2023

Ogun State Debt Sustainability Analysis and Debt Management Strategy

(OGSG DSA-DMS)

Contents

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

The Ogun State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyze the trend and patterns in the State's public finances during the period of 2018- 2022 while also evaluating the ability of the State to sustain its debt in the long term (2023-2032).

The DSA carried out by Ogun State's Technical Team appraised recent Revenue, Expenditure, State public debt trends, and related policies adopted by the State Government, while considering the policy thrust of the State. A sub-national sustainability assessment was conducted using baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's public finances going forward. The intention is to assist the Ogun State Government in striking a balance between the State's programs execution and new borrowings by utilizing recent trends in the State's public finances.

1.2 SUMMARY OF FINDINGS

The State exhibits a debt position that if well managed appears sustainable in the long term. A solid debt position results from the State's strong performance in terms of mobilizing IGR underpinned by the successful tax administration reforms introduced recently, its better management of recurrent expenditure growth and its moderate levels of public debt. Given the State's own forecast for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

The debt management strategy of the State was developed to ensure that the State maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance (both domestic and external). By the State projections revenue is expected to rise from **N216,632 Billion** in 2022 to **N1,037 Trillion** in 2032. Expenditure is also anticipated to move from **N297,678 Billion** in 2022 to **N1,183 Trillion** in 2032. The resulting deficit is to be financed by a combination of domestic and external loans.

The debt stock of the State as at year 2022 stood at **N361,027 Billion** with the component being 81.3% domestic while the external debt share is 18.7%. The debt stock is expected to rise from **N281,993** in 2022 to **N1,029 Trillion** in 2032. This increase is huge considering the fact that the State is embarking on huge infrastructural development in the medium to long term. Projects that are expected to impact positively on growth in GDP are to be embarked upon.

The debt to State GDP is projected to remain favorable all through 2023-2032, same for debt stock as a share of revenue performance indicators. The State will continue to aggressively pursue fiscal discipline to sustain the positive projections as planned and ultimately reduce the risk that comes with this indicator.

The outlook of the Nigerian economy which is the basis of the assumptions for the DSA-DMS exercise is expected to improve marginally based on the following economic indicator. For 2022, the national GDP is expected to be 3.75%, oil price benchmark set at $70, oil production per day is expected to be 1.690mbpd while inflation is projected at 17.16% though the inflation rate projection for MTEF was 11.24% and exchange rate at 435.6/$1 while FAAC allocations are projected to increase in the present and future years.

Given the State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with the debt management objectives.

CHAPTER TWO

2.0 OGUN STATE FISCAL AND DEBT FRAMEWORK

2.1 FISCAL REFORMS IN THE LAST 4 TO 6 YEARS

The Fiscal Reforms being implemented by the Ogun State Government in the last four to six years include the Public Financial Management (PFM) and Human Resources Management (HRM) which are sub-divided into Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reforms. These reforms led to the enactment of State Fiscal Responsibility Law, 2020 and other relevant laws; that regulates implementation of Fiscal Policies in the State.

These reforms have also helped in the upgrading of the Central Department of Statistics to Bureau of Statistics with the appointment of the first Statistician-General in the State, reinforcement of State Debt Management Office and Central Department of Monitoring and Evaluation, establishment of the State Public Private Partnership Office as an MDA with the appointment of a Director-General, establishment of Bureau of Public Procurement in the State and the enactment of the State Public Procurement (Amendment) Law, 2020 with the appointment of the first Director-General and the Newly launched Ogun State Land Administration and Revenue Management System (OLARMS).

The State Fiscal Responsibility Law, 2020 for instance, provides for prudent management of the State's resources, ensure long-term macro-economic stability of the State economy, and secure greater accountability and transparency in fiscal operations within a medium term fiscal policy framework. Most importantly, the fiscal law spelt out procedures on how public expenditure should be incurred, borrowing process, transparency and accountability in governance and principles of sound financial management.

2.2 Ogun State 2023 Budget and the Proposed Medium-Term Expenditure Framework (MTEF), 2024-2026

2.2.1 2023 Approved Budget

The 2023 approved Budget was prepared amidst uncertainty from global and domestic environment such as Russian-Ukraine War, Fuel Subsidy removal, Floating of Naira etc. The Russian-Ukraine War and sanctions have led to sharp rises in the prices of crude oil to over $100 per barrel far beyond the budget benchmark of $70 per barrel which the 2023 budget of Nigeria is based.

Based on the foregoing reforms, Ogun State aggregate revenue available to fund the 2023 Approved Budget is estimated at **N472.25 billion**. This includes Internally Generated Revenue of **N210.25 billion**, Statutory Allocation of **N50.73 billion**, Value Added Tax of **N37.42 billion**, Other Statutory Revenue (e.g. grant) of **N3.845 billion**, Capital Receipts of **N128.37 billion**, Opening Balance of **N41.632 billion**.

An aggregate expenditure of **N472.25 billion** for 2023. The 2023 Expenditure comprises of Debt Repayment (Interest and Principal) of **N39.90 billion**, other recurrent Expenditure **N162.74 billion** and Capital Expenditure **N259.09 billion**.

2.2.2 Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2024-2026 is presented in the table below.

Ogun State Proposed Medium Term Fiscal Framework

Particulars	Proposal 2024	Proposal 2025	Proposal 2026
MDAS	N' M	N' M	N' M
Internally Generated Revenue (OGIRS)	100,806.28	120,967.54	145,161.04
Internally Generated Revenue (MDAs)	136,921.62	171,940.12	176,023.31
Sub-Total (IGR)	**237,727.90**	**292,907.66**	**321,184.35**
EXTERNAL LOANS			
INTERNAL LOANS			
SUB-TOTAL LOANS			
TOTAL GRANTS	0		0
TOTAL CAPITAL RECEIPTS	**140,206.44**	**115,735.98**	**106,178.91**
STATUTORY ALLOCATION	93,206.59	110,098.53	114,419.75
VAT	57,778.82	66,613.20	85,997.99
EXCESS CRUDE	31,068.86	27,524.63	28,604.94
TOTAL FAAC	**182,054.27**	**204,236.36**	**229,022.68**
OPENING BALANCE	40,195.93	40543.15	40,893.37
GRAND TOTAL	**600,184.54**	**653,423.15**	**697,279.31**

Ogun State Expenditure Projections (2024 – 2026)

PARTICULARS	**PROPOSAL 2024**	**PROPOSAL 2025**	**PROPOSAL 2026**
Expenditure	**N' M**	**N' M**	**N' M**

Personnel Cost	94,943.22	97,861.98	100,846.35
Overhead Cost	84,266.27	90,946.11	97,937.21
Consolidated Revenue Cost	25,167.79	27,326.06	29,558.67
Public Debts Charges	59,089.32	51,543.92	43,000.53
Total Recurrent Expenditure	**263,466.61**	**267,678.08**	**271,342.76**
Capital Expenditure	324,831.54	371,099.69	409,877.34
Stabilization Fund	11,886.40	14,645.38	16,059.22
Totals Capital Expenditure	**336,717.94**	**385,745.08**	**425,936.55**
Total Expenditure	**600,184.54**	**653,423.15**	**697,279.31**

(The MTEF figures shown in the above table are yet to be approved).

2.2.2 The Key Objectives of 2023 Budget

i. The 2023 Budget will rely more on and be financed by the IGR from the Ogun State Internal Revenue Service, Bureau of Lands & Survey, other MDAs and Other Funding Sources which includes Statutory Allocation, Excess Crude, Value added Tax and Capital Receipts.

ii. The State will continue exploring every opportunity in terms of support, donations, grants and interventions to reduce the economic shocks that may affect the State negatively as well as deepening the IGR, block revenue leakages and ensure compliance with Revenue rules and regulations.

iii. The State Government will also continue to expand its revenue base by exploring new opportunities in the informal sector through accurate data gathering and necessary enforcement while blocking envisaged leakages.

iv. The State had put machinery in motion to ensure full compliance with the Land Use and Amendment Charges and the Ogun State Land Administration Management System (OLARMS) launched in 2021 fiscal year while the State Internal Revenue Service have commenced Back-duty and Tax investigation/monitoring exercise. The Central Billing System introduced last fiscal year shall be extended to cover all sources of Independent Revenue in order to promote efficiency, effectiveness and transparency in revenue generation and administration.

v. Considerate limits for expenditure to ensure low fiscal deficits and sustainable levels of public debts.

vi. Ogun State government shall continue to continually create an enabling environment for industrial growth, Man-power development and creativity to thrive. This was the reason while the government introduced measures to attract investments. These measures are geared to promote efficiency and effectiveness in fund allocation and utilization. Enablers to drive these various programs and projects shall continue to receive the much-needed attention in subsequent quarters while other key sectors including healthcare delivery, education, affordable housing projects, agricultural development, digital and technological revolution, better sports development, improved welfare of workers, shall be given the needed attentions that they deserved.

vii. 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.

viii. Creation of enabling environments with focus on transparent public financial management system; to attract both local and foreign investments and encourage Public-Private Sector Partnership with sustained Finance and Economic investment

ix. The key economic goals of the Government will continue to be pursued, which are-Real Sector Growth, Job Creation, Poverty Eradication and Increased Investments. These have been encapsulated in the Five Strategic Pillars coined as I. S. E. Y. A .

x. The present administration's strategic imperatives and implementation road map on five main development pillars (ISEYA);

- **I**nfrastructure (ICT, Power, Transport, Industrialization);
- **S**ocial Welfare and Well Being (Healthcare, Housing, environment and Physical Planning, Water and Waste Management);
- **E**ducation (Human Capital Development);
- **Y**outh Empowerment (Sports, Entrepreneurship, Creative Arts, Entertainment); &
- **A**griculture (Food Security, Cash and food Crops, Plantations, Forestry, Fisheries).

2.2.3 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are;

1. The 2024 - 2026 fiscal objectives will continue with its year 2022 fiscal strategy which will be to intensify increased revenue to direct resources to most productive and growth-enhancing sectors while upholding social safeguards.
2. Government will also take advantage of private capital to supplement capital allocations from the Budget. The highlights of Government fiscal strategy include:

   i. The revenue driven budget approach through the Medium-Term Revenue Strategy (MTRS) is expected to assist the State Fiscal Sustainability drive and endear potential investors to the State economy

   ii. Enhancing economic growth and ensuring inclusiveness.

   iii. Promoting economic diversification

   iv. Maintaining macroeconomic stability

   v. Increasing revenue generation

   vi. Re-balancing the distribution of Government spending

   vii. Improving quality of spending

viii. To tilt capital investment funds towards Government Key priority areas.

ix. To use the budget to deepen the goals of job creation, poverty eradication and wealth creation.

x. To sustain the Modified Zero-Based Budgeting (Modified ZBB) & MTSS across all MDAs and Budget profiling for cash management.

CHAPTER THREE

3.0 REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2018-2022

3.1 Revenue, 2018-2022

The Ogun State's total revenue reduced from **N140,845 Billion** in 2018 to **N125,690 Billion** in 2019 by 10.76%, also declined in 2020 to **N109,693 Billion** by -12.72%. However, the total revenue increased to **N216,632 Billion** in 2022 from **N143,219 Billion** in 2021 by 51.26%.

The Gross FAAC Allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others reduced from **N54,119 Billion** in 2018 to **N53,781 Billion** in 2019 by 0.62% also to **N51,528 Billion** in 2020 from **N53,781 Billion** in 2019 by 4.19%. The Gross FAAC Allocation increased to **N60,371 Billion** In 2021 **and N69,578 Billion** in 2022.

Ogun State's Internally Generated Revenue (IGR) reduced from **N84,554 Billion** in 2018 to **N71,002 Billion** in 2019 by 16.03% and also to **N50,697 Billion** in 2020 from **N71,002 Billion** in 2019 by 28.60%. However, the IGR increased to **N78,169 Billion** in 2021 from **N50,697 Billion** in 2020 by 54.19% and further increased to **N119,828 Billion** in 2022 from **N78,169 Billion** in 2021 by 53.29%.

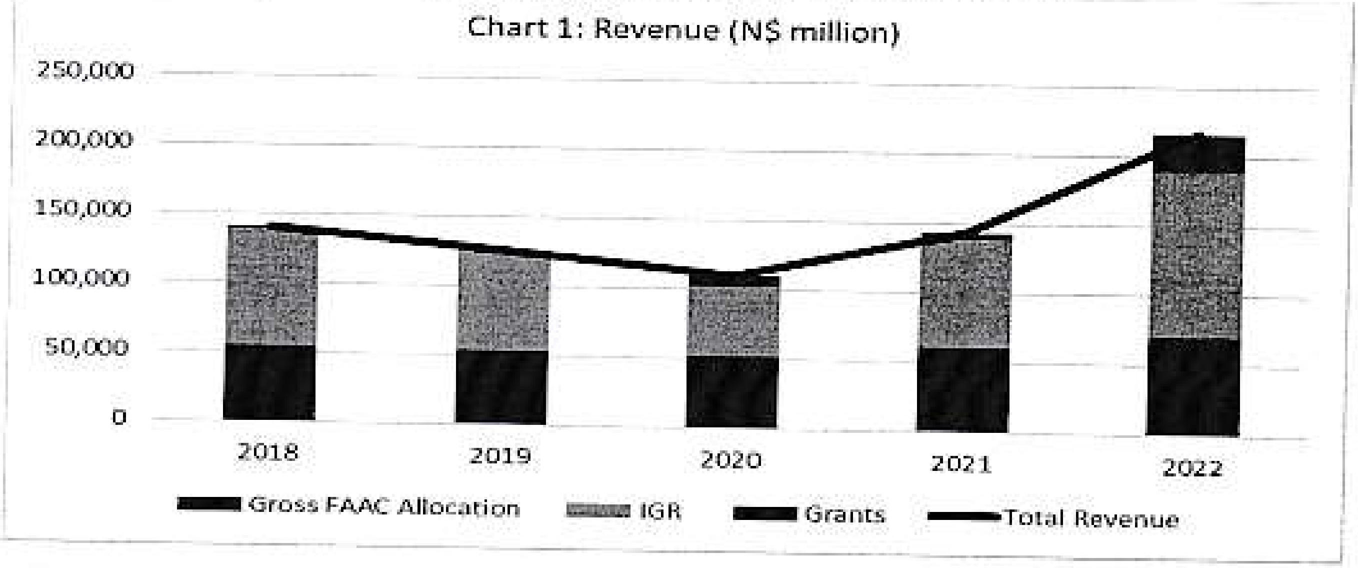
Details	2018	2019	2020	2021	2022
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Total Revenue	140,845	125,690	109,693	143,219	216,632
Gross FAAC Allocation	54,119	53,781	51,528	60,371	69,578
IGR	84,554	71,002	50,697	78,169	119,828
Grants	2,172	907	7,468	4,679	27,226

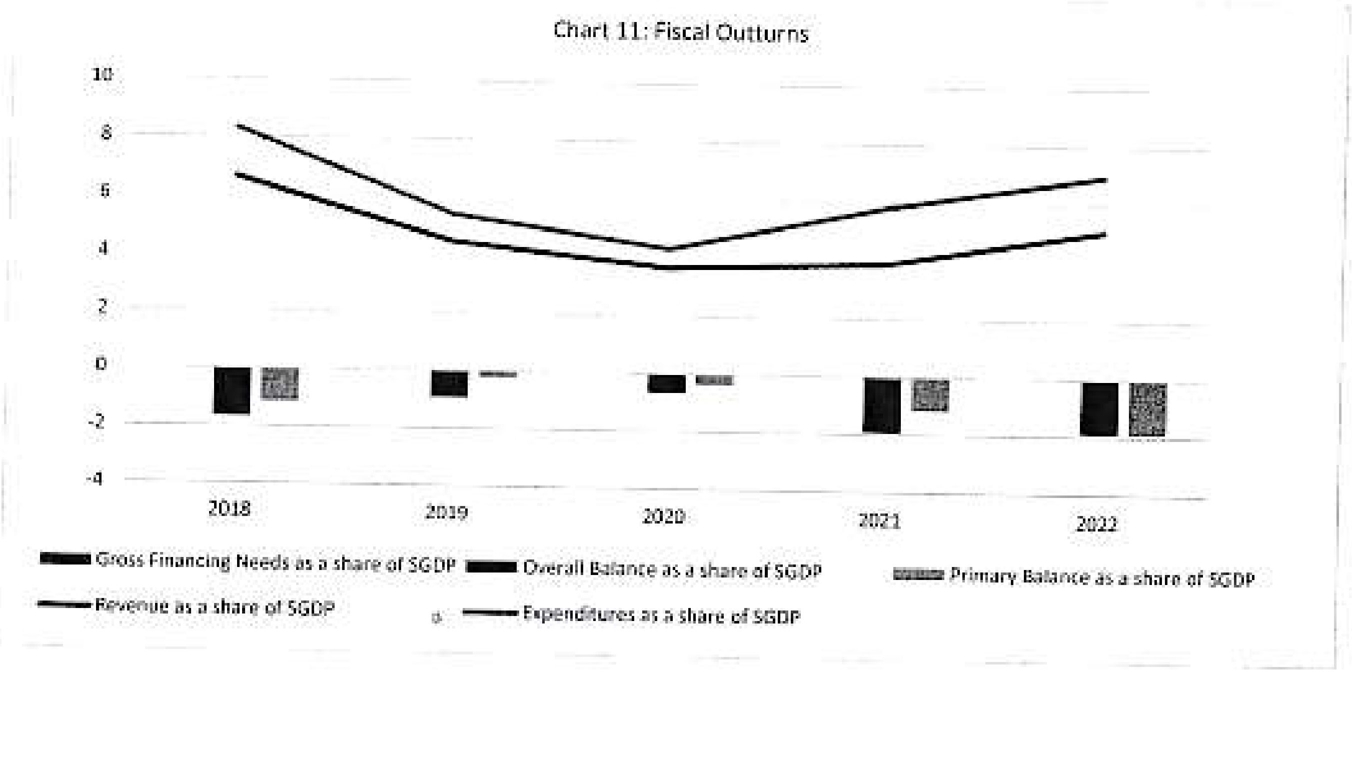
I. **The aggregate state revenue increase in recent years (between 2021 and 2022), owing to a sharp increase in IGR and Grant but a minimal increase in Gross FAAC Allocation.**

ii. **Gross FAAC, Value Added Tax (VAT) registered appreciable increase between 2021 and 2022 as a result of improvement in crude oil receipts and sharp increase in grants due to grants received from STFAS program (P for R) upon the achievement of various Disbursement Linked Indicators (DLIs). However, the** State's federal allocation increased by 14%, VAT increased by 18% and grants increased by 482%.

iii. **The State exhibited strong IGR growth during the review period.** IGR grew by 42% percent between 2018 and 2022, while IGR as a share of aggregate revenue in 2022 was 81%. The improvement in IGR was mainly as a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base.

The State's key macro-economic indicators that tends to increase the Internally Generated Revenue are due to estimated State Gross Domestic Product which is proposed to grow from 2022 to 2024 at a relative figure of 1.725 Million, the State GDP will also grow from 3.63% to 14.89% while Oil production pbd will increase from 1.69 to 1.80 in 2024.





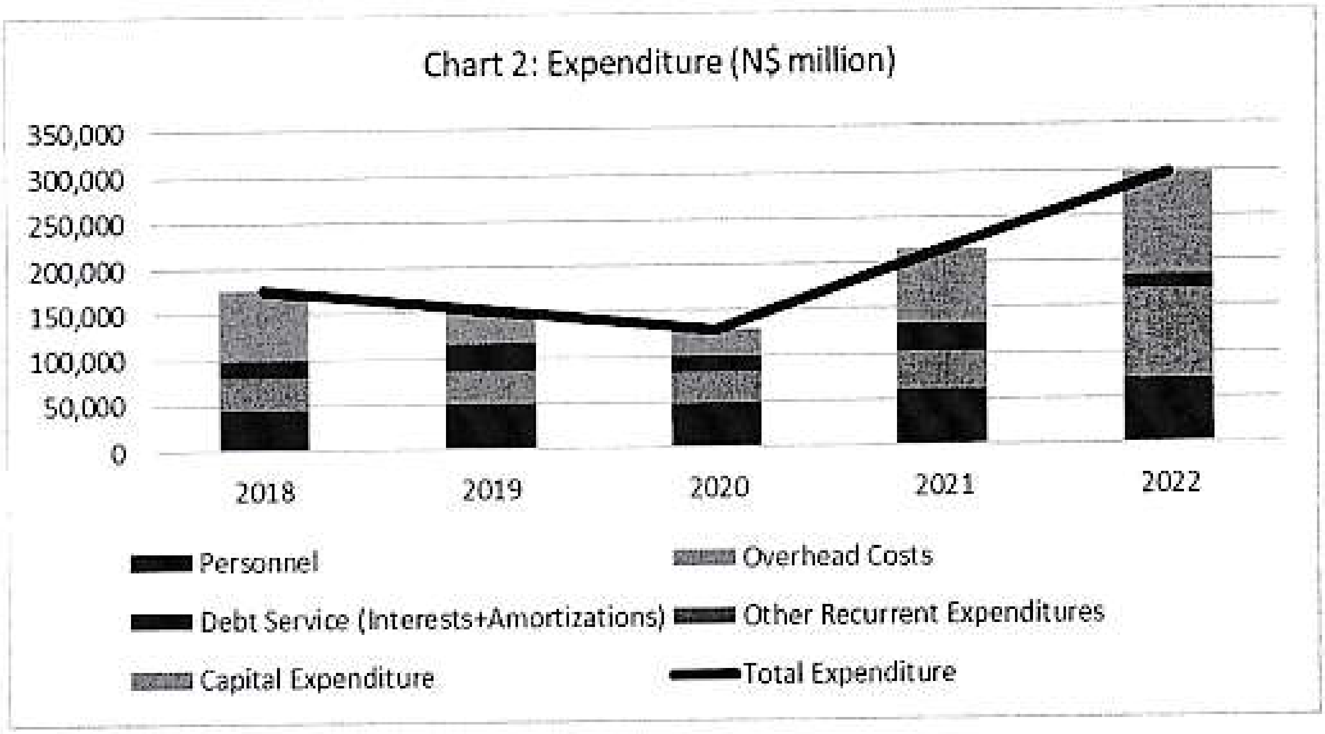
3.2 Expenditure Performance, 2018-2022

The State's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2022 Ogun State total expenditure amounted **N297,678 billion** compared to **N176,515 billion** as at the end-December 2018, which represented a growth of **N121,163 billion** or 68.64%. The personnel cost stood at **N44,915 billion** in 2018, **N50,415 billion** in 2019, **N48,220 billion** in 2020, **N60,176 Billion** in 2021 and **N70,626 Billion** in 2022 respectively. The overhead cost stood at **N97,874 billion** in 2022 compared to **N43,336 billion** in 2020. Capital expenditure amounted to **N113,686 Billion** in 2022, **N82,381 billion** in 2021, **N30,487 billion** in 2020, **N35,418 billion** in 2019 and **N76,430 billion** in 2018 respectively. The Total debt service that comprises the interest payment and principal repayment stood at **N15,492 billion** as at end-December 2022 compared to **N18,993 billion** as at end-December 2018.

Details	**2018** N'000,000	**2019** N'000,000	**2020** N'000,000	**2021** N'000,000	**2022** N'000,000
Total Expenditure	176,515	152,090	129,288	214,182	297,678
Personnel	44,915	50,415	48,220	60,176	70,626
Overhead Costs	36,177	36,965	33,960	43,336	97,874
Debt Service (Interests + Amortizations)	18,993	29,291	16,621	28,290	15,492
Other Recurrent Expenditures	0	0	0	0	0
Capital Expenditure	76,430	35,418	30,487	82,381	113,686

iv. **State expenditure recorded an increase from 2021 and 2022 but a decline from 2018 to 2020.** Between 2021 and 2022, real aggregate expenditure grew by 39 percent. Capital spending was relatively volatile, but showed positive growth of 49 percent over the analyzed period. While recurrent expenditure compared with total expenditure was 62% in 2022. Recurrent expenditure, however grew by 84% over the analyzed period.

i. e. personnel costs, overheads and debt charges. Personnel costs increased by 57% between 2018 and 2022, also overheads costs increased by 171% but debt charges declined by 18% in the same period.



The expenditure is affected by the following macro-economic indicators, amongst which are National growth rate from 13.0% to 27.3% in 2023 and it is still growing, the average exchange rate was proposed in the MTEF as N750/dollar but the current market rate is N1,150/dollar. The interest rate on Domestic debt was proposed in the MTEF as 13.5% but currently standing at 22% Commercial Banks. It is pertinent to make mention that Ukrain war had a huge effects on the economy. This also added to the drastic increase in the State's expenditures.

3.3 STATE DEBT PORTFOLIO, 2018 - 2022

Ogun State's Debt stock amounted to N361,027 billion as at end-December 2022 compared to N286,078 billion as at end-December 2021, representing an increase of N74,949 billion or 26.20%. The increase in the Total Debt stock was reflected in both Domestic and External Debt components. The external debt stock increased from N49,679 billion in 2021 to N67,614 billion in 2022, while the domestic debt stock significantly increased to N293,414 billion in 2022 from N236,399 billion in 2021.

PUBLIC DEBT PORTFOLIO

Details	2018	2019	2020	2021	2022
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Outstanding Debt (Old + New)	130,437	173,465	192,817	286,078	361,027
External	32,215	31,569	39,326	49,679	67,614
Domestic	98,223	141,896	153,491	236,399	293,414

i. The State public debt amounted to N361, 027 billion as at end of 2022 and has been increasing since the collapse of oil price.

ii. The State's debt portfolio largely consists of internal loans contributing 81% to total debt while external loans contributed 19%.

iii. **The State holds a low-cost, low-risk debt portfolio.** The debt portfolio carried an average, implicit interest rate of 9.5 percent in 2022 and the interest payments represented just 2.8 percent of total expenditure in 2022. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are only 19 percent of the total stock. Most CBN Intervention loans and all external loans are fixed-rate obligations, thus not affected by changes in interest rates as these loans have maturities running from 10 to 40 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible.

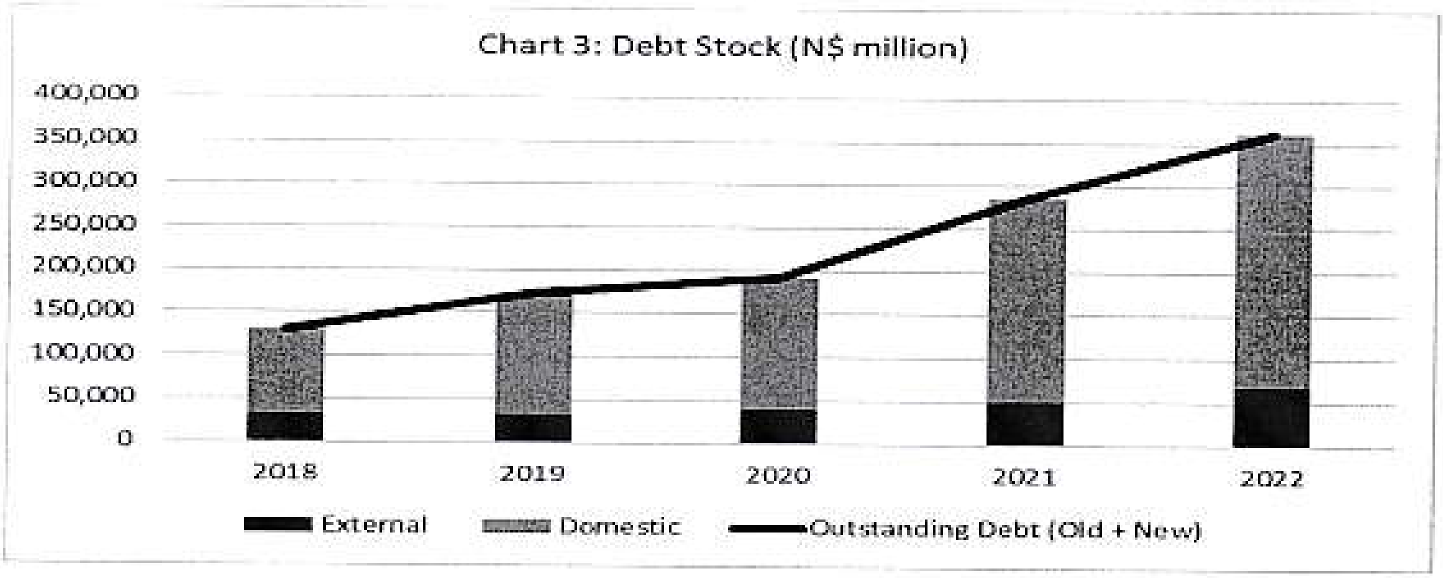


Chart 3: shows a sharp increase in the Debt Stock from N130,437 billion in 2018 to N361,027 billion in 2022, due to receipt of the Differentiated Cash Reserve Requirement (DCRR), Excess Crude Account Backed Loan and Budget Support and infrastructure loans alongside with the Salary arrears Bailout Loan.

Ogun State Debt Portfolio as at the end of 2022 consists of external debt N67,614 billion or 18.73% and Domestic debt amounted to N293,414 billion or 81.27% respectively.

Ogun State holds a medium cost and medium risk debt portfolio. The debt portfolio has an average domestic interest rate of 17.8% and average external interest of 2.7% in 2022. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risks. Exposures to currency fluctuations is limited because the foreign currency-denominated loans are only 18.73% of total debt stock in 2022. Most all the loans in Ogun State are fixed-rate obligations, thus not affected by changes in interest rates. A large portion of these loans have maturities ranging from 10 to 35 years and include financing from the Federal Government and Multilateral organizations. Therefore, rollover/refinancing risk associated with potential deterioration of domestic financial conditions is reasonably negligible.

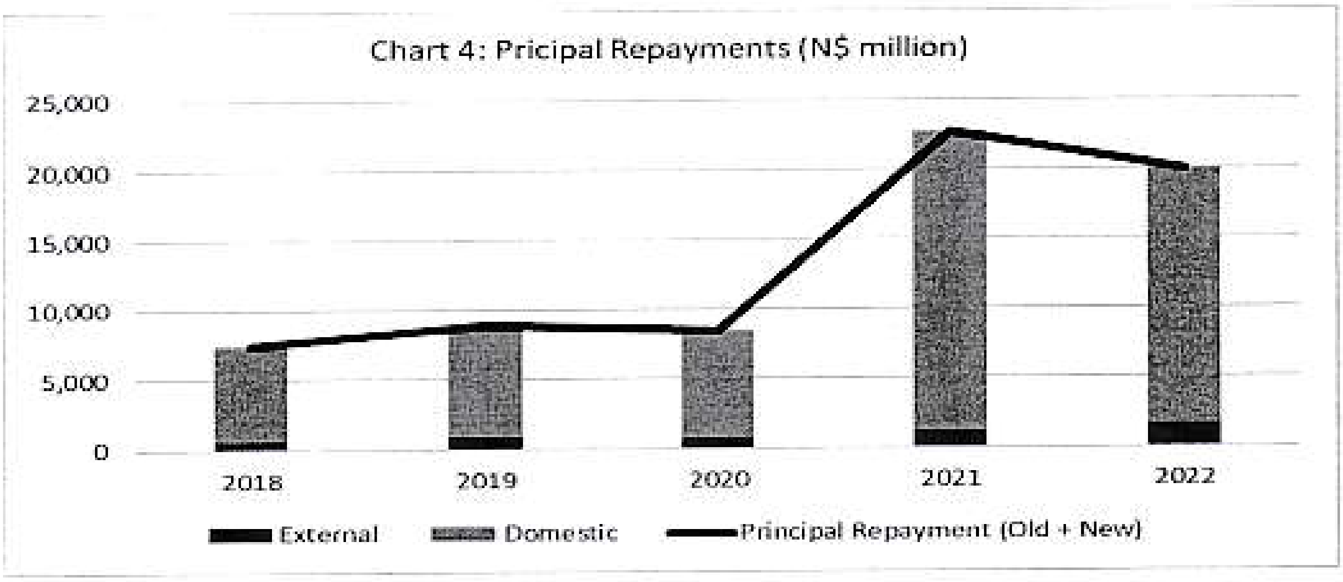
Ogun State Debt Service amounted to N17,402 billion, N18,863 billion, N16,860 billion, N32,949 billion and N28,392 for 2018, 2019, 2020, 2021 and 2022 respectively. The principal repayment stood at N19,999 billion in 2022 compared to N22,629 billion in 2021.

While Interest Payment amounted to N8,393 billion in 2022 compared to N10,320 billion in 2021. The principal repayments and Interest Payment made were on both External Debt and

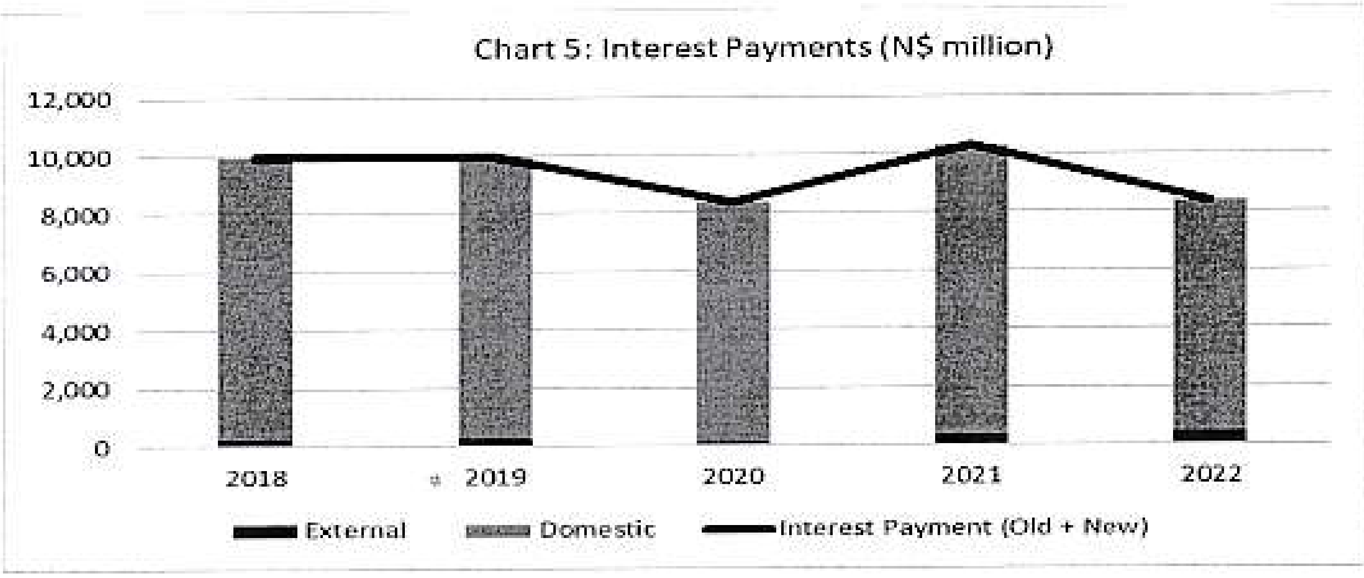
Domestic Debt.

(See Chart 4, 5 and 6).

Details	**2018**	**2019**	**2020**	**2021**	**2022**
	N'000,000	**N'000,000**	**N'000,000**	**N'000,000**	**N'000,000**
Principal Repayment (Old + New)	7,453	8,882	8,464	22,629	19,999
External	635	905	766	1,208	1,645
Domestic	6,818	7,977	7,698	21,421	18,354



Details	2018	2019	2020	2021	2022
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Interest Payment (Old + New)	9,949	9,981	8,396	10,320	8,393
External	266	258	101	354	455
Domestic	9,684	9,723	8,295	9,966	7,938



CHAPTER FOUR

4.0 DEBT SUSTAINABILITY ANALYSIS

A debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. The concept of debt sustainability refers to the ability of the Government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debts, which could eventually cause the Government to take action to address the unwanted consequences of a heavy debt burden. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the state leading to serious financial crisis.

OGUN STATE DEBT SUSTAINABILITY ANALYSIS

Chart 21 shows Debt as a percentage of State GDP (with indicative threshold 25%)

The sustainability position of the State's Total debt portfolio in the fiscal block fluctuates between 2020 and 2022 and showed a gradual ascending trend from 2023 to 2025 in chart 21 but there was a decline after 2025. The ratio was 9/25 in 2026 and reduced to 6/25 in 2032. The total debt portfolio to SGDP is within the threshold from 2018 to 2032 insinuating room for additional further borrowing under the right circumstances.

Based on this, the State's GDP have potentials for growth and can also accommodate the State's debt stock, with minimal effect on the State economy.

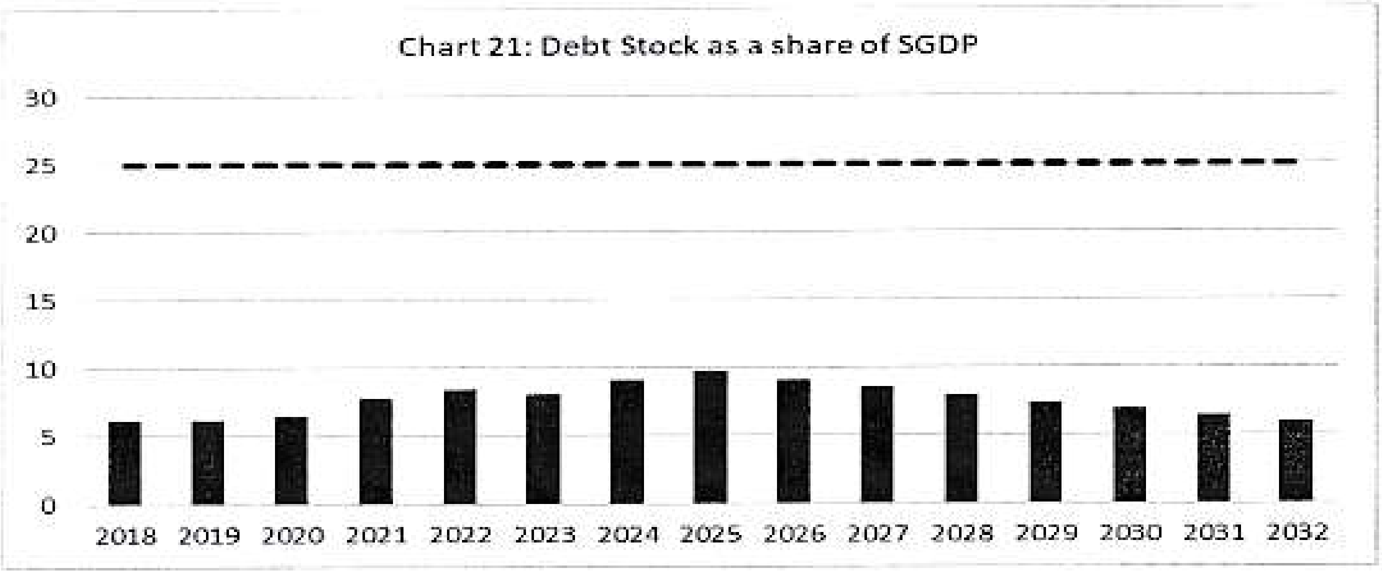
Chart 22 shows the Debt stock as a percentage of revenue. The percentage is within the threshold from 2018 to 2032 due to various reforms in the State's revenue drive.

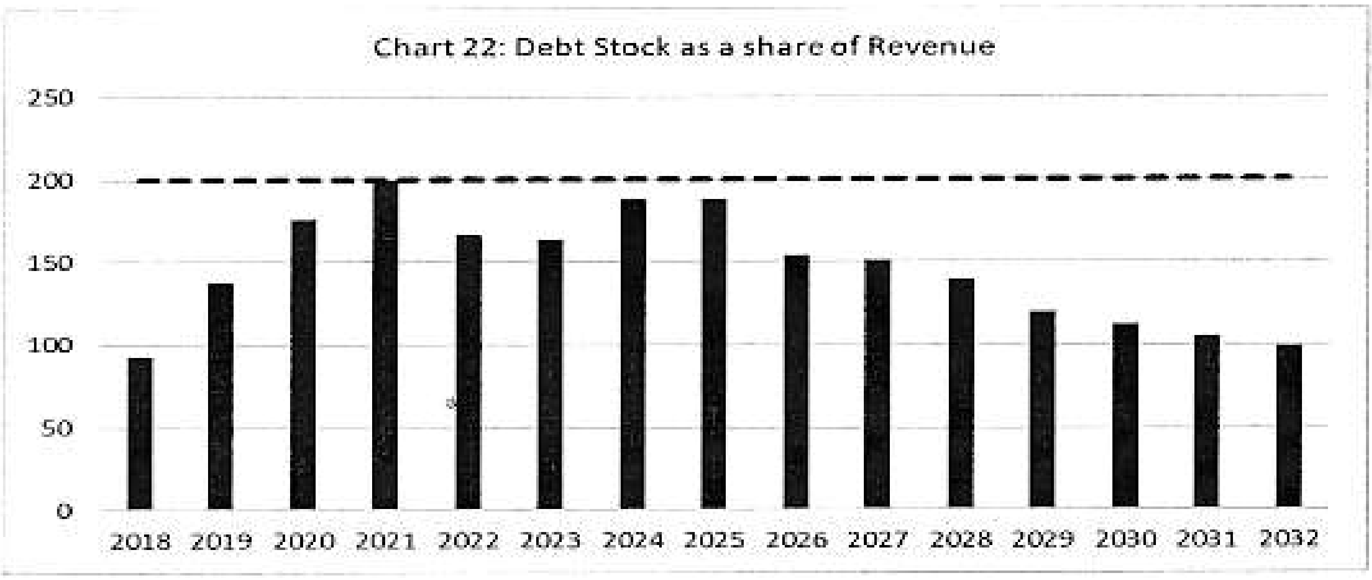
Debt Service as a percentage of revenue. The percentage is within the threshold from 2018 to 2032 due to various reforms in the State's revenue drive

Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 32% 2018 to 55% in 2032.

Interest payment as a percentage of revenue revealed that the maximum exposure of the State's interest towards revenue was 12% between 2025 and 2027 with over-all positive outlook.

Looking at the External Debt Service as a percentage of revenue, the maximum exposure of the State's External Debt Service towards revenue was 1% between 2028-2032, which shows that the External Debt of the State was properly managed.





4.1 MEDIUM -TERM BUDGET FORECAST

Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by average of 43% in the medium term.

The economy is expected to gradually recover from 2021-2024, with real GDP expanding at an average annual rate of 3.30% and while domestic inflation is projected at 24.44% by 2024. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The Tax Administration reforms adopted by the State Government will also strengthen resources provided by IGR, as well as numerous industries that are being attracted to the State through industrialization drive, which are expected to continue in the next few years. This will benefit the economy immensely.

Ogun State Debt burden as at the end -2022

INDICATORS	THRESHOLD	RATIO
Debt/SGDP	25%	8%
Debt/Revenue	200%	167%
Debt Service/Revenue	40%	13%
Personnel Cost/Revenue	60%	33%
Debt Service/FAAC Allocation	-	41%
Interest Payment/Revenue	-	4%
External Debt Service/Revenue	-	1%

The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of new Revenue Administration Law, Land Use Charge Administration Law; with these new reforms adopted by the State Government, the IGR of the State is expected to grow in the next few years and this will benefit the State towards overall economic recovery. On the other hand, is the Civil Service Reform policies being implemented with regards to personnel and overhead cost, which are likely to decline from their historical trends.

4.2 BORROWING OPTIONS

Ogun State Government intends to finance its new borrowing from 2023 to 2032 mainly through Commercial Bank Loans (maturity 1 to 5 years) estimated at 22%, Commercial Bank Loans (maturity 6 years or longer, including CBN Intervention Loans: DCRR) estimated at 9%, State Bonds (maturity 1 to 5 years) at 18%, State Bonds (maturity 6 years or longer) at 18% and Other Domestic Financing at 22% over projection period, compared with External financing- concessional financing which was estimated at 2%. The external borrowing requires long processing time to acquire loans from Multilateral and Bilateral Creditors.

Table of Variables for Borrowing Options

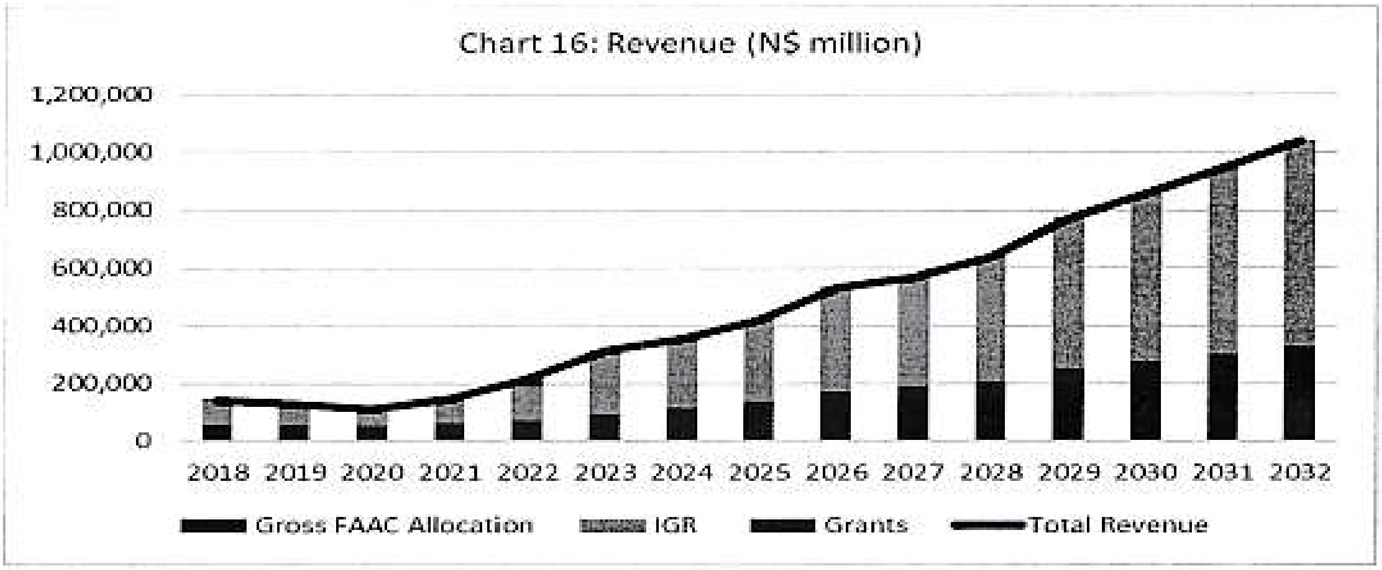
N/s	New Domestic Financing	Interest Rate (%)	Maturity (Yrs)	Grace Period (Yrs)	Currency
1.	Comercial Bank Loans 1 to 5 years, including Agric Loans, Infrstructure Loans and MSMEDF	22%	4	1	Naira
2.	Comercial Bank Loans (Maturity 6 Years or longer, includig Agric loans, Infrastructure Loans and MSMEDF	9%	10	2	Naira
3.	State Bonds (Maturity 6 years or longer	18%	10	3	Naira
4.	Other Domestic Financing	22%	5	2	Naira
	New External Financing	**Interest Rate (%)**	**Maturity (Yrs)**	**Grace Period (Yrs)**	**Currency**
1,	External Financing – Concesional Loans (e.g, World Bank, African Development Bank)	2.0%	20	5	USD

4.3 DSA SIMULATION RESULTS

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium -term target is to increase the Revenue-to- GDP ratio to average of 5%. Higher revenue collections will enable government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

Ogun State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N313,931 billion in 2023 to N1,037 trillion in 2032 representing an increase of N723,215 billion or 230% over the projection period. Gross FAAC Allocation projected to grow from N92,008 billion in 2023 to N328,400 billion in 2032 which is expected to increase by N236,392 billion or 257% and Grants reduced from N11,674 billion in 2023 to N2,067 billion in 2032. The projections were sources from the Ogun State Audited Financial Statement, approved 2023 Budget; MTEF 2024-2026; 2027-2032 projections as estimated by the Ministry of Budget and Economic Planning.

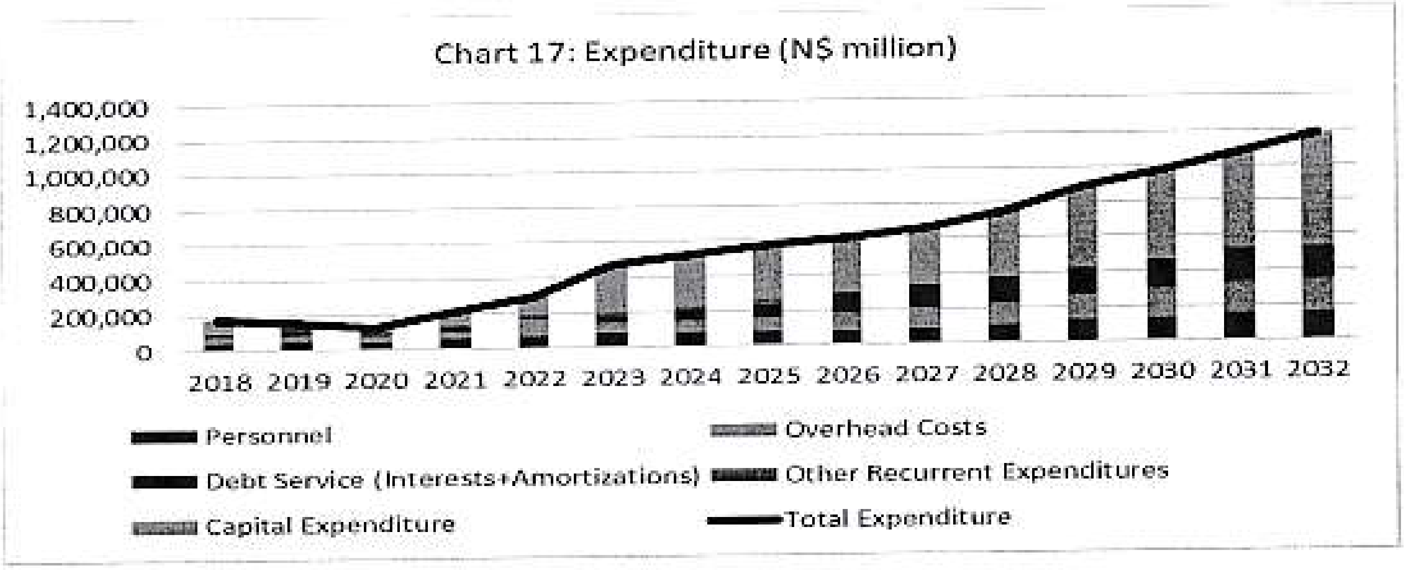
The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection, efficiency, enhancing compliance and reorganizing the business practices of revenue agencies in the State as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to grow by N496,431 billion or 236% (from N210,249 billion in 2023 to N706,680 billion in 2032), over the projection period. The projections were sources from the Ogun State Audited Financial Statement, Approved 2023 Budget; MTEF 2024-2026; 2027-2032 projections as estimated by the Ministry of Budget and Economic Planning.



Total Expenditure projected at N471,236 billion in 2023, N519,964 billion in 2024, N570,128 billion in 2025, N611,206 billion in 2026, N663,566 billion in 2027, N748,998 billion in 2028, N890,819 billion in 2029, N976,756 trillion in 2030, N1,077,799 trillion in 2031 and N1,183,009 trillion in 2032 respectively indicating stability in the State growth stability.

The Recurrent Expenditure (i.e., Personnel Costs, Overhead Costs, Debt Service and Other Recurrent Expenditures) estimated to increase over the projected period. N201,630 billion in 2023, N231,902 billion in 2024, N262,438 billion in 2025, N296,402 billion in 2026, N337,903 billion in 2027, N372,493 billion in 2028, N421,312 billion in 2029, N462,251 billion in 2030, N518,621 in 2031 and N526,243 billion in 2032.

Capital Expenditure estimated to increase over the projection period. N269,606 billion in 2023, N288,062 billion in 2024, N307,689 billion in 2025, N314,804 billion in 2026, N325,663 billion in 2027, N376,505 billion in 2028, N469,506 billion in 2029, N514,505 billion in 2030, N559,178 billion in 2031 and N656,766 billion in 2032 respectively, over the projection period as provided in the Ogun State Audited Financial Statement, approved 2023 Budget; MTEF 2024-2026; 2027-2032 projections as estimated by the Ministry of Budget and Economic Planning.



As a result of the State's modest increase in GDP, great improvement in IGR, increase in Personnel, Overhead costs, and Capital Expenditure. The increased in projected expenditure increase the debt through Primary Balance.

Ogun State's Debt Stock estimated to increase from N512,182 billion in 2023 to N1,029,352 trillion in 2032, representing an increase of N517,170 billion or 101% over the projection period. External Debt projected to grow by N149,084 billion or 165% between 2023 and 2032 and Domestic Debt to increase by N368,086 billion or 87% over the projection period.

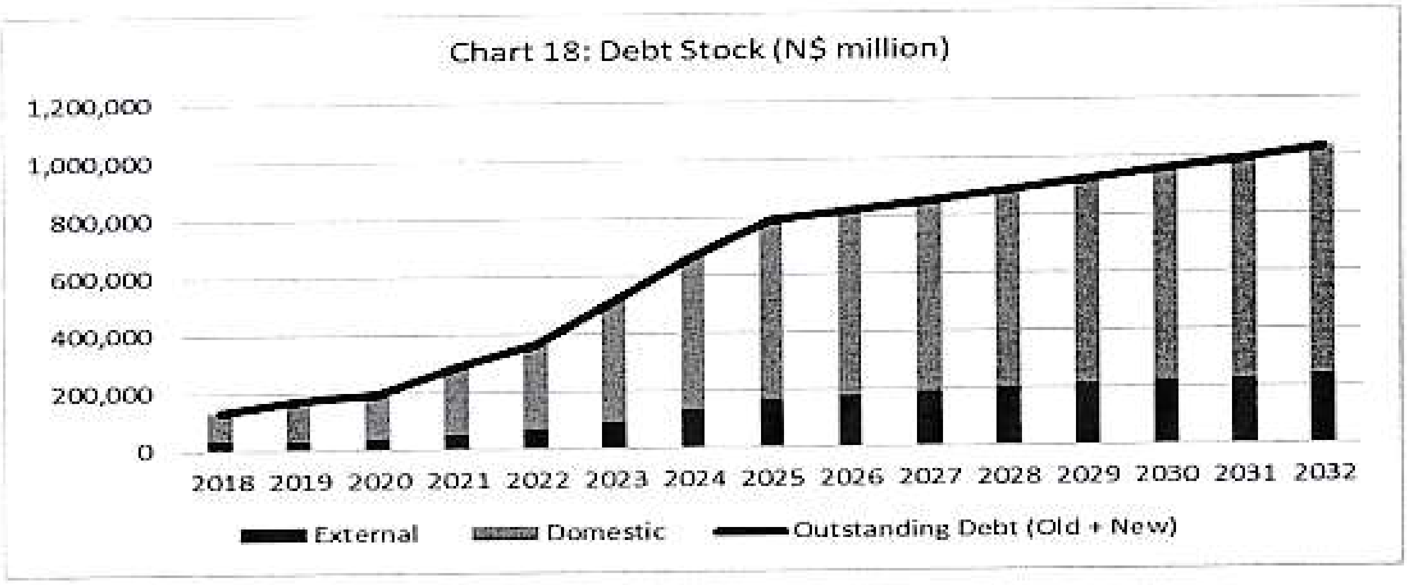


Chart 18: Debt Stock (N$ million)
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
External
Domestic
Outstanding Debt (Old + New)

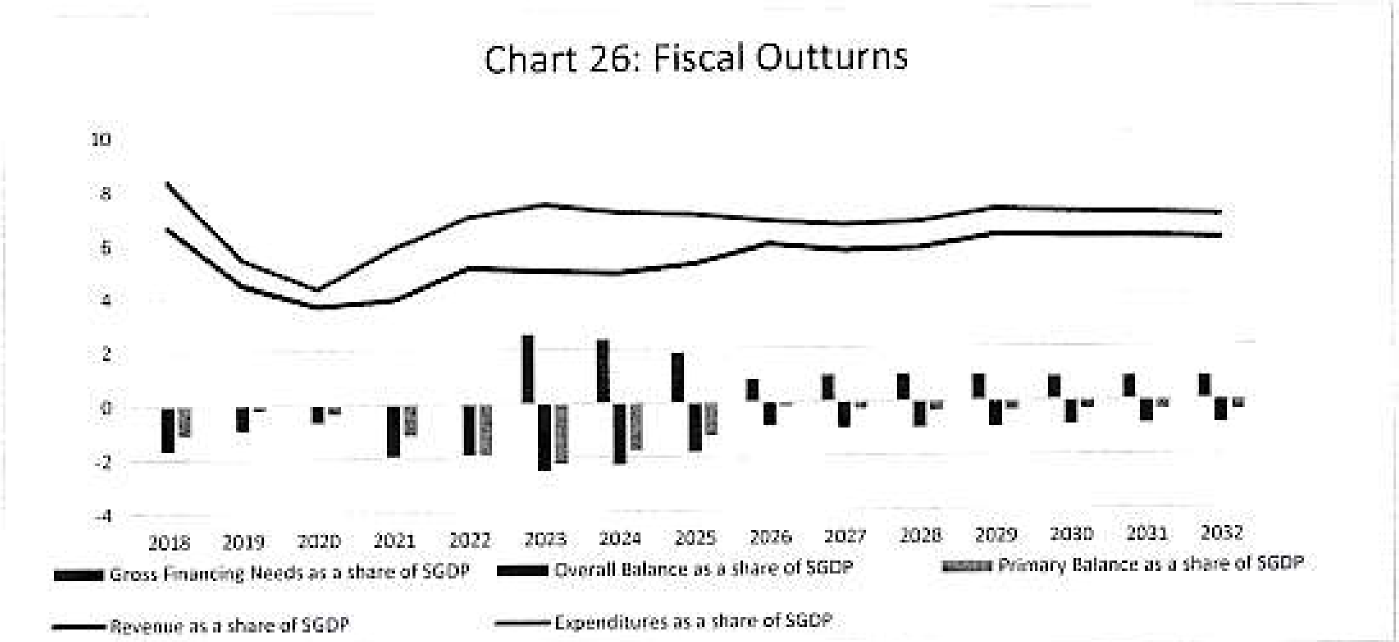


Chart 26: Fiscal Outturns
10
8
6
4
2
0
-2
-4
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
Gross Financing Needs as a share of SGDP
Overall Balance as a share of SGDP
Primary Balance as a share of SGDP
Revenue as a share of SGDP
Expenditures as a share of SGDP

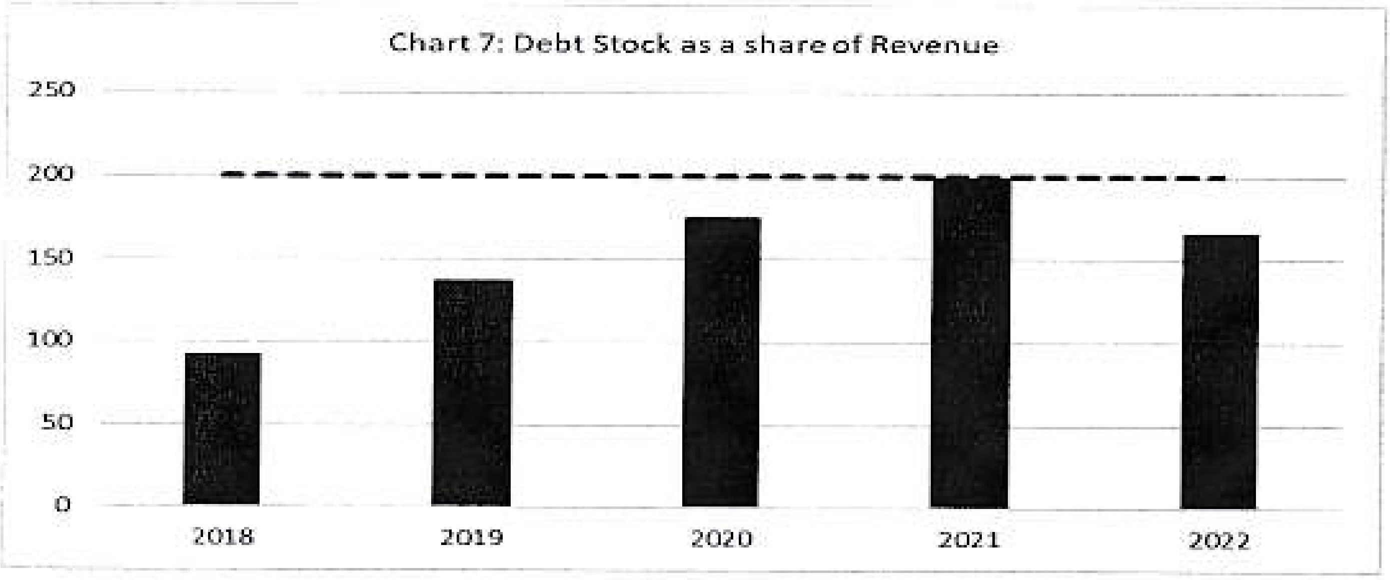


Chart 7: Debt Stock as a share of Revenue
250
200
150
100
50
0
2018
2019
2020
2021
2022

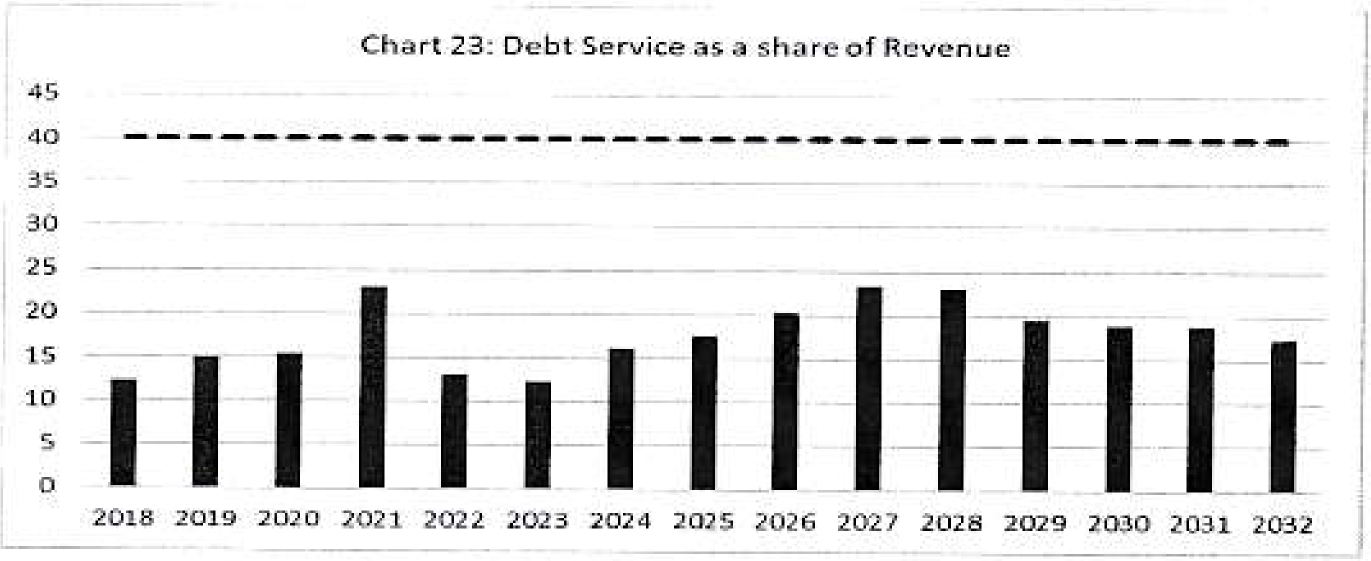
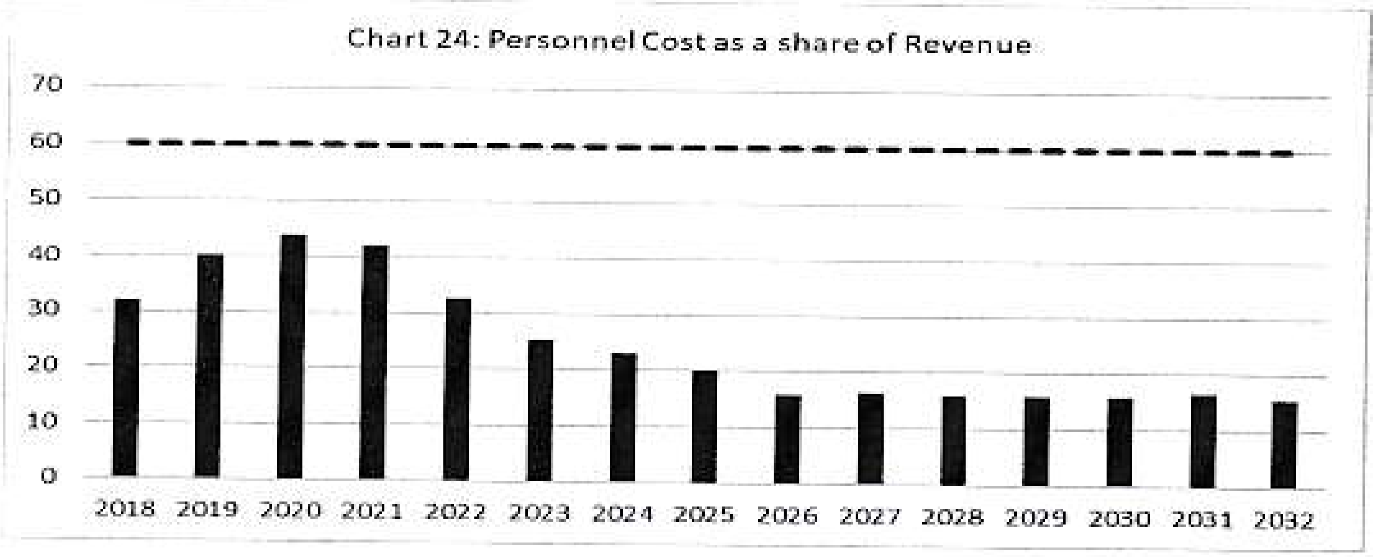


Chart 23: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032



CONCLUSION

Ogun State DSA result shows that, the State maintains a prudent debt management throughout the projected period as no ratio is above the threshold. The Debt as a share of GDP, Debt stock as a share of revenue, debt service as a share of revenue performance indicators remains favorable to the State because the State did not breach the threshold set at 25%, 200%, and 40% respectively. The State Authorities will intensify efforts to sustain this achievement with more revenue accruing to the State.

In order to keep the debt profile of the State moderate, the State is putting together the underlisted reforms and actions to greatly improve the Internally Generated Revenue (IGR) and reduce projected borrowings in the medium to the long term;

i. Introduction of Ogun State Land Administration and Revenue Management System (OLARMS) which allows citizens of the State to regularize their land title/documents online. This has a lot of multiplier effect on the IGR of the State in form of income from Stamp Duty, Building Permit, Survey, PAYE etc.
ii. The loans obtained/to be obtained are geared towards major infrastructure development e.g. Ijebu-Ode/Epe Road which would be outsourced for toll collection from motorists under Public Private Partnership.
iii. Concession of Government Assets and Sales of government building by the Ministry of Housing.
iv. Upward review of old revenue rates,
v. Expanding Land Use Charges to cover all the Local Governments,
vi. Giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms.

vii. The State's revenue office is now autonomous with more competent personnel to follow through on the State's vision with the assistance of the up-to-date technology in order to surpass the projected revenue estimates in outer years.

viii. Also, the State Government has signed Memorandum of Understanding (MoU) with the Labour Union to liquidate all arrears of Staff claims in the next four (4) years. It is also part of the MoU that Gross Salary would henceforth, be paid which will prevent further owing of staff claims; this will reduce ratio of debt to revenue.

ix. The State is also embarking on various reforms to block revenue leakages.

x. Staff Verification Exercise is being done as to reduce personnel cost and by extension recurrent expenditure, Implementation of Medium -Term Revenue Strategy (MTRS) a movement from the traditional expenditure -based budget to a revenue driven budget by identifying few major revenues generating Ministries, Departments and Agencies (MDAs) as Cash Cow on improving revenue generation and most importantly blocking revenue leakages. Also, is the Land Used Charge as a new revenue head embedded with motivators to reduce tax defaulters.

4.4 DSA SENSITIVITY ANALYSIS

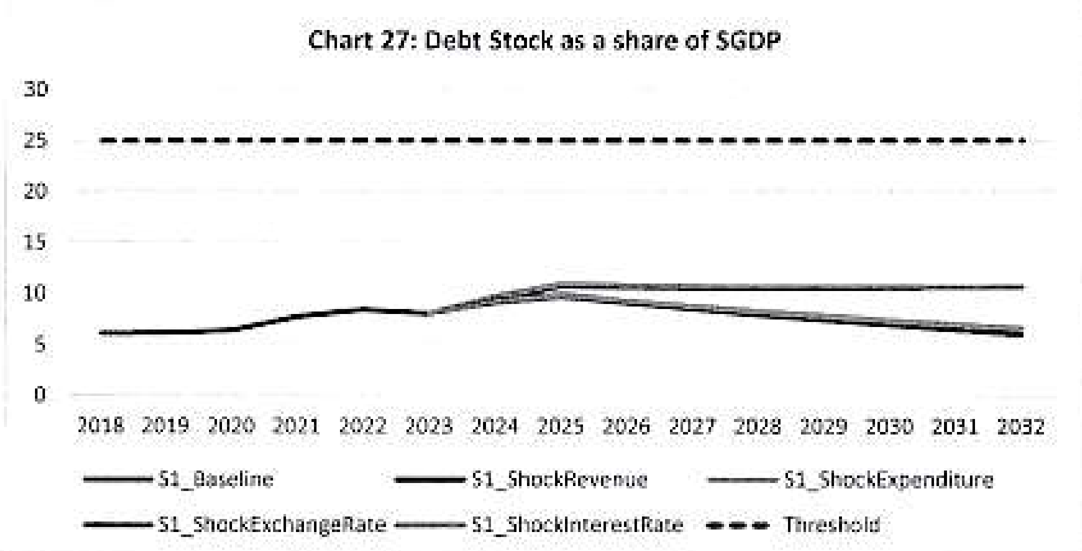
The State faces important sources of fiscal risk associated to the possibility of adverse country wide macroeconomic conditions. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The 2023 DSA analysis shows that the State's debt is sustainable between 2023 and 2032 under sensitivity analysis. The State DSA analysis shows deteriorate levels from 2024 to 2028 relative to revenue shocks, and 2025 for interest shocks. This would lead to increase Gross Financing Needs over the projection period. The Exchange Rate and Interest Rate shocks scenario are below threshold except for 2025, the Expenditure shock scenario is above the threshold from 2024 and 2025 while revenue shock scenario is above the threshold from 2024 to 2028.

In the Debt stock as a share of revenue indicator, the historical scenario is not factored into the analysis, only the revenue scenarios breached the threshold from 2024 to 2028.

In Debt Service as a percentage of Revenue indicator, revenue shock, expenditure, Exchange rate and Interest rate shocks did not breach the threshold from 2023 to 2032.

Nonetheless, there is need for the State Government to further diversify the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the State in order to tackle the effect of revenue shock in the debt stock as a percentage of revenue.



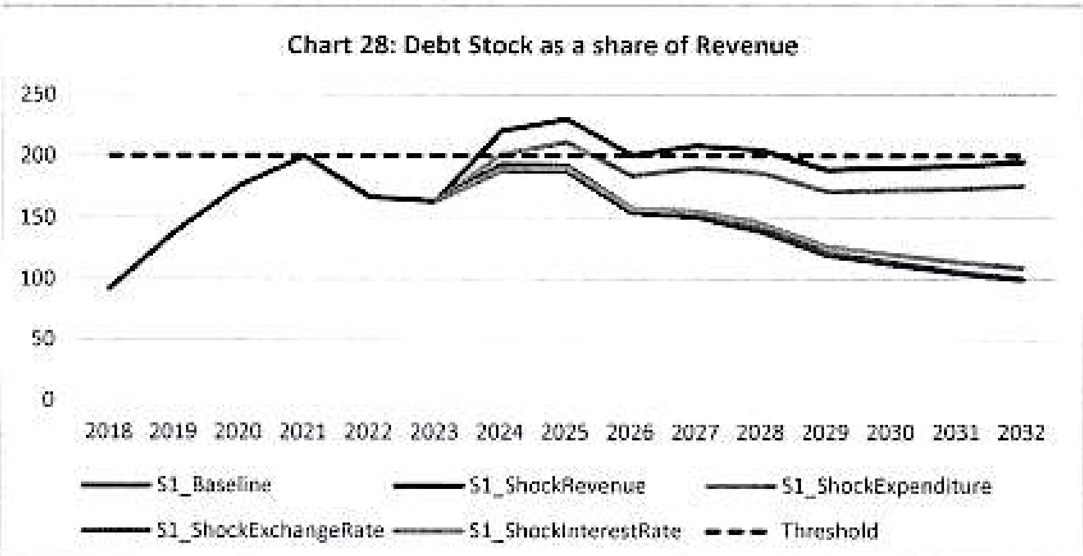


Chart 29: Debt Service as a share of Revenue

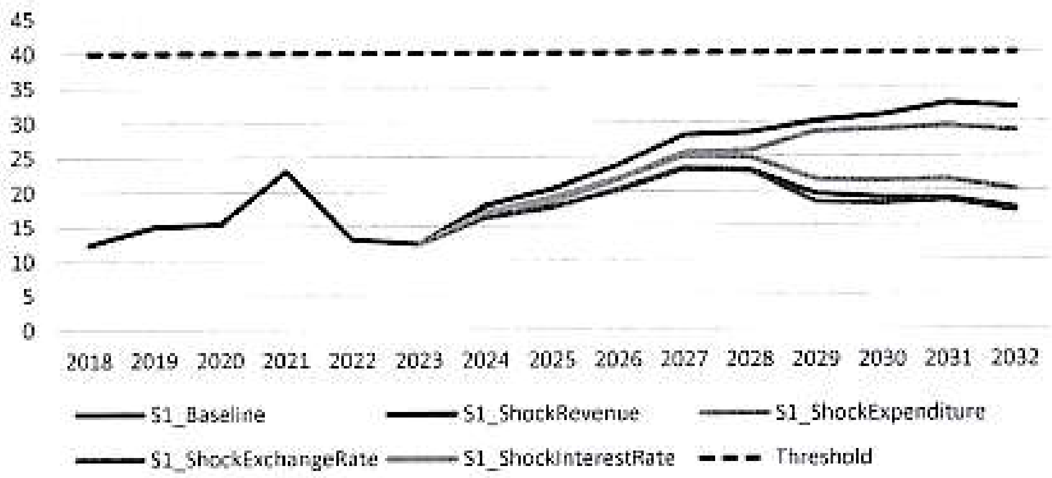
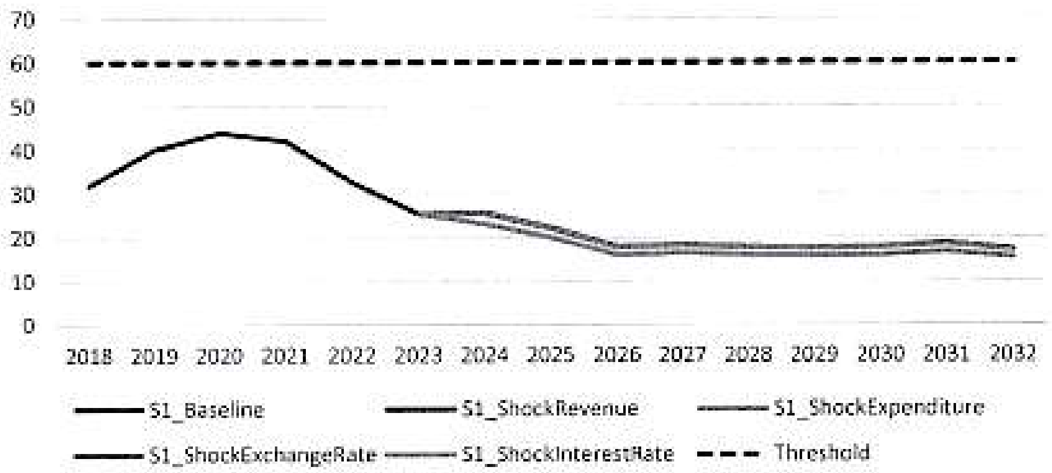


Chart 30: Personnel Cost as a share of Revenue



Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is the need to cut down recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment automatically. The Russian-Ukraine War with its attendant impact on the price of crude oil will most likely reduce the statutory allocation to the State from the center.

5.0 DEBT MANAGEMENT STRATEGY

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

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Ogun State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. Four (4) strategies are assessed by the government. The Ogun State's Debt Management Strategy, 2023-2027 analyses the debt management strategies outcomes of the three (3) debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2027, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2027 caused by an - unexpected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2023 and MTEF 2024-2026.

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMED) accounts for average of 11.69% over the strategic period.

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) account for 58.30%.

State Bonds (maturity 6 years or longer) account for 12.09% and External Financing - Concessional Loans (e.g., World Bank, African Development Bank) account for 17.92% over the DMS period of 2023-2027

Strategy 2 (S2) focus more on financing through Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)

In strategy 2, government decided to focus its financing from 2023 to 2027 through Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) 100 %.

Strategy 3 (S3) focus more on financing through External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

In this strategy, the State Government will focus its financing through External Financing - Concessional Loans (e.g., World Bank, African Development Bank) 100%.

Strategy 4 (S4) focus on financing through Financing Mix (External Concessional Loans and Domestic Loans)

This Strategy (S4) considers financing mix of external and domestic debt instruments but not in the same proportion as Strategy one (S1). State Bonds (6years or longer) represents an average of 64.83%, while External Financing - Concessional Loans (e.g., World Bank, African Development Bank) represents 35.17% respectively.

Debt Service as % of Revenue	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
S1_Baseline	12	16	18	20	23	23	20	19	19	17
S1_ShockRevenue	12	18	20	24	28	29	30	31	33	32
S1_ShockExpenditure	12	16	19	22	26	26	29	29	29	29
S1_ShockExchangeRate	12	16	18	20	23	23	18	18	19	17
S1_ShockInterestRate	12	17	19	22	25	25	22	21	22	20
Threshold	40	40	40	40	40	40	40	40	40	40

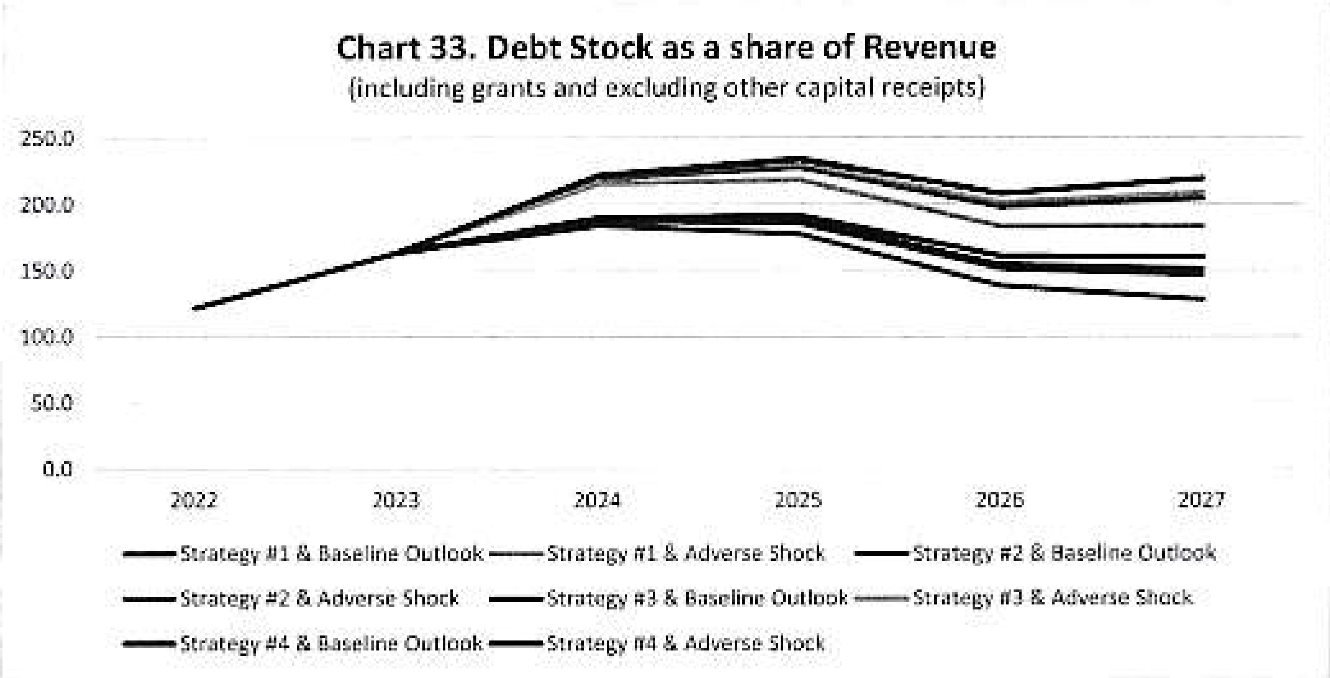
5.2 DMS Simulation Results

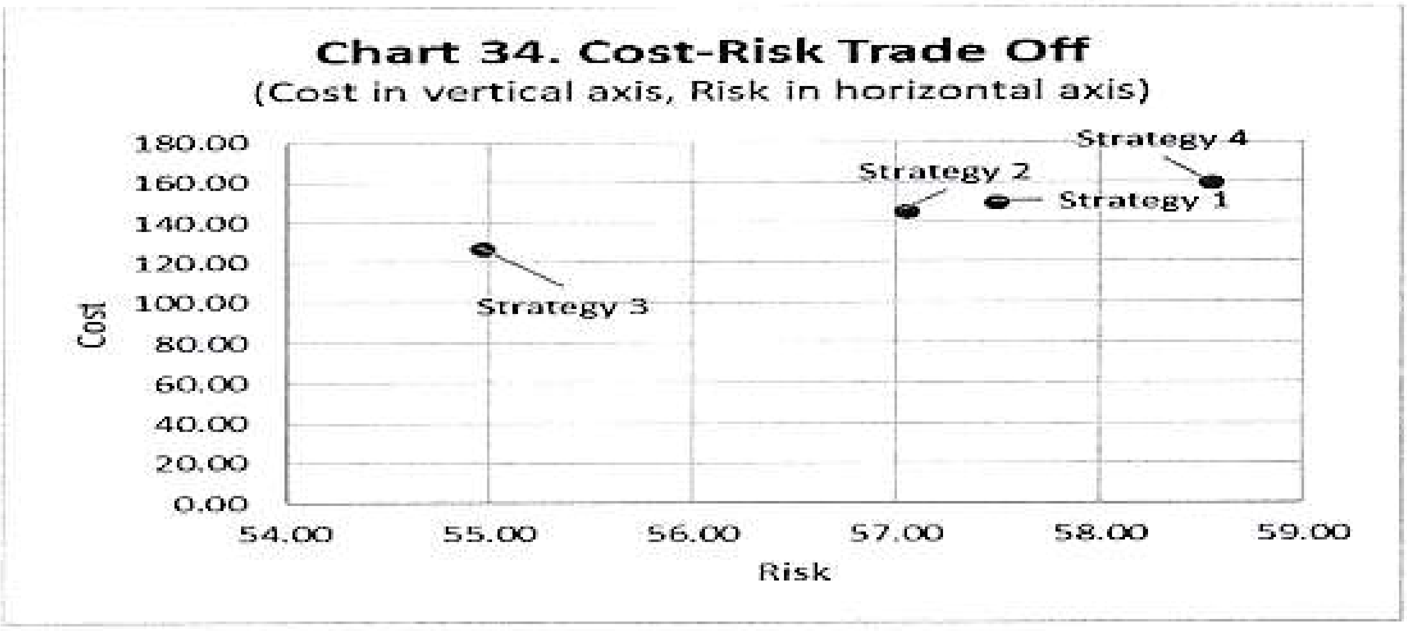
Analysis of strategies and outcomes of the analysis. The cost-risk trade off charts illustrates the performance of the alternative strategies with respect to four (4) debt burden indicators.

a) Debt Stock as a share of Revenue:

- Strategy 3 shows the cost ratio of Debt to Revenue estimated to reduce from 163.2% in 2023 to 127.9% as against Strategy 2 (146.7%), Strategy 1 (150.6%), Strategy 4 (160.2%), over the DMS period of 2027, compared with the risks measured of Strategy 3 (54.9%), Strategy 2 (57%), Strategy 1 (57.5%), and Strategy 4 (58.5%) respectively.
- Analysis using this debt indicator of debt to revenue shows that S3 is the least costly and riskier which was estimated at 127.9% and 54.9% compared to Strategy 2 (146.7% and 570%), Strategy 1 (150.6% and 57.5%) and Strategy 4 (160.2% and 58.5%) respectively. On the other hand, Strategy 4 is the costliest and the riskiest

strategy which was estimated at 160.2% and 58.5%, which concentrated on financing through Financing Mix (External Concessional Loans and Domestic Loans) over the DMS period of 2023-2027.





b) Debt Service as a share of Revenue:

- In terms of Debt Service to Revenue, Strategy 3 has one of the lowest costs of 0.6% in 2023 and 0.4% in 2027 and highest risk of 0.5% compared to Strategy 2 (cost at 1.2% and risk of 0.4%), Strategy 1 (cost at 1.3% and risk of 0.4%) and Strategy 4 (cost at 1.3% and risk of 0.4%) respectively as at end of the strategic period of 2027.

- Strategy 3 has the lowest costs at 0.4% and highest risk of 0.5% under the Debt Service to Revenue followed by Strategy 2 (cost at 1.2% and risk of 0.4%) and Strategy 1 (cost at 1.3% and risk at 0.4%). Strategy 4 has the same cost and risk with Strategy 1e financing through Financing Mix (External Concessional Loans and Domestic Loans) over the DMS period of 2023-2027.

Chart 37. Debt Service as a share of Revenue
(including grants and excluding other capital receipts)

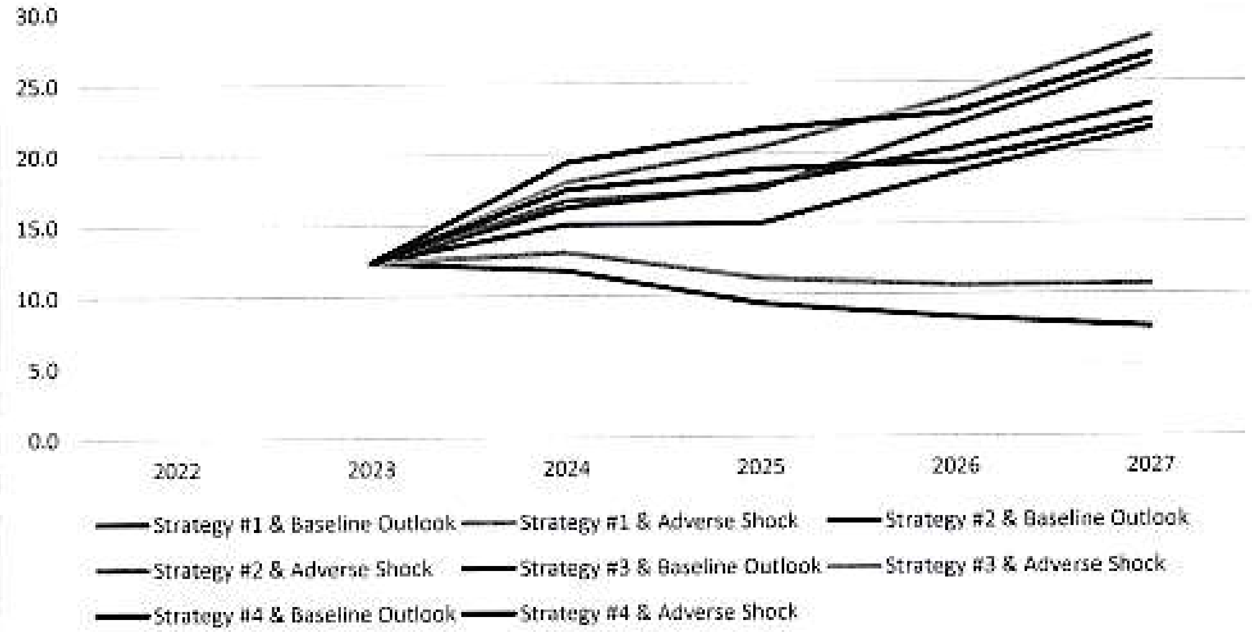
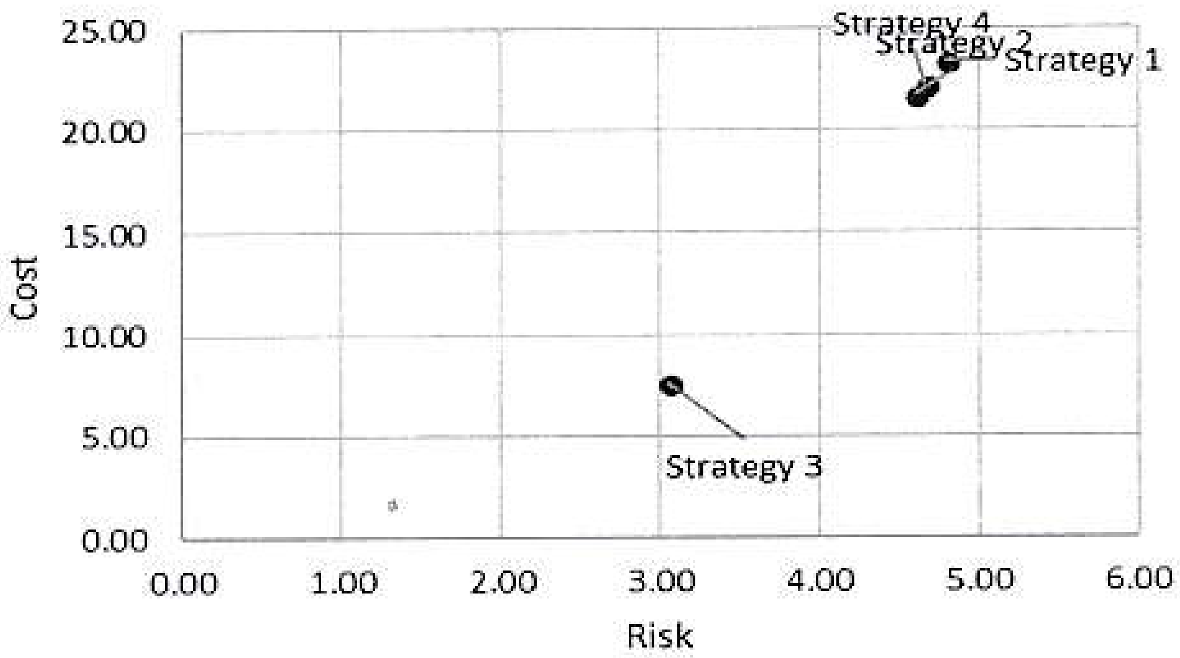
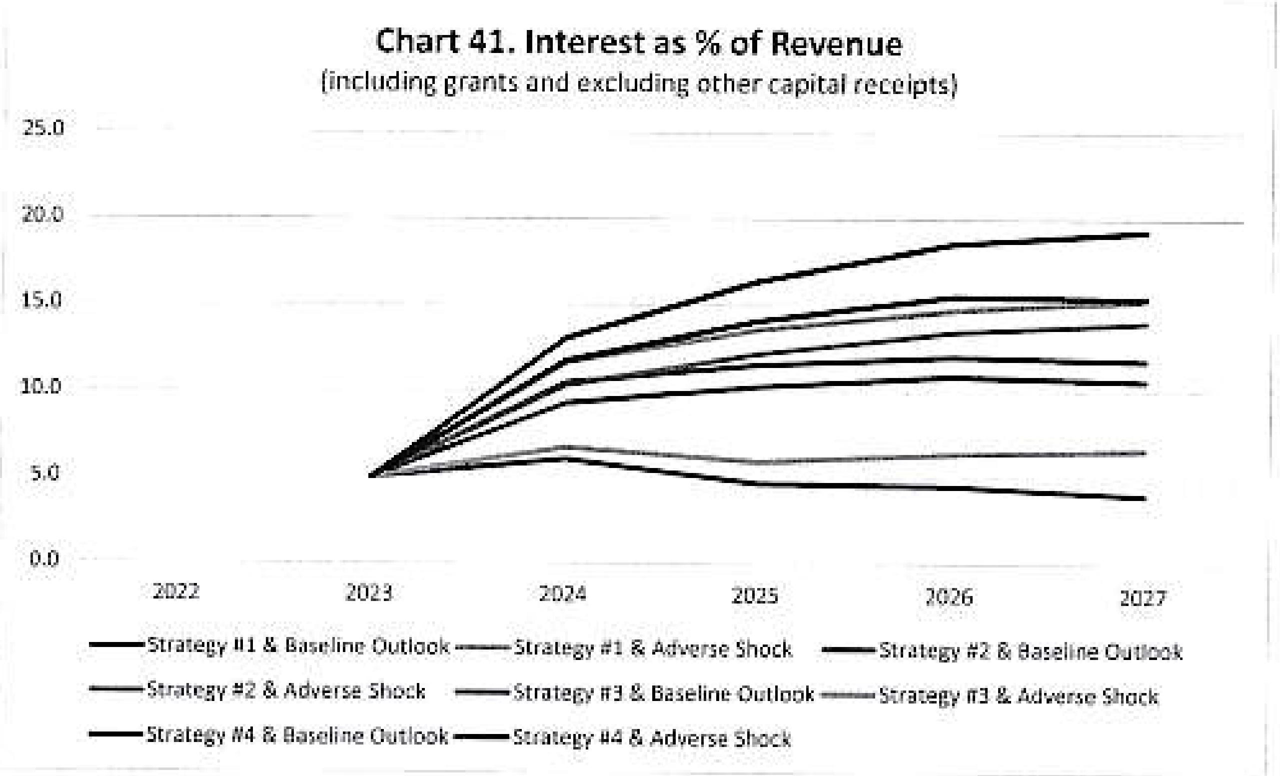


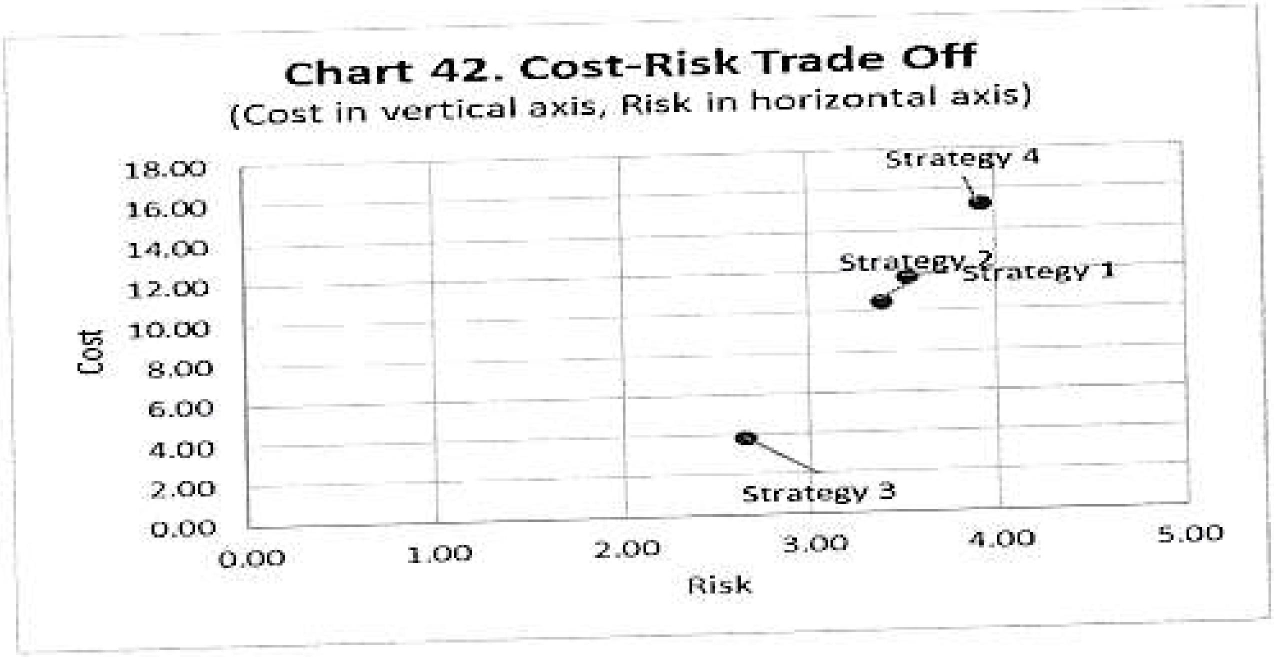
Chart 38. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



c) Interest as a share of Revenue

- Strategy 3 is the least costs with regards to Interest payment to Government revenues of 5.0% in 2023 to 4.0% in 2027 and risk at 2.6%, whilst Strategy 4 is the most costly and risky strategy at 15.4% and 3.9% respectively, compared to Strategy 2 with moderate cost and risk of 10.6% and 3.4% and Strategy 1 with estimated cost and risk of 11.8% and 3.5% as at end of the strategic period 2027.
- The ratios of Interest payment as % of Revenue analysis show that S3 yield the lowest cost and risk due to high external financing, as the external debt service terms requirement has low interest rate, longer maturity and grace period in concessional external financing. Compared to S2 and S1 with the moderate costs and risks. S4 is the most costly and risky strategy.





5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all the four (4) strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results are not feasible due to the restriction placed on states by the Federal Government in accessing the international market to borrow. Still considering cost and risk, S1 becomes the next being the strategy that is feasible and can be implementable in the short to medium-term. It also has a balanced mix of both domestic and external loans.

In comparison to the current debt position, Ogun State debt portfolio stood at N361,027 billion as at end -2022, which expected an increase to N854,467Billion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N832,132 billion), Strategy 3 (N725,481 billion and Strategy 4 (N908,628 billion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2023-2027.

The Debt Management Strategy, 2023-2027 represents a robust framework for prudent debt management, as it provides a systemic approach to decision making on the appropriate composition of external and domestic borrowing to finance 2023 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

2023		Projection Methodology	Source
Assumptions			
Economic activity	State GDP (at current prices)	Ogun State as one of the industrial hub in the country, continued to experience growing economic output over the years due to the emergence of more industries in the state.The historical data according to the National Bureau of Statistics (NBS) on the State Nominal Gross Domestic Product 2018 showed that Ogun State percentage contribution to the National GDP from 2013-2017 rose steadily from 2.39% in 2013 to 3.47% in 2017. The State GDP at the end of 2021 was conservatively projected to be above Four Billion Naira (N4 Billion). If the above trend was maintained during the period under review. Ogun State as the "Gateway State" provides corridor to other States in the Country that link the Country's most Commercial State "Lagos State" also share international border with the Republic of Benin.This has made the State a destination for economic active population due to access to inexpensive space to these areas. The historical data according to National Population Commission revealed that her population rose from 2,333,726 in 1991 Census to 3,751,140 in 2006 census reflecting population growth of 60.74% while the official national annual growth rate was 3.18%. At the end of 2022, World Bank projection was N17,143,381.48 as the Ogun State GDP, all things being equal, the growing economic active population assures availability of human capital for the State to continue to enjoy robust economic output during the period under review. The creation of more infrastructure like Agro-cargo Airport, Railway, Housing, Information Technology, Road, etc through the various agenda implemented by the government help the State to record more GDP in the sectors compared to the all economic output recorded by the State in the past years as revealed by the National Bureau of Statistics (NBS) on the State Nominal Gross Product 2018 Report. Farming is the predominant occupation in the State because it was endowed with abundant arable land for agriculture.The farmers were encouraged through various programmes implemented by the government to ensure food security and earn foreign exchange through their produce.Other key microeconomic projection assumptions are: reduced and stabilised inflation rate, Stabilising Naira to US Dollar exchange Rate, Increase Crude Oil production rate, Increase crude oil benchmark price and Export of Mineral Resources. However, the World Bank SGDP figures recommended was adopted.	The World Bank Suggested forecast figure was used from 2018 to 2032.
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies income tax, customs and (excise) duties at the national level, which is then shared between the three tiers of government using a predetermined sharing ratio. It is envisaged that the uptick in global economic activities will increase the crude oil sales and eventually brings more revenue in the outer years. It is important to take into consideration the crude oil benchmarks, the global effect of the pandemic and the envisaged gradual economic uptick that will increase economic activities globally. The crude oil price has continued to be on the rise from the approved $45 to over $70 pb while global trade has brought about increase revenue from excise duties and other revenue components that makes the statutory allocation. In essence, year 2023 is expected to bring about increase in statutory allocation to the State. The State Revenue Projection of years 2026 to 2032 from Federal Allocation was based on percentage increase of 4% to 25%.	Ogun State Audited Financial Statements from 2018 to 2021, 2023 Approved Budget, MTEF Figures from 2023-2025, Projections were made using percentage increase between 4% and 25% from 2026 to 2032.
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other FAAC Receipts contained the calculated Exchange Gains, Excess Crude, NNPC Dividend and Stamp Duty shared among the three tiers of Government. The State Revenue Projection of years 2026 to 2032 from Other FAAC was based on premise that the State Government will benefit from programs like State Accelerating on Business Enabling Reform Program (SABER) and any other grant programs.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, MTEF figures from 2023-2025, projections were made using percentage increase between 1% to 27% from 2026-2032.
	4. VAT Allocation	Value Added Tax (VAT) is the tax calculated according to value on goods and services at a rate of 7.5% (as it increased from 5% to 7.5% on February 1st, 2020 by the Federal Government). It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set of ratios, and partially based on the amount of VAT individual states generated. States receive 50% of the total VAT collections nationally, from which Ogun State gets around 2.41% of the VAT distribution to States. The State Revenue Projection of years 2026 to 2032 from VAT was based on percentage increase of 6% to 27%.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF, projections were made using percentage increase between 6% and 27% from 2026-2032.
	5. IGR	Internally Generated Revenue is revenue collected within the state, this relates to income tax (PAYE represents the highest contributor to IGR), withholding taxes, direct assessment fines, levies, fees, and other sources of revenue collectable within the state by the Ogun State Internal Revenue Service (OGIRS). IGR has grown at a steady pace year on year since 2017 and witnessed little drop in year 2019 with major setback in year 2020; a reflection of the Covid-19 pandemic that clamped down almost all the economic activities not only in Nigeria but in the entire globe.The State's projection for 2023 is predicated on the plan to expand the tax base and improve collection methods to boost IGR from the lowest end of N80 billion as of 31st December 2020 to N122 billion in 2021 based on the expectation that the State's economy will be more active before the end of Q4, 2021 and bounce back to pre-COVID-19 era of years 2017-2018. Most importantly, the MTRS initiative is expected to boost the existing internally generated revenue. The state generated N84b at the end of Q2 2021 which reflects an increase compared to the N80b that was generated in the year 2020. It is of great significance to mention that the outcome of the planned Ogun Investment Summit, ISEP421 with the theme Ogun State 'Becoming Africa's Model Industrial & Logistics Hub' is expected to showcase the investment opportunities in the State and position the State comfortably among the comity of States that drive Nigerian's economy a major prerequisite for revenue generation. The IGR shows the amount of revenue generated by the State as contained in the State Audited Financial Statement for the period (2018-2021) and management account of 2022.The 2023 figure reflects the revenue expected to be generated by the State following the MTRS in the Approved Budget. The MTRS is a movement from traditional expenditure-based budget approach to revenue driven budget approach. 2024-2025 revenue projections are extracted from the proposed 2023-2025 MTEF documents while the 2026-2032 projections were based on percentage increase of 6% to 27%.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF, projections were made using percentage increase between 6% and 27% from 2026-2032.
	6. Capital Receipts		
	6.a. Grants	Grants are receipts from federal government and international development partners (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children's Fund (UNICEF) etc, Proposed 2023-2025 Medium Term Expenditure Framework (MTEF), from (2026-2032) was based on percentage increase of 10% to 33%. The State is ready to key into programs that will benefit the State both Technical and financial wise. projection for 2026 to 2032 was based on percentage increase of 10% to 33%.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF, projections were made using percentage increase between 10% and 33% from 2026-2032.
	6.b. Sales of Government Assets and Privatization Proceeds	Actual receipts/performance has been on a very low side, the trend continues to drop even in 2019 when the State was so optimistic in getting N30billion but generated less than N2billion. For this reason, performance against budget has also been poor as budgets have tended to pick up all anticipated grants whereas accounts may not reflect all activities. Grant estimates going forward should be consistent with signed agreements, any "Blue-sky" should be specifically linked to the implementation of specific projects. However, the State has been a beneficiary of the World Bank Group assistance to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to shield the State's finances against fiscal crisis. The grants for the period of 2018-2021 were obtained from the State Audited Financial Statements, 2022 figures from the Management Accounts, 2023-2025 figures are internal grants expected to be received from SFTAS, SOCU, TETFUND. The 2026-2032 projections were based on previous grants received by the State (three years moving average).	
	6.c. Other Non-Debt Creating Capital Receipts		

Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel cost represents the wage bill of the State Government workers, funded from the revenue accruable to the State. This budgeted value has been on the increase from the year 2016 to year 2019, while the actual figure witnessed a decrease in year 2018 but rose again in year 2019. The sharp increase of over N7b is evident by the absolute increase in the actual personnel cost 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 present administration's absorption of new workers recruited by the immediate past administration, new recruitment across the health sector prior (post - COVID-19 crisis) etc. This also explains the increase experienced in the budgeted personnel cost in 2021. The State Personnel Cost Projection of years 2026 to 2032 was based on average increase of 2% to 20%.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF. Projections were made using percentage increase between 2% and 10% from 2026-2032.
	2. Overhead costs	Overheads comprise mainly of operational and maintenance costs for running day to day activities of the Government. Overhead allocations are transferred to MDAs on a monthly basis subject to warrants and availability of fund. The actual overhead costs have been below the budget limit since 2016, this will be sustained in the medium term. There should be concerted efforts to prune down the cost of governance, a necessary line of action in an inflationary environment. Hence, the government must review downward (depress overhead costs) the MDAs overhead expenses substantially, but at reasonable percentage vis-à-vis revenue generation prospects of each MDA in the State. The State Overhead Cost Projection of years 2026 to 2032 was based on average increase of 2% to 30%.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF. projections were made using percentage increase between 2% and 30% from 2026-2032.
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	The Public Debt Charges comprise of both principal and interest repayment for domestic and external loans. Pension and Gratuity arrears 2026 - 2032 is based on simple average of outstanding amount as at 2025 for period of 8 years. Most of the domestic loans will be fully repaid by 2025 which result to reduction in loan repayment in the outer years.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF. projections were made using percentage increase between 0% and 28% from 2026-2032.
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Consolidated revenue charges was added to overhead cost	
	5. Capital Expenditure	Capital expenditure represents the commitment of Government towards infrastructure development. Except for 2017 and 2018, performance of capital expenditure has been on the decrease owing to the State's inability to mobilize resources for execution of capital projects due to the shortfall in Government estimated revenue and the increase in recurrent expenditure which could not be correspondingly matched by the total revenue of the State. The negative effects of the pandemic on investment at both micro and macro level particularly had absolute impact on the State investments in capital projects in year 2020. 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 also affected the projected capital investments in the year 2020. Prudent forecasting of revenue, and hence the capital development fund, and tight control on recurrent expenditure, will help both increase the level of capital expenditure and also improve performance against budget going forward. The State Capital Expenditure Projection of years 2026 to 2032 was based on average increase of 2% to 25%. The larger percentage of resource allocation to Capital Projects is to align with the best practice and bring about growth in the State Economy.	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF. projections were made using percentage increase between 2% and 25% from 2026-2032.
Closing Cash and Bank Balance	Closing Cash and Bank Balance	The closing Cash and Bank balance figures for 2026 to 2032 are computed using percentage increase. The closing Cash and Bank Balance represent the addition of budget Balance (which is Total Revenue minus Total Expenditure) and opening Cash and Bank Balance (which is gotten from the Annual Financial Statement).	Ogun State Audited Financial Statements from 2018 to 2022, 2023 Approved Budget, 2023-2025 MTEF. projections were made using percentage increase between 0% and 4% from 2026-2032.
Debt Amortization and Interest Payments	Debt Outstanding at end-2022		
	External Debt - amortization and interest	List the charge deductions from FAAC allocation	DMO Abuja
	Domestic Debt - amortization and interest	List the charge deductions from FAAC allocation (T) (G) in line with the propose repayment schedule	Ogun State DMD's Report
	New debt issued/contracted from 2023 onwards		
	New External Financing	Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	OGSTEP, 2% interest, Maturity (20 Years) and 5 years grace period	
	External Financing - Bilateral Loans		
	Other External Financing		
	New Domestic Financing	Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans, Interest Rate of 22%, Maturity (4 Years) and Grace period (1 year)	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The intervention facilities from CBN via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods	Approval from Federal Ministry of Finance, Abuja
	State Bonds (maturity 1 to 5 years)	State Bonds (Maturity 1-5 years) Interest of 15%, Maturity (4 Years) and Grace period (1 year)	
	State Bonds (maturity 6 years or longer)	State Bonds (Maturity 6 Years or Longer) Interest of 18%, Maturity (10 Years) and Grace period (3 years)	
	Other Domestic Financing	Other Domestic Financing, Interest of 22%, Maturity (5 Years) and Grace period (2 Year)	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State is presently implementing Strategy 1. That is, the State can access funds from Commercial Banks at a prevailing interest rate regulated by Central Bank of Nigeria at 22%	

	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The Intervention facilities from CBN via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods.	Ogun State DMO's Report
	State Bonds (maturity 1 to 5 years)	The State has issued a private placement bond of Thirty Billion naira at 15%. This is redeemable for five years.	
	State Bonds (maturity 6 years or longer)		Ogun State DMO's Report
	Other Domestic Financing	Other Borrowing windows is also opened to the State, such as Contractor Finance Facilities at 22%.	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government will access OGSTEP WORLDBANK Loan at 2% for a period of 20 years with a moratorium of 5 years. In year 2027-2028, it is the only loan left that is been drawn down. However, there could be additionals in the outer years.	Ogun State DMO's Report
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The Intervention facilities from Central Bank of Nigeria via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods.	Ogun State DMO's Report
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government will access OGSTEP WORLDBANK Loan at 2% for a period of 30 years of maturity with a moratorium of 5 years.	Ogun State DMO's Report
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		Ogun State DMO's Report
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	The State government will raise additional funds from capital market in form of Bonds for a period of Six years or longer with a coupon rate of 18.00% within 10 years tenor from 2022 to 2031.	
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government will access OGSTEP WORLDBANK Loan at 2% for a period of 20 years of maturity with a moratorium of 5 years.	Ogun State DMO's Report
	External Financing - Bilateral Loans		
	Other External Financing		

Indicator	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual					Projection									
[illegible]															
Economic Indicators															
State GDP (at current prices)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange Rate NGN/US$ (end-Period)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fiscal Indicators (Million Naira)															
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.a. of which Net Statutory Allocation ('net' means of deductions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.b. of which Deductions	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2. Derivation (if applicable to the State)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3. Other FAAC transfers (exchange rate gain, augmentation, others)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4. VAT Allocation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5. IGR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6. Capital Receipts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6.a. Grants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6.b. Sales of Government Assets and Privatization Proceeds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6.c. Other Non-Debt Creating Capital Receipts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenditure	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2. Overhead costs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3.b. of which Interest deducted from FAAC Allocation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5. Capital Expenditure	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6. Amortization (principal) payments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Budget Balance ('+' means surplus, '-' means deficit)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Opening Cash and Bank Balance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Closing Cash and Bank Balance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financing Needs and Sources (Million Naira)															
Financing Needs						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
i. Primary balance						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ii. Debt service						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amortizations						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interests						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financing Sources						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
i. Financing Sources Other than Borrowing						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ii. Gross Borrowings						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
State Bonds (maturity 1 to 5 years)						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
State Bonds (maturity 6 years or longer)						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Domestic Financing						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
External Financing - Bilateral Loans						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Source of Financing						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Residual Financing						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SIGNATURE PAGE

Name : DAPO OKUBADEJO

Signature : D.Okus

Date : 18-12-2023