2022

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 2017- 2021 while also evaluating the ability of the State to sustain its debt in the long term (2022-2031).

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 **N141,712 billion** in 2021 to **N943,769 billion** in 2031. Expenditure is also anticipated to move from **N214,081 billion** in 2021 to **N1,165.9 trillion** in 2031. The resulting deficit is to be financed by a combination of domestic and external loans.

The debt stock of the State as at year 2021 stood at **N281,993 billion** with the component being 83.83% domestic while the external debt share is 16.17%. the debt stock is expected to rise from **N281,993** in 2021 to **N1,329.01 trillion** in 2031. This increase is huge considering the fact that the State is embarking on huge infrastructural development in the medium to long term. The Projects that are expected to impact positively on the growth of State's GDP are being embarked upon.

The debt to State GDP is projected to remain favorable all through 2022-2031. Even though there are concerns majorly about the debt stock as a share of revenue performance indicators, if the State aggressively pursues fiscal discipline as planned, the risk that comes with this indicator will be mitigated against.

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 grow at 2%, oil price benchmark set at $70, oil production per day is expected to be 1.6mbpd while inflation is projected at 18% though the average inflation rate projection for MTEF was 13.82% and exchange rate at 410/$1 and the global recovery on the Covid-19 pandemic, 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, 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 2022 Revised Budget and the Proposed Medium-Term Expenditure Framework (MTEF), 2023-2025

2.2.1 2022 Revised Budget

The 2022 Revised Budget was prepared amidst a challenging global and domestic environment, the resulting global economic recession caused by the COVID-19 pandemic and the Russian Ukraine War, these had direct impact on the oil price and heightened global economic uncertainty have had important implications for our economy.

Based on the foregoing reforms, Ogun State total revenue available to fund the 2022 Revised Budget is estimated at **N450.99 billion**. This includes Internally Generated Revenue of **N160.17 billion**, Statutory Allocation of **N43.10 billion**, Value Added Tax of **N26.59 billion**, Other Statutory Revenue (eg Excess Crude Oil) of **N3.31 billion**, Capital Receipts of **N182.73 billion**, Opening Balance of **N35.08 billion**.

An aggregate expenditure of **N450.99 billion** for Ogun State Government in 2022. The 2022 Expenditure comprises of Debt Repayment (Interest and Principal) of **N28.01 billion**, other recurrent Expenditure **N154.48 billion** and Capital Expenditure **N268.50 billion**.

2.2.2 Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2023-2025 is presented in the table below.

Ogun State Proposed Medium Term Fiscal Framework

Particulars	Proposal 2023	Proposal 2024	Proposal 2025
MDAS	N' M	N' M	N' M
Internally Generated Revenue (OGIRS)	90,000.	92,126	110,551
Internally Generated Revenue (MDAs)	120,249	140,333	170,474
Sub-Total (IGR)	**210,249**	**232,459**	**281,024**
EXTERNAL LOANS	39,679	38,246	35,510
INTERNAL LOANS	84,896	63,549	26,666
TOTAL GRANTS	3,798	3,923	0
TOTAL CAPITAL RECEIPTS	**128,372**	**106,114**	**62,177**
EXCESS CRUDE OIL	**3,845**	**4,466**	**5,166**
STATUTORY ALLOCATION	50,731	60,946	66,725
VAT	37,422	48,426	64,212
TOTAL FAAC	**88,153**	**113,839**	**136,103**
OPENING BALANCE	41,632	49,573	50,596
GRAND TOTAL	**472,251**	**501,984**	**529,900**

Ogun State Expenditure Projections (2023 – 2025)

PARTICULARS	PROPOSAL 2023	PROPOSAL 2024	PROPOSAL 2025
Expenditure	N' M	N' M	N' M
Personnel Cost	79,467	81,680	84,130
Overhead Cost	61,345	70,032	79,315
Consolidated Revenue Cost	21,124	22,840	24,624
Public Debts Charges	39,903	39,370	34,142
Total Recurrent Expenditure	**201,840**	**213,922**	**222,211**
Capital Expenditure	264,859	281,384	299,334
Stabilization Fund	5,552	6,677.93	8,356
Total Capital Expenditure	**270,411**	**288,062**	**307,689**
Total Expenditure	**472,251**	**501,984**	**529,900**

2.2.2 The Key Objectives of 2022 Revised Budget

i. 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.

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

iii. 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.

iv. Creation of enabling environment 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

v. 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).
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2.2.3 Medium Term Policy Objectives and Targets: This shows the implication of the forecast on fiscal and debt policies for the Medium-Term Budget for years 2023-2025.

The overall medium-term policy objectives are;

1. The 2023 - 2025 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, 2017-2021

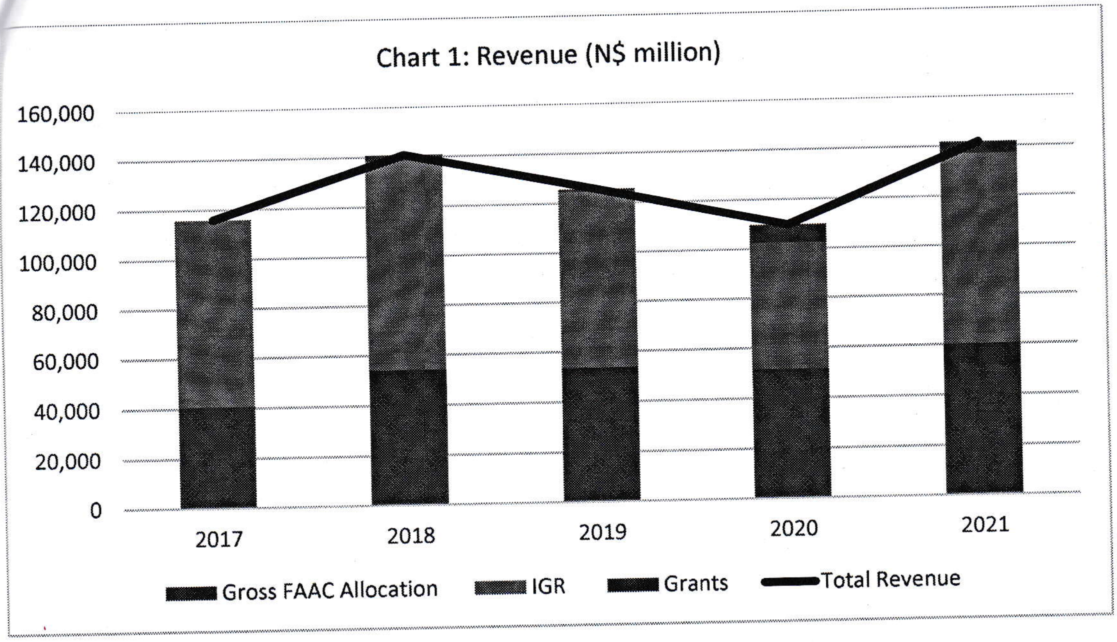
3.1 Revenue

The Ogun State's total revenue increased from N115,852 in 2017 to N140,845 in 2018 by 21.57%, but declined in 2019 to N125,690 also declined in 2020 to N109,693 by -12.72%. The total revenue increased to N141,712 in 2021 by 29.19%.

The Gross FAAC Allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others increased from N40,806 in 2017 to N54,119 in 2018 by 32.63% but declined in 2019 to N53,781 from N54,119 in 2018 by 0.63% and also to N51,528 in 2020 from N53,781 in 2019 by 4.19%. The Gross FAAC Allocation increased to N60,356 in 2021.

Ogun State's Internally Generated Revenue (IGR) showed a growth during the period under review, the IGR increased from N74,836 in 2017 to N84,554 in 2018 by 12.99% but declined in 2019 to N71,002 from N84,554 in 2018 by 16.03% and to N50,697 in 2020 from N71,002 in 2019 by 28.60%. The IGR increased to N76,677 in 2021 from N50,697 in 2020 by 51.24%

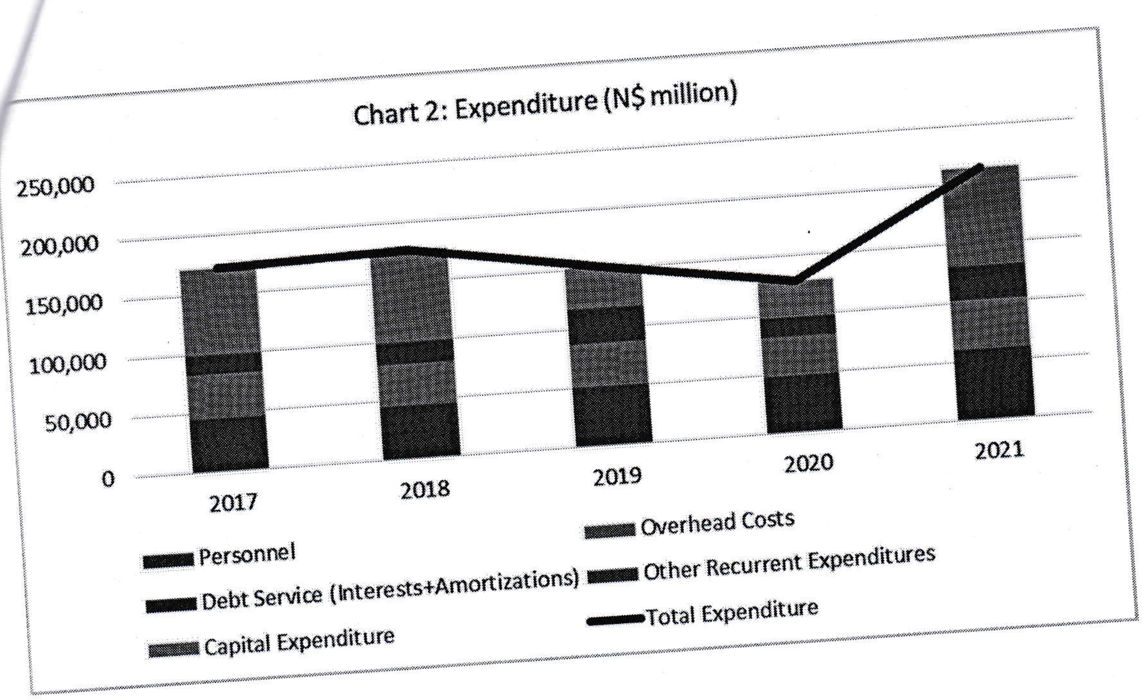
Details	**2017**	**2018**	**2019**	**2020**	**2021**
	N'000,000	**N'000,000**	**N'000,000**	**N'000,000**	**N'000,000**
Total Revenue	115,852	140,845	125,690	109,693	141,712
Gross FAAC Allocation	40,806	54,119	53,781	51,528	60,356
IGR	74,836	84,554	71,002	50,697	76,677
Grants	210	2,172	907	7,468	4,679



3.2 Expenditure Performance

The State's Total Expenditure includes Capital Expenditure, Personnel Costs, Overhead Costs, other Recurrent Expenditure, and Debt Service (interest payment and principal repayment). In 2021 Ogun State total expenditure amounted to N214,081billion compared to N172,956 billion as at end-December 2017, which represent a growth of N41.13 billion or 23.78 percent. The personnel cost stood at N45,806 billion in 2017, N44,915 billion in 2018, N50,415 billion in 2019, and N48,220 billion in 2020 and N60,176 in 2021 respectively. The overhead cost stood at N43,321 billion in 2021 compared to N33,960 billion in 2020. Capital Expenditure amounted to N82,381 in 2021, N30,487 billion in 2020, N35,418 billion in 2019, N76,430 billion in 2018, N73,213 billion in 2017 respectively. The Total Debt Service that comprises the interest payment and principal repayment stood at N28,203 billion as at end-December 2021 compared to N16,766 billion as at end-December 2017.

Details	2017	2018	2019	2020	2021
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Total Expenditure	172,956	176,515	152,090	129,288	214,081
Personnel	45,806	44,915	50,415	48,220	60,176
Overhead Costs	37,170	36,177	36,965	33,960	43,321
Debt Service (Interests + Amortizations)	16,766	18,993	29,291	16,621	28,203
Other Recurrent Expenditures	0	0	0	0	0
Capital Expenditure	73,213	76,430	35,418	30,487	82,381



3.3 STATE DEBT PORTFOLIO, 2017 - 2021

Ogun State's Debt stock amounted to N281,993 billion as at end-December 2021 compared to N187,199 billion as at end-December 2020, representing an increase of N94,793 billion or 50.64%. The increase in the Total Debt stock was reflected in both Domestic and External Debt components. The external debt stock increased from N33,708 billion in 2020 to N45,594 billion in 2021, while the domestic debt stock significantly increased to N236,399 billion in 2021 from N153,491 billion in 2020.

PUBLIC DEBT PORTFOLIO

Details	2017 N'000,000	2018 N'000,000	2019 N'000,000	2020 N'000,000	2021 N'000,000
Outstanding Debt (Old + New)	132,246	129,798	172,733	187,199	281,993
External	27,205	31,575	30,837	33,708	45,594
Domestic	105,040	98,223	141,896	153,491	236,399

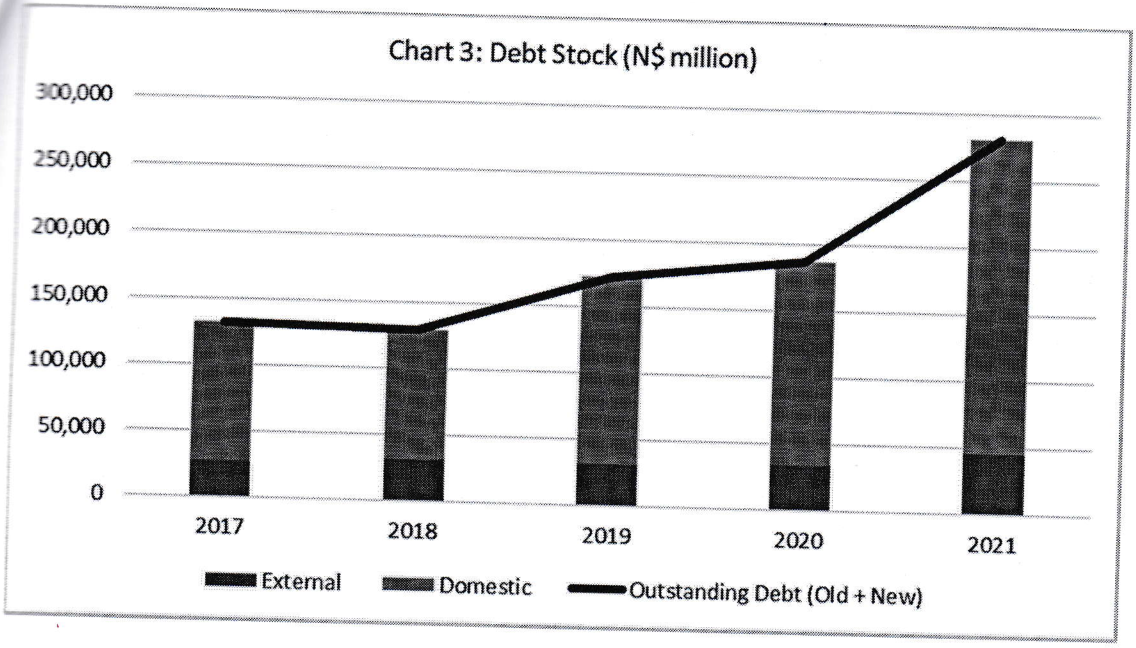


Chart 3: shows a sharp increase in the Debt Stock from N132,246 billion in 2017 to N281,993 billion in 2021, due to receipt of the Differentiated Cash Reserve Requirement (DCRR), Ogun State Economic Transformation Project (OGSTEP), Excess Crude Account Backed Loan and Budget Support and infrastructure loans alongside with the Salary arrears Bailout Loan.

Ogun State Debt Portfolio as at the end of 2021 consists of external debt N45,594 billion or 16.17% and Domestic debt was amounted to N236,399 billion or 83.83% respectively.

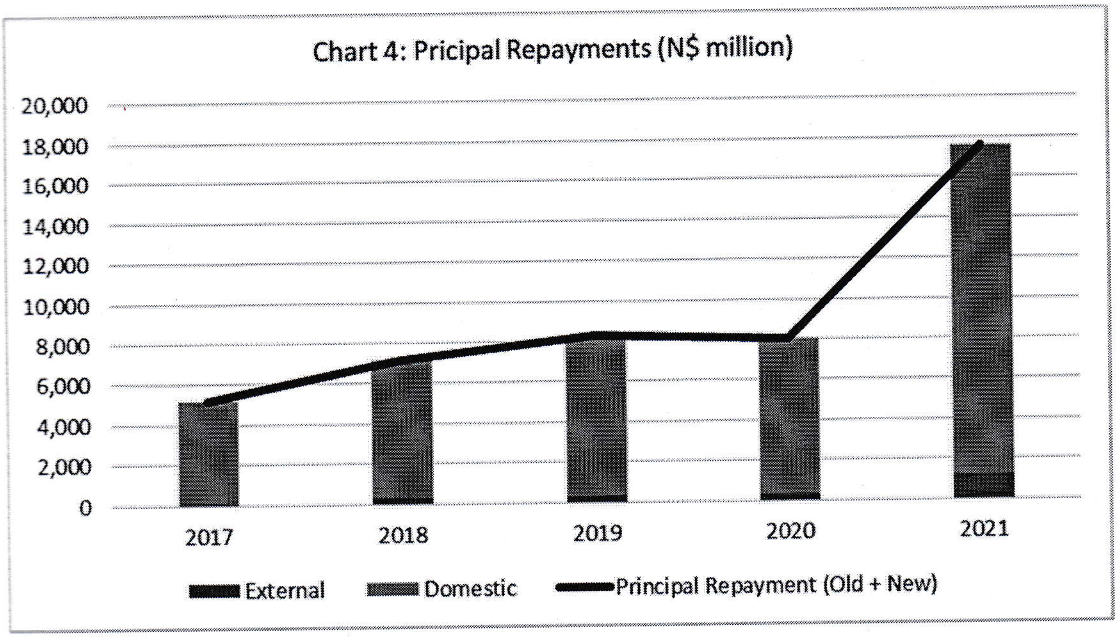
Ogun State holds a medium cost and medium risk debt portfolio. The debt portfolio has an average domestic interest rate of 11.8% and average external interest of 2.0% in 2021. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risks. Exposures to currency fluctuations is limited because the foreign currency–denominated loans are only 16.17% of total debt stock in 2021. 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 N15,058 billion, N16,962 billion, N18,115 billion, N16,449 billion and N27,651 for 2017, 2018, 2019, 2020 and 2021 respectively. The principal repayment stood at N17,603 billion in 2021 compared to N8,024 billion in 2020.

While Interest Payment amounted to N10,047 billion in 2021 compared to N8,425 billion in 2020. The principal repayments and Interest Payment made were on both External Debt and Domestic Debt.

See Chart 4 and 5).

Details	2017 N'000,000	2018 N'000,000	2019 N'000,000	2020 N'000,000	2021 N'000,000
Principal Repayment (Old + New)	5,142	7,144	8,294	8,024	17,603
External	94	326	317	326	1,213
Domestic	5,047	6,818	7,977	7,698	16,390



Details	2017 N'000,000	2018 N'000,000	2019 N'000,000	2020 N'000,000	2021 N'000,000
Interest Payment (Old + New)	9,917	9,817	9,821	8,425	10,047
External	78	133	98	130	341
Domestic	9,839	9,684	9,723	8,295	9,706

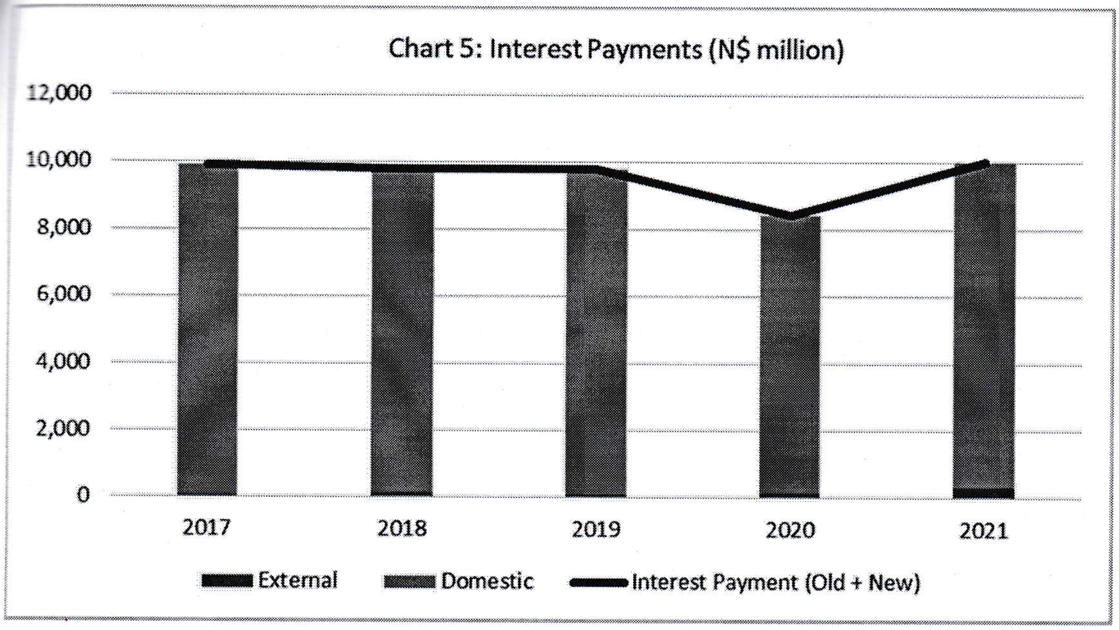


Chart 5: Interest Payments (N$ million)
12,000
10,000
8,000
6,000
4,000
2,000
0
2017
2018
2019
2020
2021
External
Domestic
Interest Payment (Old + New)

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 2017 and 2021 and shows a gradual ascending trend from 2021 to 2025 in chart 21 but there was a decline after 2025. The ratio was 12/25 in 2026 and reduced to 7/25 in 2031. The total debt portfolio to SGDP is within the threshold from 2017 to 2031 suggesting room for 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 below the threshold from 2017 to 2022 but was above threshold from 2023 to 2027. The percentage was also below threshold from 2028 to 2031 due to various reforms in the State's revenue drive.

Chart 23 shows the Debt Service as a percentage of revenue. The percentage is below the threshold from 2017 to 2031.

Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) percentage kept fluctuating from 37% in 2017 to 89% in 2031.

Interest payment as a percentage of revenue revealed that the maximum exposure of the State's interest towards revenue was 16% in 2025 and 15% in 2026 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 2% in years 2025, 2029, 2030 and 2031 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 45% in the medium term.

The economy is expected to gradually recover from 2021-2024, with real GDP expanding at an average annual rate of 3.18% and domestic inflation at 13.82% between 2023 and 2025. 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. Also, the construction of Ogun State Economic Development Clusters (EDCS) across Six (6) cluster in the State and Agro Cargo Airport will boost the State's profile to become West African Trade Hub. This will benefit the State economy immensely.

Ogun State Debt burden as at end -2021

INDICATORS	THRESHOLD	RATIO
Debt/SGDP	25%	5.78%
Debt/Revenue	200%	199%
Debt Service/Revenue	40%	20%
Personnel Cost/Revenue	60%	42%
Debt Service/FAAC Allocation	-	46%
Interest Payment/Revenue	-	7%
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 from sales of land at the Economic Development Cluster and the Aerotropolis, this will benefit the State towards overall economic recovery. On the other hand, the Civil Service Reform policies being implemented with regards to personnel and overhead cost, are likely to decline these costs from their historical trends. Furthermore, monitoring of expenditure through level of authorization and approval for recurrent and capital expenditure would assist in reducing expenditure generally.

4.2 BORROWING OPTIONS

Ogun State Government intends to finance its new borrowing from 2022 to 2031 mainly through Commercial Bank Loans (maturity 1 to 5 years) estimated at 17.5%, Commercial Bank Loans (maturity 6 years or longer, including CBN Intervention Loans: DCRR) estimated at 9%, State Bonds (maturity 6 years or longer) at 17% and Other Domestic Financing at 17.5% over projection period, compared with External financing-concessional financing which was estimated at 2% due to the limited funding envelopes from the external borrowing with long processing time required for loans from Multilateral and Bilateral Creditors.

Table of variables for Borrowing options

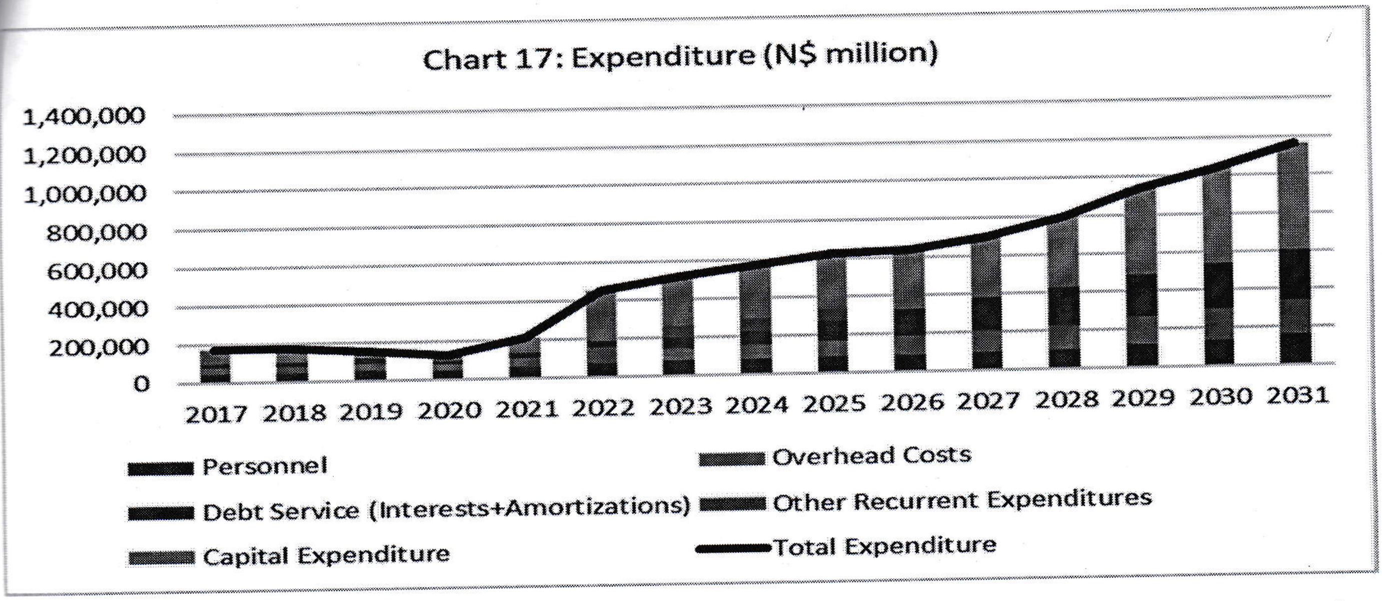
S/N	**New Domestic Financing**	**Interest Rate (%)**	**Maturity (Yrs)**	**Grace Period (Yrs)**	**Currency**
1	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	17.5%	4	1	Naira
2	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	9%	10	2	Naira
3	State Bonds (maturity 6 years or longer)	17%	10	3	Naira
4	Other Domestic Financing	17.5%	5	2	Naira
	New External Financing	**Interest Rate (%)**	**Maturity (years)**	**Grace (years)**	**Currency**
1	External Financing – Concessional 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.

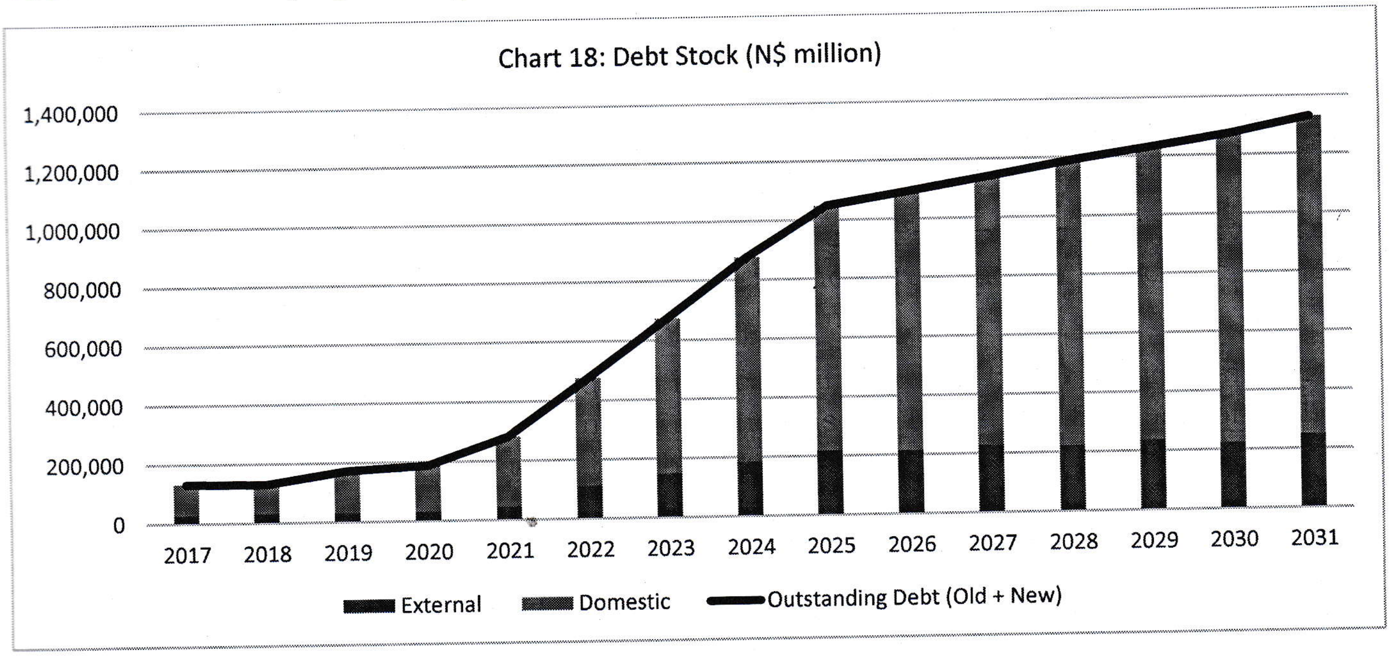
Ogun State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N141,712 billion in 2021 to N943,769 billion in 2031 representing an increase of N802,057 billion or 565.97% over the projection period. Gross FAAC Allocation projected to grow from N60,356 billion in 2021 to N299,454 billion in 2031 which is expected to increase by N239,098 billion or 396.14% and Grants reduced from N4,679 billion in 2021 to N1,879 billion in 2031. The projections were sources from the Ogun State Audited Financial Statement, Approved 2022 Budget; MTEF 2023-2025; 2026-2031 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, sales of land in the Economic Development Clusters and commencement of operation at the Aerotroplis Village will bring more revenue and businesses in the informal sector into the tax net. IGR estimated to grow by N565,759 billion or 737.84% (from N76,677 billion in 2021 to N642,436 billion in 2031), over the projection period. The projections were sources from the Ogun State Audited Financial Statement, Approved 2022 Budget; MTEF 2023-2025; 2026-2031 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 N281,993 billion in 2021 to N1,329,011 trillion in 2031, representing an increase of N1,047,018 billion or 371.29% over the projection period. External Debt projected to grow by N205,141 billion or 449.93 between 2021 and 2031 and Domestic Debt to increase by N841,877 billion or 356.13% over the projection period.



OGUN STATE MAIN FINDING

The Baseline Scenario results shows that the ratio of Debt as a % of GDP is projected at 5.78% in 2021, 8% in 2022, 10% in 2023, 12% in 2024, 13% in 2025, 12% in 2026, 11% in 2027, 10% in 2028, 9% in 2029, 8% in 2030 and 7% in 2031 respectively, as against the indicative threshold of 25%.

The ratio of Debt as percentage of Revenue estimated at 199% in 2021, 195% in 2022, 223% in 2023, 254% in 2024, 254% in 2025, 205% in 2026, 201% in 2027, 186% in 2028, 159% in 2029, 149% in 2030 and 141% in 2031.

Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain under the threshold over the projection period from 2022 to 2031. This is based on the fact that the internally Generate revenue of the State will increase tremendously through the sales of land in the cluster area and returns from the Cargo Airport. Also, the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

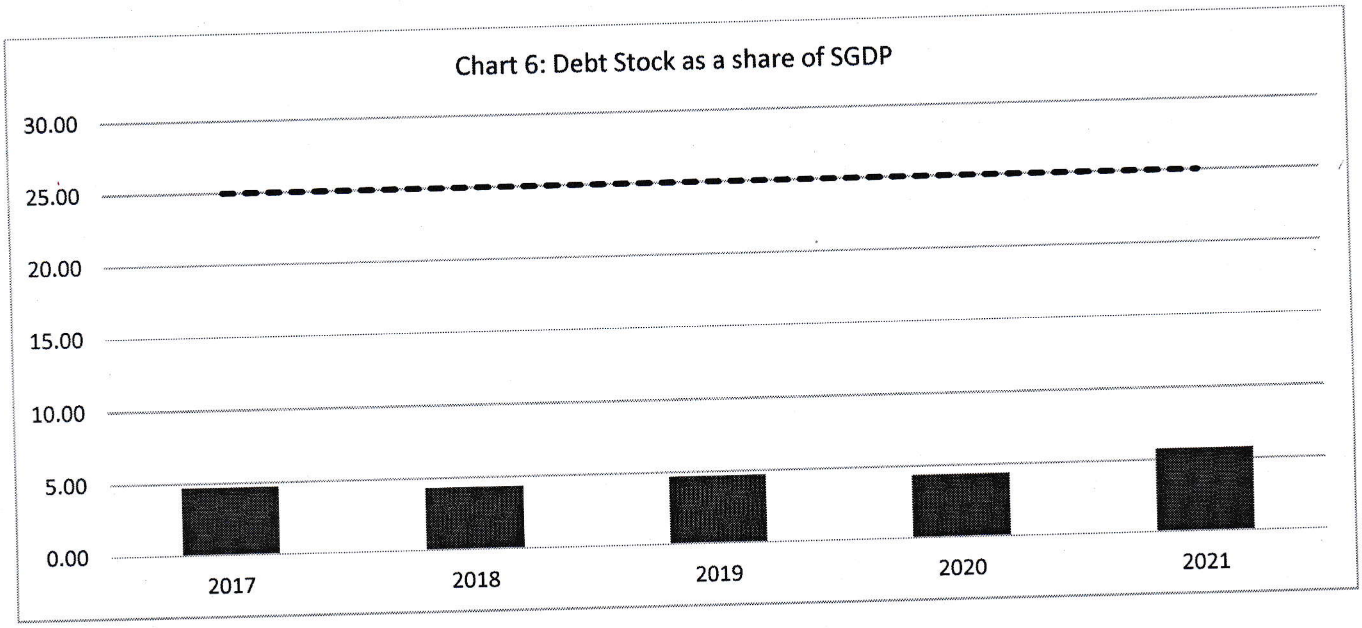
<u>The State Government Debt Policies to Manage Debt and Repayment Obligations</u>

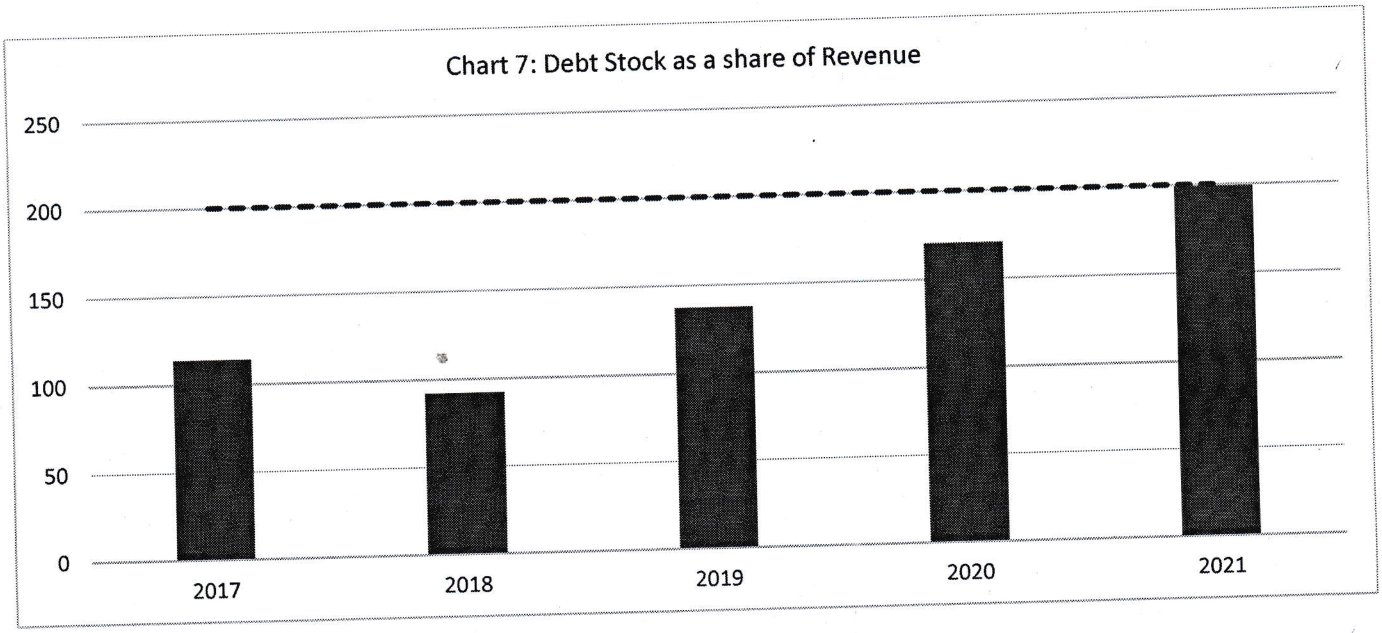
The state debt will be sustainable in 2022, 2028, 2029, 2030 and 2031 with the following ratios 195, 186, 159, 149 and 141 respectively. However, the debt of the State will not be sustainable in 2023, 2024, 2025, 2026 and 2027. The State government through its various revenue strategies and reform will refinance some of the debt in her debt stock and may also resolve into financing it budget through Internally Generated from the following:

i. Revenue generated from the newly introduced 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 effects on the IGR of the State inform of income from Stamp Duty, Building Permit, Survey, PAYE etc.
ii. The loan obtained for construction of major roads will be restructured once the State complete the process of concession. This will drastically reduce the debt stock and debt service of the State.
iii. The digitalization of Tax Payment and review of Tax Rate will plug revenue leakage and increase revenue from this source.
iv. Inflow of more industries to the Industrial Cluster and activities at the Agro Cargo Airport will bring more revenue the State can use to restructure/liquidate some of it debt stock.
v. Expanding Land Use Charges to cover all the Local Governments increase the number of properties captured under that Tax Net and the income accrued tom the State, hence, the State may resolve into having more revenue to finance it budget

vi. 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.

vii. Staff Verification Exercise is being done 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. The Land Used Charge is also a new revenue head embedded with motivators to reduce tax defaulters.





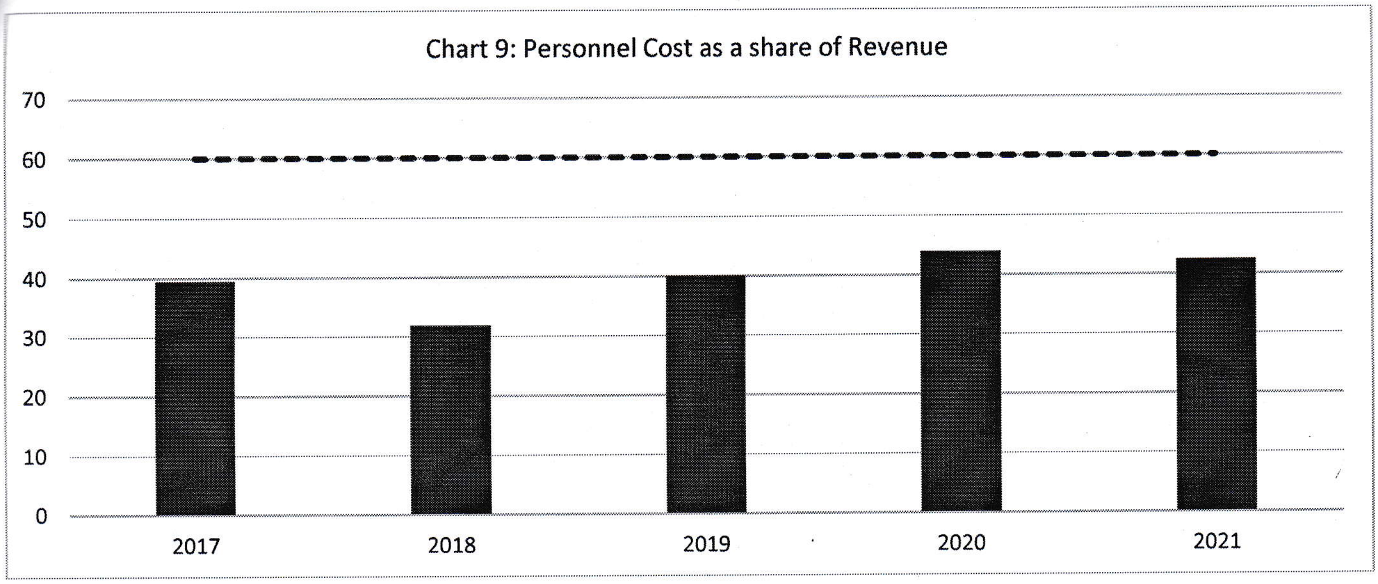


Chart 9: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2017
2018
2019
2020
2021

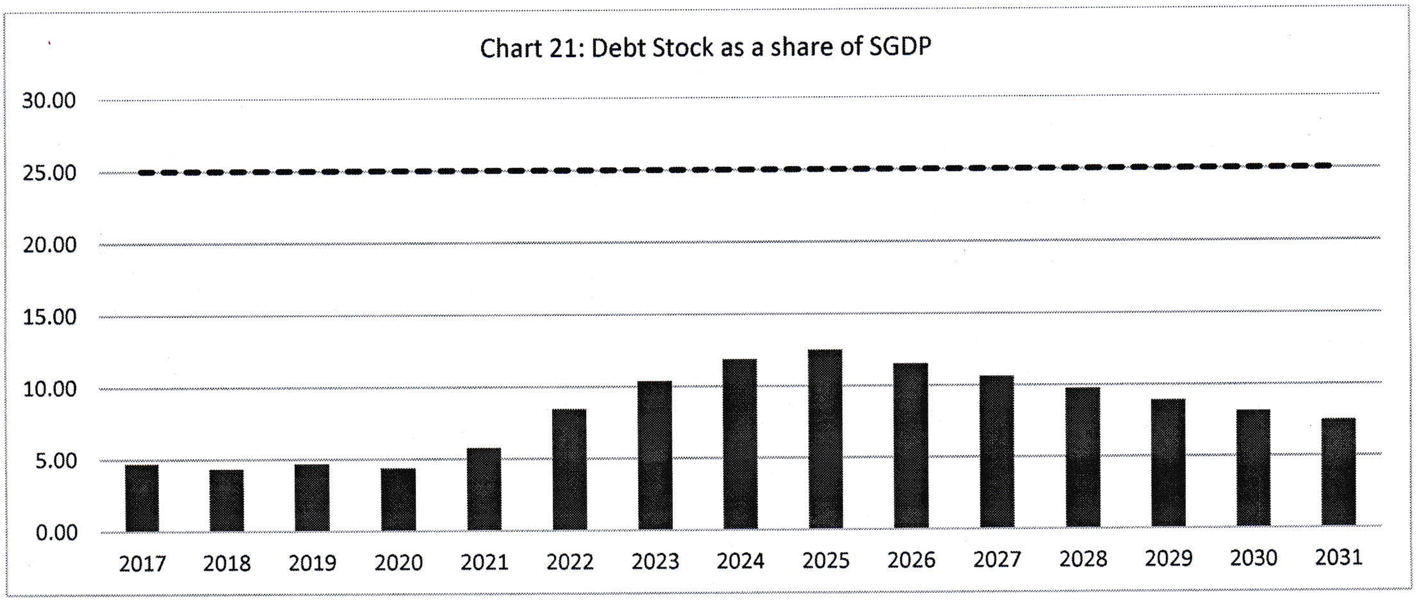


Chart 21: Debt Stock as a share of SGDP
30.00
25.00
20.00
15.00
10.00
5.00
0.00
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031

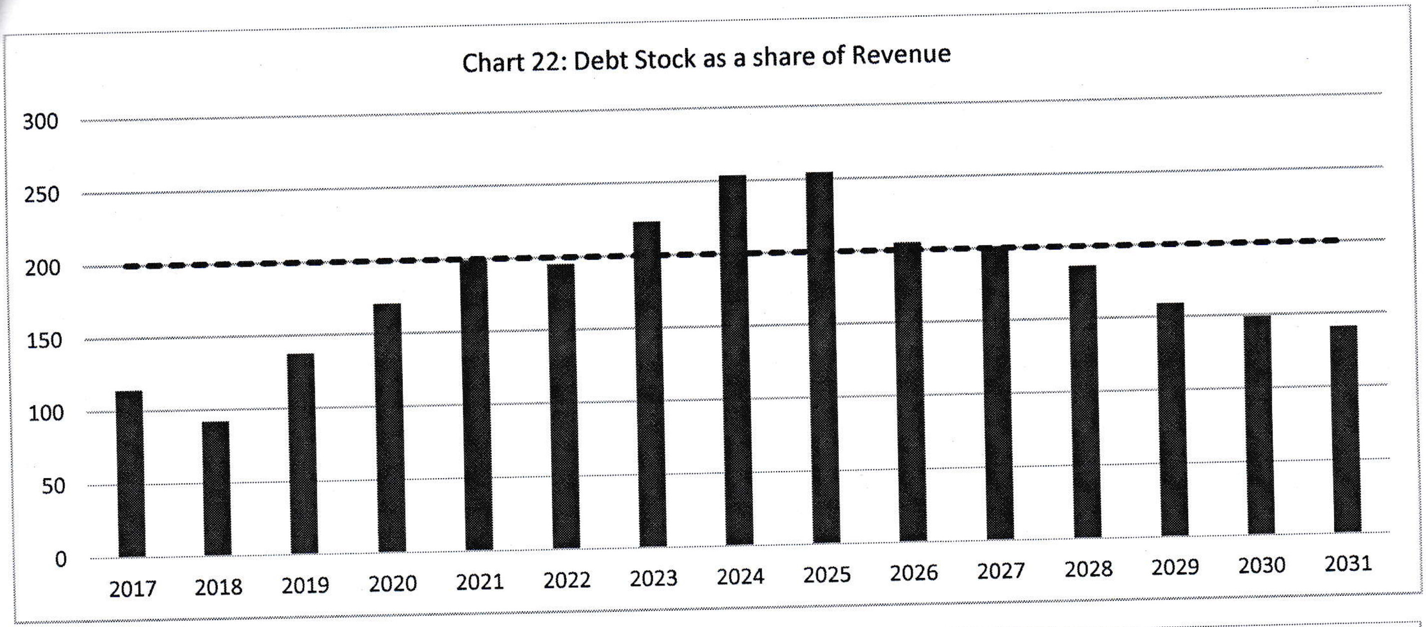


Chart 22: Debt Stock as a share of Revenue
300
250
200
150
100
50
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031

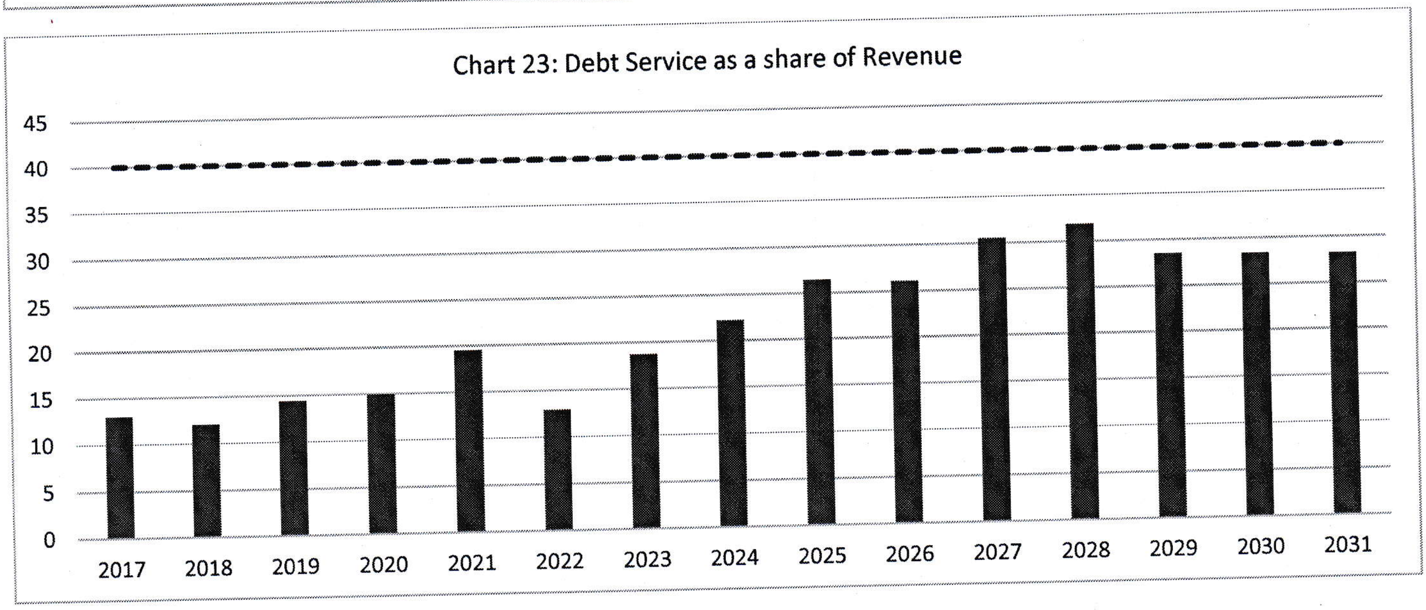
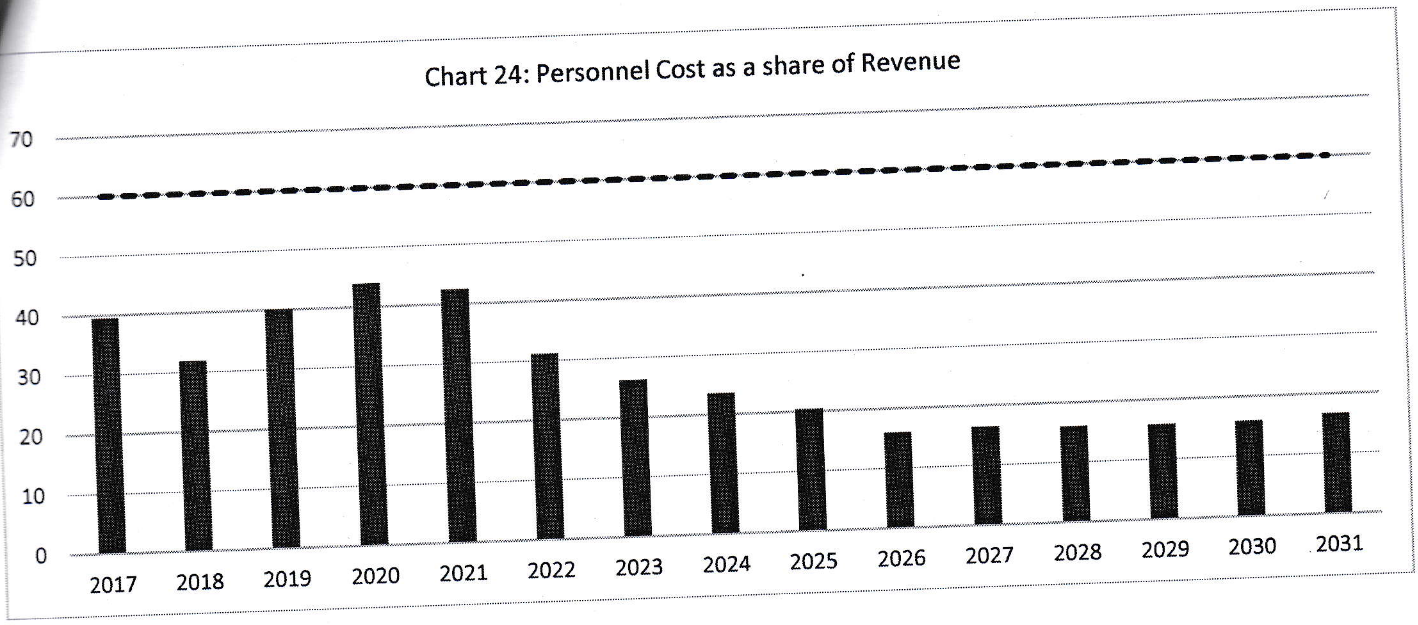


Chart 23: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031



CONCLUSION

Ogun State DSA result shows that, the State is at the medium risk of Debt Distress (2023-2025). The Debt as a share of GDP performance indicator remains favorable to the State because the State did not breach the threshold set at 25%. However, the situation is critical for Debt Stock as a share of revenue because the State breached the threshold from 2023-2025 which are the MTEF years in the projection years but the Debt Service to Revenue indicator did not breach the threshold. However, the aggressive revenue drive of the State and multiplier revenue from the projects which the loan are used for will mitigate the effect of the debt distress.

The Reforms of the State Government which gives rise to huge increase in revenue and resulting to increase in capital expenditure over the projected years are highlighted below:

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 2022 DSA analysis shows that the State's debt is sustainable in 2022 but unsustainable between 2023 and 2027. Under sensitivity analysis, the State DSA analysis shows deteriorate levels from 2023 to 2031 relative to revenue shocks, 2023-2031 for expenditure shocks, 2023-2027 for exchange rate shocks and 2023-2027 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 from 2028 to 2031, the Expenditure shock and Revenue shock scenarios are above the threshold from 2023 to 2031.

In the Debt stock as a share of revenue indicator, the historical scenario is not factored into the analysis, the revenue scenario and expenditure scenario breached the threshold from 2023 to 2031.

In Debt Service as a percentage of Revenue indicator, revenue shock breached the threshold between 2028 and 2031, expenditure shock breached the threshold in 2028, Exchange rate and Interest rate shocks did not breach the threshold from 2022 to 2031.

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 12: Debt Stock as a share of SGDP

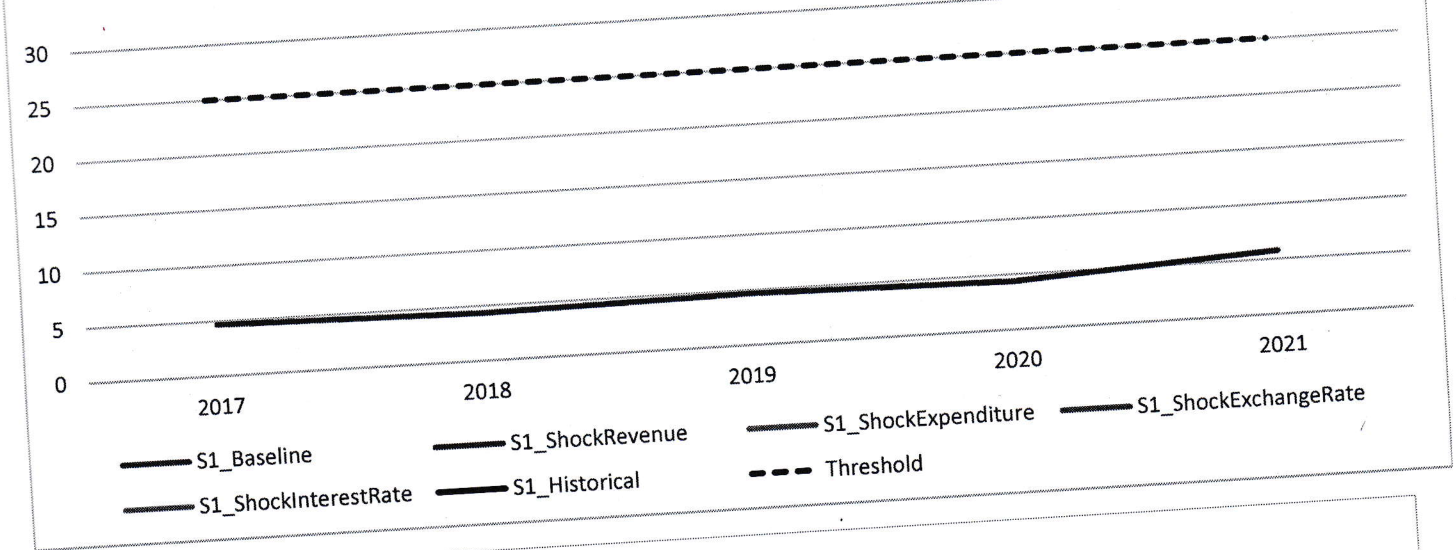


Chart 13: Debt Stock as a share of Revenue

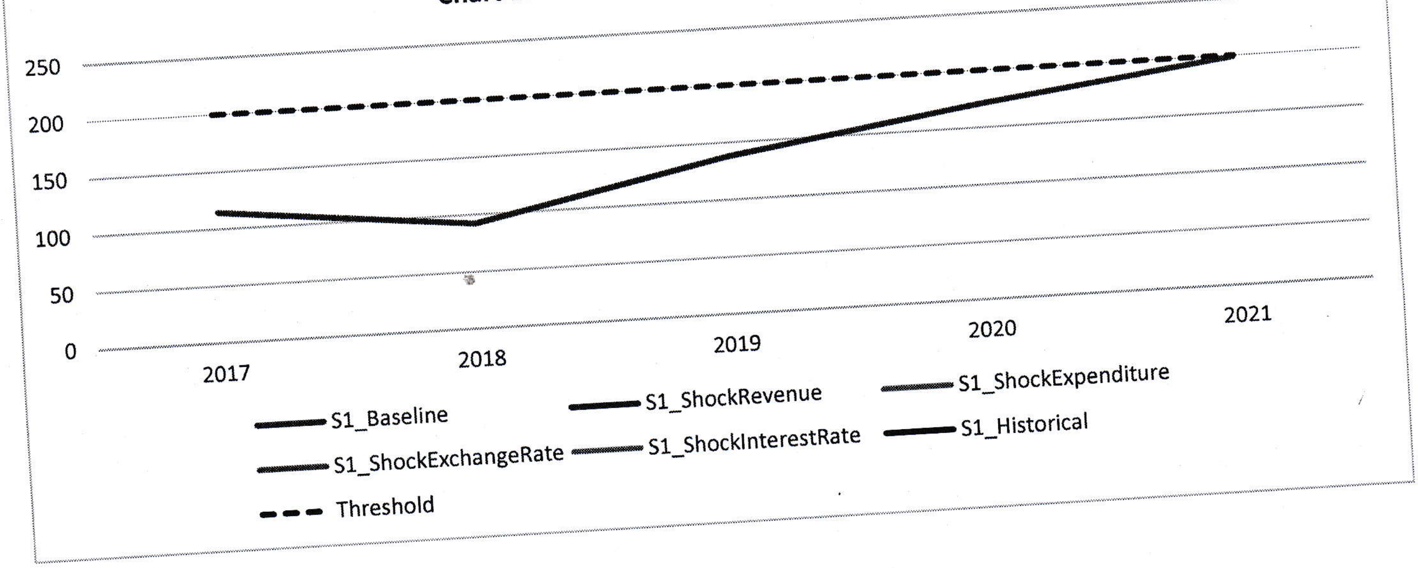


Chart 14: Debt Service as a share of Revenue

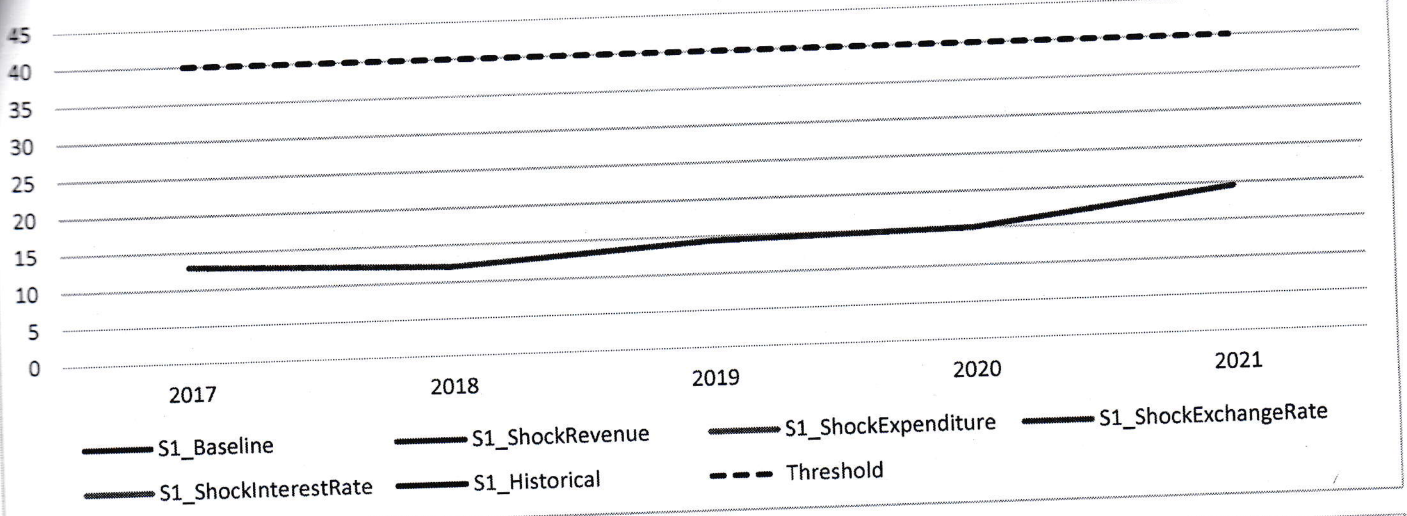
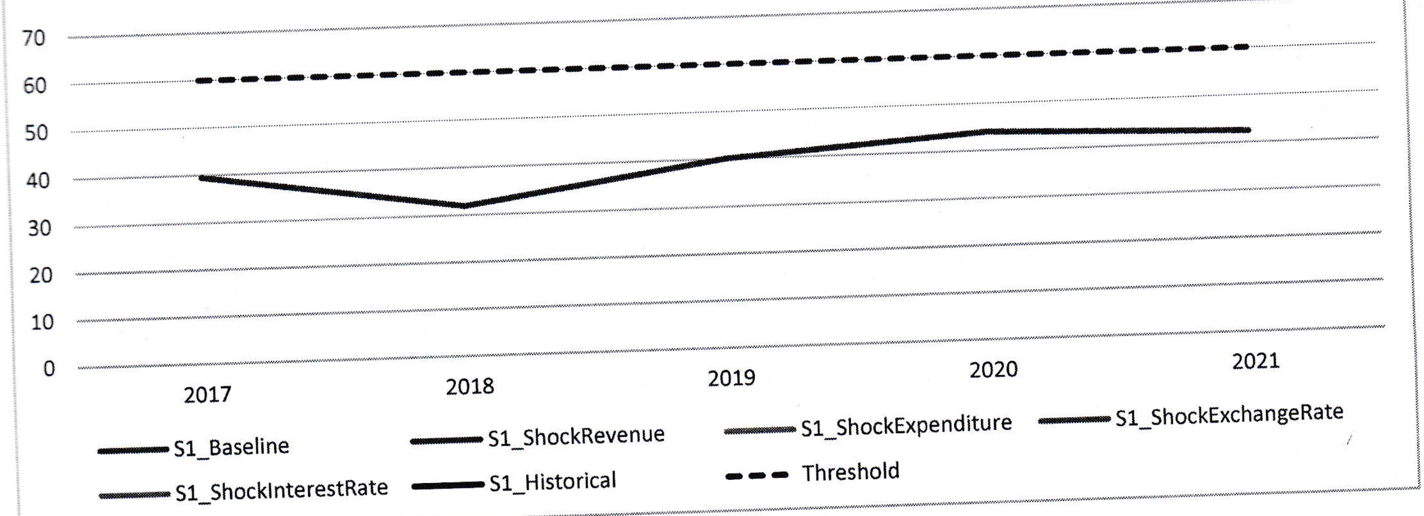


Chart 15: Personnel Cost as a share of Revenue



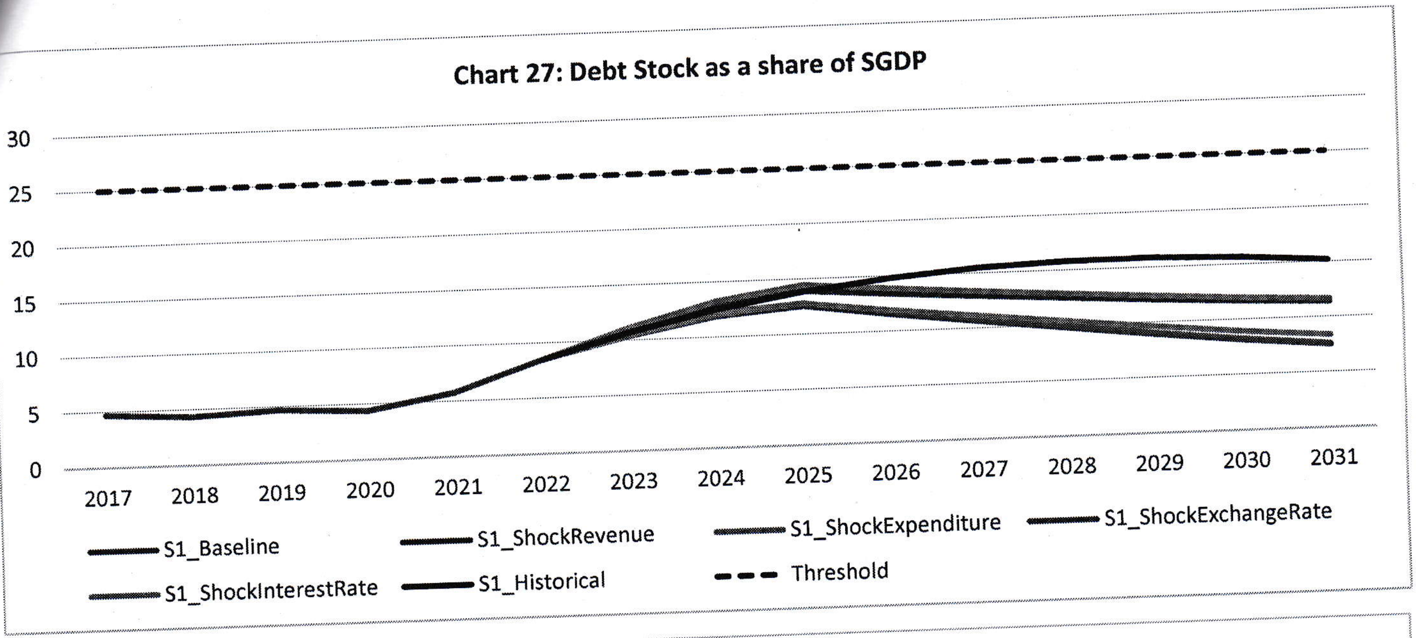


Chart 27: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

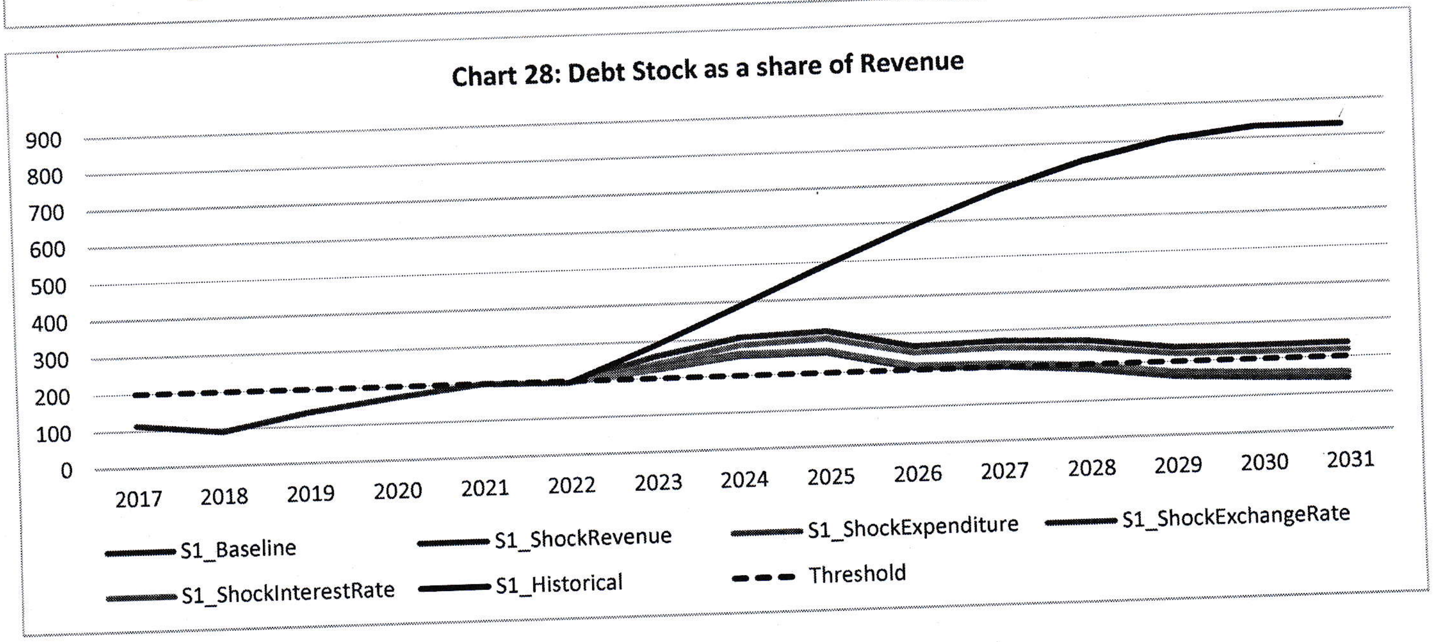
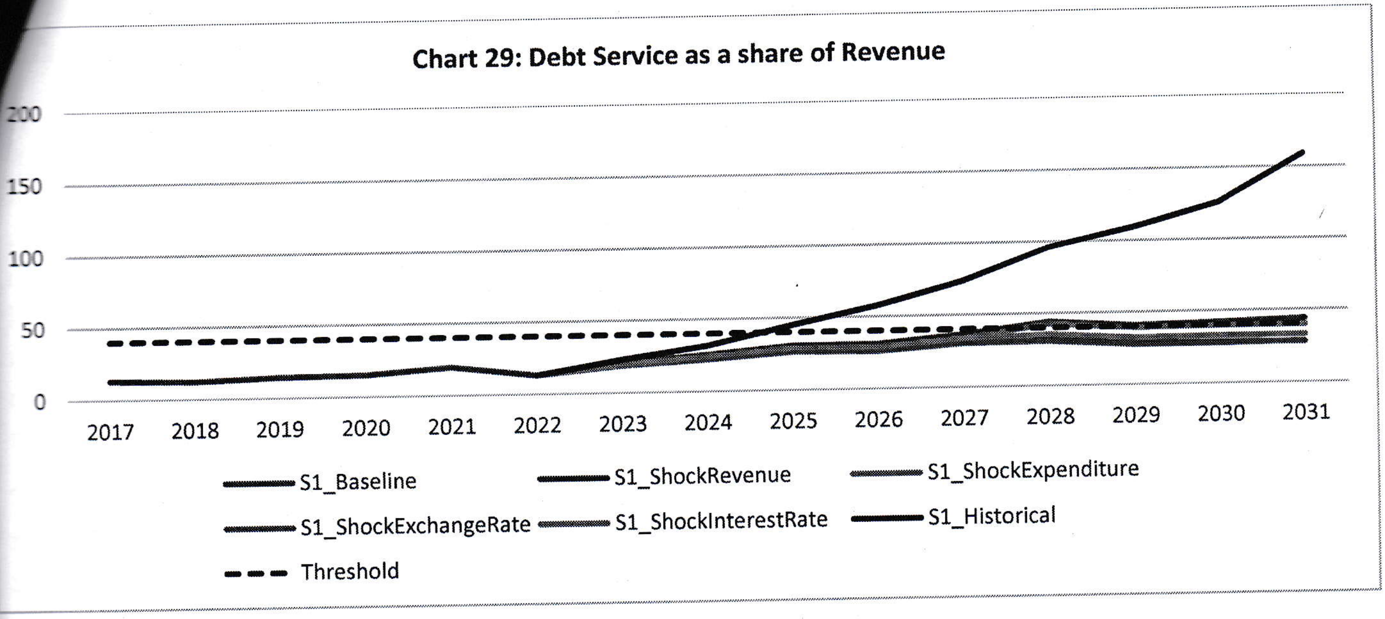
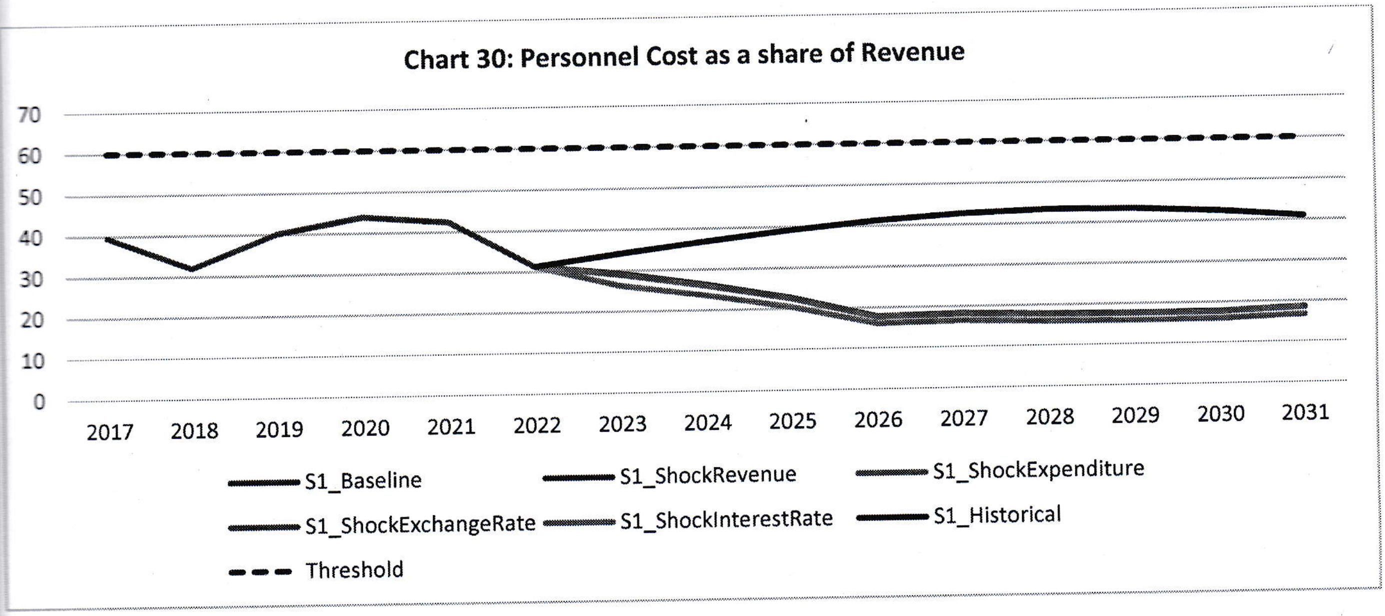


Chart 28: Debt Stock as a share of Revenue
900
800
700
600
500
400
300
200
100
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold





Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is the need to cut down on recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment automatically. The Covid-19 pandemic 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. Following four (4) strategies are assessed by the government. The Ogun State's Debt Management Strategy, 2022-2026, 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 2026, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2026 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 2022 and MTEF 2023-2025.

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMED) accounts for average of 5.88% over the strategic period.

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) account for 62.92%.

State Bonds (maturity 6 years or longer) account for 3.27% and External Financing - Concessional Loans (e.g., World Bank, African Development Bank) account for 27.92% over the DMS period of 2022-2026

Strategy 2 (S2) focus more on financing through External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

In strategy 2, government decided to focus its financing from 2022 to 2026, through External Financing - Concessional Loans (e.g., World Bank, African Development Bank) 100 %.

Strategy 3 (S3) focus more on financing through Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)

In this strategy, the State Government will focus its financing through Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) 100%.

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

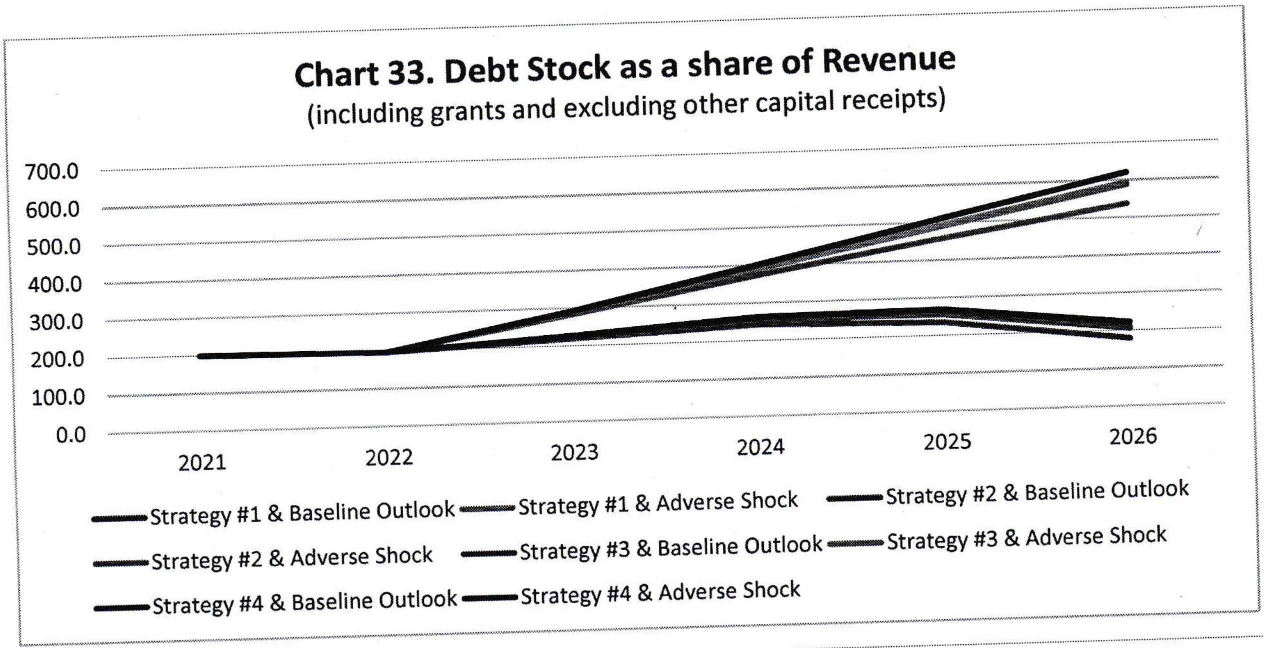
This Strategy (S4) considers financing mix of external and domestic debt instruments but not in the same proportion as Strategy one (S1). Other Domestic Financing represents an average of 56.60%, while External Financing - Concessional Loans (e.g., World Bank, African Development Bank) represents 43.40% respectively.

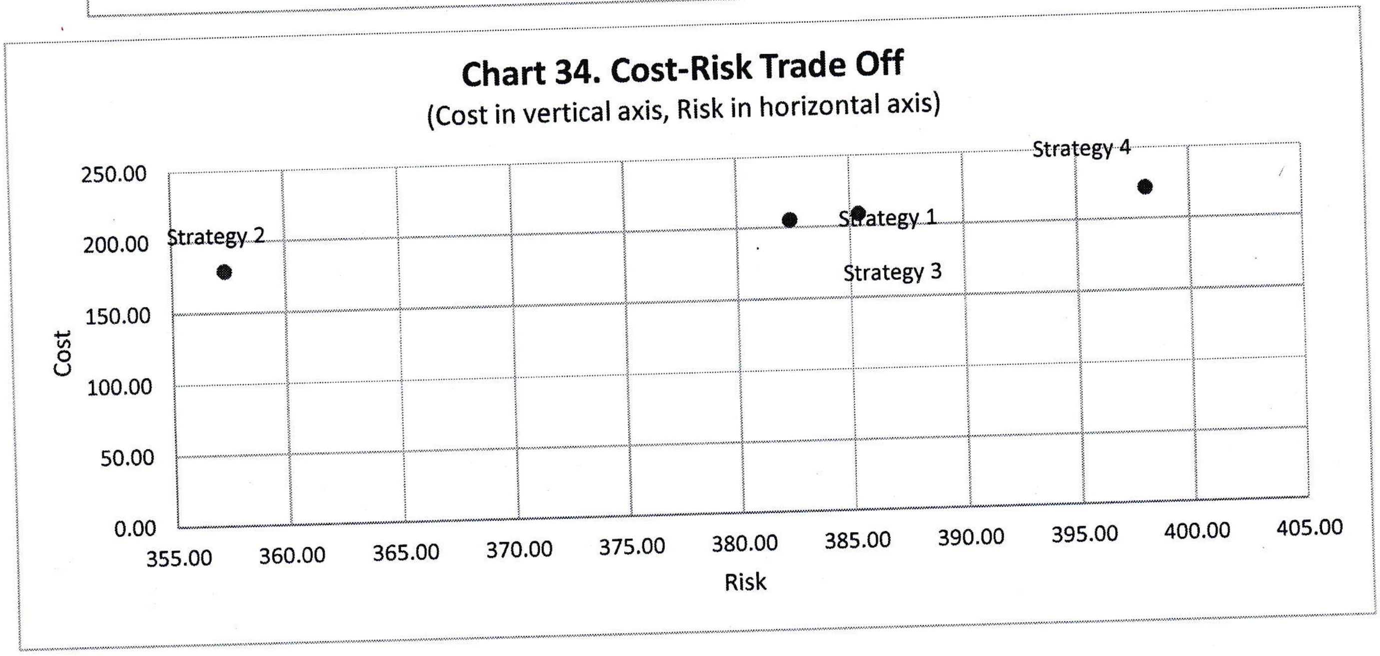
5.2 DMS Simulation Results

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:**

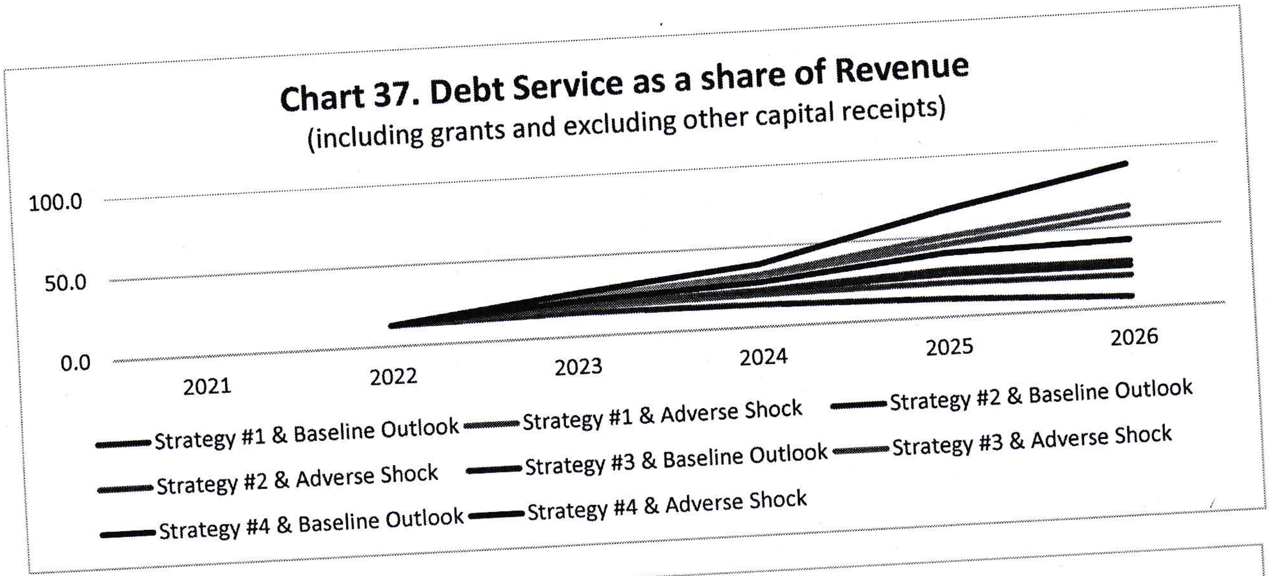
- Strategy 2 shows the cost ratio of Debt to Revenue estimated to reduce from 195.4% in 2022 to 179.1% as against Strategy 1 (205.2%), Strategy 3 (208.4%), Strategy 4 (221.7%), over the DMS period of 2026, compared with the risks measured of Strategy 2 (357.3%), Strategy 1 (382.3%), Strategy 3 (385.40%), Strategy 4 (398.1%) respectively.
- Analysis using this debt indicator of debt to revenue shows that S2 is the least costly and riskier which was estimated at 179.1% and 357.3% compared to Strategy 1 (205.2% and 382.30%), Strategy 3 (208.4% and 385.4%) and Strategy 4 (221.7% and 398.1%), respectively. On the other hand, Strategy 4 is the costliest and the riskiest strategy which was estimated at 221.7% and 398.1%, which concentrated on financing through Financing Mix (External Concessional Loans and Domestic Loans) over the DMS period of 2022-2026.

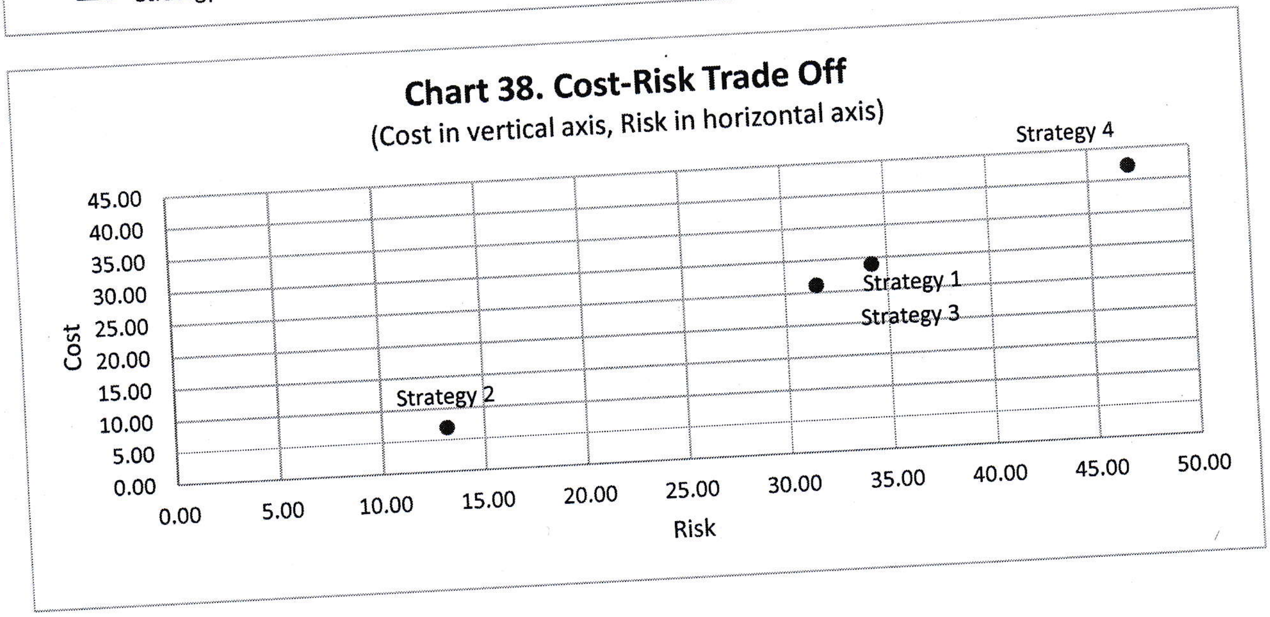




b) Debt Service as a share of Revenue:

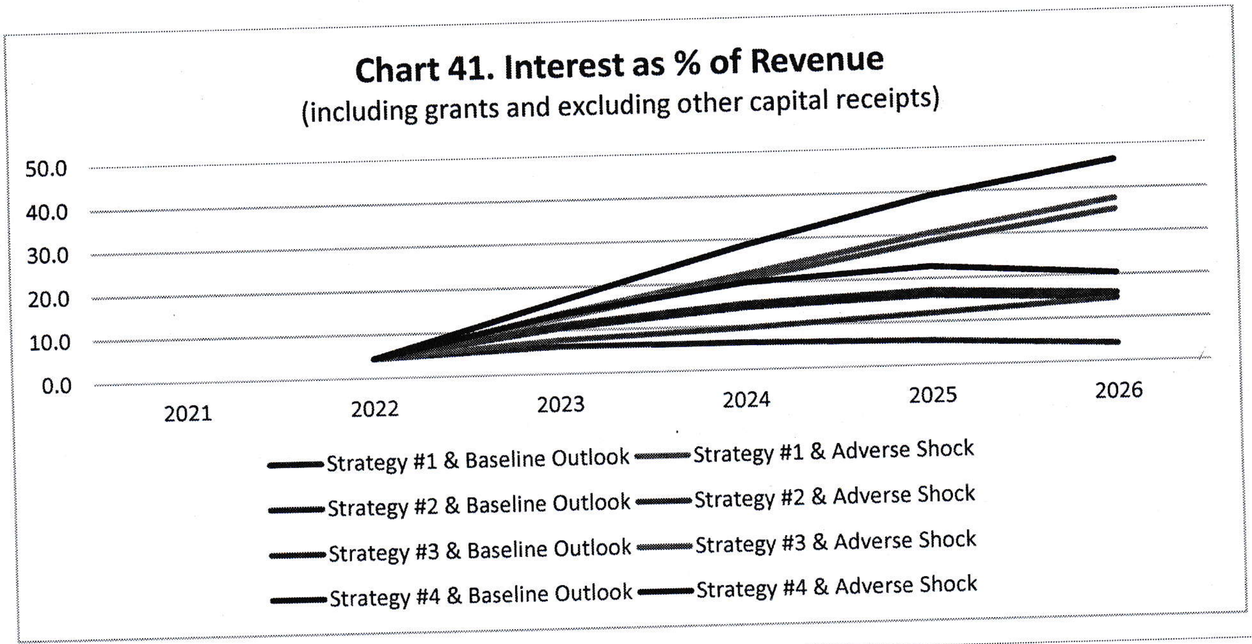
- In terms of Debt Service to Revenue, Strategy 2 has the lowest costs of 12.9% in 2022 and 6.9% in 2026 and lowest risk of 13.2% compared to Strategy 1 (cost at 26.1% and risk of 31.5%), Strategy 3 (cost at 29.0% and risk of 34.2%) and Strategy 4 (cost at 42.20% and risk of 47.0%) respectively as at end of the strategic period of 2026.
- Strategy 2 has the lowest costs at 6.9% and minimum risk of 13.2% under the Debt Service to Revenue followed by Strategy 1 (cost at 26.1% and risk of 31.5%) and Strategy 3 (cost at 29.0% and risk at 34.2%). But the Strategy 4 is the costliest and riskiest with cost of 42.2% and risk of 47.0% as the financing through Financing Mix of (External Concessional Loans and Domestic Loans) over the DMS period of 2022-2026.

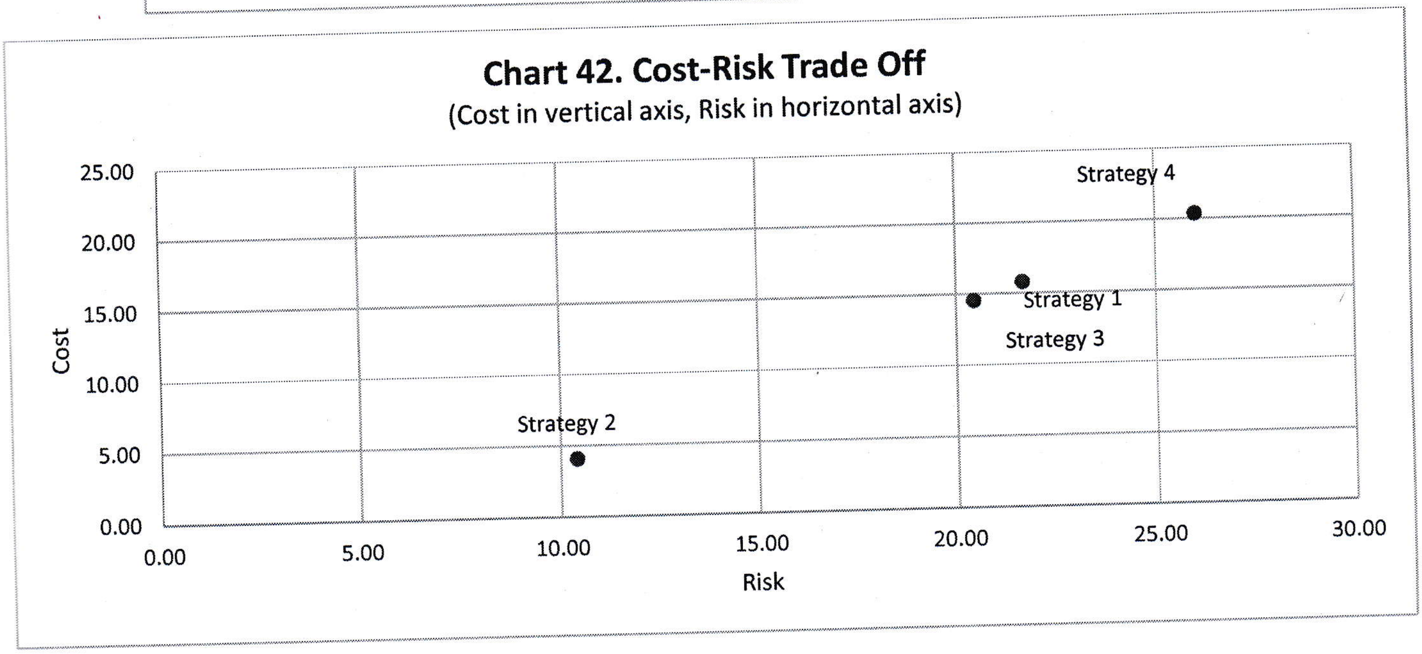




c) Interest as a share of Revenue

- Strategy 2 is the least costs with regards to Interest to Government revenues of 4.3% in 2022 to 4.1% in 2026 and risk at 10.4%, whilst Strategy 4 is the most costly and risky strategy at 20.4% and 26%, compared to Strategy 1 with moderate cost and risk of 14.5% and 20.4% and Strategy 3 with estimated cost and risk of 15.8% and 21.7% as at end of the strategic period 2026.
- The ratios of Interest as % of Revenue analysis show that S2 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 S1 and S3 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 N281,993 billion as at end -2021, which is expected to increase to N1,093.11 trillion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N954.00 billion), Strategy 3 (N1,110.04 trillion and Strategy 4 (N1,180.58 trillion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2022-2026.

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

...ex 1

Projection Methodology

...mptions:		
Economic activity	State GDP (at current prices)	Ogun State as one of the Industrial hub in the country, continued to experience growng economic output over the years due to emergency 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 Ogu... State percentage contribution to the National GDP from 2013-2017 rose steadily from 2.16% in 2013 to 2.47% in 2017. The State GDP at the end of 2031 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 2031, World Bank N17,763,015 as the Ogu... State GDP, if 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 infrastructures like Agro-cargo Airport, Railway, Housing, Information Technology, Road, etc through the various agenda implemented by the government help the State to reco... GDP in the sectors compared to the nil 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 full security and earn foreign exchange through their produces.Other key microeconomic projection assumptions are : Stabilizing and reduced inflation rate, Stabilizing Naira to US Dollar exchange Rate, increase Crude Oil production rate, increase crude oil benchmark price and Export of Mineral Resources.
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 o... 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 $46 to over $70 pb while global trade has brought about increase revenue
	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, NNLG Dividend and Stamp Duty shared among the three tiers of Government. The State Revenue Projection of years 2026 to 2031 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 program.

3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other FAAC Receipts contained the calculated Exchange Gains, Excess Crude, NNLG Dividend and Stamp Duty shared among the three tiers of Government. The State Revenue Projection of years 2026 to 2031 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 program.
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 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 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 2.45% of the VAT distribution to States. The S tate Revenue Projection of years 2026 to 2031 fromVAT was based on percentage increase of 10% to 20%.
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 2021 is predicated on the plan to expand the tax base and improve collection methods to boost IGR from the lowest end of N50billion 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 internal ly generated revenue. The state generated N54b at the end of Q2 2021 which reflects an increase compared to the N50b that was generated in the year 2020.It is of great significance to mention that the outcome of the planned Ogun Investment Summit, ISEYA21 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 State that drive Nigerian's economy a major prerequisite for revenue
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), Year (2026-2031) was based on three years moving average. The State is ready to key into programs that will benefit the State bth Technical and financial wise. projection for 2026 to 2031 was based on moving average.
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 N30billon but generated less than N1billion. 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 fisca
6.c. Other Non-Debt Creating Capital Receipts	

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 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 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 2025 to 2031 was based on average inrease of 1.5% to 2.0%.
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) MDAs overhead expenses substantially, but at reasonable percentages viz-a-viz revenue generation prospects of each MDA in the State. The S tate Overhead Cost Projection of years 2026
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC	The Public Debt Charges comprise of both principal and interest repayment for domestic and external loans. Pension and Gratutity arrears 2026 - 2031 is based on simple average of outstanding amount as at 2024 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.
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and	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 S tate Capital Expenditure Projection of years 2025 to 2031 was based on average inrease of 1.5% to 2.0%. The larger percentage of resource allocation to Capital Projects is to align with the best practice that bring about growth in the State Economy.

Cash and Bank	**Closing Cash and Bank Balance**	The closing Cash and Bank balance figures for 2021 to 2031 are computed using three years moving average. 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
Amotization and rest Payments	**Debt Outstanding at end-2021**	
	External Debt - amortization and interest	1st line charge deductions from FAAC allocation
	Domestic Debt - amortization and interest	1st line charge deductions from FAAC allocation (ii) IGR in line with the propose repayment schedule
	New debt issued/contracted from 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	OGSTEP, 2% interest, Maturity (15 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	Commercial Bank Loans , Interest Rate of 17.5%, Maturity (4 Years) and Grace period (1 year)
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure	Commercial Bank Loans , Interest Rate of 9%, Maturity (10 Years) and Grace period (2 years)
	State Bonds (maturity 1 to 5 years)	State Bonds (Maturity 1-5 years) Interest of 17.5%, Maturity (4 Years) and Grace period (1 year)
	State Bonds (maturity 6 years or longer)	State Bonds (Maturity 6 Years or Longer) Interest of 17%, Maturity (10 Years) and Grace period (3 years)
	Other Domestic Financing	Other Domestic Financing, Interest of 17.5%, Maturity (5 Years) and Grace period (1 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	The State is presently implementing Strategy 1.That is , the State can access funds from Commercial Banks at a prevailing MPR regulated by Central Bank of Nigeria
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure	The Intervention facilities from CBN via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods.
	State Bonds (maturity 1 to 5 years)	The State has gone to public market to issue first tranche of bond amounting to twenty two billion and to fu
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	other Borrowing windows is also opened to the State such as Contractor Finance Facilities.
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African	The State Government will access OGSTEP WORLDBANK Loan at 2% for a period of 15 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 ba additionals in the outer years.
	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	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure	
	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 External Financing - Bilateral Loans Other External Financing	The State Government will access OGSTEP WORLDBANK Loan at 2% for a period of 15 years of maturity with a
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 Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing	The State government will raise fund from Commercial Bank loans with a maturity of one - Five (1-5) years including Agric loans and Infrastructure loans and MSMEDF from 2022 -2031 The State government will raise fund from Commercial Bank loans with a maturity over six years including Agric loans and infrastructure loans and MSMEDF from 2022 -2031
	New External Financing in Million US Dollar External Financing - Concessional Loans (e.g., World Bank, African 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 Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing	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 17.00 %with a 10 years tenor from 2022 to 2031. The State government will raise fund from other Domestic Financing with a maturity period of ten years and a moratorium of 2 years from 2022 -2031.
	New External Financing in Million US Dollar External Financing - Concessional Loans (e.g., World Bank, African External Financing - Bilateral Loans Other External Financing	

Annex 2

Indicator	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actuals					Projections					
BASELINE SCENARIO											
Economic Indicators											
State GDP (at current prices)	2,810,276.62	2,993,812.06	3,681,649.31	4,277,376.94	4,882,528.17	5,626,817.75	6,510,081.01	7,384,104.25	8,370,620.58	9,488,935.49	10,756,657.27
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00
Fiscal Indicators (Million Naira)											
Revenue	185,173.36	163,794.88	163,270.16	116,841.70	240,305.15	454,433.22	529,846.23	580,039.14	631,325.89	638,899.41	705,967.27
1. Gross Statutory Allocation ('gross' means with no de	26,342.69	39,504.33	38,254.84	31,490.88	32,897.60	43,096.50	50,730.60	60,946.00	66,725.00	86,269.40	95,902.90
1.a. of which Net Statutory Allocation ('net' means	11,819.58	25,029.63	23,099.22	18,125.80	17,009.02	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	14,523.10	14,474.70	15,155.61	13,365.09	15,888.58	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentat	3,571.77	1,838.01	1,955.49	4,134.98	4,085.73	3,311.90	0.00	0.00	0.00	5,668.25	5,815.62
4. VAT Allocation	10,891.87	12,776.51	13,570.49	15,901.86	23,372.30	26,593.50	37,422.40	48,426.10	64,211.80	81,484.77	86,171.59
5. IGR	74,835.98	84,554.20	71,001.58	50,697.10	76,677.33	160,174.50	210,248.70	232,458.80	281,024.40	356,619.96	377,131.93
6. Capital Receipts	69,531.05	25,121.83	38,487.76	14,616.87	103,272.19	221,256.82	231,444.53	238,208.24	219,364.69	108,857.02	140,945.22
6.a. Grants	209.78	2,171.64	907.12	7,467.73	4,678.60	10,281.00	3,798.00	3,923.00	0.00	2,573.67	2,165.56
6.b. Sales of Government Assets and Privatization P	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	38,744.17	22,950.19	37,580.64	0.00	0.00	0.00	3,845.10	4,466.40	5,166.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond	30,577.11	0.00	0.00	7,149.14	98,593.59	210,975.82	223,801.43	229,818.84	214,198.69	106,283.36	138,779.66
Expenditure	172,955.50	176,515.08	152,089.52	129,287.51	214,081.00	454,433.21	523,298.46	572,097.74	630,302.39	642,228.88	704,088.79
1. Personnel costs (Salaries, Pensions, Civil Servant So	45,806.10	44,915.20	50,415.00	48,219.60	60,176.36	75,975.70	79,467.30	81,679.60	84,130.00	85,464.12	93,207.25
2. Overhead costs	37,169.80	36,176.50	36,965.42	33,960.00	43,320.85	78,498.91	61,345.20	70,032.20	79,315.20	102,927.09	112,252.39
3. Interest Payments (Public Debt Charges, including in	11,104.70	11,540.60	20,408.70	9,066.20	10,911.91	10,573.60	31,496.16	49,395.04	66,037.43	77,449.24	81,768.04
3.a. of which Interest Payments (Public Debt Charge	2,016.70	3,063.20	11,978.30	2,409.30	4,299.28	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocatio	9,088.00	8,477.40	8,430.50	6,656.90	6,612.63	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Cc	0.00	0.00	0.00	0.00	0.00	0.00	61,026.90	62,210.00	58,765.80	0.00	0.00
5. Capital Expenditure	73,213.20	76,430.17	35,418.30	30,486.50	82,380.64	268,498.50	264,858.80	281,384.30	299,333.80	314,803.67	325,662.55
6. Amortization (principal) payments	5,661.70	7,452.61	8,882.10	7,555.21	17,291.24	20,886.50	25,104.10	27,396.60	42,720.15	61,584.76	91,198.56
Budget Balance ('+' means surplus, '-' means deficit)	12,218.00	-12,720.13	11,180.73	-12,445.81	26,224.14	0.01	6,547.77	7,941.40	1,023.50	-3,329.47	1,878.48
Opening Cash and Bank Balance	10,626.86	22,844.86	10,124.73	21,305.46	8,859.68	35,083.82	35,083.83	41,631.60	49,573.00	50,596.50	47,267.03
Closing Cash and Bank Balance	22,844.86	10,124.73	21,305.46	8,859.64	35,083.82	35,083.83	41,631.60	49,573.00	50,596.50	47,267.03	49,145.51
Financing Needs and Sources (Million Naira)											
Financing Needs						210,975.82	227,646.53	234,285.24	219,364.69	106,283.36	138,779.66
i. Primary balance						-179,515.71	-164,498.50	-149,552.20	-109,583.60	29,421.18	36,065.42
ii. Debt service						31,460.10	56,600.26	76,791.64	108,757.59	139,034.00	172,966.61
Amortizations						20,886.50	25,104.10	27,396.60	42,720.15	61,584.76	91,198.56
Interests						10,573.60	31,496.16	49,395.04	66,037.43	77,449.24	81,768.04
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						0.01	6,547.77	7,941.40	1,023.50	-3,329.47	1,878.48
Financing Sources						210,975.82	227,646.53	234,285.24	219,364.69	106,283.36	138,779.66
i. Financing Sources Other than Borrowing						0.00	3,845.10	4,466.40	5,166.00	0.00	0.00
ii. Gross Borrowings						210,975.82	223,801.43	229,818.84	214,198.69	106,283.36	138,779.66
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						3,162.30	8,167.80	13,006.80	15,277.51	14,295.50	18,721.37
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						124,268.40	155,738.80	178,559.00	163,415.20	91,987.90	108,258.25
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						22,000.00	20,206.80	0.00	0.00	0.00	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						61,545.07	39,688.00	38,253.00	35,506.00	0.00	11,800.01
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.04	0.03	0.04	-0.03	-0.04	0.03

Debt Stocks and Flows (Million Naira)												
	Debt (stock)	**132,245.68**	**129,798.20**	**172,733.08**	**187,199.10**	**281,992.50**	**475,811.12**	**674,508.45**	**876,930.69**	**1,048,409.22**	**1,093,107.82**	**1,140,688.92**
	External	27,205.23	31,575.48	30,836.97	33,708.40	45,593.70	110,007.07	148,055.07	184,422.07	217,837.07	216,730.07	227,382.09
	Domestic	105,040.45	98,222.72	141,896.12	153,490.70	236,398.80	365,804.04	526,453.38	692,508.61	830,572.15	876,377.75	913,306.83
	Gross borrowing (flow)						**210,975.82**	**223,801.43**	**229,818.84**	**214,198.69**	**106,283.36**	**138,779.66**
	External						61,545.07	39,688.00	38,253.00	35,506.00	0.00	11,800.01
	Domestic						149,430.74	184,113.43	191,565.84	178,692.69	106,283.36	126,979.65
	Amortizations (flow)	**5,141.79**	**7,143.91**	**8,293.74**	**8,024.00**	**17,603.20**	**20,886.50**	**25,104.10**	**27,396.60**	**42,720.15**	**61,584.76**	**91,198.56**
	External	94.32	326.18	317.19	326.00	1,212.80	861.00	1,640.00	1,886.00	2,091.00	1,107.00	1,148.00
	Domestic	5,047.47	6,817.73	7,976.55	7,698.00	16,390.40	20,025.50	23,464.10	25,510.60	40,629.15	60,477.76	90,050.56
	Interests (flow)	**9,916.52**	**9,816.65**	**9,821.30**	**8,425.20**	**10,047.30**	**10,573.60**	**31,496.16**	**49,395.04**	**66,037.43**	**77,449.24**	**81,768.04**
	External	77.53	132.71	97.94	130.40	341.10	287.00	2,337.90	3,295.66	4,183.72	3,786.84	3,786.84
	Domestic	9,838.98	9,683.94	9,723.36	8,294.80	9,706.20	10,286.60	29,158.26	46,099.38	61,853.71	73,662.40	77,981.20
	Net borrowing (gross borrowing minus amortizations)						**190,089.32**	**198,697.33**	**202,422.24**	**171,478.53**	**44,698.60**	**47,581.10**
	External						60,684.07	38,048.00	36,367.00	33,415.00	-1,107.00	10,652.01
	Domestic						129,405.24	160,649.33	166,055.24	138,063.53	45,805.60	36,929.08
Debt and Debt-Service Indicators												
dicator1_baseli	Debt Stock as % of SGDP	4.71	4.34	4.69	4.38	5.78	8.46	10.36	11.88	12.52	11.52	10.60
dicator2_baseli	Debt Stock as % of Revenue (including grants and excluding	114.15	92.16	137.43	170.66	198.99	195.44	223.20	253.63	254.49	205.23	201.11
dicator3_baseli	Debt Service as % of SGDP						0.56	0.87	1.04	1.30	1.47	1.61
dicator4_baseli	Debt Service as % of Revenue (including grants and excluding other capital receipts)						12.92	18.73	22.21	26.40	26.10	30.50
dicator5_baseli	Interest as % of SGDP						0.19	0.48	0.67	0.79	0.82	0.76
dicator6_baseli	Interest as % of Revenue (including grants and excluding other capital receipts)						4.34	10.42	14.29	16.03	14.54	14.42
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						31.21	26.30	23.62	20.42	16.05	16.43
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026												
ndicator1_shock	For Debt Stock as % of SGDP the adverse shock is: Historical Debt Stock as % of SGDP	Historical					8.46	10.67	12.50	13.84	14.80	15.47
ndicator2_shock	For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical Debt Stock as % of Revenue (including grants and excluding other capital receipts)	Historical					195.44	287.62	388.58	489.81	587.58	677.88
ndicator3_shock	For Debt Service as % of SGDP the adverse shock is: Interest Rate Debt Service as % of SGDP	Interest Rate					0.56	0.92	1.13	1.43	1.63	1.77
ndicator4_shock	For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical Debt Service as % of Revenue (including grants and excluding other capital receipts)	Historical					12.92	23.04	31.65	44.95	57.62	73.56
ndicator5_shock	For Interest as % of SGDP the adverse shock is: Interest Rate Interest as % of SGDP	Interest Rate					0.19	0.53	0.76	0.92	0.98	0.93
ndicator6_shock	For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical Interest as % of Revenue (including grants and excluding other capital receipts)	Historical					4.34	12.82	20.72	28.48	34.98	42.13

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