OGUN STATE GOVERNMENT

MINISTRY OF BUDGET AND PLANNING

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) 2021 - 2023

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MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) 2021-2023

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INTRODUCTION

The leadership of the present administration is committed to fulfilling its campaign promises and agenda of "Building Our Future Together" and has given necessary support to ensure the State is well positioned with necessary financial shocks to eliminate the effect of the Covid-19 pandemic whilst achieving a world class Public Financial Management system that is built on international best practices.

It is worthy to note that in a bid to achieve sustainability and institutionalize the reforms in Public Financial Management, the present administration of Prince (Dr.) Dapo Abiodun MFR, the Executive Governor of Ogun State has done the following amongst others over the last few months:

- Establishment of the Bureau of Statistics and appointment of the first Statistician-General;
- Establishment of the Bureau of Public Procurement and appointment of the first Director-General; Reinforcement and upgrading of the State Debt Management Office to deliver its functions optimally;
- Strengthening and equipping the Central Department of Monitoring and Evaluation in the Ministry of Budget and Planning and the inauguration of the State Technical Working Committee on M & E.

In the face of attendant global and national economy collapse; the State has been proactive by reviewing downward the 2020 budget from N450billion to N281billion in order to meet the emerging/attendant macroeconomic changes.

The world has witnessed dramatic changes since the pandemic outbreak and deadly virus called novel coronavirus tagged Covid-19 by World Health Organization (WHO); it has resulted in a tragically large number of human lives being lost, countries implement necessary quarantines and social distancing practices to contain the pandemic, the world has been put in a Great Lockdown. The magnitude and speed of collapse in the activity that has followed is unlike anything experienced in our lifetimes.

Table : Corona Virus Pandemic Update

S/No.	Description	Total Index Cases	Deaths	Recovery	Active Cases
1	Global	53,205,316	1,301,412	37,281,565	14,622,339
2	Africa	1,947,303	46,636	1,641,964	258,703
3	Nigeria	64,728	1,162	60,790	2,776
Source: https://www.worldometers.info/coronavirus/ updated as at Friday 13th November 2020 by 11:09 GMT					

The global Economy is not left out as a resultant effect of the outbreak, all macroeconomic indices, and projections at all levels of Governments were defeated and for the first time in history all fiscal aspirations were dashed, various economic processes, fiscal policy, and budgetary documents were rendered ineffectual.

A significant effect of the pandemic is the need for prompt review of all fiscal policy documents such as the State Medium Term Expenditure Framework (MTEF) document which involved alteration of the early plans for necessary modification to reflect the post covid-19 economic realities.

Hence, this has formed the basis for the preparation of the State 2021 – 2023 Medium-Term Expenditure Framework (MTEF). Expectedly, the 2020 – 2022 State MTEF is supposed to be the basis for the new document but the pandemic had changed that. However, the State Government ably led by His Excellency, Prince (Dr.) Dapo Abiodun MFR has given the Ministry of Budget and Planning the mandate to appraise the existing State Medium Term Expenditure Framework along with the new economic realities, a movement towards achieving a comprehensive but result oriented process. Since the present administration has adopted a modified zero-based budgeting system; the MTEF for the period of 2021-2023 will witness a slight shift from the MTEF 2020 – 2022 to accommodate emerging economic realities and challenges as a result of COVID-19 outbreak.

The Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.

It is however important to understand the background of Nigeria macroeconomic indicators which is what the State relies on in terms of Statutory Allocation and Value Added Tax (VAT). In this regard below are the highlights of Nigeria recent economic background and macroeconomic indicators:
The Nigerian economy faced serious challenges in Q1 2020, with the macroeconomic environment significantly disrupted by the Covid-19 pandemic.

Crude oil prices declined sharply in the world market, with Bonny Light crude oil price dropping from a peak of US$72.2 pb on January 7, 2020 to below US$20 pb in April 2020.
In effect, the US$57 crude oil price benchmark on which the 2020 budget was based became unsustainable.

Another key development in the international crude oil market is the massive output cut by OPEC and its allies (OPEC+) to stabilize the world oil market, with Nigeria contributing about 300,000 bpd of production cuts. The decline in oil production per day still persist with the recent OPEC review of production of 1.4mbpd by Nigeria.

The impact of these developments is about 65% decline in projected net 2020 government revenues from the oil and gas sector, with adverse consequences on foreign exchange inflows into the economy.
Hence, Nigeria is exposed to spikes in risk aversion in the global capital markets, which will put further pressure on the foreign exchange market as foreign portfolio investors exit the Nigerian market.

Unless we achieve an extraordinarily strong Q3 2020 economic performance, the Nigerian economy is likely to lapse into a second recession in four years, with significant adverse consequences.

In response to the developments affecting the supply of foreign exchange to the economy, the Central Bank of Nigeria (CBN) adjusted the official exchange rate recently to N380per US$1.

The disruptions in global trade and logistics would negatively affect custom duty collections in 2020. The COVID-19 containment measures, though necessary, are inhibiting domestic economic activities, with consequential negative impact on taxation and other government revenues. It is therefore imperative to adjust the previously projected Customs duty, Stamp Duty, Value Added Tax, and Company Income Tax revenues.

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) PROCESS

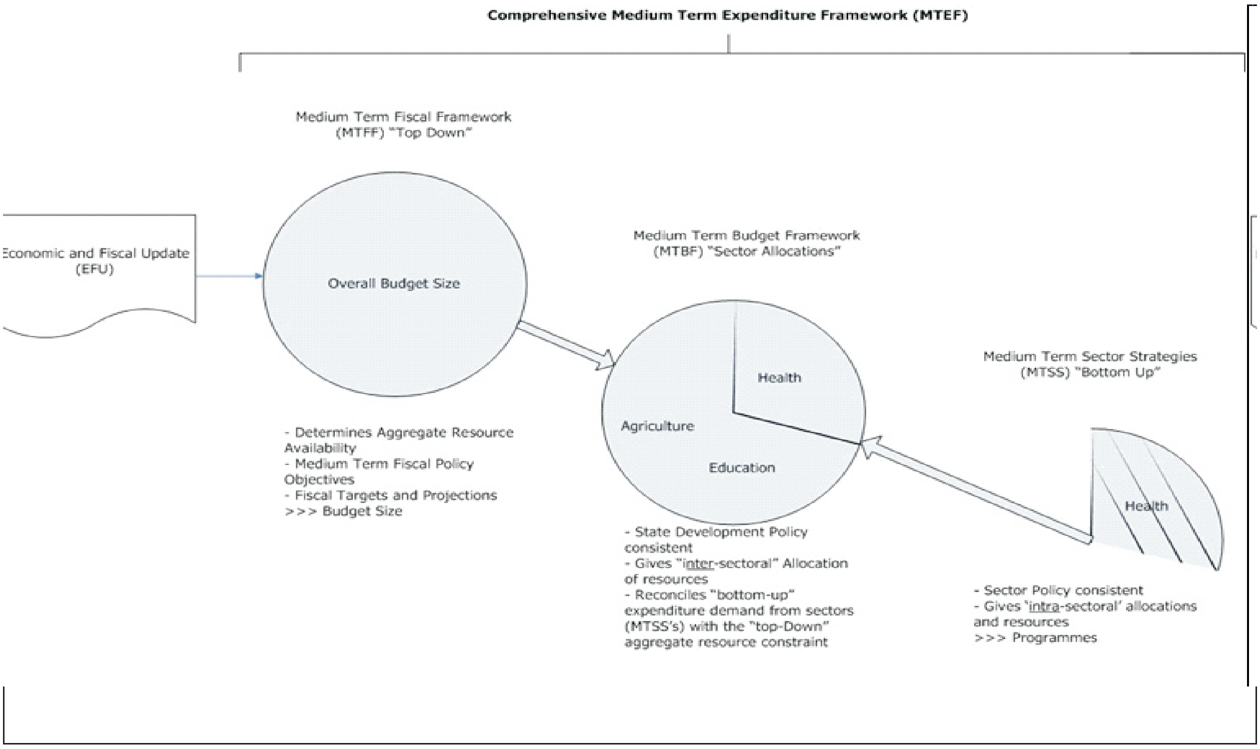
The MTEF process has three (3) components namely:

- Medium Term Fiscal Framework (MTFF).
- Medium Term Budget Framework (MTBF).
- Medium Term Sector Strategies (MTSS).
-

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

The MTEF process is summarised in the diagram below:

Figure 1 : MTEF Process



Source: Template designed by DAWN Commission (DFID-PERL)

SUMMARY OF FRAMEWORK

In accordance with international best practice in budgeting, the production of a combined Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Ogun State Government (OGSG) for the period 2021-2023.

The purpose of the framework is three-fold:

- To provide a backward-looking summary of key economic and fiscal trends that will affect the public expenditure in the future.
- To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and
- Provide indicative sector envelopes for the period 2021-2023 which constitutes the MTBF.

The Fiscal Analysis is to inform the economic planning and budget process; basically policy makers and decision takers in Ogun State Government. It also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

- Overview of Global, National and State Economic Performance.
- Overview of the Petroleum Sector and the significant income drivers in our economy
- Trends in budget performance over the last few years.

The FSP is a key element in the State 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.

OVERVIEW OF PLANNING AND BUDGET CALENDAR

Each year the planning process start with the review of the previous year's budget performance through a process called Performance Management Review (PMR).

The next step is the review of previous year Medium Term Expenditure Framework (MTFF, MTBF & MTSS) and the State Development Plan (SDP) performances, documentation of sector projects and programmes to be embarked upon in the Planning year, documentation of MDAs strategies and the final production of MTEF document.

All these planning activities will be concluded before the preparation of the annual budget which commences with the issuance of the Budget Call Circular (BCC).

Figure 2 : Budget Calendar

S/N	GROUP AND ACTIVITY	J	F	M	A	M	J	J	A	S	O	N	D	REMARKS
1	Previous Year Budget Performance Review (i.e., Performance Management Review -PMR)				xx	xx								
2	Preparation and Adoption of Medium -Term Fiscal Framework (MTFF) & Medium-Term Budget Framework (MTBF)						xx							
3	Review of Medium-Term Sector Strategy (MTSS)						xx	xx						
4	Issuance of Year202 1 Call Circular							xx						
5	Budget Consultative Forum (i. e Stakeholders Forum)								xx	xx				
6	Collection and Collation of Budget proposals from MDAs							xx	xx	xx				
7	Budget Bilateral Discussions								xx	xx				
8	Preparation of Budget Draft									xx				
9	Submission of Budget Draft									xx				
10	Presentation of Year 202 1 Draft Budget to His Excellency									xx				
11	Presentation of Year 202 1 Draft Budget to the State Treasury Board (STB) & the State Executive Council (SEC)										xx			
12	EXCO/Legislative Parley on Year 202 1 Budget										xx			
13	Presentation, Consideration and Passing of Year 2021 Appropriation Bill										xx	xx	xx	
14	Assent of Year 202 1 budget by the Governor												xx	
15	Issuance of General and Developmental Warrant by MoF	xx												2021
16	Distribution of Budget Operational Guideline by MEPB	xx												2021

PREPARATION AND AUDIENCE

The purpose of this document is to provide an informed basis for the 2021-2023 budget preparation cycle to all the key stakeholders, specifically:

- Ministry of Budget and Planning.
- Ministry of Finance.
- State Executive Council (ExCo).
- Ogun State House of Assembly (OGHA).
- All Government Ministries, Departments and Agencies (MDA's).
- Civil Society Organisations (CSOs).
-

The framework is prepared between two and three quarters of the year before the annual budget preparation period. It is prepared using data collected from International, National and State institutions.

SECTION A:
MEDIUM TERM FISCAL FRAMEWORK
MACROECONOMIC FRAMEWORK

ECONOMIC OVERVIEW

GLOBAL OUTLOOK

Over one million lives have been lost to COVID-19 since the start of the year and mortality continue to rise with consequential effect on close to 90 million people that are expected to fall into extreme deprivation this year.

Undoubtedly, these are difficult times, yet there are some reasons to be hopeful; testing has been increased, treatments are improving, and vaccine trials have proceeded at an unprecedented pace, with some now in the final stage of testing.

International solidarity has strengthened to reasonable level with rolling back trade restrictions on medical equipment to enhancing financial assistance for vulnerable countries. Despite the gloomy situation, many economies have started to recover at a faster pace than anticipated after reopening from the Great Lockdown.

Economic activities have been stalled in year 2020 with a less severe though still deep recession because of second quarter GDP outturns in advanced economies; China's return to growth, which was stronger than expected; and more rapid recovery in the third quarter.

Outturns would have been much weaker but for the sizable, swift, and unprecedented fiscal, monetary, and regulatory responses that maintained disposable income for households, protected cash flow for firms, and supported credit provision. Collectively these actions have so far prevented a re-occurrence of the financial catastrophe of 2008-09.

While the global economy is coming back, the rise will likely be long, uneven, and uncertain. Certainly, economic potentials have worsened significantly in some emerging market and developing economies where infections are rising rapidly. Consequently, emerging market and developing economies, excluding China will incur a greater loss of output over 2020-21 relative to the pre-pandemic path when compared to advanced economies. These uneven recoveries ultimately stall and worsen the prospects for global convergence in income levels.

Unfortunately, recovery is not certain while the pandemic continues to spread; with renewed upticks in COVID-19 infections in places that had reduced local transmission to low levels, re-openings have paused, and targeted shutdowns are being reinstated. Economies everywhere face difficult paths back to pre-pandemic activity levels.

Preventing further setbacks will require that policy support be not prematurely withdrawn. The path ahead will require skillful domestic policies that manage trade-offs between lifting near-term activity and addressing medium-term challenges.

Sustaining the recovery will also necessitate strong international cooperation on health and financial support for countries facing liquidity shortfalls. Finding the right policy mix is frightening, but the global experience of the past few months indicates grounds for economic activities and growth hinged on the global community continuous assistance to countries with limited health care capacity through sharing equipment, know-how, and through financial support from international health agencies.

At the national level, governments have already responded with a variety of fiscal countermeasures that include efforts to cushion income losses, incentivize hiring, expand social assistance, guarantee credit, and inject equity into firms. These measures have prevented widespread firm bankruptcies and have helped employment rebound partially. Employment and labor force participation, however, remain well below pre-pandemic levels, and many more millions of jobs are at risk the longer this crisis continues.

On loss of jobs/unemployment, it is important for governments, where possible, to continue to support viable but still vulnerable firms with moratoria on debt service and equity-like support. Over time, once the recovery has taken a strong hold, policies should shift gradually to facilitating reallocation of workers from sectors likely to shrink on a long-term basis (travel) to growing sectors (e-commerce). Along the transition, workers will need to be supported, including through income transfers, retraining, and reskilling programs.

Fortunately, advanced economies have generally been able to deliver larger direct spending and liquidity support relative to GDP than others constrained by elevated debt and higher borrowing costs. Countries with such constraints is expected to create room for immediate spending needs by prioritizing crisis countermeasures and reducing poorly targeted subsidies.

Expectedly, most emerging economy will require additional help from creditors and donors through debt restructuring, grants, and concessional financing and building on existing IMF/World Bank important initiatives on debt service suspension for low-income countries.

MEDIUM TERM GROWTH

The need to address challenges coming out of the pandemic is a big task to most countries. As a result of lessons learnt from the first onslaught of the Covid-19 pandemic, despite existing uncertainty, moderate significant growth is expected in 2021 base on rebound in global activity in 2021.

However, both advanced and emerging market economies are likely to register significant losses of output relative to their pre-pandemic forecasts. Small States as well as tourism-dependent and commodities-based economies are in a particularly difficult spot.

This is hinged on experience lasting damage to supply potential, reflecting scars from the deep recession this year and the need for structural change in most economies. The persistent output losses imply a major setback to living standards relative to what was expected before the pandemic. Not only will the incidence of extreme poverty rise for the first time in over two decades, but inequality is set to increase because the crisis has disproportionately affected women, the informally employed, and those with relatively lower educational attainment.

The loss of human capital accumulation after widespread school closures poses an additional challenge.
Moreover, sovereign debt levels are set to increase significantly even as downgrades to potential output imply a smaller tax base that makes it harder to service the debt.

Inversely, the advantages of low interest rates over a longer period, alongside the projected rebound in growth in 2021, can help alleviate debt service burdens in many countries. To guarantee that debt remains on a sustainable path over the medium-term governments must increase the progressivity of their taxes and ensure that corporations pay their fair share of taxes while eliminating wasteful spending.

The medium-term growth can only be achieved by establishing immediate supporting policies that will trigger economies on paths of stronger, equitable, and sustainable growth.

Significant policy innovations initiated by the IMF/World Bank is yielding positive results in the past few months through the establishment of the European Union pandemic recovery package fund, the launch of asset purchases by emerging market central banks, and the novel use of digital technologies to deliver social assistance in places like sub-Saharan Africa. Such actions have prevented even more extreme collapses and are a powerful reminder that effective, well-designed policies protect people and collective economic well-being. Building on these actions, policies for the next stage of the crisis must seek lasting improvements in the global economy that create secure, prosperous futures for all.

GLOBAL GROWTH OUTLOOK AND RISKS

The global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April, yet many countries have slowed reopening, and some are reinstating partial lockdowns to protect susceptible populations consequent on the continuous spread of the COVID-19 pandemic. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

Be that as it may in the immediate, global growth is projected at-4.4 percent in 2020, a less severe contraction better-than anticipated second quarter GDP outturns with improved activities mostly in advanced economies sooner than expected after lockdowns were scaled back in May and June, as well as evident in the stronger recovery in the third quarter.

This year and in 2021 economic activities will be slur as a result of wide negative output gaps and elevated unemployment rates across both advanced and emerging market economies.

After the rebound in 2021, global growth is expected to gradually slow to about 3.5 percent into the medium term. This implies only limited progress toward catching up to the path of economic activity for 2020–25 projected before the pandemic for both advanced and emerging market and developing economies. It is also a severe setback to the projected improvement in average living standards across all country groups. The pandemic will reverse the progress made since the 1990s in reducing global poverty and will increase inequality.

Close to 90 million people could fall below the $1.90 a day income threshold of extreme deprivation this year. In addition, school closures during the pandemic pose a significant new challenge that could set back human capital accumulation severely.

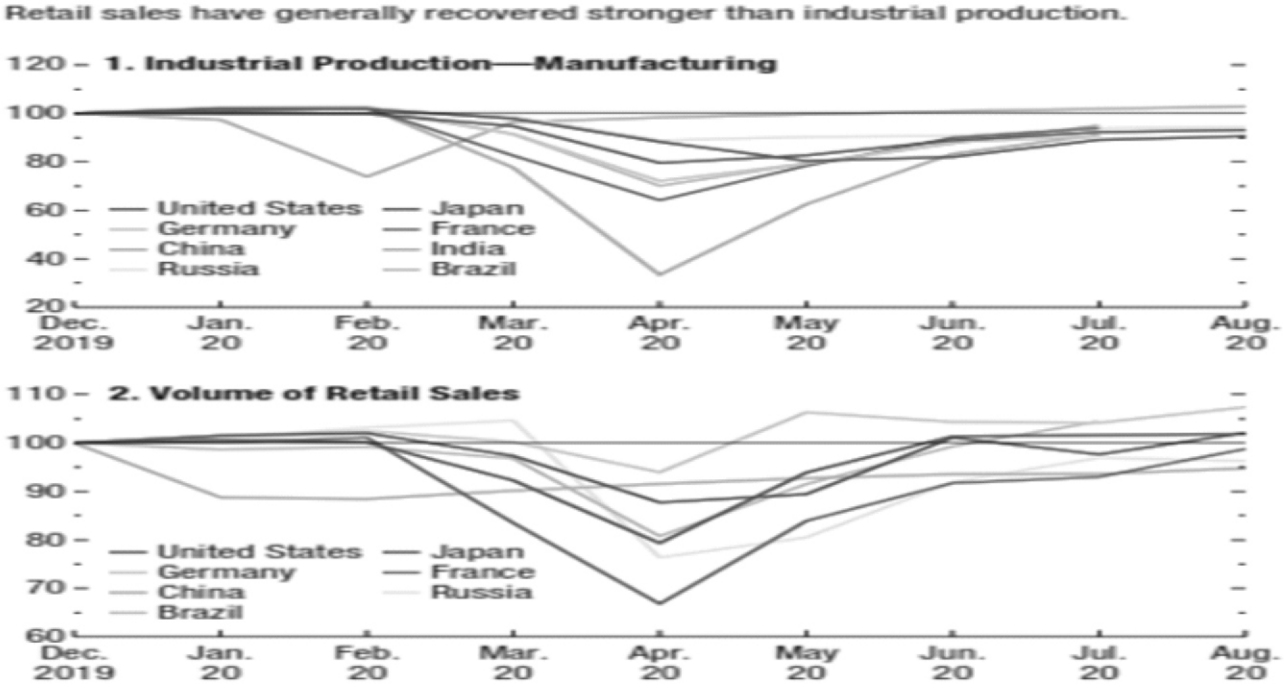
However, the risk of worse growth outcomes remains sizable consequent on the resurgence of the virus, if progress on treatments and vaccines is slower than anticipated, or countries' access to them remains unequal having direct negative effect on economic activity that could be lower than expected, with renewed social distancing and tighter lockdowns.

Considering the severity of the recession and the possible withdrawal of emergency support in some countries, rising bankruptcies could compound job and income losses. Deteriorating financial sentiment could trigger a sudden stop in new lending (or failure to roll over existing debt) to vulnerable economies. And cross border spillovers from weaker external demand could amplify the impact of country-specific shocks.

GLOBAL ECONOMY CLIMBING OUT OF THE DEPTHS, PRONE TO SETBACKS.

Between May and June 2020 activities picked as a result of the reopening of the economies consequent on the solidification of the low economic cycle experienced in April most importantly in the retail sale that experienced rise in consumer spending. (Figure 3)

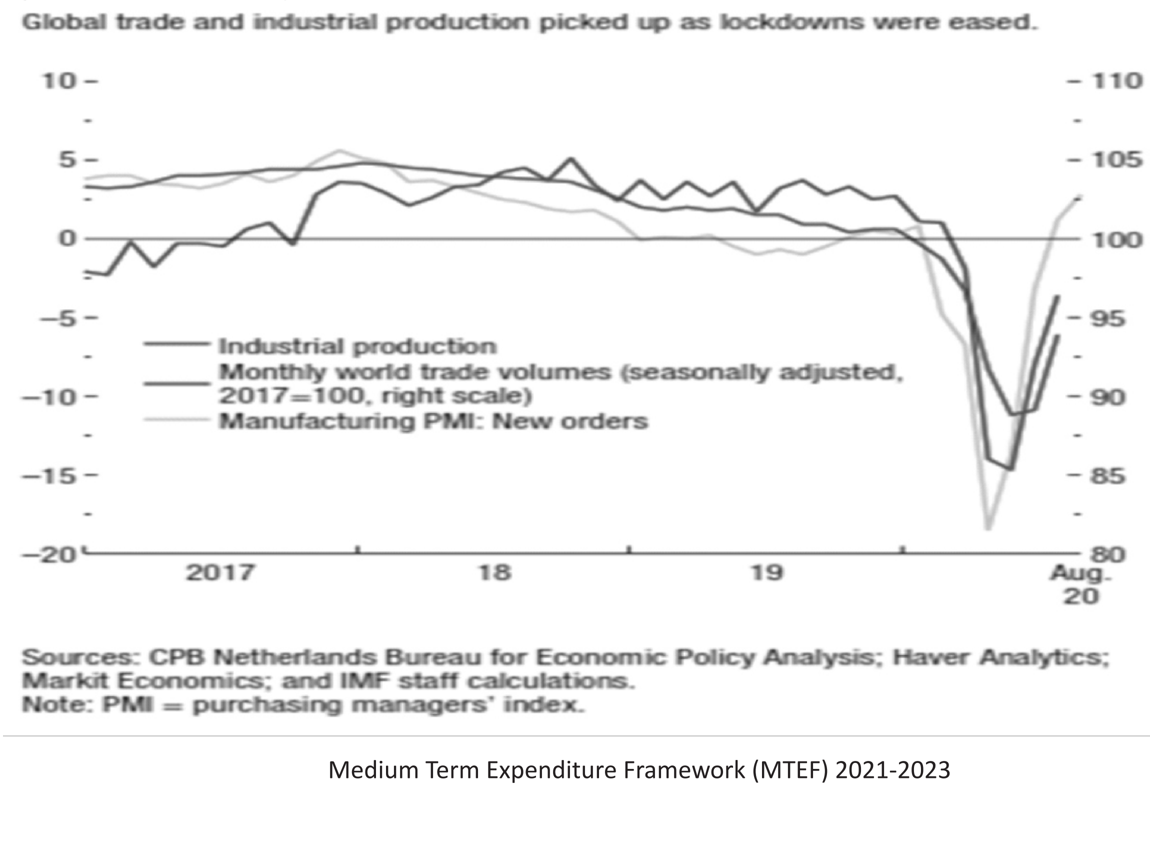
Figure 3 : Industrial Production and Retail Sales



As economies reopened and released constraints on spending, overall activity normalized faster than anticipated in the Mid-year with the GDP outputs for the second quarter surprised on the positive in China (where, after lockdowns eased in early April, public investment helped boost activity to return to positive growth in the second quarter) and the United States and euro area (where both economies contracted at a historic pace in the second quarter, but less severe than expected projected, based on government transfers supporting household incomes) .

The effects were not generic or uniform to all economies. In India where the pandemic continued to spread, domestic demand plunged following a very sharp reduction in consumption and in Mexico the continuous spread of the pandemic collapsed investment.

Figure 4 : Global Activity Indicators



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff calculations.
Note: PMI = purchasing managers' index.

The increasing demand for foreign currency (soft external demand) in Korea had serious negative impacts on the exporting sectors while Philippine economy growth weakened as a result reduced remittance had significant effects on domestic spending.

Coincidentally, global trade recovered in June as lockdowns were eased with China as an important contributor as a result of quick exports recovery from the witnessed deep declines earlier in the year, supported by an earlier restart of activity and a strong pickup in external demand for medical equipment and for equipment to support the shift to remote working (Figure 4).

Unfortunately, by late September, the number of confirmed infections worldwide exceeded 33 million, with over a million deaths- up from more than 7 million infections and 400,000 deaths at the time. Confirmed cases rose dramatically in the United States, Latin America, India, and South Africa. Moreover, there were renewed upticks in places that had previously flattened the infection curve: Australia, Japan, Spain, and France. This affected the revitalization of the economy because of the challenging renewed upticks, countries slowed their reopening during August and reinstated partial lockdowns in some cases.

The continuous spread of the virus brought about increases in prices of medical supplies and commodity prices improved from the April low economic point as a result of a weak aggregate demand higher than impact of supply interruptions or contractions.

The resultant effect is that inflation in advanced economies is still below pre-pandemic levels while emerging market and developing economies inflation experienced an initial sharp decrease at the early stages of the economy and picked in some countries as a result of distortion of supply and rise in cost of food prices because of reduced supply of such commodities.

PARTIAL RECOVERY FROM DEEP RECESSION EXPECTED IN 2021

Global growth is projected at -4.4 percentage in 2020 (0.8 percentage point above the June 2020 WEO update) reflecting the net effect of two competing factors.

- The upward impetus from better than anticipated second quarter GDP Outturns (mostly in advance economies)
- The downdraft from persistent social distancing and stalled reopening in the second half of the year.

Global growth is projected at 5.2 percent in 2021, 0.2 percentage point lower than in the June 2020 WEO update. The projected 2021 rebound following the deep 2020 downturn implies a small, expected increase in global GDP over 2020-21 of 0.6 percentage point relative to 2019.

The advanced economies group growth projection is at -5.8 percent in 2020, 2.3 percentage points stronger than in June 2020 WEO update. The upward revision reflects, the better than foreseen US and Euro area GDP outturns in the second quarter. In 2021 the advanced growth rate is projected to strengthen to 3.9 percentage, leaving 2021 GDP for the group some 2 percentage below what it was in 2019.

Among emerging market and developing economies, growth expected to be at -3.3 percent in 2020 (0.2 percentage point weaker than in the June 2020 WEO Update) strengthening to 6 percent in 2021. Prospects for China are much stronger than for most other countries in this group, with the economy projected to grow by about 10 percent over 2020-21 (1.9 percent this year and 8.2 percent next year). Activity normalized faster than expected after most of the country reopened in early April and second quarter GDP registered a positive surprise on the back of strong policy support and resilient exports.

Relatively, many emerging markets and developing economies excluding China prospects is precarious because of the combination of the following factors:

- The continuous spread of the pandemic and overwhelming health care systems with great negative effect on the service sectors
- The greater dependence on external finance including remittances.

All emerging market and developing economy regions are expected to contract this year, including notably emerging Asia, where large economies, such as India and Indonesia continue to try to bring the pandemic under control.

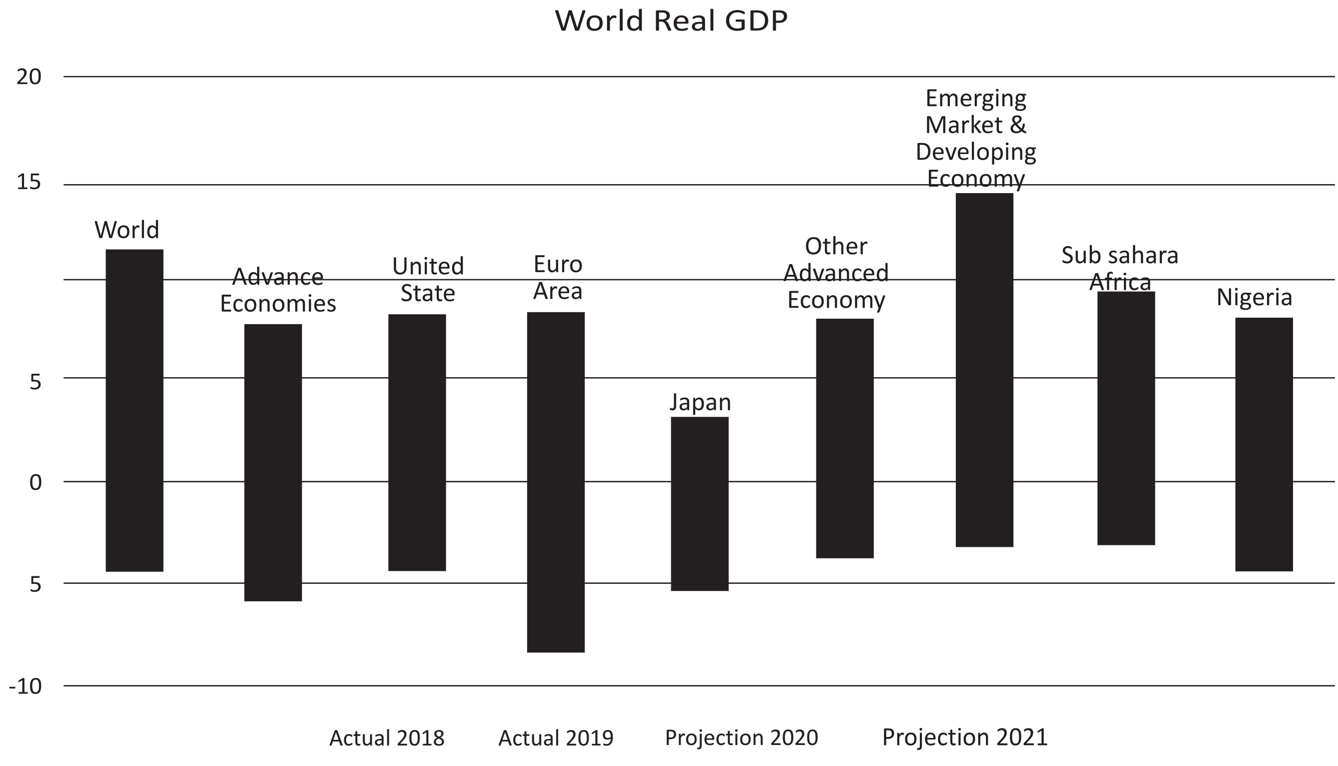
Regional differences remain obvious in face of the effect of the pandemic, many countries in Latin America severely affected by the pandemic facing very deep downturns and large output declines expected for many countries in the Middle East and Central Asia region.

Oil- exporting countries in Sub-Saharan Africa affected by low oil prices, civil strife or economic crises are projected to contract by -3 in 2020 with growth at 3.1 percent in 2021 and Nigeria is projected to contract by -4.3 percent with reasonable growth of 1.7 percent in 2021.

Table 2 : Real GDP - Summary of World Outlookz

Country	Actual		Projections	
	2018	**2019**	**2020**	**2021**
World	3.5	2.8	-4.4	5.2
Advanced Economies	2.2	1.7	-5.8	3.9
United State	3	2.2	-4.3	3.1
Euro Area	1.8	1.3	-8.3	5.2
Japan	0.3	0.7	-5.3	2.3
Other Advanced Economy	2.7	1.7	-3.8	3.6
Emerging Market & Developing Economy	4.5	3.7	-3.3	6
Sub-Saharan African	3.3	3.2	-3	3.1
Nigeria	1.9	2.2	-4.3	1.7
Source: World Economic Outlook Update October 2020				

Figure 5 : Real GDP - Summary of World Outlook



AFRICAN OUTLOOK

AFRICA MACROECONOMIC PERFORMANCE AND PROSPECTS

Real GDP in Africa is projected to contract by 1.7 percent in 2020, dropping by 5.6 percentage points from the January 2020 pre-COVID-19 projection, if the virus has a substantial impact but of short duration. As this continues even beyond the first half of 2020, the GDP contraction get deeper in 2020 to 3.4 percent, down by 7.3 percentage points from the growth projected before the outbreak of COVID-19. Cumulatively, GDP losses could range between $173.1 billion and $236.7 billion in 2020-2021.

The most affected economies are those with poor healthcare systems, those that rely heavily on tourism, international trade, and commodity exports, and those with high debt burdens and high dependence on volatile international financial flows. The overall impact of the pandemic on socioeconomic outcomes remains uncertain, however. It will depend crucially on the unfolding epidemiology of the virus, the extent of its impacts on demand and supply, the effectiveness of public policy responses, and the persistence of behavioral changes.

The pandemic triggered an increase in inflation in the continent, in some cases by more than 5 percent in the first quarter of 2020. This has mainly been caused by disruptions in the supply of food and energy, the bulk of which are imported. But for many other countries, the drastic fall in aggregate demand due to the lockdown and other containment measures has eased inflationary pressures, especially among non-resource-intensive economies. Overall, although headline inflation, which includes food and basic energy prices, would be expected to rise, core inflation might remain stable until demand picks up after the pandemic.

EXPANSIONARY FISCAL SPENDING COULD DOUBLE ALREADY HIGH FISCAL DEFICITS

The pandemic and its economic consequences are expected to trigger expansionary fiscal policy responses across all categories of economies in Africa. The implied expansionary fiscal stance would further widen fiscal deficits in the continent. In 2020, deficits are projected to increase twofold, to 8 percent of GDP, in the baseline scenario, and to go as high as 9 percent in the worst-case scenario. This worsening fiscal position would be the result of above-the line increases in budgetary outlays on COVID-19 related health spending, unemployment benefits, targeted wage subsidies and direct transfers, and tax cuts and deferrals.

Remittances and foreign direct investment could plunge. Remittances took the lead in external financing, up by 7 percent from 2017, to $82.8 billion in 2018, and increasing further to $86.2 billion in 2019 on the back of a pickup in global economic growth and rising migration. This has become a vital source of foreign financing for many African economies, accounting for more than 10 percent of GDP of Cape Verde, Comoros, Gambia, Lesotho, Liberia, and Senegal. In turn, these countries have become exceptionally vulnerable to shocks to remittances caused by COVID-19, especially in high-income economies where migrant jobs and incomes are threatened.

Foreign direct investment-which picked up in 2018 by 10.9 percent, reaching $45.9 billion, and improved further to an estimated $49 billion in 2019-is also expected to fall in 2020 as investors reduce or postpone their investments amid uncertainties. Official development assistance, which has risen since 2016 (by 1.2 percent in 2018), could be constrained by the impact of the crisis on advanced economies. And portfolio flows, which have declined since 2017, standing at $27.1 billion in 2019 for Africa, are experiencing severe pressures as emerging market capital flows suddenly stop, with forecasts predicting a fall of more than 50 percent in 2020, driven by the COVID-19 shock to global growth and a more risk-averse sentiment among investors.

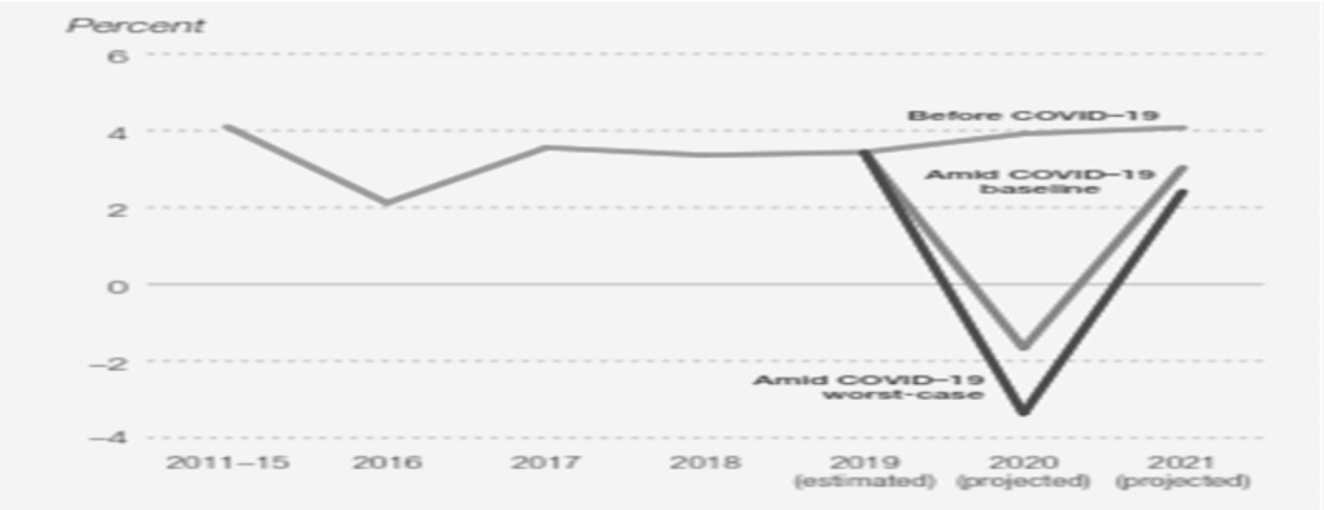
AFRICA'S ECONOMIC PROSPECTS AMID THE COVID-19 PANDEMIC ARE WEAK

The coronavirus pandemic (COVID-19) has reversed the strong growth projections reported earlier in the 2020 African Economic Outlook. This has necessitated revisions of the growth projections and outlook for Africa for 2020 and 2021, accounting for the impact of the COVID-19 pandemic on Africa's socioeconomic landscape.

Uncertainty is heightened by the epidemiology of the virus and the various containment policies adopted by African governments. Due to the fluidity of the pandemic, two possible scenarios are considered: the baseline assumes that the virus has a substantial impact but of shorter duration, and the worst-case assumes a virulent impact of the virus over a longer duration with the pandemic continuing beyond the third quarter of 2020, based on second wind outbreak after the initial impact. Under the baseline scenario, real GDP in Africa is projected to contract by 1.7 percent in 2020, corresponding to a GDP drop of 5.6 percentage points from the January 2020 pre-COVID-19 projection (Figure 6).

In the worst-case scenario, if the pandemic continues beyond the third quarter of 2020, there would be a deeper GDP contraction in 2020 of 3.4 percent, down by 7.3 percentage points from the growth rate of 3.9 percent projected before the onset of COVID-19.

Figure 6: Africa's GDP is Projected to contract amid COVID-19.



Source: African Development Bank statistics.

With the projected contraction of growth, Africa could suffer GDP losses in 2020 $189.7 billion (worst case), from the pre-COVID-19 estimated GDP of $2.59 trillion for 2020.

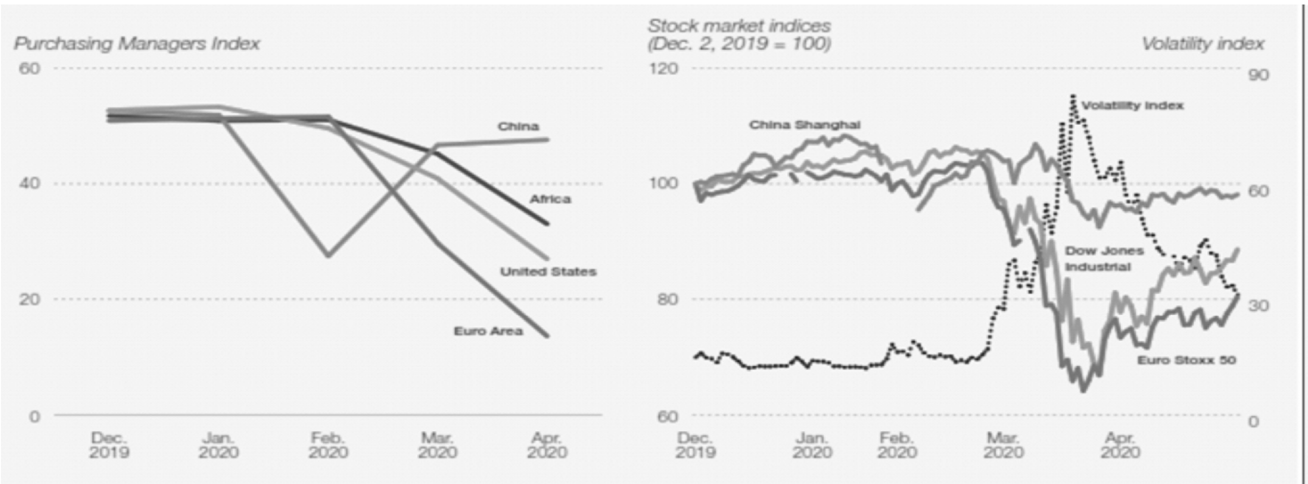
For 2021, as a result of partial recovery the projected GDP losses would range from $27.6 billion (baseline) up to $47 billion (worst case) from the potential GDP of $2.76 trillion without the pandemic. Cumulatively, COVID-19 could potentially lead to GDP losses in 2020-21 to the tune of $173.1 billion (baseline) or $236.7 billion (worst case) in current value terms.

The downward growth revision for Africa primarily reflects the consequences of the COVID-19 pandemic and the associated ripple effects on other aspects of the global and domestic economic environments. Global GDP is projected to fall to -3.0 percent in 2020, compared with the pre-COVID-19 growth projection of 2.9 percent.

Two (2) Indicators of business confidence around the world, such as the Industrial Production Index and the Purchasing Managers Index (PMI), especially for Africa's major trading partners, have fallen below the 50-point mark that separates growth from contraction, with a recent sharp recovery in China (figure 7, left panel).

Rising volatility in global financial markets also implies tighter financing conditions for Africa. The VIX volatility index, a measure of global market risk and investor sentiment, has increased sharply since February 2020 (see figure 7, right panel), since the beginning of the crisis, there has been a considerable flight to safety by investors in emerging and developing countries, reaching record levels of over $90 billion.

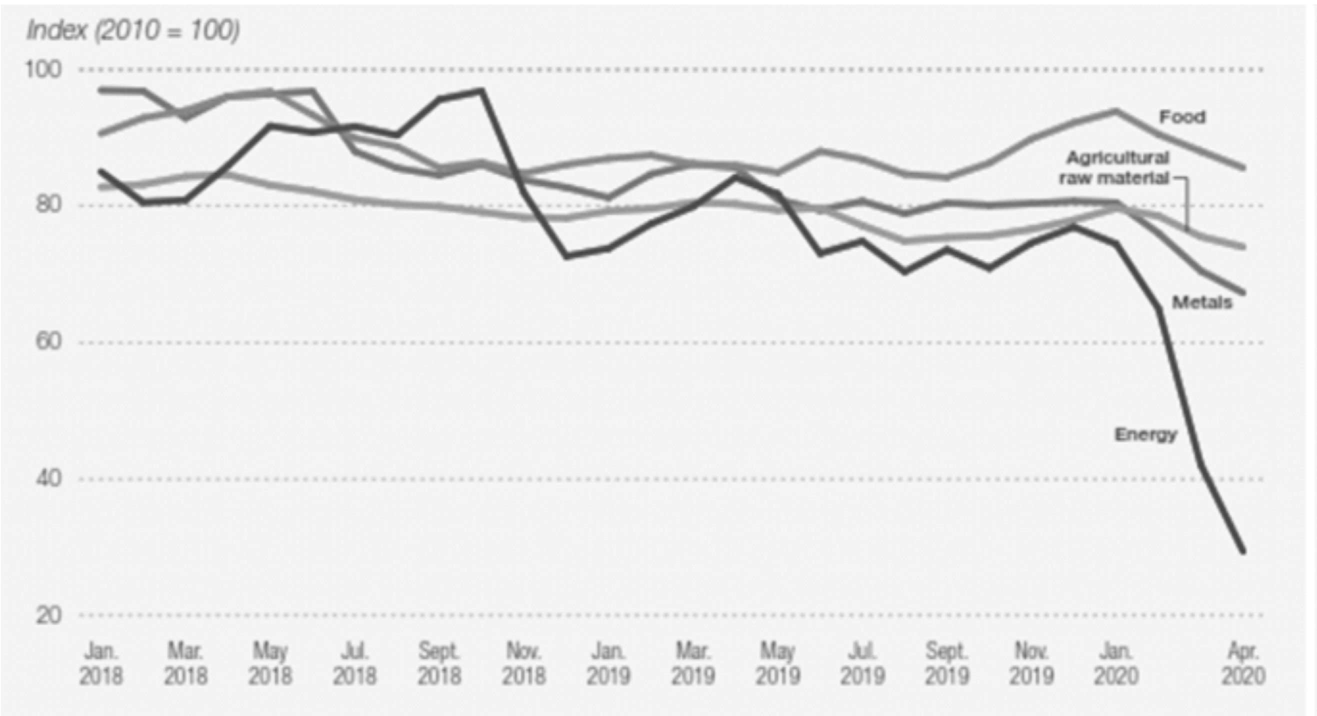
Figure 7 Stock and commodity indices have retreated more than half from January opening values



Note: Africa Purchasing Managers Index (PMI) is the average of Egypt, Ghana, Kenya, Mozambique, Nigeria, South Africa, Uganda, and Zambia. The PMI, used as a leading indicator of economic activity, is based on survey responses from the private sector on expectations of current and future business conditions. Stock market indices are as of 29 April 2020. Newer data are not available.
Source: African Development Bank statistics, Caixin Media, IHS Markit economics, Standard Bank, and Stanbic Bank.

Stock and commodity indices-especially for energy and metals, two of Africa's major export categories-have declined by more than 50 percent from their opening values in January 2020 (figure 8). Oil prices could remain subdued if the production cut agreements among the OPEC and other oil-exporting countries (primarily Russia) are not adhered to.

Figure 8 Trends in major commodity price for African products, January 2018 - April 2020



Source: African Development Bank statistics and World Bank commodity price database.

GROWTH IS PROJECTED TO REVERSE SHARPLY FOR ALL ECONOMIC GROUPS, BUT WITH MAJOR VARIATIONS

The overall projected decline in Africa's growth masks major variations across country groupings and regions. Oil-exporting economies such as Algeria (-4.4 percent), Angola (-3.1 percent), Equatorial Guinea (-9.2 percent), Libya (-25.4 percent), and Nigeria (-4.4 percent), and other resource-intensive economies, such as Botswana (-5.5 percent), South Africa (-6.3 percent), and Zambia (-4 percent) are expected to witness the sharpest declines in projected growth in the baseline and worst-case scenarios.

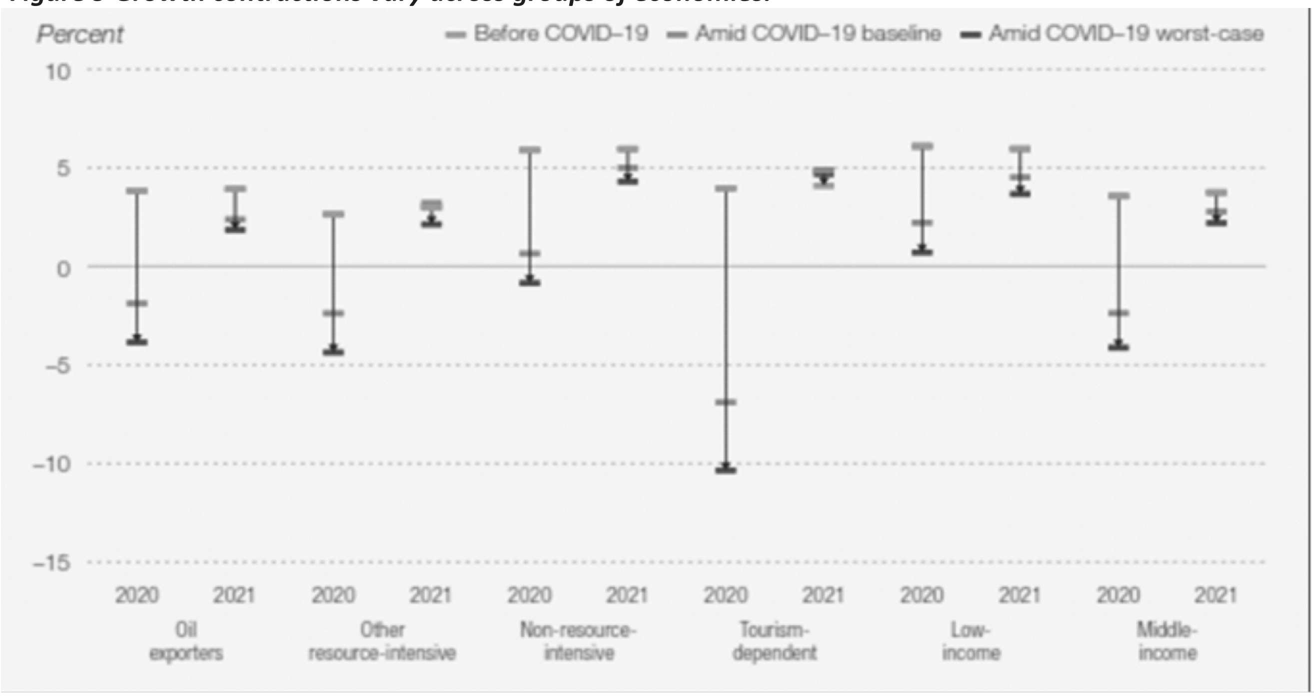
Tourism-dependent economies such as Mauritius (-7.5 percent), São Tomé and Príncipe (-6.1 percent), and Seychelles (-10.5 percent) are projected to be the most severely affected. These growth reversals mainly reflect the freeze in tourism, the plunge in external demand for primary commodities, the decline in commodity prices, and the associated loss of revenues.

Growth is expected to be more resilient in non-resource-intensive economies such as Côte d'Ivoire (3.0 percent), Ethiopia (3.1 percent), Kenya (1.4 percent), and Senegal (2.8 percent). Non resource-intensive economies are collectively projected to grow at 0.6 percent in the baseline scenario but fall into a recession of -0.9 percent in the worst-case scenario for 2020. Most of the countries in this group entered the crisis with strong average growth rates above 5.6 percent in 2019.
Their resilience, anchored on diversified economic structures and strong public investment drives, is being tested by the disruptions in supply chains and the locust invasion, which has greatly disrupted agricultural production in some of the countries.

Growth in low-income countries is projected to be more resilient than growth in middle-income countries. Growth in low-income countries is projected to drop by 3.9 percentage points, from 6.1 percent to 2.2 percent in the baseline scenario, but could slide into recession in the worst-case scenario.

Growth in middle-income countries, dragged down primarily by Nigeria and South Africa, is projected to drop by 5.9 percentage points, contracting to -2.4 percent from an earlier projection of 3.5 percent in 2020. (see figure 9).

Figure 9 Growth contractions vary across groups of economies.



Regionally, East Africa is projected to have the most resilient performance amid the pandemic, entering the crisis with strong growth of 5.2 percent in 2019. In the baseline scenario, growth is projected to be 1.2 percent in 2020, and in the worst-case scenario, 0.2 percent. The region is better shielded by its wider diversification and its lower reliance on primary commodities.

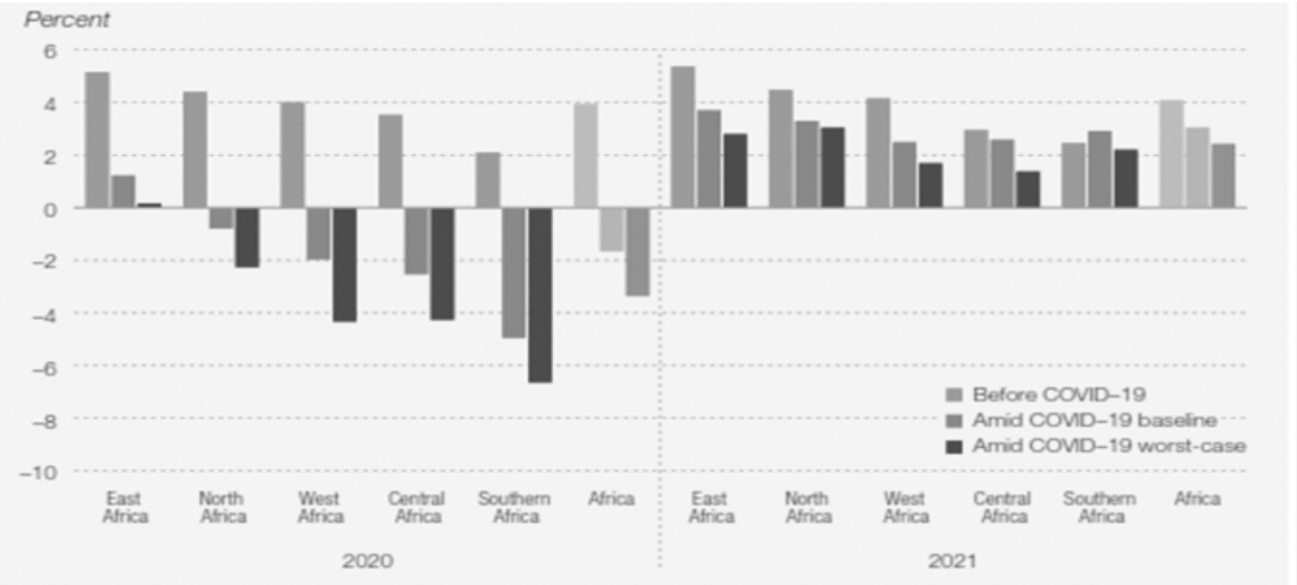
All other regions experience negative growth in the baseline and worst-case scenarios. Southern Africa is the region affected most, with growth projected at -4.9 percent in the baseline case, mainly driven by the deep recession in South Africa induced by a fall in commodity prices, the containment measures, weather-related events, and the structural issues related to public utilities.

GDP growth in West Africa is projected to contract to 2.0 percent in 2020, dropping 6 percentage points in the baseline scenario from the 4 percent growth projected in the pre-COVID-19 outlook. The countries most affected are Nigeria (-4.4 percent) due to the fall in oil prices and to containment measures, Cape Verde (-4 percent) due to the abrupt end of tourism, and Liberia (-2.5 percent) due to the crash in export demand and timber prices.

In Central Africa, economic activity is expected to contract by 2.5 percent. The forecast is driven largely by the more than 9 percent contraction in Equatorial Guinea and contractions in the Democratic Republic of Congo and Gabon, all oil exporters that will be hurt by the collapse in oil prices.

GDP in North Africa is projected to contract to -0.8 percent, down by 5.2 percentage points from the 4.4 percent growth projection in the pre COVID-19 outlook. Apart from Egypt (2.2 percent) -which has a different calendar year and depends on several economic sectors, had robust foreign exchange buffers, and was implementing strong economic reforms prior to the crisis-all the countries in the region are projected to fall into recession in 2020, with Libya (-25.4 percent) and Algeria (-4.4 percent) falling farthest due to their exposure to oil price fluctuations, while Tunisia (-3.4 percent) and Morocco (-3.3) will be affected by the fall in tourism(Figure 10).

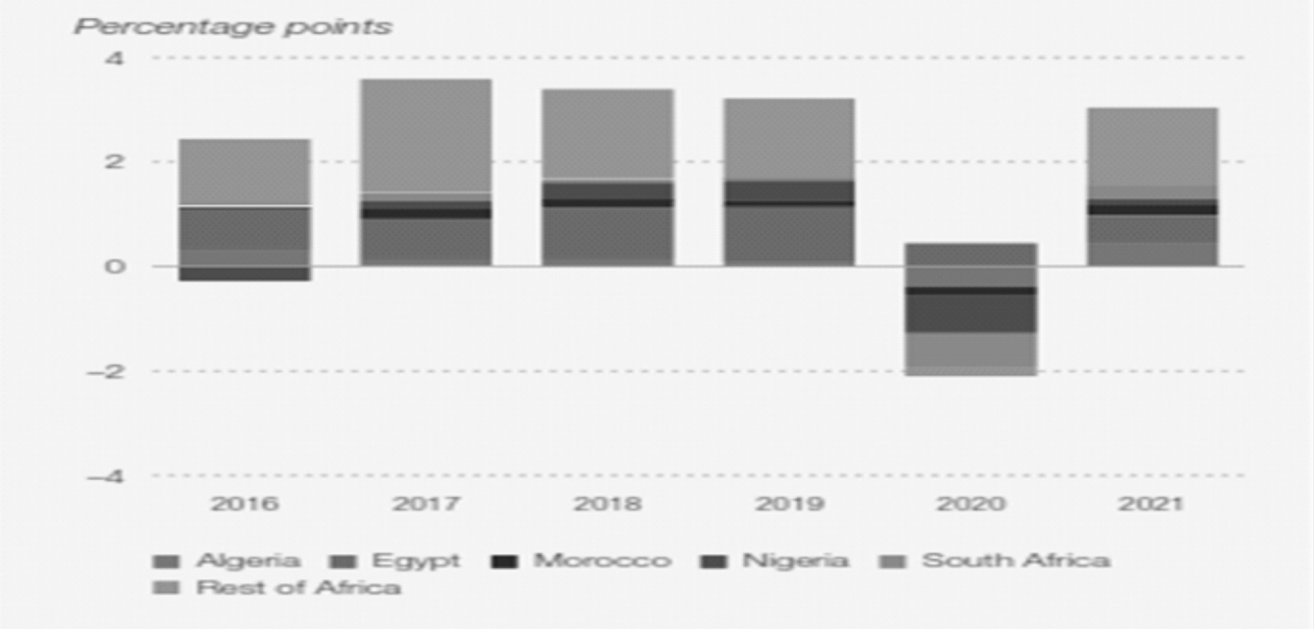
Figure 10 Growth's decline and recovery vary across regions.



Source: African Development Bank statistics.

Africa's five largest economies-Algeria, Egypt, Morocco, Nigeria, and South Africa-account for a large portion of the recession in the continent. The projected recessions in Nigeria and South Africa alone account for more than half of the contraction in 2020. The overall contraction would have been deeper if not for the counteracting effect of Egypt, which is projected to maintain a growth of 2.2 percent in the baseline scenario, and other non-resource-intensive economies such as Rwanda (4.2 percent) and Senegal (2.8 percent) (Figure11).

Figure 11 Growth's contraction is primarily driven by five largest economies



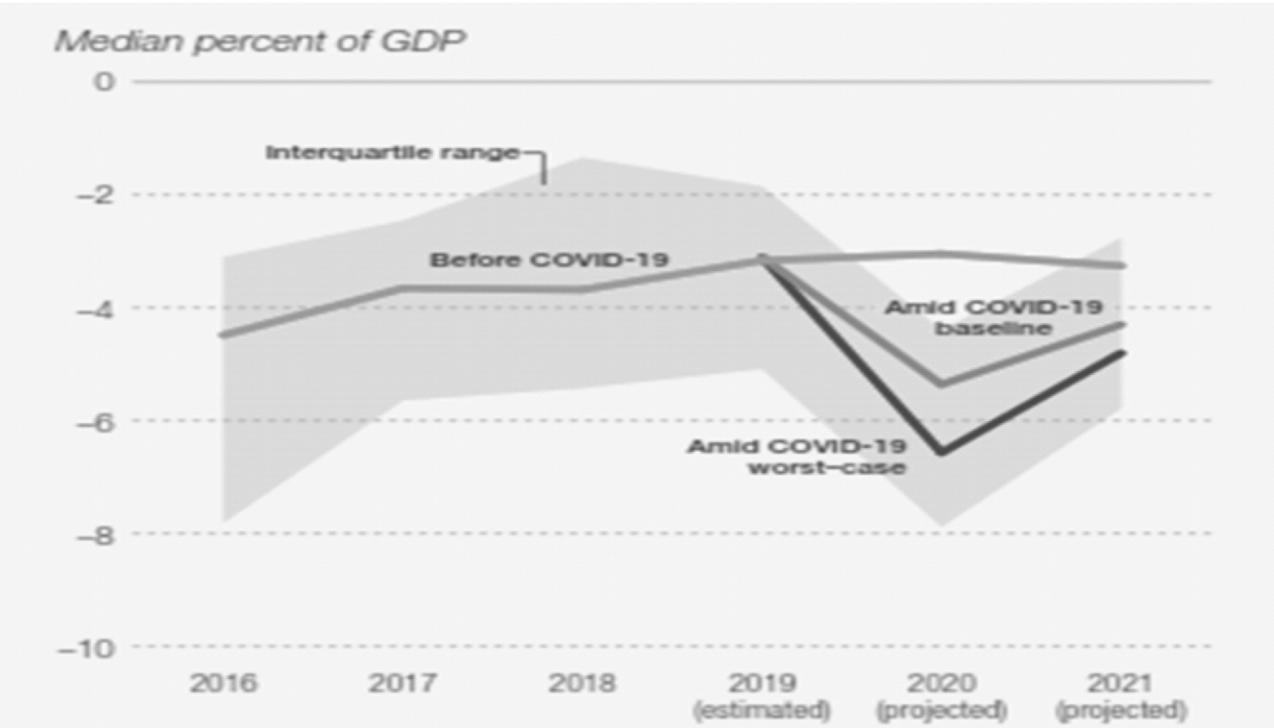
Source: African Development Bank statistics.

For countries within the CFA franc zone (WAEMU/CEMAC), exchange rate movements have been muted, mimicking the behavior of their reference currency (the euro). But exchange rate depreciations have been sharper in frontier economies, such as South Africa since they are more integrated into global financial systems.

Elastic Fiscal Spending; Doubling Already Widen Deficits

The pandemic and its economic consequences are expected to trigger expansionary fiscal policy responses across all categories of economies in Africa. The implied expansionary fiscal stance would further widen fiscal deficits in the continent. The In 2020, deficits are projected to increase twofold, to 8.0 percent of GDP, in the baseline scenario, and to go as high as 9.0 percent in the worst-case scenario (figure 12).

Figure 12 Fiscal deficits are projected to at least double

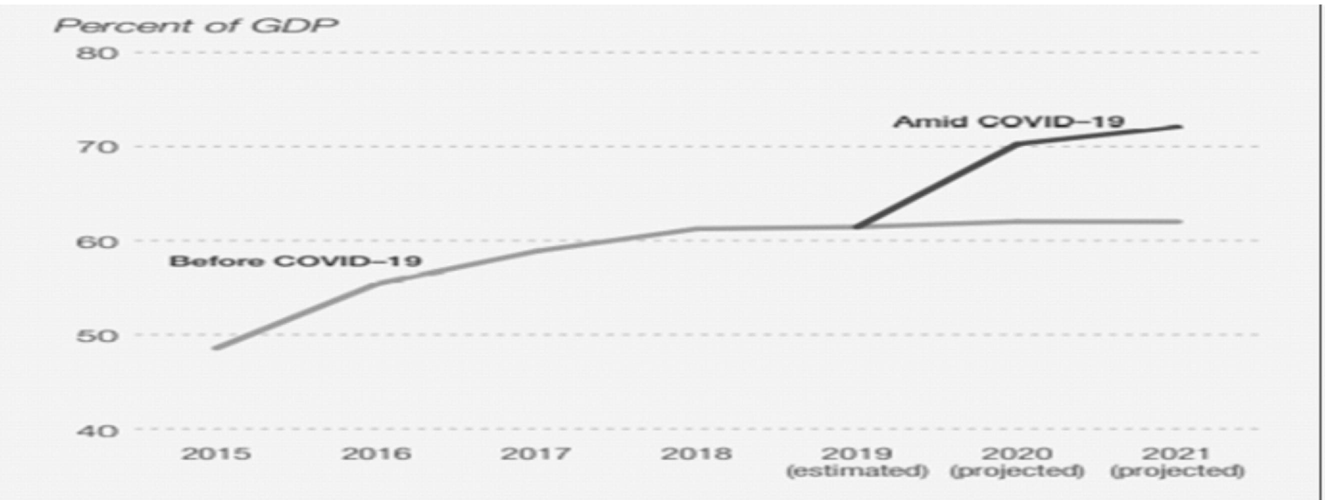


Source: African Development Bank statistics.

Debt Sustainability

COVID-19 exacerbates debt vulnerabilities in Africa, but temporary debt service relief can alleviate risks. COVID-19 adds to the debt burdens of African economies and heightens the likelihood of a widespread and far-reaching sovereign debt crisis if debt is not effectively managed. Many countries in Africa entered the crisis period with high debt-to GDP ratios, which are projected to increase further by up to 10 percentage points beyond the pre-COVID-19 trajectory in 2020 and 2021 (figure 13).

Figure 13: Debt-to-GDP ratios are projected to increase further.



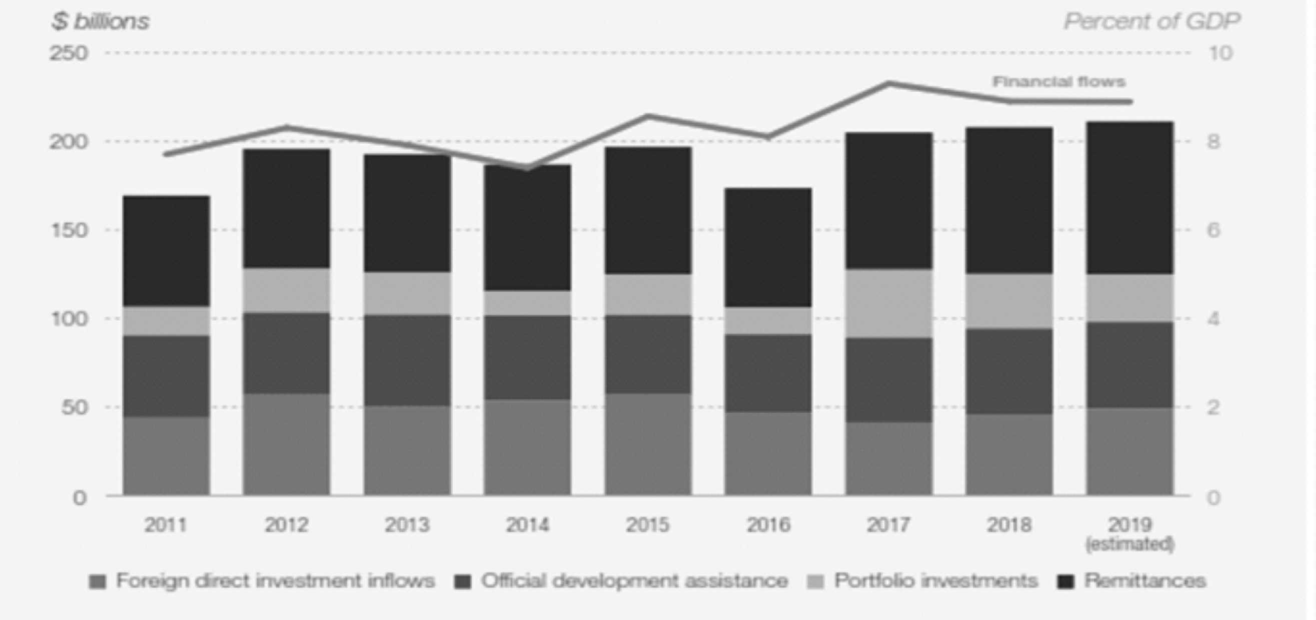
Note: Projected public debt, before and amid COVID–19, 2015–21.
Source: African Development Bank statistics and IMF statistics.

This potential debt increase is particularly worrisome because of its changing risk structure in Africa because of the increasing share of commercial debt-Eurobonds and other private creditors-and the high foreign currency denomination of Africa's debt.

Remittances and foreign direct investment-the dominant financial flows to Africa-are vulnerable to reversals during the pandemic Remittances took the lead in external financing, up 7 percent from 2017, to $82.8 billion in 2018, and increasing further to $86.2 in 2019 billion on the back of a pickup in global economic growth and rising migration. This has become a vital source of foreign financing for many African economies, more than 10 percent of GDP for Cabo Verde, Comoros, Gambia, Lesotho, Liberia, and Senegal. In turn, these countries have become exceptionally vulnerable to shocks to remittances caused by COVID-19, especially in high-income economies where migrant jobs and incomes are threatened.

Foreign direct investment, which picked up in 2018 by 10.9 percent, reaching $45.9 billion and improved further, to an estimated $49 billion in 2019, is also expected to fall in 2020 as investors reduce or postpone their investments amid uncertainties.8 Official development assistance, which has risen since 2016 (up 1.2 percent in 2018), could be constrained by the impact of the crisis on advanced economies. And portfolio flows, which have declined since 2017, standing at $27.1 billion in 2019 for Africa, are experiencing severe pressures as emerging market capital flows suddenly stop, with forecasts predicting a fall of more than 50 percent in 2020, driven by the COVID-19 shock to global growth and a more risk-averse sentiment among investors (figure 14).

Figure 14: Foreign direct investment and remittances flows will be disrupted.



Source: African Development Bank statistics; UNCTADSTAT.

NIGERIA OUTLOOK

Following the outbreak of the Coronavirus Disease (COVID-19), and its rapid spin into a global pandemic in Q1 to Q32020; there has been corresponding economic consequences. This led to slow-down of global economic activities as most countries are on lockdown with movement only limited to essential goods or persons performing essential services. Correspondingly, international oil prices plunged, triggered by the Saudi-Russia oil war, and weakening global oil demand.

Oil and Gas represents only about 10% of Nigeria's GDP. However, it accounts for about 50% of government revenues and over 90% of export earnings. Thus, in responding to the fiscal implication of the pandemic and oil price war, Mr. President, on Monday, 9th March 2020, set up a Crisis Management Committee (CMC) comprising Senior Government officials headed by the Hon. Minister of Finance, Budget & National Planning to consider measures to address the fiscal pressures arising from the drop in oil prices. Further to the above, most of the assumptions underpinning the 2020 FGN Budget had to be revised in the face of current realities, as Nigeria is vulnerable to the current global economic disruption caused by the COVID-19 crisis and is exposed to the risks of both a pronounced decline in oil prices & spikes in risk aversion in the global capital markets. Although similar challenges were experienced in 2015/2016, Nigeria now has considerably lower fiscal buffers.

MACROECONOMIC PERFORMANCE

The economy has grappled for acceleration in real GDP growth since the exit from recession in Q2 2017. Despite eleven consecutive quarters of positive growth, GDP growth rates remain below desirable targets (growing below population growth rate).

Prior to the outbreak of COVID-19 pandemic, the Nigerian economy had been characterized by wavering external sector and improving internal economic indicators. Over-dependence on oil revenue, constrained fiscal space, low foreign and domestic investments and, declining foreign reserves made the economy disproportionately vulnerable to the twin shocks of crude oil price/production collapse and a health crisis. The informal sector which accounts for over half of Nigeria's GDP will be negatively impacted.

MONETARY SECTOR

There has been a continued uptick in headline inflation (year-on-year) for the seventh consecutive month to 12.26 per cent in March 2020 from 11.02 per cent in August 2019. The rising inflation was largely attributed to increases in the food and core components, which rose to 14.98 and 9.73 per cent in February 2020, from 13.17 and 9.7 per cent in August 2019, respectively. Furthermore, the surge in demand for food produce in anticipation of the lockdown have further contributed to the hike in inflation rate.

Figure 15: Exchange Rate (USD$/NGR #)

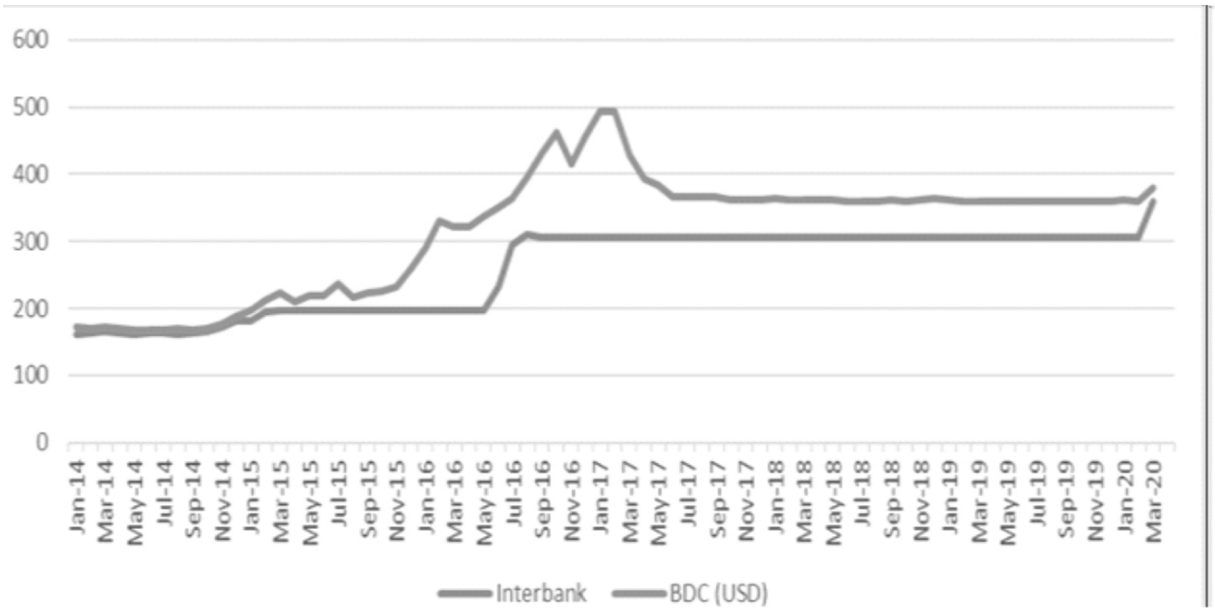
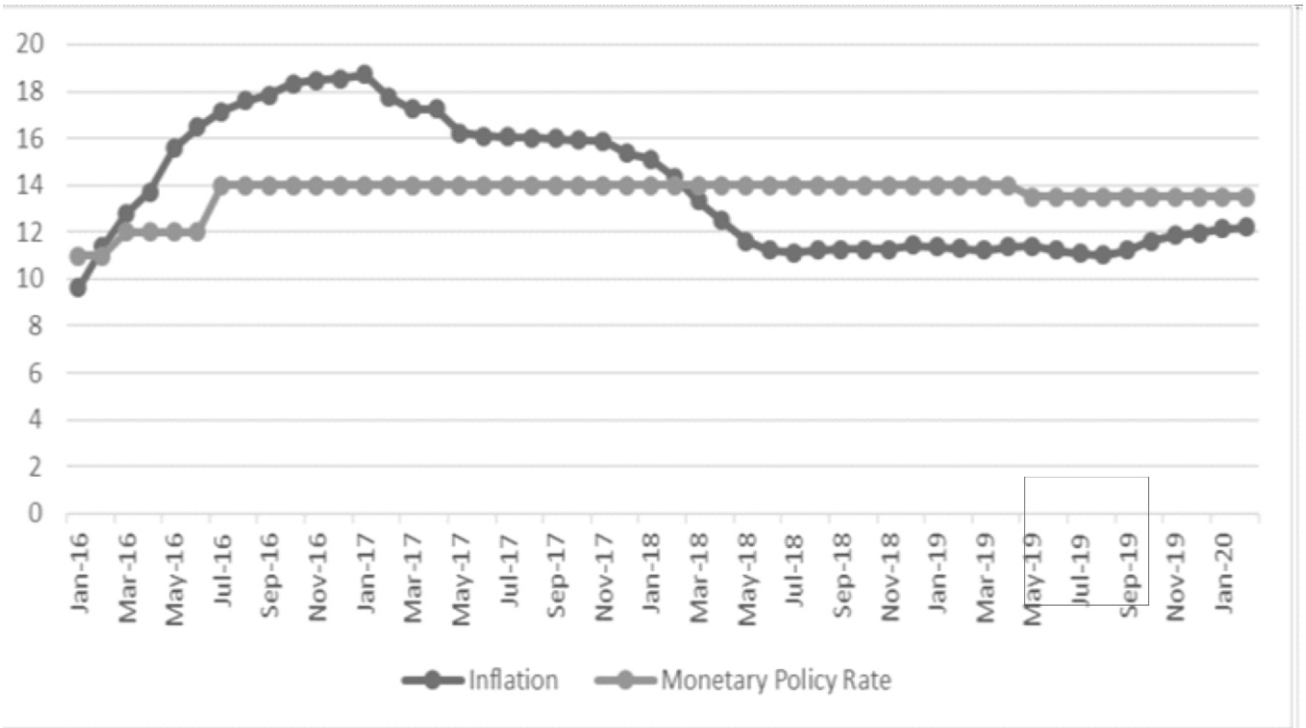


Figure 16: Inflation (%)



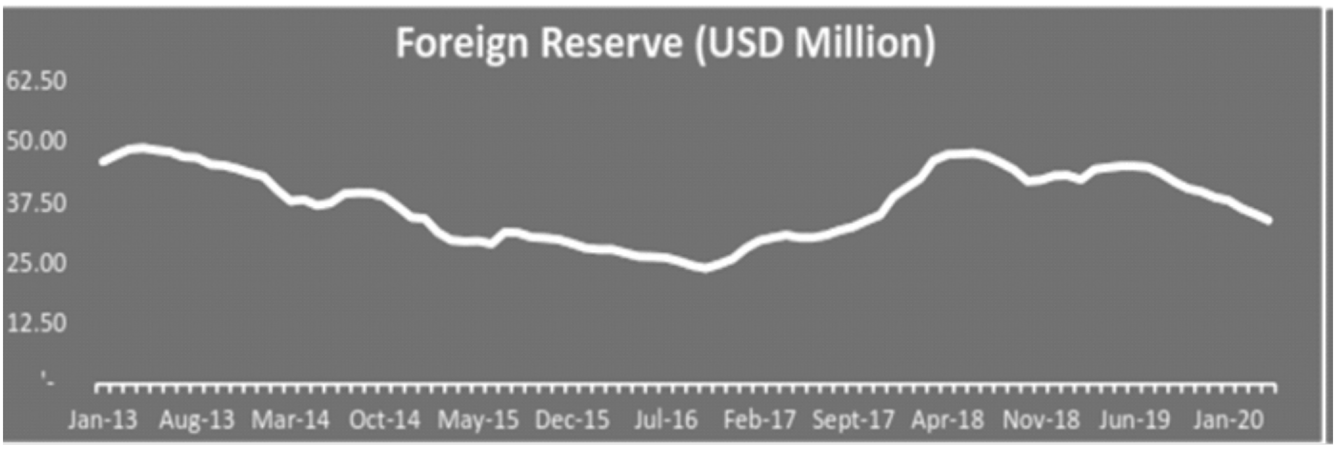
The Central Bank has adopted measures to rein in inflation by managing excess liquidity in the banking system, which is also aimed at reducing pressure in the foreign exchange market, with resultant depreciation of the Naira.

EXTERNAL SECTOR

Nigeria's foreign reserves have declined to US$35.9 billion in March 2020 from US$44.7 billion in April 2019. The decrease is largely attributable to the impact of the decline in crude oil receipts. Monetary policy rates have been relatively unchanged with the goals of supporting growth and employment and checking capital outflows to support external reserves accretion.

The uncertainty and general decline in global economic activities caused by the COVID-19 pandemic have further dimmed the prospect of reversing the downward trend in foreign portfolio investments (FPIs) in the Nigerian Treasury Bills (NTBs), also adversely impacted by the Covid-19 inspired flight to safety, represent the second biggest source of dollar inflow into the country after crude oil.

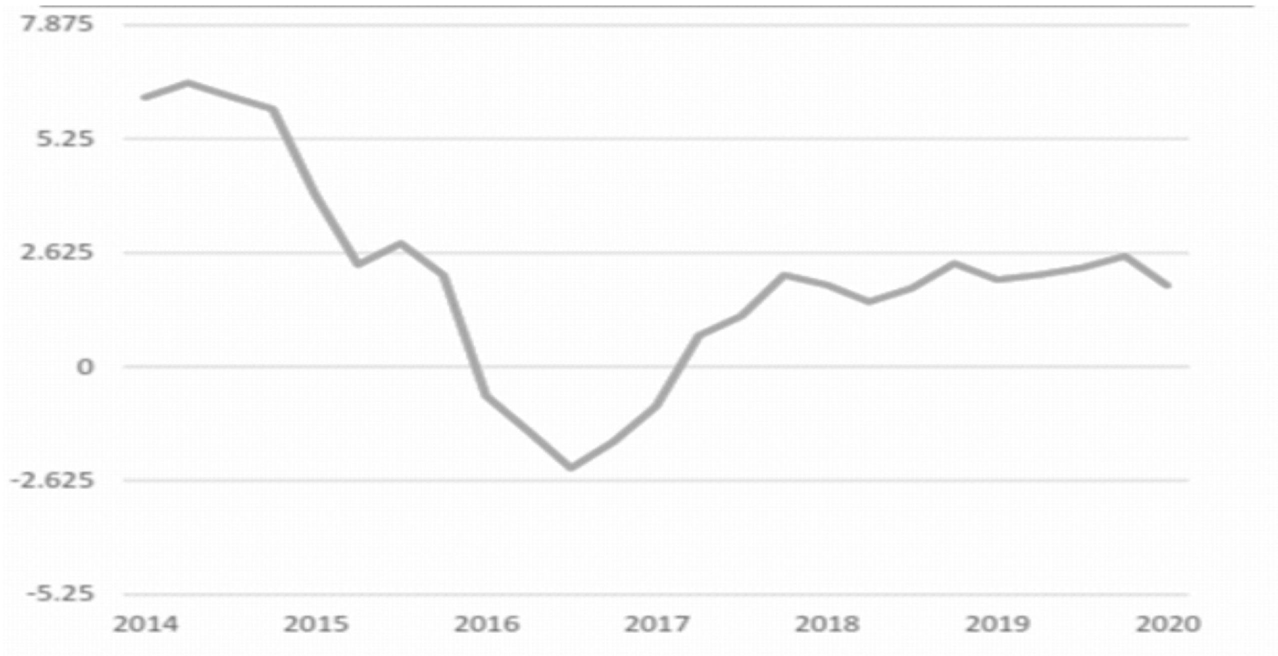
Figure 17: Foreign Reserves (USD Billion)



FISCAL SECTOR
Fiscal buffers are very lean. With external debt standing at USD 26.94 billion and Excess Crude Account (ECA) barely USD71 million, Balance of Trade (BOT) at UDS18.7 billion and widening fiscal deficit on account of lower oil revenue, the fiscal space is critically constrained.

At the national level, tax as a percentage of GDP (8%) has been suboptimal while debt service to revenue at over 50% is high and worsening. Government is seizing the opportunity of the crisis to intensify economic diversification to ensure a growth in non-oil exports, reduction in import bill and improving competitiveness. Nigeria is currently implementing a modest stimulus package and providing palliatives for the most vulnerable members of the society.

Figure 18: GDP Growth Rate (%)

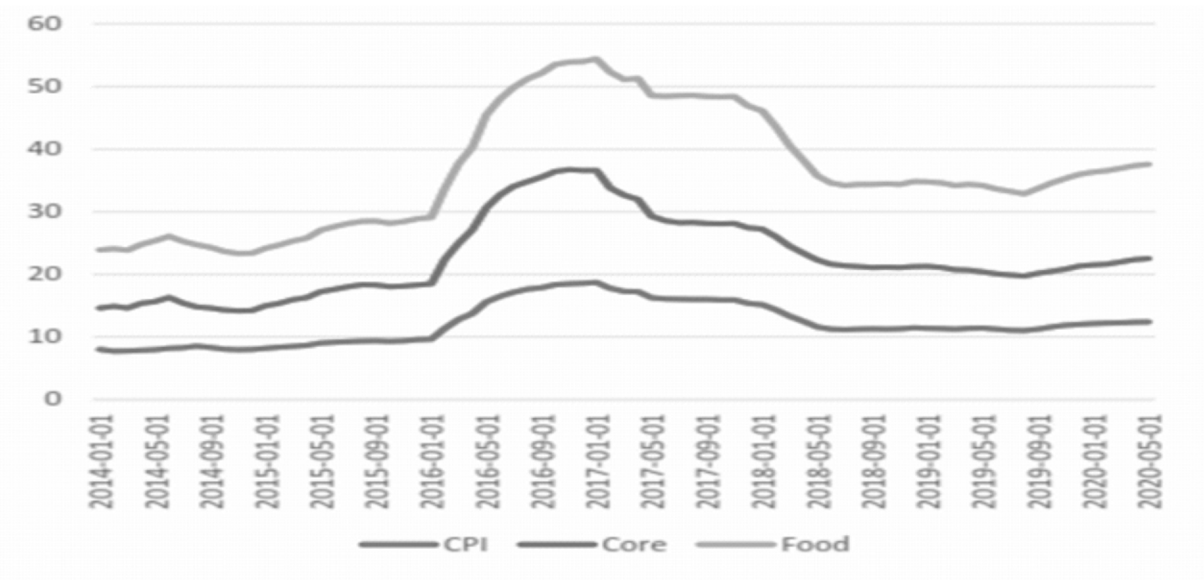


Q2 and Q3 2020 GDP growth are projected to be negative, which means that the economy will lapse into a second recession in 4 years. Non-oil sector growth moderated to 1.55% in real terms in Q1 2020, from 2.47 percent recorded in Q1 2019, driven mainly by Telecommunications, Financial Services, Crop Production, Mining & Quarrying and Construction sub-sectors.

The contribution of the non-oil sector to GDP declined from 92.68% in Q4 2019 to 90.5% in Q1 2020. The spiral effects of the pandemic caused a Trade contraction of 2.82%, while ICT slowed to only 7.65% from 11.08% 2019 full year growth. Likewise, Quarrying, Road transport, Accommodation and Food Services as well as real estate recorded weaker performance in Q1 2020 relative to Q1 2019.

Inflation rate increased for the ninth consecutive month by 12.4% (year-on- year) in May 2020. Highest rate recorded since May 2018, 0.06% higher than the 12.34% recorded in April 2020.
The increased inflation is adduced to rise in cost of food, aggravated by insecurity and inter-State travel disruptions owing to the coronavirus pandemic and ENDSARS saga.

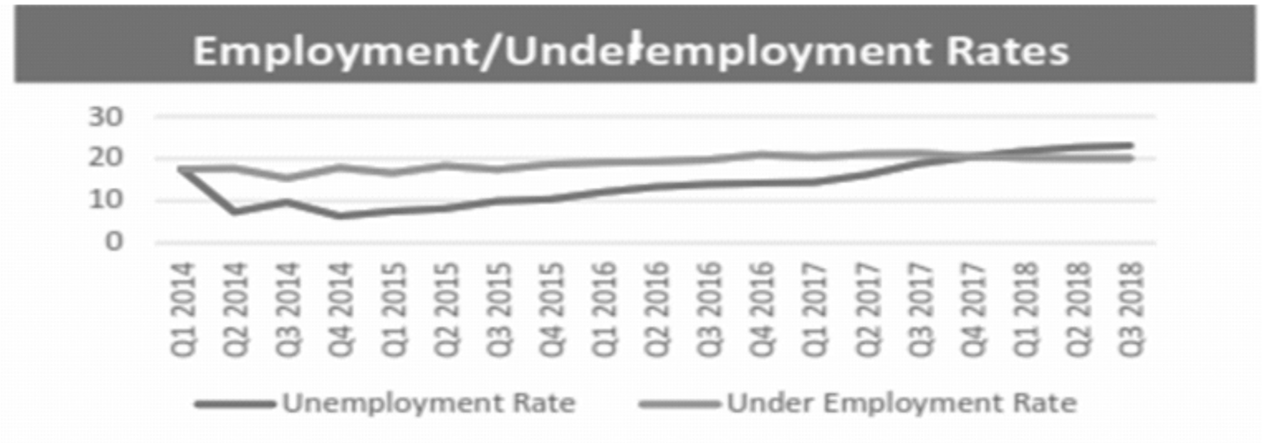
Figure 19: Inflation Rate (%) 2014 - May 2020

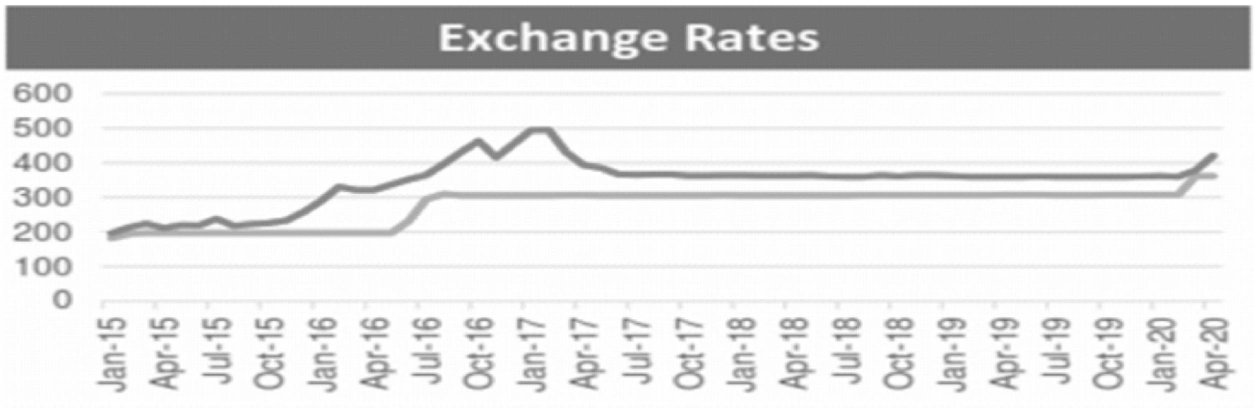


The National Bureau of Statistics reported unemployment rate of 23% in Q3 2018 with an increase from 17.6 million in Q4 2017 to 20.9 million in Q3 2018.

In response to the developments affecting supply of foreign exchange to the economy, the Central Bank of Nigeria (CBN) adjusted the official exchange rate upwards initially to N360/US$1 and presently to N380/US$1.

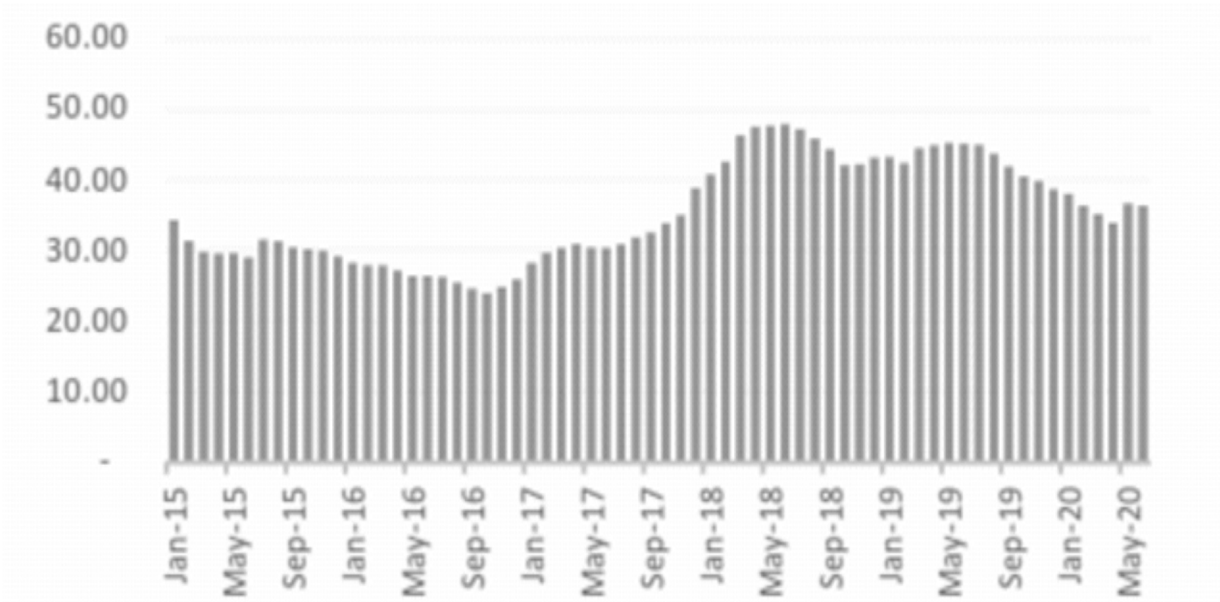
Figure 20: Employment/Underemployment Rates & Exchange Rates





External reserve declined to US$36.38bn as of June 2020 from US$45.12bn as of June 2019. The decline in foreign reserves is attributable to the reduction in crude oil receipts following the sharp decline in world crude oil prices.

Figure 21: Foreign Reserve from January 2015 to May 2020



Poverty rate is still high; National Bureau of Statistics classified 40.1% of the Nigerian population (82.9m Nigerians) as poor in the 2019 Poverty and Inequality in Nigeria Report recently published

OGUN STATE OUTLOOK

Ogun State, the 'Gateway State' was created on 3rd February 1976 and has a high concentration of industrial estates and considered as a major manufacturing hub in Nigeria. Ogun State sits on a land mass of 16, 980.55.km2 (the second largest State in Southwest and twenty-fourth in Nigeria) of which over 80% of land area is arable. It also offers ready market to a local population of over 5.2million people; it serves as a trade strip to an estimated population of 350 million within the West Africa/ECOWAS sub region. Agriculture and industrialization provide the major entry points for the government's partnership and co- operation with the private sector .

Ogun State is a vital economic and trade corridor as a result of its location and proximity to many Nigerian States, it is expected to be the new industrial hub in Nigeria and West Africa.

The State GDP is estimated to be ?2.891 trillion in 2020 revised budget and would be ?3.049 trillion by 2023 with projected annual average growth rate of 0.5% from 2021 through to 2023.

Table 3: Ogun GDP & Growth Rate

	Actual		Projections			
GDP/YEAR	2019	2020 Approved Budget	2020 Revised Budget	2021	2022	2023
State GDP (N' Million)	2,923,808.99	2,988,132.79	2,891,647.09	2,919,406.90	2,980,714.45	3,049,270.88
State GDP Growth Rate (%)	2.1%	2.2%	-1.10%	-1.00%	1.00%	1.50%
SOURCES: NBS, Central Department of Statistics, Ministry of Finance.						

The State's contribution to the National GDP in year 2019 was 2.1% and a contraction of 1.10% was witnessed in the year 2020 consequent on the effect of the pandemic and ENDSAR unrest in the Country. With every tendency to accommodate more investments in the manufacturing and agro based industries; the State presently hosts four thousand, three hundred and eight companies and enterprises in the oil and gas, health, hospitality, agriculture, and other sectors.

The State has a growing service providers industry, maintains high concentration of industrial estates and it is a key manufacturing hub in Nigeria. Major factories in Ogun include but not limited to Dangote Cement factory in Ibese, Nestle Plc (Flower Gate Branch) and International Breweries (The largest brewery in Nigeria) at Sagamu interchange, Lafarge Cement factory in Ewekoro and Coleman Cables in Sagamu and Arepo, Procter & Gamble in Agbara, amongst others.

Ogun State also has a comparative advantage in respect of location of natural resources for the mining Industry.

Ogun State remains the trade route for the transportation of goods and services to all States in Nigeria. The debt profile of the State stood at NGN124.5 billion as at July 2020 (NGN125 billion as at December 2019) with internal debt and external debt representing 75% and 25% of the total figure respectively in both years.

Figure 22: Debt Profile as at 31st December 2019

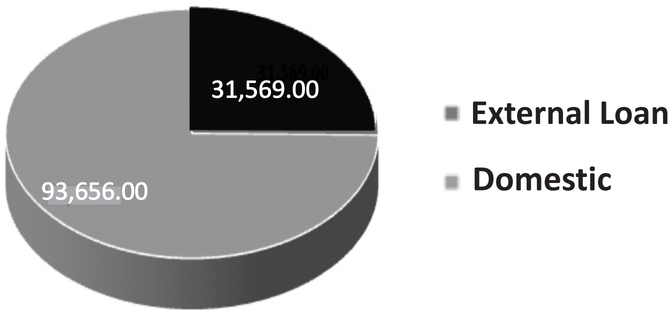
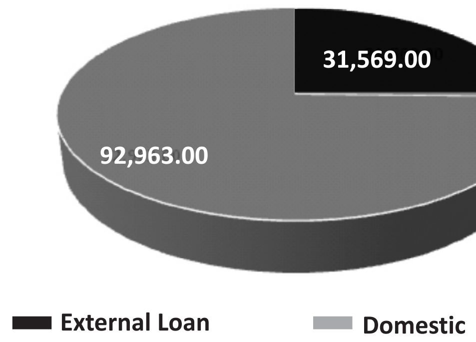


Figure 23: Debt Profile as at 31st July 2020



Having a debt stock of N125b; year 2020 Gross Domestic Product (GDP) estimated at N2.89 trillion while Debt to GDP is 7% and still within the State and International threshold of 25% and 20% respectively.
As earlier Stated, the onslaught of the Covid.19 pandemic came with the need to re-strategize in view of obvious macro-economic changes which consequently brought about the review of the 2020 approved budget of N452b to N282b.

The revised budget is expected to absorb all the unforeseen shocks, mostly macroeconomics factors that defied the execution of the initial N450b 2020 budget of the State. The State reviewed downward the recurrent expenditure comprising of personnel cost and specifically the overhead costs in view of wastages and priority settings and will sustain the infrastructure development drive of the present administration. The pandemic has brought about aggressive investment in the health sector in terms of employment of medical personnel, purchase of medical equipment and other physical projects in the health sector.

Be that as it may, debt shall be utilized solely for capital and social infrastructures, as this will be a springboard necessary for the growth of all sectors and improve economic activities that will enhance the growth of GDP, which will in turn increase our borrowing capacity as a State in the outer years.

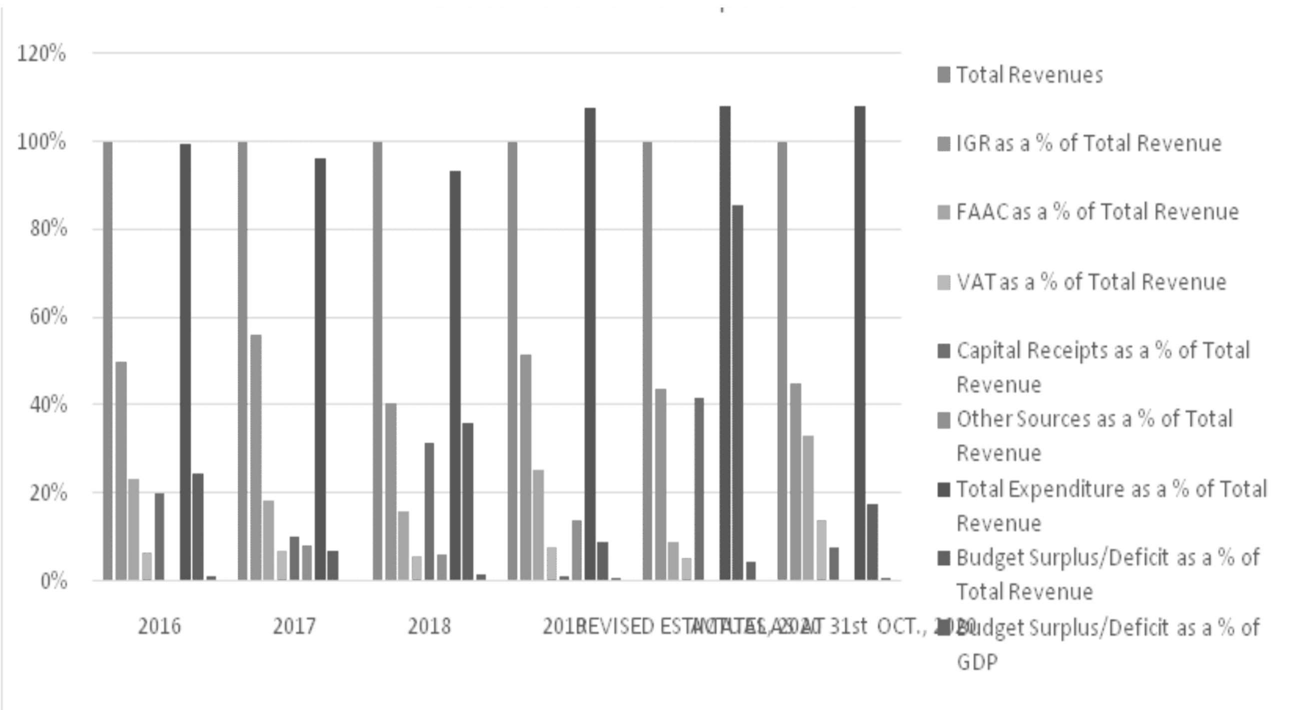
Ogun State depends largely on its Internally Generated Revenues ("IGR") for survival and sustenance in line with the report of the Economic Confidential, an intelligence magazine that ranked Ogun State among RICH/Economic Viable States on the Annual States Viability Index (ASVI) in respect of receipts from the Federation Account Allocations (FAAC) viz-a-viz Internally Generated Revenues (IGR) in 2019.

Table 4: State Revenue & Expenditure from 2016 to 31st October 2020

Particulars	2016	2017	2018	2019	Revised Estimates, 2020	Actual as at 31st Oct., 2020
Total Revenues	100%	100%	100%	100%	100%	100%
IGR as a % of Total Revenue	50%	56%	40%	52%	44%	45%
FAAC as a % of Total Revenue	23%	19%	16%	26%	9%	33%
VAT as a % of Total Revenue	7%	7%	6%	8%	5%	14%
Capital Receipts as a % of Total Revenue	20%	10%	31%	1%	42%	8%
Other Sources as a % of Total Revenue	0%	8%	6%	14%	0%	0%
Total Expenditure as a % of Total Revenue	100%	96%	93%	108%	108%	108%
Budget Surplus/Deficit as a % of GDP	1.2%	0.3%	1.6%	0.5%	4.3%	0.5%

Source: Ministry of Budget & Planning

Figure 24: State Revenue & Expenditure from 2016 to 31st October 2020



The State will take advantage of the change in the orientation of the entire public service by sustaining the transformational leadership style through skill acquisition as introduced by the present administration; this herald the State's increasing sophistication in management reflected by improving transparency and debt management amid moves towards a balanced budget in the outer years.

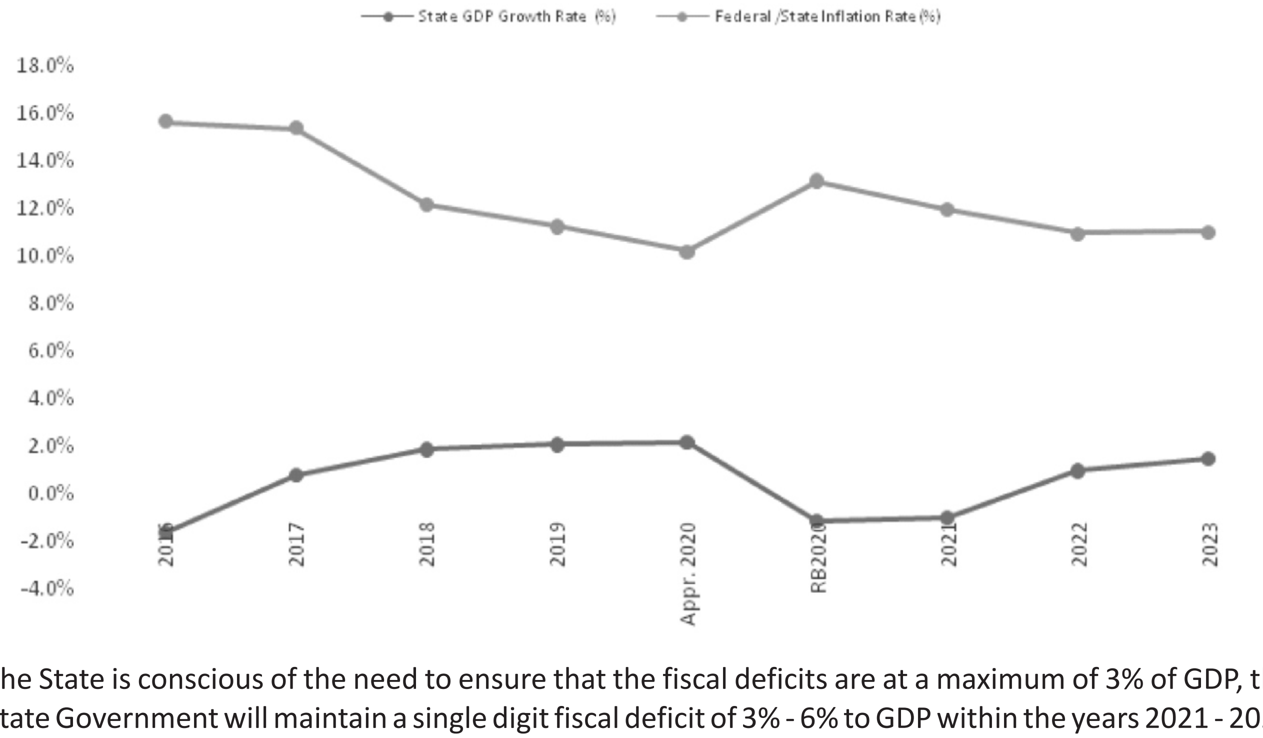
The Fiscal Responsibility Commission law has been signed into law in a bid to ensure fiscal discipline. Induced by public and private investments, as well as an estimated population of over 5.2 million, Ogun State's diverse economy is filled with potentials for growth.

GDP is expected to grow at an average of 0.5% over the period 2021 - 2023.

Table 5 : Ogun GDP Growth Rate & Inflation Rate

Indicators/Years	2016	2017	2018	2019	2020	2020	2021	2022	2023
State GDP Growth Rate (%)	-1.6%	0.80%	1.90%	2.10%	2.20%	-1.10%	-1.00%	1.00%	1.50%
State Inflation Rate (%)	15.62%	15.37%	12.15%	11.25%	10.20%	13.14%	11.95%	10.94%	11.02%
Source: World Bank, NBS, Central Department of Statistics (CDS)									

Figure 25 : Ogun GDP Growth Rate & Inflation Rate



The State is conscious of the need to ensure that the fiscal deficits are at a maximum of 3% of GDP, the State Government will maintain a single digit fiscal deficit of 3% - 6% to GDP within the years 2021 - 2023 as a result of the global effect of the pandemic and gradual economic uptick and most importantly the need to invest in capital and social infrastructures as a determinant of economic growth and development of the State.*

The State will take advantage of the change in the orientation of the entire public service by sustaining the transformational leadership style through skill acquisition as introduced by the present administration; this herald the State's increasing sophistication in management reflected by improving transparency and debt management amid moves towards a balanced budget in the outer years.

The Fiscal Responsibility Commission law has been signed into law in a bid to ensure fiscal discipline. Induced by public and private investments, as well as an estimated population of over 5.2 million, Ogun State's diverse economy is filled with potentials for growth. GDP is expected to grow at an average of 0.5% over the period 2021 - 2023.

To achieve aggregate beneficial and efficient service delivery, the State will maintain a transparent public financial management system that is efficient and effective targeting an implementable budgeting and management system, achievable through the engagement of professional and effective workforce coupled with appropriate technological platforms.

The State plans to broaden the tax base and improve collection methods to boost IGR from the lowest end of N41billion as of 31st October 2020 to N119 billion in 2021 based on the projection that the State's economy will be more active before the end of Q4, 2020.

More importantly, the State IGR drive target of N280b by 2023 is expected to complement the dwindling projected revenue from Statutory Allocation and Value Added Tax and the dire need to meet the increasing and growing infrastructural and social needs of the State.

Table 6: IGR Performance and Projection

Years	Revised Budget 2020	Actual Performance as at 31st October, 2020	Budget 2021	Budget 2022	Budget 2023
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
IGR (OGIRS)	70,369.61	25,572.38	75,000.00	115,000.00	168,276.80
OTHER INTERNAL REVENUE	43,182.72	15,612.61	44,180.39	83,737.45	112,119.29
TOTAL IGR	**113,552.33**	**41,184.99**	**119,180.39**	**198,737.45**	**280,396.09**
Sources: Ministry of Budget & Planning andOGIRS					

Worthy of mention is the growing population of the State with great potential in terms of developmental growth. With a higher working age/labour force population as a percentage of the total, Ogun will continue to be the focal point for both internal immigration (uncontrolled), and consumption growth.

Bearing in mind the infrastructural deficit and growing population of Ogun State, the opportunity to grow its per capita income is enormous; massive investment in road construction within the context of finishing uncompleted projects within the State capital, ongoing road construction at Abeokuta-Sagamu inter change, Ijebu-Ode township roads, Ogijo-Ikorodu road, Ilaro-Owode-Idi-Iroko road amongst others. Such massive investment is expected to continue to attract both direct and portfolio investment in the consumer goods, agro based industries and the solid minerals sectors.

Investment and productivity enhancement are key to sustainable growth, hence the Government's emphasis on developing physical and human capital. Furthermore, growth will require overcoming significant bottlenecks in the economy, including information and communication technology (ICT), Power (Ogun consumes substantial power supplied from the National Grid due to the localization of Industry in the State), Agriculture, Healthcare, Education, Youth and Sports Development including employment generation, Physical Infrastructure Development, Housing, Environment and Physical Planning. Investment in these sectors will be the focus of the Government's programmes in the medium term.

MACRO ECONOMIC FRAMEWORK FOR OGUN STATE

The State's growing population and estimated GDP to be ?2.89 trillion in 2020 and would be ?3.05 trillion by 2023 with projected annual average growth rate of 0.5% from 2021 through to 2023.

It is a conservative projection based on the obvious attendant macro-economic effect of the pandemic on the global economy and the expected gradual uptick of the economy from Q4 of 2020 that will attract investment opportunities that are yet to be explored in the Olokola Free Trade Zone and the Deep Sea at the Ogun East Senatorial district of the State that is veritable for economic and trade exploration by other West African countries.

The ultimate goal is to make the State the Sub - Saharan Africa's first choice destination for investment, by entrenching transparent public financial management system expected to attract both local and foreign investments and encourage Public-Private Sector Partnership. In the medium term with sustained investment in Finance and Economic Planning , Housing, Environment and Physical Planning, Transportation (Deep Sea at Ogun Waterside, Ogun East Senatorial District) Water and Waste Management, Industry, Trade and Investments, Agriculture and Food Security, Education, Healthcare, Physical Infrastructure Development, Information, Communication and Technology (ICT), and supported by enduring Human Capital Development to sustain all the intended vision through building of Institutions.

Against this backdrop, the macroeconomic objectives for the Medium Term 2021-2023 intends to support and position the State in the right pedestal towards economic recovery and growth in order to achieve the overarching goal that includes maintaining the real economic growth at an annual average rate of 0.5% up to 2023, reducing the rate of inflation below the two digits of 11% by 2023.

These are achievable through the gradual ease of the global lockdown measures, flattening the pandemic curve coupled with the gradual increase in economic activities and the herald of the new financial system in the public service that ensures adherence and financial discipline, considerate limits for expenditure to ensure low fiscal deficits and sustainable levels of public debts; creating a framework in which public funds are allocated optimally and cost- effectively to meet Government's policy aims, thus ensuring improvement of key performance indicators in Ogun State; adoption of accurate revenue estimates and the continued, sustainable growth in tax revenue from OGIRS and non-tax revenue fromother revenue generating agencies in Ogun State. In the medium and long term these measures are expected to create an enabling environment for private sector development through Public Private Partnership (PPP) initiatives; and improving governance and developing well-functioning public financial management system.

In line with the broad objectives Stated above, the Government's macroeconomic targets for the period 2021-2023 with the Fiscal Framework Projections are as follows:

- Increase the Internally generated revenue based on ambitious target through well-planned far-reaching reforms in real terms in the medium term,
- To ensure the reduction of borrowing and financing of debt service significantly in the 2021 - 2023 medium term year to continue to attract credit investment,
- Sustaining the real GDP growth rate at not less than 1.50% growth by 2023 away from the projected 2021 contraction of 1.0%
- To bring down end-year inflation to less than 11% in 2023,
- To be fiscally sustainable by keeping the fiscal deficit of GDP at a barest level within the Medium Term,

To achieve the fiscal stimulus of spending target of increased capital expenditure investment of 50%, 53% and 55% within the 2021-2023 Medium Term Framework,

To keep the wage bill within the State wage policy and Development Policy Operation triggers.

STRATEGIES

To achieve the targets outlined as earlier Stated, the Government intends to pursue the following strategies:

Gross Domestic Product (State)

Going by the obvious effects of Covid.19 pandemic on the State's economic activities and dwindling statutory revenue specifically from sales of crude oil, expectedly the medium term economic growth will be mainlyinfluenced by the non-oil sector going by the location and localization of many industries and Agric based industries in the State; hence, a structural shift in the economy is expected to attract investment in sectors such as Power, Agriculture, Transportation, Information, Communication and Technology (ICT), Housing and Education amongst others. This is expected to increase their contribution to GDP growth.

Investments in key infrastructure as well as a continued focus on promoting macroeconomic stability are expected to activate this shift in the economy, thereby positioning Ogun State as one of the major emerging economies in Nigeria and the World. It is against this backdrop that economic growth rate is conservatively projected at an average of 0.5% between Y2021 - Y2023 in the Medium Term.

Inflation

Due to the gradual ease of the lockdown and gradual uptick of economic activities, it is expected that the shock on supply and the demand-pull inflation an aftermath of the pandemic will eventual ease off; hence in the medium-term inflation rate is expected to be curtailed at 11% an important target for the achievement of macroeconomic stability by 2023. To effectively control inflation expectations, there is need to control price stability through the eventual interaction of the market forces of demand and supply and provide a suitable environment for business planning and investment activities.

Table 7: Key Macro Economic Indicators

Indicators/Years	2019	Approved 2020	Revised Budget 2020	Budget Proposals, 2021	Budget Proposals, 2022	Budget Proposals, 2023
State GDP Growth Rate (%)	2.1%	2.2%	-1.10%	-1.00%	1.00%	1.50%
Estimated State GDP (Figure in N' million)	2,923,808.99	2,988,132.79	2,891,647.09	2,919,406.90	2,980,714.45	3,049,270.88
State Inflation Rate (%)	11.25%	10.20%	13.14%	11.95%	10.94%	11.02%
Average Naira to USD Exchange rate	306	305	360	379	379	379
Forecast/Benchmark oil Price	50	55	20	40	40	40
Oil Production per day barrels	1,844,000	2,180,000	1,744,000	1,860,000	2,090,000	2,380,000
Interest rate on domestic debts		13.5%	13.5%	13.0%	12.75%	12.75%
Interest rate on external debts		2.0%	2.0%	2.0%	2.0%	2.0%

Sources: Central Department ofStatistics (CDS). Federal Ministry Finance, Budget, and Planning, NBS, World Bank, Ministry of Budget & Planning

2020 BUDGET PERFORMANCE FOR OGUN STATE

The actual budget performance in respect of the revised budget as at 31st October 2020 put revenue at 40%. The low performance was largely due to the Covid-19 pandemic outbreak which put to a halt literally all economic activities globally and with direct negative effect on all revenue drive initiatives within the State.

Internally Generated Revenue (IGR) contributed 37% to total revenue performance. Out of this, Ogun State Internal Revenue Service (OGIRS) accounted for 62% of the 37% or 23% of total revenues.

Federal Transfers contributed 39% to the total revenue. The revised budget projections were conservative, however, as containment measures gradually loosened and mobility recovers, it is expected that Statutory allocations and VAT returns in Q4 may return to pre-crisis level.

Capital expenditure as of 31st October 2020 was 20%. The low performance was because of the State Government's determination as a matter of social responsibility to invest limited resources in social protection and the health sectors in other to stem the effect of the pandemic on the people of the State. Expectedly, the gradual ease of the lockdown will herald optimal economic activities and investment in capital expenditure in the final quarter of FY 2020 and within the 2021 -2023 medium term expenditure framework.

Table 8 : Budget Performance as at 31st October 2020

Particular	Revised Budget 2020	Proportionate Target Up To 31st Oct., 2020	Actual Performance as at 31st Oct., 2020	Proportionate Performance	Proportionate on Annual Budget
	N' M	N' M	N' M	%	%
Internally Generated Revenue (Other MDAs)	43,182.72	35,985.60	15,612.61	43.39	36.15
Internally Generated Revenue (OGIRS)	70,369.61	58,641.34	25,572.38	43.61	36.34
Total IGR	**113,552.33**	**94,626.94**	**41,184.99**	**43.52**	**36.27**
REVENUE FROM OTHER SOURCES					
Opening Balance	**21,305.46**		**19,932.94**	-	-
Capital Receipts	108,262.83	90,219.03	7,275.35	8.06	6.72
Statutory Allocation	23,685.20	19,737.66	30,456.89	154.31	128.59
Value Added Tax	14,101.73	11,751.44	12,883.92	109.64	91.36
TOTAL REVENUE FROM OTHER SOURCES	**167,355.21**	**121,708.13**	**70,549.09**	**57.97**	**42.16**
Total Revenue	**280,907.54**	**216,335.07**	**111,734.08**	**51.65**	**39.78**
Expenditure Performance					
Personnel Cost	69,087.57	57,572.97	38,934.44	67.63	56.36
Overhead Cost	39,148.66	32,623.88	15,666.48	48.02	40.02
Consolidated Revenue Cost	15,566.77	12,972.31	8,863.64	68.33	56.94
Public Debts Charges (Overhead)	8,678.05	7,231.71	6,563.24	90.76	75.63
Total Recurrent Expenditure	**132,481.05**	**110,400.88**	**70,027.79**	**63.43**	**52.86**
Capital Expenditure	141,426.49	117,855.41	21,629.53	18.35	15.29
Public Debts Charges (Capital)	7,000.00	5,833.33	7,638.78	130.95	109.13
Total Capital Expenditure	**148,426.49**	**123,688.74**	**29,268.31**	**23.66**	**19.72**
Total Expenditure	**280,907.54**	**234,089.62**	**99,296.10**	**42.42**	**35.35**
Financing Requirement					
Aggregate Revenue	**280,907.54**	**216,335.07**	**111,734.08**	51.65	39.78
Total Expenditure	**280,907.54**	**234,089.62**	**99,296.10**	42.42	35.35
Net- Financing	**-**		**12,437.98**	**9.23**	**4.43**

The ratio of actual capital to recurrent expenditure as of 31st October 2020 is 53:47 in conformity with the 2020 revised budget projection.

As of 31st December 2019, the actual capital to recurrent expenditure ratio achieved was 37:63.

Table 9 : 2020 Capital vs Recurrent Expenditure as at 31st October 2020

Particular	2020 Revised Budget	Ratio	Proportionate Target Up To 31st Oct., 2020	Ratio	Actual as at 31st Oct. 2020	Proportionate Performance as at 31st Oct., 2020
	N'M	%	N'M	%	N'M	%
Total Recurrent Expenditure	132,481.05	47.16	110,400.88	47.16	70,027.79	63.43
Total Capital Expenditure	148,426.49	52.84	123,688.74	52.84	29,268.31	23.66
Total (Budget Size)	**280,907.54**	**100.00**	**234,089.62**	**100.00**	**99,296.10**	**42.42**

Source: Ministry of Budget and Planning

Figure 26: 2020 Revised Budget (Capital vs Recurrent Expenditure as at 31st October 2020)

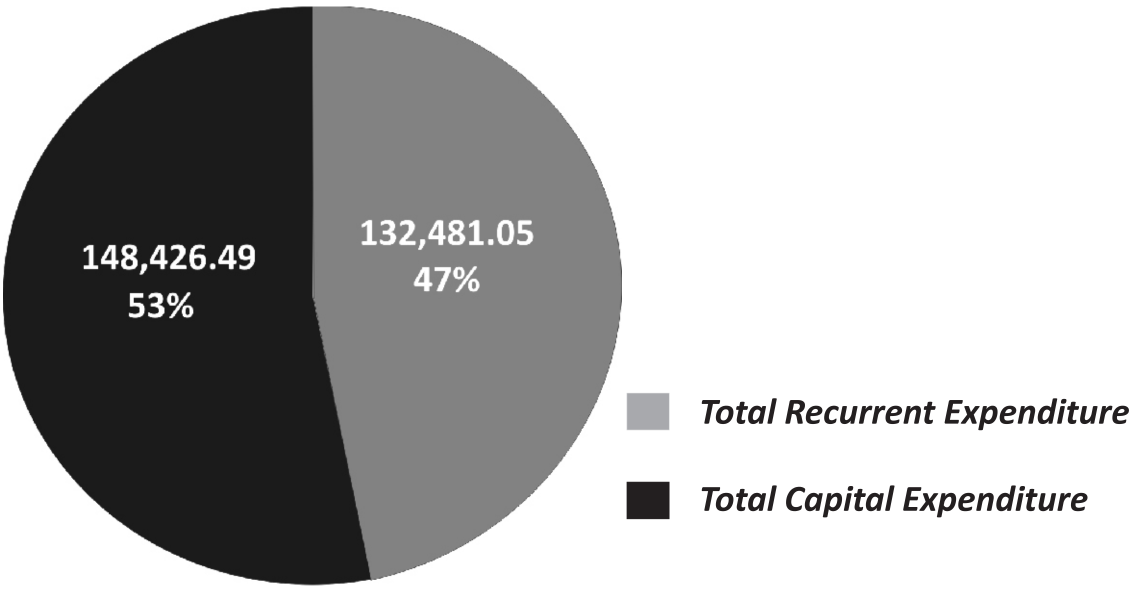
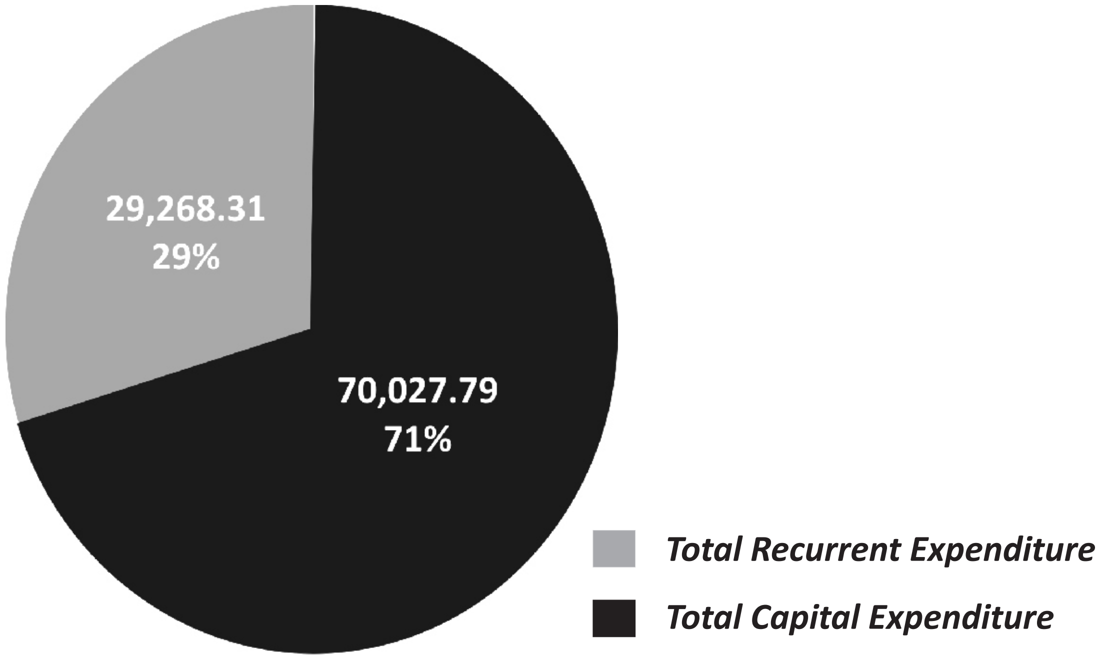


Figure 27: Actual 2020 Capital vs Recurrent Expenditure as at 31st October 2020



HISTORIC TRENDS 2016 - DATE

REVENUE STREAMS
STATUTORY ALLOCATION

Statutory allocation refers to revenue that accrued to the State from the Federal Government. Within the last three years, data indicates a gradual increase witnessed between years 2016 to 2019, while that of 2018 was above the budgeted figure. The absolute drop witnessed this year was as a result of the COVID-19 pandemic; the Federal Government reduced the National Budget because of the downward tilt in the crude oil per barrel price from $57 tobetween $18 to $23 per day, hence there was an urgent need for the State Government to review downward by 45% the expected revenue from such allocation.

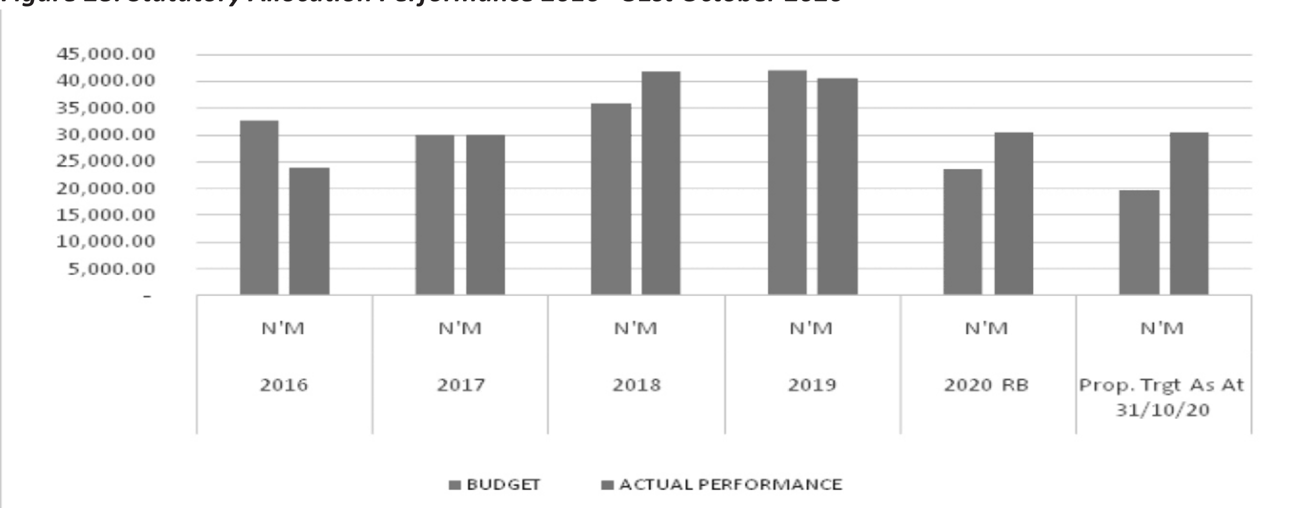
Essentially, it has become apparent that proceeds from Statutory Allocation can no longer sustain the State Government's fiscal and developmental drive, hence the State has been conservative over the years in respect of Statutory allocation returns to the State in order to avoid any financial embarrassment that may arise as a result of production losses and sudden fall in oil prices as currently experienced in the present financial year.

The State shall continue to build on our internal revenue potentials to complement other federal returns in furtherance to the report of the Economic Confidential, an intelligence magazine that ranked Ogun State among RICH/Economic Viable States on the Annual States Viability Index (ASVI) in respect of receipts from the Federation Account Allocations (FAAC) viz-a-viz Internally Generated Revenues (IGR) in 2019.

Table 10: Statutory Allocation Performance 2016 - 31st October 2020

YEARS	2016	2017	2018	2019	2020 RB	Prop. Target as at 31/10/20
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	32,600.00	30,000.00	36,000.00	42,000.00	23,685.20	19,737.66
ACTUAL PERFORMANCE	23,740.95	29,914.46	41,775.18	40,497.70	30,456.89	30,456.89
PERCENTAGE PERFORMANCE	**72.83**	**99.71**	**116.04**	**96.42**	**128.59**	**154.31**
Source: Ministry of Budget and Planning						

Figure 28: Statutory Allocation Performance 2016 - 31st October 2020



Against this backdrop, the State Government will strive to maximize the State's potentials from the Internally Generated Revenue, by creating a positive business environment based on the present economic situation and macroeconomic indicators by making realistic budget estimates for the year 2021.

VALUE ADDED TAX

This is being collected by the Federal Inland Revenue Service on behalf of the Federal Government of Nigeria. The graph shows that the State Government has always been ambitious in respect of revenue expected from VAT. The revenue from VAT increased in year 2018 and while a shortfall of 14% was experienced in year 2019 and the eventual effect of Covid.19 in the current half-year seems obvious; proceeds from VAT was reviewed downward by 36% in the 2020 revised budget because of the lockdown, mobility constraints and downturn in economic activities nationwide. It is expected that revenue from VAT to the State will increase accordingly overtime based on full economic activities.

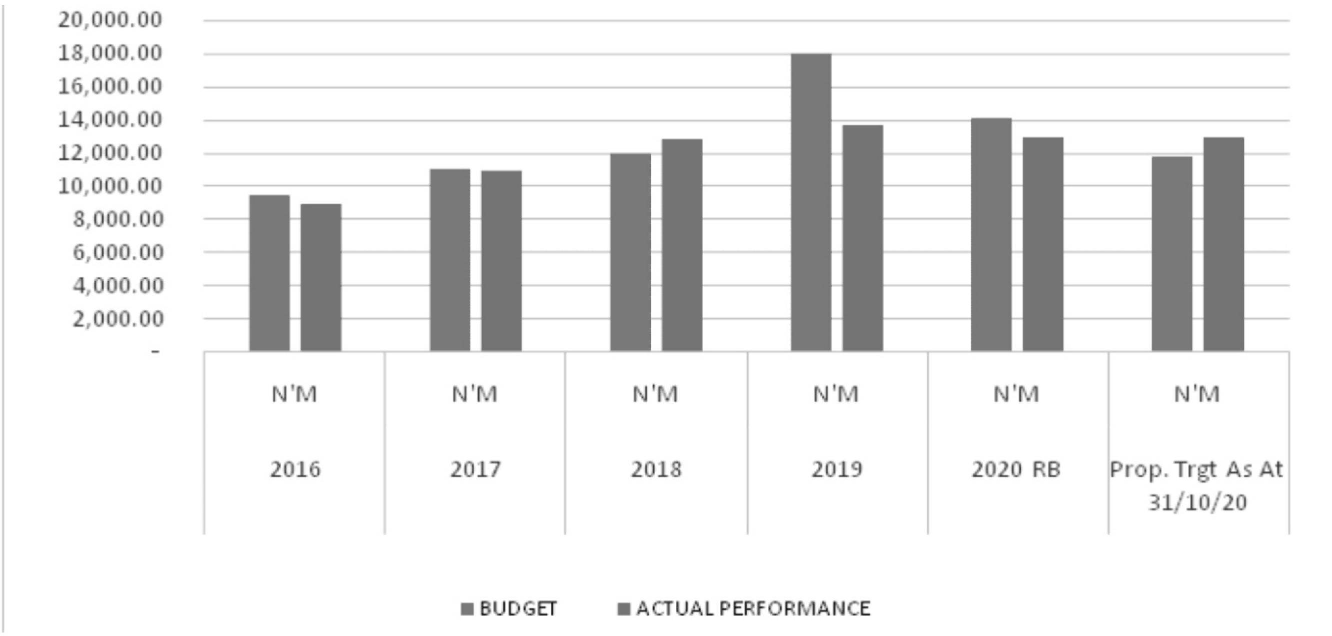
Everything being equal, VAT revenues are expected to grow in line with GDP growth and eventual implementation of the new VAT rate within the three-year plan.

Table 11: VAT Performance 2016 - 31st October 2020

Years	2016	2017	2018	2019	2020 RB	Prop. Target as at 31/10/20
Particulars	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	9,400.00	11,000.00	12,000.00	18,000.00	14,101.73	11,751.44
ACTUAL PERFORMANCE	8,876.55	10,891.87	12,776.51	13,700.58	12,883.92	12,883.92
PERCENTAGE PERFORMANCE	**94.43**	**99.02**	**106.47**	**76.11**	**91.36**	**109.64**

Source: Ministry of Budget and Planning

Figure 29: VAT PERFORMANCE 2016 - 31ST OCT., 2020



INTERNALLY GENERATED REVENUE (IGR)

It is the mainstay of financial sustainability and a major source of funding for the State. It comprises PAYE, withholding taxes, direct assessment, and host of other forms of Revenue collectable by the Ogun State Internal Revenue Service (OGIRS) and other revenue generating Ministries, Departments and Agencies in the State.

Internally Generated Revenue (IGR) performance has been consistently below expectation, although actual receipts have been following an upward trend over the years because of rise in economic activities in the State.

Even though the State has been witnessing absolute annual actual increase in IGR, the budget expectation is yet to be met relatively year on year because the major IGR drivers which include OGIRS, Lands Bureau, Physical Planning, Ministry of Agriculture, Industry, Trade and Investment and Ministry of Forestry etc. performed sub-optimally. The present year witnessed an unprecedented IGR shock as a result of the raging pandemic which led to a 55% review of IGR from the initial 2020 approved budget.

Having identified a tax gap of N84B, the State Government will improve the revenue generation capacity of the State from a paradigm shift from expenditure driven budget to a realistic policy driven model guided by a proper and realistic Revenue Strategy, collective working/interactions with MDAS to achieve a bottom up of the prevailing gaps viz-a-viz revenue potentials, leakages blocking, technology development, monitoring and evaluation strengthening and capacity development.

Our IGR (mostly tax revenue) to GDP ratio is currently about 1.64%. This is below international benchmark (average of 25% for developed countries and 22% for select emerging countries). This means that by international economic classification, Ogun remains a 'High Tax Effort' State.

In the face of the present economic challenges and dwindling statutory allocation; the revenue base of the State will be expanded through the OGIRS and MDAs by exploring new revenue opportunities in the informal sector through accurate data gatheringand necessary enforcement while blocking leakages.

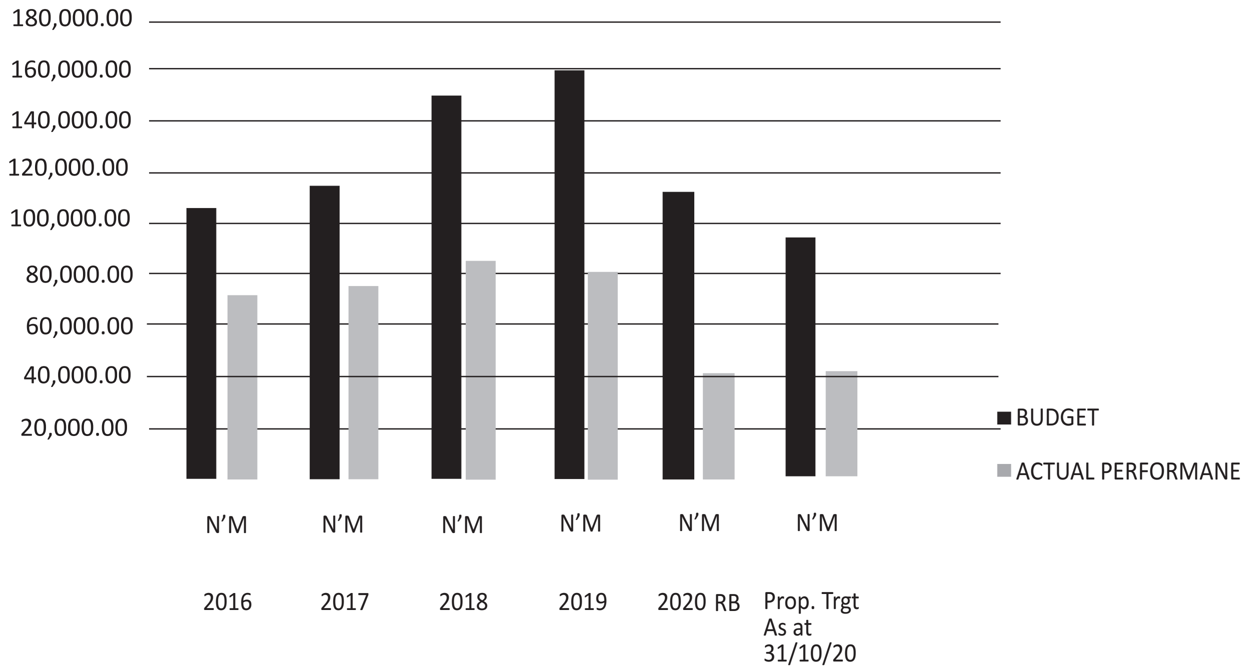
The State shall continue to improve on its present revenue profile released by the Economic Confidential on the Annual States Viability Index (ASVI) which shows that seven (7) States are insolvent as their Internally Generated Revenues (IGR) in 2019 were far below 10% of their receipts from theFederation Account Allocations (FAA) in the same year.

The index carefully and painstakingly computed proved that without the monthly disbursement from the Federation Account Allocation Committee (FAAC), many States remain unviable, and cannot survive without the federally collected revenue, mostly from the oil sector. The survey revealed that "RICH/Economic Viable States are Lagos, Ogun, Rivers, Kwara, Kaduna, Enugu States".

Table 12: IGR Performance 2016 - 31st October 2020

YEARS	**2016**	**2017**	**2018**	**2019**	**2020 RB**	**Prop. Target as at 31/10/20**
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	105,671.33	114,305.21	149,430.16	159,244.54	113,552.33	94,626.94
ACTUAL PERFORMANCE	71,553.41	74,835.98	84,554.20	81,420.13	41,184.99	41,184.99
PERCENTAGE PERFORMANCE	**67.71**	**65.47**	**56.58**	**51.13**	**36.27**	**43.52**
Source: Ministry of Budget & Planning						

Figure 30 : IGR Performance 2016 - 31st October 2020



CAPITAL RECEIPTS

Capital receipts represent Loans and Grants from Development Partners and Donor Agencies and capital contributions that are essentially meant for capital developmental projects. Its performance impacts directly on the delivery of capital projects.

The budget figure has been fluctuating; however, actual has been on a declining trend until 2017 when the State was able to attract significant investments from Development Partners and Donor Agencies and capital contributions to facilitate capital development projects.

The State is however poised for the N250b bond loan meant for the execution of identified developmental projects that can create employment and wealth, while improving the economic development and growth of the State in the nearest future.

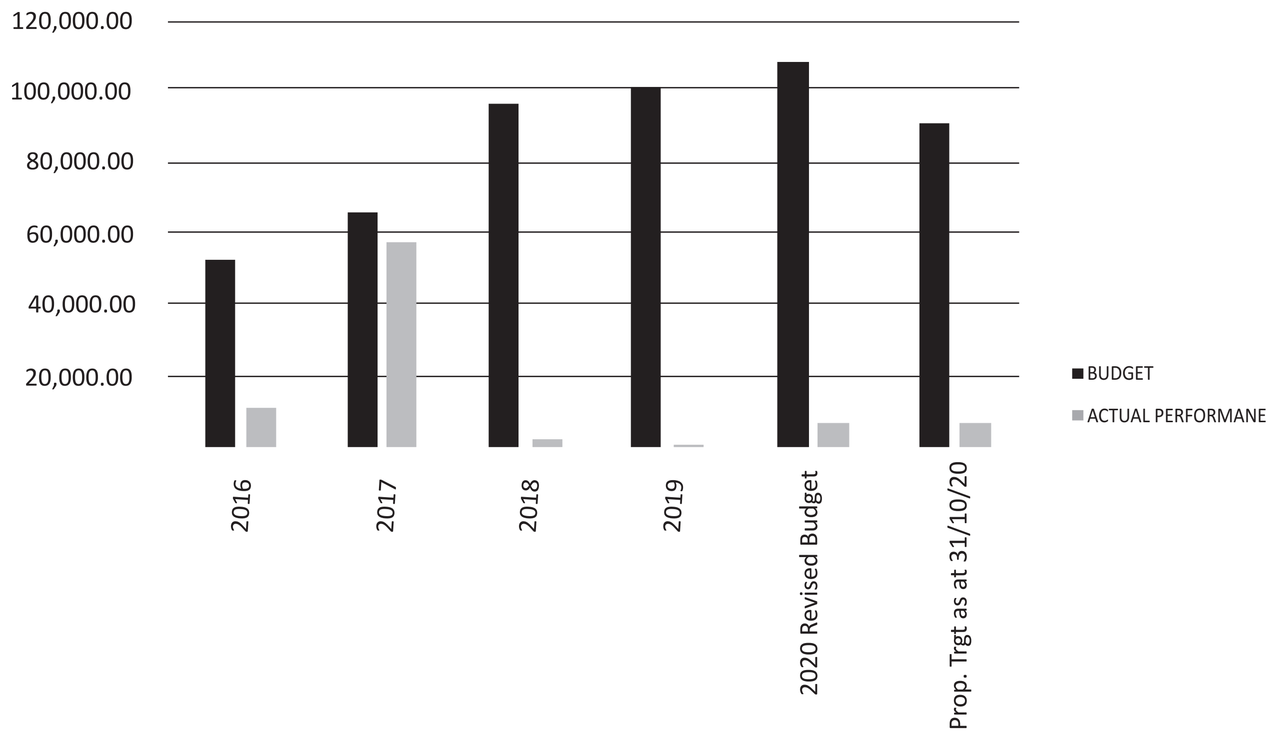
The State Government has initiated the building of institutions that will stand the test of time, geared towards best practices in Public Financial Management to attract and gain the confidence of Investors. As earlier Stated, this includes.

a. Establishment of the Bureau of Statistics and appointment of Statistician-General.
b. Establishment of the Bureau of Procurement and appointment of Director-General.
c. Creation of the Debt Management Office with necessary political support.
d. Strengthening of the Directorate of Monitoring and Evaluation in the Ministry of Budget and Planning and provision of necessary technical supports in the area of capacity development in the MDAs.

Table 13: Capital Receipts Performance 2016 - 31st October 2020

YEARS	2016	2017	2018	2019	2020 Revised Budget	Prop. Target as at 31/10/20
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	**52,529.12**	**65,785.63**	**96,553.80**	**101,078.49**	**108,262.83**	**90,219.03**
ACTUAL PERFORMANCE	**12,827.11**	**58,052.30**	**2,604.48**	**907.12**	**7,275.35**	**7,275.35**
PERCENTAGE PERFORMANCE	**24.42**	**88.24**	**2.70**	**0.90**	**6.72**	**8.06**
Source: Ministry of Budget and Planning						

Figure 31: Capital Receipts Performance 2016 - 30th October 2020



EXPENDITURE

PERSONNEL COST

Personnel cost represents the wage bill of the State Government funded from the revenue accruable to the State. This budgeted value has been on the increase from the year 2016 to year 2020, while the actual figure witnessed a decrease in year 2018 and the current financial year. This is evident by the absolute increase in the actual personnel costs in year 2019 which could be ascribed to the review of Health workers salaries, recruitment of teachers and continuous recruitment of staff as well as pension obligations and payment of backlog on pension liabilities which were appropriately budgeted for.

The above decision was necessary in the spirit of continuity and sustaining social responsibility to the people of the State. The magnanimity of the present administration cannot be ignored by the absorption of those recruited by the immediate past administration, new recruitment across the health sector prior-COVID-19 crisis etc.

The State is equally mindful to keep the personnel cost within the Sustainability level in view of the fact that year 2019 had an actual of personnel cost of 39% of total revenue and 71 % of IGR against the previous year 2018 (31% of total revenue and 60% of IGR).

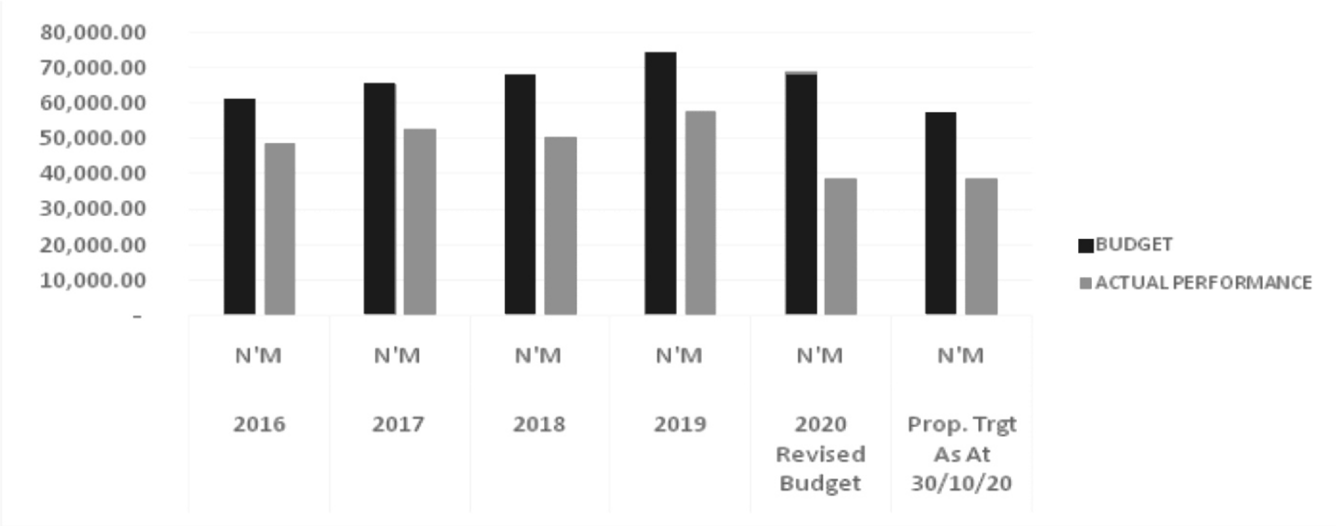
In the face of the macroeconomic realities and emerging fiscal constraints, the Government will be frugal with spending; necessary steps will be taken (ensure and enhance Payroll Integrity) to sustain the payroll integrity and ensure that the nominal roll of the Public Service and payment of monthly pensions is accurate (e.g., removal of duplication of BVNs from the State payroll).

As it is evident in the current year; in the short and mid-term frame, the State Government will continue to sustain payment of salaries, pension and gratuities within the limited resources with deep focus on curbing wastages while conscious of the severity of the resulting economic contraction.
The foregoing is necessary to position the State as a potential beneficiary of the array of opportunities in respect of facilities offered by the World Bank and in tandem with the principles of fiscal sustainability needed to enjoy the facilities, the present Administration will endeavor to sustain the standing policy of keeping our personnel cost low and bearable and most importantly not above the State IGR.

Table 14 : Personnel Cost Performance 2016 - 31st October 2020

YEARS	2016	2017	2018	2019	2020 Revised Budget	Prop. Target as at 30/10/20
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	61,339.78	65,336.31	68,033.50	74,480.00	69,087.57	57,572.97
ACTUAL PERFORMANCE	48,844.97	52,837.12	50,502.54	57,712.66	38,934.44	38,934.44
PERCENTAGE PERFORMANCE	**79.63**	**80.87**	**74.23**	**77.49**	**56.36**	**67.63**
Source: Ministry of Budget and Planning						

Figure 32: Personnel Cost Performance 2016 - 31st October 2020



OVERHEAD COST

The actual overhead costs have been within the budget limit since 2016.
The present economic realities indicate that overhead cost should be reviewed downward to minimize wastages.

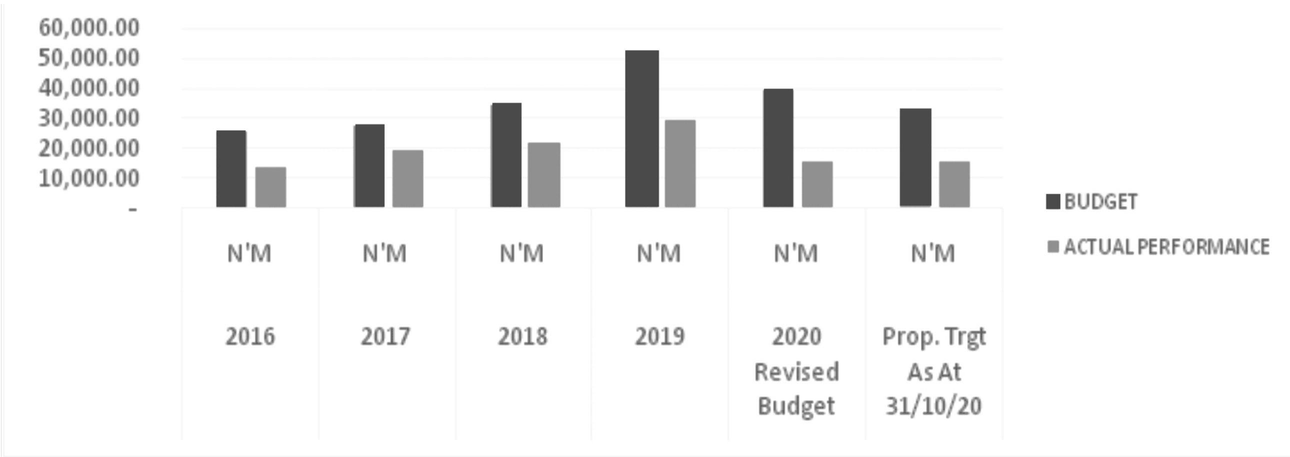
There will be concerted efforts to prune down the cost of governance, a necessary line of action in an inflationary environment. Hence, the government will review downward (depress overhead costs) MDAs overhead expenses substantially but at reasonable percentages viz-a-viz revenue generation prospects of each MDA in the State.

The approach is also to free up enough resources for the funding of capital development projects. Efforts shall also be geared towards discretionary expenditure control to curtail wastages in Government spending.

Table 15 : Overhead Cost Performance 2016 - 31st October 2020

YEAR	2016	2017	2018	2019	2020 Revised Budget	Prop. Target as at 31/10/20
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	25,569.20	27,594.62	34,569.07	51,685.70	39,148.66	32,623.88
ACTUAL PERFORMANCE	13,780.17	19,140.85	21,604.77	29,121.34	15,666.48	15,666.48
PERCENTAGE PERFORMANCE	**53.89**	**69.36**	**62.50**	**56.34**	**40.02**	**48.02**
Source: Ministry of Budget and Planning						

Figure 33 : Overhead Cost Performance 2016 - 31st October 2020



CAPITAL EXPENDITURE

Capital expenditure represents the commitment of Government towards infrastructure development. Globally, the scary effects of the pandemic had militating effects on investment decisions at both micro and macro level , hence State investments in capital projects could not be fully actualized in the current year as a result of the State's inability to mobilize resources for execution of capital projects based on shortfall in Government estimated revenue due to both internal and external factors affecting sources of Government revenue which affected the early commencement of execution of project by the first and second quarters of the current year. Secondly diversion of limited resources to the Health sector to curb the spread of the pandemic and necessary huge investment on social and welfare projects as palliatives necessary during the lockdown affected the projected capital investments in the current year.

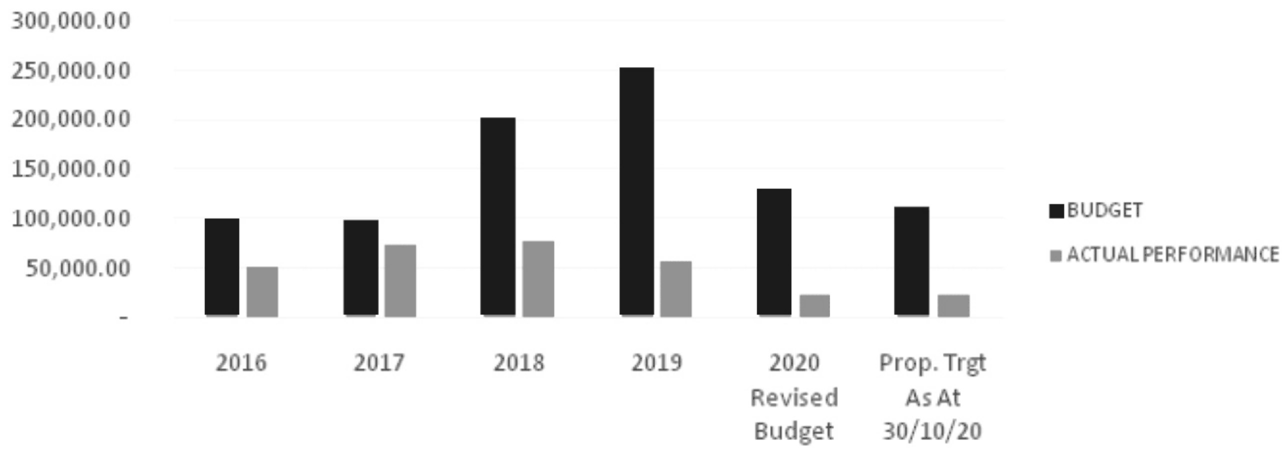
In the face of these obvious challenges, the present administration was able to prioritize capital project investments in the current year towards the health, education, infrastructure, agriculture and Industry and revenue generation projects while upholding social safeguards in line with its ISEYA agenda and contract with the people of Ogun State.

However, the State Government will address the capital investment gaps in the medium term and outer years, by being more aggressive in her revenue drive, this is achievable by making sure that the various agencies work according to the reforms being introduced and as well complies with budget profiling as introduced to forestall future occurrence.

Table 16: Capital Expenditure Performance 2016 - 31st October 2020

YEAR	2016	2017	2018	2019	2020 Revised Budget	Proportionate Target as at 30/10/20
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	99,291.48	95,659.91	200,731.39	250,657.33	130,071.25	108,392.71
ACTUAL PERFORMANCE	50,148.01	73,213.20	76,430.17	56,086.86	21,629.53	21,629.53
PERCENTAGE PERFORMANCE	**50.51**	**76.53**	**38.08**	**22.38**	**16.63**	**19.95**
Source: Ministry of Budget and Planning						

Figure 34 : Capital Expenditure Performance 2016 - 31st October 2020



SECTORAL ALLOCATION

In today's global climate, the Nigerian economy suffered significantly in the wake of the global pandemic-regardless of the domestic epidemiological path of COVID-19 and the steps taken to curb the spread. The spiral effects of the pandemic on oil prices, trade in goods and trade in services is a major setback on the Nigerian economy through the primary channels of an external economic shock.

Fiscal aspirations were dashed, various economic processes, fiscal policy and budgetary documents were rendered impotent; this involved the alteration of the early plans of the State Medium Term Expenditure Framework (MTEF) to reflect the emerging Covid.19 economic realities.

This necessitated the shift from the initial approved sectoral allocation of 64% (N292b) of the 2020 approved estimate of N450b to the Housing and Community, Health, Education and Rural Infrastructure sector to a deliberate downward review towards achieving the comprehensive but result oriented process through the revised 2020 budget to N281b.

Consistent with the ISEYA agenda of the present administration, education, rural Infrastructure, and the health sectors were given prominence with a combined budgetary allocation of 58% in the sectoral allocation of the 2020 revised budget of the State.

Taking into cognizance the recent Executive Order of the President in respect of Financial autonomy to the Judiciary and Legislative arms of the Government, provision was made for these sectors in the revised budget.

The present Administration identifies the need to increase investment in these sectors to stabilize our health sector and create an enabling environment that will activate the growth of the State's economy in due course.

The State Government will sustain the already embedded strategic allocation of resources targeted towards overall fiscal objectives.

Table 17: Trends in Sectoral Allocations 2016 - 31stOctober, 2020

	2016		2017		2018		2019		2020	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Revised Budget	Actual as at 31st August, 2020
General Public Services	25%	27%	26%	24%	21%	26%	23%	38%	25%	31%
Public Order and Safety	4%	3%	3%	3%	3%	3%	3%	3%	2%	5%
Economic Affairs	19%	22%	26%	29%	27%	29%	25%	15%	26%	12%
Environmental Protection	1%	0%	1%	1%	2%	1%	2%	1%	1%	2%
Housing and Community Amenities	13%	9%	9%	6%	11%	10%	12%	5%	4%	5%
Health	7%	7%	6%	6%	6%	6%	6%	8%	20%	8%
Recreation, Culture & Religion	4%	2%	2%	1%	3%	1%	3%	2%	1%	2%
Education	20%	24%	22%	23%	23%	18%	22%	23%	15%	26%
Social Protection	6%	6%	5%	7%	4%	5%	6%	6%	6%	9%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Source: Ministry of Budget and Planning										

DEBT POSITION

The Debt Management Office (DMO) has undertaken a review of the debt position of the State Government with a view to propel the ability of the State to borrow to execute necessary capital expenditures that will ensure economic growth and development of the State.

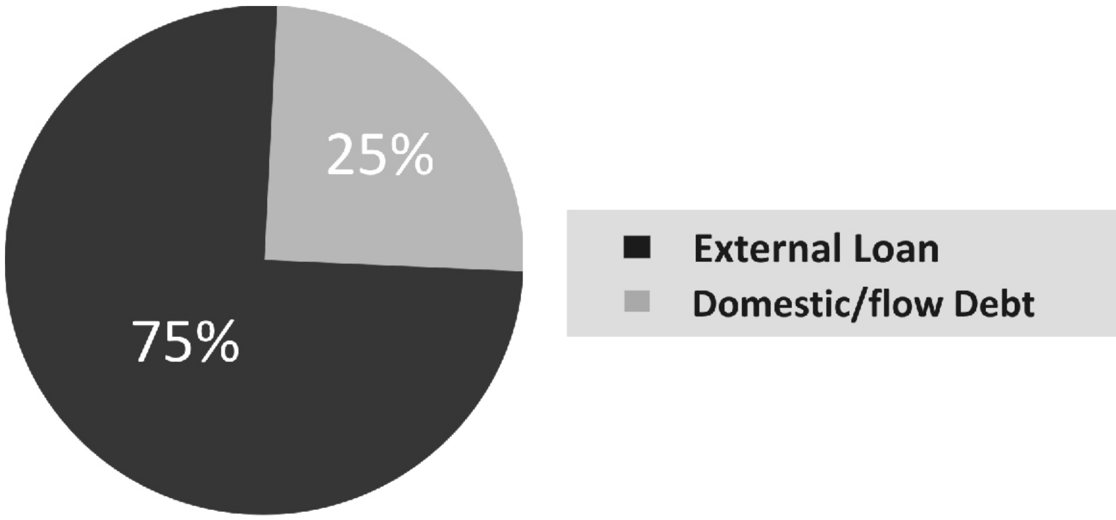
To be able to do this, the State will need funds to make good its promises on capital projects investment which the current IGR and Federal Transfers cannot effectively accommodate.

The Debt position of the State as at 31st July 2020 is highlighted in the table below:

Table 18: Debt Position as at 31st July 2020

DEBT POSITION AS AT 31ST JULY 2020		
Debt Item	N'M	%
External Loan	31,569.00	25%
Domestic	92,963.00	75%
Total	124,532.00	100%
Source: Debt Management Office, Abuja & OGSG DMD		

Figure 35: Debt Position as at 31st July 2020



In view of the foregoing, this administration will continue to adopt a strategy of a mixed portfolio of Commercial and Foreign Loans with long gestation periods to finance its electoral promises.

The current administration will rely on both Local and International financial credits between years 2021, 2022 and 2023 to finance identified capital projects to improve the revenue base of the State and enhance our economic growth.

FISCAL STRATEGY

Fiscal Policy Statement
As a responsible government, a transparent Public Financial Management (PFM) system will undoubtedly bring about desirable outcomes in the areas of aggregate fiscal discipline, strategic allocation of limited resources and efficient service delivery.

PFM reforms which will include Public Expenditure Management ("PEM") that emphasizes outcomes rather than budget lines will help resolve the gaps identified between expenditure and outcomes.
PEM will continue to focus on outcomes and ensure that expenditure producestargeted outputs which are needed to achieve desired outcomes as against the traditional conventional budgeting that focuses narrowly on expenditures on inputs.

In achieving this, the Ministry of Budget and Planning strengthened the department of Monitoring and Evaluation to coordinate other existing departments of Planning, Research and Statistics in the different MDAs.

To survive the emerging global challenges as a result of the pandemic , over the periods of year 2021 - 2023, the State Government's fiscal policy will be geared towards improving the efficiency and effectiveness of spending; achieving a better balance between capital and recurrent expenditure, including greater control of the wage bill; directing capital expenditure on critical infrastructure; boosting revenue receipts by identifying and plugging revenue leakages; and gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.

In line with the present administration's strategic imperatives and implementation road map, the medium-term fiscal strategy of the present administration 2021-2023 is hinged on five main pillars.

- **Infrastructure** (ICT, Power, Transport, Industrialization)
- **Social Welfare and Well Being** (Healthcare, Housing, environment and Physical Planning, Water and Waste Management
- **Education** (Human Capital Development,
- **Youth Empowerment** (Sports, Entrepreneurship, Creative Arts, Entertainment)
- **Agriculture** (Food Security, Cash and food Crops, Plantations, Forestry, Fisheries)

By investing in these sectors, the focus of Government is to reduce the infrastructure gap as well providing fiscal stimulus to lift demand and help the State's economy to recover.

The above strategic investment is necessary for the State in order to provide and sustain necessary economic activities that will provide the necessary shock or serve as economic insulator in readiness to tackle the outcomes of the obvious pandemic challenges in the areas of elevated debt levels, bankruptcies, unemployment, and rising inequality.

The Government has the responsibility to put measures in place now to protect its citizenry by supporting business and job creating opportunities while ensuring trade networks are preserved which will in turn foster greater and diversified economic growths.

The gradual recovery is imminent, and the present administration will ensure that the State is part of the smooth global recovery through its ISEYA agenda focused on the following priorities:

(I) protect lives. The State Government will place health expenditures at the top of the priority list. This includes funding health systems-getting resources to doctors, nurses and hospitals, the purchase of medical equipment, and to help the most vulnerable people.

(ii) protect livelihoods. Ensuring that the lifelines for households and businesses are available during this period of economic standstill. This includes cash transfers, wage subsidies and tax relief, helping people to meet their needs and businesses to stay afloat.

(iii) prepare for recovery. The State Government will continue to work with health professionals on planning the reopening. The present administration despite paucity of funds has sustained its social protection programme as a fiscal stimulus to lift demand and help the economy to come back.

OBJECTIVES AND TARGETS

The 2021 - 2023 fiscal objectives will continue with its year 2020 fiscal strategy which will be to intensify increased revenue in order to direct resources to most productive and growth- enhancing sectors while upholding social safeguards.

Government will also take advantage of private capital to supplement capital allocations from the Budget.

The highlights of Government fiscal strategy include:

- Enhancing economic growth and ensuring inclusiveness.
- Promoting economic diversification
- Maintaining macroeconomic stability
- Increasing revenue generation
- Rebalancing the distribution of Government spending
- Improving quality of spending
- To tilt capital investment funds towards Government Key priority areas.
- To use the budget to deepen the goals of job creation, poverty eradication and wealth creation.

- To entrench Modified Zero-Based Budgeting (Modified ZBB) & MTSS across all MDAs and Budget profiling for cash management.
- To lay greater emphasis on maintenance of public assets.
- To effectively manage parastatal organizations to reduce their dependence on the State's finances.
- To foster a robust enabling environment for private investors through PPP initiatives and investment climate in general; and
- To improve fiscal discipline Statewide

ENHANCING ECONOMIC GROWTH AND PROMOTING INCLUSIVENESS

To realize this objective, new private investments will be harnessed, and expansionary public sector infrastructure spending will be sustained.

Government will strengthen the framework for concessions and public private partnerships, including working with the legislature to address legislative and regulatory bottlenecks undermining private investments in key sectors.

It is expected that growth, in the medium term, will generate the revenue necessary for future expansion of public service delivery, rebuild fiscal space, and narrow down borrowing requirements.

In view of the gradual reopening of the global economies and continued uptick of economic activities in the State, government support will be geared towards stimulating activities of Small and Medium-Scale Enterprises (SMEs). The State economy is expected to contract between -1.10 to -1.0 percent between years 2020 and 2021 while a positive growth of 1.0 percent is projected for year 2022 and be at its peak at 1.50 percent by year 2023.

PROMOTING ECONOMIC DIVERSIFICATION

The diversification of the productive base of the Ogun State economy is a critical objective of Government and germane to the quick recovery from the pandemic effect on the economy of the State. In the medium-term, Government will make concerted economic diversification efforts through targeted interventions to boost the non-oil economy.

Government will leverage on Science, Technology, and Innovation (STI) in developing the value - chain so as to boost growth of the non-oil sector.

Supportive State Government policies and intervention measures will be aimed at developing the entire value chain in key areas of the real sector including agriculture, manufacturing, and solid minerals, among others.

In addition, science and technology will be effectively harnessed to drive competitiveness, productivity, and economic activities in all sectors.

The present administration acknowledges the importance of alternative revenue generation sources for the State; ample attention will be given to the Service Industry and Agriculture sector in its economic diversification strategy targeted towards increase revenue and job creation. As part of the efforts to provide an enabling environment for economic diversification and growth, Government will accelerate the implementation of key infrastructure projects. This will further improve the domestic business environment, and secure both existing and new jobs.

MAINTAINING MACRO ECONOMIC STABILITY
Sustaining the positive trajectory of key macroeconomic variables is the thrust of macroeconomic policy. A stable macroeconomic environment is a pre-requisite for sustained growth. It engenders certainty and enables businesses and households to plan their production, investment, and consumption activities.
In the medium term, macroeconomic objectives shall be to ensure stability in the macroeconomic environment, accelerate economic growth and enhance social inclusion through employment and job creation.

The strategies of government as contained in the Ogun State Development Plan ("OGSDP") are aimed at ensuring that the State achieves the global Sustainable Development Goals ("SDGs"). These goals include poverty eradication, zero hunger, good health, quality education, gender equality, water and sanitation, affordable and clean energy, decent economic growth, infrastructure, and industrialization.
Increasing Revenue Generation Government's strategy is to continue engagements with relevant stakeholders and interested investors in the State.

In addition, security will be enhanced to attract new investments to the State. The tax system will be further strengthened by improving collection efficiency, enhancing compliance, and reorganizing the business practices of tax and revenue agencies.

The Government will follow the dictates of the Medium-Term Revenue Strategy (MTRS) framework to cover identified Tax space/gap of N84b and harness existing revenue potentials of the State. Intensive efforts shall be made to identify and plug revenue leakages, improve tax compliance, tighten the tax code, and broaden the tax net by employing appropriate technology.

In addition, government will ensure that more businesses in the informal sector are formalized.
Tax payment will be verified prior to licensing a vehicle while a broad audit campaign will be conducted to identify under-filing taxpayers and non-compliant taxpayers will be engaged to ensure compliance.

REBALANCING THE DISTRIBUTION OF GOVERNMENT SPENDING
The fiscal strategy will include efforts to address the skew towards recurrent expenditure.
Government will sustain its desire to continue to allocate at least 50% of its spending to the execution of capital projects in order to gradually position the State in the right path towards economic growth.

However, the main challenge has always been funding constraint coupled with the present global economic limitations. To ensure significant available capital resources, efforts will be intensified to enhance internally generated revenue collection. In addition, the existing Consortium for the Administration of Salaries and Pension (CASP) will be strengthened to improve the effectiveness and efficiency of payroll administration.

The present economic realities and effects of the downturn dictates the need for huge government spending on social and welfare projects in order to ward off social unrest in the State. However, the reality on ground posits paucity of funds as a result of overreliance on funds from the FAAC and under performance of the State's IGR that has always been very low over the years and cannot support the State Government's investment drive spending on capital expenditure, social and welfare projects in order to sustain needed peace and tranquility in the State. Undoubtedly, government resources will still fall far short of the amount required to address the huge social and welfare, infrastructure deficits. Therefore, government intends to continue to utilize alternative mechanisms for financing capital projects and considered social and welfare investments in partnership with the private sector.

IMPROVING THE QUALITY OF SPENDING

Government remains committed to improving the efficiency and quality of its spending.
Thus, public expenditure will be properly scrutinized to ensure value for money. To achieve this, budget formulation process will be further strengthened, and capital projects will be evaluated in line with the State Development Plan objectives and Strategic Pillars of the present Administration.

Over the medium term, government intends to key into the Public Expenditure and Financial Accountability (PEFA) assessment with the support of Development Partners.As part of the cost minimizing measures, attention will continue to be paid to the costing of activities/projects, competitive bidding in public procurement, continuous audit of MDAs' operations and other public financial management reforms which will definitely bring about positive results.
Ensuring Sustainable Deficit Levels

The Debt Management Office (DMO) is pursuing a debt management strategy designed to move away from short term expensive finance to longer term with less expensive financing. This would significantly create more fiscal space for the private sector in the domestic credit market with overall positive impact on interest rates. It would also accord private capital a leading role in driving growth.

The State Government conscious of the Ogun State Fiscal Responsibility Law will ensure that the Fiscal deficit is maintained within the acceptable threshold allowed by the State Fiscal Responsibility Law in the face of the present economic realities and social commitment of the present administration.

FACILITATING OUTPUT GROWTH, ECONOMIC DIVERSIFICATION AND JOB CREATION

It is difficult to promote job creation in an environment with massive infrastructure deficit coupled with unemployment created by the effect of the pandemic. The present administration will latch on the ongoing programme by the CBN that is currently supporting growth in the rest of the economy through its dedicated intervention funds for small and medium enterprises, manufacturing, airlines, and agriculture sectors.

CBN's initiatives, such as the Anchor Borrowers Programme, which allow participants in the agricultural value chain to access credit at single digit interest rates will be sustained.

The interventions in the critical sectors of the State's economy will be strengthened to enhance economic growth and reduce unemployment.
However, the State will take advantage of the moratorium approved framework by the CBN from financial shocks or distortions that might have arisen at the height of the pandemic period.
More importantly, avenues will be explored and supported by the present administration in its commitment in expanding and creating wealth in the State.

KEY SECTORAL POLICY INITIATIVES

Accelerating Economic Growth and Job Creation

The State government shall do the following.

- Enhance and sustain the State's credit rating required to position the State as a bankable and credit counterpart.
- Improve process and coverage for internally generated revenue (IGR).
- Enhance public finance management system.
- Provide incentives to corporate bodies and parastatals to expand opportunities for internships, traineeships for young new entrants into the labour market; and,
- Provide loans to Micro, Small and Medium Scale Enterprises (MSMEs).

Economic growth is a pre-requisite for job creation. However, economic growth without creation of jobs as experienced in the past decades is not desirable for welfare improvements and inclusiveness. The present administration will continue to invest in Human Capital Development focused on acquisition of technical and vocational skills in specialized areas such as agriculture, manufacturing, and craftsmanship.

This explains the prominence government has accorded to job creation through the created Job Portal for all and sundry willing to seek gainful employment.

- The thrust of the job portal is to have the aggregate summation of unemployed and underemployed residents of Ogun State and to create a strategy on job creation by amplifying State Government investments and support where necessary on sectors with potentials for massive job creation in the following:
- Boosting public works programmes.
- To latch onto the Federal Government N-Power volunteer corps to provide temporary employment for graduates annually in education, agriculture, and health.
- Enforcing the local content policy to promote job creation through procurement processes.
- Improving employability of school leavers and graduates, given the changing nature of work arising from increasing digitalization of the global economy.
- Developing local empowerment centers to disseminate and provide business support to entrepreneurs through apprenticeship and mentorship.

To guarantee sustainability, incentives will be provided to participating employers, recognizing participants, and offering tax rebates.

INDUSTRIALIZATION THROUGH PUBLIC PRIVATE PARTNERSHIPS (PPP)

The State Government will continue to create enabling environment through increased mobility of people and resources and in tandem with the dictates of the existing Ogun State Public Private Partnerships (PPP) Law.

The reviewed Public Private Partnerships (PPP) law protects would-be and eventual investors with the ultimate goal of improving ease of doing business in the State.

The implementation of the Statewide physical infrastructure master plan and implementation of the framework for Power Sector development are veritable strategic initiatives to activate Industrialization and sustain Public Private Partnerships (PPP) in the State.

The State Government will also explore other economic and commercial variables that could make the State the next Industrial hub by:

- Reviewing/providing local fiscal and regulatory incentives to support the development of industrial cities, parks and clusters, especially around existing ports, and transport corridors.
- Partner with private sector to develop new commercial and retail malls, recreation facilities and city centers.
- Harmonization of taxes and levies to eliminate multiplicity and ensure ease of self-assessment and payment." Partner with real estate developers and access new technologies for mass housing projects.
- Partner with private sector to redesign, redevelop and construct new urban centers, commercial hubs, and rural/agricultural communities.
- Improve on the gains of the establishment of the Ogun State Investment Promotion and Facilitation Agency and Ogun State Enterprise Development Agency to bring investment needed support and capacity building to the Micro, Small, Medium Enterprises (MSMEs) which are the bedrock of any economy.

- Strengthened the PPP Office, capacity development of personnel to attract potential investors and sustain public - private sector partnership engagements.

Agriculture and Food Security Reforms and State Government intervention in the areas of land access, extension services, financing, will be considered to attract large scale farmers to the Agriculture sector of the State.

The medium-term goal of the State is to achieve food security, self-sufficiency and sustainability in Ogun and a net exporter of key agricultural products, e.g., maize, rice, tomatoes, vegetable oil, cashew nuts, cassava, poultry, fish, and forestry products.

Strategies to achieve food security in the medium term include:

- Focus on three cash crops and two (2) livestock with competitive advantages: Cassava, Rice, Maize and Poultry and Fishery.
- Provide seamless land access through special Agric land allocation schemes for youth, small, medium, and large-scale farmers.
- Establish an Agricultural inputs and Support Agency to provide easy access to farm machineries and equipment on lease basis, facilitate the supply of inputs (seeds, fertilizers, and chemicals) and market off-take.
- Revamp and restructure the State agriculture extension services for provision of advisory and training of farmers.
- Facilitate access to FGN/CBN intervention funds: Anchor Borrowers, Commercial Agric Credit (CACS); AGSMIES; Accelerated Agric Development (AADS) Improving access to finance.

Social Investments: Health, Education and Social Welfare

Human capital development focused on acquisition of technical and vocational skills in specialized areas such as agriculture, health and education and social intervention programmes are key strategic pillars the present government intends to explore in reducing poverty.

Furthermore, Government will:

- Review education curriculum to include technical, ICT, sciences and entrepreneurship skills and training.
- Seek partnership with the private sector in the development of educational institutions and technical certification programs.
- Revive and support new post-secondary school trade centres and technical schools.
- Introduce post-university skills development institutions (PUSDIs).
- Seek partnerships and strategic alliances with local and international bodies, such as the UNESCO, World Bank, DFI's, Bill and Melinda Gates Foundation etc.
- Improve enrolment especially in primary and secondary schools.
- Re-train, redeploy and recruit more teachers.
- Strengthened the newly established e-learning/digital class across schools and introduce e-libraries and research centres.
- Continue with the location of primary healthcare center in each of the 235 wards, including the renovation of the existing primary health care facilities.
- Expand and sustain the home-grown school feeding to enhance school enrolment and combat stunting.
- Rehabilitate, equip, and adequately staff the General Hospitals and Olabisi Onabanjo Teaching Hospital (OOUTH) to serve as effective referral centre for lower tier healthcare delivery centers.
- Designate a hospital as specialist centre in each of the three (3) Senatorial District.
- Re- train and recruit more medical personnel.

- Review and restructure the Health Insurance Scheme to facilitate accreditation and access to the Basic Healthcare Provision Fund (BHCPF) through enrolment of children, age and vulnerable.
- Partner with the DFIs and NGOs to provide better healthcare outcomes: WHO, Federal Ministry of Health, local and International Foundations.
- Invest in the social housing programme: new low and medium density housing projects and estate across the State.
- Implement beautification projects of parks, gardens round-about, highways and other community centers.

MEDIUM TERM FISCAL FRAMEWORK PROJECTIONS

Table 19:Medium Term Fiscal Framework Projections 2021 - 2023

PARTICULARS	APPROVED 2020 BUDGET	REVISED BUDGET, 2020	ACTUAL PERFORMANCE AS AT 31ST OCTOBER, 2020	PROPOSED BUDGET, 2021	PROPOSED BUDGET, 2022	PROPOSED BUDGET, 2023
Revenue	**N' M**	**N' M**	**N' M**	**N' M**	**N' M**	**N' M**
Opening Balance	-	21,305.46	19,932.94	18,405.53	-	-
Internally Generated Revenue (Other MDAs)	114,456.65	43,182.72	15,612.61	44,180.34	83,737.45	112,119.29
Internally Generated Revenue (OGIRS)	140,489.77	70,369.61	25,572.38	75,000.00	115,000.00	168,276.80
Total IGR	**254,946.42**	**113,552.33**	**41,184.99**	**119,180.34**	**198,737.45**	**280,396.09**
Capital Receipts	89,705.50	108,262.83	7,275.35	142,154.06	121,064.24	102,200.99
Statutory Allocation	43,430.73	23,685.20	30,456.89	39,675.56	46,629.76	51,207.76
Value Added Tax	22,030.78	14,101.73	12,883.92	19,195.45	22,767.97	23,582.31
Extra Ordinary Income (CAPEX F.G Roads Refund)	39,860.25	-	-	-	-	-
TOTAL FGN REVENUE	**105,321.77**	**37,786.92**	**43,340.81**	**58,871.02**	**69,397.73**	**74,790.07**
Grand Total Available Funding	**449,973.69**	**280,907.54**	**111,734.08**	**338,610.94**	**389,199.41**	**457,387.16**
Expenditure	**N' M**	**N' M**	**N' M**	**N' M**	**N' M**	**N' M**
Personnel Cost	83,238.03	69,087.57	38,934.44	72,740.16	76,490.12	81,340.02
Overhead Cost	55,558.69	39,148.66	15,666.48	50,174.25	54,323.89	60,294.34
Consolidated Revenue Cost	25,944.62	15,566.77	8,863.64	20,182.91	21,765.67	23,506.70
Public Debts Charges (Overhead)	14,000.00	8,678.05	6,563.24	18,836.00	30,746.93	41,186.88
Total Recurrent Expenditure	**178,741.34**	**132,481.05**	**70,027.79**	**161,933.33**	**183,326.60**	**206,327.93**
Capital Expenditure	256,286.53	130,071.25	21,629.53	155,224.50	166,333.66	202,871.36
Public Debts Charges (Capital)	14,945.82	7,000.00	7,638.78	9,535.09	19,665.64	20,148.63
Stabilisation Fund	-	11,355.23	-	11,918.03	19,873.74	28,001.61
Total Capital Expenditure	**271,232.35**	**148,426.48**	**29,268.31**	**176,677.62**	**205,873.05**	**251,021.60**
Total Expenditure	**449,973.69**	**280,907.53**	**99,296.10**	**338,610.94**	**389,199.65**	**457,387.54**
Source: Ministry of Budget & Planning						

Table 20: Medium Term Fiscal Framework Quantitative Fiscal Targets 2021 - 2023

Particulars	Approved 2020 Budget	Revised Budget, 2020	Actual Performance as at 31st October, 2020	Proposed Budget, 2021	Proposed Budget, 2022	Proposed Budget, 2023
Deficit to Total Expenditure %	20%	39%	7%	42%	31%	32%
Capital Expenditure/IGR %	106%	131%	71%	148%	104%	110%
Fiscal Deficit as a % of GDP	3.00%	3.62%	0.25%	4.87%	4.06%	3.35%
Debt Services as a % of Revenue	8%	9%	14%	14%	19%	18%
Total Personnel Cost / Total Revenue	24%	30%	43%	27%	25%	37%
Total Personnel Cost / IGR	43%	75%	116%	78%	49%	81%
Total Personnel Cost as a % of Recurrent Expenditure	61%	64%	0%	0%	0%	66%
Total Personnel Cost / Total Expenditure	24%	30%	48%	27%	25%	37%
Recurrent Expenditure as a % of Budget Size	40%	47%	71%	48%	47%	45%
Capital Expenditure as a % of Budget Size	60%	53%	29%	52%	53%	55%
IGR/Total Revenue	57%	40%	37%	35%	51%	45%
Capital Receipt/Total Revenue	20%	39%	7%	42%	31%	32%
Federal Transfers/Total Revenue	23%	13%	39%	17%	18%	23%
Recurrent Expenditure as a % of IGR	70%	117%	170%	136%	92%	123%
Source: Ministry of Budget & Planning						

The projected aggregate revenue available for execution of government expenditure in the next medium-term period in the table above has been derived from the MTFF model taking into consideration the Macro-economic indicators and past budget performance.

GDP growth rate and inflation rate have influence on IGR and VAT while exchange rate, oil price benchmark and oil production have influence on Statutory Allocation and Extra Ordinary Revenue under the Federal Transfer.

Aggregate sum of N339billion, N389billion and N457billion are projected to be realized as total resources available for spending in the medium term 2021, 2022 and 2023, respectively.

This aggregate revenue is determined by Internally Generated Revenue, Capital Receipts and Federal Transfers which is expected to contribute averages of 52.03%, 30.83% and 17.18% respectively in 2021, 2022 and 2023 in relation to total aggregate resources projected in the medium term.
The projected estimates were derived from elasticity and own percentage techniques with the underlying assumptions as Stated in tables 19 and 20 above.

However, the estimates provided in tables 19 and 20 above shows that these projections were well within most of the thresholds or quantitative fiscal target.

Figure 36: Aggregate Fiscal Projections 2021 - 2023

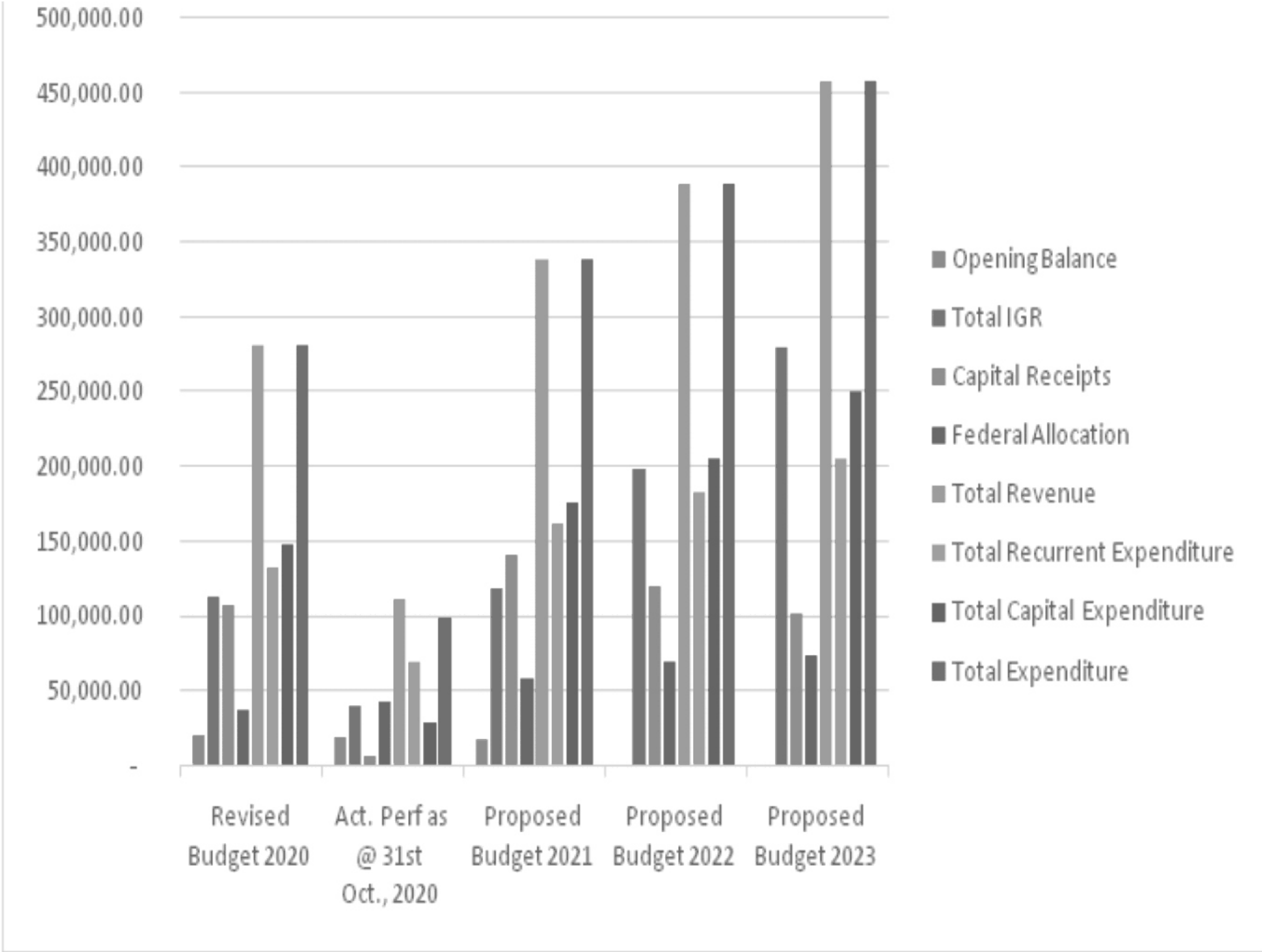


Figure 37: Revenue Projections 2021 - 2023

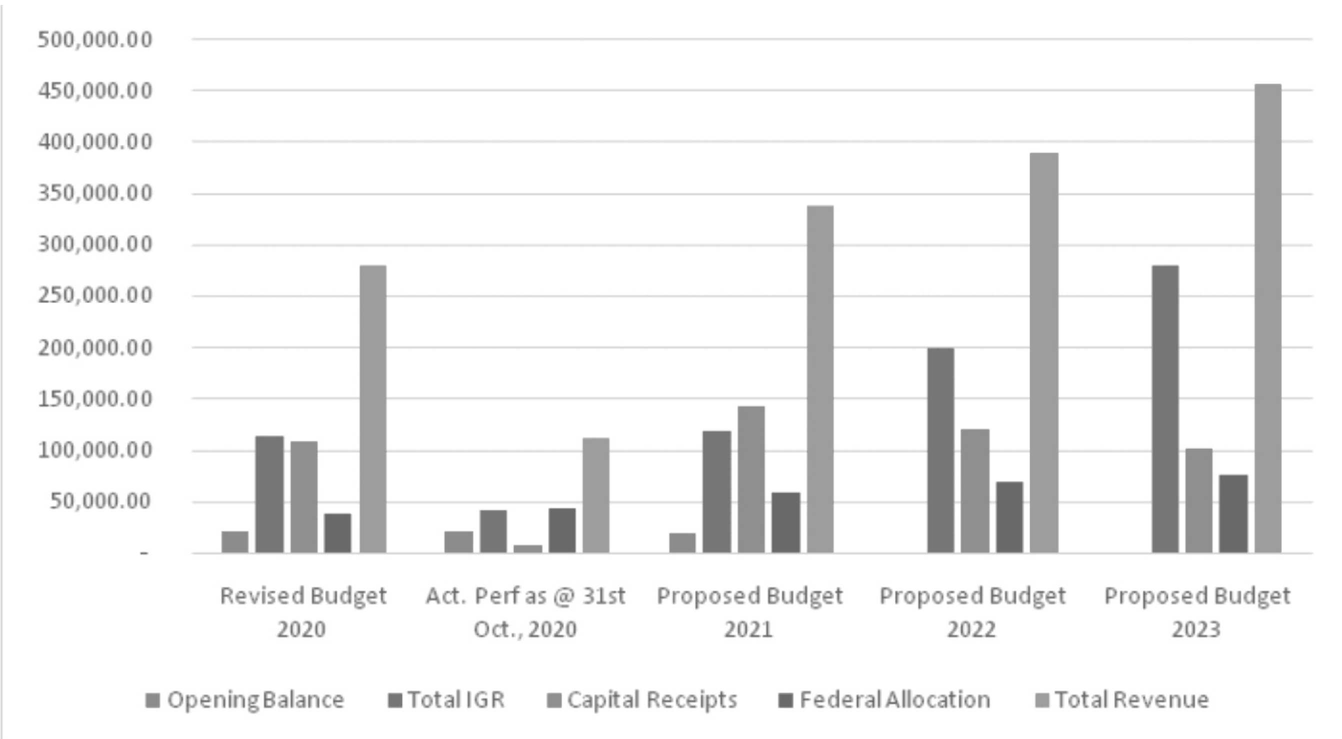
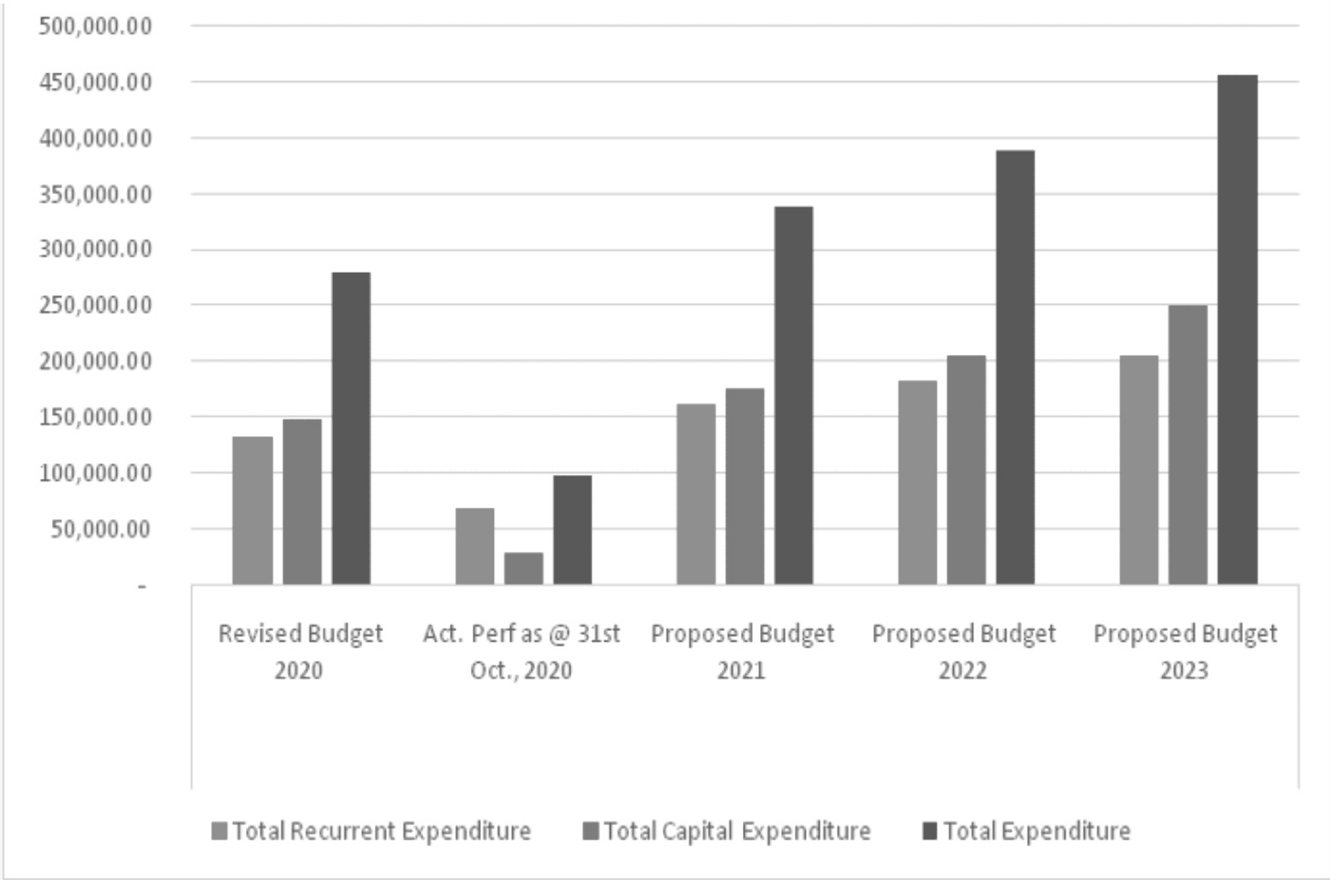


Figure 38: Expenditure Projections 2021 - 2023



Financing

The State will require funds which the current IGR and Federal Transfers cannot effectively accommodate. In view of the foregoing, this administration will adopt a strategy of a mixed portfolio of Development Partner funding as well as Capital market, Commercial and Foreign Loans with long gestation periods to finance its projects.

The present administration will continue to improve on its financial system to sustain the financial benefits from the financing instrument called Programme for Result (P4R).
The main objective of the P4R is to help Government improve the efficiency of its programme of expenditure and strengthening institution and capacity building.

The present administration will continue to consider P4R financing option to complete other revenue areas for financing its projects especially in the areas of focus in delivering on the ISEYA agenda.
In this regard, detailed assessment of financing items including debt service is given in the table below:

Table 21: Financing Items Including Debt Service

DESCRIPTION	AS AT DEC. 2019 N'MILLION	2020 APPROVED BUDGET	2020 REVISED BUDGET	BUDGET 2021	BUDGET 2022	BUDGET 2023
	N	N	N	N	N	N
PUBLIC DEBT CHARGES	29,290.79	28,945.82	15,678.05	28,371.09	50,412.57	61,336.51
FAAC (STATUTORY ALLOCATION+ VAT)	54,231.12	65,461.51	37,786.92	58,871.02	69,397.73	74,790.07
TOTAL REVENUE	195,769.30	449,973.69	280,907.54	338,610.94	389,199.41	457,387.16
DOMESTIC DEBT STOCK	93,655.17	147,155.17	152,477.12	84,524.59	75,226.89	66,951.93
TOTAL INTERNALLY GENERATED REVENUE	195,769.30	254,946.42	113,552.33	119,180.34	198,737.45	280,396.09
TOTAL DEBT SERVICE	20,408.72	14,945.82	7,000.00	18,836.00	30,746.93	41,187.88
WAGES BILL (PENSION)	9,168.58	25,944.62	15,566.77	23,553.61	-	-
RECURRENT EXPENDITURE	96,002.58	178,741.34	132,481.05	161,933.33	183,326.60	206,328.93
TOTAL DEBT STOCK	184,815.36	193,757.17	196,254.12	193,047.52	378,379.14	465,927.00
DOMESTIC DEBT SERVICE	20,408.72	13,017.33	6,096.77	11,542.89	10,383.85	9,241.62
FOREIGN DEBT STOCK	31,568.93	46,602.00	43,777.00	70,849.24	110,517.04	127,889.60
FOREIGN DEBT SERVICE	259.85	1,928.49	903.23	1,024.18	1,813.66	2,384.07
SOURCE: Ogun State Financial Statement, Ministry of Budget & Planning and Debt Management Office						

DEBT SUSTAINABILITY ANALYSIS

Table 22 Debt Sustainability Ratios

	INTERNATIONAL THRESHOLD	STATE TEMPLATE THRESHOLD	ACTUAL AS AT 31/12/2018	ACTUAL AS AT 31/12/2019	APPROVED BUDGET 2020	REVISED BUDGET 2020	BUDGET 2021	BUDGET 2022	BUDGET 2023
TOTAL PUBLIC DEBT/TOTAL REVENUE	250%		12%	15%	6%	6%	8%	13%	13%
DOMESTIC DEBT STOCK/IGR	88%-127%	20%	66%	48%	58%	134%	71%	38%	24%
TOTAL DEBT SERVICE CHARGE (Principal + Interest)/TOTAL REVENUE		20% - 25%	12%	15%	6%	6%	8%	13%	13%
DOMESTIC DEBT SERVICE/IGR	28%-63%	25% - 63%	7%	10%	5%	5%	10%	5%	3%
EXTERNAL DEBT SERVICE/IGR			0%	0%	1%	1%	1%	1%	1%
TOTAL DEBT SERVICE/IGR			7%	11%	6%	6%	11%	6%	4%
TOTAL PUBLIC DEBT/GDP (Sub-Nation)	20%	25%	5%	6%	6%	7%	7%	13%	15%
FISCAL DEFICIT/GDP	3%	3%	0%	0%	3%	4%	5%	4%	3%
WAGES BILL (PENSION)/RECURRENT EXPENDITURE	35%		10%	10%	15%	12%	15%	#VALUE!	#VALUE!
TOTAL IGR/TOTAL REVENUE			100%	100%	57%	40%	35%	51%	61%
RATIO OF LOCAL DEBT TO FOREIGN DEBT	150% (60:40)		338%	297%	316%	348%	119%	68%	52%
TOTAL DEBT STOCK/TOTAL REVENUE		150%	86%	94%	43%	70%	57%	97%	102%
TOTAL DEBT/PREVIOUS YEAR TOTAL REVENUE	50%		110%	113%	99%	100%	69%	112%	120%
DEBT SERVICE (INTEREST)/PREVIOUS YEAR REVENUE	40%		6%	18%	15%	4%	7%	9%	11%
DEBT SERVICE (PRIN + INTEREST)/PREVIOUS YEAR REVENUE			10%		18%	8%	10%	15%	16%
DOMESTIC DEBT/TOTAL DEBT		60%	77%	51%	76%	78%	44%	20%	14%
EXTERNAL DEBT SERVICES/DOMESTIC		40%	30%	34%	32%	29%	84%	147%	191%
EXTERNAL DEBT SERVICES/FAAC		20%	1%	0.48%	3%	2%	2%	3%	3%
DOMESTIC DEBT SERVICES/ FAAC			21%	38%	20%	16%	20%	15%	12%
TOTAL DEBT SERVICES /FAAC			21%	38%	23%	19%	32%	44%	55%

Sources: DMO, Ministry of Budget & Planning, World Bank

The table above shows that the State Government is within the international threshold for debt sustainability with strong indication to improve on its IGR potentials.

This in effect implies that the State Government Debt is sustainable. In the outer years of the medium-term framework, efforts shall continue to be made to replace the local debts with foreign loans.

FISCAL RISKS

Fiscal risks comprise general development or specific events that may affect the fiscal outlook.
Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain but will not be included in the forward estimates because the timing or magnitude is not known.

It is important to emphasize that risk management is the business of all political leaders and civil servants. However, there is a need to dedicate a senior officer that will have responsibility for risk monitoring and management. This function will require the ability to predict, control, reduce, transfer, accept and avoid risks wherever possible.

Below is a risk matrix showing the various risk exposures, likelihood, impact and mitigating strategy for Ogun State.

Table 23: Risk Matrix

	RISK MATRIX			
	RISK	**LIKELIHOOD**	**IMPACT**	**MITIGATION STRATEGY**
1	**POLITICAL**			
A	Difference in political affiliation between State and Federal	LOW	There is high possibility of uncooperative attitude by the FGN whenever the State needs FGN sign off in crucial transactions which require FGN guarantee or sign off.	Continuous dialogue between the State and FGN and use of Legal means have been major mitigants to political risk. The current FGN and the OGSG have the same affiliation which mitigates this risk in the relevant time frame.
B	Change in Government	LOW	Change in government may likely stall the continuity of the State's policy thrust and affect implementation of the Development Plan.	Most reforms are properly Institutionalized. Government will continue to entrench its policies within the legal and institutional framework
2	**ENVIRONMENTAL**			
A	Natural Disaster e.g., flood, fire, etc.	HIGH	This can ultimately lead to unplanned expenditure, loss of life and distortion in plans	The State has strengthened different agencies such as OGSEMA, OGEPA, Ministry of Environment etc. amongst others to adequately manage any natural disaster occurrences. The Ogun State Waste Management Authority has also been set up.
B	Environmental Pollution	HIGH	The State's rising population and its cosmopolitan nature predisposes it to high generation of solid, water and air pollutants than most States of the Federation. This is capable of mounting additional expenditure on the State Government.	OGEPA, Ministry of Environment etc. can adequately manage any natural disaster occurrences. The Ogun State Waste Management Authority has also been set up.
C	Epidemic/Pandemic outbreak	HIGH	The State is susceptible to outbreak of contagious diseases from all parts of the world because it is neighbour to the commercial capital of the country. The occurrence of this may expose the State to unplanned expenditure	The State has mechanism for quick response, there shall be designated Infectious Diseases Control hospitals and on-going capacity development of personnel to handle unforeseen cases. Different isolation centres has been established at both tertiary and secondary hospitals Statewide.
D	Global Warming	MEDIUM	The State is part of the global economy exposed to the consequences of the ozone layer depletion.	Government's programs and advocacy in environmental sustainability which includes, greening, yearly tree planting campaign and encouragement for the use of renewable energy sources shall be put in place.

	RISK MATRIX			
	RISK	**LIKELIHOOD**	**IMPACT**	**MITIGATION STRATEGY**
3	**FINANCIAL/ ECONOMIC**			
A	Unforeseen Changes in Macroeconomic Indicators such as exchange rate, inflation rate and interest rate.	HIGH	The unforeseen changes in macro-economic variables predispose the State's economy to high volatility in revenue and expenditure.	The adoption of conservative assumption in determining the budget size and reduced expectation from statutory allocations have always mitigated economic shocks from major macro indicators.
B	Contingent Liability e.g., Default in liability obligation	LOW	The risk of default in making good the State obligation varies from legal risk, reputation, and loss of revenue	There is existence of professional MDA for management of debt obligation of the State
C	Fall in commodity prices e.g., crude oil and Gas.	HIGH	The major commodities determining the revenue size includes Oil and Gas. Any volatility in their prices has the potential of either downside or upside in revenue accumulation	The conservative projection for statutory allocation and robust IGR base has always reduced the effect of falling oil prices.
D	Counter-party failure	LOW	The government counter parties include contractors, suppliers, and financiers. Inability to meet up with agreed terms and conditions may occasion loss of funds, litigation, and reputation.	Implementation of budget profiling cash management in the State will mitigate the risk of payment default
E	Loss of revenue/Tax evasion	HIGH	Continuous evasion of taxes by potential taxpayers could result in reduction in IGR and negative impact on the overall budget performance.	The incidence of tax evasion is on the decrease. However, government is currently Implementing different programs to bring more people into its tax net and have a comprehensive database of taxpayers.
4	**SECURITY/ SOCIAL**			
A	Rural urban Migration/population	HIGH	Uncontrolled rural Urban Migration will ultimately lead into population explosion which would mount more pressure on the scarce resources of the State.	Government continues to institute structures and programmes capable of reducing rural urban drift. Some of these include provision of essential amenities in rural areas and supports in agriculture. However, Government may not be able to control the influx from other States of the Federation.
B	Insurgency spill over, e.g., Herdsmen Clashes ***Kidnappers and Robbers on the highway***	HIGH	Continuous insurgency activities in the North East Nigeria poses a huge risk to all parts of the country and the citizenry. The insurgency has mounted additional pressure on the resources of governments at all levels.	The State Government is partnering with Nigerian Police Forc e, investing in Community Policing and security gadgets to monitor every aspect of the State. For instance, over 100 Security Patrol Vehicles and 200 motorcycles were purchased by the State Government. In addition, the South West Governors has jointly purc hased high-level Helicopter to combat the insurgence activities within the South West Region,and the creation of Security Network tagged 'AMOTEKUN'. Establishment of the Ogun State Security Trust Fund (OGSTF) – a private sector driven program to support the State Government on various security challenges in the State.
C	Crime	MEDIUM	The closeness to Lagos State and gateway to the neighbouring country (Seme Border) predisposes it to crime and violence. This will continue to affect the attraction of investors and mount pressure on State's security machinery	Ditto
D	Religious Sentiments	LOW	Religious bigotry is becoming endemic in everyday affairs of the citizenry. The expression of this sentiment polarizes national issues and discourse which is capable of degenerating to security threat. This is potential additional strain on revenue of the State.	The tolerant nature of the State is a major mitigant and advocacy in area of religious tolerance is equally of benefit

SECTION B: MEDIUM TERM BUDGET FRAMEWORK

BUDGET POLICY STATEMENT

The direction in managing the economy in the medium term involves the government's priority in supporting the sustainable economic growth along with the fiscal sustainability despite the emergence of the unexpected pandemic outbreak and its spiral effect globally.

Therefore, in managing expenditures of the public sector, the government will adhere to the policy on achieving the operating targets, transparency, efficiency, and risk aversion in order to implement the government's policies leading to the direct benefits for the people.

In preparing the Y2021 budget, and outer 2022 & 2023 budgets, State government will have to set the following budget policy.

- Whether deficit budget policy will be adopted with a consideration on the fiscal sustainability to maintain the continued economic expansion viz a viz the pandemic effect on the State's economy.
- State government to improve managerial efficiency with the aim to reduce public spending.
- The government agencies will be urged to redeploy certain operations which have lower priorities or become redundant so as to economize operating expenses.
- The government will maintain at least the proportion of capital/recurrent expenditures at a 50: 50 in order to support and sustain economic expansion.
- The contents of the Ogun State Development Plan (OGSDP) 2018 - 2030 shall be sustained by the present administration, the document provides government with a clear and progressive foundation on which to develop the work of the State and policy framework to which the public finances will be aligned.

Purpose of the Budget Policy Statement ("BPS")

As part of this Administration's plans to deliver on all her promises to the teeming population of the good people of Ogun State, the existing Economic Development Strategy will continue to be the platform for all initiative towards effective and qualitative service delivery.

In order to actualize the objectives of "building our future together" and to ensure spontaneous and even spread development, the State Government's 'five pillar development agenda'ISEYA; Infrastructure, Social Welfare and Well Being, Education, Youth Empowerment and Agriculture will be sustained.

It is equally contingent to note that existing development plans to address socio-economic growth such as the Rural Access Agricultural and Marketing Project (RAAMP) would serve as tools for effective co-ordination and assessments. In the same vein, the Ogun State Economic Transformation Project (OGSTEP) being financed by the World Bank is focused upon developing agriculture through the development of key agricultural value chains, the equipping of agriculture sector participants with greater levels of skill, investment in technical and vocational education for the benefit of the industry as well as investing in our business environment to make it more efficient and more attractive to private capital.

For a conducive and robust environment to thrive while engendering qualitative and rapid growth, the following enablers have been identified and will be pursued in year 2021 to accelerate progress across the State:

(i) Good Governance
(ii) Enabling Business Environment
(iii) Security
(iv) ICT/Digital Transformation
(v) Transport Infrastructure

The most important policy drive of the BPS is to stimulate and gradually activate the State's economy back to the pre - Covid.19 era through budget realism, up-scaling of investments in critical socio-economic sectors and physical infrastructure, sustainable debt management as well as deepening of structural reforms in the area of governance, public financial management, public service, and business regulation.

Development Priorities

Conscious of the uncertain economic times globally, the present administrations' approach to public investment will be more prudent and conservative with specific attention to welfare and development priorities aimed at sustaining rapid, employment generating growth, while at the same time maintaining macroeconomic stability.

The State has been a beneficiary of the World Bank Group assistance to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to order to shield the State's finances against fiscal crisis. Essentially, the present administration will continue to partner and participate in the World Bank Programme; States Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results, in order to benefit from available financial grants following the attainment of various milestones in Budgeting Effectiveness, Financial Reporting, Citizen Engagement etc.

Government is determined to develop both physical and human capital because it recognizes that these will enhance investment and productivity in the State. The essential successful economic growth indicators laid by previous administrations shall be embraced in the areas of infrastructural development, increase in Internally Generated Revenue, attracting Industrial Investment along the Sagamu- Lagos expressway which are identified veritable sectors.

The present administration shall continue to take necessary comparative and absolute advantages to drive the economic growth of the State in line with the Development Agenda; emphasis shall be placed on the social wellbeing of the citizenry, the completion of ongoing/uncompleted projects and ensure strategic allocation of resources on projects that have revenue generation and employment potentials within the State.

To this end, huge investments will be witnessed in the Education and Health sectors and Agriculture sector to improve food security, self-sufficiency and sustainability,sustain the existing Public, Private Partnership Initiatives (PPP) framework, implement Statewide physical infrastructure master plan in the areas of road network mapping and validation, re- designed and developed urban centers,develop new low and medium density housing projects and estates across the State among several others.

The achievements in these sectors will be consolidated and in the next medium term, Government will begin to explore the potentials in other sectors such as commercial hubs and rural/ Agric communities, Transportation, ICT, Tourism and Hospitality Industries.

These are to form government's priorities. As a result, these development objectives and decisions will drive budget allocation over the medium term.

Role of Government

Government intervention in every economy is crucial in terms of policy formulation and implementation in relation to public expenditure, which can be classified into Government expenditure (Government purchase of goods and service for current use), Government Investment (government purchases intended to create future benefits such as Infrastructure investment or research spending) and Transfer Payment (i.e. government expenditure not on purchases but transfer of money like Social Security Payment).

In the face of the pandemic, it is apparent that Government spending is expected to stimulate the economy against any shock, which occurs when the production or use of goods and services by the market is not efficient. Conscious of the need to provide support to the economy, the State government shall ensure a suitable, effective, and concise legal and regulatory framework to serve as a guide and protect the activities of the stakeholders in the market economy, which are mostly operated by private individuals. It is therefore the responsibility of the government to protect the economy against market fluctuation, political instability or pressure as witnessed during the pandemic attack (e.g., provision of palliatives, allowances to health workers, construction of isolation centres, tax holidays to companies etc.). Where the market and the private sector are willing and able to produce goods and services more efficiently the Government will, over time, withdraw from these activities in order to focus on its core business and provide more of an enabling environment for private sector activity.

Presently government is engaging in a lot of partnerships with the private sector. The Government's Public-Private Partnership (PPP) initiative is an effective way of accelerating the delivery of policy priorities, while, stimulating economic growth in the State. Accordingly, the PPP programme has been carefully designed to encourage not only the flow of Foreign Direct Investment and private capital into Ogun State to complement the efforts of the Government's in "Building Our Future Together Agenda" but to deliver on the medium-term goals as prioritized.

The State's PPP strategy is to create several opportunities for investors to realize a reasonable return on investment while the people receive reliable and efficient services.

Consequently, the role of Ogun State Government in public expenditure is as crucial as making a strategic policy plan that could transform the economy. The State will sustain the formulation of economic policies and plans with strict adherence to implementation plan, monitoring and evaluation which will positively change the image of the State overtime and attract both local and foreign investments in due course.

Alternative funding sources will be accorded topmost priority to further deepen our revenue base and embrace the Fiscal Sustainability Plan (FSP) to achieve the vision, agenda, and strategic pillars as earlier enunciated. The FSP approach is geared towards managing public funds, ensuring maximization of the cost of governance. It is to reposition the State for stronger fiscal independence through the medium-term revenue strategy framework that guarantees that internally generated revenue (IGR) contributes more than half of the State's total recurrent revenue and is sufficient to fund our total recurrent expenditure, including personnel and overhead costs. Hence, as part of fiscal discipline, the year 2021 budget will ensure transparency and accountability, increase performance of public revenue viz-a-viz expenditure, public financial management and debt management. The outcome of the afore-mentioned approach is to create a hygienic and conducive environment that will attract both local and foreign investments which will create jobs, bring about gradual withdrawal of State Government in ownership of enterprises, and improve the Ease of Doing Business (EoDB) in the State.

The State does not exist in a vacuum and therefore is not insulated from the vagaries of both national and international socio-economic, security and trade policies. The economy of Nigeria is changing, and it is shifting from mainly primary based economy reliant on farming and extractive industries such as oil and gas, to one making more money or GDP from manufacturing or secondary industries and more services in the tertiary sector.

It is apparent that the road map to self-sustenance as a State lies in our strong pursuit of developmental policies. Essentially, we should be able to attract quality private sector investments, focus on external funding to ensure economic diversification, inclusive growth, and sustainable development.

BUDGET ALLOCATIONS

Table 24: Sectoral Budget Allocations 2021 - 2023

S/NO	SECTORS	2021		2022		2023	
		N' M	%	N' M	%	N' M	%
1	*EDUCATION*	58,168.00	17%	70,939.73	18%	81,546.12	18%
2	HEALTH	35,436.27	10%	50,394.35	13%	59,223.44	13%
3	HOUSING & COMMUNITY DEVELOPMENT	31,167.46	9%	25,197.17	6%	27,333.89	6%
4	AGRICULTURE AND INDUSTRY	17,694.87	5%	15,505.95	4%	20,500.42	4%
5	INFRASTRUCTURE	53,131.41	16%	71,715.03	18%	83,823.94	18%
6	RECREATION, CULTURE AND RELIGION	6,558.63	2%	6,977.68	2%	7,289.04	2%
7	SOCIAL PROTECTION	20,914.39	6%	27,523.07	7%	29,702.83	6%
8A	GENERAL PUBLIC SERVICES - EXECUTIVE ORGANS	37,126.65	11%	42,641.37	11%	46,923.18	10%
8B	GENERAL PUBLIC SERVICES - FINANCIAL & FISCAL AFFARIS	59,638.48	18%	59,310.27	15%	81,090.55	18%
8C	GENERAL PUBLIC SERVICES - GENERAL PERSONNEL SERVICE	928.58	0%	1,550.60	0%	1,548.92	0%
9	PUBLIC ORDER & SAFETY	5,822.23	2%	5,814.73	1%	5,876.79	1%
10	ECONOMIC AFFAIRS	4,798.43	1%	3,101.19	1%	3,188.95	1%
11	JUDICIARY	2,930.82	1%	3,876.49	1%	4,100.08	1%
12	LEGISLATURE	4,294.72	1%	4,651.79	1%	5,239.00	1%
	GRAND TOTAL	**338,610.94**	**100%**	**389,199.42**	**100%**	**457,387.16**	**100%**

Table 25: Five Pillars Strategic Sectoral Allocation

S/No.	ISEYA CLASSIFICATION	2021		2022		2023	
		N' M	%	N'M	%	N' M	%
1	INFRASTRUCTURE (ICT, POWER, TRANSPORT, INDUSTRIALISATION)	57,929.84	17%	74,816.22	19%	87,012.90	19%
2	SOCIAL WELFARE & WELL BEING (HEALTH, HOUSING, ENVIRONMENT, PHYSICAL PLANNING, SPECIAL NEEDS)	87,518.13	26%	103,114.59	27%	116,260.16	26%
3	EDUCATION (EARLY CHILDHOOD, VOCATIONAL, TECHNICAL AND TERTIARY)	58,168.00	17%	70,939.73	18%	81,546.12	18%
4	YOUTH EMPOWERMENT, RELIGION AND CULTURE (SPORTS, ENTREPREUNERSHIP, CREATIVE ARTS AND ENTERTAINMENT)	6,558.63	2%	6,977.68	2%	7,289.04	2%
5	AGRICULTURE (FORESTRY, CROPS, PLANTATIONS, HUSBANDRY)	17,694.87	5%	15,505.95	4%	20,500.42	5%
6	OTHERS (GENERAL PUBLIC SERVICE, PUBLIC ORDER & SAFETY)	110,741.48	33%	117,845.24	30%	144,778.52	32%
	TOTAL	**338,610.94**	**100%**	**389,199.42**	**100%**	**457,387.16**	**100%**

The pandemic initiated the urgent need to review downward the approved 2020 budget in order to re-strategize viz-a-viz limited resources in the face of emerging macroeconomics changes. Hence, the revised 2020 budget becomes the baseline for the 2021 -2023 medium term sectoral allocation.

Despite the above, the proposed allocations in this section will continue to be driven by the strategic allocation policy of the Government in view of ongoing and uncompleted projects inherited from the past administration, projects that have revenue and employment generating capacity in line with the development drive of the present administration and social protection responsibilities being a fallout of the ravaging pandemic.

The Government's all-encompassing objective in line with the ISEYA Strategic Allocation of resources (5 pillars) as contained in table 25 is to ensure poverty eradication, social wellbeing and sustainable economic growth through infrastructure renewal and development. The present administration is guided by the 3Ps concerning the gradual ease of the global economic lockdown; to protect lives, protect livelihoods and prepare for recovery.

In order to insulate the State's economy from permanent loss of productive capacity as a result of the global lockdown, the Social Welfare and Well Being sector consisting of health, housing, environment, physical planning, and special needs is expected to be over N307b within year 2021 to 2023 in the medium-term period. The Education Sector will continue to witness increasing investment of a total sum of N211b within the next 3 years, as indicated in the above table.

The huge investments in these two sectors are confirmation of the present administration's commitment towards achieving the Sustainable Development Goals (SDGs). Undoubtedly, these allocations would bring about rehabilitation and construction of more educational facilities that would give the general public access to qualitative education at all levels in the State and as well provision of new basic health facilities to basic health service delivery, especially in the rural areas of the State.

The Agricultureand Infrastructure Sectors with a combined average allocation of 18% from the 2021 - 2023 Medium Term Framework (MTEF) is of great interest to the present administration with the strong conviction that such investment will redistribute resources, create employment which are essential factors for economic growth and development in line with the 3Ps economic recovery vision of the present administration.

Appropriate State expenditure in Agriculture (the largest employment sector in Nigeria) through focus on three cash crops and livestock with highly competitive advantages (i.e., cassava, rice, maize and poultry and fishery), the provisions of extension services, establishment of new and revamping of old farm settlements, Agric estates and model farms will boost output and productivity and create wealth and employment over time.

Inter- and Intra- Functional Allocation & Sector Heads

The Medium-Term Fiscal Framework (MTFF) which is a top-down fiscal strategy of resource allocation, has helped to determine the aggregate resource available to the State within a three-year period, bearing in mind the medium-term fiscal policy objectives, fiscal targets, and projections, as well as the projected macroeconomic variables.

The overall budget is thereafter disaggregated into functions based on the State's priorities. This process refers to functional allocation of resources and is comprehensively covered in the MTBF.
The intra- functional allocation is to further disaggregate the resource allocation to each of the spending entities in line with sector priorities.

Government resources are limited but MDAs have unlimited requests and needs; this is why there is need for MDAs to prioritize their requests in line with the Government's overarching policy. Each Sector is to come up with its medium-term policy document highlighting all its programmes and projects (with cost implications) for the year in order of priority and in line with Government policy thrust.

The Ministry of Budget & Planning (MB&P) gives envelopes to the sector which is then disaggregated by the Sector Committee through the conveyance of a general meeting wherein all MDAs that make up the sector are present, and chairman of the sector ensures a consensus is reachedand MDAs are given a fair share of resource allocation.

The Sector Heads have the responsibility of ensuring that the Envelope allocated to the sector is effectively disaggregated to the respective MDAs under it and in line with government's goals.

SECTION C

MEDIUM TERM SECTOR STRATEGIES (MTSS)

MTSS is a reform process premised on creating a coherent and transparent budget framework which is focused on channeling resources to fund the State's developmental needs in an efficient and transparent manner.

The Medium-Term Sector Strategies employed entails the strategy of allocating the Medium-Term Budget Framework (MTBF) according to various functions/sectors within the Classified Government Functions. In other words, there is further division of the Sector allocation amongst the various roles of each Ministry, Department and Agency (MDA).

It is a bottom- up resource allocating strategy that is meant to link up with the medium-term budget framework resource allocation also known as the MTBF.
The primary aim of the MTSS is to chart a three-year expenditure plan for each MDA focusing on their goals as detailed in its vision and mission Statement.

Each MDA is expected to propose projects and programmes that will enable the State to deliver on the State Development Plan (SDP) and the present administration's vision within the three-year period.
The MTSS clearly entails a profiled budget which States the various approved expenditure headings and cost allocated for them over the three years. It also includes the approved programs upon which expected level of completion over the period is monitored. Hence, in allocating envelopes to different Sectors and MDAs, priority would be given to the following in the allocation process.

- Completion of existing projects
- Projects with revenue potential
- Projects consistent with priorities articulated in the State Economic Development Strategy
- Projects that can enhance employment generation.

The detailed MTSSs are attached as volume II of the MTEF.

SECTION D: CONCLUSION

As a responsible and responsive government, the present administration ably led by His Excellency, Prince (Dr.) Dapo Abiodun MFR is determined to ensure that the entire citizenrybenefit from the dividend of democracy through qualitative economic transformation geared towards improved economic growth and development in the State.

Towards achieving this, the State Governor has empowered the State Economic Team (which comprises of top officials from the Ministries of Finance and Budget & Planning) to develop and follow through the implementation of development strategies to transform the State. The narratives in this framework hereby summarize some of the initiatives already put in place and those to be introduced in the course of the year 2021 to achieve the transformation agenda of His Excellency tagged 'Building our future together'.

It is believed that the full implementation of these frameworks i.e., the Medium-TermFiscal Framework (MTFF); Medium Term Budget Framework (MTBF), Medium Term Sector Strategy (MTSS) and Medium-Term Revenue Strategy (MTRS)will assist in transforming our dear State to greater heights. The frameworks will provide critical analysis for decision makers in EXCO over the medium-term allocation of resources. It will also help to promote a prudent budget which is both revenues driven and policy oriented.

Because it is an encompassing process, the various approved expenditure headings and cost allocated for them over the three-year period aligns appropriately. This will then be followed by proper and effective monitoring.