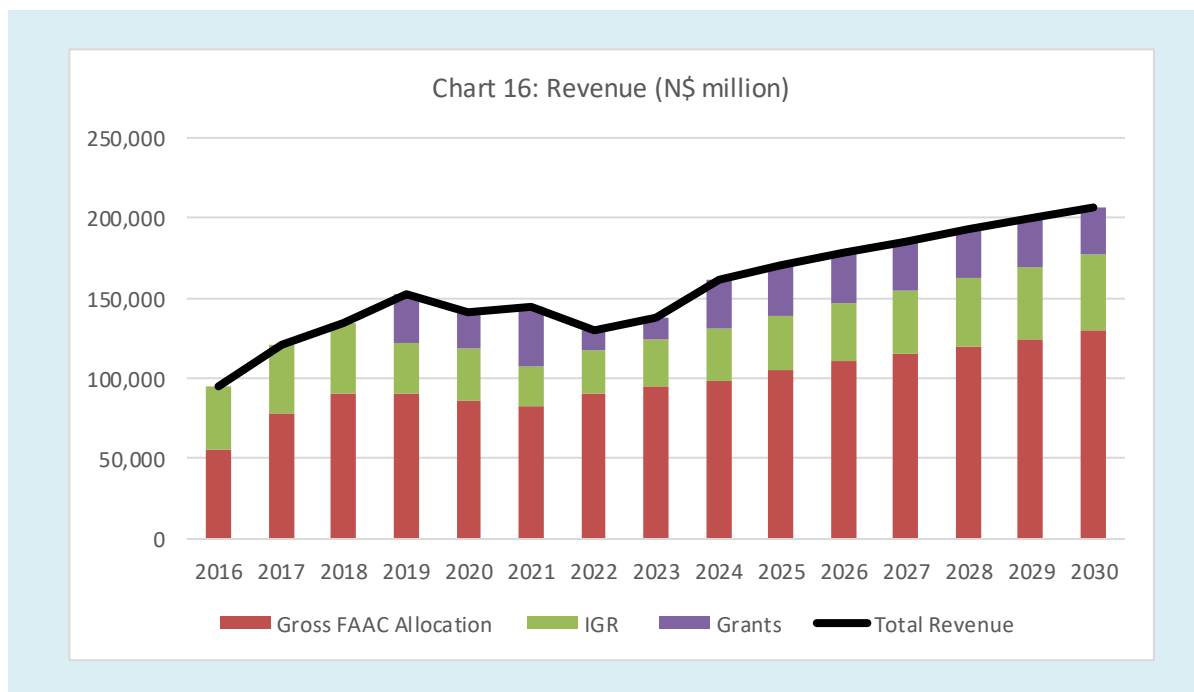
#### Revenue, expenditure, overall and primary balance over the long-term.

**Revenue** The Macroeconomic framework is based on IMF's national real GDP growth and inflation forecasts from April 2021, IMF World Economic Outlook document, and mineral benchmarks (oil price, production and NGN/USD exchange rate) from Federal Government of Nigeria's MTEF/FSP 2021-2023.

**4.3.2 Revenue** is expected to grow during the projected period, driven largely by expected improvement through FAAC allocation by N46,819 million or 56.67 percent. IGR estimated at N25,217 million in 2021, N29,040 million in 2023, N34,320 million in 2025, N42,240 million in 2018 and N47,520 million in 2030 respectively. The FAAC allocation is

estimated to increase in the medium term from N82,622 million in 2021 to N129,440 million in 2024, the estimated increase in 2022 was as result of political activities during the period to the 1<sup>st</sup> quarter of 2023.

The IGR projection showed a decrease from N36,263.17 million in 2021 to N30,284.97 million in 2030, respectively. Estimated on Revenue were sources from the Approved 2021 Budget and MTEF, 2021-2023; the projections period from 2021-2030 projections as estimated by the official of Kano State Ministry of Budget and Economic Planning.



**4.3.2 Expenditure is** projected to grow from N197,703 million in 2021, N199,182 in 2024, N219,777 million in 2027 and N242,248 million in 2030, 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

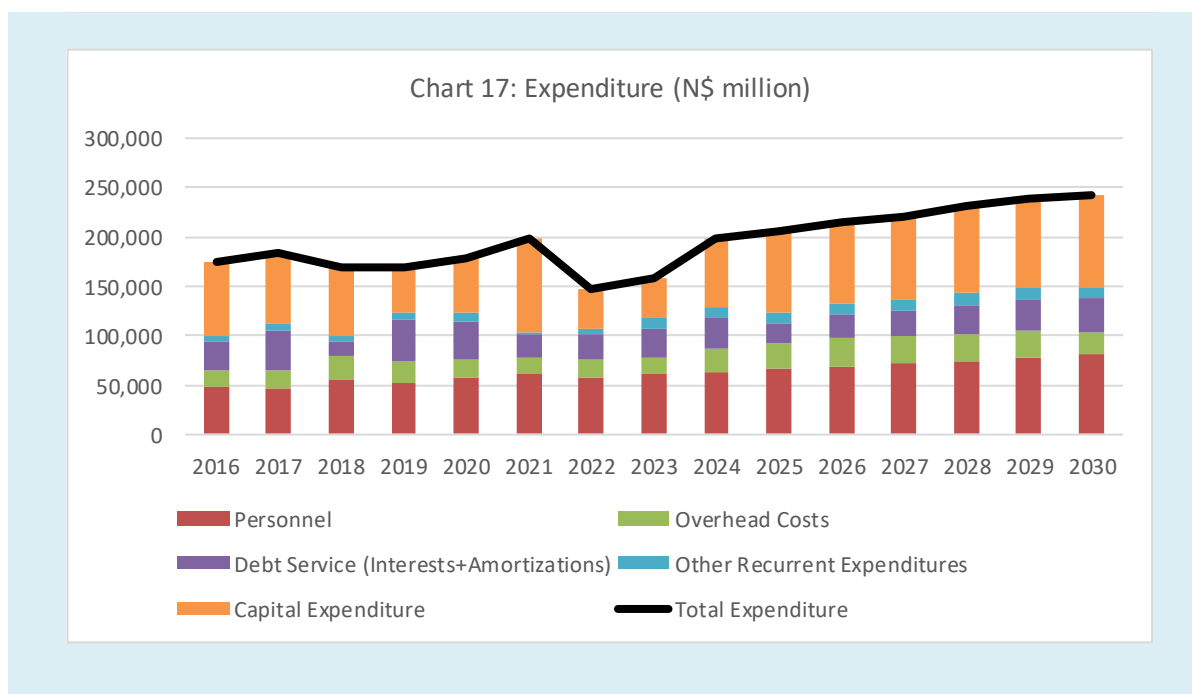
at N60,949 million in 2021, N63,259 million in 2024, N71885 million in 2027 and 242,248 million in 2030, respectively.

**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. Moving average excluding outlier is used to forecast overheads because the expected growth rate for 2022-2024 is expected to increase from N16,085 million in 2021 to N22,625 million in 2030 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 2020 actual.

**Capital Expenditure** - is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The capital expenditure stood N94,450 million in 2021, N70,804 million in 2024, N81,118 million in 2026, N89,776 million in 2028 and N92,748 million in 2030 respectively.



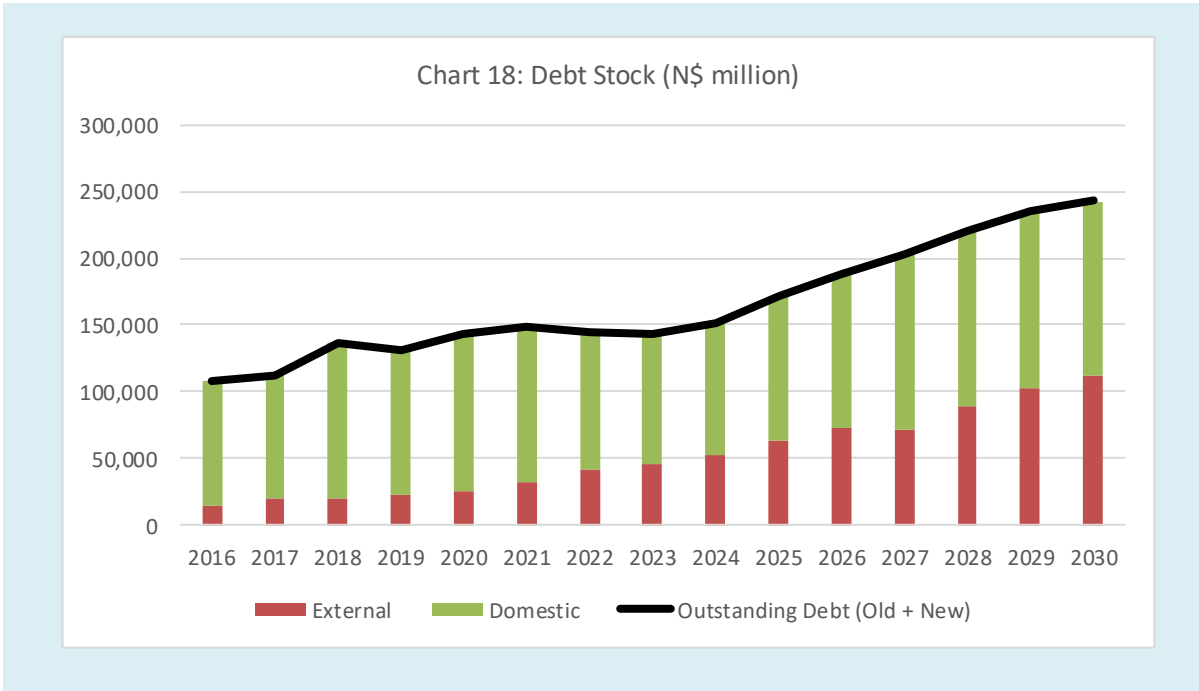
**Primary Balance**-The fiscal deficit of Kano State Medium Term Expenditure Framework (MTEF), 2021-2023, the estimate at N27,000.0 million in 2021, N16,014.2 million in 2022, N20,223.7 million in 2023, respectively. **Gross Financing Needs is the sum of budget deficits and funds required to roll over debt that matures over the year.** The fiscal deficit projection beyond the projection period of 2021 – 2023 is estimated to have an average of N29,899.7 million from 2024 to 2030. The fiscal deficit projection beyond the MTEF 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 \$50 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 N148,962 million in 2021, N144,825 million in 2022, N142,545 million in 2023, N151,876 million in 2024, N171,098 million in 2025, N188,278 million in 2026, N202,624 million in 2027, N220,569 million in 2028, N234,927 million in 2029, and N242,607 million in 2030, respectively. Principal Repayment estimated to decline from N20,897 million in 2021 to N19,182.08 million in 2030, compared with the Interest Payment N2,969 million in 2021 to N15,149 million in 2030. (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 3.55 percent in 2021, 3.11 percent in 2022, 2.77 percent in 2023, 2.71 percent in 2024, 2.81 percent in 2025, 2.86 percent in 2026, 2.79 percent in 2027, 2.78 percent in 2028, 2.71 percent in 2029 and 2.56 percent in 2030, 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.

2021 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 2021, 2024, 2027 and 2030 were projected at 103.37 percent, 93.98 percent, 109.19 percent, and 117.06 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.

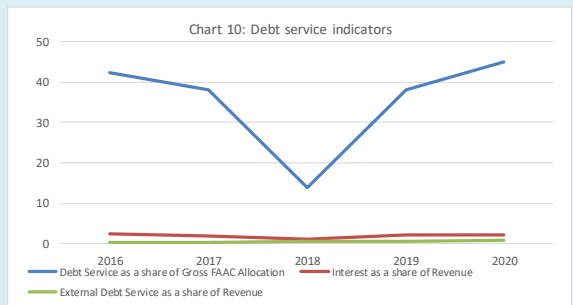
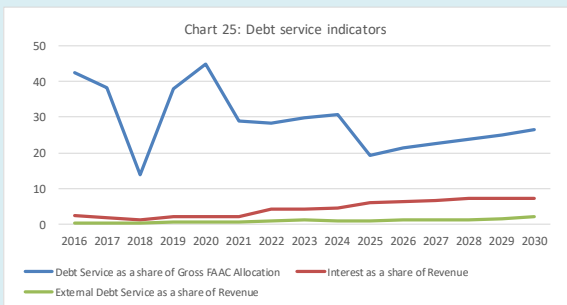
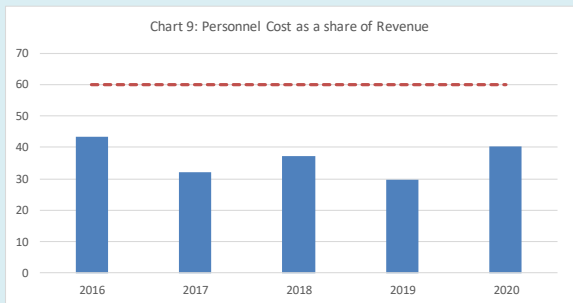
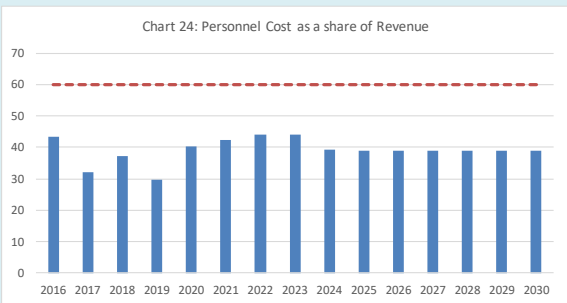
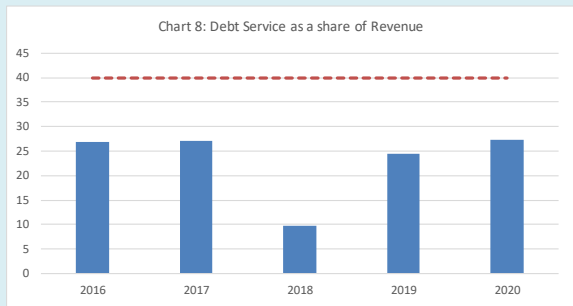
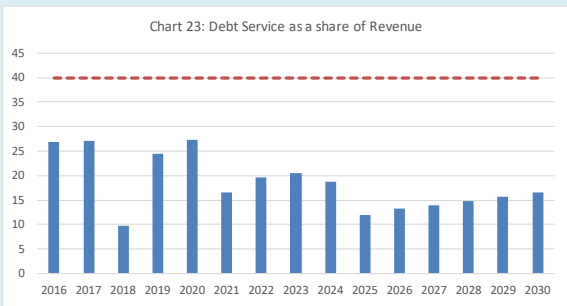
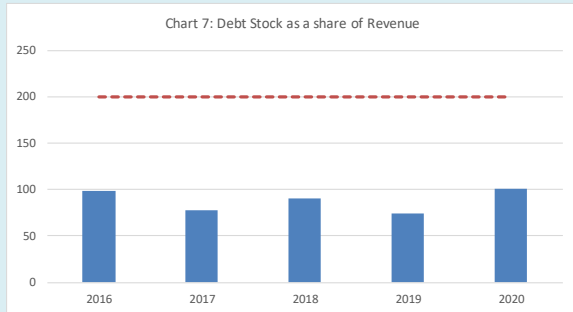
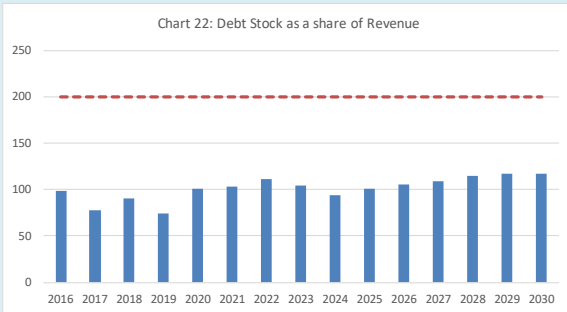
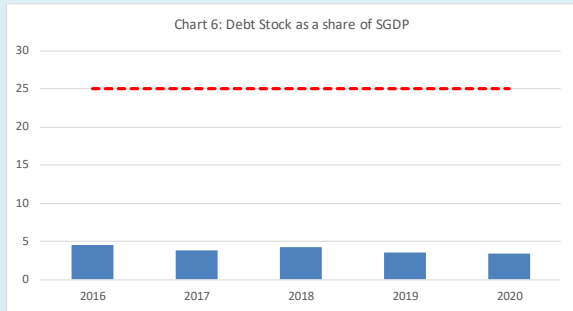
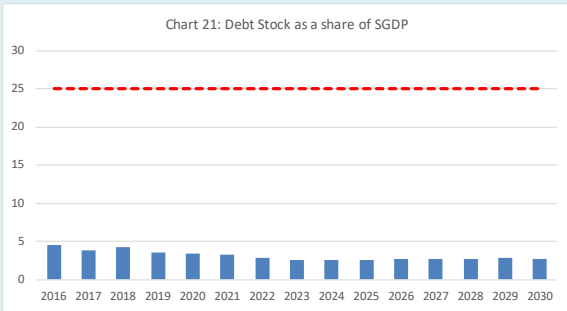
For the Debt Service to Revenue, the outcome estimates the ratios in 2021 (16.56 percent), 2024 (18.82 percent), 2026 (13.28 percent), 2028 (14.81 percent) and 2030 (16.57 percent), as against the threshold of 40 percent to the end of the projection period in the medium to long term.

The Personnel Cost to Revenue remained below threshold of 60 percent from 42.30 percent in 2021, 39.14 percent in 2024, 38.74 percent in 2027, and 38.85 percent in 2030. Thus, Kano State Debt remained sustainable on the revenue and debt indicators.

For the Debt Service to Revenue, the outcome shows 2022, 2025 and 2030 were projected at 28.89 percent, 19.38 percent, and 26.52 percent with threshold of 40 percent to the end of the projection period in the medium to long term.

The Personnel Cost to Revenue remained under state threshold of 60 percent. Thus, Kano State Debt remained sustainable on the revenue and debt indicators.





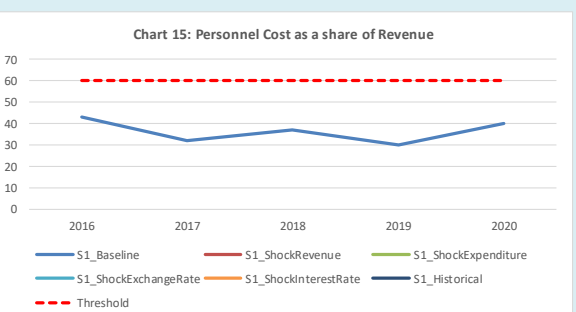
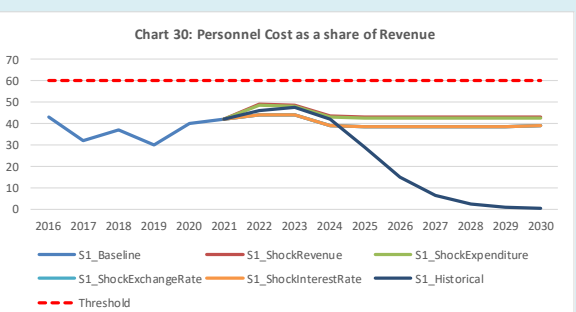
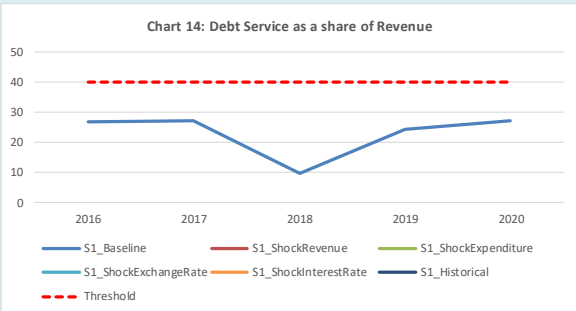
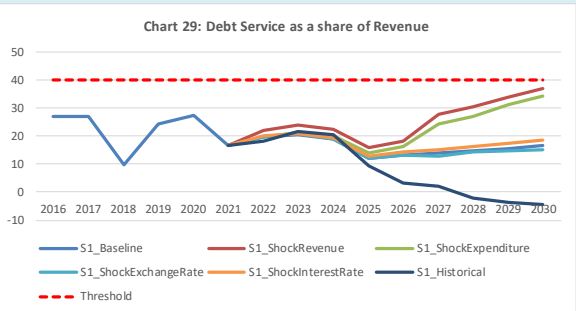
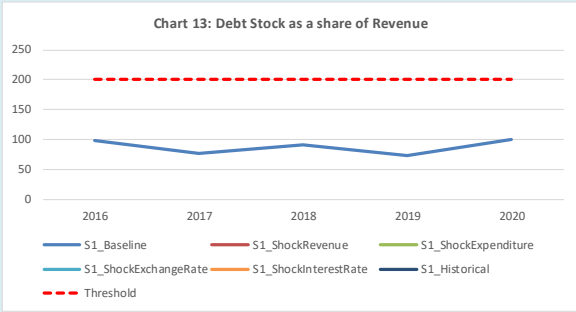
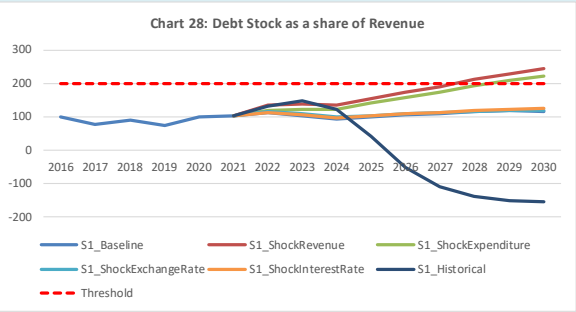
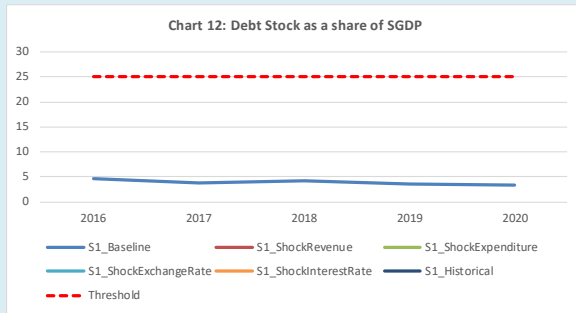
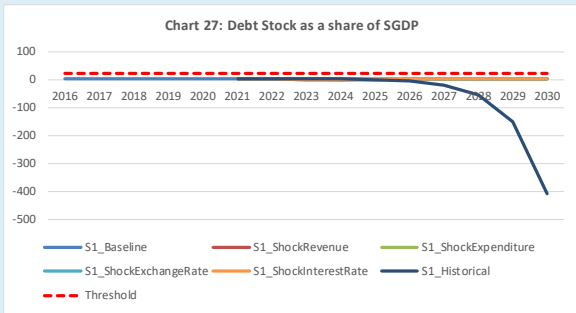
## **Conclusion**

**The outcome of the 2021 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. The Kano state remain sustainable in view of the above.

### **4.3.2 DSA Sensitivity Analysis**

Kano State, 2021 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 2030 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, 2021-2025, 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 2025, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2025 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 2021 and MTEF, 2022-2024. External gross borrowing under Concessional loans accounts on average 27.54 percent over the strategic period mainly through World Bank and African Development Bank; and the bilateral loans account on average of 5.77 percent, respectively. 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 22.30 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 32.39 percent and 12.00 percent over the DMS period of 2021-2025.

**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 2021 as its in strategy 1. The remaining of borrowing distributions from 2022 to 2025, the state government will focus its financing through commercial bank loans with average 32.59 percent under maturity of 1-5 years and 24.05 percent under maturity of above 6 years, other gross financing needs through the State bond with the maturity period of 1-5 years and above 6 years is estimated to account on average of 8.62 percent and 11.76 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 2021 to 2025, 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 12.72 percent, 37.82 percent, 23.27 percent, 7.95 percent, 13.70 percent, and 4.53 percent, respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2021 remains the same with strategy 1.

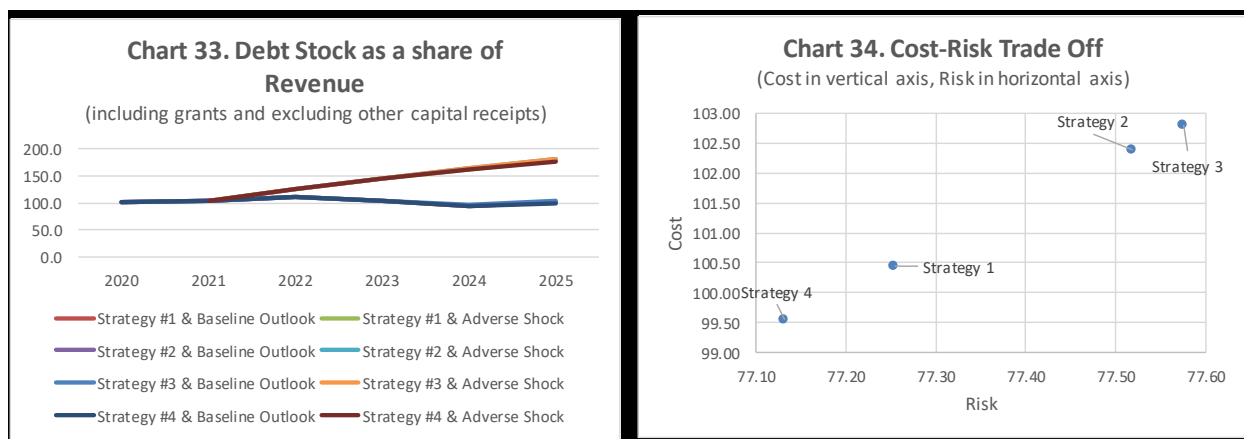
**Strategy (S4) increases the share of external borrowing.** In this strategy, External Financing (Concessional Loans) represents an average of 26.43 percent from 2021-2025, Bilateral loans 15.05 percent, other gross financing comprises other Domestic financing, Commercial bank loans (1-5 years), Commercial bank loans (above 6 years) and State bonds (1-5 years) with average period of 31.90 percent, 13.47 percent and 13.15 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:**

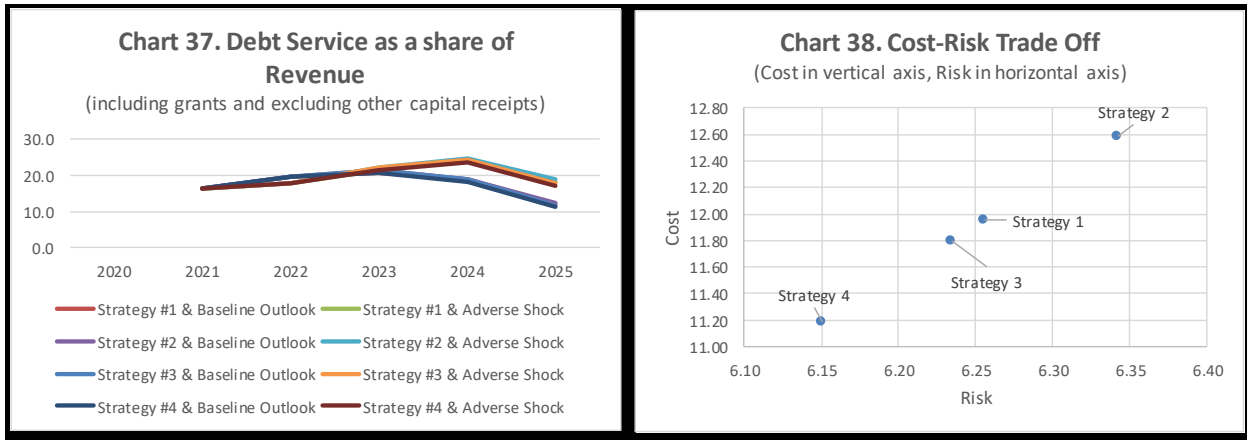
- Strategy 4 shows the Cost ratio of Debt to Revenue estimated at 99.6 percent in 2025, as against Strategy 1 (100.5 percent), Strategy 2 (102.4 percent) and Strategy 3 (102.8 percent), over the DMS period of 2025, compared with the Risks measured of Strategy 4 (77.1 percent), Strategy 1 (77.3 percent), Strategy 2 (77.5 percent) and Strategy 3 (77.6 percent), respectively.
- Analysis using this debt indicator of debt to revenue shows that S4 has the lowest costs and risks with the average measured by 99.6 percent and 77.1 percent compared with Strategy 1 (100.5 percent and 77.3 percent), Strategy 2 (102.4 percent and 77.6 percent), Strategy 3 has the highest Costs and Risks under debt to GDP ratios over the DMS period of 2021-2025.



**b. Debt Service as a share of Revenue:**

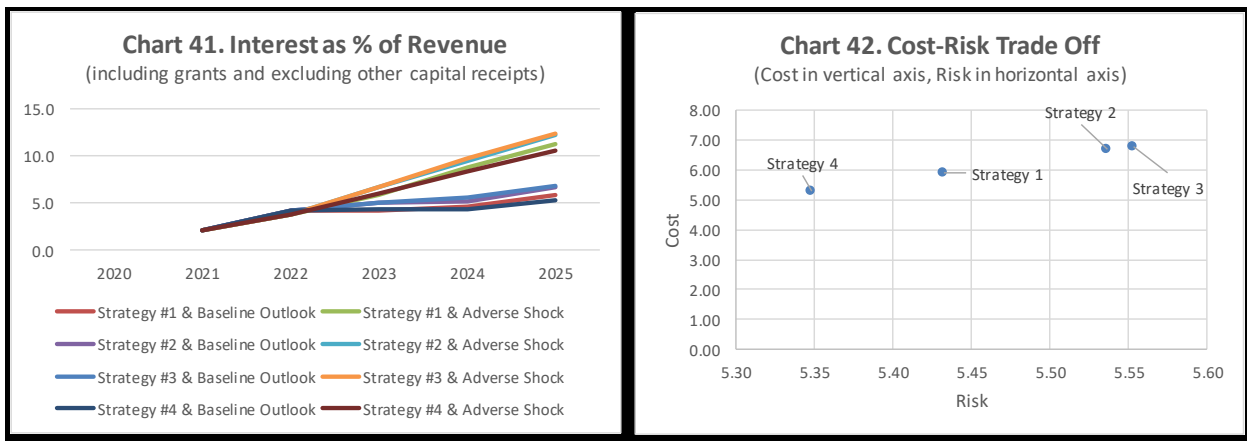
- In terms of Debt Service to Revenue, Strategy 4 has the lowest costs of 11.2 percent and highest risks of 6.15 percent compared to Strategy 1 (moderate costs at 12.0 percent and moderate risks at 6.26 percent), Strategy 3 (moderate costs at 11.8 percent and lowest risks at 6.23 percent) and S2 has highest costs of 12.6 percent and risks at 6.34 percent), respectively, as at end of the strategic period of 2025
- S 4 has the lowest cost and risks of 11.2 and 6.15 percent and Strategy 2 has the highest costs and risks of 12.6 percent and 6.34 percent, compared Strategy 1 and

Strategy 3 that estimated to have moderate costs and Moderate during the projection period, 2021-2025.



**c. Interest as a share of Revenue**

- S4 is the least costly and risky with regards Interest to Government revenues, which estimated at 5.3 percent and 5.3 percent, Strategy 1 (costs 5.9 percent and risks 5.4 percent), Strategy 2 (6.7 percent and risks 5.5 percent), and Strategy 3 (costs 6.8 percent and risks 5.6 percent) by the end of strategy period.
- The analysis shows that S4 yield the lowest costs and risks due to high external financing assumed in S4, as the external debt service terms requirement has low interest rate, longer maturity and grace period in concessional external financing. Compared to S1 and S2 with the moderate costs and risks. S3 is the most costly and risky strategy.



### 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 S4 these results were just marginally better when compared with Strategy S1. And though S1 did not meet the targeted Debt Service to Revenue, ***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 2020.***

In comparison to the current debt position, Kano State debt portfolio stood at N141,735 million as at end-2020, which expected an increase to N171,097.85 million under S1 during the strategic period, compared to S2 (N174,401.38 million), S3 (N175,115.10 million), and S4 (N169,569.18 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 2021-2025.

The Debt Management Strategy, 2021-2025 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 2021 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 2020-2022 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 estimation is own value which is calculated based on the current growth rate marked up slightly to factor the current administration's reform initiatives to grow the IGR and all payments of any nature must be done through the TSA

**Grants** – the internal grants are mostly based on the actual receipts for 2019 and performance from January to April 2020. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc

**Financing (Net Loans)** – the internal and external loans are projections based on agreement JGS 2021-2023 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 2021-2023

**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** – overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate.

**Capital Expenditure** – this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.

2021		Projection Methodology	Source
<b>Assumptions:</b>			
<b>Economic activity</b>	State GDP (at current prices)	World bank and DMO projection	WB and DMO
<b>Revenue</b>	<b>Revenue</b>		
	1. Gross Statutory Allocation ("gross" means with no deductions; do not include VAT Allocation here)	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	Kano State's EFU-FSP-BPS, 2021-2023
	1.a. of which Net Statutory Allocation ("net" means of deductions)	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	Kano State's EFU-FSP-BPS, 2021-2023
	1.b. of which Deductions	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	Kano State's EFU-FSP-BPS, 2021-2023
	2. Derivation (if applicable to the State)	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. VAT – is based on the lowest of the moving averages and governor's forum – in this case the 4-Year weighted moving average.	Kano State's EFU-FSP-BPS, 2021-2023
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	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: i) Mapping of informal sector resulting in broadened tax base; ii) Passage of MDAs revenue harmonisation law creating collection and administration efficiencies and blocking leakages, and reduction in multiple taxation; iii) Re-structuring of the Kano Internal Revenue Service resulting for efficiencies; iv) The resolve of the new national administration to conquer the security challenges for improved business environment and economic activities; v) Policy of the present administration to shift tax burden to the wealthy individuals; vi) Introduction of new land use levies and charges; vii) Review of Kano state revenue administration law; viii) 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.	Kano State's EFU-FSP-BPS, 2021-2023
	4. VAT Allocation	Capital Receipt – Capital Receipt for both scenarios was based on projection of 2016 approved budget. However the Ministry is taking in to account of actual performance of the capital receipts in 2015 as a base year for 2017 budget projection to be considered by the Council deliberation and resolution.	Kano State's EFU-FSP-BPS, 2021-2023
	5. IGR	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.	Kano State's EFU-FSP-BPS, 2021-2023
	6. Capital Receipts	Consolidated Revenue Fund Charges – CRF constitute pension contribution, debt public charges, local government IGR contribution, stabilization fund etc. The 2021 provision on 7.7 billion own value projection	Kano State's EFU-FSP-BPS, 2021-2023
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
<b>Expenditure</b>	<b>Expenditure</b>		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel – As a result of the Covid 19 there is no change in personnel cost remain as its in 2020 base on actual expenditure out turn on 2020 actuals	Kano State's EFU-FSP-BPS, 2021-2023
	2. Overhead costs	Overheads – The drop in overheads in 2020 was a result of likely to reduced revenues (IGR and Federal Transfers). The forecasts for 2021 - 2023 assume that the overhead expenditure will remain as that of 2020, 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 2020 should also be used to guide	Kano State's EFU-FSP-BPS, 2021-2023
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Capital expenditure by sector – Educational sector has the largest allocation of 25.16% followed by infrastructure sector (18.58%) then Health sector with the allocation of 15.07% as well as Governance Sector with 14.24% and water sector with the allocation of 6.54%	Kano State's EFU-FSP-BPS, 2021-2023
	5. Capital Expenditure		
<b>Closing Cash and Bank Balance</b>	<b>Closing Cash and Bank Balance</b>	Financial Statements	Kano State's EFU-FSP-BPS, 2021-2023
<b>Debt Amortization and Interest Payments</b>	<b>Debt Outstanding at end-2020</b>	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	Domestic Debt - amortization and interest		
	<b>New debt issued/contracted from 2021 onwards</b>		
	<b>New External Financing</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	External Financing - Bilateral Loans	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	Other External Financing	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	<b>New Domestic Financing</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSF)	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	State Bonds (maturity 1 to 5 years)	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	State Bonds (maturity 6 years or longer)	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	Other Domestic Financing	the internal and external loans are projections based on agreement Kano State's EFU-FSP-BPS, 2021-2023 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 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
<b>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 51</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 51</b>	Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)	
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSF)	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	State Bonds (maturity 1 to 5 years)	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	State Bonds (maturity 6 years or longer)	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	Other Domestic Financing	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	External Financing - Bilateral Loans	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
	Other External Financing	Financing distributions was based on Kano State's EFU-FSP-BPS, 2021-2023	Kano State's EFU-FSP-BPS, 2021-2023
<b>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 52</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 52</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
<b>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 53</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 53</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
<b>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy 54</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy 54</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team

## Annex II: Kano State Baseline Scenarios, 2021-2030

Indicator	Actuals					Projections									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>BASELINE SCENARIO</b>															
<b>Economic Indicators</b>															
State GDP (at current prices)	2,371,626.00	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
Exchange Rate NGN/US\$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
<b>Fiscal Indicators (Million Naira)</b>															
<b>Revenue</b>	<b>118,286.03</b>	<b>135,947.63</b>	<b>153,874.11</b>	<b>186,822.72</b>	<b>151,792.10</b>	<b>197,663.16</b>	<b>146,476.36</b>	<b>157,744.66</b>	<b>199,071.21</b>	<b>205,533.50</b>	<b>213,908.20</b>	<b>220,012.05</b>	<b>232,062.38</b>	<b>238,371.75</b>	<b>242,057.75</b>
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	32,335.00	52,860.00	67,446.00	65,656.00	52,027.00	52,250.00	60,000.00	62,000.00	64,000.00	66,000.00	68,000.00	70,000.00	72,000.00	74,000.00	76,000.00
1.a. of which Net Statutory Allocation ('net' means of deductions)	32,335.00	52,860.00	67,446.00	65,656.00	52,027.00	52,250.00	60,000.00	62,000.00	64,000.00	66,000.00	68,000.00	70,000.00	72,000.00	74,000.00	76,000.00
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)	7,746.00	4,787.00	3,138.00	2,892.00	6,594.00	1,969.33	4,800.00	4,800.00	4,005.00	5,700.00	6,500.00	6,900.00	7,000.00	7,230.00	7,511.00
4. VAT Allocation	14,942.00	20,422.00	20,055.00	21,631.00	27,422.00	28,402.37	25,861.37	28,369.87	30,878.37	33,386.87	35,895.37	38,403.87	40,912.38	43,420.88	45,929.38
5. IGR	40,360.21	42,419.81	44,107.38	31,795.34	32,091.60	25,217.16	26,400.00	29,040.00	31,680.00	34,320.00	36,960.00	39,600.00	42,240.00	44,880.00	47,520.00
6. Capital Receipts	22,902.82	15,458.82	19,127.74	64,848.38	33,657.50	89,824.31	29,414.99	33,534.79	68,507.83	66,126.63	66,552.83	65,108.17	69,910.01	68,840.88	65,097.37
6.a. Grants	0.00	0.00	0.00	30,835.61	23,600.00	36,263.17	13,400.79	13,311.08	31,042.45	30,916.20	30,789.96	30,663.71	30,537.47	30,411.22	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	22,902.82	684.21	19,127.74	27,946.27	8,200.00	26,561.14	0.00	0.00	5,250.00	5,700.00	6,150.00	6,600.00	7,050.00	7,500.00	7,950.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	14,774.61	0.00	6,066.50	1,857.50	27,000.00	16,014.20	20,223.71	32,215.38	29,510.43	29,612.87	27,844.46	32,322.54	30,929.66	26,862.40
<b>Expenditure</b>	<b>174,470.23</b>	<b>183,144.28</b>	<b>168,610.95</b>	<b>169,318.83</b>	<b>178,379.11</b>	<b>197,703.02</b>	<b>146,406.96</b>	<b>157,726.79</b>	<b>199,181.73</b>	<b>205,483.50</b>	<b>214,143.20</b>	<b>219,777.05</b>	<b>232,012.38</b>	<b>238,381.75</b>	<b>242,247.75</b>
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	47,848.85	46,684.33	56,067.90	52,300.00	56,800.00	60,949.13	57,507.87	60,383.26	63,258.66	66,134.05	69,009.44	71,884.84	74,760.23	77,635.62	80,511.02
2. Overhead costs	16,477.63	18,473.18	22,465.08	21,700.00	19,200.00	16,085.40	17,539.88	17,539.88	23,266.39	25,992.90	28,719.40	27,445.91	27,445.91	27,445.91	22,625.43
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	2,803.14	2,830.47	1,675.25	3,686.94	3,157.91	2,969.28	5,511.85	5,819.30	7,534.13	10,073.05	11,229.50	12,438.54	14,162.63	14,705.23	15,148.98
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	2,702.03	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
3.b. of which Interest deducted from FAAC Allocation	101.11	12.84	153.05	155.04	170.55	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)	4,572.00	7,443.51	5,572.00	7,300.00	8,600.00	2,352.30	6,291.00	11,334.57	11,434.28	11,533.99	11,633.71	11,733.42	11,833.13	11,932.85	12,032.56
5. Capital Expenditure	75,788.70	70,968.78	69,869.26	45,100.00	55,100.00	94,449.90	39,405.08	40,146.29	70,803.63	81,460.97	81,118.31	82,775.66	89,433.00	90,090.34	92,747.68
6. Amortization (principal) payments	26,979.91	36,744.02	12,961.46	39,231.90	35,521.21	20,897.01	20,151.29	22,503.49	22,884.64	10,288.54	12,432.83	13,498.69	14,377.48	16,571.80	19,182.08
<b>Budget Balance ('+' means surplus, '-' means deficit)</b>	<b>-56,184.20</b>	<b>-47,196.65</b>	<b>-14,736.84</b>	<b>17,503.89</b>	<b>-26,587.01</b>	<b>-39.85</b>	<b>69.40</b>	<b>17.87</b>	<b>-110.52</b>	<b>50.00</b>	<b>-235.00</b>	<b>235.00</b>	<b>50.00</b>	<b>-10.00</b>	<b>-190.00</b>
Opening Cash and Bank Balance	127,463.92	71,279.72	24,083.07	9,346.23	26,850.12	263.11	223.25	292.65	310.52	200.00	250.00	15.00	250.00	300.00	290.00
Closing Cash and Bank Balance	71,279.72	24,083.07	9,346.23	26,850.12	263.11	223.25	292.65	310.52	200.00	250.00	15.00	250.00	300.00	290.00	100.00

## Annex II: Kano State Baseline Scenarios, 2021-2030...Cont'd

Financing Needs and Sources (Million Naira)															
<b>Financing Needs</b>															
i. Primary balance	-29,734.71	9,718.33	8,116.95	-7,157.13	-14,798.84	-12,335.54	-8,272.24	-10,782.43	-7,162.63	-671.35					
ii. Debt service	23,866.28	25,663.13	28,322.79	30,418.77	20,361.59	23,662.33	25,937.22	28,540.11	31,277.03	34,331.06					
Amortizations	20,897.01	20,151.29	22,503.49	22,884.64	10,288.54	12,432.83	13,498.69	14,377.48	16,571.80	19,182.08					
Interests	2,969.28	5,511.85	5,819.30	7,534.13	10,073.05	11,229.50	12,438.54	14,162.63	14,705.23	15,148.98					
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-39.85	69.40	17.87	-110.52	50.00	-235.00	235.00	50.00	-10.00	-190.00					
<b>Financing Sources</b>	<b>53,561.14</b>	<b>16,014.20</b>	<b>20,223.71</b>	<b>37,465.38</b>	<b>35,210.43</b>	<b>35,762.87</b>	<b>34,444.46</b>	<b>39,372.54</b>	<b>38,429.66</b>	<b>34,812.40</b>					
i. Financing Sources Other than Borrowing	26,561.14	0.00	0.00	5,250.00	5,700.00	6,150.00	6,600.00	7,050.00	7,500.00	7,950.00					
ii. Gross Borrowings	27,000.00	16,014.20	20,223.71	32,215.38	29,510.43	29,612.87	27,844.46	32,322.54	30,929.66	26,862.40					
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	10,000.00	5,864.68	0.00	5,000.00	7,000.00	9,500.00	9,167.31	8,586.57	7,272.90	6,885.94					
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	10,000.00	0.00	14,263.02	5,000.00	11,210.46	0.00	3,677.15	5,035.96	0.00	9,077.15					
State Bonds (maturity 1 to 5 years)	0.00	0.00	0.00	0.00	0.00	9,000.00	0.00	0.00	0.00	0.00					
State Bonds (maturity 6 years or longer)	0.00	0.00	0.00	15,000.00	0.00	0.00	15,000.00	0.00	8,673.22	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)	7,000.00	10,149.53	5,960.69	0.00	11,299.97	8,354.20	0.00	18,700.00	0.00	10,899.31					
External Financing - Bilateral Loans	0.00	0.00	0.00	7,215.38	0.00	2,758.68	0.00	0.00	14,983.54	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					
<b>Debt Stocks and Flows (Million Naira)</b>															
<b>Debt (stock)</b>	<b>108,462.72</b>	<b>112,571.65</b>	<b>136,517.18</b>	<b>130,283.96</b>	<b>142,859.08</b>	<b>148,962.07</b>	<b>144,824.99</b>	<b>142,545.21</b>	<b>151,875.95</b>	<b>171,097.85</b>	<b>188,277.89</b>	<b>202,623.66</b>	<b>220,568.72</b>	<b>234,926.58</b>	<b>242,606.91</b>
External	14,747.54	20,314.60	19,434.86	22,530.19	25,924.48	31,995.93	41,197.95	46,192.20	52,422.18	62,717.80	72,807.37	71,765.12	89,403.92	103,002.96	111,595.46
Domestic	93,715.18	92,257.05	117,082.32	107,753.77	116,934.60	116,966.15	103,627.04	96,353.01	99,453.77	108,380.05	115,470.51	130,858.54	131,164.80	131,923.62	131,011.44
<b>Gross borrowing (flow)</b>						<b>27,000.00</b>	<b>16,014.20</b>	<b>20,223.71</b>	<b>32,215.38</b>	<b>29,510.43</b>	<b>29,612.87</b>	<b>27,844.46</b>	<b>32,322.54</b>	<b>30,929.66</b>	<b>26,862.40</b>
External						7,000.00	10,149.53	5,960.69	7,215.38	11,299.97	11,112.87	0.00	18,700.00	14,983.54	10,899.31
Domestic						20,000.00	5,864.68	14,263.02	25,000.00	18,210.46	18,500.00	27,844.46	13,622.54	15,946.12	15,963.09
<b>Amortizations (flow)</b>	<b>26,979.91</b>	<b>36,744.02</b>	<b>12,961.46</b>	<b>39,231.90</b>	<b>35,521.21</b>	<b>20,897.01</b>	<b>20,151.29</b>	<b>22,503.49</b>	<b>22,884.64</b>	<b>10,288.54</b>	<b>12,432.83</b>	<b>13,498.69</b>	<b>14,377.48</b>	<b>16,571.80</b>	<b>19,182.08</b>
External	281.92	434.22	544.02	761.84	909.60	928.55	947.50	966.45	985.40	1,004.35	1,023.30	1,042.25	1,061.20	1,384.50	2,306.81
Domestic	26,697.99	36,309.80	12,417.44	38,470.05	34,611.61	19,968.46	19,203.79	21,537.04	21,899.24	9,284.19	11,409.53	12,456.44	13,316.28	15,187.30	16,875.27
<b>Interests (flow)</b>	<b>2,803.14</b>	<b>2,830.47</b>	<b>1,675.25</b>	<b>3,686.94</b>	<b>3,157.91</b>	<b>2,969.28</b>	<b>5,511.85</b>	<b>5,819.30</b>	<b>7,534.13</b>	<b>10,073.05</b>	<b>11,229.50</b>	<b>12,438.54</b>	<b>14,162.63</b>	<b>14,705.23</b>	<b>15,148.98</b>
External	101.11	12.84	153.05	155.04	170.55	181.92	324.49	594.12	722.39	843.27	1,099.63	1,360.43	1,284.63	1,803.34	1,968.14
Domestic	2,702.03	2,817.62	1,522.19	3,531.90	2,987.36	2,787.36	5,187.36	5,225.18	6,811.74	9,229.78	10,129.88	11,078.11	12,878.00	12,901.89	13,180.84
<b>Net borrowing (gross borrowing minus amortizations)</b>						<b>6,102.99</b>	<b>-4,137.08</b>	<b>-2,279.78</b>	<b>9,330.74</b>	<b>19,221.89</b>	<b>17,180.04</b>	<b>14,345.78</b>	<b>17,945.06</b>	<b>14,357.86</b>	<b>7,680.33</b>
External						6,071.45	9,202.03	4,994.24	6,229.98	10,295.62	10,089.57	-1,042.25	17,638.80	13,599.04	8,592.50
Domestic						31.54	-13,339.11	-7,274.02	3,100.76	8,926.28	7,090.47	15,388.03	306.26	758.82	-912.18
<b>Debt and Debt-Service Indicators</b>															
Debt Stock as % of SGDP	4.57	3.78	4.53	3.79	3.96	3.55	3.11	2.77	2.71	2.81	2.83	2.79	2.78	2.71	2.56
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	113.71	93.43	101.31	85.26	100.79	103.37	111.01	103.65	93.98	100.45	105.69	109.19	114.47	117.50	117.06
Debt Service as % of SGDP						0.57	0.55	0.55	0.54	0.33	0.36	0.36	0.36	0.36	0.36
Debt Service as % of Revenue (including grants and excluding other capital receipts)						16.56	19.67	20.60	18.82	11.95	13.28	13.98	14.81	15.64	16.57
Interest as % of SGDP						0.07	0.12	0.11	0.13	0.17	0.17	0.17	0.18	0.17	0.16
Interest as % of Revenue (including grants and excluding other capital receipts)						2.06	4.22	4.23	4.66	5.91	6.30	6.70	7.35	7.35	7.31
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						42.30	44.08	43.91	39.14	38.83	38.74	38.74	38.80	38.83	38.85

## Kano State - Technical Team

1. **A**
2. **A**
3. **A**
4. **A**
5. **A**
6. **A**



**MINISTRY OF FINANCE, KANO.**

14<sup>th</sup> December, 2021

**INTERNAL MEMO**

**FROM:** Debt Management Unit.

**TO:** Honorable Commissioner Ministry of Finance, Kano.

**Subject: REQUEST FOR APPROVAL TO UPLOAD DEBT SUSTAINABILITY ANALYSIS**

You may wish to recall the massive efforts put in place by the state debt management (DMU) toward achieving target set by the state fiscal Transparency Accountability and Sustainability (SFTAS) related to DLI 7.2 Which will pave way to accessing a performance base grant of 2million USD.

2. Accordingly, you may recall that team of Technical Experts was hired to work in collaboration with our able staff to address the gap towards achieving this new DLI 7.2 of SFTAS.

3. Having successfully accomplished this assignment, we wish to request for your king approval to upload the DSA- DMS on the state official website [finance.kn.gov.ng](http://finance.kn.gov.ng) on or before 15<sup>th</sup> December 2021 which by this efforts will qualify the state achieved DLI 7.2 of 2M USD.

4. This is in addition to DLI9 Scored in 2019 & 2020 APA of USD 2M.

Best Regards

Honorable Cpmmissioner Min. of finance Kano