

Kaduna State Government



Medium-Term Expenditure Framework 2025 - 2027

July 2024

Planning and Budget Commission
No.16, Muhammadu Buhari Way
Kaduna State, Nigeria.

www.pbc.kdsq.gov.ng

facebook.com/kdmobp

Twitter X: @KADPBC

Table of Contents

Table of Contents

Section 1	Introduction and Background.....	1
1.A	Introduction.....	1
1.A.1	Historical Preparation of MTEF	1
1.A.2	Summary of Document Content	2
1.A.3	Preparation and Audience.....	3
1.B	Background	3
1.B.1	Legislative and Institutional arrangement for PFM.....	3
1.B.2	Overview of Budget Calendar.....	4
Section 2	Economic and Fiscal Update	6
2.A	Economic Overview	6
2.A.1	Global Economy	6
2.A.2	Global Inflation	7
2.A.3	Global Crude Oil Price.....	7
2.A.4	Global Oil Demand	8
2.A.5	Global Oil Supply.....	8
2.A.6	Nigeria Crude Oil Movement	9
2.A.7	Nigeria Crude Oil Performance	9
2.B	SUB-SAHARAN AFRICA.....	10
2.B.1	Overview of the Economy of Sub-Saharan Africa.....	10
2.B.2	A Tepid and Pricey Recovery.....	10
2.B.3	Significant Risks and Uncertainties	11
2.B.4	SUB-SAHARAN AFRICA'S REAL GDP PER CAPITA	11
2.B.5	Monetary policy: maintaining price stability while supporting growth.	11
2.C	Nigerian Economy	13
2.C.1	Nigerian Economy	14
2.C.2	Nigeria's Natural Resources	15
2.C.3	Domestic Economic Developments (Real Sector Developments).....	16
2.C.4	Energy (Electricity).....	16
2.C.5	Crude Oil	17
2.C.6	Socio-Economic Developments.....	18
2.C.7	Fiscal Sector Developments	19
2.C.8	Business Activities	20
2.C.9	Composite and Sectors PMI	20
2.C.10	Consumer Prices	22
2.C.11	Headline, Food and Core Inflation (year-on-year) in Per cent.....	22

2.C.12	Inflation Pervasiveness.....	23
2.C.13	Federation Account Operations	26
2.C.14	Fiscal Operations of the Federal Government.....	27
2.C.15	Debt Profile	28
2.C.16	International Investment Position (IIP).....	29
2.C.17	External Reserves	30
2.C.18	Foreign Exchange Flows through the Economy	30
2.C.19	Nigeria Economic Outlook.....	Error! Bookmark not defined.
2.C.20	Key Points of Nigerian Economy in 2023.....	13
2.D	Kaduna State Economy	35
2.D.1	Kaduna State Economy	35
2.D.2	Gross Domestic Product	35
2.D.3	Consumer Price Index (CPI).....	36
2.D.4	Month-on-Month Inflation Rate	Error! Bookmark not defined.
2.D.5	Kaduna State and Nigeria Inflation Trend	Error! Bookmark not defined.
2.D.6	Kaduna State IGR Trend.....	37
2.D.7	Kaduna State Debt Profile.....	Error! Bookmark not defined.
2.E	Fiscal Update.....	39
2.E.1	Revenue Side.....	39
2.E.2	Expenditure Side.....	43
2.E.3	By Sector.....	48
2.E.4	Debt Position	51
Section 3	Fiscal Strategy Paper.....	53
3.A	Macroeconomic Framework	53
3.B	Fiscal Strategy and Assumptions	55
3.B.1	Policy Statement	55
3.B.2	Objectives and Targets.....	55
3.C	Indicative Three-Year Fiscal Framework	56
3.C.1	Assumptions	57
3.D	Fiscal Risks	61
3.E	Local Government Forecasts.....	62
3.F	Budget Policy Thrust	63
3.G	Sector Allocations (3 Year)	63
3.H	Considerations for the Annual Budget Process	68
Section 4	Summary of Key Points and Recommendations.....	69
Annex 1 –	Detailed Capital Receipts	70

List of Tables

Table 1: MTEF Development Process.....	2
Table 2: 2025 -2027 Approved Budget Calendar	4
Table 3: Global GDP Growth	7
Table 4: Nigeria Crude Oil Production	10
Table 5: Real GDP Growth and Consumer Prices	13
Table 6: Energy Information	17
Table 7: Federally Collected Revenue and Distribution to the Three-Tiers of Government (N Billion).....	27
Table 8: NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT DECEMBER 31, 2023	29
Table 9: EMEs Currency Rates to the US dollar	32
Table 10: Summary of Quarterly FGN Finances (₦' Million) 2010-Q3 2023	32
Table 11: Personnel Expenditure by Sector	49
Table 12: Overhead Expenditure by Sector	49
Table 13: Capital Expenditure by Sector	50
Table 14: Debt Position as at 31 st December 2023	51
Table 15: Kaduna State Macroeconomic Framework.....	54
Table 16: Kaduna State Medium Term Fiscal Framework	56
Table 17: Fiscal Risks	61
Table 18: Indicative Sector Personnel Expenditure Ceilings 2025-2027	64
Table 19: Indicative Sector Overhead Expenditure Ceilings 2025-2027	65
Table 20: Indicative Sector Capital Expenditure Ceilings 2025-2027	66

List of Figures

Figure 1 Budget Accuracy 2018-2023	1
Figure 2: Nigeria Crude Oil Price 2024	9
Figure 3: Nigeria Crude Oil Price 2024	9
Figure 4: Real GDP Per Capita, 2000–25.....	11
Figure 5: Median Inflation, December 2021– February 2024 (Percent, year over year)	12
Figure 6: Nigeria Components of Gross Domestic Product.....	20
Figure 7: Purchasing Managers Index.....	21
Figure 8: PMI Components	21
Figure 9: Overall Business Index	22
Figure 10: Headline Inflation	23
Figure 11: Inflation Pervasiveness.....	23
Figure 12: Component Drivers of Core Inflation	24
Figure 13: Measures of Underlying Inflation.....	24

Figure 14: Contribution of Processed Food and Farm Produce to Food Inflation	25
Figure 15: Component Drivers of Food Inflation.....	25
Figure 16: Gross Revenue Outturn and Benchmark (N Billion)	26
Figure 17: FGN Retained Revenue (N Billion)	28
Figure 18: FGN Expenditure.....	28
Figure 19: External Reserves in US\$ Billion and Months of Import Cover	30
Figure 20: Foreign Exchange Transactions through the Economy (US\$ Million) in the Third Quarter of 2023	31
Figure 21: EMEs Currency Rates to the US dollar	32
Figure 22: The Top Five Absolute contribution	37
Figure 23: North-West States November and December, 2023 Inflation Rate.....	Error! Bookmark not defined.
Figure 24: Revenue Trend of Kaduna State.....	38
Figure 25: Statutory Allocation	39
Figure 26: VAT.....	40
Figure 27: IGR	41
Figure 28: Grants.....	42
Figure 29: Other Capital Receipts.....	42
Figure 30: Loans / Financing.....	43
Figure 31: Personnel	44
Figure 32: Overheads.....	45
Figure 33: Capital Expenditure	45
Figure 34: Social Benefits Budget VS Actual.....	46
Figure 35: Capital Expenditure Ratio 2018 -2023 & 2024 Budget	47
Figure 36: Fiscal Performance Summary of Expenditure	47
Figure 37: Kaduna State Revenue Trend	59
Figure 38: Kaduna State Expenditure Trend.....	60
Figure 39: Local Government FAAC and Share of State IGR Estimates 2025-2027	62

Abbreviations

<i>BRINCS</i>	<i>Brazil, Russia, India, Nigeria, China, South Africa</i>
<i>CBN</i>	<i>Central Bank of Nigeria</i>
<i>CPIA</i>	<i>Country Policy and Institutional Assessment</i>
<i>DMD</i>	<i>Debt Management Department</i>
<i>EFU</i>	<i>Economic and Fiscal Update</i>
<i>ExCo</i>	<i>Executive Council</i>
<i>FAAC</i>	<i>Federal Allocation Accounts Committee</i>
<i>FSP</i>	<i>Fiscal Strategy Paper</i>
<i>GDP</i>	<i>Gross Domestic Product</i>
<i>IGR</i>	<i>Internally Generated Revenue</i>
<i>IMF</i>	<i>International Monetary Fund</i>
<i>KADIRS</i>	<i>Kaduna Internal Revenue Service</i>
<i>KDSG</i>	<i>Kaduna State Government</i>
<i>MDA</i>	<i>Ministry, Department and Agencies</i>
<i>MOF</i>	<i>Ministry of Finance</i>
<i>MTBF</i>	<i>Medium Term Budget Framework</i>
<i>MTEF</i>	<i>Medium Term Expenditure Framework</i>
<i>MTFF</i>	<i>Medium Term Fiscal Framework</i>
<i>NBS</i>	<i>National Bureau of Statistics</i>
<i>NNPC</i>	<i>Nigerian National Petroleum Company</i>
<i>NPC</i>	<i>National Planning Commission</i>
<i>OAG</i>	<i>Office of the Accountant General</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PIB</i>	<i>Petroleum Industry Bill</i>
<i>PBC</i>	<i>Planning and Budget Commission</i>
<i>PITA</i>	<i>Personal Income Tax Act</i>
<i>PMS</i>	<i>Petroleum</i>
<i>SHoA</i>	<i>State House of Assembly</i>
<i>SIP</i>	<i>Sector Implementation Plan</i>
<i>VAT</i>	<i>Value Added Tax</i>
<i>WEO</i>	<i>World Economic Outlook</i>
<i>SIECOM</i>	<i>State Independent Electoral Commission</i>
<i>CSC</i>	<i>Civil Service Commission</i>
<i>SWIFT</i>	<i>Society for Worldwide International Financial Telecommunications</i>
<i>AGO</i>	<i>Angola</i>
<i>NGN</i>	<i>Nigeria</i>
<i>NUPRC</i>	<i>Nigerian Upstream Petroleum Regulatory Commission</i>
<i>PMS</i>	<i>Premium Motor Spirit</i>
<i>EMDEs</i>	<i>Emerging Markets and Developing Economies</i>
<i>DoC</i>	<i>Declaration of Cooperation</i>
<i>OECD</i>	<i>Organization for Economic Cooperation and Development</i>
<i>CNG</i>	<i>Compressed Natural Gas</i>
<i>CAGR</i>	<i>Compound Annual Growth Rate</i>

<i>PMI</i>	<i>Purchasing Managers Index</i>
<i>NAFEM</i>	<i>Nigerian Autonomous Foreign Exchange Market</i>
<i>I&E</i>	<i>Investors and Exporters</i>

Section 1 Introduction and Background

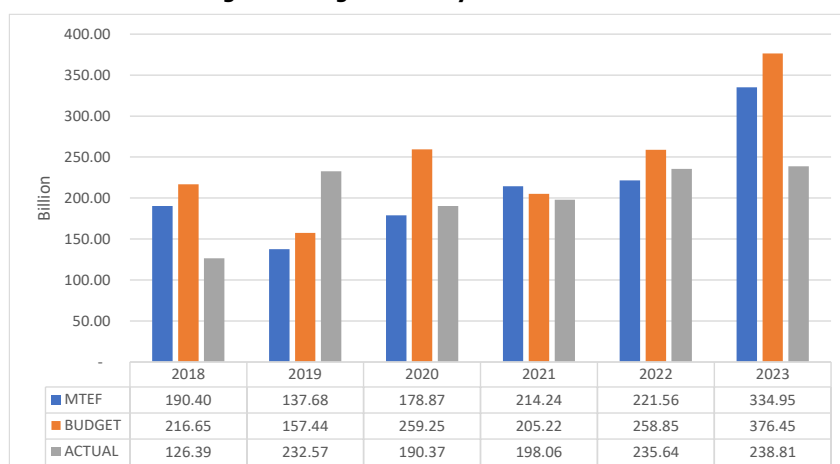
1.A Introduction

1. This Medium-Term Expenditure Framework (MTEF) provides a tool for a multi-year fiscal planning and budget formulation process aimed at enabling the Kaduna State Government to set fiscal targets and allocate resources to strategic priorities. Key elements of the MTEF are:
 - i. The Economic and Fiscal Update (EFU): It provides economic and fiscal analyses, forming the basis for the budget planning process. It is aimed primarily at guiding policy and lawmakers in the State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant Global, National, and State level factors affecting implementation.
 - ii. The Fiscal Strategy Paper (FSP): This determines the resources available to fund Government projects and programs from a fiscally sustainable perspective.
 - iii. The Budget Policy Statement (BPS): states the overarching policy goals that will guide the Government's budget decisions and how the budgets accord with the government's short-term intentions. It also states any changes to the government's long and short-term fiscal objectives and assesses how changes in the long-term fiscal objectives and short-term fiscal intentions situate with the principles of responsible fiscal management.

1.A.1 Historical Preparation of MTEF

2. Kaduna State Government commenced preparation of the MTEF in 2014 – the first MTEF covered the period of 2016-2018. The MTEF has been rolled forward each of the subsequent years including this document which covers 2025-2027.
3. The graph below shows the aggregate revenue estimates as per the MTEF documents, the revenue estimate in the annual budget, and the actual revenue. Each year, the MTEF provided a more realistic estimate of revenues than the annual budget.

Figure 1 Budget Accuracy 2018-2023



Source: State Ministry of Finance (Financial Statements)

Table 1: MTEF Development Process

S/N	Activities	Timeline
1	Briefing meeting with Honourable Commissioner, PBC, for information and noting	April
2	Planning a Meeting with the technical team and relevant MDAs to agree on the proposed framework	
3	Meeting with the Technical Team to agree on and share responsibilities	
4	Meeting with Civil Society Organizations	
5	Data gathering and harmonization	April/May
6	Inputting data into the template	
7	Development of an indicative macro-economic framework	
8	Harmonization of group work	
9	Drafting	June
10	Review of MTEF structure/content for possible addition	
11	Production of the first draft	June/July
12	Meeting with CSOs and technical team to review the entire draft	
13	Forwarding of the first draft to the Consultant for technical review	
14	Engagement on the draft MTEF (Private Sector, Market Associations, People Living with Disability (PLWD) and Academia)	
15	Production of the draft for presentation to the State Executive Council for deliberation	
16	Effect corrections based on Council's comments and observations	August
17	Round-table dialogue with Members of the State House of Assembly (SHoA)	
18	Presentation of the Draft MTEF to the SHoA for Consideration and Approval	September
19	Publishing, Printing, and Distribution	

1.A.2 Summary of Document Content

4. Under international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP), and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Kaduna State Government (KDSG) for the period 2025 - 2027
5. The purpose of this document is three-fold:
 - i. To provide a backward-looking summary of key economic and fiscal trends that will affect public expenditure in the future - Economic and Fiscal Update.
 - ii. To set out medium-term fiscal objectives and targets, including tax policy; revenue mobilization; level of public expenditure; deficit financing, and public debt - Fiscal Strategy Paper and MTFF; and
 - iii. Provide indicative sector envelopes for the period 2025-2027 which constitute the MTBF.
6. 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 policymakers and decision-makers in the Kaduna State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:
 - Overview of Global, Regional, National, and State Economic Performance.
 - Overview of the Petroleum Sector.
 - Trends in budget performance over the last six years.

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

1.A.3 Preparation and Audience

8. The purpose of this document is to provide an informed basis for the 2025-2027 budget preparation cycle for all of the key Stakeholders, specifically:
 - State House of Assembly (ShoA).
 - Executive Council (ExCo).
 - Planning and Budget Commission.
 - Ministry of Finance (including Office of the Accountant General (OAG) and Debt Management Department (DMD).
 - Kaduna Internal Revenue Service (KADIRS).
 - All Government Ministries, Departments, and Agencies (MDA's).
 - Civil Society.
9. The document is prepared within the first two quarters of the year before the annual budget preparation period. It is prepared by Kaduna State Government MTEF Working Group using data collected from International, Regional, National, and State organizations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

10. The 1999 Constitution as amended is the overriding law governing PFM in Kaduna State and indeed Nigeria. Its provisions supersede and override the content of any other law or provision in the States to the extent that other laws are inconsistent with the Constitution. The other PFM-related laws and provisions elaborate and expand on the provision of the Constitution.
11. These include the State's Fiscal Responsibility Law 2016, the Public Procurement Law 2016, the Tax Consolidation and Codification Law 2020, and the Public Financial Management Control Law in 2016.
12. The Fiscal Responsibility Law (FRL) provides for prudent public expenditure, financial management, and discipline to ensure long-term macroeconomic stability in Kaduna State. The FRL stipulates the preparation of a Zero-Based/Multi-Year Budget, MTEF, Budget Execution and Public Revenues, and Management of State Enterprises.
13. The Public Procurement Law stipulates that Ministries, Departments, Agencies, and/or controlled Corporations, Government Institutions, and Local Government Areas, shall subject to any exceptions as may be provided under this law and be governed by the promotion of competition, economy, efficiency, and equal opportunities. These are to all parties who are eligible and qualified to participate in public contracts and be devoid of discrimination among others.
14. Institutional Framework for PFM in Kaduna State: In Kaduna State, sub-national Public Finance is managed by KDSG and the 23 Local Governments (LGs), the Executive headed by the State Governor, is responsible for the KDSG Budget, and reports on its execution to the Kaduna SHoA. In addition to the Institutional Framework is the creation of the Fiscal Responsibility Commission and the Public Procurement Authority, and the conversion of the former Ministry of Budget and Planning to the Planning and Budget Commission (PBC). An Economic Intelligence Unit (EIU) has also been created under the PBC to provide analysis of the latest economic and fiscal trends.

1.B.2 Overview of Budget Calendar

15. The Calendar provides detailed activities which serves as a guide in Budget preparation such that MTEF document is expected to be finalised by the first week of July 2024. The Indicative Budget Calendar for the 2024-2025 Budget is presented below.

Table 2: 2025 -2027 Approved Budget Calendar

S/No.	Date	Activity and or Event	Executor
1.	March - July, 2024	Preparation of Medium-Term Expenditure Framework 2025 – 2027	PBC
2.	10/04/2024	Issuance of Revenue Call Circular to MDAs	PBC
3.	10/04/2024	Forwarding of request for the Submissions of Citizens' inputs of the Community Development Charter (CDC)	PBC
4.	11/04/2024 – 11/06/2024	Review of Sector Implementation Plans (SIPs) against 2023 Budget Performance	PBC
5.	15/05/2024	Submission of Revenue proposals to the Planning & Budget Commission	MDAs
6.	16/05/2024- 22/05/2024	Analysis of Revenue Proposals submitted by MDAs to be used by the Estimates Committee at Revenue Defence	PBC
7.	16-18/07/2024	Conduct of Mid-year Budget Review	PBC
8.	18/07/2024	Receipt of report of Citizens' inputs from CDC.	PBC
9.	29/07/2024	Issuance of Expenditure Call Circulars to MDAs along with Citizens' inputs from the CDC	PBC
10.	6-7/08/2024	In-house training for Budget Officers in preparation for Refresher Training Workshop for MDAs on Multiyear Costing Template	PBC
11.	8/08/2024	Engagement with the Private Sector, Women Groups, and People Living with Disabilities on the MTEF.	PBC
12.	6-8/08/2024	Review/Refresher Training Workshop for MDAs on Multiyear Costing Template	PBC
13.	15/08/2024	Roundtable dialogue with the SHoA on the draft 2025 - 2027 Medium Term Expenditure Framework (MTEF)	PBC
14.	27/08/2024	Review and Approval of the draft 2025 – 2027 Medium Term Expenditure Framework (MTEF) by SHoA.	SHoA
15.	29/08/2024	Estimate Committee bilateral discussion with the revenue-generating MDAs on the 2025 revenue budget proposals	PBC
16.	2/09/2024	Harmonization of Revenue Figures to determine the Proposed Revenue for the year 2025	PBC
17.	3/09/2024	Presentation of Revenue Profile alongside with the 2025-2027 Draft MTEF and MDAs Sectoral Expenditure Ceilings to EXCO for deliberations and approval	PBC
18.	4/09/2024	Submission of 2025-2027 Expenditure Proposals to Planning & Budget Commission	MDAs

S/No.	Date	Activity and or Event	Executor
19.	4-7/09/2024	Analysis of Expenditure Proposals submitted by MDAs to be used by the Estimates Committee at the Budget Defence	PBC
20.	10-12/09/2024	Estimates Committee bilateral discussion with MDAs on the 2025- 2027 Expenditure Budget Proposals	Estimates Committee
21.	25/09/2024-3/10/2024	Collation of Proposals defended by MDAs before the Estimates Committee	PBC
22.	10/10/2024	Presentation of 2025- 2027 1st Draft Budget to the Governor for perusal, observations, and comments	HC, PBC
23.	14-17/10/2024	Effecting corrections/amendments by PBC vide the Governor's observations	PBC
24.	22/10/2024	Town Hall Meeting on the 2025 Draft Budget	PBC
25.	24/10/2024	Council Deliberation on 2025 Draft Budget	Council
26.	25/10/2024	Presentation of Draft Budget to House of Assembly	Governor
27.	To be carried out within two (2) months	Review and Approval by the House of Assembly	SHoA
28.	Subject to Passage by SHoA	Assent of 2025 Approved Budget by the Governor	Governor
29.	Subject to Assent by HE	Public presentation and analysis of Approved Budget	HC, PBC
30.	Jan. 2025	Signing of 2025 Expenditure Warrants	MoF
31.	Jan. 2025	Issuance of Guidelines for 2025 Budget Implementation	PBC

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

16. The world is facing complex challenges. Addressing them demands cooperation at the global level. Today's economy is in a fragile state, with growth expected to be well below the historical average, according to the International Monetary Fund (IMF). Revitalizing trade will be crucial to strengthening the economic outlook ahead and boosting livelihoods. However, the IMF has raised alarms about the possibility of global fragmentation, which could shave off 7% of global GDP.
17. However, baseline forecast is for the world economy to continue growing at 3.2 percent during 2024 and 2025, at the same pace as in 2023. A slight acceleration for advanced economies—where growth is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025. For the emerging market and developing economies, it will experience a modest slowdown growth from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. The forecast for global growth five years from now—at 3.1 percent—is at its lowest in decades. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is generally projected to decline more gradually.
18. Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labor markets are still tight, raise interest rate expectations and reduce asset prices. A divergence in disinflation speeds among major economies could also cause currency movements that put financial sectors under pressure. High interest rates could have greater cooling effects than envisaged as fixed-rate mortgages reset and households contend with high debt, causing financial stress.
19. In China, without a comprehensive response to the troubled property sector, growth could falter, hurting trading partners. Amid high government debt in many economies, a disruptive turn to tax hikes and spending cuts could weaken activity, erode confidence, and sap support for reform and spending to reduce risks from climate change. Geoeconomic fragmentation could intensify, with higher barriers to the flow of goods, capital, and people implying a supply-side slowdown.
20. On the upside, looser fiscal policy than necessary and assumed in projections could raise economic activity in the short term, although risking more costly policy adjustment later on. Inflation could fall faster than expected amid further gains in labour force participation, allowing central banks to bring easing plans forward. Artificial intelligence and stronger structural reforms than anticipated could spur productivity.
21. According to the International Monetary Fund's latest projections, growth for 2024 and 2025 will be steady at around 3.2 percent, with median headline inflation decreasing from 2.8 percent at the end of 2024 to 2.4 percent at the end of 2025. Most indicators point to a soft landing.

Table 3: Global GDP Growth



Source: www.macrotrends.net

22. Global growth, estimated at 3.2 percent in 2023, is projected to continue at the same pace in 2024 and 2025. The projection for 2024 is revised up by 0.1 percentage point from the January 2024 World Economic Outlook (WEO) Update and by 0.3 percentage point concerning the October 2023 WEO forecast. Nevertheless, the projection for global growth in 2024 and 2025 is below the historical (2000–19) annual average of 3.8 percent, reflecting restrictive monetary policies, withdrawal of fiscal support, and low underlying productivity growth. Advanced economies are expected to see growth rise slightly, with the increase mainly reflecting a recovery in the Euro area from low growth in 2023, whereas emerging market and developing economies are expected to experience stable growth through 2024 and 2025, with regional differences.

2.A.2 Global Inflation

23. In 2023, the global inflation rate exhibited varying trends across different forecasts however, the inflation outlook is broadly similar to that in the October 2023 WEO, with a downward revision for advanced economies, offset by an upward revision for emerging markets and developing economies. Medium-term prospects for growth in world output and trade remain the lowest in decades, with the pace of convergence toward higher living standards slowing for middle- and lower-income countries.
24. With inflation projected to continue declining toward targets and longer-term inflation expectations remaining anchored, policy rates of central banks in major advanced economies are generally expected to start declining in the second half of 2024. Among major central banks, by the fourth quarter of 2024, the Federal Reserve's policy rate is expected to have declined from its current level of about 5.4 percent to 4.6 percent, the Bank of England to have reduced its policy rate from about 5.3 percent to 4.8 percent, and the European Central Bank to have reduced its short-term rate from about 4.0 percent to 3.3 percent. According to the International Monetary Fund (IMF), global inflation is expected to fall from 6.6 percent in 2023 to 4.3 percent in 2024.

2.A.3 Global Crude Oil Price

25. In April, the OPEC Reference Basket (ORB) value rose by \$4.90, or 5.8%, m-o-m, to an average of \$89.12/b. Oil futures prices averaged higher, with the ICE Brent front-month contract increasing by \$4.33, or 5.1%, m-o-m to average \$89.00/b, and the NYMEX WTI front-month contract rising by \$3.98, or 4.9%, to average \$84.39/b. The DME Oman front-month contract rose by \$5.12, or 6.1%, m-o-m, to an average of \$89.37/b. The front-month

ICE Brent/NYMEX WTI spread widened by 35¢ to average \$4.61/b. The market structure of oil futures prices strengthened, and money managers remained increasingly bullish about oil. The premium of light sweet to medium sour crudes narrowed across all major trading hubs on lower light distillate margins

2.A.4 Global Oil Demand

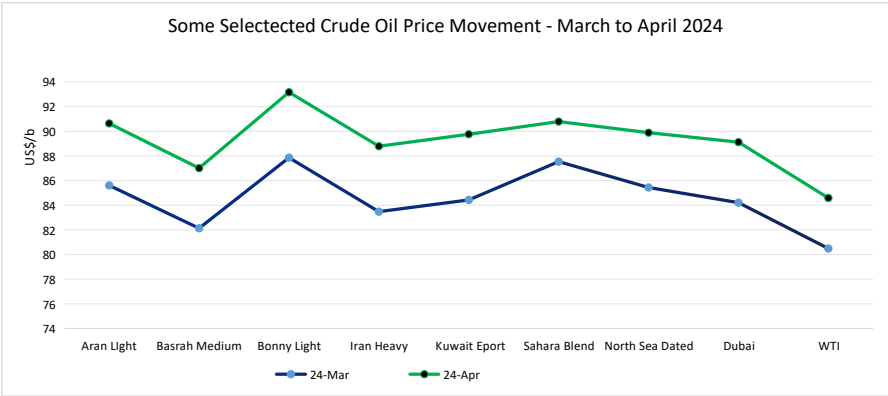
26. The global oil demand growth forecast for 2024 remains broadly unchanged from that of March 2024 assessment of 2.2 mb/d. Slight adjustments were made to the Q1 2024 data, with a slight upward revision in Organisation for Economic Cooperation and Development (OECD) Europe and some non-OECD data, reflecting better-than-expected performance in oil demand data. This increase was offset by a downward revision to Africa in Q1 2024 and the Middle East in the first three quarters. Accordingly, the OECD is projected to expand by around 0.3 mb/d and the non-OECD by about 2.0 mb/d. In 2025, global oil demand is expected to see robust growth of 1.8 mb/d, y-o-y. The OECD is expected to grow by 0.1 mb/d, y-o-y, while demand in the non-OECD is forecast to increase by 1.7 mb/d.

2.A.5 Global Oil Supply

27. The non-DoC liquids supply (i.e. liquids supply from countries not participating in the Declaration of Cooperation) is expected to grow by 1.2 mb/d in 2024, unchanged from the previous month's assessment. The main drivers for growth are expected to be the US, Canada, Brazil and Norway. In 2025, non-DoC liquids supply growth is expected at 1.1 mb/d, broadly unchanged from the previous month's assessment. Again, growth is mainly driven by the US, Brazil, Canada and Norway. Separately, Declaration of Cooperation (DoC) natural gas liquids (NGLs) and non-conventional liquids are forecast to grow by about 0.1 mb/d to average 8.3 mb/d in 2024, followed by a minor decline of about 10 tb/d to average 8.3 mb/d in 2025. The DoC crude oil production in April decreased by 246 tb/d, m-o-m, averaging 41.02 mb/d, as reported by available secondary sources.
28. The non-OPEC liquids supply (including the 10 non-OPEC countries participating in Declaration of Cooperation (DoC) in 2024 is expected to grow by 1.0 mb/d, revised down from the previous month's assessment by about 0.1 mb/d. The main drivers for liquids supply growth are expected to be the US, Canada, Brazil and Norway. The forecast for non-OPEC liquids supply growth in 2025 stands at 1.3 mb/d, revised down by 0.1 mb/d from the previous month's assessment. The growth is mainly driven by the US, Brazil, Canada, Russia, Kazakhstan and Norway. Declaration of Cooperation (DoC) members includes- Azerbaijan, Bahrain, Brunei Darussalam, Kazakhstan, Malaysia, Mexico, Oman, Russia, Sudan, and South Sudan.

2.A.6 Nigeria Crude Oil Movement

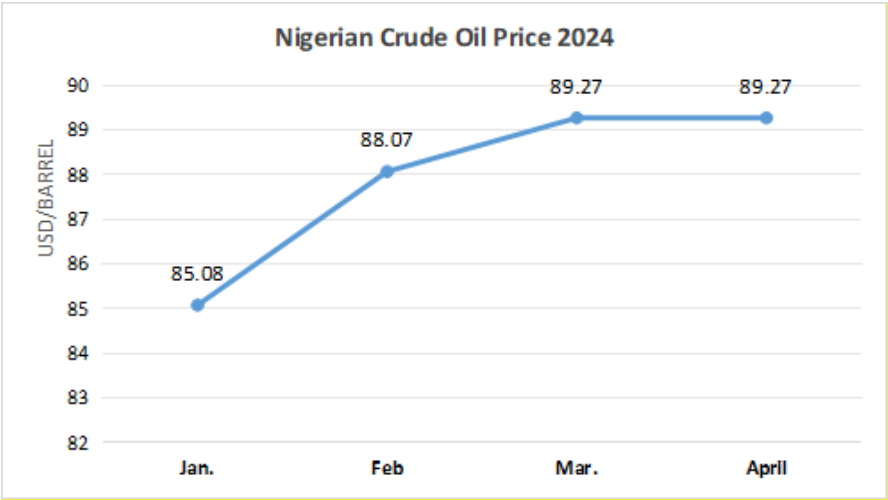
Figure 2: Nigeria Crude Oil Price 2024



Source: OPEC Monthly Oil Market Report – May 2024

2.A.7 Nigeria Crude Oil Performance

Figure 3: Nigeria Crude Oil Price 2024



Source OPEC Monthly Oil Market Report – May 2024

Table 4: Nigeria Crude Oil Production

CRUDE OIL AND CONDENSATE PRODUCTION - 2022 (Crude Oil and Condensate)							
	BONNY	BRASS	QUA IBOE	FORCADOS	ESCRAVOS (Oil Terminal)	ODUDU (AMENAM BLEND)	TULJA - OKWUIBOME
JANUARY	2,112,896.10	765,599.00	4,772,802.00	7,846,993.27	4,817,681.00	3,107,881.00	1,400,744.00
FEBRUARY	2,746,421.48	1,044,023.00	4,176,400.00	7,325,297.07	4,104,752.00	2,974,358.00	1,336,497.00
MARCH	3,897,346.62	970,470.00	4,300,662.00	6,602,796.40	4,484,197.00	3,339,707.00	1,514,169.00
APRIL	3,087,407.02	908,371.00	1,969,876.00	5,660,081.90	3,894,342.00	3,183,812.00	1,375,241.00
MAY	3,613,807.22	1,195,728.00	4,101,143.00	6,783,389.00	4,774,144.00	3,289,849.00	1,435,570.00
JUNE	3,326,595.03	1,120,057.00	3,788,731.00	7,969,320.50	4,475,298.00	3,109,894.00	1,314,652.00
JULY	2,351,031.43	987,114.00	4,123,574.00	3,286,735.00	4,866,131.00	2,934,411.00	1,386,257.00
AUGUST	3,962,248.98	868,654.00	4,630,790.00	4,452,692.00	4,707,842.00	2,926,249.00	1,437,508.00
SEPTEMBER	4,213,683.00	664,962.00	4,373,967.00	8,239,021.00	4,442,563.00	2,689,522.00	1,387,080.00
OCTOBER	4,563,571.00	588,640.00	4,620,153.00	7,933,984.00	4,234,584.00	2,983,804.00	1,560,604.00
NOVEMBER	3,573,539.91	778,085.00	4,638,503.00	6,720,296.00	3,890,073.00	2,957,014.00	1,519,502.00
DECEMBER	6,351,981.16	774,783.00	4,051,808.00	8,367,350.00	4,091,693.00	2,649,589.00	1,702,541.00

Source: NNPC Crude Oil Production Statute Report 2023

2.B SUB-SAHARAN AFRICA

2.B.1 Overview of the Economy of Sub-Saharan Africa

29. The overall regional outlook is gradually improving, with economic activity tepidly picking up. will rise from 3.4 percent in 2023 to 3.8 percent by the end of 2024, with nearly two-thirds of countries anticipating higher growth. Economic recovery is expected to continue beyond this year, with growth projected to reach 4.0 percent in 2025. In parallel, median inflation has almost halved from nearly 10 percent in November 2022 to about 6 percent in February 2024.
30. However, not all is rosy, and the funding squeeze continues. The region's governments continue to grapple with financing shortages, high borrowing costs, and rollover risks amid persistently low domestic resource mobilization. Significant debt repayments are looming this year and next. The financing challenges are forcing countries to cut essential public spending and redirect development funds to debt service, thereby endangering growth prospects for future generations.
31. Risks to the outlook remain tilted to the downside. The region continues to be more vulnerable to global shocks, particularly from weaker external demand and elevated geopolitical risks. Moreover, countries in sub-Saharan Africa face rising political instability (e.g Sudan, Libya, Niger and Mali e.t.c) and frequent climate shocks. The region faces a critical year with 18 national elections in 2024. Similarly, climate shocks are becoming more frequent and widespread, including droughts of unparalleled severity.

2.B.2 A Tepid and Pricey Recovery

32. After four turbulent years, the outlook for sub-Saharan Africa is gradually improving. Growth will rise from 3.4 percent in 2023 to 3.8 percent in 2024, with nearly two thirds of countries anticipating higher growth. Economic recovery is expected to continue beyond this year, with growth projections reaching 4.0 percent in 2025. Additionally, inflation has almost halved, public debt ratios have broadly stabilized, and several countries have issued Eurobonds this year, ending a two-year hiatus from international markets. However, not all is favorable.
33. The region continues to be more vulnerable to global external shocks, as well as the threat of rising political instability, and frequent climate events. Three policy priorities can help countries adapt to these challenges: improving public finances without undermining development; monetary policy focused on ensuring price stability; and implementing structural reforms to diversify funding sources and economies. Amid these challenges, sub-

Saharan African countries will need additional support from the international community to develop a more inclusive, sustainable, and prosperous future.

2.B.3 Significant Risks and Uncertainties

34. Importantly, the growth pick-up is linked intricately to domestic and global developments. Domestically, the economic outlook hinges on the effectiveness of ongoing domestic reforms. In South Africa, efforts to mitigate the energy crisis through improved electricity supply are underway but electoral uncertainties loom large which could derail the reform momentum.
35. Nigeria is developing a comprehensive private sector-led growth agenda, by addressing long-standing distortions in the foreign exchange market, boosting oil production, and enhancing revenue mobilization.
36. With the likelihood of a hard landing receding as adverse supply shocks unwind, risks to the global outlook are broadly balanced. There is scope for further upside surprises to global growth, including faster disinflation, and faster economic recovery in China. However, risks to the outlook for sub-Saharan Africa seem more tilted to the downside, with the following global shocks particularly relevant for the region:
 - a) A faltering global economy
 - b) Elevated geopolitical risks.
 - c) Heightened security risks.
 - d) Climate risks.

2.B.4 SUB-SAHARAN AFRICA'S REAL GDP PER CAPITA

37. The series below shows the evolution of GDP per capita in constant local currency. Country group composites are calculated as the arithmetic average of data for individual countries weighted by GDP valued at purchasing power parity as a share of total group GDP.

Figure 4: Real GDP Per Capita, 2000–25



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

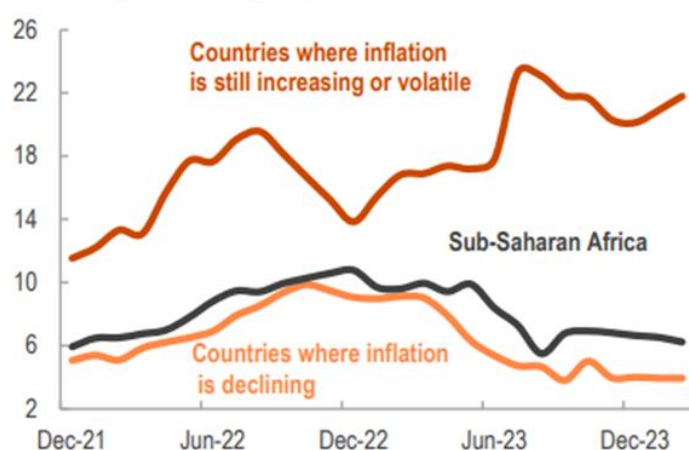
2.B.5 Monetary policy: maintaining price stability while supporting growth.

38. Headline inflation in sub-Saharan Africa has been declining since reaching its peak in November 2022, with the situation varying across countries (Figure XXX). Ideally, monetary

policy can complement fiscal efforts and support growth. However, based on the latest available data from February 2024, roughly a third of the countries still face double-digit inflation, largely due to significant currency depreciations (notably in Angola, Malawi, Nigeria, Zambia, and Zimbabwe). Even among countries with a marked decline in inflation, only a select few have reduced policy interest rates over the past 12 months (Botswana, Ghana, and Mozambique). The majority have opted to continue tightening or maintain elevated policy rates, even when inflation continues to rise.

39. This cautious stance in monetary policy stems from two key factors. First, median core inflation only recently approached the levels seen before the pandemic. Second, sub-Saharan African countries started their monetary tightening cycles later than other Emerging Markets and Developing Economies (EMDEs) leaving them to play catch-up while many EMDEs have started easing since the second half of 2023. This timing has resulted in a delayed cycle of tight monetary conditions, with the region's median policy rate peaking roughly 12 months later than in other EMDEs.

Figure 5: Median Inflation, December 2021– February 2024 (Percent, year over year)



Sources: Country authorities; Haver Analytics; and IMF staff calculations – (IMF Regional Economic Outlook- Sub Saharan Africa, April 2024).

40. Country groupings in Table 5 below consist of a fixed set of countries and Real GDP Growth and Consumer Prices.

Table 5: Real GDP Growth and Consumer Prices

	Real GDP (Annual percent change)							Consumer Prices, Annual Average (Annual percent change)						
	2011-19	2020	2021	2022	2023	2024	2025	2011-19	2020	2021	2022	2023	2024	2025
Angola	2.0	-5.6	1.2	3.0	0.5	2.6	3.1	16.3	22.3	25.8	21.4	13.6	22.0	12.8
Benin	5.1	3.8	7.2	6.3	5.8	6.0	6.0	1.2	3.0	1.7	1.4	2.8	3.0	2.0
Botswana	4.1	-8.7	11.9	5.8	3.2	3.6	4.6	4.6	1.9	6.7	12.2	5.1	4.0	4.5
Burkina Faso	5.7	1.9	6.9	1.8	3.6	5.5	5.8	1.0	1.9	3.9	13.8	0.9	2.1	2.0
Burundi	1.9	0.3	3.1	1.8	2.7	4.3	5.4	7.1	7.3	8.3	18.9	27.0	22.0	20.0
Cabo Verde	3.0	-20.8	5.6	17.1	4.8	4.7	4.7	1.1	0.6	1.9	7.9	3.1	2.0	2.0
Cameroon	4.4	0.5	3.6	3.6	4.0	4.3	4.5	1.9	2.5	2.3	6.3	7.2	5.9	5.5
Central African Republic	-0.7	1.0	1.0	0.5	0.7	1.3	1.7	4.9	0.9	4.3	5.6	3.2	4.7	4.6
Chad	2.8	-2.1	-0.9	3.1	4.4	2.9	3.7	1.9	5.3	-1.6	6.9	2.7	3.1	3.1
Comoros	3.1	-0.2	2.0	2.6	3.0	3.5	4.0	1.8	0.8	-0.0	12.4	8.5	2.0	2.2
Congo, Democratic Republic of the	5.9	1.7	6.0	8.8	6.1	4.7	5.7	10.2	11.4	9.0	9.3	19.9	17.2	8.5
Congo, Republic of	0.3	-6.3	1.1	1.7	4.0	4.4	3.2	2.3	1.4	2.0	3.0	4.5	3.6	3.0
Côte d'Ivoire	6.6	0.7	7.1	6.9	6.2	6.5	6.4	1.5	2.4	4.2	5.2	4.4	3.8	3.0
Equatorial Guinea	-2.7	-4.8	-0.4	3.2	-5.9	0.5	-4.6	2.5	4.8	-0.1	4.9	2.5	4.4	1.8
Eritrea ¹	4.6	...	...	...	...	...	...	2.6	...	...	...	...	...	...
Eswatini	2.5	-1.6	10.7	0.5	5.1	3.7	3.3	5.9	3.9	3.7	4.8	4.9	3.9	3.1
Ethiopia	9.5	6.1	6.3	6.4	7.2	6.2	6.5	14.4	20.4	26.8	33.9	30.2	25.6	18.2
Gabon	3.7	-1.8	1.5	3.0	2.3	2.9	2.7	2.3	1.7	1.1	4.3	3.6	2.1	2.2
The Gambia	2.5	0.6	5.3	4.9	5.6	6.2	5.8	6.3	5.9	7.4	11.5	17.0	15.1	10.5
Ghana	6.5	0.5	5.1	3.1	2.3	2.8	4.4	11.8	9.9	10.0	31.7	37.5	22.3	11.5
Guinea	6.2	4.7	5.6	4.0	5.7	4.1	5.6	11.4	10.6	12.6	10.5	7.8	11.0	10.2
Guinea-Bissau	3.9	1.5	6.4	4.2	4.2	5.0	5.0	1.3	1.5	3.3	7.9	7.2	3.0	2.0
Kenya	4.7	-0.3	7.6	4.8	5.5	5.0	5.3	7.4	5.3	6.1	7.6	7.7	6.6	5.5
Lesotho	1.3	-5.3	1.7	1.6	1.9	2.4	2.5	5.1	5.0	6.0	8.3	6.3	6.4	5.4
Liberia	2.8	-3.0	5.0	4.8	4.6	5.3	6.2	12.5	17.0	7.8	7.6	10.1	6.3	5.1
Madagascar	3.2	-7.1	5.7	4.0	3.8	4.5	4.6	7.0	4.2	5.8	8.2	9.9	7.8	7.3
Malawi	4.1	0.9	4.6	0.8	1.6	3.3	3.8	17.2	8.6	9.3	20.8	30.3	27.9	14.7
Mali	4.3	-1.2	3.1	3.5	4.5	4.0	4.5	1.1	0.5	3.8	9.7	2.1	1.0	2.0
Mauritius	3.7	-14.5	3.4	8.9	6.9	4.9	3.7	3.0	2.5	4.0	10.8	7.0	4.9	3.6
Mozambique	5.5	-1.2	2.4	4.4	6.0	5.0	5.0	7.0	3.1	5.7	9.8	6.1	4.4	5.5
Namibia	2.8	-8.1	3.5	4.6	3.2	2.6	2.6	5.2	2.2	3.6	6.1	5.9	4.8	4.8
Niger	5.9	3.5	1.4	11.9	1.4	10.4	6.1	0.7	2.9	3.8	4.2	3.7	6.4	4.6
Nigeria	3.0	-1.8	3.6	3.3	2.9	3.3	3.0	11.6	13.2	17.0	18.8	24.7	26.3	23.0
Rwanda	7.1	-3.4	10.9	8.2	6.9	6.9	7.0	3.9	7.7	0.8	13.9	14.0	5.8	5.0
São Tomé & Príncipe	3.6	2.6	1.9	0.1	-0.3	2.9	4.1	8.1	9.8	8.1	18.0	21.2	14.2	7.8
Senegal	5.0	1.3	6.5	4.0	4.1	8.3	10.2	1.0	2.5	2.2	9.7	5.9	3.9	2.0
Seychelles	6.6	-11.7	0.6	15.0	3.7	3.2	3.8	3.0	1.2	9.8	2.6	-1.0	-0.2	2.6
Sierra Leone	5.0	-2.0	4.1	3.5	3.4	4.0	4.5	10.0	13.4	11.9	27.2	47.7	39.1	21.7
South Africa	1.6	-6.0	4.7	1.9	0.6	0.9	1.2	5.3	3.3	4.6	6.9	5.9	4.9	4.5
South Sudan	-5.3	-6.5	5.3	-5.2	-0.1	5.6	6.8	98.6	24.0	30.2	-3.2	40.2	54.8	21.7
Tanzania	6.7	4.5	4.8	4.7	5.0	5.5	6.0	7.3	3.3	3.7	4.4	4.0	4.0	4.0
Togo	5.4	2.0	6.0	5.8	5.4	5.3	5.3	1.4	1.8	4.5	7.6	5.1	2.7	2.0
Uganda	5.3	-1.1	5.5	6.3	4.8	5.6	6.5	6.8	2.8	2.2	7.2	5.4	3.8	4.9
Zambia	4.3	-2.8	6.2	5.2	4.3	4.7	4.8	9.0	15.7	22.0	11.0	11.0	11.4	7.8
Zimbabwe ²	4.6	-7.8	8.4	6.5	5.3	3.2	3.2	30.2	557.2	98.5	193.4	667.4	561.0	554.7
Sub-Saharan Africa	3.8	-1.6	4.7	4.0	3.4	3.8	4.0	8.3	10.2	11.0	14.5	16.2	15.3	12.4
Median	4.4	-1.2	4.9	4.0	4.1	4.4	4.6	4.5	3.6	4.6	8.2	6.7	4.9	4.8
Excluding Nigeria and South Africa	5.0	-0.1	5.2	5.0	4.5	4.9	5.3	8.0	11.2	10.7	15.2	16.0	14.1	10.6
Resource-intensive countries	3.1	-2.5	4.1	3.4	2.5	3.0	3.2	8.8	11.0	11.5	14.7	17.5	17.2	14.2
Oil-exporting countries	2.7	-2.3	3.1	3.2	2.5	3.3	3.0	11.1	12.9	15.7	17.1	20.1	22.4	18.6
Excluding Nigeria	2.1	-3.6	1.6	3.0	1.6	3.1	3.2	10.0	12.2	12.7	12.8	9.5	13.0	8.3
Other resource-intensive countries	3.4	-2.7	5.1	3.5	2.4	2.8	3.3	6.5	9.2	7.7	12.5	15.0	12.5	10.2
Excluding South Africa	5.6	0.4	5.5	5.0	4.1	4.5	5.1	8.1	15.4	10.9	18.1	24.2	19.8	15.4
Non-resource-intensive countries	5.9	0.8	6.5	5.7	5.8	5.7	6.1	7.1	7.9	9.8	14.1	12.9	10.7	8.1
Middle-income countries	3.1	-2.9	4.5	3.4	2.6	3.2	3.3	8.2	8.5	10.5	13.1	14.3	14.0	11.4
Low-income countries	6.0	1.8	5.3	5.6	5.4	5.4	5.7	8.8	14.9	12.5	18.3	21.3	18.6	15.1
Countries in fragile and conflict-affected situations	4.1	-0.2	4.2	4.2	4.0	4.2	4.1	10.2	15.6	16.3	20.3	25.6	25.1	21.2
CFA franc zone	4.4	0.3	4.5	4.8	4.2	5.5	5.4	1.6	2.5	2.7	6.5	4.2	3.7	3.1
CEMAC	2.5	-1.5	1.8	3.1	2.7	3.4	3.1	2.2	2.9	1.2	5.6	5.1	4.5	4.0
WAMU	5.7	1.3	6.0	5.7	4.9	6.6	6.6	1.2	2.2	3.5	7.0	3.8	3.4	2.6
COMESA (SSA members)	5.9	0.4	6.5	5.9	5.7	5.3	5.6	9.4	17.3	14.7	19.6	23.9	20.6	16.4
EAC-5	5.5	0.9	6.5	5.2	5.3	5.4	5.9	7.1	4.4	4.4	7.1	6.8	5.5	5.1
ECOWAS	4.0	-0.7	4.4	3.9	3.4	4.1	4.1	9.3	10.2	12.7	16.9	20.1	19.4	15.8
SACU	1.7	-6.1	5.0	2.1	0.9	1.1	1.5	5.2	3.2	4.6	7.1	5.9	4.8	4.5
SADC	2.8	-4.2	4.6	3.4	2.2	2.6	3.0	7.7	10.8	9.6	11.7	13.3	13.0	10.7

Source: IMF, *Regional Economic Outlook – Sub-Saharan Africa, April, 2024*

2.C Nigerian Economy

2.C.1 Key Points of Nigerian Economy in 2023

a. Federally Collected Revenue:

- Non-oil revenue saw significant improvement, driven by higher receipts from various sources including CIT, Customs & Excise Duties, and VAT.
- Oil revenue also increased slightly but fell short of the target.

b. **Fiscal Operations of the Federal Government:**

- FGN retained revenue improved but was below the target, mainly due to higher receipts from VAT Pool Account and Exchange gains.
- Provisional aggregate expenditure of the FGN declined, mainly due to lower debt service.

c. **Debt Profile:**

- Total public debt outstanding increased, driven by borrowings from the international capital market.
- Domestic debt accounted for the majority of the consolidated public debt stock.
- Debt service obligations decreased in Q2 2023, attributed to the redemption of maturing FGN bonds.

d. **International Investment Position (IIP) and External Reserves:**

- Nigeria's International Investment Position showed a higher net financial liability.
- External reserves remained above the international benchmark, covering months of import for goods and services.

e. **Foreign Exchange Flows:**

- Foreign exchange inflow to the economy decreased, with increased outflow through the Bank.
- Net foreign exchange inflow to the economy decreased in the review quarter.

f. **Exchange Rate Movement:**

- The average exchange rate of the naira per US dollar depreciated compared to the previous quarter.

g. **Nigeria's Economic Outlook:**

- GDP growth in the fourth quarter of 2023 was driven by the Services sector.
- Near-term economic growth outlook remains positive, supported by favourable crude oil prices and higher output.
- Downside risks include global economic uncertainties, domestic security challenges, and higher debt service obligations.

h. **GDP Growth Forecast:**

- GDP growth is forecasted to increase steadily between 2024 and 2029.

41. Overall, while there are positive indicators such as GDP growth and improvements in revenue collection, there are also challenges such as debt sustainability, foreign exchange dynamics, and external economic uncertainties that Nigeria needs to navigate.

2.C.2 Nigerian Economy

42. Nigeria is well-endowed with vast human and material resources that can guarantee sustainable economic growth and development. The country has a land area of 923,773km², with varied vegetation and soil types that are suitable for a variety of agricultural purposes. The Rivers Niger and Benue divide the country into three major geographical sections, west, east, and north. Acting in synchrony with Lake Chad and a few other rivers, provide the needed irrigation potential for all-year-round farming activities. The traditional agricultural specialization in tandem with the vegetation, soil, and climatic conditions varies from root and tree crops in the south to grains and livestock in the north.
43. Nigeria has an estimated population of 229,152,217 in 2024, a 2.39% increase from 2023 with diverse cultural backgrounds. The estimated population of Nigeria in 2023 was 223,804,632, a 2.41% increase from 2022. The more than 250 constituent ethnic

nationalities of the country add a dynamic blend to the socio-political and cultural landscape of the country. The country operates a three-tier federal system of government with 36 States, and a Federal Capital Territory, and 774 local councils. The legislative structure is bicameral with upper and lower chambers at the federal level while state governments and local councils operate single legislative chambers. Federal and State judicial structures erected in all three tiers of government completes the operational framework for checks and balances and separation of powers in governance as enshrined in Nigeria's Constitution.

44. At the commencement of 2023, the Nigerian economy faced notable challenges characterized by the rigorous implementation of demonetization policies and a highly contested general election, contributing to the exacerbation of preexisting structural issues. These challenges, in turn, adversely affected the country's socio-economic landscape and macroeconomic performance. Nevertheless, the advent of the new government symbolized a transformative juncture, presenting political and economic opportunities for Nigeria to address its myriad of socio-economic challenges, optimize its potential, and attain crucial developmental objectives. Furthermore, the persistent Russia-Ukraine crisis and the resulting disruptions in the global supply chain, alongside energy and food crises, accentuated economic vulnerability throughout the year. The hikes in the global policy (fiscal) rate in 2023 had consequential impacts on investment and productivity in Nigeria, exacerbating inflation rates and impeding economic growth. Additionally, the stringent reforms implemented by the government, including the removal of fuel subsidies and exchange rates alignment, further constrained the performance of the real sector, suppressing overall economic outcomes. As a result, Nigeria's economic growth remained fragile in 2023, marked by escalating inflationary pressures, exchange rate depreciation, and fiscal constraints. The headwinds associated with growth in the year hindered productivity, curtailed the performance of the real sector, and diminished the positive impact of growth outcomes on the quality of life for Nigerians.
45. The near-term outlook for Nigeria's economic growth remains positive, despite some headwinds. The optimistic outlook is underpinned by anticipated favourable trend in crude oil prices and higher level of output. The strategic decision to phase out PMS subsidy is expected to increase the fiscal space, offering an added stimulus for growth. The growth prospect, however, is subject to some downside risks including global economic uncertainties, domestic security challenges, and higher debt service obligations. Inflationary pressure may persist in the short-term, partly, on account of higher domestic price of PMS and import costs. Other factors that could add pressures to consumer prices include the impact of climate monetary policy stance and improvement in global supply chain, however, are expected to moderate inflationary pressures.
46. The outlook for the external position of Nigeria remains optimistic, driven by sustained crude oil price rallies and increased domestic oil production. Specifically, sustained production cuts by OPEC+ through Q4 2023 leading to higher crude oil prices and earnings, and gains from capital flows and remittances would support the external reserves outlook. The risks of capital reversals is however heightened by sustained monetary tightening in advanced economies. change on agricultural output, and higher spending associated with end-of-the-year festivities and off-cycle elections. The sustained tight.

2.C.3 Nigeria's Natural Resources

47. Nigeria possesses a diverse array of natural resources, encompassing precious metals, stones, and industrial minerals such as barites, gypsum, kaolin, and marble. All States in the federation are endowed with varied resources, offering investment opportunities across sectors. From gold, lead/zinc, and limestone in Abia to bitumen, clay, and gold in Edo, each state presents unique potentials for mineral exploitation. Despite this abundance, many resources remain underexploited. The National Policy on Solid Minerals aims to ensure their orderly development.

2.C.4 Domestic Economic Developments (Real Sector Developments)

48. The real sector of the Nigerian economy has over the years metamorphosed into an emerging industrial workhorse, arguably being the engine of the country's economic transformation. Hence, the government has continued to play a catalytic role through various policy initiatives to elevate the sector to levels that would make Nigeria an economic hub and driver of Africa's economic renaissance.
49. In Nigeria, issues of real sector development are intricate and reflect a mix of both domestic and international characteristics. On the domestic front, the sector comprises agriculture, industry, building and construction, wholesale and retail, and the services sectors, while activities in the international oil market are intertwined with global economic developments. Consequently, sectoral policy must adequately address issues related to enhancing the capacity of the private sector to drive real sector activities and hence, achieve higher levels of growth.
50. The economy grew at a slower pace in 2023 Q1, driven mainly by activities in the non-oil sector. Growth was driven by election-related expenditures which fuelled economic activities, though constrained, mainly, by supply shocks that accompanied the currency redesign exercise, amid other headwinds. Headline inflation surged further on account of higher energy prices and limited access to cash that exacerbated supply shocks. The economy was characterized by an increased push by the fiscal authorities to ramp up the stock of infrastructure in the country in 2023 Q1, given the transition to a new democratic regime. Aggregate demand was spurred by election-related expenditure, thus, supporting growth in the quarter. However, supply bottlenecks, caused mainly by the Russia-Ukraine crisis, and supply shocks that accompanied the currency redesign exercise, amid other headwinds, slowed the pace of growth in the quarter. Consequently, real GDP grew by 2.31 percent in 2023 Q1 (year-on-year), compared with 3.52 percent in 2022 Q4, driven by the non-oil sector, which grew by 2.77 percent.

2.C.5 Energy (Electricity)

51. The year 2023 marked a decade, post-privatization of the power sector and witnessed significant legislative milestones which began with the enactment of the Constitution of the Federal Republic of Nigeria (Fifth Alteration) Act, No. 33, 202. The Act imbued states with powers to legislate on electricity generation, distribution, and transmission within areas covered by the national grid. On its trail was the enactment of the Electricity Act, 2023 (Electricity Act) which established a comprehensive framework for: the decentralization of the sector, the promotion of renewable energy, the grant of power sector licenses, establishment of an Independent System Operator to unbundle the Transmission Company of Nigeria (TCN) amongst others. Several other regulations were issued by the apex regulator, the Nigerian Electricity Regulatory Commission (NERC) to address concerns relating to power supply and demand, remittances by market players, license issuance, and consumer interests.
52. There has been substantial sectoral growth in 2024 propelled by state-led legislative frameworks, increased private sector engagement, intensified competition, expanded investments, and a government that espouses a supportive stance on subsidies and the introduction of bilateral trading within the sector.
53. However, the estimated average electricity generation in Q3 2023 at 3,895.76 MW/h, decreased by 4.1 per cent from 4,058.93 MW/h in the preceding quarter. The average estimated electricity consumption at 3,689.7 MW/h, increased by 2.5 percent in Q3 2023, relative to 3,601.4 MW/h in the preceding quarter. The increase was attributed to improvements in transmission and distribution infrastructures.

Table 6: Energy Information

Country *	Generation Capacity (GW)	Watts per capita
S. Africa	40.498	826
Egypt	20.46	259
Nigeria	5.96	40 (25 available)
Ghana	1.49	62
USA	977.06	3,180
Germany	120.83	1,468
UK	80.42	1,316
Brazil	96.64	486
China	623.56	466
India	143.77	124
Indonesia	24.62	102

Sources: World Fact book - <http://www.cia.gov/library/publications/the-world-factbook/index.html> (Energy Information Administration – www.eia.doe.gov)

2.C.6 Crude Oil

54. Domestic crude oil production rose following the resumption of loadings from the Forcados export terminal, and improved surveillance of oil infrastructure in the oil-producing regions. Nigeria's average crude oil production rose by 5.23 percent to 1.21 mbpd from 1.15 mbpd in the preceding quarter. The rise was due mainly, to the improved surveillance of oil infrastructure helped to increase production from Bonny, Erha, Okoro, Otakpipo, Yoho, Sea Eagle, and Nembe streams. Nigeria's production level, however, was lower than its OPEC quota of 1.742 mbpd, by 532,000 bpd in Q3 2023. (Central Bank of Nigeria Economic Report Q3 2023)
55. The increase in Nigeria's oil production from 1.3mbpd in November 2023 to 1.4mbpd in December 2023 was documented in the January 2024 report of the Organisation of Petroleum Exporting Countries (OPEC). This is coming on the heels of sustained efforts by the new administration to address issues of underproduction caused by underinvestment, oil theft, and oil infrastructure vandalism which have consistently kept oil production below OPEC+ production quota for Nigeria. We view the expansion in Nigeria's oil production, which places the country in the top spot in oil production among other OPEC countries in Africa, with optimism because of its positive implication for revenue performance and improved foreign exchange earnings to ease FX pressures.
56. Also, the rise in oil production presents significant opportunities for Nigeria to renegotiate the cut in its production quota to 1.58mbpd by OPEC+ by leveraging its improved oil production as a demonstration of greater capacity and clamoring for the use of African character in oil production as Angola exits OPEC+. Additionally, the improvement in the oil sector not only signals an imminent recovery for the oil sector which remains in recession with a growth of -0.85% in Q3 2023, but also a stronger performance for the non-oil sector whose 60% of activities are directly or indirectly linked with the performance of the oil sector, potentially setting the stage for stronger economic growth in 2024.
57. However, efforts must also be made to ensure that the unintended consequences of growing oil production such as oil spillage, pollution, environmental degradation, and other ESG concerns are minimized in oil-producing communities. This is necessary to ensure sustainable economic growth and development that do not cause long-term damage to the ecosystem.
58. According to data from the National Upstream Petroleum Regulatory Commission (NUPRC), Nigeria's crude oil production including condensates, increased 5.85% m/m reaching 1.64

million barrels per day (mbpd) in January 2024, up from 1.55 mbpd in December 2023. Excluding condensates, the production rose to 1.43 mbpd, compared with 1.34 mbpd in the previous month. In 2023, the average crude oil production was 1.47 mbpd, slightly below our projected 1.48 mbpd. Persistent challenges such as pipeline vandalism, theft, and terminal shutdowns, hampered the growth of crude oil production throughout 2023. These production figures fell short of the government's expectations of 1.69 mbpd in 2023.

59. Further analysis of the data showed that production from Bonny Terminal increased by 9.25% to 6.94 million barrels in January 2024 from 6.35 million barrels in December 2023. Forcados Terminal's crude oil production increased by 4.51% to 8.75 million barrels in January from the 8.37 million barrels produced in the previous month. Escravos Terminal produced 4.24 million barrels in January, an increase of 3.55% from the 4.09 million barrels produced in December 2023. Production at the Brass and Qua Iboe terminals increased by 15.72% and 6.03% to 896,581 barrels and 4.30 mbpd from 774,783 and 4.05 mbpd produced in December 2023.
58. Nigeria has been unable to reach its OPEC production quota for more than two years, undermining the country's principal source of foreign exchange. The oil sector remains in recession, as underinvestment and elevated theft have squeezed Nigeria's oil output from around 2mbpd five years ago to about 1.47mbpd in 2023. We anticipate the country's oil production will average 1.56 million barrels per day (mbpd) in 2024, driven by the government's proactive initiatives to reactivate inactive oil terminals and revive dormant oil wells. We note that in the medium term, the Nigeria Upstream Petroleum Regulatory Commission (NUPRC) has set an ambitious plan of 2.6 mbpd by 2026. OPEC data based on direct communication show that Nigeria's average daily production dropped to 1.2 million barrels, from 1.3 in February 2024.
59. The inauguration of Dangote refinery in Nigeria marks a significant milestone for the country's energy sector and economic landscape. With a colossal processing capacity of 650,000 barrels per day, the refinery is poised to become one of the largest single-train refineries in the world. Forecasts indicate that with the Dangote refinery fully operational, Nigeria could transform into a net exporter of petroleum products in 2024. This shift is expected to have profound economic implications. Firstly, it would alleviate the significant foreign exchange burden associated with fuel imports, thereby strengthening the nation's currency and improving its balance of trade. Secondly, local production of refined products could lead to lower prices and better availability of fuels domestically, benefiting consumers and industries alike.
60. Moreover, the refinery is set to create thousands of jobs, both directly and indirectly, stimulating economic growth and contributing to local development. The associated infrastructure, such as storage facilities and pipelines, will also enhance the overall efficiency of Nigeria's oil and gas sector. In addition to economic benefits, the Dangote refinery has the potential to contribute to energy security and stability in Nigeria and the broader West African region. By ensuring a steady supply of refined products, it can help mitigate the risks associated with global supply chain disruptions and price volatility.
61. Thus, while we note that the continuous expansion in oil production presents great economic benefits to the Nigerian economy in areas such as higher oil revenue, greater FX earnings, and prospects of stronger economic growth, we hold that the trend can also birth the ills of greater domestic exposure to oil price volatility and cause the economy to drift farther away from the much-needed economic diversification necessary to guarantee long-term economic stability and growth. More than ever before, there is a greater need to accommodate these possibilities through strategies aimed at economic diversification while also paying attention to sustainable and eco-friendly practices in oil production.

2.C.7 Socio-Economic Developments

60. To enhance connectivity, foster economic development, and reduce travel time between the Southern and Northern parts of the country, the Federal Government approved a 470-

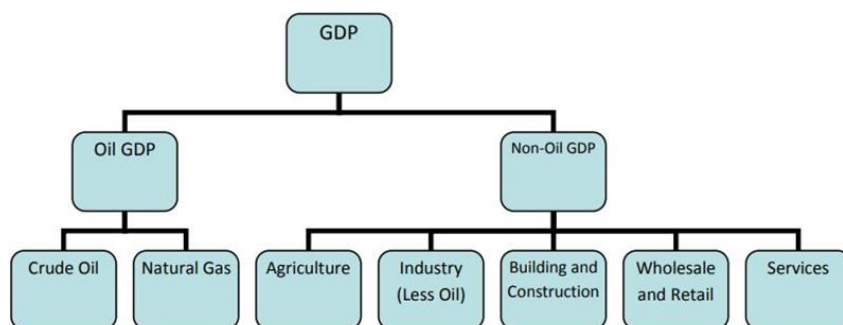
kilometre Abuja-Lagos Greenfield superhighway, to be built by a private sector consortium at no cost to the Government. The consortium would operate the facility on a build, operate, and transfer basis. The considered travel time upon completion of the road for vehicles plying the route at 100 kilometres per hour would be 4 hours, and 30 minutes from Lagos to Abuja.

61. The Federal Government opened discussions with Hitech Construction Company Ltd on the proposed Lagos-Calabar Coastal Highway. The project which is a Public Private Partnership and to be tolled upon completion, would boost interconnectivity to link the entire nation. The highway would link the Lagos-Badagry Express Superhighway, connect the proposed Fourth Mainland Bridge to Lekki Deep Sea Port, and link Ogoja-Ikom to connect five points in Northern Nigeria.
62. To cushion the effects of the removal of subsidy on PMS, the Infrastructure Bank of Nigeria set aside ₦13.00 billion for road infrastructural development and the conversion of vehicles to Compressed Natural Gas (CNG) in collaboration with the Federal Government.
63. The Nigeria Telecom Market size is estimated at USD 9.09 billion in 2024 and is expected to reach USD 11.43 billion by 2029, growing at a CAGR of 4.70% during the forecast period (2024-2029).
64. The Nigeria telecom market has undergone significant transformation over the past few years owing to various initiatives taken by the Government to boost the country's internet infrastructure and broadband connection, growth in data consumption from businesses as well as individuals, growth in 5G deployments across the country and various innovations by the significant telecom market vendors operating in Nigeria.

2.C.8 Fiscal Sector Developments

65. The Federal Government fiscal space improved following a contraction in the overall deficit, due to improved revenue outturns and lower expenditure. Federally collected revenue in Q3 2023, fell by 8.4 percent, relative to the level in the preceding quarter, and was lower than the budget benchmark by 39.7 percent. Though FGN retained revenue improved by 8.2 percent, compared with Q12023, it was below the quarterly target by 45.3 percent. Provisional FGN expenditure dropped by 26.6 percent, relative to the level in Q1 2023, and fell short of the target by 23.5 percent. Consequently, the overall deficit contracted by 37.9 percent, relative to the preceding quarter.
66. Nigeria's ambitious revenue targets for 2024 depend heavily on oil prices and reform implementation. Historically, actual revenue realized has averaged less than 70% of the total budget. Achieving budgeted oil revenue in 2024 will depend on OPEC oil production quota, international oil prices, improved security in the oil-producing regions, and geopolitical factors. The proposed fiscal reforms have the potential to boost non-oil revenue and shape the economy, but success hinges on effective budgeting and execution.
67. However, growth was dragged by the oil sector, despite the modest improvement recorded in the sector. The oil sector contracted by 4.21 percent, compared with a contraction of 13.38 per cent in the preceding quarter. The lower contraction was on account of renewed efforts to tackle vandalism and crude oil theft, which supported increased crude oil production to 1.28 million barrels per day from 1.15 mbpd produced in 2022Q4. However, persisting infrastructural and security challenges continued to weigh on the sector's output.
68. Nigeria's ambitious revenue targets for 2024 depend heavily on oil prices and reform implementation. Historically, actual revenue realised has averaged less than 70% of the total budget. Achieving budgeted oil revenue in 2024 will depend on OPEC oil production quota, international oil prices, improved security in the oil-producing regions, and geopolitical factors. The proposed fiscal reforms have potential to boost non-oil revenue and shape the economy, but success hinges on effective budgeting and execution.

Figure 6: Nigeria Components of Gross Domestic Product



Source: National Bureau of Statistics (NBS)

2.C.9 Business Activities

69. According to the Central Bank of Nigeria, business activities slowed, as Composite PMI contracted to 45.5 index points in Q3 2023, as against the 50.4 index points in Q2 2023, mainly, on account of weaker performance of the manufacturing sector in the quarter. Further analysis from the sectors revealed that the services sector PMI contracted to 46.7 index points in September 2023, from 49.0 index points in June 2023. This was reflected in sub-sectors such as Arts, Entertainment & Recreation; Health care & social assistance; Information & communication; and Real estate rental & leasing, amongst others. Similarly, the industry sector PMI narrowed to 42.8 index points, compared with 50.3 index points in the preceding quarter, following the fall in new orders and employment level that resulted in lower production. The agriculture PMI also points to the decline in activities following the rising cost of farm inputs and decreased farming activities due to security challenges. The sector's PMI contracted to 45.1 index points, from 52.9 index points in June 2023.

2.C.10 Composite and Sectors PMI

70. Following the slowdown in business activities within Q3 2023, firms expressed deeper pessimism in the overall macroeconomy with the business confidence index of -24.5 index points in September 2023 compared with -1.8 index points in June 2023. This reflected low business confidence in the overall economy, driven majorly by opinions from Agriculture and Service Sectors following rising cost pressures. Persisting security challenges, inadequate power supply, and high interest rate challenges dominated concerns expressed by businesses during the quarter.

Figure 7: Purchasing Managers Index



Source: Central Bank of Bank

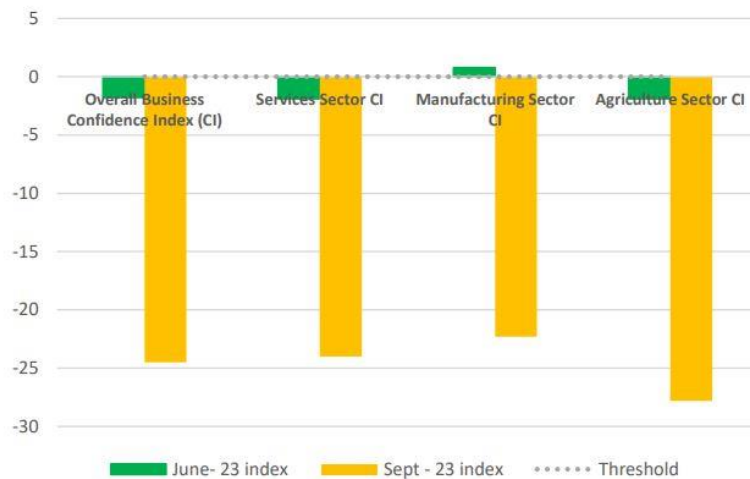
Composite, Industry, Services and Agriculture Purchasing Managers' Index

Figure 8: PMI Components

Components	June - 23	September-23
Composite PMI	50.4	45.5
Industry Sector PMI	50.3	42.8
Production Level	51.2	44.1
New Orders	48.1	38.1
Supplier Delivery Time	52.9	44.8
Employment Level	49.9	46.8
Raw Material Inventory	52.3	42.5
Services Sector PMI	49.0	46.7
Business Activity	49.1	43.0
New Orders	47.1	44.1
Employment Level	50.2	50.1
Inventory	49.7	49.6
Agricultural Sector PMI	52.9	45.1
Farm Yield/Output	53.8	41.9
New Orders	51.1	41.9
Employment Level	47.7	43.8
Inventories	52.5	50.7
General Farming Activities	59.4	47.1

Source: Central Bank of Bank

Figure 9: Overall Business Index



Source: Central Bank of Bank

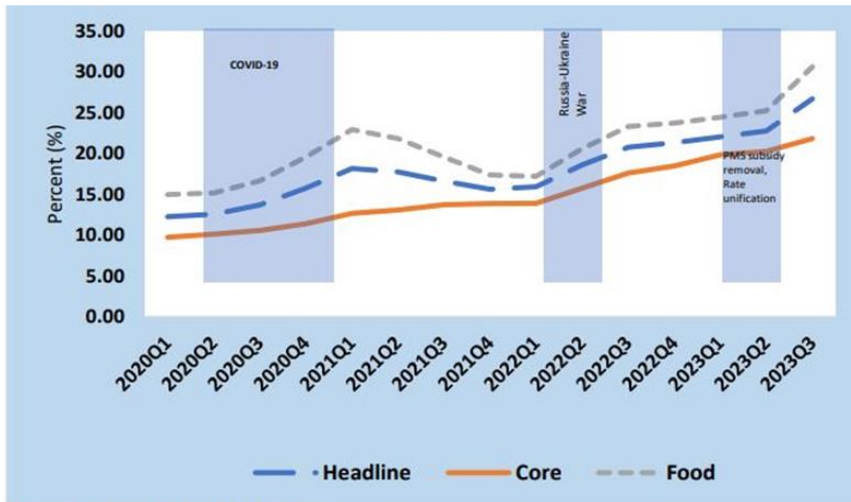
2.C.11 Consumer Prices

71. Headline inflation increased in Q3 2023, due to persisting shocks from global and domestic sources. The price pressure from the global economy was amplified by the Russia- Ukraine war, which led to the rise in energy and food prices. Higher import prices, arising from elevated global inflation, and exchange rate passthrough also impacted domestic prices. The domestic factors were mainly cost-push, driven by the effect of the reforms in the downstream sector of the petroleum industry, which led to a 226.8 percent increase in the average pump price of PMS to ₦626.21 per litre in September 2023, from ₦191.65 per litre, in the corresponding period of 2022. The transition to a market-determined exchange rate also introduced some shocks to domestic prices. In addition, other factors such as security challenges, and protracted infrastructural deficits, as well as expectations of further rise in prices, contributed to inflationary pressures. Consequently, headline inflation (year-on year) rose to 26.72 percent in Q3 2023 from 22.79 percent in Q2 2023.

2.C.12 Headline, Food and Core Inflation (year-on-year) in Per cent

72. A deep dive into inflation pervasiveness, suggest that although, inflation was broad-based across different components. Recent evidence showed that inflation was less pervasive in September 2023 as 71.6 percent of the items in the CPI basket were above the historical average of 13.10 percent (1996-2023), compared with the 73.13 percent in August 2023 and 91.04 percent at the end of December 2022.

Figure 10: Headline Inflation

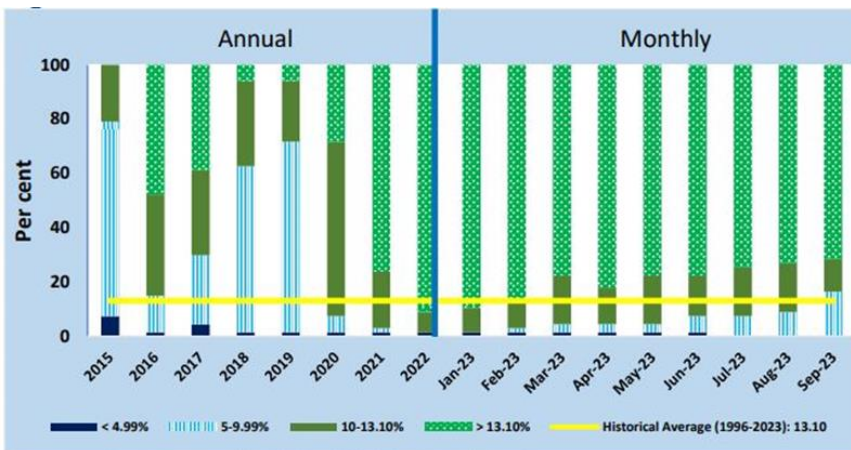


Source: National Bureau of Statistics (NBS)

2.C.13 Inflation Pervasiveness

73. Core inflation, on a year-on-year basis rose to 21.84 percent in Q2 2023 from 20.27 percent in the preceding quarter, due to higher import costs, and other structural factors such as insecurity and infrastructural deficit. Expectations of a further rise in prices also contributed to the uptick in core inflation.

Figure 11: Inflation Pervasiveness



Source: National Bureau of Statistics (NBS)

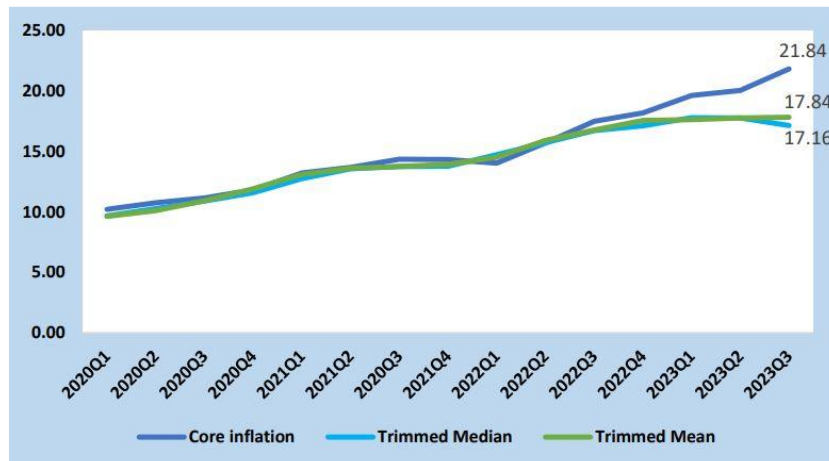
Figure 12: Component Drivers of Core Inflation



Source: National Bureau of Statistics (NBS)

74. Further analysis of the drivers of core inflation revealed that Processed Food contributed 10.52 percentage points, Housing, Water, Electricity, Gas & Other Fuel (3.64 percentage points), Clothing & footwear (2.05 percentage points), Transport (1.63 percentage points) and Education (1.27 percentage points) accounted for the uptick in core inflation in Q3 2023, compared with 8.85, 3.73, 2.03, 1.68 and 1.29 percentage points, respectively in Q2 2023.

Figure 13: Measures of Underlying Inflation



Source: National Bureau of Statistics (NBS)

75. The trimmed mean and trimmed median slightly moderated, relative to the core inflation in Q3 2023 indicating slower pace in underlying inflation. Food inflation (year-on-year), increased to 30.64 percent in Q3 2023 from 29.34 percent in the preceding quarter, largely on account of the ripple effects of PMS subsidy removal, which increased transportation, logistics and other input costs. The average transport fare for bus journeys between cities increased by 130.74 percent to ₦2,643 in September 2023, compared with ₦1,141.43 in the corresponding period of 2022.

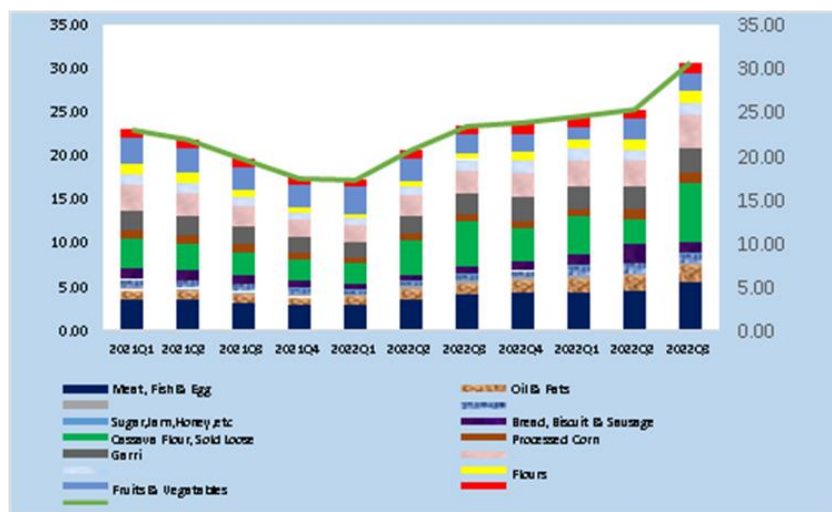
Figure 14: Contribution of Processed Food and Farm Produce to Food Inflation



Source: National Bureau of Statistics

76. The processed food component remained the major driver of food inflation. This was due to the persisting high energy cost, driven by the PMS subsidy removal, and elevated retail price of diesel at ₦890.80 per litre in September 2023 from ₦789.90 per litre in the corresponding period of 2022.

Figure 15: Component Drivers of Food Inflation



Source: National Bureau of Statistics

77. Analysis of food inflation by components showed that in Q3 2023, Garri accounted for 6.92 percentage points (pp); Meat, Fish & Egg (5.45 pp); Yam, Potatoes & other Tubers (3.91 pp); Fruits & Vegetables (2.74 pp); Rice (2.12 pp); and Oil & Fats (2.04 pp), compared with Q2 2023 which had Meat, fish & egg at (4.56 pp); Yam, Potatoes & other Tubers (3.03 pp); Garri (2.85 pp); Fruits & Vegetables (2.67 pp); Rice (2.42 pp); and Oil & Fats (1.75 pp).

2.C.14 Federation Account Operations

78. Federally collected revenue improved by 50.1 percent relative to the level in the preceding quarter, on account of higher non-oil receipts. It was however, below the target by 9.5 percent. FGN retained revenue also improved by 12.1 percent but was below the target by 38.7 percent. Provisional FGN expenditure dropped by 3.2 percent compared with the same level in Q2 2023 falling short of the target by 26.0 percent. Consequently, the overall deficit contracted by 11.9 and 12.9 percent, relative to Q2 2023 and the revenue target, respectively. At ₦87,379.40 billion, the total public debt outstanding at the end of June 2023 was 42.3 percent of the GDP.
79. Gross Federation Account earnings improved, majorly on account of increased earnings from non-oil sources. At ₦4,791.39 billion, the Federation Account receipt exceeded the level in Q2 2023 by 50.1 percent but was below the benchmark by 9.5 percent. The improved performance reflected higher receipts from Company Income Tax (CIT), Customs & Excise Duties and Value-Added Tax (VAT), Production Sharing Contract (PSC), and the 2023 interim dividend declaration by the Nigerian National Petroleum Company Limited (NNPCL). Non-oil revenue continued to dominate federation revenue, accounting for 83.0 percent, while oil revenue made up the balance of 17.0 percent.
80. Driven by receipts from Production Sharing Contract (PSC) and dividends from NNPCL, oil revenue, at ₦814.23 billion, rose by 0.6 percent above the level in the preceding quarter, but was below the target of ₦2,410.89 billion by 66.2 percent.
81. Non-oil revenue, at ₦3,977.16 billion, was 66.9 percent above the level in the preceding quarter and exceeded the target by 38.0 percent, reflecting higher collections of CIT, Custom & Excise Duties, and VAT. The increase in receipts was driven by improved economic activities, seasonality in tax returns, particularly CIT; and improved efficiency in tax administration.

Figure 16: Gross Revenue Outturn and Benchmark (₦ Billion)



Source: Central Bank of Nigeria (CBN)

Table 7: Federally Collected Revenue and Distribution to the Three-Tiers of Government (₦ Billion)

	Q32022	Q22023	Q32023	Budget*
Federation Revenue (Gross)	3,808.62	3,192.47	4,791.39	5,293.66
Oil	1,232.54	809.02	814.23	2,410.89
Crude Oil & Gas Exports	0.00	0.00	3.09	122.71
PPT & Royalties	1,146.06	779.41	513.05	2,060.26
Domestic Crude Oil/Gas Sales	64.56	0.00	0.00	25.15
Others ¹	21.91	29.61	298.09	202.78
Non-oil	2,576.08	2,383.45	3,977.16	2,882.77
Corporate Tax	1,101.32	630.40	1,843.88	523.17
Customs & Excise Duties	463.97	381.82	551.53	528.97
Value-Added Tax (VAT)	629.58	706.73	937.93	738.44
Independent Revenue of Fed. Govt.	372.42	655.70	635.02	792.27
Others**	8.79	8.80	8.80	299.92
Total Deductions/Transfers***	1,398.99	1,170.44	2,867.97	2,058.22
Federally Collected Revenue				
Less Deductions & Transfers***	2,409.63	2,022.03	1,923.42	3,235.44
plus:				
Additional Revenue	20.00	164.69	872.75	34.09
Balance in Special Account from 2019	0.00	0.00	0.00	0.00
Excess Crude Revenue	20.00	0.00	0.00	0.00
Non-oil Excess Revenue	0.00	94.05	38.38	34.09
Exchange Gain	0.00	70.64	834.37	0.00
Total Distributed Balance	2,429.63	2,186.72	2,796.17	3,269.53
Federal Government	988.10	837.50	1058.00	1291.10
Statutory	900.16	738.94	927.94	1188.49
VAT	87.94	98.56	130.06	102.61
State Government	749.72	728.79	920.49	959.32
Statutory	456.59	400.26	486.93	617.27
VAT	293.13	328.53	433.56	342.05
13% Derivation	134.62	84.01	140.15	305.00
Local Government	557.19	536.42	677.53	714.11
Statutory	352.00	306.45	374.04	474.68
VAT	205.19	229.97	303.49	239.43

Source: Office of the Accountant General of the Federation and CBN Staff Estimates

Source: Office of the Accountant General of the Federation and CBN Staff Estimates

82. A net balance of N2,796.17 billion was distributed among the three tiers of government, of which Federal, States and Local governments received ₦1,058.00 billion, ₦920.49 billion, and ₦677.53 billion, respectively. The balance of ₦140.15 billion was transferred to the 13% Derivation Fund and allocated to oil-producing states. The disbursement was 27.9 percent above the level in Q2 2023 but was 14.5 percent short of the target.

2.C.15 Fiscal Operations of the Federal Government

83. Provisional FGN retained revenue improved, largely on account of higher receipts from VAT Pool Account and Exchange Gain. At ₦1,693.02 billion, FGN retained revenue was above collections in the preceding quarter by 12.1 percent, but fell short of the target of ₦2,761.28 by 38.7 percent.

Figure 17: FGN Retained Revenue (₦ Billion)

	Q32022	Q22023	Q32023	Budget*
FGN Retained Revenue	1,837.52	1,510.09	1,693.02	2,761.28
<i>Federation Account</i>	889.64	678.26	510.30	1,070.84
<i>VAT Pool Account</i>	87.94	98.56	130.07	95.77
<i>FGN Independent Revenue</i>	372.42	655.70	635.02	792.27
<i>Excess Oil Revenue</i>	10.52	0.00	0.00	0.00
<i>Excess Non-Oil</i>	0.00	26.92	5.76	0.00
<i>Exchange Gain</i>	0.00	33.76	411.88	0.00
<i>Others**</i>	477.00	16.89	0.00	802.40

Source: Office of the Accountant General of the Federation and CBN Staff Estimates

84. Provisional aggregate expenditure of the FGN declined. At ₦4,040.18 billion, spending was ₦135.17 billion or 3.2 percent, below the level in the preceding quarter, and ₦1,416.6 billion or 26.0 percent short of the target. Recurrent expenditure, at 69.1 percent continued to dominate FGN spending, compared with the 25.8 and 5.1 percent in capital outlay, and transfers, respectively.

Figure 18: FGN Expenditure



Source: CBN Staff Estimates and OAGF

2.C.16 Debt Profile

85. Nigeria's public sector external debt stock and external debt service payment at end-June 2023 stood at US\$43.16 billion or 10.4 percent of GDP and US\$0.37 billion, respectively. A breakdown showed that the multilateral loans, from the World Bank, International Monetary Fund, and African Development Bank Groups, amounted to US\$20.79 billion, accounting for 48.2 per cent of the total. A total of US\$15.62 billion or 36.2 per cent of the total was borrowed from commercial sources in the form of Euro Bonds. Loans from bilateral sources was US\$5.52 billion, or 12.8 percent of the total, promissory notes were US\$0.93 billion, or 2.2 per cent of the total, while syndicated loan (arranged by African Finance Corporation) stood at US\$0.30 billion or 0.7 per cent of the total debt stock.

86. The external debt service payment stood at US\$0.37 billion at end of June 2023, relative to US\$0.80 billion in the preceding quarter. A breakdown showed that interest payment totalled US\$0.21 billion, accounting for 56.8 per cent of the entire debt service payment. Principal repayment totalled US\$0.13 billion, or 35.1 per cent of the total, while other payments made up the balance. An analysis of interest payments showed that interest payment on commercial borrowings accounted for 76.2 per cent of the total at US\$0.21 billion, while interest on multilateral loans amounted to US\$0.04 billion or 19.1 per cent of the total. Interest payments to bilateral institutions accounted for the balance.
87. Nigeria's public debt stock which includes external and domestic debt stood at N87.38 trillion (US\$113.42 billion) in Q2 2023 from N49.85 trillion (US\$ 108.30 billion) in Q1 2023, indicating a growth rate of 75.27% on a quarter-on-quarter basis. Total external debt stood at N33.25 trillion (US\$43.16 billion) in Q2 2023, while total domestic debt was N54.13 trillion (US\$70.26 billion).
88. The share of external debt (in naira value) to total public debt was 38.05% in Q2 2023, while the share of domestic debt (in naira value) to total public debt was 61.95%. Lagos state recorded the highest domestic debt in Q2 2023 with N996.44 billion, followed by Delta with N465.40 billion. Jigawa state recorded the lowest domestic debt with N43.13 billion, followed by Kebbi with N60.94 billion. In addition, Lagos state recorded the highest external debt with US\$ 1.26 billion, followed by Kaduna with US\$569.38 million. Borno state had the least external debt with US\$18.75 million, followed by Taraba with US\$21.92 million.

Table 8: NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT DECEMBER 31, 2023

	Debt Category	Amount Outstanding (US\$'M)	Amount Outstanding (N'M)	% of Total
A.	Total External Debt	42,495.16	38,219,849.44	39.26%
	FGN Only	37,885.10	34,073,593.74	35.00%
	States & FCT	4,610.06	4,146,255.69	4.26%
B.	Total Domestic Debt	65,734.18	59,120,858.81	60.74%
	FGN Only	59,215.51	53,258,011.88	54.72%
	States & FCT	6,518.67	5,862,846.93	6.02%
C.	Total Public Debt(A+B)	108,229.34	97,340,708.25	100%

Sourced: DMO

2.C.17 International Investment Position (IIP)

89. Nigeria's International Investment Position was a higher net financial liability of US\$67.21 billion. The stock of financial assets decreased to US\$107.78 billion at Q3 2023, compared with US\$109.59 billion in the preceding quarter, due, largely to the 2.7 percent fall in 'reserve asset'. The direct investment assets also declined by 1.5 percent to US\$13.45 billion, from the level at Q2 2023, owing to lower investments in equities. The stock of portfolio investments, however, increased by 1.2 percent to US\$4.10 billion, relative to the preceding quarter. The stock of financial liabilities increased by 1.9 percent to US\$174.99 billion, from US\$171.79 billion in Q2 2023. The increase was attributed, mainly, to the growth in the stock of portfolio investment liabilities, which rose by 12.1 percent to US\$31.91 billion, from its Q2 2023 level. The stock of direct investment and other investment liabilities were US\$73.51

billion and US\$66.47 billion, compared with US\$72.08 billion and US\$67.87 billion, respectively.

2.C.18 External Reserves

90. The external reserves remained well above the international benchmark for import cover. The external reserves stood at US\$32.79 billion at Q3 2023, relative to US\$33.75 billion in Q2 2023. The level of external reserves could cover 6.3 months of import for goods and services or 8.7 months of import for goods only.

Figure 19: External Reserves in US\$ Billion and Months of Import Cover



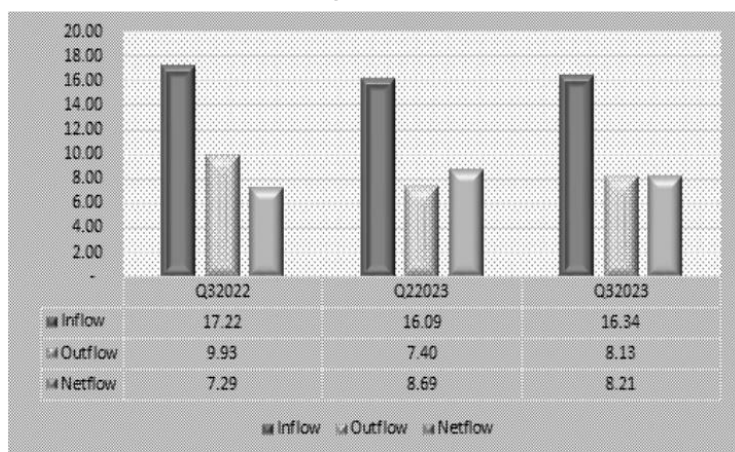
Source: Central Bank of Nigeria (CBN)

91. A disaggregation of the external reserves showed that holdings by the CBN was US\$28.84 billion; Federal Government, US\$3.95 billion; while the Federation held the balance of US\$0.66 million. In terms of currency composition, the US dollar was US\$24.81 billion, (75.7%); Special Drawing Rights US\$4.42 billion (13.5%); Chinese Yuan US\$3.17 billion (9.7%); British Pounds US\$0.21 billion (0.6%); Euro US\$0.17 billion (0.5%); while other currencies accounted for the balance.
92. Foreign exchange outflow through the economy rose by 9.7 percent to US\$8.12 billion, relative to US\$7.40 billion in Q2 2023. Outflow through the Bank increased by 13.1 percent to US\$7.20 billion from US\$6.37 billion in the preceding quarter. Autonomous outflow, however, fell by 11.0 percent to US\$0.92 billion as against the US\$1.04 billion in the preceding quarter.
93. Consequently, net foreign exchange inflow to the economy decreased by 5.4 percent to US\$8.22 billion as against the US\$8.69 billion in the preceding quarter. Net inflow through autonomous sources also fell to US\$9.04 billion from US\$9.64 billion in the preceding quarter. Net outflow of US\$0.82 billion was, however, recorded through the Bank, compared with the net outflow of US\$0.96 billion in the preceding quarter.

2.C.19 Foreign Exchange Flows through the Economy

94. Net foreign exchange inflow to the economy stood at US\$8.22 billion in the review quarter. Foreign exchange inflow to the economy increased by 1.6 percent to US\$16.34 billion from US\$16.09 billion in Q2 2023. Foreign exchange inflow through the Bank increased to US\$6.37 billion from US\$5.41 billion in the preceding quarter. Inflow through autonomous sources, however, decreased to US\$9.97 billion, from US\$10.68 billion in the preceding quarter.

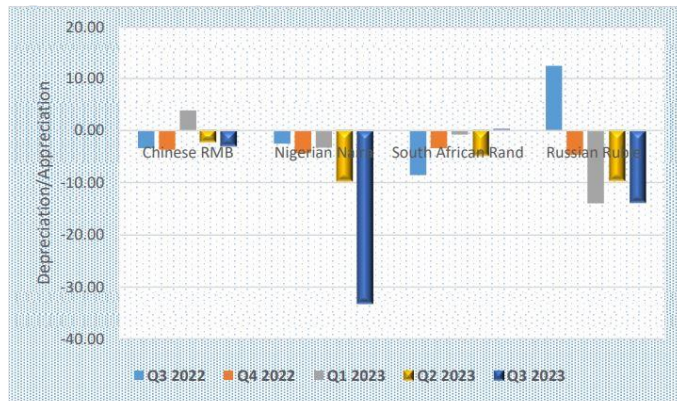
Figure 20: Foreign Exchange Transactions through the Economy (US\$ Million) in the Third Quarter of 2023



Source: Central Bank of Nigeria (CBN)

95. The average turnover at the Nigerian Autonomous Foreign Exchange Market (NAFEM) declined by 23.5 percent to US\$0.97 billion relative to US\$0.13 billion in Q2 2023. The average exchange rate of the naira per US dollar at the NAFEM was ₦764.82/US\$, compared with the ₦511.23/US\$ in Q2 2023.
96. Most emerging market currencies depreciated against the US dollar during the reviewed quarter. The Russian ruble and Chinese RMB depreciated by 14.0 and 3.1 percent, respectively, relative to the levels in the preceding quarter. The depreciation of the Russian ruble was due to the ongoing war in Ukraine, Western sanctions, and rising inflation, while the depreciation of the Chinese RMB was attributed to weakening domestic economy, a divergence in monetary policy between China and the United States, and a strengthening US dollar. Conversely, the South African rand appreciated by 0.3 percent due to improved investor sentiment, stronger economic growth, higher commodity prices, lower inflation, and central bank intervention.

Figure 21: EMEs Currency Rates to the US dollar



Source: Central Bank of Nigeria (CBN)

Table 9: EMEs Currency Rates to the US dollar

Period	Chinese RMB	Nigerian Naira	South African Rand	Russian Ruble
Q3 2022	6.85	426.35	17.03	60.11
Q2 2023	7.01	511.23	18.70	81.20
Q3 2023	7.24	764.82	18.64	94.37

Source: Central Bank of Nigeria (CBN)

Table 10: Summary of FGN Finances (₦' Million) 2010-Q3 2023

Year/Quarter	Total Revenue	Total Expenditure	FG Fiscal (Deficit)/Surplus
2010 Total	3,388,905.40	3,996,445.81	-607,540.41
2011 Total	3,376,981.50	4,193,968.20	-816,986.70
2012 Total	3,156,007.60	4,105,237.60	-949,230.00
2013 Total	3,362,195.00	4,515,685.20	-1,153,490.20
2014 Total	3,287,771.00	4,123,415.00	-835,644.00

2015 Total	3,209,565.00	4,767,365.00	-1,557,800.00
2016 Total	3,180,372.65	5,320,416.00	-2,140,043.35
2017 Total	3,618,924.66	8,720,168.00	-5,101,243.34
2018 Total	3,876,267.24	7,538,026.00	-3,661,758.76
2019 Total	4,689,290.00	9,302,508.00	-4,613,215.47
2020 Total	4,024,650.00	10,003,902.00	-5,979,255.64
2021 Total	4,397,700.00	11,902,076.00	-7,504,387.44
2022 Total 1	4,976,485.80	13,394,856.00	-8,419,514.20
Q1 2023 2	1,315,998.00	5,627,499.00	-4,311,501.00
Q2 2023 2	1,480,377.00	3,992,031.00	-2,511,654.00
Q3 2023	1,489,644.00	4,264,486.00	-2,774,842.00

Source: Federal Ministry of Finance, Office of the Accountant General of the Federation, and Survey of State and Local Government Finances by CBN

97. The near-term outlook for Nigeria's economic growth remains positive, despite some headwinds. The optimistic outlook is underpinned by anticipated favourable trend in crude oil prices and higher level of output. The strategic decision to phase out PMS subsidy is expected to increase the fiscal space, offering an added stimulus for growth. The growth prospect, however, is subject to some downside risks including global economic uncertainties, domestic security challenges, and higher debt service obligations. Inflationary pressure may persist in the short-term, partly, on account of higher domestic price of PMS and import costs. Other factors that could add pressures to consumer prices include the impact of stance and improvement in global supply chain, however, are expected to moderate inflationary pressures. The outlook for the external position of Nigeria remains optimistic, driven by sustained crude oil price rallies and increased domestic oil production. Specifically, sustained production cuts by OPEC+ through Q4 2023 leading to higher crude oil prices and earnings, and gains from ca50pital flows and remittances would support the external reserves outlook. The risks of capital reversals are however heightened by sustained monetary tightening in advanced economies, change in agricultural output, and higher spending associated with end-of the year festivities and off-cycle elections.
98. Nigeria's Gross Domestic Product (GDP) grew by 3.46% (year-on-year) in real terms in the fourth quarter of 2023. This growth rate is lower than the 3.52 percent recorded in the fourth quarter of 2022 and higher than the third quarter of 2023 growth of 2.54 percent. The performance of the GDP in the fourth quarter of 2023 was driven mainly by the Services sector, which recorded a growth of 3.98 percent and contributed 56.55 percent to the aggregate GDP. The Agricultural Sector grew by 2.10 percent from the growth of 2.05 percent recorded in the fourth quarter of 2022. The growth of the Industrial Sector was 3.86 percent an improvement from -0.94 percent recorded in the fourth quarter of 2022. In terms of share of the GDP, Industrial, and the Services sectors contributed more to the aggregate GDP in the fourth quarter of 2023 compared to the fourth quarter of 2022. On an annual basis, GDP grew by 2.74 percent in 2023 relative to 3.10 percent in 2022.
99. GDP may grow marginally by 3.1% in 2024 on the back of sustained policy reforms albeit growth prospect limitations by elevated economic pressures. The growth projection is driven by but not limited to ongoing reforms, recovering oil production, and a proactive policy environment. Possible risks to the projection include sustained rise in fiscal debt, elevated

interest rates, high inflationary levels, foreign exchange liquidity pressures, poor non-oil revenues and sector development. In terms of sectors, the main drivers of GDP growth have been the financial services, information and communication, and utilities sectors. We expect these sectors to continue to drive growth in the short term.

100. The financial system was resilient, on the back of sustained supervision and implementation of prudential guidelines, ample liquidity and positive investors' sentiment. Banking system liquidity increased, resulting in decreased activity in the Standing Lending Facility (SLF) window, increased subscription in both the Nigerian Treasury Bills (NTBs) and Federal Government of Nigeria (FGN) bonds segments, and credit expansion to key sectors of the economy. The broad money supply (M3) grew by 4.8 percent at the end of March 2023, owing to increase in both net foreign and domestic assets.
101. Activity on the Nigerian Exchange (NGX) Limited was bullish, arising from strong buying interest in the equities market occasioned by positive 2022 full year corporate dividend/earnings declaration. Uncertainties surrounding the general elections in Nigeria exerted pressure on the external sector, as the overall balance of payments deficit widened. The current account posted a surplus of US\$2.49 billion, buoyed by positive trade performance. Capital reversal of US\$0.78 billion was recorded in Q1 2023, in contrast to an inflow of US\$1.94 billion in Q4 2022, reflecting in part, the policy normalisation by the Advanced Economies and uncertainties surrounding the country's general elections. Aggregate financial assets recorded a disposal of US\$1.30 billion, in contrast to an acquisition of US\$1.09 billion in Q4 2022.
102. The international reserves at US\$35.14 billion was equivalent to 6.68 months of import for goods and services or 9.01 months for goods only. The average exchange rate of the naira per US dollar at the Investors and Exporters (I&E) window was ₦460.93/US\$, compared with ₦445.71/US\$ in Q4 2022. The international investment position recorded a net financial liability of US\$76.62 billion. Public sector external debt stock and external debt service payment at end-December 2022 stood at US\$41.69 billion and US\$0.80 billion, respectively.
103. Nigeria Gross Domestic Product (GDP) grew by 2.51 percent (year-on-year) in real terms in the second quarter of 2023. This growth rate is lower than the 3.54 percent recorded in the second quarter of 2022 and may be attributed to the challenging economic conditions being experienced. The performance of the GDP in the second quarter of 2023 was driven mainly by the Services sector, which recorded a growth of 4.42 percent and contributed 58.42 percent to the aggregate GDP. The agricultural sector grew by 1.50 percent an improvement from the growth of 1.20 percent recorded in the second quarter of 2022. The growth of the Industrial sector was -1.94 percent relative to -2.30 percent recorded in the second quarter of 2022. In terms of share to the GDP, the Agricultural, and Industrial sectors contributed less to the aggregate GDP in the second quarter of 2023 compared to the second quarter of 2022.
104. The Gross Domestic Product (GDP) in current prices in Nigeria was forecast to continuously increase between 2024 and 2029 in total of 35.1 billion U.S. dollars (+13.89%). According to this forecast in 2029, the GDP will have increased for the fourth consecutive year to 287.85 billion U.S. dollars. The Gross Domestic Product at current prices is defined based on the GDP in national currency converted to U.S. dollars using market exchange rates (yearly average). The GDP represents the total value of final goods and services produced during a year.
105. Overall, while there are positive indicators such as GDP growth and improvements in revenue collection, there are also challenges such as debt sustainability, foreign exchange dynamics, and external economic uncertainties that Nigeria needs to navigate.

2.D Kaduna State Economy

2.D.1 Kaduna State Economy

106. Kaduna State, the Centre of Learning, is home to 9.98m people and rich in Gold deposits, Sapphire, Columbite, Cassiterite, Molybdenite, Tantalite, Iron Ore, and an array of Gemstones such as Aquamarine, Sapphire, Tourmaline, Topaz, Amethyst, among others. These mineral resources have made Kaduna a favorable destination for investors in the mining sector, barring the security challenges and ethno-religious clashes that have bedeviled the state.
107. Kaduna State has been a poster child for governance reforms amongst the 36 States of the Federation. A good example of those is the full operationalization of the Treasury Single Account (TSA), granting full autonomy to the State Internal Revenue Service and criminalizing cash collection of government revenue. The aforementioned reforms have precipitated a 123.1% growth in IGR from ₦26.53bn in 2017 to ₦58bn in 2022 (the highest in the North-West region).
108. Kaduna State continues to maintain its position as a significant player in the Nigerian economy, leveraging its agricultural prowess and strategic location. The State's economy remains largely agrarian, with a focus on crops such as maize, ginger, cotton, and peanuts (groundnuts). Additionally, Kaduna State serves as a trade hub and a vital transportation nexus, facilitating the movement of goods to various markets.
109. Efforts by both public and private sectors, along with non-governmental organizations, have intensified the commercialization of agricultural produce, thereby enhancing its position across multiple value chains. The favorable climate and soil conditions in Kaduna State sustain its agricultural productivity, making it a key contributor to the nation's agricultural sector.
110. Kaduna's performance in the World Bank's Ease of Doing Business Index has been instrumental in attracting investors. According to the Kaduna Investment Promotion Agency (KADIPA), since 2015, Kaduna has secured investments in excess of USD2.0bn in anticipation. Emphasis on agriculture and its related branches such as provision of inputs for farmers, specialized produce boost in targeted areas e.g. Maize production in Kubau, Livestock, Beans and Ginger in Kachia; potato processing plant of Vicampro Farms Company Limited; Manchok, Kaura. The State is becoming a big poultry cluster in not only in Northern part of the Country but the Nation in general. An overhaul on the manpower structure in education and the provision of infrastructures to raise the quality of education and United Nations recommended 26 percent of State's Budget is invested in education.

2.D.2 Gross Domestic Product

111. Kaduna State consists of forty (40) economic activities out of the forty-six (46) recorded at the national level. Currently, the State does not produce crude oil and natural gas which are predominantly produced in the South-South region of the country, but has a refinery used in refining crude petroleum. Other economic activities present include Agriculture; Quarrying; Mining; Manufacturing (without Cement Production); Water Supply, Sewerage, Waste Management, and Remediation; Construction; Trade; Accommodation and Food Services; Transportation and Storage; Information and Communication; Art, Entertainment and Recreation; Financial and Insurance; Real Estate; Professional, Scientific and Technical; Administrative and Support Services; Public Administration; Education; Human Health and Social Services; and Other Services.
112. However, Kaduna state is known for huge wholesale and retail trading activities, attracting people across the Country. In nominal terms, the state Gross Domestic Product stood at ₦3.37 trillion in 2021 relative to ₦3.14 trillion in 2020. This shows that the economy grew by 7.40% compared to -1.33% recorded in the previous year under the Covid-19 crisis. The growth indicates an increase of 8.73% points. The major growth drivers in 2021 were Agriculture (Crop Production); Information and Communication (Telecommunication); Trade; Finance and Insurance (Financial Institutions); and Construction leading to a positive GDP

growth rate. Similarly, the main drivers in 2020 were Trade; Manufacturing (Textile, Apparel, and Footwear); Professional, Scientific, and Technical Services; Education; Real Estate; Accommodation and Food Services; Construction; Transportation and Storage (Road Transport) leading to a negative GDP growth rate. In 2021, the contribution of Agriculture to nominal GDP stood at 42.81%, Industry was 8.27%, and Services stood at 48.92%. Similarly, Agriculture contributed 42.66% in 2020, and the share of Industry and Services stood at 8.68% and 48.67% respectively. This shows a higher contribution of Agriculture and Services in 2021. Agriculture witnessed a growth of 7.77% in 2021 compared to 5.95% recorded in 2020, while Industry recorded a growth of 2.38% compared to -14.44% recorded in 2020, and Services with 7.97% compared to -4.47% in 2020.

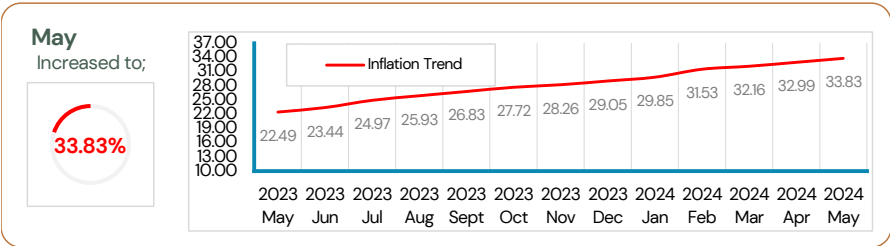
Sourced: KDBS

2.D.3 Consumer Price Index (CPI)

Commented [AA1]: Include Q1 2024

- 113. The consumer price index, (CPI) which measures inflation rate increased to 33.83% in May, 2024. This is 0.84% higher than the rate of 32.99% recorded in April, 2024. This shows that price of goods and services increased in May, 2024 when compared to the inflation rate recorded in April, 2024.
- 114. Furthermore, on a year-on-year basis, the headline inflation rate was 11.34% points higher compared to the rate recorded in May 2023, which was 22.49%. This shows that the headline inflation rate on a year-on-year basis repetitively increased in May, 2024 when compared to the same month in the preceding year May, 2023.

Figure 22: Kaduna State Year on Year Inflation Trend 12 Month Series



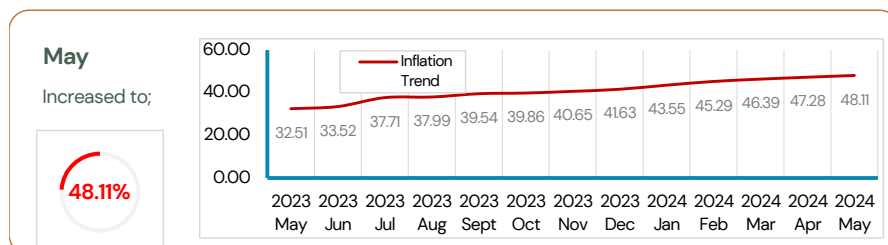
Source: KDBS

- 115. The State average composite year on year inflation rate is 28.39% in May, 2024 showing 0.89% increase from 27.50% recorded in April, 2024.
- 116. The corresponding twelve-month year-on-year average percentage change for the Urban index is 28.38% in May, 2024 showing 0.85% higher than 27.53% reported in April, 2024 while the corresponding Rural inflation rate in May, 2024 is 28.28% compared to 27.39% recorded in April, 2024 showing 0.89% increase.

2.D.4 Kaduna State 2023 Month on Month Annual Inflation Trend

- 117. The Kaduna State Month – on – Month CPI shows that the State Index stands at 403.92% in May, 2024. The Urban Index recorded 401.11% while Rural index recorded 415.95% in May, 2024.
- 118. The State CPI Month – on - Month Inflation rate increased by 0.83% in May, 2024 from the rate recorded in April, 2024.
- 119. The Urban Inflation Rate increased by 1.20% in May, 2024 from the rate recorded in April, 2024.
- 120. The Rural Inflation Rate also increased by 0.40% in May, 2024 from the rate recorded in April, 2024.

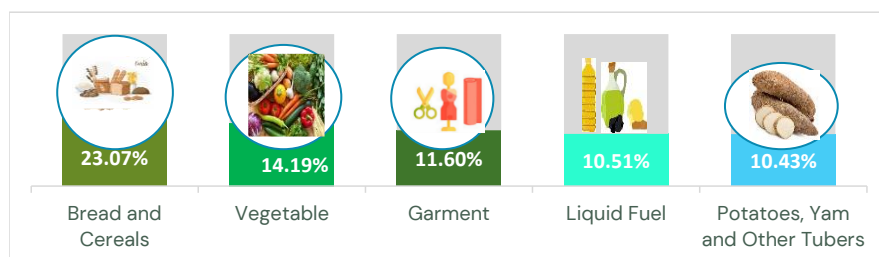
Figure 23: Kaduna State Month on Month Inflation Trend 12 Month Series



Source: KDBS

121. The Top Five Absolute contribution that influenced the increase of the Month-on-Month May, 2024 CPI Inflation Rate included: Bread & Cereals 23.07%, Vegetable 14.19%, Garment 11.60%, Liquid Fuel 10.51% and Potatoes, Yam and Other Tubers 10.43%.
122. The highest contribution to the increase of May, 2024 Month-on-Month Inflation rate was recorded in Bread & Cereals 23.07%.

Figure 24: Figure 5: The Top Five Absolute Contributions



Source: NBS

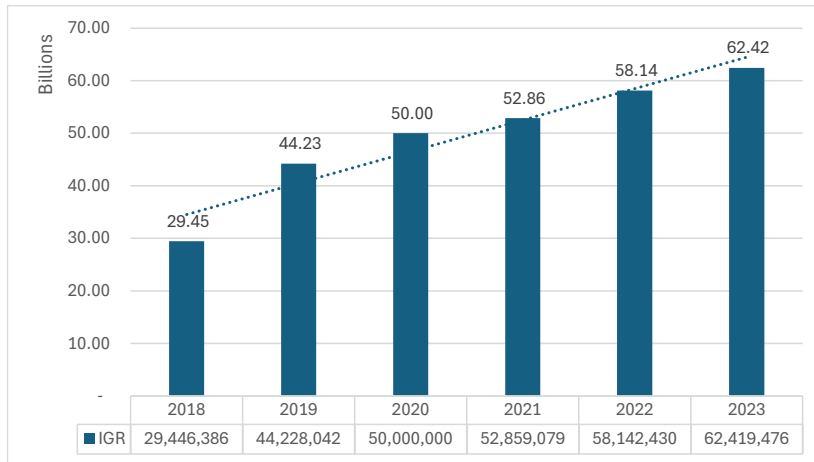
2.D.5 Kaduna State and Nigeria Inflation Trend

123. The CPI Year-On-Year Inflation Rate for Kaduna State increased persistently within thirteen (13) months from 22.49% in May, 23.44% in June, 24.97% in July, 25.93% in August, 26.83% in September, 27.72% in October, 28.26% in November, 29.05 in December, 2023, 29.85% in January, 31.53% in February, 32.16% in March, 32.99% in April and 33.83% May, 2024 with an average of 28.39% Inflation Rate.
124. This depicts that price of the commodities increased insistently from May, 2023 to May, 2024 in both Kaduna State in particular and Nigeria as a whole. The chart below shows the Kaduna State and Nigeria May, 2023 to May, 2024 Year on Year Inflation Trend.

2.D.6 Kaduna State IGR Trend

125. The first revenue reform in Kaduna State occurred in 2016, with the Codification and Consolidation Law. A revision in 2020 brought significant changes, including the prohibition of cash collection and the digitization of the revenue system, which elevated revenue collection from N12 billion to over N50 billion. This reform has positioned Kaduna State as a leader in subnational digitization and the top performer in revenue collection in Northern Nigeria.

Figure 25: Revenue Trend of Kaduna State



Sourced: KADIRS

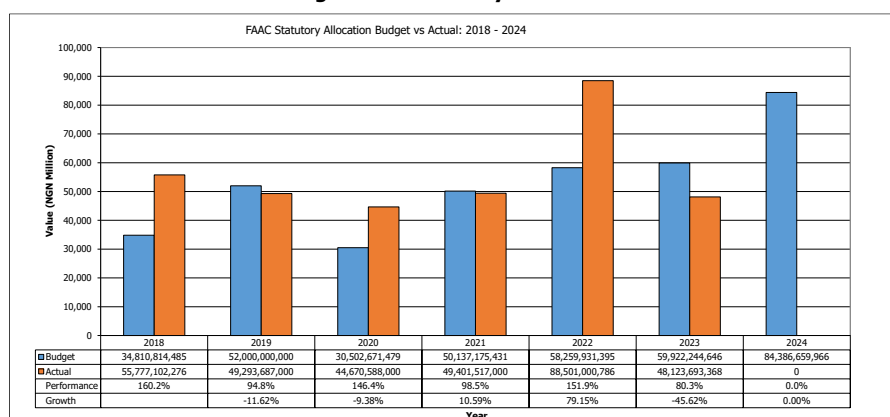
126. IGR trend shows steady growth from 2018 to 2023, reaching ₦62.42 billion. This indicates the State's efforts to enhance revenue generation, but also highlights potential challenges in maintaining growth consistency.

2.E Fiscal Update

2.E.1 Revenue Side

127. On the Revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – original budget versus actual for the period 2018-2023 (Six years historic) and 2024 budget.

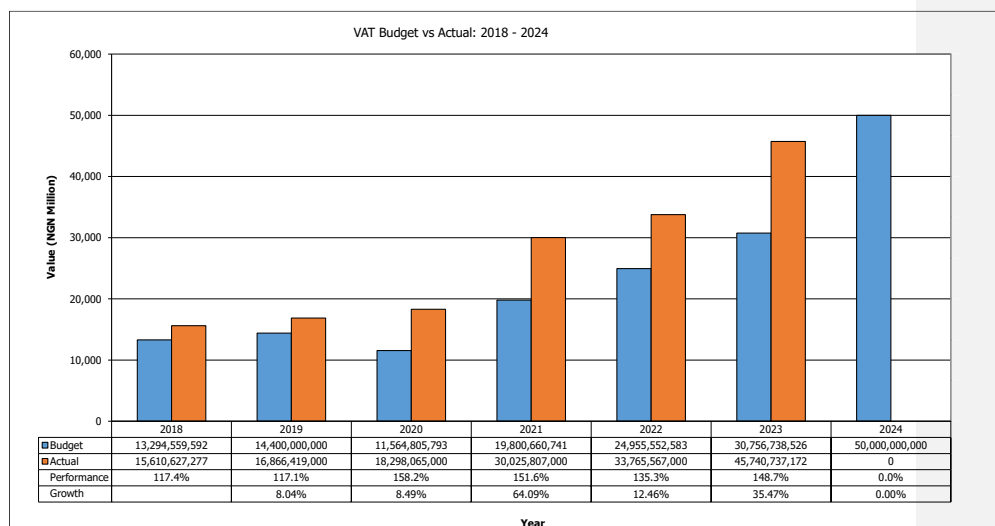
Figure 26: Statutory Allocation



Source: Kaduna State Financial Statements (original budget versus actual for the period 2018-2023 Six years historic data and 2024 budget)

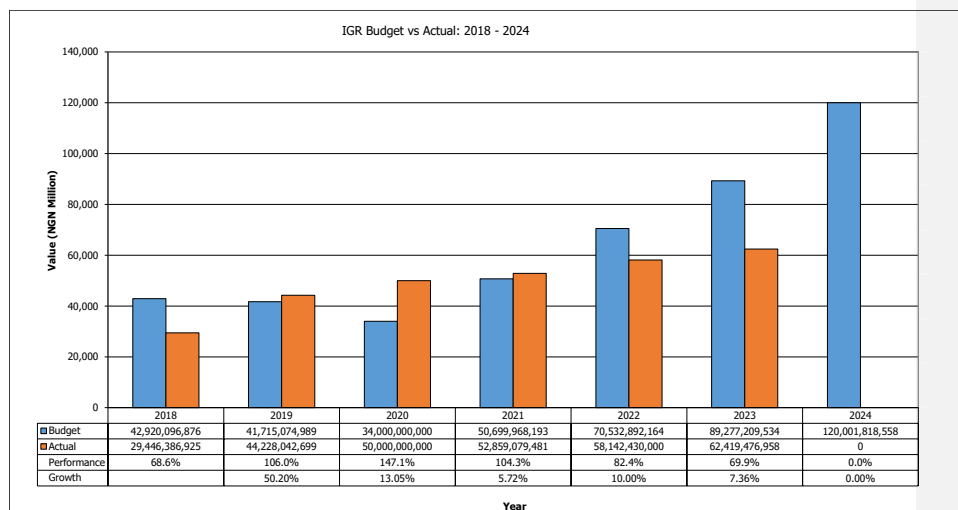
128. Statutory Allocation constitutes all Federal Transfers excluding Value Added Tax (VAT) and other Federal Accounts Transfers (albeit KDSG generally includes Other FAAC as part of Statutory Allocation reporting). Statutory Allocation is mainly proceeds from the production of Crude Oil, Gas Proceeds, Company Income Tax (CIT), and Customs and Excise Duty (C&E). The figure above shows there has been a slow fall in Statutory Allocation from 2018 – 2020, this was because of global economic decline. In 2019 and 2020 there was a slight fall because of elections and the emergence of COVID-19 which led to lockdowns that disrupted economic activities. In 2021 the allocation increased because of improved economic activities after the lockdowns, this continued in 2022. The Ukraine and Russia War impacted crude oil prices. In 2023, there was a significant increase in FAAC allocation to Kaduna State, this was due to the removal of subsidy in PMS.
129. We expect the years 2025 – 2027 to be better in terms of Statutory Allocation. This is due to the commencement of operations of the Dangote refinery, and the rehabilitation of one of the country's refineries before the end of 2024 which will reduce the cost of importing PMS and will have a huge positive impact on FAAC.

Figure 27: VAT



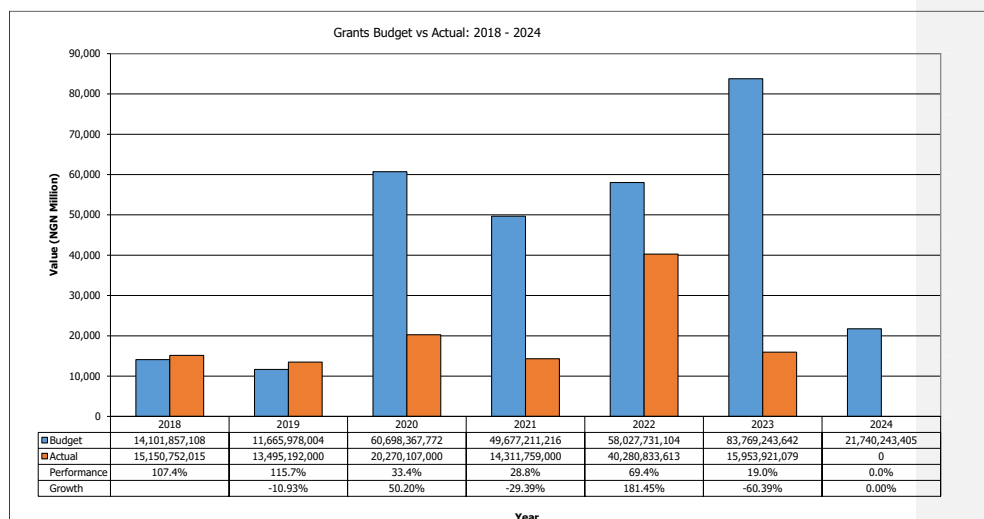
130. The approval of 3% from VAT realized in the country in 2017 as funding for the Northeast Development Commission for a period of ten (10) years has continued to affect the State's projection. However, in 2018 when the Country exited recession, VAT continued to surge passing budget targets. This trend is expected to continue as the Finance Act 2019 has raised VAT from 5% to 7.5%, the Act seeks to improve revenue by various fiscal measures, and reform domestic tax laws to align with global best practices. This means that the Governments will receive more revenue in VAT especially the State and Local Governments (50% and 35% respectively).
131. In 2023, ₦3.4 billion was budgeted for receipts from other federation account revenues, however, the sum of ₦17 billion was realized being 495% performance. This is due to the revenue reforms by the Federal Government.

Figure 28: IGR



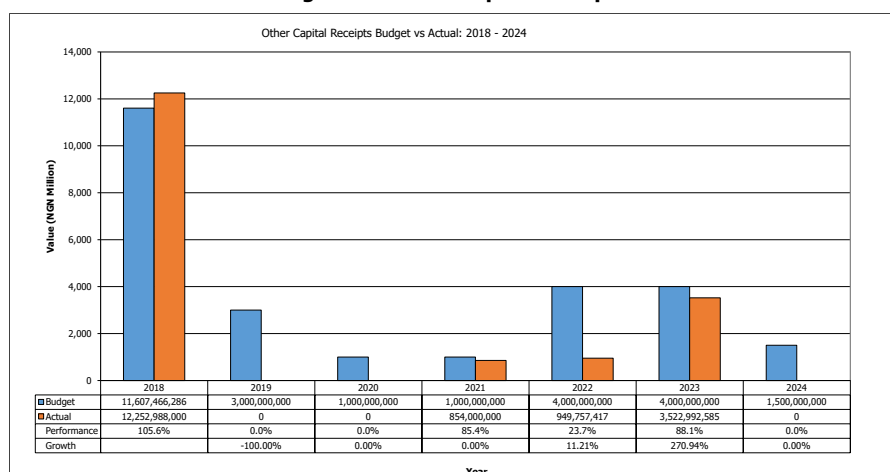
132. The Kaduna State Tax Codification and Consolidation Law has greatly enhanced collections and blocked leakages, since its passage into law in 2016 (amended in 2020). According to the National Bureau of Statistics (NBS) 2022 full-year report, the state was ranked the 6th highest in the country and 1st in the North and has continued to witness a steep rise in its IGR from 2018 to 2023.
133. The implementation of fiscal sustainability plans provided a steady increase in IGR collections in 2021, and the strengthening of KADIRS which has remained pivotal to the needed upscale in the revenue generation agenda in the State accounted for the increase in 2022. Kaduna State generated more than ₦58 billion and ₦60 billion in 2022 and 2023 respectively.
134. However, we expect the revenue to increase in the coming years because of the government's effort to sustain and improve the revenue reforms, policies, and new initiatives.

Figure 29: Grants



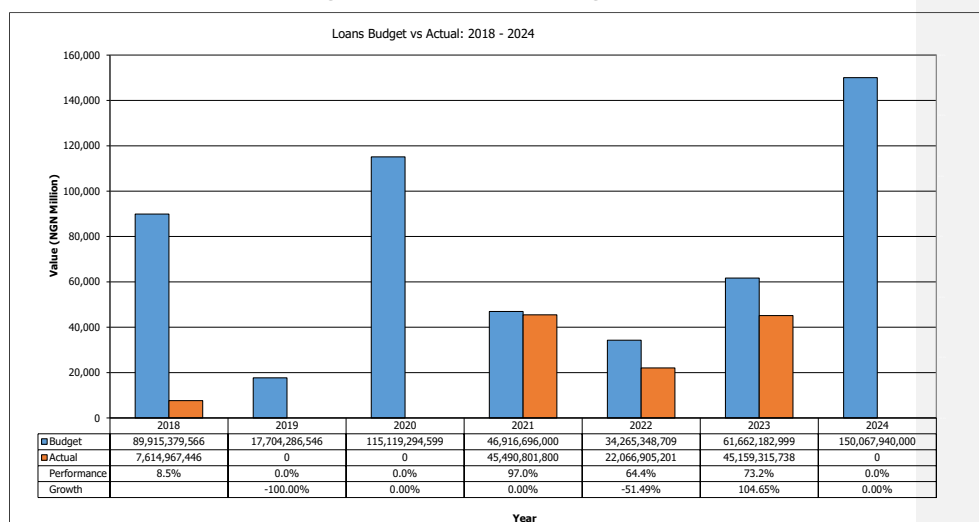
135. The launch of the Kaduna State International Development Coordination Framework (2018-2020) has greatly contributed to addressing the challenges. This can be seen in the figure above where the State recorded an overperformance of Grants in 2018 and 2019. In 2020 the performance increased but was below the budget, and then declined in 2021. In 2022 there was an increase in performance then a sharp decline in 2023. The reasons for poor performance include delays in the negotiations with Implementing Partners and non-timely payment of counterpart funds and other requirements from the State Government.
136. Grants have been a major challenge in providing realistic data that will enable the State to budget and forecast further. This is mainly attributed to funds coming in directly from donor partners to implementing agencies without the full knowledge of the Office of the Accountant General of the State.
137. However, we expect an increase in performance in the coming years. This shall be achieved by ensuring all donor's projects and programs are budgeted, monitored, and reported.

Figure 30: Other Capital Receipts



138. Over the years, other Capital Receipts have been consistently budgeted, however, no performance was recorded except for 2018. 2021, and 2022 due to government commitments in accessing and implementing the property inline with the agreed terms. Other Capital Receipts comprise revenue from sales of capital assets dedicated for capital expenditure, survey and demarcation of layouts, development levy by land allottees, Ecological Fund, etc.

Figure 31: Loans / Financing

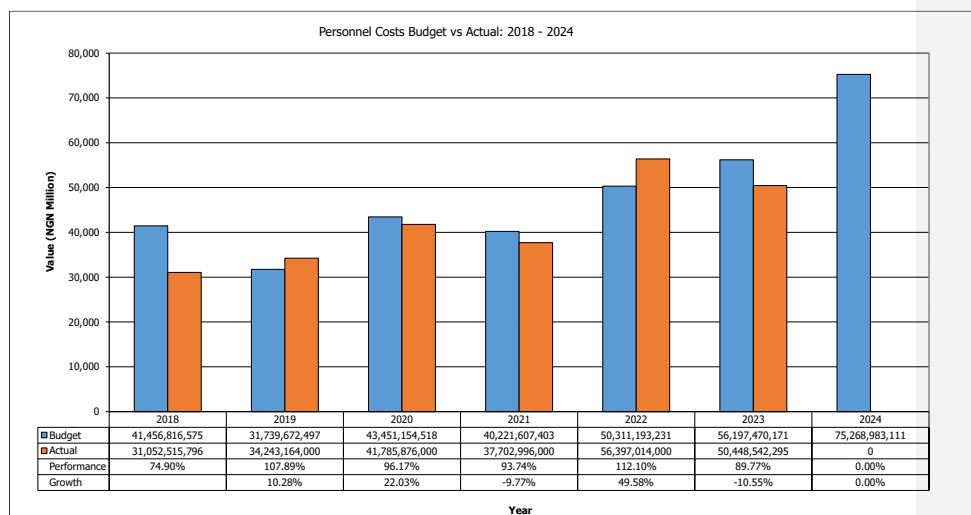


139. The loans include internal and external loans. Internal Loans comprise Capital Market receipts and Commercial Bank Loans (including Nigerian Export-Import Bank (NEXIM)), Central Bank of Nigeria, etc. External Loans are receipts from the World Bank, Islamic Development Bank (IsDB), and African Development Bank (AfDB).
140. There was under-performance of loans as a result of the inability to finalize the processes of- accessing the loans in the 2019 and 2020 fiscal years. However, in 2021 – 2022 there was performance because the state was able to access the World Bank Performance for Result Loan (P4R). The performance recorded in 2023 was due to the State's ability to access the AGILE and NG-Cares loans.

2.E.2 Expenditure Side

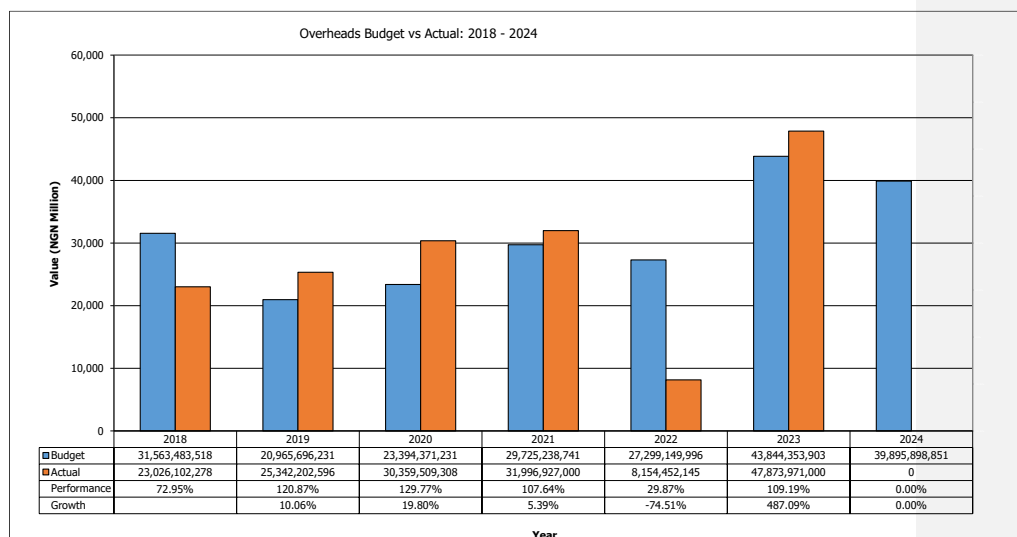
141. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads, and Capital Expenditure – original budget versus actual for the period 2018-2023 (six years) and 2024 budget.

Figure 32: Personnel



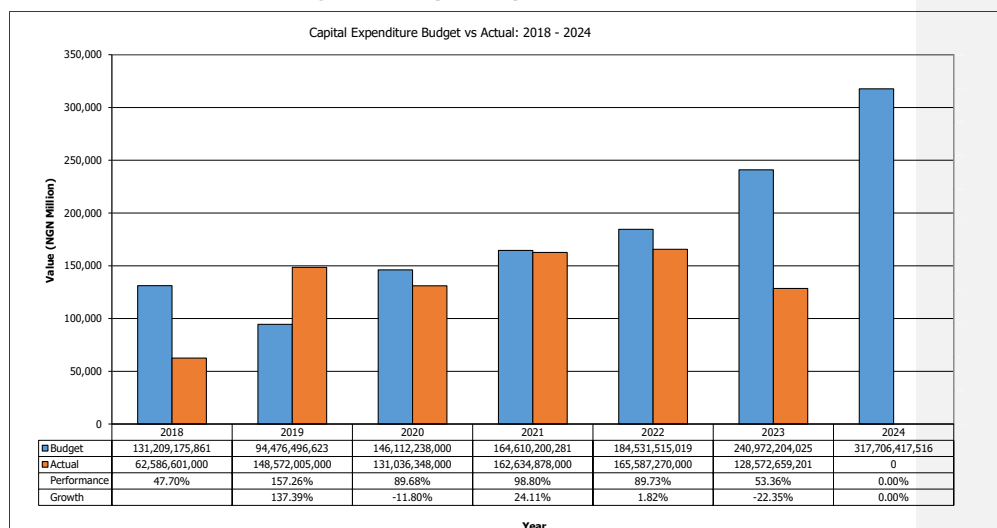
142. There was a significant increase in budgeted and actual Personnel Expenditure in 2018 due to the capture of 60% contribution from Local Government Councils for the Primary Health Care Personnel cost. Also, plans for additional staff into the service (mostly health and education workers) have informed the increase in the Budgeted Personnel figure of 2018 to 2021. In 2022 the payment of 8 months' salary arrears to secondary school teachers that were employed in 2021 accounted for the increase in actual performance.
143. In 2023, there was the dissolution of the state executive council and the disengagement of most political appointees. Furthermore, the new administration delayed appointments of political office holders up to the last quarter of the year. This accounted for the decrease in personnel costs.
144. In 2025, it is likely to experience an increase in personnel costs due to the possible implementation of the proposed minimum wage.

Figure 33: Overheads



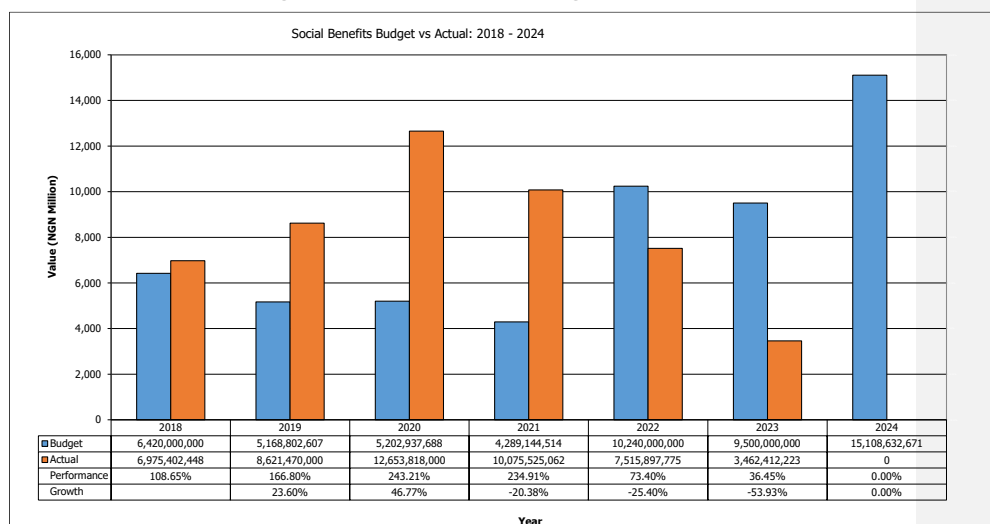
145. The State witnessed a steep rise in Overhead Cost Expenditure from 2018 to 2023 due to its decision to implement IPSAS which necessitated the transfer of gratuity from Personnel Costs to Overhead Cost.
146. In 2020, Overhead Costs increased due to COVID-19 containment measures because of State border control, mobile court, and security personnel engagement, etc. However, 2021-2023 overhead expenditure witnessed a slight increase due to the centralization policy on some expenditures mainly stationeries, motors and generating plants fuelling, Domestic Tour Allowance (DTA), etc. We expect an improved performance in 2024.
147. The State prioritized capital expenditure after the COVID-19 pandemic to stimulate economic activities. This explains the sharp drop in overhead spending in 2022.

Figure 34: Capital Expenditure



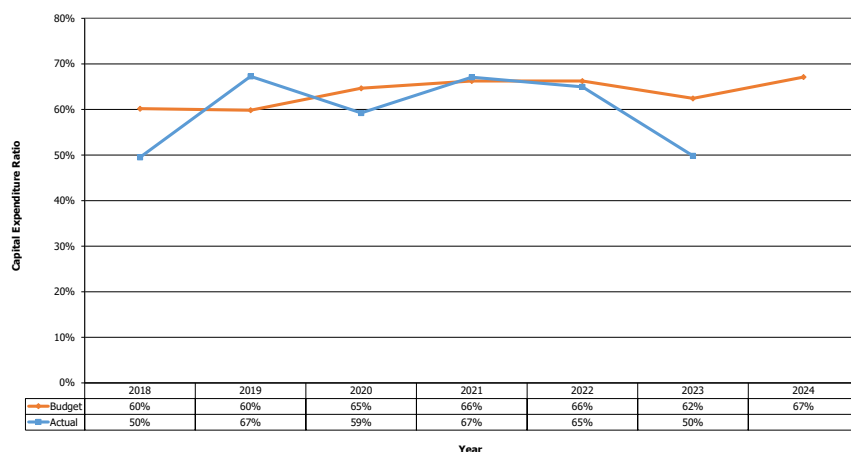
148. The drawdown of World Bank Loan led to an increase in Actual Capital Expenditure in 2019 and 2020 which recorded 157.26% and 89.68% performance respectively. The decline in 2019 budgeted figure as compared with previous years is consistent with a realistic approach, capturing only undisputable revenues that are set to accrue to the State. This was because of the State's resolve to make a modest revenue projection in line with the actual trend to avoid a mismatch between the budget and the actual.
149. There was more realistic budgeting in 2020, 2021, and 2022 where budget and actual expenditure almost equated. This was because of a modest revenue and expenditure projection coupled with the State's Urban Renewal Programme which prioritizes projects under it for better Budget Performance. In 2023, the decline in performance was due to the political transition.

Figure 35: Social Benefits Budget VS Actual



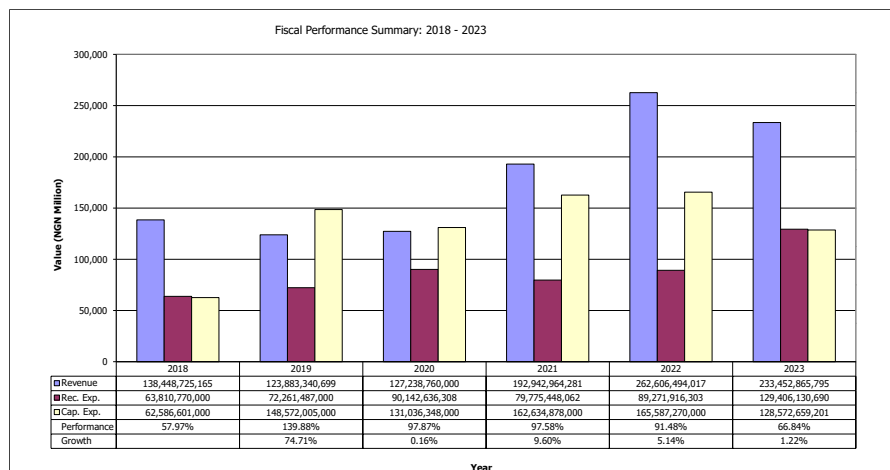
150. The immediate past administration commenced a holistic review of minimum pensions receivable by pensioners under the Defined Benefits Scheme in the State. However, the exercise was completed before the end of the administration's tenure, but given the high cost of living, it is very likely the new government will consider an upward review of pensions and other programmes and activities that will mitigate the effect of social risks.

Figure 36: Capital Expenditure Ratio 2018 -2023 & 2024 Budget



151. In 2019 the State accessed the first tranche of the World Bank PforR Loan, this significantly increased capital expenditure as 80% of the funds were allocated to capital. This trend is expected to continue through to 2024. This means Capital expenditure performance will be at a minimum of 60% in 2021 and 2022. There is a risk of reversing this trend in 2024 when the P4R loan is exhausted.

Figure 37: Fiscal Performance Summary of Expenditure



152. Kaduna State has recorded an overperformance of 139.88% in 2019 mainly due to stable revenue sources. Crude Oil Prices was stable in 2019 averaging \$66 per barrel, other non-mineral revenue such as CIT, C&E and VAT were all on the increase. An over performance of IGR (the State budgeted N41.72 billion but realised N44.9 billion in 2019) and the PforR World Bank Loan Funds which were not part of the 2019 budget but was approved around July 2019. All of these led to an overperformance in 2019. Capital Budget recorded an actual budget of N148.6 billion in 2019 the highest in recent years.

2022 - 2024 also recorded a very good performance of the budget recording. The PforR Loan and over performance of IGR in 2020 which the State recorded N50.1 billion all contributed to the excellent performance of the 2023 budget

2.E.3 By Sector

153. Budget and actual expenditure of the sectors and sub-sectors in terms of personnel, overhead and capital expenditure are presented in Tables 6. The sub-sectors can be further categorized into the major sectors of Governance, Social, Economic and Law and Justice

Personnel Expenditure by Sector																				
No.	Sector	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	Performance	Average Budget	Average Actual	2024 Budget	2024 Budget %	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation
1	Governance - Government House	222,816,690	328,946,458	72,521,588	800,885,785	72,913,607	905,107,451	105,485,547	104,722,301	451.66%	0.27%	0.99%	480,802,671	0.79%	0.37%	317,951,395	0.37%	321,900,000	0.37%	329,300,000
2	Governance - Office of the Head of Service	92,809,409	161,755,791	161,428,462	142,386,511	159,260,341	170,002,662	133,764,424	176,850,337	119.18%	0.31%	0.30%	142,326,298	0.23%	0.56%	481,223,733	0.56%	487,200,000	0.56%	498,400,000
3	Governance - Secretary to the State Govt	1,398,838,390	892,165,863	1,238,403,080	983,389,942	1,540,944,143	719,961,703	986,860,588	603,788,144	61.93%	2.93%	1.47%	573,777,070	0.94%	2.52%	2,165,506,798	2.52%	2,192,400,000	2.52%	2,242,800,000
4	Governance - Planning and Budget Commi	366,978,014	259,714,995	272,999,220	227,437,389	477,332,381	355,212,914	272,587,819	234,771,339	77.59%	0.79%	0.50%	278,438,634	0.46%	0.86%	739,022,161	0.86%	748,200,000	0.86%	765,400,000
5	Governance - Ministry of Finance & Parast	288,885,446	1,659,371,281	2,082,765,141	10,636,287,481	2,240,530,310	13,458,507,728	1,976,576,949	9,798,336,438	539.59%	3.74%	16.37%	2,531,122,157	4.15%	3.35%	2,878,749,116	3.35%	2,914,500,000	3.35%	2,981,500,000
6	Governance - Ministry for Local Governme	87,553,068	91,953,293	138,412,639	125,359,323	139,160,067	131,338,063	182,674,170	166,548,672	94.05%	0.31%	0.24%	119,760,375	0.20%	0.15%	128,899,214	0.15%	130,500,000	0.15%	133,500,000
7	Governance - Office of the State Auditor-G	91,314,652	116,978,198	168,842,754	135,348,567	185,477,398	114,716,854	91,157,095	86,827,392	84.55%	0.30%	0.21%	147,533,455	0.24%	0.26%	223,425,305	0.26%	226,200,000	0.26%	231,400,000
8	Governance - Office of Auditor-General (Lo	93,214,502	142,108,558	142,942,320	119,741,369	143,714,208	4,724,785	109,400,747	21,782,594	58.94%	0.28%	0.13%	122,512,090	0.20%	0.28%	240,611,866	0.28%	243,600,000	0.28%	249,200,000
9	Governance - Public Procurement Authoriti	52,805,008	64,665,591	121,158,654	94,784,886	121,812,911	65,590,151	91,590,742	79,031,358	78.40%	0.22%	0.14%	80,065,674	0.13%	0.13%	111,712,652	0.13%	113,100,000	0.13%	115,700,000
10	Governance - Local Government Service C	19,162,929	45,119,760	72,885,802	60,575,059	72,475,066	87,193,258	40,005,117	14,244,778	101.47%	0.12%	0.10%	68,552,295	0.11%	0.09%	77,338,528	0.09%	78,300,000	0.09%	80,100,000
11	Governance - Civil Service Commission	62,798,167	85,176,207	102,717,875	65,964,236	103,272,551	110,094,161	85,171,064	84,784,508	103.24%	0.29%	0.17%	113,932,659	0.19%	0.40%	343,731,238	0.40%	348,000,000	0.40%	356,000,000
12	Governance - Kaduna State Indep. Elector	96,300,006	140,810,908	100,738,269	92,354,795	101,282,255	146,526,161	150,061,320	148,547,834	117.81%	0.25%	0.24%	184,906,799	0.30%	0.24%	206,238,243	0.24%	208,800,000	0.24%	213,600,000
13	Governance - State Emergency Managemen	63,947,109	104,962,942	115,433,522	95,880,457	116,056,863	0	94,194,548	94,030,349	75.68%	0.22%	0.14%	121,858,232	0.20%	0.20%	171,865,619	0.20%	174,000,000	0.20%	178,000,000
14	Governance - Other Non-SIP MDA's	2,882,674,809	497,817,494	567,672,258	470,681,992	324,693,479	143,174,519	417,622,837	515,746,099	38.62%	2.38%	0.75%	509,600,946	0.84%	2.74%	2,354,558,978	2.74%	2,383,800,000	2.74%	2,438,600,000
15	Health	10,909,922,800	12,097,468,729	11,955,271,130	10,031,699,361	11,508,513,345	11,598,863,741	11,102,416,192	12,690,454,013	102.07%	25.81%	21.37%	16,741,557,282	27.45%	30.19%	25,943,115,167	30.19%	26,265,300,000	30.19%	26,869,100,000
16	Education	13,895,600,650	21,285,833,846	18,262,417,812	15,772,637,568	24,301,161,699	21,683,945,447	19,942,292,773	37,940,349,919	126.55%	43.36%	44.51%	28,057,930,329	46.00%	40.10%	34,459,056,582	40.10%	34,887,000,000	40.10%	35,689,000,000
17	Social Welfare	114,193,375	0	296,532,033	265,258,476	296,153,414	345,349,207	376,936,563	290,736,445	83.01%	0.62%	0.41%	450,988,192	0.74%	0.63%	541,376,699	0.63%	548,100,000	0.63%	560,700,000
18	Works and Infrastructure	1,311,515,186	1,401,609,559	1,582,173,027	1,652,913,754	1,835,816,782	1,441,032,742	1,566,277,824	1,382,409,630	93.36%	2.57%	2.71%	1,517,074,063	2.49%	4.33%	3,720,890,648	4.33%	3,767,100,000	4.33%	3,853,700,000
19	Rural & Community Development	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	643,923,451	1.06%	0.00%	0	0.00%	0	0.00%	0
20	Agriculture	444,939,943	845,374,579	816,806,175	678,613,870	779,207,694	711,796,551	722,687,405	702,612,865	106.32%	1.57%	1.35%	811,855,473	1.33%	1.97%	1,692,876,346	1.97%	1,713,900,000	1.97%	1,753,300,000
21	Housing	407,766,046	355,691,633	238,262,132	224,481,185	239,551,763	251,861,329	286,956,266	258,127,987	92.97%	0.67%	0.50%	147,452,837	0.24%	0.00%	0	0.00%	0	0.00%	0
22	Environment	96,087,173	369,251,479	538,945,443	393,117,433	541,956,295	422,225,872	284,745,777	270,494,710	99.55%	0.83%	0.67%	545,187,923	0.89%	0.38%	326,544,676	0.38%	330,600,000	0.38%	338,200,000
23	Business Innovation and Technology	164,631,782	287,049,097	136,520,720	184,707,425	137,257,932	250,160,550	271,080,295	244,714,478	136.24%	0.44%	0.44%	278,907,444	0.46%	0.56%	481,223,733	0.56%	487,200,000	0.56%	498,400,000
24	Internal Security, Law and Justice - Minist	3,251,161,539	2,309,964,928	3,810,575,349	262,176,032	3,831,152,455	3,228,829,139	2,899,826,781	287,771,986	28.09%	7.82%	1.47%	4,245,279,307	6.56%	5.99%	5,147,375,285	5.99%	5,211,300,000	5.99%	5,331,100,000
25	Internal Security, Law and Justice - Other	1,349,824,374	1,138,864,261	1,214,126,644	3,297,688,393	1,209,682,338	2,007,173,726	1,448,544,507	3,466,665,411	125.28%	3.03%	4.79%	1,994,546,518	3.72%	3.70%	3,129,513,949	3.70%	3,219,000,000	3.70%	3,293,000,000
Total		37,665,406,571	44,683,265,952	44,209,772,948	47,334,171,589	50,494,399,869	55,447,389,164	43,829,276,351	69,757,729,113	123.28%	100.00%	100.00%	60,994,096,517	100.00%	100.00%	85,932,809,431	100.00%	87,000,000,000	100.00%	89,000,000,000

Table 12: Overhead Expenditure by Sector

Overhead Expenditure by Sector																					
No.	Sector	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	Performance	Average Budget	Average Actual	2024 Budget	2024 Budget %	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	
1	Governance - Government House	2,112,478,530	2,640,539,723	1,925,981,843	1,622,475,657	752,863,635	1,889,243,638	2,781,992,910	3,617,847,813	129.01%	4.53%	10.86%	3,309,192,910	4.93%	4.93%	2,502,802,380	4.93%	2,561,244,181	4.93%	2,610,498,878	
2	Governance - Office of the Head of Service	202,832,418	113,202,809	150,665,069	131,153,470	1,209,726,646	238,629,098	64,224,678	20,543,538	30.94%	0.97%	0.56%	156,293,087	0.23%	0.23%	118,207,285	0.23%	120,967,490	0.23%	123,293,788	
3	Governance - Secretary to the State Govt	890,864,429	1,663,081,014	1,187,468,273	816,553,688	1,852,904,980	238,771,503	2,169,719,914	832,123,868	58.20%	3.65%	3.95%	3,833,217,305	5.71%	5.71%	2,899,131,496	5.71%	2,966,827,798	5.71%	3,023,882,179	
4	Governance - Planning and Budget Commi	847,574,590	185,063,727	421,189,575	277,984,772	236,895,608	234,086,808	1,307,883,910	1,705,420,162	85.39%	1.68%	2.67%	809,627,629	1.21%	1.21%	612,336,002	1.21%	626,634,381	1.21%	638,685,043	
5	Governance - Ministry of Finance & Parast	8,606,469,521	1,126,387,911	13,179,384,416	3,691,774,217	7,898,389,424	3,684,848,917	41,344,003,547	31,972,247,847	53.61%	42.51%	42.50%	34,279,090,864	51.02%	51.02%	25,925,895,685	51.02%	26,531,279,488	51.02%	27,041,496,401	
6	Governance - Ministry for Local Governme	256,947,966	263,238,834	308,075,191	270,775,218	525,316,298	32,324,077	448,595,489	990,042	36.87%	0.92%	0.63%	706,788,734	1.05%	1.05%	534,541,961	1.05%	547,023,808	1.05%	557,543,496	
7	Governance - Office of the State Auditor-G	30,476,750	25,801,542	46,824,968	33,217,829	112,356,461	41,473,716	137,573,762	46,940,378	45.05%	0.20%	0.16%	229,294,000	0.34%	0.34%	173,419,194	0.34%	177,468,627	0.34%	180,881,485	
8	Governance - Office of Auditor-General (Lo	38,724,968	12,795,487	31,364,098	27,399,876	34,834,466	31,006,979	77,087,937	33,350,175	57.44%	0.11%	0.12%	67,096,700	0.10%	0.10%	50,746,446	0.10%	51,931,404	0.10%	52,930,084	
9	Governance - Public Procurement Authoriti	38,402,518	2,998,699	8,037,460	6,030,749	4,874,680	3,999,356	30,840,730	1,998,907	18.29%	0.05%	0.02%	17,956,460	0.03%	0.03%	13,580,795	0.03%	13,897,914	0.03%	14,165,182	
10	Governance - Local Government Service C	1,892,905	705,041	1,480,756	1,029,850	341,113,680	1,999,900	387,740,495	1,541,901	0.72%	0.44%	0.01%	401,961,945	0.60%	0.60%	304,011,081	0.60%	311,109,905	0.60%	317,092,788	
11	Governance - Civil Service Commission	15,148,490	87,752,556	24,108,938	19,619,127	35,587,402	33,037,976	59,012,610	4,999,699	108.63%	0.08%	0.16%	61,468,791	0.09%	0.09%	46,489,957	0.09%	47,575,523	0.09%	48,490,437	
12	Governance - Kaduna State Indep. Elector	6,329,886	2,083,015	4,406,680	3,164,808	552,830	953,341	2,874,812	900,100	50.14%	0.01%	0.01%	1,975,449	0.00%	0.00%	1,494,068	0.00%	1,528,955	0.00%	1,558,358	
13	Governance - State Emergency Managemen	75,884,829	56,850,867	226,715,197	173,820,076	112,052,608	0	150,660,542	993,350	40.98%	0.34%	0.26%	309,177,871	0.45%	0.45%	230,052,194	0.45%	235,424,038	0.45%	239,951,423	
14	Governance - Other Non-SIP MDA's	112,267,120	68,877,086	106,824,031	133,121,538	222,378,608	41,838,694	2,527,570,476	30,911,073	9.25%	1.78%	0.31%	2,230,878,657	3.32%	3.32%	1,687,253,830	3.32%	1,726,652,127	3.32%	1,759,856,975	
15	Health	1,578,357,780	880,838,521	1,051,592,486	1,012,585,396	844,447,991	72,605,593	3,389,680,991	235,165,767	32.07%	4.11%	2.45%	1,768,736,560	2.63%	2.63%	1,337,727,413	2.63%	1,386,964,078	2.63%	1,395,290,310	
16	Education	7,042,122,344	961,835,166	2,872,610,881	2,639,773,103	3,832,541,283	689,150,985	9,051,770,793	1,262,932,478	24.36%	13.65%	6.19%	6,366,947,162	7.16%	7.16%	3,636,974,162	7.16%	3,721,871,861	7.16%	3,795,440,320	
17	Social Welfare	238,470,671	0	326,864,864	298,077,011	290,660,629	122,781,372	713,708,858	30,379,276	38.75%	0.94%	0.50%	863,879,624	1.29%	1.29%	653,367,766	1.29%	668,624,260	1.29%	681,482,418	
18	Works and Infrastructure	455,990,907	17,070,528	261,431,019	194,362,035	1,624,062,692	237,293,729	1,417,131,125	60,398,426	17.62%	2.25%	0.74%	307,671,357	1.87%	1.87%	947,671,357	1.87%	968,450,000	1.87%	988,450,000	
19	Rural & Community Development	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	15,003,641	0.02%	0.02%	11,347,524	0.02%	11,612,495	0.02%	11,835,813	
20	Agriculture	20,729,562	306,896,177	6,273,616	12,607,546	10,269,342	10,269,342	15,087,854	4,377,075	69.18%	0.03%	0.42%	47,551,719	0.07%	0.07%	1,529,039,468	1.48%	769,600,000	1.48%	794,400,000	
21	Housing	1,334,564,777	400,374,361	1,032,963,864	857,756,648	1,572,493,588	1,243,479,773	2,215,779,834	1,318,360,339	62.89%	3.68%	4.25%	978,531,755	1.46%	1.46%	77,681,124	1.46%	75,362,545	1.46%	77,127,029	
22	Environment	0	26,874,915	0	20,340,115	9,990,625	48,974,528	6,016,037	152,465,729	2,475,705	15.05%	0.14%	0.06%	9,825,839	0.07%	0.07%	34,084,182	0.07%	36,554,128	0.07%	39,305,746
23	Business Innovation and Technology	33,203,510	15,376,716	10,514,290	7,759,157	17,594,157	6,493,104	285,721,796	25,866,870	10.03%	0.21%	0.06%	187,885,594	0.28%	0.28%	14,017,269	0.28%	14,419,418	0.28%	14,812,538	
24	Internal Security, Law and Justice - Minist	2,888,138,227	3,700,244,940	1,785,064,132	1,970,305,299	5,992,749,524	5,234,624,518	5,228,763,904	5,038,018,425	160.83%	9.27%	17.37%	5,574,608,974	8.20%	8.20%	4,216,177,475	8.20%	4,314,627,518	8.20%	4,397,601,124	
25	Internal Security, Law and Justice - Other	3,455,632,032	1,318,919,160	2,595,192,372	2,385,209,307	2,770,411,610	348,966,678	5,327,138,654	701,677,365	33.70%	8.44%	5.29%	4,248,332,516	6.38%	6.38%	3,240,575,981	6.38%	3,315,245,197	6.38%	3,380,019,143	
	Total	30,310,199,465	11,825,557,837	27,874,833,723	16,586,145,290	29,906,246,082	14,443,894,543	79,286,960,729	47,071,900,221	100.00%	100.00%	100.00%	67,185,328,386	100.00%	100.00%	50,813,477,587	100.00%	52,000,000,000	100.00%	53,000,000,000	

Table 13: Capital Expenditure by Sector

Capital Expenditure by Sector						Discretionary Funds										Non-Discretionary Funds				Total Capital Envelope				
No.	Sector	2023 Budget	2023 Actual	Performance	Average Budget	Average Actual	2024 Budget	2024 Budget %	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	2025 Allocation	2026 Allocation	2027 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	
1	Governance - Government House	0	509,032,362	0.00%	0.00%	1.23%	0	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Office of the Head of Service & Parastatals	800,000,000	411,663,932	51.53%	0.71%	0.10%	800,000,000	0.24%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Secretary to the State Government	1,137,572,000	0	0.00%	0.00%	0.02%	1,639,626,315	0.30%	0.75%	680,168,028	0.75%	1,136,448,592	0.75%	1,477,387,546	0	0	0	0.2%	680,168,028	0.7%	1,136,448,592	0.3%	1,477,387,546	
1	Governance - Planning and Budget Commission	6,393,215,861	4,767,089,241	74.57%	2.47%	2.15%	3,774,860,588	1.15%	3.00%	2,720,672,113	3.00%	4,545,794,368	3.00%	5,909,350,183	0	0	0	0.8%	2,720,672,113	1.2%	4,545,794,368	1.4%	5,909,350,183	
1	Governance - Ministry of Finance & Parastatals	17,899,848,325	16,786,970,556	93.80%	5.45%	8.08%	13,778,188,567	4.20%	6.00%	5,441,344,225	6.00%	9,091,368,736	6.00%	11,819,100,366	0	0	0	1.7%	5,441,344,225	2.3%	9,091,368,736	2.8%	11,819,100,366	
1	Governance - Ministry for Local Government	3,616,496,042	1,189,373,703	32.90%	2.01%	1.48%	3,087,001,321	0.94%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0	
1	Governance - Office of the State Auditor-General	0	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Office of Auditor-General (Local Govt)	0	0	0.00%	0.00%	0.00%	380,139,441	0.12%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Public Procurement Authority	7,552,500	0	0.00%	0.03%	0.03%	76,902,890	0.02%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Local Government Service Commission	0	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Civil Service Commission	0	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Kaduna State Indep. Electoral Commission	62,146,355	5,449,000	8.77%	0.20%	0.23%	4,320,834,588	1.32%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.3%	0	0.0%	0	0.0%	0
1	Governance - State Emergency Management Agency	0	0	0.00%	0.00%	0.00%	70,220,000	0.02%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Other Non-SIP MDA's	2,464,305,210	0	0.00%	3.67%	6.63%	14,170,676,629	4.32%	0	0	0.00%	0	0.00%	0	53,300,534,594	54,766,666,667	54,766,666,667	16.5%	53,300,534,594	14.0%	54,766,666,667	13.8%	54,766,666,667	
1	Health	41,721,761,674	14,191,063,622	34.01%	16.47%	12.07%	53,137,528,134	16.21%	10.00%	9,068,907,042	10.00%	15,152,647,894	10.00%	19,698,500,610	48,397,850,132	42,677,556,263	42,677,556,263	17.0%	57,466,727,174	14.9%	57,620,204,073	14.8%	62,376,627,291	
1	Education	76,427,348,751	46,332,735,867	60.62%	26.42%	25.48%	82,594,445,159	25.19%	22.00%	19,951,595,493	22.00%	33,335,825,366	22.00%	43,336,701,341	40,693,199,789	56,370,059,401	56,370,059,401	25.0%	60,444,756,262	23.0%	89,705,884,767	23.6%	99,706,769,743	
1	Social Welfare	1,549,832,914	89,639,224	5.80%	0.75%	1.28%	13,601,918,175	4.15%	0.50%	453,445,352	0.50%	757,632,395	0.50%	984,925,030	0	0	0	0.1%	453,445,352	0.2%	757,632,395	0.2%	984,925,030	
1	Works and Infrastructure	65,905,406,989	20,498,740,019	31.10%	25.46%	21.59%	53,473,318,683	16.31%	40.00%	36,275,628,169	40.00%	60,610,591,574	40.00%	78,794,002,438	450,000,000	450,000,000	450,000,000	29.0%	36,725,628,169	15.6%	61,060,591,574	18.8%	75,244,002,438	
1	Rural & Community Development	0	0	0.00%	0.00%	0.00%	3,519,293,836	1.07%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Agriculture	750,417,544	625,113,940	83.31%	1.99%	2.11%	22,549,870,035	6.88%	1.50%	1,360,136,054	1.50%	2,272,897,184	1.50%	2,954,775,091	72,332,000,000	79,332,000,000	65,332,000,000	22.8%	73,692,336,056	20.9%	81,604,887,184	16.2%	88,286,775,091	
1	Housing	5,886,066,169	7,083,782,542	120.34%	4.93%	5.88%	8,696,878,074	2.65%	10.00%	9,068,907,042	10.00%	15,152,647,894	10.00%	19,698,500,610	0	0	0	2.8%	9,068,907,042	3.9%	15,152,647,894	4.7%	19,698,500,610	
1	Environment	2,761,591,797	1,115,759,763	40.39%	1.61%	1.61%	4,046,191,263	1.24%	2.00%	1,813,781,408	2.00%	3,030,525,579	2.00%	3,939,700,122	17,000,000,000	5,600,000,000	5,600,000,000	5.8%	18,813,781,408	2.2%	8,630,525,579	2.3%	9,539,700,122	
1	Business Innovation and Technology	1,230,825,052	712,063,119	57.85%	1.69%	3.39%	967,472,490	0.30%	1.00%	906,890,704	1.00%	1,515,264,789	1.00%	1,969,850,061	0	0	0	0.3%	906,890,704	0.4%	1,515,264,789	0.5%	1,969,850,061	
1	Internal Security, Law and Justice - Ministry of Justice	7,781,074,368	2,923,394,175	37.44%	1.77%	2.10%	19,842,729,243	5.89%	1.00%	906,890,704	1.00%	1,515,264,789	1.00%	1,969,850,061	0	0	0	1.8%	906,890,704	0.4%	1,515,264,789	0.5%	1,969,850,061	
1	Internal Security, Law and Justice - Other Non-SIP MDA's	4,566,728,374	2,712,952,026	59.41%	2.20%	2.11%	10,929,577,062	3.20%	2.25%	2,040,594,095	2.25%	2,409,345,774	2.25%	4,432,162,627	0	0	0	0.6%	2,040,594,095	0.9%	2,409,345,774	1.0%	4,432,162,627	
	Total	240,972,204,025	142,320,155,414	59.06%	100.00%	100.00%	#####	100.00%	100.00%	90,688,070,423	100.00%	151,526,478,936	100.00%	196,985,006,091	232,173,584,514	239,196,282,849	225,196,282,849	124.86%	322,862,654,938	100.00%	390,722,761,785	100.00%	422,181,288,946	

2.E.4 Debt Position

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

Table 14: Debt Position as at 31st December 2023

Debt Sustainability Analysis		
A	DSA RATIO SCENARIOS:	Sustainability Thresholds
	Solvency Ratios	As at 31st December 2023
	Percentage	Percentage
1	Total Domestic Debt/IGR	150%
2	Total External Debt/Gross FAAC	128.69%
3	Total Public Debt/Total Recurrent Revenue	150%
4	Total Public Debt/State GDP Ratio	25%
	Liquidity Ratios	No GDP Figure Available
	Percentage	Percentage
5	Domestic Debt Service/IGR	15%
6	External Debt Service/Gross FAAC	32.54%
8	Debt Service Deductions from FAAC/Gross FAAC	10%
8	Total Debt Service/Total Recurrent Revenue	42.90%
		40%
		0.00%
		39.15%
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2023	Naira
1	Total Domestic Debt	80,329,492,866
2	Total External Debt	380,569,969,000
3	Total Public Debt	460,899,461,866
4	Total Domestic Debt Service 2023	20,309,607,888
5	Total External Debt Service in 2023	47,155,231,336
6	Total Public Debt Service	67,464,839,224

155. **External Loans:** External Loans are loans sourced from multinational institutions such as the World Bank, International Monetary Fund (IMF), Islamic Development Bank (IsDB), African Development Bank (AfDB) etc. The Federal Ministry of Finance, Budget, and National Planning obtains these loans and lends them to the State Government through the Subsidiary Loan Agreement.
156. **Internal Loans:** These are loans obtained from within the Country and consist of Commercial Bank Loans, Budget Support Loan Facility, Salary Bailouts, Loans from the Federal Government, Central Bank of Nigeria (CBN), etc.
157. **Solvency:** This is the capacity or ability of the State Government to pay back the loans obtained. As seen above, the State is below its debt sustainability thresholds but within the liquidity ratios.
158. **External Debt Service to Total Revenue:** The External debt servicing to Total revenue for Kaduna State as of 31st December 2023 is 42.90%. The State is far above the threshold of 10%. This is comparing the total revenue of the State which comprises IGR, FAAC, and other major revenue sources to service its external debt.
159. **Total Debt Service to Total Revenue:** The Total debt service to Total revenue of Kaduna State stands at 39.15%. This is also above the liquidity threshold of 25%. The threshold assesses the total revenue inflow of the state in repaying its total debt both external and internal.
160. **Domestic Debt Service to IGR:** This threshold assesses the State's capacity in using its Internally Generated Revenue to meet its internal or domestic debt obligations. The State is above the liquidity ratio threshold, currently at 32.54% with a threshold of 15%. It should be noted that the debt servicing figures do not include payment of contract liability arrears. If these were included, both the Total Debt Service to Total Revenue and Domestic Debt Service to IGR would increase substantially:
161. Kaduna State has reduced internal debt by 66% from January to March 2024. The State has only two internal loans i.e. Power & Aviation Intervention Fund (PAIF) & Commercial Agriculture Credit Scheme (CACS). The worry about External Debt centres on the exchange

rate. Where the exchange rate is unfavorable, the State spent more of our Naira to settle the Dollar facilities hopefully Naira will stabilize one day.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

162. Gross Domestic Product (GDP) grew by 2.31% (year-on-year) in real terms in the first quarter of 2023. This growth rate declined from 3.11% recorded in the first quarter of 2022, and 3.52% in the fourth quarter of 2022. The Government attributed the cash crunch suffered by Nigerians in the first quarter of 2023 as the reason for the growth of the Gross Domestic Product (GDP) by 2.31% (year-on-year) in real terms. The growth rate declined from 3.11% recorded in the first quarter of 2022 and 3.52% in the fourth quarter of 2022. The reduction in growth is attributed to the adverse effects of the cash crunch experienced during the quarter.
163. The performance of Nigeria's GDP in the first quarter of 2023 was driven mainly by the services sector, which recorded a growth of 4.35% and contributed 57.29% to the aggregate GDP. The agriculture sector also grew by -0.90%, lower than the growth of 3.16% recorded in the first quarter of 2022.
164. Although, the growth of the industry sector improved to 0.31% relative to - 6.81% recorded in the first quarter of 2022, agriculture, and the industry sectors contributed less to the aggregate GDP in the quarter under review compared to the first quarter of 2022.
165. In May 2023, Nigeria's headline inflation rate increased to 22.41% relative to April 2023 headline inflation rate which was 22.22%. Looking at the movement, the May 2023 inflation rate showed an increase of 0.19% points when compared to April 2023 headline inflation rate.
166. Similarly, on a year-on-year basis, Nigeria's headline inflation rate was 4.70% points higher compared to the rate recorded in May 2022, which was (17.71%). This shows that the headline inflation rate (year-on-year basis) increased in the month of May 2023 when compared to the same month in the preceding year (i.e., May 2022).
167. In most years since 1980, global GDP growth has been relatively consistent, generally fluctuating between two and five percent growth from year to year. The most notable exceptions to this were during the Great Recession in 2009, and again in 2020 during the Covid-19 pandemic, when the global economy shrank in both years. As the world economy continues to deal with the economic impact of the pandemic, as well as the fallout from Russia's invasion of Ukraine in 2022, the future remains uncertain, however, current estimates suggest that annual growth will return to steady figures of around 3 percent in 2028.
168. While headline inflation is expected to recede gradually through 2023 in most G20 countries, core inflation remains persistent. This is due to strong service price increases and cost pressures from tight labour markets. This means that inflationary pressures will require many central banks to maintain high policy rates well into 2024.
169. Headline inflation is declining, but core inflation remains elevated due to strong service price increases, higher margins in some sectors, and cost pressures from tight labour markets. Inflation is projected to moderate gradually over 2023 and 2024 but remains above central bank objectives until the latter half of 2024 in most countries.
170. Side effects from the fast rise in policy rates are becoming apparent, as banking sector vulnerabilities have come into focus and fears of contagion have risen across the broader financial sector, including nonbank financial institutions. Risks to the outlook are heavily skewed to the downside, with the chances of a hard landing has risen sharply.
171. The natural rate of interest—the real interest rate that neither stimulates nor contracts the economy—is important for both monetary and fiscal policy; it is a reference level to gauge the stance of monetary policy and a key determinant of the sustainability of public debt.
172. Global oil markets are gradually recalibrating after three turbulent years in which they were upended first by the Covid-19 pandemic and then by the Russian Federation's (hereafter

"Russia") invasion of Ukraine. Benchmark crude oil prices are back below pre-war levels and refined product cracks have now come off all-time highs after rising supplies coincided with a marked slowdown in oil demand growth in advanced economies. Moreover, an unprecedented reshuffling of global trade flows and two consecutive emergency stock releases by IEA member countries in 2022 allowed industry inventories to rebuild, easing market tensions.

173. Global oil demand is projected to reach almost 107 million barrels a day (mb/d) in 2027, representing a robust increase of 10 mb/d compared to 2021. Most of this increase will materialize in the non-OECD region, which accounts for 8.6 mb/d of the medium-term growth. Of this, however, more than 5 mb/d will be realized in the period to 2024. OECD oil demand is expected to see an increase of 1.4 mb/d by 2027, with the 2.4 mb/d expansion in the period to 2024, offset by a decline of 1 mb/d during the rest of the medium-term.
174. However, OPEC expects that oil demand will hit 110 million barrels per day in 2045. Global oil demand will rise to 110 million barrels a day in two decades, bringing the world's energy demand up 23%, said OPEC.
175. Nigeria's economy experienced a higher net foreign exchange inflow in February, mainly due to increased CBN inflow. Autonomous sources experienced a decrease in inflow. Aggregate foreign exchange inflow increased by 7.2% to \$5.66 billion, while outflows rose by 9.0% to \$3.02 billion.
176. Foreign exchange inflow and outflow increased by 37.7% and 2.6%, respectively, while autonomous inflow decreased by 9.1% and outflow increased by 0.5%. A net inflow of US\$2.56 billion was recorded through autonomous sources, compared with US\$2.97 billion in January. The CBN recorded a net inflow of US\$0.075 billion, compared with a net outflow of US\$0.46 billion in the preceding month.
177. The exchange rate of the naira appreciated at the I&E window relative to the preceding month. The average exchange rate of the naira per US dollar at the I&E window appreciated by 0.03% to ₦460.84/US\$, relative to ₦460.99/US\$ in the preceding month. The average foreign exchange turnover at the Investors' and Exporters' window decreased by 13.7% to US\$85.80 million in February, relative to US\$99.47 million in January.

Table 15: Kaduna State Macroeconomic Framework

Macro-Economic Framework

Item	2025	2026	2027
National Inflation	24.0%	20.30%	19.00%
National Real GDP Growth	3.0%	3.1%	3.2%
Oil Production Benchmark (MBPD)	1.6	1.7	1.8
Oil Price Benchmark	\$70	\$78	\$75
NGN:USD Exchange Rate	1200	1200	1200
Other Assumptions			
Mineral Ratio	20.0%	28.0%	30.0%

3.B Fiscal Strategy and Assumptions

3.B.1 Policy Statement

178. The overall policy of the government when considering its budget remains along the line of the State Development Plan 2023-2027 with the following key criteria:

- Invest in education, healthcare, and social welfare to ensure Kaduna residents are healthy, productive, and competitive.
- Foster the security of lives and property throughout Kaduna State by targeting the roots and symptoms of intolerance and communal violence.
- Institute a good governance system that is founded on a competent and responsive public service with zero tolerance for corruption.
- Maintain, rebuild, and expand decaying infrastructure particularly water supply, electricity, and road networks to accelerate economic growth and create jobs.
- Promote agriculture and food security and reform land administration as a basis for wealth creation and capital formation, while preserving and enhancing environmental management.

3.B.2 Objectives and Targets

179. The key targets from a fiscal perspective are:

- Ensuring the actualization of the development priorities of the government as articulated in the State Development Plan (SDP) and respective Sector Implementation Plans (SIPs).
- Maintaining a favorable proportion of Capital to Recurrent expenditure (at least a target of 60%:40%).
- Maintain a sustainable debt position in line with Federal Debt Management Office (FDMO) criteria.
- Expand the revenue base of the State by exploring untapped sources.
- Improve economic growth through investment in infrastructure.
- Eliminating wastages and other unjustifiable expenditures that are not linked to policy objectives.
- Ensuring adequate provision of 2024 projects likely to be completed in 2025 or over the period of 2026 – 2027.
- Ensure the inclusion of sector-wide public works programs with significant potentials for job creation across all local governments of the State

3.C Indicative Three-Year Fiscal Framework

180. The indicative three-year fiscal framework for the period 2025-2027

Table 16: Kaduna State Medium Term Fiscal Framework

Macro-Economic Framework

Item	2025	2026	2027
National Inflation	24.0%	20.30%	19.00%
National Real GDP Growth	3.0%	3.1%	3.2%
Oil Production Benchmark (MBPD)	1.6	1.7	1.8
Oil Price Benchmark	\$70	\$78	\$75
NGN:USD Exchange Rate	1200	1200	1200
Other Assumptions			
Mineral Ratio	20.0%	28.0%	30.0%

Fiscal Framework

Item	2025	2026	2027
Opening Balance			

Recurrent Revenue

Statutory Allocation	149,712,183,756	213,840,859,646	239,691,165,876
VAT	66,307,185,292	78,790,053,265	92,869,035,578
IGR	56,842,273,151	68,210,727,781	85,983,967,067
Excess Crude / Other Revenue	0	0	0
Total Recurrent Revenue	272,861,642,199	360,841,640,693	418,544,168,520

Recurrent Expenditure

Personnel Costs	85,932,809,431	87,000,000,000	89,000,000,000
Social Benefits	12,000,000,000	12,000,000,000	12,000,000,000
Overheads	50,813,477,587	52,000,000,000	53,000,000,000
Grants, Contributions and Subsidies			
Public Debt Service	70,876,998,877	80,765,875,876	90,009,876,543
Total	219,623,285,895	231,765,875,876	244,009,876,543

Transfer to Capital Account	53,238,356,304	129,075,764,817	174,534,291,977
------------------------------------	-----------------------	------------------------	------------------------

Capital Receipts

Grants	40,013,031,162	48,947,890,774	48,947,890,774
Other Capital Receipts	0	0	0
Total	40,013,031,162	48,947,890,774	48,947,890,774

Reserves

Contingency Reserve	0	0	0
Planning Reserve	0	0	0
Total Reserves	0	0	0

Capital Expenditure

Discretionary Funds	322,862,654,938	390,722,761,785	422,181,288,946
Discretionary Funds	90,689,070,423	151,526,478,936	196,985,006,096
Non-Discretionary Funds	232,173,584,514	239,196,282,849	225,196,282,849

Financing (Loans)	229,611,267,471	212,699,106,194	198,699,106,194
--------------------------	------------------------	------------------------	------------------------

Total Revenue (Including Opening Balance)	542,485,940,832	622,488,637,661	666,191,165,489
Total Expenditure (including Contingency Rese	542,485,940,832	622,488,637,661	666,191,165,489

3.C.1 Assumptions

181. **Statutory Allocation** – The Fiscal and Economic Reforms being rolled out by the Federal Government has greatly improved Statutory Allocation since July 2023. The removal of Petroleum Motor Spirit (PMS), unification of Multiple Exchange Rates and Deregulated the FX market by floating of the Nigerian Naira against major Currencies has freed up more funds into the Federations Accounts. The projection of is based on elasticity of the non- oil component Statutory Allocation's (Custom and Excise Duty & Company Income Tax) using historical actual data from 2013 – 2023 and projected from 2025 – 2027 using combined GDP growth rate and inflation rate. Mineral revenues are based on the benchmarks and the current proportion of crude oil sales proceeds that are converted into fiscal resources. The budgeted figures for Statutory Allocation do not include any excess crude or other Federation Account receipts. It has taken into cognizance the 0.5% deduction of the Police Trust Fund from both the Mineral and Non-Mineral Revenue.
182. **VAT** - The estimate for VAT is based on elasticity using 2013-2023 actuals and 2025-2027 real GDP growth and inflation. Historical elasticities are calculated for the period 2013-2023. Since the passage and approval of the 2020 Finance Bill into an Act, VAT was increased from 5% to 7.5%. This has greatly improved VAT collections and what is distributed from FAAC. The assumption on VAT also includes an additional 3% deduction from VAT for Northeast Development Company is recognized. We expect a further hike in VAT in the short to medium term as the Presidential Committee on Fiscal Policy and Tax Reforms are proposing to further increase it by 2.5% bringing it to 10%.
183. **Excess Crude** - There are no provisions for revenue from excess crude because Excess Crude is a kind of stabilization fund that is distributed at discretion to the Federal Government and States or when the economy needs to be supported to cushion the effect of recession or economic downturn. This makes it not reasonable to budget or forecast excess crude.
184. **Internally Generated Revenue (IGR)** – The State's IGR has grown by more than 300% since 2015 as a result of reforms, commitment and political will. The State recorded an increase of 7.5% in its 2023 IGR as compared with 2022 actual collections. The actual IGR collections for 2023 was used to project for 2025 to 2027 driven by past performances.
185. **Grants** – Budgeting and forecasting Grants are usually very challenging because most of the receipts and expenditures for grants are off-budget. They hardly go through the Office of the Accountant General of the State, usually, they go directly to Implementing Partners. The Budget for 2025 to 2027 is based on bilateral engagement with the PFM Office. The grants captured are mostly BMGF, UN Systems, World Bank, and FCDO, who have forwarded their commitments. The grants are mostly non-discretionary, these funds are tied to the implementation of specific programs/projects. If the funds are not forthcoming, the programs/projects will not be implemented. With the signing of the Kaduna Mutual Accountability Framework (K-MAF), we hope to see improved disclosure of grants support from the Development Partners.
186. **Miscellaneous Capital Receipts** - We don't expect any Miscellaneous Capital Receipts Based in 2025 – 2027. The sale of non-essential government houses has ended, and the Government has not disclose any plans to dispose more of its assets.
187. **Financing (Loans)** - The State has accessed World Bank, African Development Bank, Islamic Development Bank and other Foreign Institutions' Loans to finance its 2025 – 2027 Budget. These Loans are mostly non-discretionary in nature, and they are tied to delivering a specific project or programme in a particular sector. A schedule of estimated capital receipts is captured in Annex 1.
188. **Personnel** – The sudden removal of fuel subsidy on May 29, 2023, one month ahead of the planned removal date of June 30, 2023, has led to a sharp increase in the costs of transportation and other consumer goods. This has triggered agitations by the leading Labour Unions for an increase in the national minimum wage, as well as the provision of other

palliatives to cushion the effects of the subsidy removal on citizens, especially workers. Hence, Personnel cost will be higher in 2025 in view of an imminent upward review of the minimum wage.

189. **Overheads** – With the national MoM inflation rate at an all-time high of 33.69% as at April 2024, as well as the impact removal of energy subsidies (PMS and electricity from July 1, 2023) have had on consumer prices, the operational costs of government have increased significantly. Thus, 2025 will certainly see a very high increase in overheads compared to previous years.
190. **Social Benefits** – The immediate past administration commenced a holistic review of minimum pensions receivable by pensioners under the Defined Benefits Scheme in the State. However, the exercise was not completed before the end of the administration's tenure, but given the cost-of-living realities, it is very likely the new government will consider an upward review of pensions, which will also impact overhead costs.
191. **Debt Service** – With the floating of the Naira (devaluation), the debt service of Kaduna State is expected to jump steeply. The State's ability to cover debt service with its operating balance may weaken unexpectedly. This may be due to lower-than-expected revenue, higher-than-expected expenditure, or an unexpected rise in liabilities or debt-service requirements. Kaduna's revenue structure is influenced by the state's weak socioeconomic profile and reliance on volatile transfers from the federal government. The State has broad responsibilities and high spending needs, and capital expenditure plays a key role in developing the local economy.
192. **Contingency and Planning Reserves** - No provision is made for contingency and Planning Reserves.
193. **Capital Expenditure** - This is based on recurrent account surplus plus Capital receipts, i.e., internal and external grants, internal and external loans as well as other capital receipts. Capital expenditure as budgeted is more than 60% of total expenditure in 2024. Priority to CAPEX will continue into 2025 – 2027 as we see a ratio of at least 60% for CAPEX and 40% for Recurrent Expenditure.

Figure 38: Kaduna State Revenue Trend

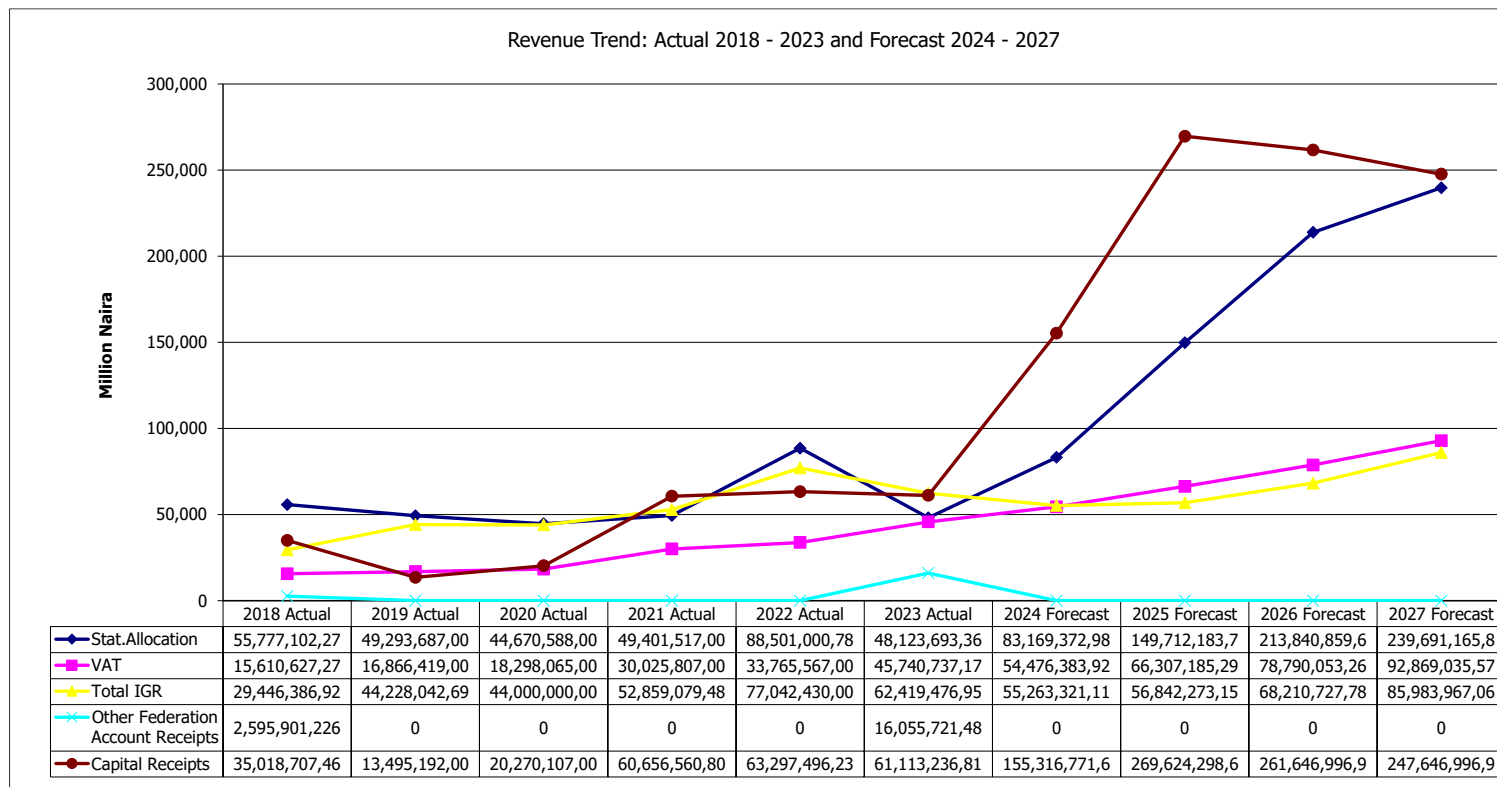
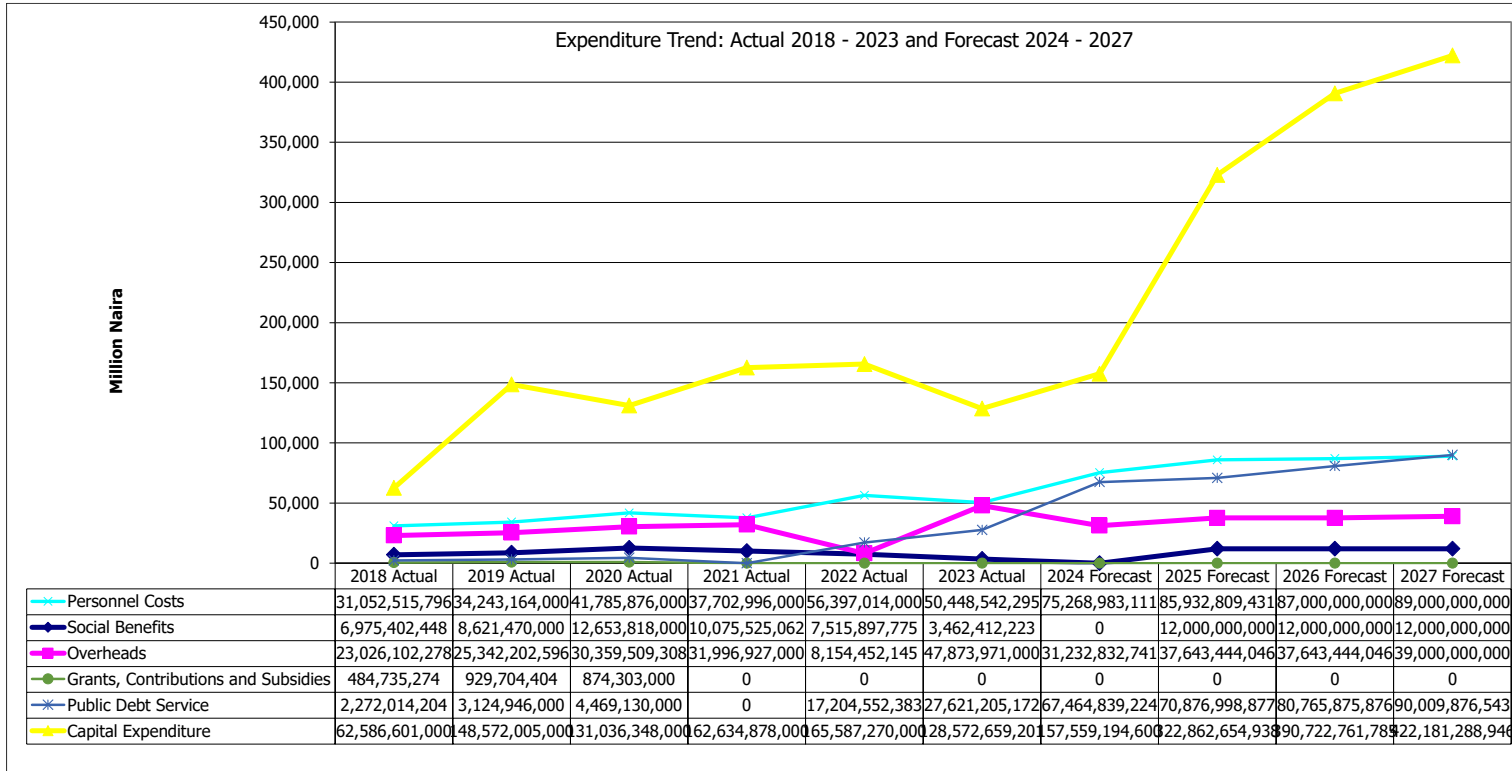


Figure 39: Kaduna State Expenditure Trend



3.D Fiscal Risks

194. The analysis and forecasting basis as laid out above implies some fiscal risks, including but not limited to the factors highlighted in the table below:

Table 17: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Risks to Statutory Allocation based on Oil Price or Production shock	High	Shortfall in Statutory Allocation from FAAC (High)	In the long term, Kaduna State would have to be less dependent on Statutory Allocation to fund its expenditure. This would be achieved through higher IGR collections. In the short term, capital projects would be prioritized and overhead expenditure should be made flexible for reduction if short-term falls are further experienced.
Threat to security in Kaduna and neighbouring States which could reduce economic activity by taxpayers.	High	Reduced IGR and increased overhead (High)	Proactive engagement with communities in the State and neighbouring States - through collaborative efforts with the security agencies, Northern Governor's Forum, etc. – to reduce risk as well as "pooling of resources" to stabilize revenue and expenditure.
Floods and other natural disasters which could adversely affect farming and other economic activities	Medium	Reduced IGR and increased overhead (Medium)	Increased investment to raise the level of climate resilience (flood control and irrigation) adaptation and awareness.
Increase of Minimum Wage	High	Increased Personnel Cost and Inflation	Higher wages could lead to inflation, make companies less competitive, and result in job losses.
Increase VAT from 7.5% to 10%	High	Increased VAT and Inflation	The state will have more revenue from Value added Tax (VAT) but, the increase may cause a surge in the prices of goods and services overnight.
Security situation nationwide deteriorates causing reductions in Federal transfers	Medium	Reduced Statutory Allocation and VAT from FAAC (High)	In the long term, Kaduna State would have to be less dependent on Statutory Allocation and VAT to fund its expenditure. This would be achieved through higher IGR collections. In the short term, capital projects would be prioritized and overhead expenditure should be made flexible for reduction if short term

			falls are further experienced.
No materialisation of Capital Receipts	Medium	High	Loans that are at risk of not materialising must be ring fenced to specific activities and the risk should be spread reasonably across sectors to the extent possible, and on lower priority projects.

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

3.E Local Government Forecasts

196. Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B, and the vertical and horizontal sharing ratios from May 2018, the Federation Account revenues have been forecasted for the 23 Local Governments (LGs) of Kaduna State. In addition, LG Share of IGR (LGs receive 10% of Personal Income Tax (PAYE & Direct Assessment) which is estimated to constitute one-third of the IGR estimate contained in the State Fiscal Framework (Table 16 above).

197. The forecasts for the period 2025-2026 is provided in Figure 40 below.

Figure 40: Local Government FAAC and Share of State IGR Estimates 2025-2027

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2025				Total Transfer
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	
BIRNIN GWARI	0.1856%	0.1296%	5.320%	2,830,757,975	1,269,674,648	-	45,360,134	4,145,792,758
CHIKUN	0.1887%	0.1544%	5.410%	2,878,389,270	1,513,024,729	-	46,127,505	4,437,541,504
GIWA	0.1561%	0.1369%	4.480%	2,382,096,983	1,341,205,339	-	38,198,008	3,761,500,330
KAJURU	0.1202%	0.0993%	3.450%	1,834,180,599	972,550,557	-	29,415,876	2,836,147,032
IGABI	0.1977%	0.1677%	5.670%	3,015,310,103	1,643,173,880	-	48,344,353	4,706,828,336
IKARA	0.1324%	0.1171%	3.800%	2,019,985,773	1,146,963,312	-	32,400,096	3,199,349,181
JABA	0.1155%	0.1088%	3.310%	1,761,423,621	1,066,014,610	-	28,222,189	2,855,660,419
JEMA'A	0.1538%	0.1352%	4.410%	2,346,981,485	1,325,052,977	-	37,601,164	3,709,635,625
KACHIA	0.1697%	0.1279%	4.870%	2,588,964,716	1,252,688,629	-	41,523,281	3,883,176,626
KADUNA NORTH	0.1603%	0.1522%	4.600%	2,445,797,279	1,490,858,278	-	39,221,168	3,975,876,726
KADUNA SOUTH	0.1712%	0.1617%	4.910%	2,611,271,186	1,584,715,011	-	41,864,334	4,237,850,532
KAGARKO	0.1479%	0.1271%	4.240%	2,256,592,835	1,245,693,892	-	36,151,686	3,538,438,413
KAURA	0.1282%	0.1232%	3.680%	1,955,039,140	1,207,131,492	-	31,376,935	3,193,547,567
KAURI	0.1320%	0.1119%	3.790%	2,013,048,610	1,096,738,117	-	32,314,832	3,142,101,559
KUBAU	0.1528%	0.1360%	4.380%	2,330,300,831	1,332,003,616	-	37,345,373	3,699,649,821
KUDAN	0.1185%	0.1053%	3.400%	1,807,459,515	1,031,607,894	-	28,989,559	2,868,056,968
LERE	0.1649%	0.1465%	4.730%	2,514,940,813	1,435,141,868	-	40,329,593	3,990,412,274
MAKARFI	0.1109%	0.1068%	3.180%	1,691,584,699	1,046,867,803	-	27,113,764	2,765,566,266
SABON GARI	0.1463%	0.1370%	4.200%	2,232,043,853	1,342,137,691	-	35,810,632	3,609,992,175
SANKA	0.1227%	0.1075%	3.520%	1,871,405,978	1,053,322,868	-	30,012,720	2,954,741,566
SOKA	0.1564%	0.1384%	4.490%	2,385,359,938	1,355,574,894	-	38,283,271	3,779,218,103
ZANGON KATAF	0.1749%	0.1433%	5.020%	2,668,736,869	1,404,082,378	-	42,802,232	4,115,621,479
ZARIA	0.1786%	0.1630%	5.130%	2,725,010,915	1,596,911,179	-	43,740,129	4,365,662,223

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2026				Total Transfer
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	
BIRNIN GWARI	0.1856%	0.1296%	5.320%	8,853,725,842	2,475,730,660	-	54,432,161	11,383,888,663
CHIKUN	0.1887%	0.1544%	5.410%	9,002,701,638	2,950,237,461	-	53,353,006	12,008,292,105
GIWA	0.1561%	0.1369%	4.480%	7,450,454,543	2,615,207,907	-	45,837,609	10,111,500,059
KAJURU	0.1202%	0.0993%	3.450%	5,736,743,411	1,896,370,251	-	35,299,052	7,668,412,714
IGABI	0.1977%	0.1677%	5.670%	9,430,947,191	3,204,014,476	-	58,013,224	12,692,974,891
IKARA	0.1324%	0.1171%	3.800%	6,317,883,900	2,236,456,592	-	38,880,115	8,593,220,607
JABA	0.1155%	0.1088%	3.310%	5,509,182,334	2,078,615,224	-	33,866,626	7,621,664,184
JEMA'A	0.1538%	0.1352%	4.410%	7,340,624,244	2,583,712,516	-	45,121,396	9,969,458,156
KACHIA	0.1697%	0.1279%	4.870%	8,097,472,129	2,442,609,728	-	49,827,937	10,589,909,794
KADUNA NORTH	0.1603%	0.1522%	4.600%	7,649,689,150	2,807,015,237	-	47,065,402	10,603,769,790
KADUNA SOUTH	0.1712%	0.1617%	4.910%	8,167,239,793	3,090,025,894	-	50,237,201	11,307,502,888
KAGARKO	0.1479%	0.1271%	4.240%	7,057,916,810	2,428,970,733	-	43,382,023	9,530,269,566
KAURA	0.1282%	0.1232%	3.680%	6,114,751,139	2,353,778,150	-	37,652,322	8,506,181,611
KAURI	0.1320%	0.1119%	3.790%	6,296,186,624	2,138,522,798	-	38,777,799	8,473,487,220
KUBAU	0.1528%	0.1360%	4.380%	7,288,452,375	2,597,265,525	-	44,814,448	9,930,532,348
KUDAN	0.1185%	0.1053%	3.400%	5,653,168,217	2,011,525,784	-	34,787,471	7,699,481,472
LERE	0.1649%	0.1465%	4.730%	7,865,948,507	2,798,374,157	-	48,395,511	10,712,718,175
MAKARFI	0.1109%	0.1068%	3.180%	5,290,748,023	2,041,280,984	-	32,536,517	7,364,565,524
SABON GARI	0.1463%	0.1370%	4.200%	6,981,135,268	2,617,025,893	-	42,972,759	9,641,133,920
SANKA	0.1227%	0.1075%	3.520%	5,853,172,758	2,053,867,676	-	36,015,264	7,943,055,698
SOKA	0.1564%	0.1384%	4.490%	7,460,660,945	2,643,227,012	-	45,939,925	10,149,826,982
ZANGON KATAF	0.1749%	0.1433%	5.020%	8,346,974,480	2,737,811,453	-	51,362,678	11,136,148,610
ZARIA	0.1786%	0.1630%	5.130%	8,522,982,102	3,113,807,125	-	52,488,155	11,689,277,382

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2027				Total Transfer
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	
BIRNIN GWARI	0.1856%	0.1296%	5.320%	9,924,014,862	2,918,118,585	-	68,615,206	12,910,748,653
CHIKUN	0.1887%	0.1544%	5.410%	10,090,999,706	3,477,414,532	-	69,775,989	13,638,190,227
GIWA	0.1561%	0.1369%	4.480%	8,351,108,103	3,082,518,999	-	57,781,226	11,491,408,328
KAJURU	0.1202%	0.0993%	3.450%	6,430,233,768	2,235,232,355	-	44,496,703	8,709,962,825
IGABI	0.1977%	0.1677%	5.670%	10,571,014,030	3,776,539,323	-	73,129,364	14,420,682,717
IKARA	0.1324%	0.1171%	3.800%	7,081,625,842	2,636,088,671	-	49,010,861	9,766,725,375
JABA	0.1155%	0.1088%	3.310%	6,175,163,806	2,450,042,654	-	42,691,040	8,667,897,499
JEMA'A	0.1538%	0.1352%	4.410%	8,228,000,889	3,045,395,702	-	56,878,394	11,330,274,985
KACHIA	0.1697%	0.1279%	4.870%	9,076,340,876	2,879,079,278	-	62,811,288	12,018,231,442
KADUNA NORTH	0.1603%	0.1522%	4.600%	8,574,427,329	3,426,469,336	-	59,328,937	12,060,225,602
KADUNA SOUTH	0.1712%	0.1617%	4.910%	9,154,542,454	3,642,182,138	-	63,327,192	12,860,051,784
KAGARKO	0.1479%	0.1271%	4.240%	7,911,118,164	2,863,003,134	-	54,685,803	10,828,807,101
KAURA	0.1282%	0.1232%	3.680%	6,853,937,232	2,774,374,400	-	47,463,150	9,675,774,781
KAURU	0.1320%	0.1119%	3.790%	7,057,305,675	2,520,655,102	-	48,881,885	9,626,842,663
KUBAU	0.1528%	0.1360%	4.380%	8,169,522,186	3,061,370,496	-	56,491,466	11,287,384,148
KUDAN	0.1185%	0.1053%	3.400%	6,336,555,526	2,370,965,012	-	43,851,823	8,751,372,361
LERE	0.1649%	0.1465%	4.730%	8,816,829,353	3,298,415,198	-	61,005,625	12,176,250,161
MAKARFI	0.1109%	0.1068%	3.180%	5,930,323,905	2,406,037,165	-	41,014,352	8,377,375,422
SABON GARI	0.1463%	0.1370%	4.200%	7,825,054,829	3,084,661,841	-	54,169,899	10,963,886,570
SANGA	0.1227%	0.1075%	3.520%	6,560,737,759	2,420,872,970	-	45,399,535	9,027,010,264
SOBA	0.1564%	0.1384%	4.490%	8,362,547,305	3,115,544,834	-	57,910,202	11,536,002,340
ZANGON KATAF	0.1749%	0.1433%	5.020%	9,356,004,497	3,227,030,553	-	64,745,927	12,647,780,978
ZARIA	0.1786%	0.1630%	5.130%	9,553,288,927	3,670,212,834	-	66,164,663	13,289,666,424

198. Budget Policy Statement

3.F Budget Policy Thrust

199. To actualize its vision, the current administration will focus on seven areas as encapsulated in its SUSTAIN agenda namely: Safety and Security, Upgrade of Infrastructure, Strengthening of Institutions, Trade and Investment, Agriculture, Investment in Human Capital and Nurturing Citizens' Engagement. Consequently, financial resources will be strictly dedicated to meet the objectives outlined in the State Development Plan.

200. The Multi-Year Budgeting Framework will be utilized and the 2025-2027 multi-year budget will emphasize on the following:

- Serve strictly as the financial implementation plan of the State Development Plan;
- Cover the three years of 2025-2027;
- Action the costed Sector Implementation Plans (SIPs) of Ministries, Departments, and Agencies with strengthened budget and expenditure management systems and processes.

201. The 2025 Budget will also adhere to key fiscal objectives outlined by the current administration which focus on the following:

- Ensuring the actualization of the development priorities of the government as articulated in the State Development Plan and respective Sector Implementation Plans (SIPs);
- Maintaining a favorable proportion of Capital to Recurrent Expenditure (at least a target of 60%:40%);
- Ensuring that adequate provision is made to complete 2024 projects in 2025;
- Expanding the revenue generation capacity of the State; and
- Eliminating wastages and other unjustifiable expenditure that are not clearly linked to policy objectives.

3.G Sector Allocations (3 Year)

202. Presented in the table below are the indicative three years envelopes for sectors and sub-sectors. The basis for 2025-2027 recurrent expenditure envelopes (Personnel, Overheads) is an average for the period 2018-2023 budget allocations.

Table 18: Indicative Sector Personnel Expenditure Ceilings 2025-2027

Personnel Expenditure by Sector						
No.	Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	2027 Allocation
1	Governance - Government House	0.37%	317,951,395	0.37%	321,900,000	329,300,000
2	Governance - Office of the Head of Service	0.56%	481,223,733	0.56%	487,200,000	498,400,000
3	Governance - Secretary to the State Government	2.52%	2,165,506,798	2.52%	2,192,400,000	2,242,800,000
4	Governance - Planning and Budget Commission	0.86%	739,022,161	0.86%	748,200,000	765,400,000
5	Governance - Ministry of Finance & Parastatals	3.35%	2,878,749,116	3.35%	2,914,500,000	2,981,500,000
6	Governance - Ministry for Local Government	0.15%	128,899,214	0.15%	130,500,000	133,500,000
7	Governance - Office of the State Auditor-General	0.26%	223,425,305	0.26%	226,200,000	231,400,000
8	Governance - Office of Auditor-General (Local Government)	0.28%	240,611,866	0.28%	243,600,000	249,200,000
9	Governance - Public Procurement Authority	0.13%	111,712,652	0.13%	113,100,000	115,700,000
10	Governance - Local Government Service Commission	0.09%	77,339,528	0.09%	78,300,000	80,100,000
11	Governance - Civil Service Commission	0.40%	343,731,238	0.40%	348,000,000	356,000,000
12	Governance - Kaduna State Indep. Electoral Commission	0.24%	206,238,743	0.24%	208,800,000	213,600,000
13	Governance - State Emergency Management Agency	0.20%	171,865,619	0.20%	174,000,000	178,000,000
14	Governance - Other Non-SIP MDA's	2.74%	2,354,558,978	2.74%	2,383,800,000	2,438,600,000
15	Health	30.19%	25,943,115,167	30.19%	26,265,300,000	26,869,100,000
16	Education	40.10%	34,459,056,582	40.10%	34,887,000,000	35,689,000,000
17	Social Welfare	0.63%	541,376,699	0.63%	548,100,000	560,700,000
18	Works and Infrastructure	4.33%	3,720,890,648	4.33%	3,767,100,000	3,853,700,000
19	Rural & Community Development		0	0.00%	0	0
20	Agriculture	1.97%	1,692,876,346	1.97%	1,713,900,000	1,753,300,000
21	Housing		0	0.00%	0	0
22	Environment	0.38%	326,544,676	0.38%	330,600,000	338,200,000
23	Business Innovation and Technology	0.56%	481,223,733	0.56%	487,200,000	498,400,000
24	Internal Security, Law and Justice - Ministry of Justice	5.99%	5,147,375,285	5.99%	5,211,300,000	5,331,100,000
25	Internal Security, Law and Justice - Other Ministries	3.70%	3,179,513,949	3.70%	3,219,000,000	3,293,000,000
	Total	100.00%	85,932,809,431	100.00%	87,000,000,000	89,000,000,000

Table 19: Indicative Sector Overhead Expenditure Ceilings 2025-2027

Overhead Expenditure by Sector						
No.	Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	2027 Allocation
1	Governance - Government House	4.93%	2,502,802,380	4.93%	2,561,244,181	2,610,498,876
2	Governance - Office of the Head of Service	0.23%	118,207,285	0.23%	120,967,490	123,293,788
3	Governance - Secretary to the State Govern	5.71%	2,899,131,496	5.71%	2,966,827,798	3,023,882,179
4	Governance - Planning and Budget Commis	1.21%	612,336,002	1.21%	626,634,381	638,685,043
5	Governance - Ministry of Finance & Parasta	51.02%	25,925,895,685	51.02%	26,531,279,488	27,041,496,401
6	Governance - Ministry for Local Governmen	1.05%	534,541,961	1.05%	547,023,808	557,543,496
7	Governance - Office of the State Auditor-G	0.34%	173,419,194	0.34%	177,468,627	180,881,485
8	Governance - Office of Auditor-General (Lo	0.10%	50,746,446	0.10%	51,931,404	52,930,084
9	Governance - Public Procurement Authorit	0.03%	13,580,795	0.03%	13,897,914	14,165,182
10	Governance - Local Government Service Co	0.60%	304,011,081	0.60%	311,109,905	317,092,788
11	Governance - Civil Service Commission	0.09%	46,489,957	0.09%	47,575,523	48,490,437
12	Governance - Kaduna State Indep. Electora	0.00%	1,494,068	0.00%	1,528,955	1,558,358
13	Governance - State Emergency Managemen	0.45%	230,052,194	0.45%	235,424,038	239,951,423
14	Governance – Other Non-SIP MDA's	3.32%	1,687,253,830	3.32%	1,726,652,127	1,759,856,975
15	Health	2.63%	1,337,727,413	2.63%	1,368,964,078	1,395,290,310
16	Education	7.16%	3,636,947,162	7.16%	3,721,871,861	3,793,446,320
17	Social Welfare	1.29%	653,367,766	1.29%	668,624,260	681,482,418
18	Works and Infrastructure	0.46%	232,531,282	0.46%	237,961,014	242,537,187
19	Rural & Community Development	0.02%	11,347,524	0.02%	11,612,495	11,835,813
20	Agriculture	0.07%	35,964,224	0.07%	36,804,008	37,511,778
21	Housing	1.46%	740,081,244	1.46%	757,362,545	771,927,209
22	Environment	0.07%	37,684,182	0.07%	38,564,128	39,305,746
23	Business Innovation and Technology	0.28%	142,101,269	0.28%	145,419,411	148,215,938
24	Internal Security, Law and Justice - Minis	8.30%	4,216,177,475	8.30%	4,314,627,518	4,397,601,124
25	Internal Security, Law and Justice - Other	6.38%	3,240,575,981	6.38%	3,316,245,197	3,380,019,143
	Total	97.19%	50,813,477,587	97.19%	52,000,000,000	53,000,000,000

Table 20: Indicative Sector Capital Expenditure Ceilings 2025-2027

Capital Expenditure by Sector			Discretionary Funds				
No.	Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation
1	Governance - Government House	0.00%	0	0.00%	0	0.00%	0
1	Governance - Office of the Head of Service & Parastatals	0.00%	0	0.00%	0	0.00%	0
1	Governance - Secretary to the State Government	0.75%	680,168,028	0.75%	1,136,448,592	0.75%	1,477,387,546
1	Governance - Planning and Budget Commission	3.00%	2,720,672,113	3.00%	4,545,794,368	3.00%	5,909,550,183
1	Governance - Ministry of Finance & Parastatals	6.00%	5,441,344,225	6.00%	9,091,588,736	6.00%	11,819,100,366
1	Governance - Ministry for Local Government	0.00%	0	0.00%	0	0.00%	0
1	Governance - Office of the State Auditor-General	0.00%	0	0.00%	0	0.00%	0
1	Governance - Office of Auditor-General (Local Govt)	0.00%	0	0.00%	0	0.00%	0
1	Governance - Public Procurement Authority	0.00%	0	0.00%	0	0.00%	0
1	Governance - Local Government Service Commission	0.00%	0	0.00%	0	0.00%	0
1	Governance - Civil Service Commission	0.00%	0	0.00%	0	0.00%	0
1	Governance - Kaduna State Indep. Electoral Commission	0.00%	0	0.00%	0	0.00%	0
1	Governance - State Emergency Management Agency	0.00%	0	0.00%	0	0.00%	0
1	Governance – Other Non-SIP MDA's		0	0.00%	0	0.00%	0
1	Health	10.00%	9,068,907,042	10.00%	15,152,647,894	10.00%	19,698,500,610
1	Education	22.00%	19,951,595,493	22.00%	33,335,825,366	22.00%	43,336,701,341
1	Social Welfare	0.50%	453,445,352	0.50%	757,632,395	0.50%	984,925,030
1	Works and Infrastructure	40.00%	36,275,628,169	40.00%	60,610,591,574	40.00%	78,794,002,438
1	Rural & Community Development		0	0.00%	0	0.00%	0
1	Agriculture	1.50%	1,360,336,056	1.50%	2,272,897,184	1.50%	2,954,775,091
1	Housing	10.00%	9,068,907,042	10.00%	15,152,647,894	10.00%	19,698,500,610
1	Environment	2.00%	1,813,781,408	2.00%	3,030,529,579	2.00%	3,939,700,122
1	Business Innovation and Technology	1.00%	906,890,704	1.00%	1,515,264,789	1.00%	1,969,850,061
1	Internal Security, Law and Justice - Ministry of Justice	1.00%	906,890,704	1.00%	1,515,264,789	1.00%	1,969,850,061
1	Internal Security, Law and Justice - Other Non-SIP MDA's	2.25%	2,040,504,085	2.25%	3,409,345,776	2.25%	4,432,162,637
	Total	100.00%	90,689,070,423	100.00%	151,526,478,936	100.00%	196,985,006,096

Capital Expenditure by Sector		Non-Discretionary Funds				Total Capital Envelope				
No.	Sector	2025 Allocation	2026 Allocation	2027 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation
1	Governance - Government House	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Office of the Head of Service & Parastatals	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Secretary to the State Government	0	0	0	0.2%	680,168,028	0.3%	1,136,448,592	0.3%	1,477,387,546
1	Governance - Planning and Budget Commission	0	0	0	0.8%	2,720,672,113	1.2%	4,545,794,368	1.4%	5,909,550,183
1	Governance - Ministry of Finance & Parastatals	0	0	0	1.7%	5,441,344,225	2.3%	9,091,588,736	2.8%	11,819,100,366
1	Governance - Ministry for Local Government	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Office of the State Auditor-General	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Office of Auditor-General (Local Govt)	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Public Procurement Authority	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Local Government Service Commission	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Civil Service Commission	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Kaduna State Indep. Electoral Commission	0	0	0	0.3%	0	0.0%	0	0.0%	0
1	Governance - State Emergency Management Agency	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Governance - Other Non-SIP MDA's	53,300,534,594	54,766,666,667	54,766,666,667	16.5%	53,300,534,594	14.0%	54,766,666,667	13.0%	54,766,666,667
1	Health	48,397,850,132	42,677,556,782	42,677,556,782	17.0%	57,466,757,174	14.8%	57,830,204,675	14.8%	62,376,057,391
1	Education	40,693,199,789	56,370,059,401	56,370,059,401	25.0%	60,644,795,282	23.0%	89,705,884,767	23.6%	99,706,760,742
1	Social Welfare	0	0	0	0.1%	453,445,352	0.2%	757,632,395	0.2%	984,925,030
1	Works and Infrastructure	450,000,000	450,000,000	450,000,000	29.0%	36,725,628,169	15.6%	61,060,591,574	18.8%	79,244,002,438
1	Rural & Community Development	0	0	0	0.0%	0	0.0%	0	0.0%	0
1	Agriculture	72,332,000,000	79,332,000,000	65,332,000,000	22.8%	73,692,336,056	20.9%	81,604,897,184	16.2%	68,286,775,091
1	Housing	0	0	0	2.8%	9,068,907,042	3.9%	15,152,647,894	4.7%	19,698,500,610
1	Environment	17,000,000,000	5,600,000,000	5,600,000,000	5.8%	18,813,781,408	2.2%	8,630,529,579	2.3%	9,539,700,122
1	Business Innovation and Technology	0	0	0	0.3%	906,890,704	0.4%	1,515,264,789	0.5%	1,969,850,061
1	Internal Security, Law and Justice - Ministry of Justice	0	0	0	1.8%	906,890,704	0.4%	1,515,264,789	0.5%	1,969,850,061
1	Internal Security, Law and Justice - Other Non-SIP MDA's	0	0	0	0.6%	2,040,504,085	0.9%	3,409,345,776	1.0%	4,432,162,637
	Total	232,173,584,514	239,196,282,849	225,196,282,849	124.86%	322,862,654,938	100.00%	390,722,761,785	100.00%	422,181,288,946

3.H Considerations for the Annual Budget Process

203. Each MDA should follow the steps below in preparing its 2025 budget:
- Prioritization of 2024 Ongoing Projects
 - Ensure New Projects emerge from SIP/SDP
 - Allocate Resources
204. Capital Expenditure: MDAs are advised to ensure that all ongoing projects that are unlikely to be completed and paid for in 2024 are captured in their 2025 Budget. Where ongoing projects exceed ceilings, the MDA's 2025 budget is to be limited to the value of ongoing projects only. For new projects, each ministry should work with its respective MDAs to reassess its Sector Implementation Plan (SIP) against the State Development Plan (SDP). Sector development priorities should then be prioritized based on MDA capital ceilings allocated. MDAs may wish to hold internal management meetings to ensure a coherent strategy, but these must be aligned with overall sector priorities as defined in your SIP.
205. Allocate resources: Resources should be allocated starting from the highest priority activities and continuing in sequence down to lower priority activities until the budget ceiling is reached. This becomes the cut-off point for resource allocations for that year, except for projects with special funding arrangements (e.g. grant allocations). Projects that do not make the cut for 2024 can then be moved to 2025 and 2026 respectively.
206. The following will be helpful to keep in mind in assessing each activity within the budget:
- General - Budget estimates should be prepared for all units, sub-units and facilities in the organizations for which the MDA is responsible
 - Personnel Costs - All staff on the payroll, including political, public office holders must be properly reflected in a Staff List that should accompany this proposal submission. The Staff list must be updated versions from the biometric verification exercise and should be signed off by Chief Executives who assume responsibility for ensuring the veracity of the information provided. Chief Executives are also expected to perform an independent assessment of the true staff position of their MDAs and ensure this is reflected in the staff list to be sent to the PBC.
 - Personnel cost estimates should consider any changes in staffing levels including annual increments, promotions, leave grants, retirement and other forms of attrition. It should also consider implications for annual salary and all other approved allowances.
 - Recruitment that is not approved by the Government before the submission of this estimate should not be captured.
 - For approved recruitment, approval authorization should be included with the submission.
 - Capital Expenditure - Capital expenditure estimates must be consistent with Kaduna State Development Plan. Capital projects that are tied to specific sources of funds (grants, loans, etc.), should be matched with the expected drawdown schedule of those specific funds and any counterpart funds provided by the State.
 - Where the drawdown of the specified funds is conditional on the provision of counterpart funds, it should be clearly indicated in the submission

Section 4 Summary of Key Points and Recommendations

207. We summarise below a list of the key points arising in this document:

- The Commissioner, Planning and Budget Commission (PBC) should present the draft MTEF document to the Executive Council (ExCo), and the Governor should present the final MTEF to State House of Assembly (SHoA) for their buy-in and approval in accordance with the Fiscal Responsibility Law (FRL).
- The State budget estimates should be based on the MTEF document, which has historically provided more realistic estimates than have been included in the Annual Budget.
- Loans expected to be drawn as capital receipts should be captured in the budget only when they have been approved and commitment fees are paid, and documentation is lodged with Debt Management Department (DMD).
- For all loans, the precise impact on debt sustainability ratios should be assessed, and a detailed analysis of the impact of the associated expenditure (for example, Economic Analysis, Financial Analysis) is also undertaken to help justify the funding to the Senate Committee on Foreign Loans (this should be undertaken for the World Bank P4R loan).
- A full assessment of 2024 Capital Project implementation (funding) should be undertaken before the finalization of the 2025 budget so adequate provisions are made to complete all ongoing projects (it is noted that the aim is to pass the 2025 budget in August, hence the level of 2024 in-year data will be limited).
- The Accountant General's Report format should be harmonized with the budgeting system.
- PBC and the Ministry of Finance (MoF) to hold harmonization meetings quarterly.
- PBC and MoF to ensure the sustainability of the MTEF Working Group.

Annex 1 – Detailed Capital Receipts

ITEM	2024	2025	2026	2027
Internal Grants				
UBEC Special Education Intervention	5,917,339,963	0	0	0
Tertiary Education Trust Fund (COE) Normal Intervention	235,000,000	491,000,000	250,000,000	250,000,000
Tertiary Education Trust Fund (KASU) Normal Intervention	197,025,410	1,136,944,000	1,000,000,000	1,000,000,000
Tertiary Education Trust Fund (KASU) Zonal Intervention	0	250,000,000	250,000,000	250,000,000
Tertiary Education Trust Fund (KASU) (Academic Staff Training and Development)	1,331,951,000	0	0	0
Tertiary Education Trust Fund (KASU) Special Intervention	250,000,000	500,000,000	500,000,000	500,000,000
Identification, Assessment and Addressing of Ecological Problem Areas (FGN Ecolog	200,000,000	0	0	0
Saving One Million Lives Performance for Results (P4R)	552,000,000	0	0	0
2018 TETFUND Intervention	417,628,900	0	0	0
TETFUND Special Intervention 2017-2018	3,240,000,000	0	0	0
TETFUND Special Intervention 2019	690,600,000	0	0	0
Presidential need assessment	193,000,000	0	0	0
UBEC Intervention Fund 2017- 2019	8,068,842,601	0	0	0
UBE Intervention on Infrastructure (Matching Grant)	1,650,000,000	4,087,838,972	3,554,642,584	3,554,642,584
UBE Intervention on SBMC/SIP		0	0	0
Tax Refund from Federal Government		0		
Expected Refund from Federal Government		0		
State Fiscal Transparency Accountability and Transparency				
TETFUND Normal Intervention (Nuhu Bamalli polytechnic)		890,000,000	890,000,000	890,000,000
Basic Health Care Provision Fund (BHCPF) KSPHCB		775,870,602	775,870,602	775,870,602
Impact Project (KSPHCB)		1,528,022,357	1,528,022,357	1,528,022,357
Anchor Borrowers Program (CBN)	500,000,000	0	0	0
Reducing Emission from Deforestation and Forest Degredation(Counterpart				
Basic Education Service Delivery for All (BESDA)		0	0	0
TETFund Special High Impact Intervention Projects (KASU)	500,000,000	0	0	0
NIMASA Intervention	1,000,000,000	0	0	0
BUA Foundation Intervention	2,800,000,000	0	0	0
Intergrated Boosting Agricultural Grains and Services (IBAGS) Flagship Programme	100,000,000	0	0	0
CBN Intervention	3,000,000,000	0	0	0
NALDA (National Agricultural, Land Development Authority) Program (Counterpart	10,000,000	0	0	0
Cellulant Youth Connect to work Program (Counterpart Funding)	36,544,000	0	0	0
IITA/ Young Africa Works Project (Counterpart Funding)	20,000,000	0	0	0
Government Support for the National Support Livestock Transformation Plan Project		532,000,000	532,000,000	532,000,000
1% Local Government Training Funds	361,172,945	300,000,000	300,000,000	300,000,000
Contribution from LGAs for Overhead to PHCs		152,400,000	152,400,000	152,400,000
Contributions from LGAs for IPDs/Emergencies (EMT) - SPHCB		230,000,000	230,000,000	230,000,000
60% Contribution from Local Governments for Salaries of Local Government Health Workers - SPHCB		4,524,204,532	4,524,204,532	4,524,204,532
Contribution from Local Governments to Kafanchan Municipal Authority	1,089,274,835	2,184,188,466	2,184,188,466	2,184,188,466
Contribution from Local Governments to Kaduna Capital Territory	1,689,502,565	2,185,240,546	2,185,240,546	2,185,240,546
Contribution from Local Governments to Zaria Metropolitan Authority	1,339,684,036	2,172,290,167	2,172,290,167	2,172,290,167
Contribution from Local Governments for Security	786,868,050	786,868,050	786,868,050	786,868,050
Reimbursement from Local Governments for Compensation to victims of Communa	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
UBEC Intervention on Teachers' Professional Development	326,000,801	150,000,000		
Sub-Total Internal Grant	37,502,435,105	23,876,867,693	22,815,727,305	22,815,727,305

ITEM	2024	2025	2026	2027
External Grants				
Global Partnership for Education (NIPEP World Bank)	1,987,486,550	0	0	0
Kaduna Fadama Cares Program (Ministry Of Agric)	223,483,700	0	10,000,000,000	10,000,000,000
Strengthen the System for Quality Assurance and Quality Control of Malaria diagno	4,882,751,826	4,882,751,826	4,882,751,826	4,882,751,826
Kaduna State Tuberculosis and Leprosy CP Drug Resistant TB (DRTB)	417,290,463	417,290,462	417,290,462	417,290,462
Neglected Tropical Disease Control Programme (ONCHO)	37,000,000	138,000,000	134,000,000	134,000,000
Kaduna Impact Project (World Bank)	1,050,000,000	1,528,022,357	1,528,022,357	1,528,022,357
Better Education Service Delivery for all (BESDA) Project for Results	974,999,942	360,000,000	360,000,000	360,000,000
Better Education Service Delivery for all (BESDA) Advance Payment	974,999,942	974,999,942	974,999,942	974,999,942
Basic Healthcare Provision Funds (BHCPF) NPHCDA Gateway Quaterly Funding thro	397,329,455	497,598,882	497,598,882	497,598,882
Capital Foreign Grant (Global Partnership for Education, Education for all and save	0	0	0	0
PHC and Routine Immunization MoU (BMGF/DfID/UNICEF)	252,000,000	450,000,000	450,000,000	450,000,000
Matching Grant Partnership for Expanded Water Supply, Sanitation and Hygiene(PEWASH)		400,000,000	400,000,000	400,000,000
Reaching out of School Children		6,487,500,000	6,487,500,000	6,487,500,000
Sub-Total External Grant	11,197,341,878	16,136,163,470	26,132,163,470	26,132,163,470
ITEM	2024	2025	2026	2027
Internal Loans				
Rice Anchor Borrowers Programme (CBN Loan)		0	0	0
Kaduna Metropolitan Rapid Rail Transport (ECA Loan)	500,420,000	0	0	0
installation and maintenance of interegrated Solar Power Street Light		0		
Livestock Production Resilience Support Project. (L-PRES) COUNTERPART	40,000,000	12,000,000,000	12,000,000,000	12,000,000,000
Impact Project		15,716,293,350	10,000,000,000	10,000,000,000
Total	540,420,000	27,716,293,350	22,000,000,000	22,000,000,000

ITEM	2024	2025	2026	2027
External Loans				
Zaria Water Supply and Expansion Project IsDB.	6,140,928,615	0	0	0
Zaria Water Supply and Expansion Project AfDB.	2,273,837,779	0	0	0
Kaduna State Power Supply Company Exim Bank (India)	4,000,000,000	0	0	0
Construction / Equipping of 300-Bed Specialist Hospital Project (IsDB)	4,323,401,090	24,442,022,652	24,442,022,652	24,442,022,652
Development of 6No Science Secondary Schools (IsDB)	57,416,572	0	0	0
Kaduna State Tuberculosis and Leprosy CP (DSTB) Netherlands Leprosy Control	45,423,728	0	0	0
Kaduna State Tuberculosis and Leprosy CP (DRTB) Netherlands Leprosy Control	42,858,762	0	0	0
Kaduna State Economic and Transformation PforR (Additional Financing)	53,982,768,114	0		
2 x 60MVA Transmission Substation, Solar-powered Streetlights and 50kVA Minigrid BRT Project (KADSTRA)	1,609,940,000	1,714,320,544		
Agro-Climate Resilience in Semi-Arid Landscapes (ACReSAL)-Counterpart		51,586,214,050	54,766,666,667	54,766,666,667
Special Agro-Industrial Processing Zone Project (SAPZ)		17,000,000,000	5,600,000,000	5,600,000,000
Agro Processing Productivity, Enhancement and Livelihood Improvement Support (L)	100,000,000	21,000,000,000	28,000,000,000	14,000,000,000
RAAMP (Rural Access and Agricultural Marketing Project) (Counterpart Funding)	11,100,000,000	4,000,000,000	4,000,000,000	4,000,000,000
World Bank Nigeria CARES Program (PBC)	4,200,000,000	22,800,000,000	22,800,000,000	22,800,000,000
Adolescent Girls Initiative for Learning and Empowerment (AGILE) World Bank	10,000,000,000	15,000,000,000		
Livestock Production Resilience Support Project. (L-PRES) - World Bank		23,389,916,875	23,389,916,875	23,389,916,875
Reaching out of School Children		12,000,000,000	12,000,000,000	12,000,000,000
		8,962,500,000	15,700,500,000	15,700,500,000
Total	97,876,574,660	201,894,974,121	190,699,106,194	176,699,106,194
ITEM	2024	2025	2026	2027
Other Capital Receipts				
Sale of Non-Essential Government Houses	3,000,000,000	0	0	0
Airport Refunds	3,600,000,000	0	0	0
Refunds for Operation Sharan Daji	100,000,000	0	0	0
Interest on Bank Deposits		0		
Foreign Exchange Gains		0		
Recovery of Overpayment and Public Funds		0		
Sales of Government Assets		0		
	1,500,000,000			
Total	8,200,000,000	0	0	0