Medium Term Expenditure Framework (2020-2022)

OGUN STATE GOVERNMENT

MINISTRY OF BUDGET & PLANNING, ABEOKUTA

October, 2019

Table of Contents

List of Tables

List of Figures

INTRODUCTION

INTRODUCTION

The advent of this administration has brought about positive changes to the State, as a result of the leadership of **His Excellency, Prince (Dr.) Dapo Abiodun** $_{\mathbf{MFR}}$, the Executive Governor of Ogun State who has a vision **'To create focused and qualitative governance whilst creating an enabling environment for a public private partnership to thrive, which is fundamental to the creation of an enduring economic development and individual prosperity of the people of Ogun State' .**

The new administration's agenda of "***Building Our Future Together***" has awakened the State and is poised to ensure the State is repositioned to achieve a world class Public Financial Management system that is built on international best practices. This has formed the basis for the preparation of this Medium-Term Expenditure Framework (MTEF).

The Medium-Term Expenditure Framework (MTEF) provides the basis for annual budget planning. It consists of a macroeconomic framework that indicates fiscal targets and estimates revenues and expenditures, including government financial obligations in the medium term.

The document also sets out the underlying assumptions for these projections, provides an evaluation and analysis of the previous budgets and presents an overview of the debt position and potential fiscal risks. The MTEF produces a number of important information including the macroeconomic outlook; fiscal balance; and other key indicators.

The Medium-Term Expenditure Framework (MTEF) provides Government with a tool to manage the pressure between competing policy priorities and budget realities. This helps to reprioritize expenditure and make informed policy choices that are affordable in the medium term.

Hence, it provides a platform for the new State Executive Council, to discuss the allocation of resources in the 2020 budget and the outer years of 2021 and 2022.

Government aims to improve service delivery information that is used to inform budget decisions. Better service- delivery information is contained in budget documentation which also enables the public to understand what government does, what programmes and activities are funded, and what outputs the budget is meant to achieve.

The document equally outlines the macroeconomic target for the period 2020 - 2022 and will provide a major input into the preparation of the 2020 budget and the 2021 - 2022 frameworks.

The projected macroeconomic targets are referred to in this document as the Macroeconomic Framework which is embedded in the Medium-Term Fiscal Framework (MTFF). This is consistent with the Government's macroeconomic objectives of determining the amount of overall resources that are expected to be available to the Treasury for the budget over the medium term; and provide an analysis of the Government's key policy priorities and expenditures to which resources allocation will be aligned and then goes on to develop indicative resources/expenditures envelopes for the ten (10) sectors in compliance with International Public Sector Accounting Standard (IPSAS) over the period of 2020 – 2022.

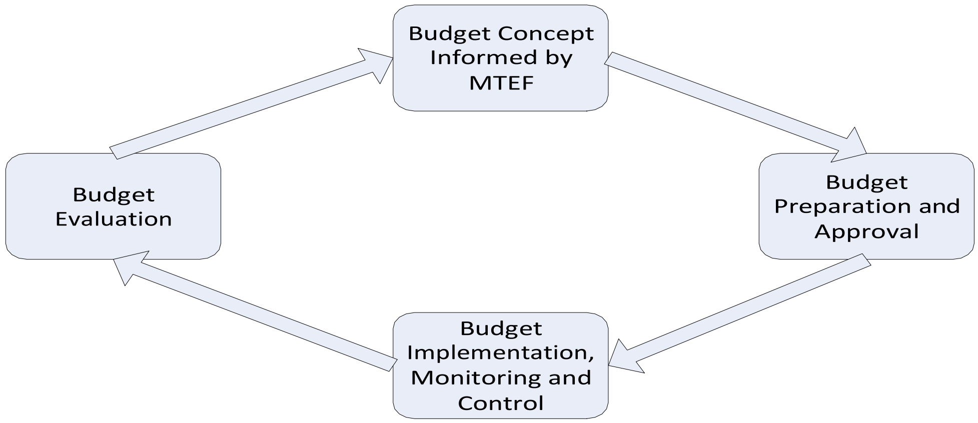
BUDGET PROCESS

The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:

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

It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back to conception for the ensuing year's budget, as shown in Figure 1 below.

Figure 1 Budgeting Cycle



OVERVIEW OF PLANNING AND BUDGET CALENDAR

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

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

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

Table 1 Annual Budget Calendar

S/N	GROUP AND ACTIVITY	J	F	M	A	M	J	J	A	S	O	N	D	REMARKS
1	Previous Year Budget Performance Review (i.e. Performance Management Review -PMR)			xx										
2	Preparation and Adoption of Medium-Term Fiscal Framework (MTFF) & Medium-Term Budget Framework (MTBF)				xx									
3	Review of Medium-Term Sector Strategy (MTSS)				xx	xx								
4	Issuance of Year2020 Call Circular						xx							
5	Budget Consultative Forum (i. e Stakeholders Forum)							xx						
6	Collection and Collation of Budget proposals from MDAs							xx	xx					
7	Budget Bilateral Discussions								xx					
8	Preparation of Budget Draft									xx				
9	Submission of Budget Draft									xx				
10	Presentation of Year 2020 Draft Budget to His Excellency									xx				
11	Presentation of Year 2020 Draft Budget to the State Treasury Board (STB) & the State Executive Council (SEC)									Xx				
12	EXCO/Legislative Parley on Year 2020 Budget									xx				
13	Presentation, Consideration and Passing of Year 2020 Appropriation Bill										xx	xx	xx	
14	Assent of Year 2020 budget by the Governor												xx	
15	Issuance of General and Developmental Warrant by MoF	xx												2020
16	Distribution of Budget Operational Guideline by MEPB	xx												2020

SECTION A: MEDIUM TERM FISCAL FRAMEWORK

MACROECONOMIC FRAMEWORK

ECONOMIC OVERVIEW

GLOBAL OUTLOOK

Against a difficult backdrop that included intensified US-China trade and technology tensions as well as prolonged uncertainty on Brexit, momentum in global activity remained soft in the first half of 2019. There were positive surprises to growth in advanced economies, but weaker-than-expected activity in emerging market and developing economies. Growth was better than expected in the United States and Japan, and one-off factors that had hurt growth in the euro area in 2018 (notably, adjustments to new auto emissions standards) appeared to fade as anticipated.

Among emerging market and developing economies, first quarter GDP in China was stronger than forecast, but indicators for the second quarter suggest a weakening of activity. Elsewhere in emerging Asia, as well as in Latin America, activity has disappointed.

Despite the upside surprises in headline GDP for some countries, data more broadly paint a picture of subdued global final demand, notably in fixed investment. Inventory accumulation of unsold goods lifted first quarter GDP in the United States and the United Kingdom, while soft imports boosted output in China and Japan.

From a sectoral perspective, service sector activity has held up, but the slowdown in global manufacturing activity, which began in early 2018, has continued, reflecting weak business spending (machinery and equipment) and consumer purchases of durable goods, such as cars. These developments suggest that firms and households continue to hold back on long-range spending amid elevated policy uncertainty.

GLOBAL GROWTH STILL SLUGGISH

[1]Global growth is projected at 3.2 percent for 2019, improving to 3.5 percent in 2020 (0.1 percentage point lower for both years than in the April 2019 WEO forecast). On the trade front, the forecast reflects

[1] World Economic Outlook Update July 23, 2019

the May 2019 increase of US tariffs on $200 billion of Chinese exports from 10 percent to 25 percent, and retaliation by China. The downgrades to the growth forecast for China and emerging Asia are broadly consistent with the simulated impact of intensifying trade tensions and associated confidence effects.

The projected pickup in global growth in 2020 relies importantly on several factors:

- financial market sentiment staying generally supportive;
- continued fading of temporary drags, notably in the euro area;
- stabilization in some stressed emerging market economies, such as Argentina and Turkey; &
- avoiding even sharper collapses in others, such as Iran and Venezuela.

About 70 percent of the increase in the global growth forecast for 2020 relative to 2019 is accounted for by projected stabilization or recovery in stressed economies. In turn, these factors rely on a conducive global policy backdrop that ensures the dovish tilt of central banks and the buildup of policy stimulus in China are not blunted by escalating trade tensions or a disorderly Brexit.

For advanced economies, growth is projected at 1.9 percent in 2019 and 1.7 percent in 2020. The 2019 projection is 0.1 percentage point higher than in April, mostly reflecting an upward revision for the United States.

In the United States, 2019 growth is expected to be 2.6 percent (0.3 percentage point higher than in the April WEO), moderating to 1.9 percent in 2020 as the fiscal stimulus unwinds. The revision to 2019 growth reflects stronger-than- anticipated first quarter performance. While the headline number was strong on the back of robust exports and inventory accumulation, domestic demand was somewhat softer than expected and imports weaker as well, in part reflecting the effect of tariffs. These developments point to slowing momentum over the rest of the year.

Growth in the euro area is projected at 1.3 percent in 2019 and 1.6 percent in 2020 (0.1 percentage point higher than in April). The forecast for 2019 is revised down slightly for Germany (due to weaker-than-expected external demand, which also weighs on investment), but it is unchanged for France (where fiscal measures are expected to support growth and the negative effects of street protests are dissipating) and Italy (where the uncertain fiscal outlook is similar to April's, taking a toll on investment and domestic demand). Growth has been revised up for 2019 in Spain, reflecting strong investment and weak imports at the start of the year. Euro area growth is expected to pick up over the remainder of this year and into 2020, as external demand is projected to recover and temporary factors (including the dip in German car registrations and French street protests) continue to fade.

The United Kingdom is set to expand at 1.3 percent in 2019 and 1.4 percent in 2020 (0.1 percentage point higher in 2019 than forecast in the April WEO). The upward revision reflects a stronger-than-anticipated first quarter outturn boosted by pre-Brexit inventory accumulation and stockpiling. This is likely to be partially offset by payback over the remainder of the year. Monthly GDP for April recorded a sharp contraction, in part driven by major car manufacturers bringing forward regular annual shutdowns as part of Brexit contingency plans. The forecast assumes an orderly Brexit followed by a gradual transition to the new regime. However, as of mid-July, the ultimate form of Brexit remained highly uncertain.

Japan's economy is set to grow by 0.9 percent in 2019 (0.1 percentage point lower than anticipated in the April WEO). The strong first quarter GDP release reflects inventory accumulation and a large contribution from net exports due to the sharp fall in imports, thus masking subdued underlying momentum. Growth is projected to decline to 0.4 percent in 2020, with fiscal measures expected to somewhat mitigate the volatility in growth from the forthcoming October 2019 increase in the consumption tax rate.

The emerging market and developing economy group is expected to grow at 4.1 percent in 2019, rising to 4.7 percent in 2020. The forecasts for 2019 and 2020 are 0.3 and 0.1 percentage point lower, respectively, than in April, reflecting downward revisions in all major regions.

Emerging and developing Asia is expected to grow at 6.2 percent in 2019–20. The forecast is 0.1 percentage point lower than in the April WEO for both years, largely reflecting the impact of tariffs on trade and investment. In China, the negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt. With policy stimulus expected to support activity in the face of the adverse external shock, growth is forecast at 6.2 percent in 2019 and 6.0 percent in 2020—0.1 percentage point lower each year relative to the April WEO projection. India's economy is set to grow at 7.0 percent in 2019, picking up to 7.2 percent in 2020. The downward revision of 0.3 percentage point for both years reflects a weaker-than- expected outlook for domestic demand.

The subdued outlook for emerging and developing Europe in 2019 largely reflects prospects for Turkey, where after a growth surprise in the first quarter from stronger than expected fiscal support the contraction in activity associated with needed policy adjustments is projected to resume. Several other countries in central and eastern Europe are experiencing strong growth on the back of resilient domestic demand and rising wages. The region is expected to grow at 1 percent in 2019 (0.2 percentage point higher than in the April WEO, buoyed by robust first quarter growth). Growth is expected to improve to 2.3 percent in 2020 (0.5 percentage point lower than in the April WEO, largely reflecting the projected growth slowdown for the remainder of 2019 in Turkey).

In Latin America, activity slowed notably at the start of the year across several economies, mostly reflecting idiosyncratic developments. The region is now expected to grow at 0.6 percent this year (0.8 percentage point lower than in the April WEO), recovering to 2.3 percent in 2020. The sizable downward revision for 2019 reflects downgrades to Brazil (where sentiment has weakened considerably as uncertainty persists about the approval of pension and other structural reforms) and Mexico (where investment remains weak and private consumption has slowed, reflecting policy uncertainty, weakening confidence, and rising borrowing costs, which could climb further following the recent sovereign rating downgrade). Argentina's economy contracted in the first quarter of the year, although at a slower pace than in 2018. The growth forecast for 2019 is revised down slightly compared with the April WEO, and the recovery in 2020 is now projected to be more modest. Chile's growth projection is revised down slightly, following weaker-than-expected performance at the start of the year, but is expected to pick up in 2020 helped by more accommodative policies. The deep humanitarian crisis and economic implosion in Venezuela continue to have a devastating impact, with the economy expected to shrink about 35 percent in 2019.

Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is expected to be 1.0 percent in 2019, rising to about 3.0 percent in 2020. The forecast for 2019 is 0.5 percentage point lower than in the April WEO, largely due to the downward revision to the forecast for Iran (owing to the crippling effect of tighter US sanctions). Civil strife across other economies, including Syria and Yemen, add to the difficult outlook for the region. Partially offsetting these developments are improved prospects for Saudi Arabia's economy the non-oil sector is expected to strengthen in 2019 with higher government spending and improved confidence, and in 2020 with an increase in oil sector growth.

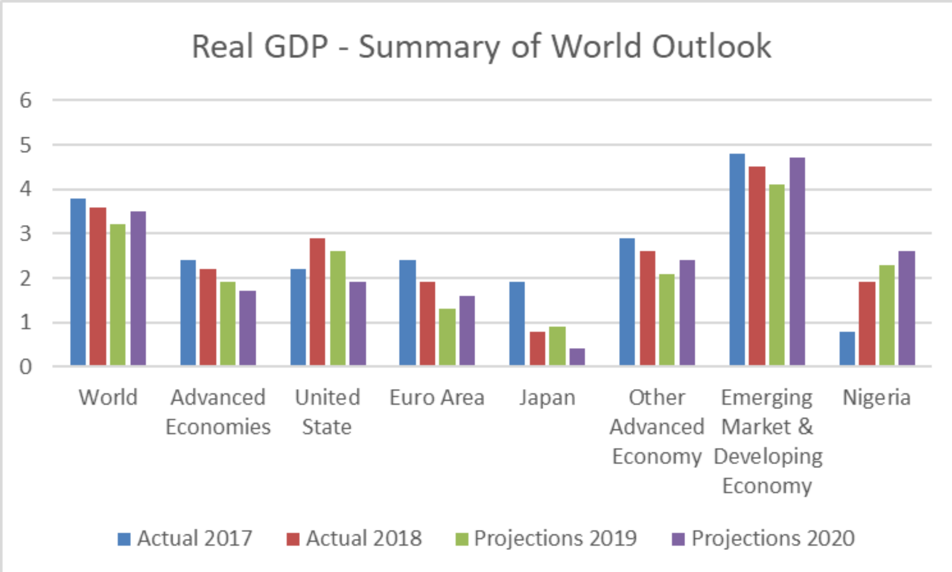
In sub-Saharan Africa, growth is expected at 3.4 percent in 2019 and 3.6 percent in 2020, 0.1 percentage point lower for both years than in the April WEO, as strong growth in many non- resourceintensive countries partially offsets the lackluster performance of the region's largest economies. Higher, albeit volatile, oil prices have supported the outlook for Angola, Nigeria, and other oil-exporting countries in the region. But growth in South Africa is expected at a more subdued pace in 2019 than projected in the April WEO following a very weak first quarter, reflecting a larger-than-anticipated impact of strike activity and energy supply issues in mining and weak agricultural production.

Activity in the Commonwealth of Independent States is projected to grow at 1.9 percent in 2019, picking up to 2.4 percent in 2020. The 0.3 percentage point downward revision to 2019 growth reflects a downgrade to Russia's outlook following a weak first quarter.

Table 2: Real GDP - Summary of World Outlook

Country	Actual		Projections	
	2017	**2018**	**2019**	**2020**
World	3.8	3.6	3.2	3.5
Advanced Economies	2.4	2.2	1.9	1.7
United State	2.2	2.9	2.6	1.9
Euro Area	2.4	1.9	1.3	1.6
Japan	1.9	0.8	0.9	0.4
Other Advanced Economy	2.9	2.6	2.1	2.4
Emerging Market & Developing Economy	4.8	4.5	4.1	4.7
Nigeria	0.8	1.9	2.3	2.6
Source: World Economic Outlook Update July 2019				

Figure 2: Real GDP - Summary of World Outlook



AFRICAN OUTLOOK

AFRICA MACROECONOMIC PERFORMANCE AND PROSPECTS

Africa's economic growth continues to strengthen, reaching an estimated 3.5 percent in 2018, about the same as in 2017 and up 1.4 percentage points from the 2.1 percent in 2016[2].

East Africa led with GDP growth estimated at 5.7 percent in 2018, followed by North Africa at 4.9 percent, West Africa at 3.3 percent, Central Africa at 2.2 percent, and Southern Africa at 1.2 percent. In the medium term, growth is projected to accelerate to 4 percent in 2019 and 4.1 percent in 2020.

And though lower than China's and India's growth, Africa's is projected to be higher than that of other emerging and developing countries. But it is insufficient to make a dent in unemployment and poverty.

Of Africa's projected 4 percent growth in 2019, North Africa is expected to account for 1.6 percentage points, or 40 percent. But average GDP growth in North Africa is erratic because of Libya's rapidly changing economic circumstances.

East Africa, the fastest growing region, is projected to achieve growth of 5.9 percent in 2019 and 6.1 percent in 2020. Between 2010 and 2018, growth averaged almost 6 percent, with Djibouti, Ethiopia, Rwanda, and Tanzania recording above-average rates. But in several countries, notably Burundi and

[2] African Economic Outlook 2019 Page xiii

Comoros, growth remains weak due to political uncertainty.

Growth in Central Africa is gradually recovering but remains below the average for Africa as a whole. It is supported by recovering commodity prices and higher agricultural output. Growth in Southern Africa is expected to remain moderate in 2019 and 2020 after a modest recovery in 2017 and 2018. Southern Africa's subdued growth is due mainly to South Africa's weak development, which affects neighboring countries.

The drivers of economic growth are gradually rebalancing

The drivers of Africa's economic growth have been gradually rebalancing in recent years. Consumption's contribution to real GDP growth declined from 55 percent in 2015 to 48 percent in 2018, while investment's contribution increased from 14 percent to 48 percent. Net exports, historically a drag on economic growth, have had a positive contribution since 2014. But despite the rebalancing trend, most of the top-growing countries still rely primarily on consumption as an engine of growth.

Inflationary pressures have eased. Africa's average inflation fell from 12.6 percent in 2017 to 10.9 percent in 2018 and is projected to further decline to 8.1 percent in 2020. Double-digit inflation occurs mostly in conflict-affected countries and countries that are not members of a currency union. Inflation is highest in South Sudan, at 188 percent, due to the lingering economic crisis.

Inflation is lowest, at 2 percent or less, in members of the Central African Economic and Monetary Community and the West African Economic and Monetary Union and particularly in members of the CFA zone because of its link to the euro.

Fiscal positions are gradually improving between 2016 and 2018, several countries achieved fiscal consolidation by increasing tax revenue and, at times, lowering expenditures.

Revenue increases were due partly to higher commodity prices and increased growth, but several countries also implemented tax reforms. Domestic resource mobilization has improved but falls short of the continent's developmental needs.

Although current account deficits have been deteriorating, total external financial inflows to Africa increased from $170.8 billion in 2016 to $193.7 billion in 2017, which represents a 0.7 percentage point increase in net financial inflows as a ratio of GDP (from 7.8 percent in 2016 to 8.5 percent in 2017). Remittances continue to gain momentum and dominate the other components of capital flows, at $69 billion in 2017, almost double the size of portfolio investments. Meanwhile, FDI inflows have shrunk from the 2008 peak of $58.1 billion to a 10-year low of $41.8 billion in 2017. Underlying factors include the global financial crisis and the recent rebalancing of portfolios due to rising interest rates among advanced economies.

Official Development Assistance (ODA) to Africa peaked in 2013 at $52 billion and has since declined to $45 billion in 2017, with fragile states receiving more ODA as a percentage of GDP than non-fragile states. All regions saw ODA increase between 2005–10 and 2011–16; East Africa and West Africa remain the highest recipients. Africa's debt is rising, but there is no systemic risk of a debt crisis. By the end of 2017, the gross government debt to-GDP ratio reached 53 percent in Africa, but with significant heterogeneity across countries. Of 52 countries with data, 16 countries—among them Algeria, Botswana, Burkina Faso, and Mali – have a debt-to-GDP ratio below 40 percent; while 6 countries—Cabo Verde, Congo, Egypt, Eritrea, Mozambique, and Sudan—have a debt to-GDP ratio above 100 percent.

The traditional approach to estimating debt sustainability classifies 16 countries in Africa at high risk of debt distress or in debt distress. Debt situations in some countries have thus become untenable, requiring urgent actions whose range and modalities depend on the precise diagnosis of the source of debt distress. Even so, while debt vulnerabilities have increased in some African countries, the continent as a whole is not exposed to a systemic risk of debt crisis.

NIGERIA OUTLOOK

The growing importance of services has bolstered growth in the economy[3]. The sector accounts for about half of GDP, dwarfing the 10% from oil and 22% from agriculture.

Real GDP growth was an estimated 1.9% in 2018, reflecting a recovery in services and industry – particularly mining, quarrying, and manufacturing. The recovery benefited from greater availability of foreign exchange. Growth in agriculture was lackluster, due partly to clashes between farmers and herders coupled with flooding in key middle-belt regions and continued insurgency in the northeast.

On the macroeconomic front, the delay by parliament in approving the 2018 budget affected implementation and increased fiscal uncertainty by pushing the bulk of spending to the second half of the year. But thanks to oil revenues, a value added tax on luxury items, and a tax amnesty, the fiscal

[3] African Economic Outlook 2019 Page 169

deficit narrowed in 2018, financed mainly by public debt.

By June 2018, the stock of public debt stood at $73.2 billion, up from $71.0 billion in 2017, representing 17.5% of GDP. Despite the increase, Nigeria remained at moderate risk of debt distress. In November 2018, the government issued a Eurobond of $2.9 billion, which reflects its new debt management strategy of prioritizing foreign debt to mitigate the high financing costs of domestic borrowing. Furthermore, relatively strong oil receipts solidified the current account surplus to an estimated 3.7% and bolstered improvements in the terms of trade by about 13% in 2018 alone.

Real GDP is projected to grow by 2.3% in 2019 and 2.4% in 2020 as implementation of the Economic Recovery and Growth Plan gains pace. However, the slide in oil prices from late 2018 coupled with an output cut imposed by the Organization of the Petroleum Exporting Countries poses a downside risk to the economic outlook.

The outlook depends on the pace of implementing the Economic Recovery and Growth Plan, which anchors Nigeria’s industrialization by establishing industrial clusters and staple crop processing zones to give firms a competitive edge through access to raw materials, skilled labor, technology, and materials.

The Power Sector Reform Program, if effectively implemented, could attract private investment. It targets 10 gigawatts of operational capacity by 2020. But Nigeria needs to reorient its federal budget, currently dominated by recurrent spending, toward more capital expenditure and accumulating savings to sustain social spending.

The federal government has made strides with institutional and governance reforms, including implementation of the Integrated Financial Management and Information System and the Integrated Payroll and Personnel Information System. The enactment of the Secured Transactions in Movable Assets Act 2017 has institutionalized and widened coverage of collateral to stimulate lending to small and medium enterprises. Although Nigeria has a relatively low debt-to-GDP ratio, there is need for fiscal prudence to avoid a debt trap, especially as global interest rates start to rise. Therefore, contraction of new external debt should balance spending needs with capacity to improve the economy’s competitiveness and stimulate growth.

Nigeria accounts for nearly 20% of continental GDP and about 75% of the West Africa economy. Despite this dominance, its exports to rest of Africa are estimated at 12.7%, and only 3.7% of total trade is within the Economic Community of West African States. With Nigeria joining other African countries to sign the agreement establishing the African Continental Free Trade Area (AFCFTA), there could be tremendous opportunities for Nigeria in the medium term. However, the AFCFTA could also create a nightmare situation for the country unless the right policies and actions are implemented expeditiously to improve Nigeria's economic competitiveness[4].

The emergence of the economy from recession at the end of Q2 2017 and the steady rebound of major macroeconomic indicators have renewed confidence in the country's growth prospects. The economy has witnessed a gradual return to macroeconomic stability as reflected in the fifth consecutive quarterly growth in real GDP in Q2 2018. Sectors that had posted negative growth have begun to show signs of recovery.

The economy is dominated by primary production (agriculture and mining) which accounts for over 30% of GDP in Q2 2018 and rudimentary services, dominated by distributive trade, accounting for almost 55% of GDP. Manufacturing remains a small contributor to GDP. This underscores the need to intensify on-going efforts by Government to ensure diversification and encourage more vibrant manufacturing sector, especially the agro-processing sub-sector.

Although it is usual for agricultural GDP growth during the first quarter to be relatively lower than those of subsequent quarters, reflecting the seasonality of activities in the sector, the 3% growth recorded in Q1 2018, reflects the impact of security challenges on agricultural activities mainly in the North- East, North Central Zones and a few states in the North-West. This was further reflected in the even lower growth rate for the sector in Q2 2018.

The Purchasing Managers' Indices (PMI) for both the manufacturing and non-manufacturing sectors have remained above the 50 points thresholds since April 2017. Overall, the manufacturing PMI in the month of September 2018 stood at 56.2 index points, indicating expansion in the manufacturing sector for the 18th consecutive month. These expansions were driven by improvements in business activities, production and employment across most sectors. The index had consistently stayed below the 50 points thresholds between January 2016 and March 2017, mirroring the contraction in economic activities during that period.

Manufacturing sector growth is trending upward reflecting the positive effects of exchange rate stability and improved foreign exchange (FX) management by the Central Bank.

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[4] HMFBP – MTEF/FSP 2020 – 2022 Presentation

The performance of Manufacturing sector is also indirectly attributable to the oil sector (main FX source) performance given the degree of dependence of the sector on imported inputs. A more complementary monetary policy stance, proactive foreign exchange management and speedy completion of ongoing infrastructure projects such as roads, rail and power projects, will further enhance real sector growth.

These, along with complementary infrastructure development activities of State and Local Governments, should improve cost-competitiveness of the economy, attract domestic and foreign direct investment and sustain the growth momentum.

The benefits of economic growth reach most people through improved employment and other income generating opportunities, and thus the emphasis of this Administration on creating job opportunities. It is in this regard that government's expansionary fiscal policies and budgetary spending particularly on critical infrastructure projects have been geared towards boosting economic activities. This is expected to translate into stable household incomes that is key to the expansion of consumption, savings and investment.

While unemployment rose to 18.8% in Q3 2017 from 13.9% in Q3 2016, underemployment rate rose to 19.7% in Q3 2017 up from 13.9% in Q3 2016. This may be explained by the fact that employment growth usually slows down during recession and takes some time to recover. It is expected that both unemployment and underemployment rates will decline in 2018 and in the medium-term as government's efforts at driving diversified and inclusive growth, as well as job creation yield results. These initiatives include investments in critical infrastructure, the N-Power scheme (under which 500,000 graduates have been employed to date), the Anchor Borrowers Programme (which has contributed significantly to the expansion in output of rice and other agricultural products), the Home-Grown School Feeding programme, as well as loans to Micro, Small, and Medium Scale Enterprises (MSMEs)

Inflation rates maintained their declining trend reflecting the impact of a number of factors, especially better harmony between fiscal and monetary policies. From a peak of 18.7% in January 2017, inflation started trending down gradually to 11.14% in July 2018. However, it ticked up slightly to 11.28% in September 2018. Food inflation started trending down gradually only in February 2018, largely due to improved output relative to demand.

Assumptions Underlying Oil Revenues

Crude Oil Production and Export

Oil production remains critical for the Nigerian economy, as it currently accounts for over 50% of federal government's revenues and over 90% of foreign exchange earnings. Hence, any disruptions to oil production have implications for government fiscal operations as well as Nigeria's trade and external reserves position.

Crude oil production averaged 1.94 million barrels per day (mbpd) between 2015 and 2017.

Annual production averaged 2.13mbpd, 1.81mbpd and 1.89mbpd in 2015, 2016 and 2017 respectively. Production declined from an average of 1.84mbpd in January 2017 to 1.6mbpd in March 2017. The lower than budgeted output was mainly attributed to continuing security challenges resulting in intermittent production shut-ins and pipeline leakages attributed to activities of vandals as well as ageing pipelines. Onshore and shallow water assets, where government revenue take is higher, were much more susceptible to these factors. However, production is improving and has reached 2.15 mbpd by September 2018.

Repeated disruption in oil production as a result of breakdown or vandalization of oil pipelines (216 in January 2018, 148 in February 2018 and 224 in March 2018) continue to undermine the revenues from crude oil production and export. Efforts are being made to deepen engagements with stakeholders and improve security arrangements in the Niger Delta region.

Non-Oil Revenue Baseline Assumptions

Non-oil revenue projections for the period 2019 to 2021 are based on the projections drawing from FGN Economic Recovery and Growth Plan 2017-2020. They are determined using expected growth in the relevant bases for different taxes, the effective tax ratio of collection, and an efficiency factor to account for operational improvements in the various agencies administering taxation. The underlying tax bases are as follows:

Import Duties, Excise, Fees and Special Levies

These are based on the cost, insurance and freight (CIF) value of imports, applicable tariffs, and an efficiency factor. A tax elasticity was assumed to drive nominal growth of the tax base in the medium term. In addition, other policy concerns include improved implementation of a market reflective foreign exchange rate regime, introduction of Common External Tariff (CET), gradual removal of Import Adjustment Tax (IAT), expected decrease in annual Average Duty Rate (ADR), expected increase in Import CIF because of new strategic focus in Nigerian Customs Service (NCS), and Import Duty on vehicles which has the highest tariff line in terms of revenue generation.

Companies Income Tax (CIT)

The estimation of CIT is based on the nominal GDP, Companies' Profitability Ratio, and an efficiency factor. As the economy gradually recovers, ongoing efforts to improve the business environment as well as the strategic implementation of the 2018 Budget designed to leverage private sector capital are expected to yield some results. In addition, improved collection efficiency arising from increased efforts at broadening and strengthening the tax net and greater use of technology, are expected to positively impact projections for CIT and personal income taxes. The Federal Inland Revenue Service (FIRS) is also actively pursuing policies aimed at reducing tax avoidance and evasion and increasing the tax bases. We expect that this will lead to a reduction in the adjustment factor for the CIT base.

Value Added Tax (VAT)

This is based on an estimate of aggregate nominal consumption, considering vatable items and collection efficiency. Nominal consumption is projected at N119.28 trillion for 2019 from 2018 estimates of N107.76 trillion.

The VAT projections over the medium-term are currently based on maintaining the rate at 5% in 2020 while focusing intensely on broadening the coverage and improving collection efficiency. With these improvements, VAT collections are expected to increase by about 10% in 2019.

Over the medium term in line with the ERGP, an increase in VAT rate is contemplated.This will, however, sustain exemptions from good and services consumed mostly by the poor and vulnerable segment of the population[5].

FGN Independent Revenue

Revenue leakages and weak accountability have characterized Government-Owned Enterprises (GOEs), and other revenue-generating MDAs. These challenges necessitated the introduction of several reforms including implementation of the Treasury Single Account (TSA), reviewing their

[5] 2019-2021 MTEF_FSP Federal

operational efficiency and generally ensuring they operate in a more fiscally responsible manner.

A new performance management framework is being developed for the GOEs under which they may be required to maintain maximum cost-to-income ratios. It is envisaged that these efforts, as well as the compliance with the Executive Order on budgets, would substantially improve remittances by GOEs and MDAs in the medium term.

Projections were made considering the various measures to improve non-oil tax revenue, including: stronger enforcement action against tax defaulters; improved compliance activities; implementation of the Integrated Tax Administration System project; full self-assessment regime for all taxpayers; increased deployment of new technology to improve revenue collection; and stepping up of anti-smuggling activities by the Customs Service. Government intends to sustain the increase in contribution of tax revenue to the budget through continuous reforms to modernise and further improve tax administration.

OGUN STATE OUTLOOK

Ogun State also referred to as 'Gateway State' was created on 3rd February, 1976. The State has a high concentration of industrial estates and considered as a major manufacturing hub in Nigeria. Ogun State sits on a land mass of 16,980.55.km2 (the second largest State in Southwest and twenty-fourth in Nigeria) of which over 80% of land area is arable. It also offers ready market to a local population of over 5.2million people; it serves as a gateway to West Africa/ECOWAS sub region estimated population of 350 million. Agriculture and industrialization provide the major entry points for the government's partnership and co- operation with the private sector[6].

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

The State GDP is estimated to be ₦2.924 trillion in 2019 and would be ₦3.142 trillion by 2022 with projected annual average growth rate of 2.4% from 2019 through to 2022.

[6] Fiscal Sustainability of States – A Case Study of Ogun State (LEAP 15 November 2017

Table 3: Ogun GDP

	Actual		Projections			
GDP/YEAR	2017	2018	2019	2020	2021	2022
Total State GDP (Million N)	2,810,276.63	2,863,671.88	2,923,808.99	2,988,132.79	3,059,847.98	3,142,463.87
Source (s): National Bureau of Statistics/Computed by Central Department of Statistics (CDS)						

Ogun State GDP accounted for 2.45% and 2.22% of Nigeria's total GDP in 2017 and 2018 respectively.

A large portion of Nigeria's manufacturing industries and agro based industries are in Ogun State and with a tendency to accommodate more of such.

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

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

Ogun State remains the trade route for the transportation of goods and services to all states in Nigeria.

The debt profile of the State stood at NGN135 billion as at August 2019 (NGN141 billion as at December 2018) with internal debt and external debt representing 76% (2018 - 77%) and 24% (2018 - 23%) of the total figure respectively.

Figure 3: Debt Profile as at 31st December 2018

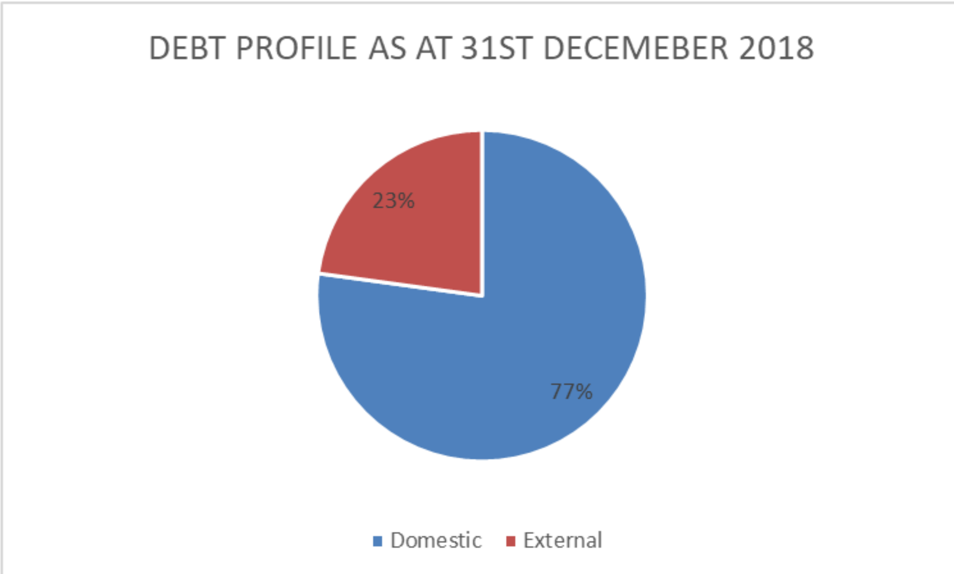
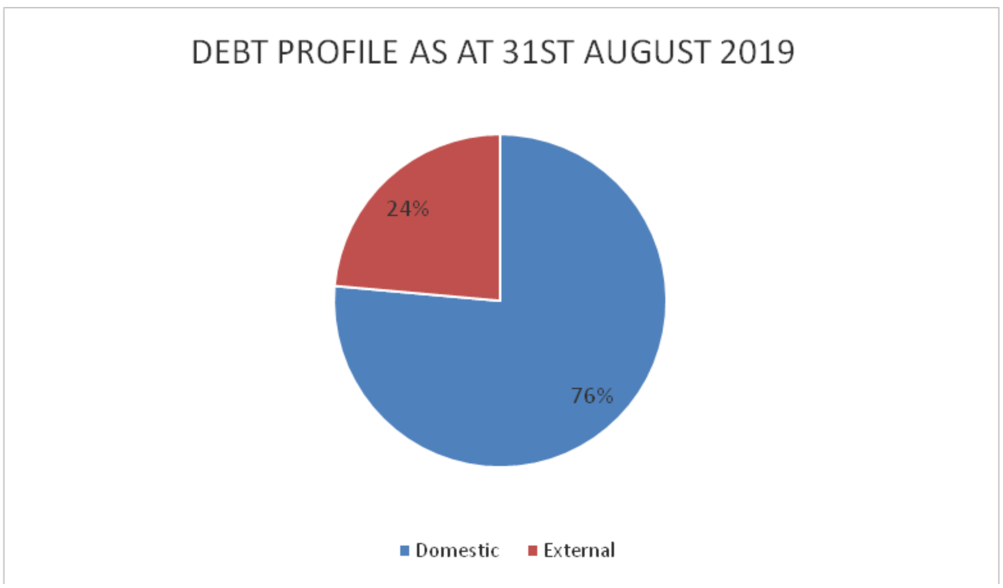


Figure 4: Debt Profile as at 31st August 2019



Debt to GDP was 5% in 2018, as debt was N141 billion, while the Gross Domestic Product (GDP) was N2.9 trillion.

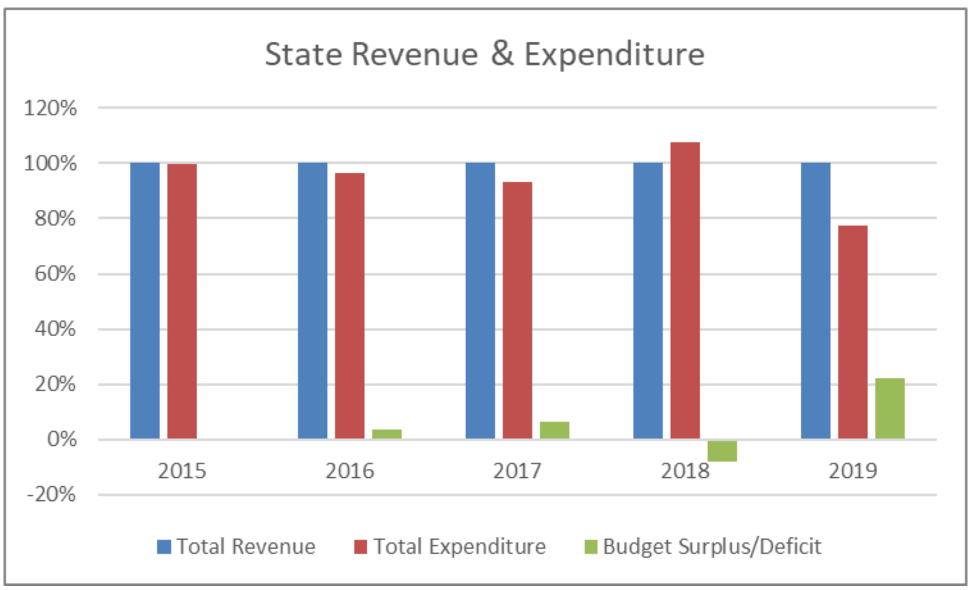
Going forward; based on the fiscal framework, debt shall be utilized solely for capital and social infrastructures, as this will rub off on all sectors and improve economic activities that will enhance the growth of GDP, which will in turn increase our borrowing capacity as a state.

Ogun state depends largely on its Internally Generated Revenues ("IGR") for survival and sustenance. The inflow from its IGR account constitutes 38% of the States total revenues, with FACC accounting for 21% and other sources accounting for the balance 41%.

Table 4: State Revenue & Expenditure

	2015	2016	2017	2018	2019
Total Revenues	100%	100%	100%	100%	100%
IGR	50%	56%	40.4%	51.6%	38.1%
FAAC	23.3%	18.6%	16.2%	25.5%	20.7%
VAT	6.7%	7%	6.2%	7.8%	7.3%
Capital Receipts	20%	10%	31.4%	1.33%	0.2%
Other Sources	0%	8.4%	6.2%	13.7%	33.7%
Total Expenditure	99.6%	96.3%	93.4%	108%	81.5%
Budget Surplus/Deficit	0.37%	3.7%	6.6%	-8%	18.5%
Source: Ministry of Budget & Planning					

Figure 5: State Revenue & Expenditure



The State recorded a deficit of 8% in 2018 and has a surplus of 19% as at 31st August 2019.

The new fiscal regime shall seek to contain deficits at a maximum of 3% of GDP.

The outlook reflects the state's increasing sophistication in management reflected by improving transparency and debt management amid moves towards a balanced budget by 2019.

The Fiscal Responsibility Commission will be fully operational by the end of 2019 in a bid to ensure fiscal discipline.

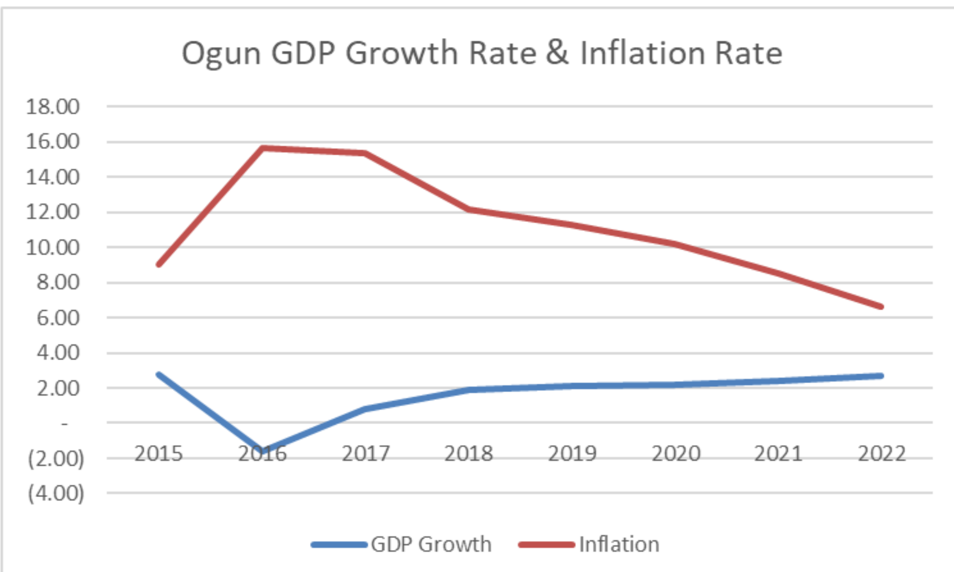
Induced by public and private investments, as well as an estimated population of over 5.2 million, Ogun state's diverse economy is filled with potentials for growth.

GDP is expected to grow at an average of 2.4% over the period 2020 – 2022.

Table 5: Ogun GDP Growth Rate & Inflation Rate

Indicators/Years	2015	2016	2017	2018	2019	2020	2021	2022
GDP Growth	2.80	(1.60)	0.80	1.90	2.10	2.20	2.40	2.70
Inflation	9.00	15.62	15.37	12.15	11.25	10.20	8.49	6.59
Source: World Bank, NBS, Central Department of Statistics (CDS)								

Figure 6 : Ogun GDP Growth Rate & Inflation Rate



The State plans to have a world class public financial management system that is efficient, effective and transparent geared towards an implementable budgeting and management system, employing a professional and effective workforce while, utilizing appropriate technological platforms to achieve beneficial and efficient service delivery.

More importantly, the State plans to broaden the tax base and improve collection methods to boost IGR from NGN48 billion as at 31st August 2019 to NG577 billion by 2022.

Table 6: IGR Performance and Projection

YEARS	BUDGET 2019	ACTUAL PERFORMANCE AS AT 31ST AUGUST 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
PARTICULARS	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
IGR (OGIRS)	95,000.00	18,369.57	114,456.65	198,731.30	261,056.45
OTHER INTERNAL REVENUE	64,244.54	29,630.00	140,489.77	240,654.48	316,127.38
TOTAL IGR	**159,244.54**	**47,999.57**	**254,946.42**	**439,385.78**	**577,183.83**
Sources: Ministry of Budget & Planning and OGIRS					

The estimated growing population of the state has an interesting prospect in terms of developmental growth. With a higher working age population as a percentage of the total, Ogun will continue to be the focal point for both internal immigration (uncontrolled), and consumption growth.

Considering the infrastructural deficit and growing population of Ogun, the opportunity to grow its per capita income is enormous. Ogun state is expected to continue to attract both direct and portfolio investment in the consumer goods, agro based industries and the solid minerals sectors.

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

MACRO ECONOMIC FRAMEWORK FOR OGUN STATE

As stated earlier; the State GDP is estimated to be ₦2.924 trillion in 2019 and would be ₦3.142 trillion by 2022 with projected annual average growth rate of 2.4% from 2019 through to 2022.

This is very attractive and gives room for more investment considering the yet to be explored opportunities in the Olokola Free Trade Zone and the Deep Sea at the Ogun East Senatorial district of the State that is veritable for economic and trade exploration by other West African countries.

Ogun State GDP accounted for 2.45% and 2.22% of Nigeria's total GDP in 2017 and 2018 respectively.

The overarching ambition is to make the State the Sub - Saharan Africa's first choice destination for investment, by entrenching transparent public financial management system expected to attract both local and foreign investments and encourage Public-Private Sector Partnership. An enviable State transformed to an economic and financial hub that is safe, secure, functional and productive that is achieved through human capital development focused on acquisition of technical and vocational skills in specialized areas such as agriculture, manufacturing and craftsmanship.

More importantly, a preferred destination for trade, investment flows and leisure activities in Nigeria with a ripple effect on poverty eradication and sustainable economic growth and development through infrastructure renewal and development.

The Government will propel huge investment in Agriculture and Food Security, Education, Healthcare, Physical Infrastructure Development, Information, Communication and Technology (ICT), Housing, Environment and Physical Planning, Transportation (Deep Sea at Ogun Waterside, Ogun East Senatorial District) Water and Waste Management, Industry, Trade and Investments, Finance and Economic Planning and an enduring Human Capital Development to sustain all the intended vision through building of Institutions.

Macroeconomic objectives for the medium term 2020-2022, which are intended to support the achievement of the overarching goal, includes maintaining the real economic growth at an annual average rate of 2.4% up to 2022; reducing the rate of inflation to be 6.59% by 2022; achievable through adherence and financial discipline, considerate limits for expenditure to ensure low fiscal deficits and sustainable levels of public debts; creating a framework in which public funds are allocated optimally and cost- effectively to meet Government's policy aims, thus ensuring improvement of key performance indicators in Ogun State; adoption of accurate revenue estimates and the continued, sustainable growth in tax revenue from OGIRS and non-tax revenue from other revenue generating agencies in Ogun State; creating an enabling environment for private sector development through Public Private Partnership (PPP) initiatives; and improving governance and developing well-functioning public financial management system.

In line with the broad objectives stated above, the Government's macroeconomic targets for the period 2020-2022 with the Fiscal Framework Projections are as follows:

- Increase the Internally generated revenue based on ambitious target through well planned far reaching reforms in real terms in the medium term,
- To reduce the borrowing and financing of debt service significantly in the 2020 – 2022 medium term year in order to continue to attract credit investment,
- Sustaining the real GDP growth rate at not less than 2.70% growth by 2022
- To bring down end-year inflation to less than 6.59% in 2022,
- To be fiscally sustainable by keeping the fiscal deficit of GDP at a barest level,
- To achieve the fiscal stimulus of spending range of 50-50 and with a target of achieving 60: 40 capital expenditure to recurrent expenditure ratio respectively in year 2020,
- To keep the wage bill within the State wage policy and Development Policy Operation triggers.

STRATEGIES

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

Gross Domestic Product (State)

Over the medium term, it is expected that economic growth will mainly be influenced by the non-oil sector; hence, a structural shift in the economy is expected to attract investment in sectors such as Power, Agriculture, Transportation, Information, Communication and Technology (ICT), Housing and Education amongst others. This is expected to increase their contribution to GDP growth.

Investments in key infrastructure as well as a continued focus on promoting macroeconomic stability are expected to activate this shift in the economy, thereby positioning Ogun State as one of the major emerging economies in Nigeria and the World. It is against this backdrop that economic growth rate with the average of 2.4% is projected between Y2020 - Y2022 in the Medium Term.

Inflation

A single digit inflation rate of 6.59% remains an important target for the achievement of macroeconomic stability by 2022. In order to effectively control inflation expectations, there is need to control price stability and provide a suitable environment for business planning and investment activities.

To achieve this, credit to Small and Medium Scale Enterprise (SMSE's) will be improved upon through the utilization of new and existing financial instruments. The State Enterprise Development Agency will also strengthen the Small and Medium Enterprises.

Also, the Ogun State Investment Promotion and Facilitation Agency will provide a conducive environment to eliminate unnecessary delays in processing necessary documents, while the Public Private Office will ensure that the state has a transparent and accessible template.

Exchange Rate

The Federal Government projection of N306/$1 in the 2019 budget relying on budding cash raising upfront oil deal worth$15bn with India, 22% projected increase in oil production as oil companies begin lifting the force majeure on fields that were shut down as a result of militancy in the Niger Delta.

The rates in the foreign exchange market have been relatively stable over the past year, supported by CBN continued intervention in the market, sustained increase in the price of crude oil in the World Market, as well as positive developments in the external sector. High level of activities has been recorded, particularly at the Investors' and Exporters' (I&E) window of the foreign exchange market.

The average official Naira/US$ exchange rate was N305/$ as at Q3 2018, while the interbank rate has converged at an average of about N360/$ in line with the parallel markets as at Q3 2018.

The CBN will sustain the relative stability in the foreign exchange market and improve the implementation of the market – determined exchange rate regime, to build confidence and encourage foreign exchange inflows.

The commencement of the $2.2 billion currency swap deal with the People's Bank of China (PBoC) and the availability of Renminbi currency[7] to Chinese and Nigerian businesses would ease pressure in the US dollar market. The implementation of the currency swap framework will be accelerated and the CBN will carry out the sensitization programmes to create greater awareness among the Public.

It is also projected that the exchange rate will generally remain stable as the monetary, fiscal and trade policies are fully aligned. This outcome will be achieved through policies that seek to remove uncertainty in the exchange rate and restore investors' confidence in the market.

This includes strategies to reduce market interest rates; moderate inflationary pressures; provide critical infrastructure to lower the cost of doing business; and stabilize exchange rate. In addition, government is enhancing its revenue generation mechanism to moderate fiscal deficits. These, in addition to a healthy debt sustainability frame work will support stability in the macroeconomic environment.

[7] HMFBP – MTEF/FSP 2020 – 2022 Presentation

Table 7: Key Macro Economic Indicators

Indicators/Years	2018	2019	2020	2021	2022
State GDP Growth Rate (%)	1.9%	2.1%	2.2%	2.4%	2.7%
Estimated State GDP (Figure in N'million)	2,863,671.88	2,923,808.99	2,988,132.79	3,059,847.98	3,142,463.87
GDP Growth Rate (National Figure in %)	1.9%	2.1%	2.2%	2.4%	2.7%
Inflation Rate (%)	12.15%	11.25%	10.20%	8.49%	6.59%
Average Naira to USD Exchange rate	306	306	305	305	305
Forecast/Benchmark oil Price	45	50	55	55	60
Oil Production per day	1.96 million barrels	1.84 million barrels	2.18million barrels	2.22million barrels	2.22million barrels
Interest rate on domestic debts			13.5%	13.5%	13.5%
Interest rate on external debts			2.0%	2.0%	2.0%
Sources: Central Department of Statistics (CDS). Federal Ministry Finance, Budget and Planning, NBS, World Bank, Ministry of Budget & Planning					

2019 BUDGET PERFORMANCE FOR OGUN STATE

The actual budget performance as at 31st August, 2019 put revenue at 25.64.%. The low performance was largely because of the tense political situation that preceded the general elections while the high expenditure was more of payment of outstanding salaries and allowances.

Internally Generated Revenue (IGR) contributed 41.2% to total revenue performance. Out of this, Ogun State Internal Revenue Service (OGIRS) accounted for 62% of the 41.2% or 25.43% of total revenues.

Federal Transfers contributed 59% to the total revenue. Value Added Tax (VAT) has been on the increase year on year. VAT is expected to increase in the medium term as the rate moves from 5% to 7.5%.

Capital expenditure as at 31st August, 2019 was 15%. This is expected to improve by year end.

Table 8 : Budget Performance as at 31st August 2019

	BUDGET 2019	PROPORTIONATE TARGET	ACTUAL PERFORMANCE AS AT 31ST AUGUST, 2019	PROPORTIONATE PERFORMANCE	PERFORMANCE ON ANNUAL BUDGET
	N'M	N'M	N'M	%	%
Recurrent Revenue (OGIRS)	95,000.00	63,333.33	29,630.00	46.78	31.19
Recurrent Revenue (IGR Other MDAs)	60,769.44	40,512.96	17,194.47	42.44	28.29
Investment Income	261.60	174.40	20.73	11.88	7.92
Extra Ordinary Income (IGR)	3,213.49	2,142.33	1,154.38	53.88	35.92
Statutory Allocation	42,000.00	28,000.00	26,009.81	92.89	61.93
Value Added Tax	18,000.00	12,000.00	9,247.53	77.06	51.38
Extra Ordinary Income (CAPEX F.G Roads Refund)	80,000.00	53,333.33	33,015.78	61.90	41.27
Capital Reciepts	101,078.49	67,385.66	233.63	0.35	0.23
Total Revenue	**400,323.03**	**266,882.02**	**116,506.31**	**43.65**	**29.10**
Expenditure Performance					
Personnel Cost	74,480.00	49,653.33	41,312.02	83.20	55.47
Overhead Cost	41,185.70	27,457.13	11,472.83	41.78	27.86
Consolidated Revenue Cost	23,500.00	15,666.67	6,571.70	41.95	27.96
Public Debts Charges (Overhead)	10,500.00	7,000.00	5,315.22	75.93	50.62
Total Recurrent Expenditure	**149,665.70**	**99,777.13**	**64,671.77**	64.82	43.21
Capital Expenditure	231,507.33	154,338.22	26,986.88	17.49	11.66
Public Debts Charges (Capital)	19,150.00	12,766.67	10,967.61	85.91	57.27
Total Capital Expenditure	**250,657.33**	**167,104.89**	**37,954.48**	22.71	15.14
Total Expenditure	**400,323.03**	**266,882.02**	**102,626.25**	38.45	25.64
Financing Requirement		-			
Total Revenue	**400,323.03**	**266,882.02**	**116,506.31**	**43.65**	**29.10**
Total Expenditure	**400,323.03**	**266,882.02**	**102,626.25**	**38.45**	**25.64**
Financing (Surplus / Deficit)	-	-	13,880.05		
Total Budget Size	**400,323.03**	**266,882.02**	**102,626.25**	**38.45**	**25.64**

The ratio of actual capital to recurrent expenditure as at 31st August, 2019 is 37: 63 against a budget 63: 37.

In 2018 the actual capital to recurrent expenditure ratio achieved was 52:48.

Table 9: 2019 Capital vs Recurrent Expenditure

	BUDGET 2019	RATIO	ACTUAL AS AT 31ST AUGUST, 2019	RATIO
PARTICULAR	**₦**	**%**	**₦**	**%**
Total Recurrent Expenditure	149,665,700,000.00	37	64,671,769,935.12	63
Total Capital Expenditure	250,657,328,788.00	63	37,954,483,368.07	37
Total (Budget Size)	**400,323,028,788.00**	**100.00**	**102,626,253,303.19**	**100.00**
Source: Ministry of Budget and Planning				

Figure 7 : 2019 Budgeted Capital vs Recurrent Expenditure

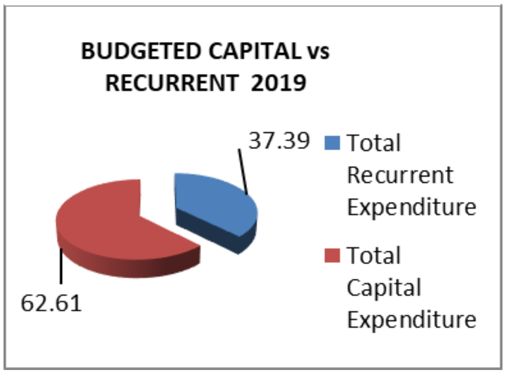
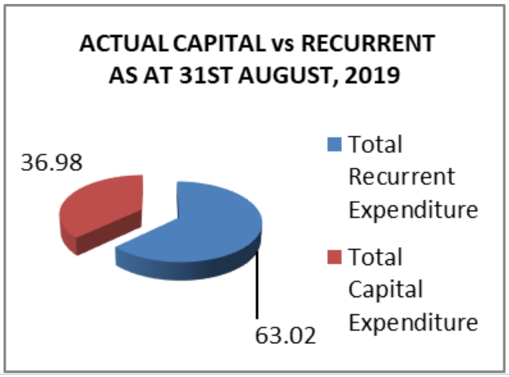


Figure 8: Actual 2019 Capital vs Recurrent Expenditure



HISTORIC TRENDS 2015 – DATE

REVENUE STREAMS

STATUTORY ALLOCATION

Statutory allocation refers to revenue that accrued to the State from the Federal Government. The data indicates a decrease in year 2016 with a gradual increase witnessed in year 2017 and later rose in year 2018.

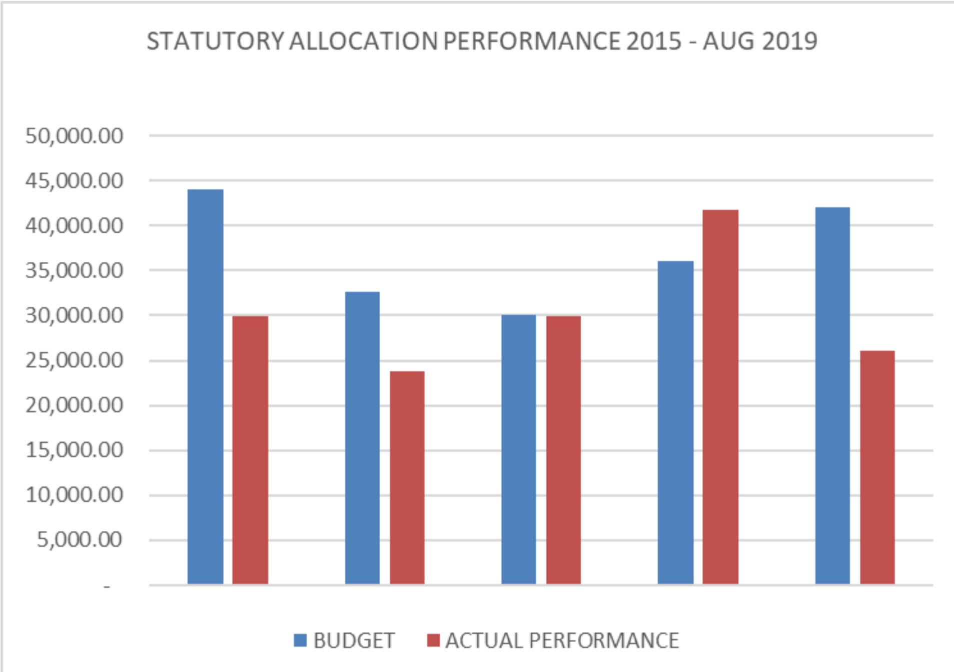
The Actual Allocations to the State within the period 2015 to 2017 were below the budgeted figures, while that of 2018 was above the budgeted figure. This shows that the State Government expectations from Statutory Allocation is rarely met or achieved. Hence the State has been consistent, as a deliberate policy to insulate the State economy by being conservative in order to avoid any financial embarrassment that may arise from production losses and sudden fall in oil prices.

The decrease or slow revenue pace currently being experienced in year 2019 is mainly due to the uncertainty that followed the general elections in the first quarter of the year, appointment of ministers and other political appointees and uncertainty in respect of Government policy on importation, unfavorable economic environment for companies to operate such as inadequate infrastructure including power.

Table 10: Statutory Allocation Performance 2015 - Date

	2015	**2016**	**2017**	**2018**	**ACTUAL AS AT 31ST AUGUST, 2019**
	N'M	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	44,000.00	32,600.00	30,000.00	36,000.00	42,000.00
ACTUAL PERFORMANCE	29,984.05	23,740.95	29,914.46	41,775.18	26,009.81
PERCENTAGE PERFORMANCE	**68.15**	**72.83**	**99.71**	**116.04**	**61.93**
Source: Ministry of Budget and Planning					

Figure 9: Statutory Allocation Performance 2015 - Date



Consequent on the foregoing, the State Government will ensure maximization of the state's potentials from the Internally Generated Revenue, by creating a positive business environment based on the present economic situation and macroeconomic indicators by making realistic budget estimates for the year 2020.

VALUE ADDED TAX

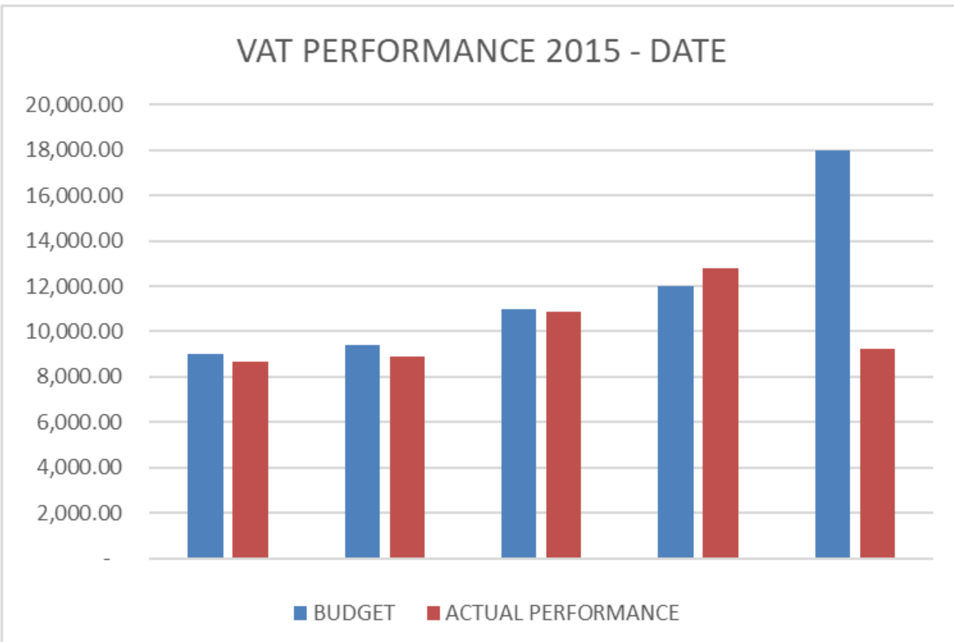
This is being collected by the Federal Inland Revenue Service on behalf of the Federal Government of Nigeria. The graph shows that the State Government has always been ambitious in respect of revenue expected from VAT. The revenue from VAT increased in year 2018 and hopefully with over 50% performance in the current half-year, it is expected that revenue from VAT to the State will increase accordingly.

As stated above VAT revenues are expected to grow in line with GDP growth and new VAT rate.

Table 11: VAT Performance 2015 - Date

	2015	2016	2017	2018	ACTUAL AS AT 31ST AUGUST, 2019
	N'M	N'M	N'M	N'M	N'M
BUDGET	9,000.00	9,400.00	11,000.00	12,000.00	18,000.00
ACTUAL PERFORMANCE	8,680.22	8,876.55	10,891.87	12,776.51	9,247.53
PERCENTAGE PERFORMANCE	**96.45**	**94.43**	**99.02**	**106.47**	**51.38**
Source: Ministry of Budget and Planning					

Figure 10: VAT Performance 2015 - Date



INTERNALY GENERATED REVENUE

Internally Generated Revenue is a major source of funding for the State. It comprises PAYE, withholding taxes, direct assessment and host of other forms of Revenue collectable by the Ogun State Internal Revenue Service (OGIRS).

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

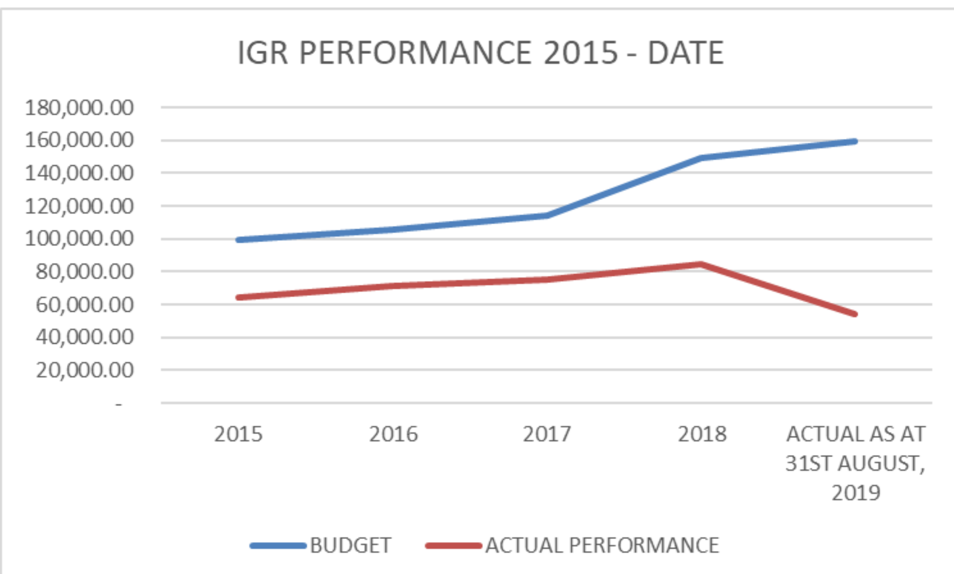
Even though the State has been witnessing annual actual increase in IGR, the budget expectation is yet to be met year on year because the major IGR drivers which include OGIRS, Lands Bureau, Physical Planning, Ministry of Agriculture, Commerce and Industries and Ministry of Forestry etc. performed sub-optimally.

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

Table 12: IGR Performance 2015 – Date

	2015	**2016**	**2017**	**2018**	**ACTUAL AS AT 31ST AUGUST, 2019**
PARTICULAR	**N'M**	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	99,354.00	105,671.33	114,305.21	149,430.16	159,244.54
ACTUAL PERFORMANCE	64,336.99	71,553.41	74,835.98	84,554.20	54,370.41
PERCENTAGE PERFORMANCE	**64.76**	**67.71**	**65.47**	**56.58**	**34.14**
Source: Ministry of Budget and Planning					

Figure 11 : IGR Performance 2015 – Date



CAPITAL RECEIPTS

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

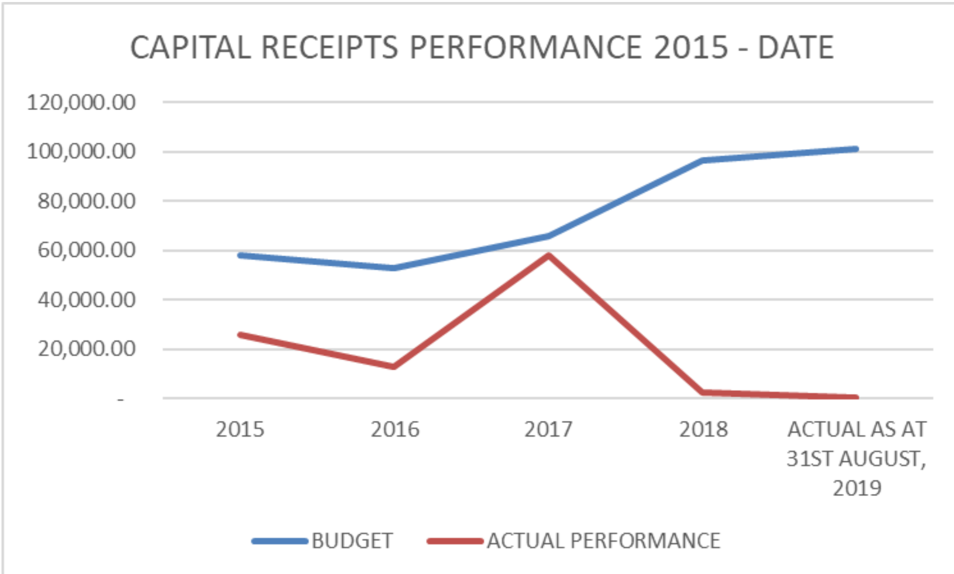
The budget figure has been fluctuating; however, actual has been on a declining trend until 2017 when the State was able to attract significant investments from Development Partners and Donor Agencies and capital contributions to facilitate capital development projects.

The State Government will initiate the building of institutions that will stand the test of time geared towards best practices in Public Financial Management in order to attract and gain the confidence of Investors.

Table 13: Capital Receipts Performance 2015 - Date

	2015	**2016**	**2017**	**2018**	**ACTUAL AS AT 31ST AUGUST, 2019**
	N'M	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	58,000.00	52,529.12	65,785.63	96,553.80	101,078.49
ACTUAL PERFORMANCE	25,717.56	12,827.11	58,052.30	2,604.48	233.63
PERCENTAGE PERFORMANCE	**44.34**	**24.42**	**88.24**	**2.70**	**0.23**
Source: Ministry of Budget and Planning					

Figure 12: Capital Receipts Performance 2015 – Date



EXPENDITURE

PERSONNEL COST

Personnel cost represents the wage bill of the State Government funded from the revenue accruable to the State. This budgeted value has been on the increase from the year 2015 to year 2019, while the actual figure witnessed a decrease in year 2018.

Essentially, the marginal increase in actual personnel costs since 2015 could be ascribed to 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.

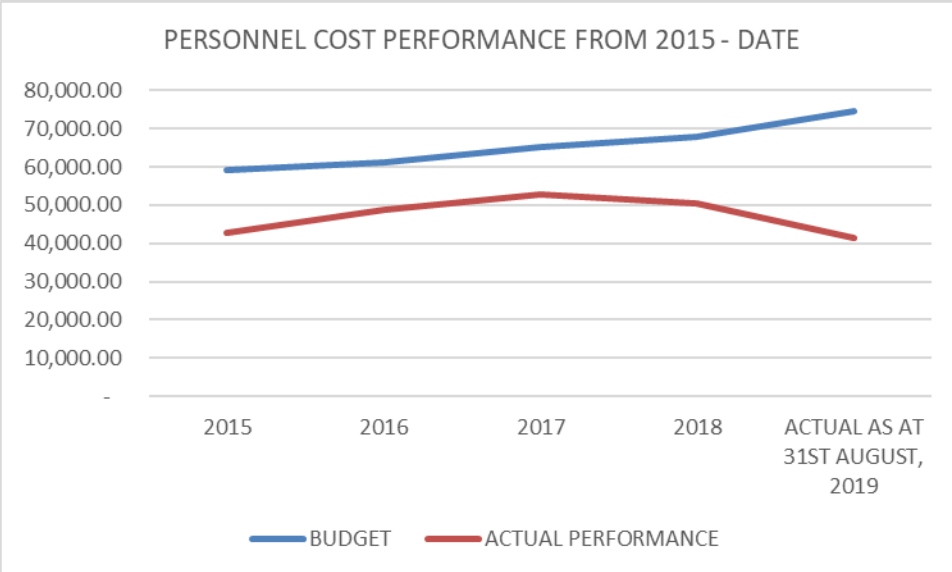
The State is equally mindful to keep the personnel cost within the Sustainability level in view of the fact that year 2018 had an actual of personnel cost of 30.83% of total revenue and 59.73 % of IGR against the previous year 2017 (28.53% of total revenue and 70.60% of IGR).

Aware of the array of opportunities in respect of facilities offered by the World Bank and in tandem with the principles of fiscal sustainability needed to enjoy the facilities, the present Administration will endeavor to sustain the standing policy of keeping our personnel cost low and bearable and most importantly not above the State IGR.

Table 14 : Personnel Cost Performance 2015 – Date

	2015	**2016**	**2017**	**2018**	**ACTUAL AS AT 31ST AUGUST, 2019**
	N'M	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	59,154.68	61,339.78	65,336.31	68,033.50	74,480.00
ACTUAL PERFORMANCE	42,780.46	48,844.97	52,837.12	50,502.54	41,312.02
PERCENTAGE PERFORMANCE	**72.32**	**79.63**	**80.87**	**74.23**	**55.47**
Source: Ministry of Budget and Planning					

Figure 13: Personnel Cost Performance 2015 - Date



OVERHEAD COST

The actual overhead costs have been within the budget limit since 2015.

The slight increase in the actual value was due to the increase in maintenance cost and running of other government activities. The present economic realities indicate that overhead cost should be reviewed downward to minimize wastages.

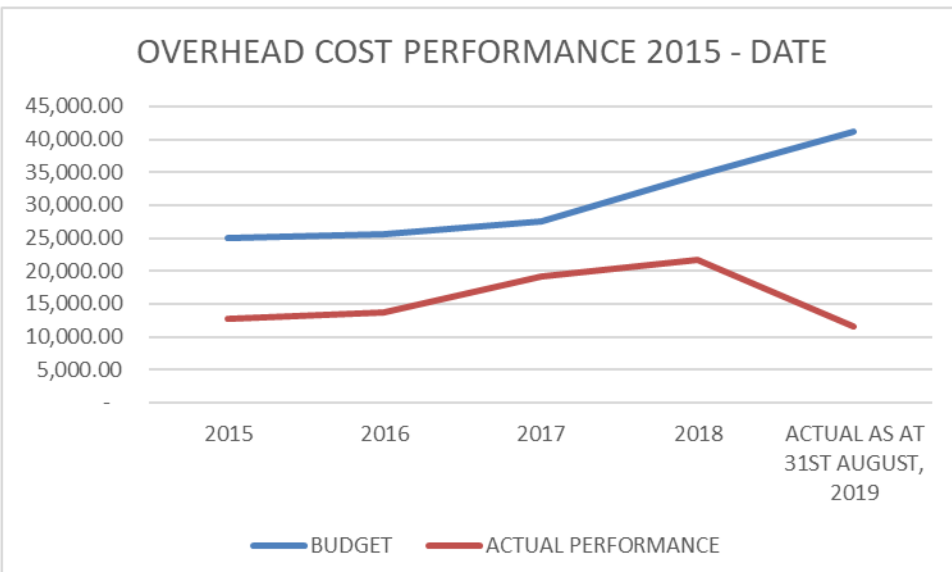
There will be concerted efforts to prune down the cost of governance; a necessary line of action in an inflationary environment.

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

Table 15 : Overhead Cost Performance 2015 - Date

	2015	2016	2017	2018	ACTUAL AS AT 31ST AUGUST, 2019
	N'M	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	24,939.32	25,569.20	27,594.62	34,569.07	41,185.70
ACTUAL PERFORMANCE	12,697.67	13,780.17	19,140.85	21,604.77	11,472.83
PERCENTAGE PERFORMANCE	**50.91**	**53.89**	**69.36**	**62.50**	**27.86**
Source: Ministry of Budget and Planning					

Figure 14 : Overhead Cost Performance 2015 - Date



CAPITAL EXPENDITURE

Capital expenditure represents the commitment of Government towards infrastructure development and this gulps averagely over the years 53% (2015 to 2018) of the total revenue accrued to the State.

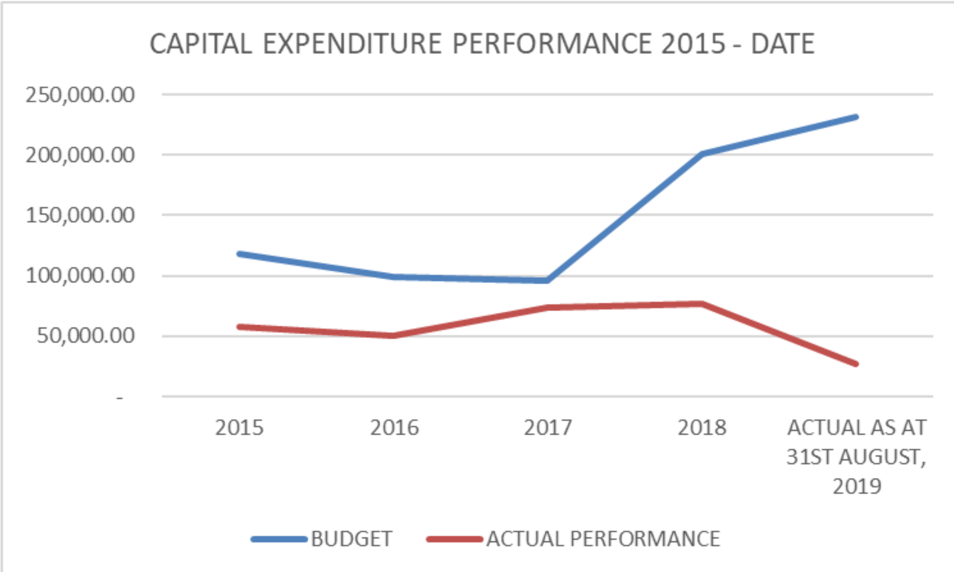
The State has been unable to meet its actual capital expenditure costs overtime as a result of some reasons; as a result of shortfall in Government revenue due to both internal and external factors affecting sources of Government revenue; hence, inability to mobilize resources for execution of capital projects. Secondly, inability of executing agencies to front-load their capital projects; hence the delay in commencing the execution of the projects.

The State Government will address this by being more aggressive in her revenue drive, and making sure that the various agencies work according to the reforms being introduced and as well complies with budget profiling as introduced to forestall future occurrence.

Table 16: Capital Expenditure Performance 2015 – Date

	2015	**2016**	**2017**	**2018**	**ACTUAL AS AT 31ST AUGUST, 2019**
	N'M	**N'M**	**N'M**	**N'M**	**N'M**
BUDGET	118,260.00	99,291.48	95,659.91	200,731.39	231,507.33
ACTUAL PERFORMANCE	57,470.54	50,148.01	73,213.20	76,430.17	26,986.88
PERCENTAGE PERFORMANCE	**48.60**	**50.51**	**76.53**	**38.08**	**11.66**
Source: Ministry of Budget and Planning					

Figure 15 : Capital Expenditure Performance 2015 – Date



SECTORAL ALLOCATION

The state had played down Education, Housing and Community Amenities, Health and Economic Affairs between 2015 and 2019 with combined budgetary allocations of 38.32%.

The present Administration identifies the need to increase investment in the Environmental Protection Sector by investing in moribund/non-functioning and expanding the Waterworks, solid waste management among other projects throughout the State.

Table 17: Trends in Sectoral Allocations 2015 – Date

	2015		2016		2017		2018		2019	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL AS AT 31ST AUGUST, 2019
General Public Services	25%	26%	25%	27%	26%	24%	21%	26%	23%	34%
Public Order and Safety	5%	3%	4%	3%	3%	3%	3%	3%	3%	3%
Economic Affairs	20%	22%	19%	22%	26%	29%	27%	29%	25%	19%
Environmental Protection	2%	1%	1%	0%	1%	1%	2%	1%	2%	1%
Housing and Community Amenities	11%	12%	13%	9%	9%	6%	11%	10%	12%	5%
Health	10%	6%	7%	7%	6%	6%	6%	6%	6%	9%
Recreation, Culture & Religion	3%	2%	4%	2%	2%	1%	3%	1%	3%	2%
Education	20%	25%	20%	24%	22%	23%	23%	18%	22%	22%
Social Protection	5%	5%	6%	6%	5%	7%	4%	5%	6%	7%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Source: Ministry of Budget and Planning										

DEBT POSITION

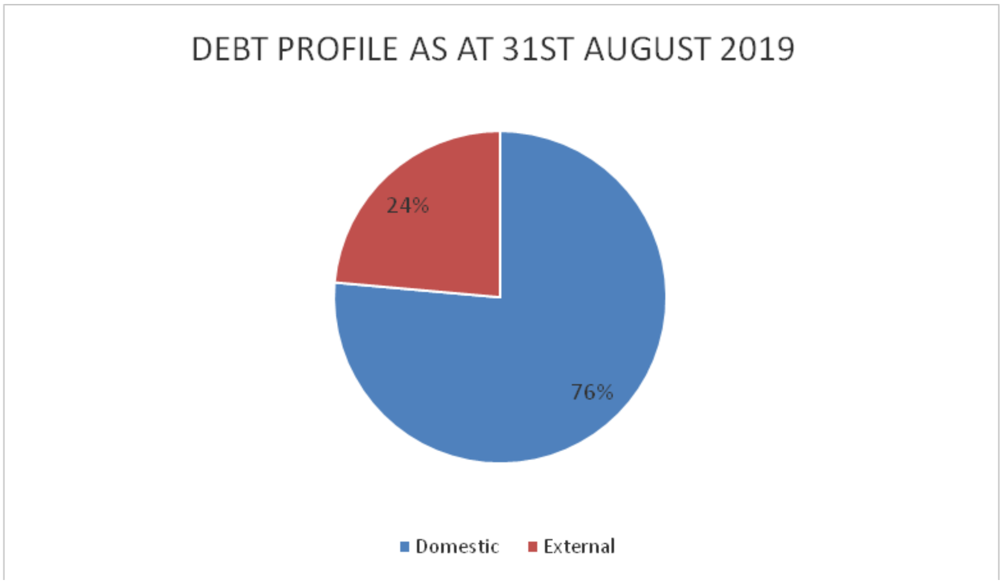
The Debt Management Office (DMO) has undertaken a review of the debt position of the State Government with a view to determining the ability of the State to borrow under the new administration.

The Debt position of the State as at 31st August, 2019 is as highlighted in the table below:

Table 18: Debt Position as at 31st August 2019

Debt Item	N'M	%
External Loan	31,897.00	24%
Domestic/Flow Debt	103,415.41	76%
Total	**135,312.41**	**100%**
Source: Debt Management Office		

Figure 16: Debt Position as at 31st August 2019



The incoming administration will, apart from fulfilling its electoral promises, sustain or even surpass the performance of the past administration.

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

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

Taking this into consideration, the current administration will rely on both Local and International financial credits between years 2020, 2021 and 2022 to finance identified capital projects to improve the revenue base of the State and enhance our economic growth.

FISCAL STRATEGY

Fiscal Policy Statement

The vision is to provide an implementable budgeting and management system by employing a professional and effective workforce; utilizing appropriate technological platforms to achieve beneficial and efficient service delivery.

We have a strong conviction that a transparent public financial management system will undoubtedly bring about desirable outcomes in the areas of aggregate fiscal discipline, strategic allocation of limited resources and efficient service delivery.

PFM reforms which will include Public Expenditure Management ("PEM") that emphasizes outcomes rather than budget lines will help resolve the gaps identified between expenditure and outcomes.

PEM focuses on outcomes and sees expenditures as a means to produce outputs which are needed to achieve desired outcomes as against conventional budgeting that focuses narrowly on expenditures on inputs.

Over the periods of year 2020 – 2022, the State Government fiscal policy will be geared towards improving the efficiency and effectiveness of spending; achieving a better balance between capital and recurrent expenditure, including greater control of the wage bill; directing capital expenditure on critical infrastructure; boosting revenue receipts by identifying and plugging revenue leakages; and gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.

In line with the present administration's strategic imperatives and implementation road map, the medium-term fiscal strategy of the present administration 2020-2022 is hinged on five main pillars;

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

By investing in these sectors, the target of Government is to reduce the infrastructure gap as well as support job creating opportunities which will in turn foster greater and diversified economic growths.

Objectives and Targets

The 2020 - 2022 fiscal objectives will continue its fiscal strategy of directing resources to most productive and growth- enhancing sectors, while efforts will be intensified to increase revenue.

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

The highlights of Government fiscal strategy includes:

- Enhancing economic growth and ensuring inclusiveness.

- Promoting economic diversification
- Maintaining macroeconomic stability
- Increasing revenue generation
- Rebalancing the distribution of Government spending
- Improving quality of spending
- To tilt capital investment funds towards Government Key priority areas;
- To use the budget to deepen the goals of job creation, poverty eradication and wealth creation;
- To entrench Modified Zero-Based Budgeting (Modified ZBB) & MTSS across all MDAs and Budget profiling for cash management;
- To lay greater emphasis on maintenance of public assets;
- To effectively manage parastatal organizations in order to reduce their dependence on the State's finances;
- To foster a robust enabling environment for private investors through PPP initiatives and investment climate in general; and
- To improve fiscal discipline statewide

Enhancing economic growth and promoting inclusiveness

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

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

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

In addition, government support will be geared towards stimulating activities of Small and Medium-Scale Enterprises (SMEs). The State economy is expected to grow and pick from 2.10% in 2019 to between 2.20% to 2.40% by year 2020 to 2021 and be at its peak at 2.70% by year 2022.

Promoting Economic Diversification

The diversification of the productive base of the Ogun State economy is a critical objective of Government.

In the medium-term, Government will make concerted economic diversification efforts through targeted interventions to boost the non-oil economy.

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

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

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

The present administration acknowledges the importance of the non-oil sector, particularly, the solid minerals and Agriculture sector in its economic diversification strategy including in the areas of revenue and job creation. As part of the efforts to provide an enabling environment for economic diversification and growth, Government will accelerate the implementation of key infrastructure projects. This will further improve the domestic business environment, and secure both existing and new jobs.

Maintaining Macro Economic Stability

Sustaining the positive trajectory of key macroeconomic variables is the thrust of macroeconomic policy.

A stable macroeconomic environment is a pre-requisite for sustained growth. It engenders certainty and enables businesses and households to plan their production, investment and consumption activities.

In the medium term, macroeconomic objectives shall be to ensure stability in the macroeconomic environment, accelerate economic growth and enhance social inclusion through employment and job creation.

The strategies of government as contained in the Ogun State Development Plan ("OGSDP") are aimed at ensuring that the State achieves the global Sustainable Development Goals ("SDGs"). These goals include poverty eradication, zero hunger, good health, quality education, gender equality, water and sanitation, affordable and clean energy, decent economic growth, infrastructure and industrialization.

Increasing Revenue Generation

Government's strategy is to continue engagements with relevant stakeholders and interested investors in the State.

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

Government will also identify and plug revenue leakages, improve tax compliance, tighten the tax code and broaden the tax net by employing appropriate technology.

In addition, government will ensure that more businesses in the informal sector are formalized.

Tax payment will be verified prior to licensing a vehicle while a broad audit campaign will be conducted to identify under-filing taxpayers and non-compliant taxpayers will be engaged to ensure compliance.

Rebalancing the Distribution of Government Spending

The fiscal strategy will include efforts to address the skew towards recurrent expenditure.

Government desires to continue to allocate at least 60% to 70% of its spending to the execution of capital projects in order to gradually align with the ERGP.

However, the main challenge in this regard is funding constraint. To ensure significant available capital resources, efforts will be intensified to enhance internally generated revenue collection. In addition, the existing Consortium for Administration for Salary and Pension (CASP) will be reviewed to improve the effectiveness and efficiency of payroll administration.

The reality on ground is that paucity of funds as a result of over reliance on funds from the FAAC and under performance of the State IGR has always been very low over the years and cannot support the State Government investment drive spending on capital expenditure, government resources will still fall far short of the amount required to address the huge infrastructure deficit. Therefore, government intends to continue to utilize alternative mechanisms for financing capital projects in partnership with the private sector.

Improving the Quality of Spending

Government remains committed to improving the efficiency and quality of its spending.

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

Over the medium term, government intends to key into the Public Expenditure and Financial Accountability (PEFA) assessment with the support of Development Partners.

As part of the cost minimizing measures, attention will continue to be paid to the costing of activities/projects, competitive bidding in public procurement, continuous audit of MDAs' operations and other public financial management reforms which will definitely bring about positive results.

Ensuring Sustainable Deficit Levels

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

Fiscal deficit will be maintained within the 3% level threshold stipulated in the Fiscal Responsibility Act 2007 and the proposed Ogun State Fiscal Responsibility Law.

Facilitating Output Growth, Economic Diversification and Job Creation

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

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

The interventions in the critical sectors of the state economy will be strengthened to enhance economic growth and reduce unemployment.

The CBN is encouraging deposit money banks to increase the flow of credit to the real sector to accelerate economic recovery.

A heterodox market reform approach is therefore appropriate at this time to improve credit flow to productive sectors of the economy.

Credit constrained businesses, particularly large corporations are encouraged to issue commercial paper to meet their credit needs and the CBN may, if need be, buy the instruments to complement the efforts of the Deposit Money Banks (DMBs) and other intermediaries. In addition, to incentivize DMBs to increase lending to the manufacturing and agriculture sectors, a differentiated dynamic cash reserves requirement (CRR) regime is being implemented to direct cheap long-term bank credit at 9%, with a minimum tenure of seven (7) years and two

(2) years moratorium to support employment elastic sectors of the Nigerian economy.

However, the State in implementing a realistic economic reform puts credit interest rate at 13.5%; in order to protect the State economy from financial shocks or distortions that may arise within the three years medium term frame work. More importantly, avenues will be explored and supported by the present administration in its commitment in expanding and creating wealth in the State.

Key Sectoral Policy Initiatives

Accelerating Economic Growth and Job Creation

The state government shall do the following;

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

Economic growth is a pre-requisite for job creation. However, jobless growth as experienced in the past decade is not desirable for welfare improvements and inclusiveness. The present administration will invest in Human Capital Development focused on acquisition of technical and vocational skills in specialized areas such as agriculture, manufacturing and craftsmanship.

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

The thrust of the job portal is to have the aggregate summation of unemployed and underemployed residents of Ogun state and to create a strategy on job creation by amplifying

State Government investments and support where necessary on sectors with potentials for massive job creation in the following:

- Boosting public works programmes;
- To latch onto the Federal Government N-Power volunteer corps to provide temporary employment for graduates annually in education, agriculture and health;
- Enforcing the local content policy to promote job creation through procurement processes;
- Improving employability of school leavers and graduates, given the changing nature of work arising from increasing digitalization of the global economy;
- Developing local empowerment centers to disseminate and provide business support to entrepreneurs through apprenticeship and mentorship.

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

Industrialization through Public Private Partnerships (PPP)

The State Government will continue to create enabling environment through increased mobility of people and resources and develop a framework for the Public Private Partnerships (PPP).

This will be achieved by reviewing the Public Private Partnerships (PPP) environment and introduce relevant legislation to protect would-be and eventual investors with the ultimate goal of improving ease of doing business in the State.

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

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

- Reviewing/providing local fiscal and regulatory incentives to support the development of industrial cities, parks and clusters, especially around existing ports and transport corridors

- Partner with private sector to develop new commercial and retail malls, recreation facilities and city centers

- Harmonization of taxes and levies to eliminate multiplicity and ensure ease of self-assessment and payment.

- Partner with real estate developers and access new technologies for mass housing projects.

- Partner with private sector to redesign, redevelop and construct new urban centers, commercial hubs and rural/agricultural communities.

- Establish the Ogun State Enterprise Development Agency to provide much needed support and capacity building to the Micro, Small, Medium Enterprises (MSMEs) which are the bedrock of any economy.

- Establishment of the Ogun State Investment Promotion and Facilitation Agency basically to bring investment into the State.

- Establishment of a viable and autonomous PPP Office, which will lay out the process and guidelines for all private sector partnership engagements.

Agriculture and Food Security Reforms and State Government intervention in the areas of land access, extension services, financing, will be considered to attract large scale farmers to the Agriculture sector of the State.[8]

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

[8] 2019 Ogun State Economic Development Strategy Presentation to MDAs

Strategies to achieve food security in the medium term include:

- Focus on three cash crops and two (2) livestock with competitive advantages: Cassava, Rice, Maize and Poultry and Fishery.

- Provide seamless land access through special agric land allocation schemes for youth, small, medium and large-scale farmers.

- Establish an Agricultural inputs and Support Agency to provide easy access to farm machineries and equipment on lease basis, facilitate the supply of inputs (seeds, fertilizers, and chemicals) and market off-take.

- Revamp and restructure the State agriculture extension services for provision of advisory and training of farmers.

- Facilitate access to FGN/CBN intervention funds: Anchor Borrowers, Commercial Agric Credit (CACS); AGSMIES; Accelerated Agric Devt (AADS) Improving access to finance;

Social Investments: Health, Education and Social Welfare

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

Furthermore, Government will:

- Review education curriculum to include technical, ICT, sciences and entrepreneurship skills and training

- Seek partnership with the private sector in the development of educational institutions and technical certification programs.

- Revive and support new post-secondary school trade centres and technical schools;

- Introduce post-university skills development institutions (PUSDIs);

- Seek partnerships and strategic alliances with local and international bodies, such as the UNESCO, World Bank, DFI's, Bill and Melinda Gates Foundation etc.
- Improve enrolment especially in primary and secondary schools.
- Re-train, redeploy and recruit more teachers.
- Institute e-learning initiatives across schools and introduce e-libraries and research centres.
- Locate primary healthcare center in each of the 235 wards, including the renovation of the existing primary health care facilities.
- Expand and sustain the home-grown school feeding to enhance school enrolment and combat stunting
- Rehabilitate, equip and adequately staff the General Hospitals and Olabisi Onabanjo Teaching Hospital (OOUTH) to serve as effective referral centre for lower tier healthcare delivery centers.
- Designate a hospital as specialist centre in each of the three (3) Senatorial District.

Re- train and recruit more medical personnel.

Restructure the Health Insurance Scheme to address identified lapses and make it more efficient and affordable.

Partner with the DFIs and NGOs to provide better healthcare outcomes: WHO, Federal Ministry of Health, local and International Foundations.

Invest in the social housing programme: new low and medium density housing projects and estate across the State.

Implement beautification projects of parks, gardens round-about, highways and other community centers.

MEDIUM TERM FISCAL FRAMEWORK PROJECTIONS

Table 19: Medium Term Fiscal Framework Projections 2020 – 2022

DESCRIPTION	BUDGET 2019	ACTUAL PERFORMANCE AS AT 31ST AUGUST, 2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
	N'M	**N'M**	**N'M**	**N'M**	**N'M**
Internally Generated Revenue (Other MDAs)	64,244.54	18,369.57	114,456.65	198,731.30	261,056.45
Internally Generated Revenue (OGIRS)	95,000.00	29,630.00	140,489.77	240,654.48	316,127.38
Total IGR	**159,244.54**	**47,999.57**	**254,946.42**	**439,385.78**	**577,183.83**
Capital Reciepts	101,078.49	233.63	89,705.50	33,300.00	57,240.00
Statutory Allocation	42,000.00	26,009.81	43,430.73	44,323.88	49,010.90
Value Added Tax	18,000.00	9,247.53	22,030.78	26,596.65	29,467.31
Extra Ordinary Income (CAPEX F.G Roads Refund))	80,000.00	33,015.78	39,860.25	-	-
Total Revenue	**400,323.03**	**116,506.30**	**449,973.69**	**543,606.32**	**712,902.04**
Expenditure Performance					
Personnel Cost	74,480.00	41,312.02	83,238.03	86,972.26	92,078.29
Overhead Cost	41,185.70	11,472.83	50,158.69	55,110.93	61,466.05
Consolidated Revenue Cost	23,500.00	6,571.70	25,944.62	34,344.62	47,973.64
Public Debts Charges (Overhead)	10,500.00	5,315.22	21,500.00	11,655.00	12,237.75
Total Recurrent Expenditure	**149,665.70**	**64,671.77**	**180,841.34**	**188,082.81**	**213,755.73**
Capital Expenditure	231,507.33	26,986.88	250,775.03	333,861.59	476,754.26
Public Debts Charges (Capital)	19,150.00	10,967.61	18,357.32	21,661.92	22,392.06
Total Capital Expenditure	**250,657.33**	**37,954.48**	**269,132.35**	**355,523.50**	**499,146.31**
Total Expenditure	**400,323.03**	**102,626.25**	**449,973.69**	**543,606.32**	**712,902.04**
Financing Requirement					
Aggregate Revenue	400,323.03	116,506.30	449,973.69	543,606.32	712,902.04
Total Expenditure	400,323.03	102,626.25	449,973.69	543,606.32	712,902.04
Net- Financing	**-**	**13,880.05**	**(0.00)**	**(0.00)**	**0.00**
Capital Expenditure Ratio %	63%	37%	60%	65%	70%
Deficit to Total Expenditure %	0%	14%	20%	6%	8%
Capital Expenditure/Total Revenue Ratio %	63%	33%	60%	65%	70%
Recurrent Expenditure as a % of IGR	94%	135%	71%	43%	37%
Source: Ministry of Budget and Planning					

Table 20: Medium Term Fiscal Framework Quantitative Fiscal Targets 2020 – 2022

Quantitative Fiscal Target					
Fiscal Deficit as a % of GDP	0.00%	0.01%	3%	1%	2%
Debt Services as a % of Revenue	5%	9%	4%	4%	3%
Total Personnel Cost / Total Revenue	24%	41%	24%	22%	20%
Total Personnel Cost / IGR	62%	100%	43%	28%	24%
Personnel Cost as a % of Recurrent Expenditure	65%	74%	60%	65%	66%
Total Personnel Cost / Total Expenditure	24%	47%	24%	22%	20%
Recurrent Expenditure as a % of Budget Size	37%	63%	40%	35%	30%
Capital Expenditure as a % of Budget Size	63%	37%	60%	65%	70%
Source: Ministry of Budget and Planning					

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

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

Aggregate sum of ₦450 billion, ₦544 billion and ₦713 billion are projected to be realized as total resources available for spending in the medium term 2020, 2021 and 2022 respectively.

This aggregate revenue is determined by Internally Generated Revenue, Capital Receipts and Federal Transfers which is expected to contribute averages of 73%, 11% and 16% respectively in 2020, 2021 and 2022 in relation to total aggregate resources projected in the medium term.

The projected estimates were derived from elasticity and own percentage techniques with the underlying assumptions as stated in tables 19 and 20 above.

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

Figure 17:Aggregate Fiscal Projections 2020 – 2022

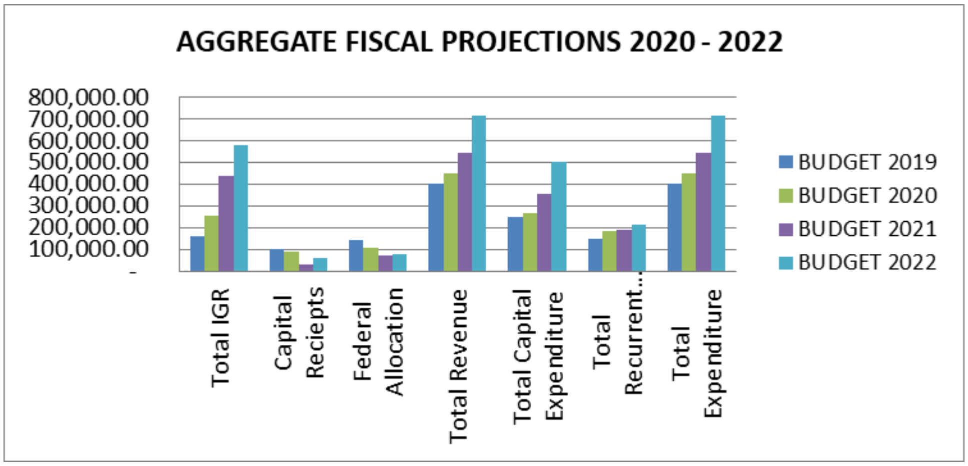


Figure 18: Revenue Projections 2020 – 2022

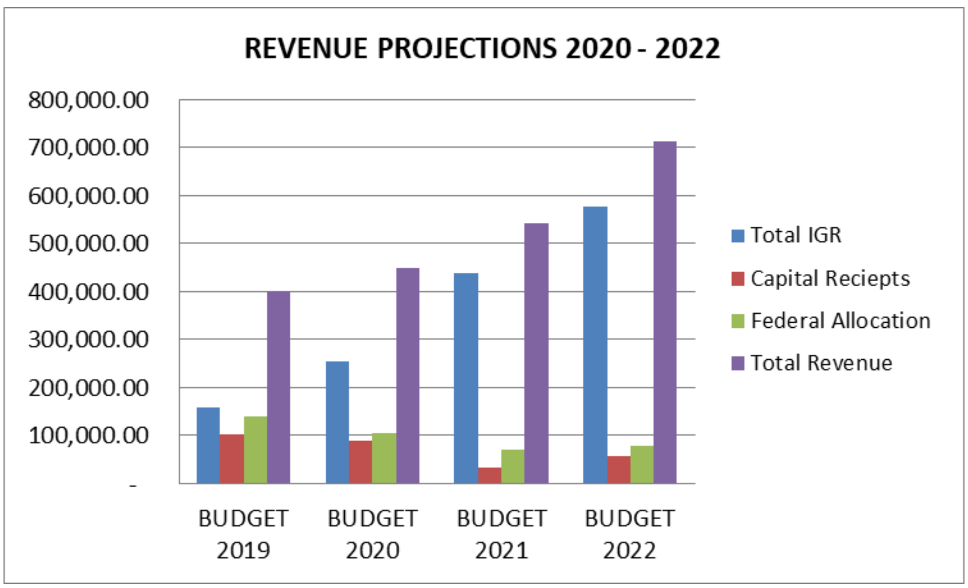
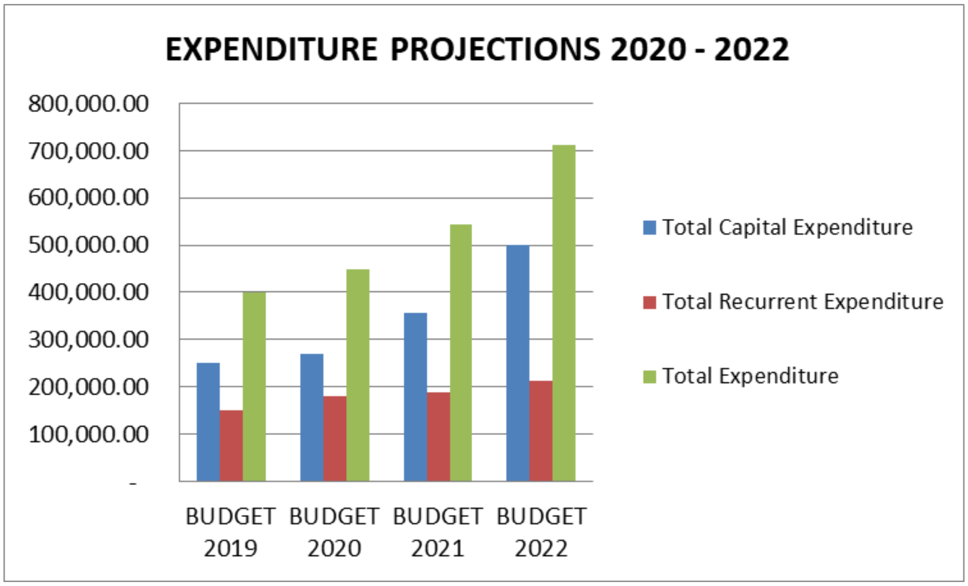


Figure 19: Expenditure Projections 2020 – 2022



Financing

The State will require funds which the current IGR and Federal Transfers cannot effectively accommodate.

In view of the foregoing, this administration will adopt a strategy of a mixed portfolio of Development Partner funding as well as Commercial and Foreign Loans with long gestation periods to finance its projects.

It is also envisioned that the present administration will embrace the financing instrument called Programme for Result (P4R).

The main objective of the P4R is to help Government improve the efficiency of its programme of expenditure and strengthening institution and capacity building.

In this regard, the present administration will consider P4R financing option for financing its projects especially in the areas of skills development, Agricultural value chain development, Business Environment (including ease of Doing Business) and other projects.

Projected Borrowing

It is expected that borrowings will be as follows;

Table 21: Medium Term Financing Plan 2020 – 2022

	2020	2021	2022
	N'M	N'M	N'M
DEVELOPMENT PARTNER LOANS	14,706	33,300	32,240
BONDS	75,000	-	25,000
TOTAL	89,706	33,300	57,240

A more detailed assessment of financing item including debt service is given in the table below;

Table 22: Financing Items Including debt service

DESCRIPTION	AS AT 31ST DEC., 2018 N'MILLION	AS AT AUG. 2019 N'MILLION	AS AT 31ST DEC., 2020 N'MILLION	AS AT 31ST DEC., 2021 N'MILLION	AS AT 31ST DEC., 2022 N'MILLION
PUBLIC DEBT CHARGES	18,993	16,283	39,857	33,317	34,630
TOTAL REVENUE	161,623	125,657	449,974	543,606	712,902
DOMESTIC DEBT STOCK	108,823	103,415	156,915	145,260	158,023
TOTAL INTERNALLY GENERATED REVENUE	84,554	38,616	254,946	439,386	577,184
TOTAL DEBT SERVICE	11,541	10,968	18,357	21,662	22,392
WAGES BILL (PENSION)	8,984	6,571	25,945	34,345	47,974
RECURRENT EXPENDITURE	85,544	64,672	180,841	188,083	213,756
TOTAL DEBT STOCK	141,038	135,312	203,518	225,163	270,165
DOMESTIC DEBT SERVICE	11,275	10,968	17,572	20,397	20,472
FOREIGN DEBT STOCK	32,215	31,897	46,603	79,903	112,143
EXTERNAL DEBT SERVICE			785	1,265	1,920
Source: Ogun State Financial Statement, Ministry of Budget & Planning					

DEBT SUSTAINABILITY ANALYSIS

Table 23 Debt Sustainability Ratios

DESCRIPTION	INTERNATIONAL THRESHOLD	STATE TEMPLATE THRESHOLD	ACTUAL AS AT 31/12/2018	ACTUAL AS AT 31/08/2019	BUDGET 2020	BUDGET 2021	BUDGET 2022
TOTAL PUBLIC DEBT/TOTAL REVENUE	250%		87%	108%	45%	41%	38%
DOMESTIC DEBT STOCK/IGR	88%-127%		129%	268%	176%	124%	124%
TOTAL DEBT SERVICE CHARGE (Principal + Interest)/TOTAL REVENUE	30%	20%	12%	13%	9%	6%	5%
DOMESTIC DEBT SERVICE/IGR	28%-63%		13%	28%	6.9%	4.6%	3.5%
TOTAL PUBLIC DEBT/GDP (Sub-Nation)	20%		5%	5%	7%	7%	9%
FISCAL DEFICIT/GDP	3%	3%	0%	0%	3%	1%	2%
WAGES BILL (PENSION)/RECURRENT EXPENDITURE	35%		11%	10%	14%	18%	22%
TOTAL IGR/TOTAL REVENUE			52%	31%	57%	81%	81%
RATIO OF LOCAL DEBT TO FOREIGN DEBT	150% (60:40)		338%	324%	337%	182%	141%
TOTAL DEBT STOCK/TOTAL REVENUE		150%	87%	108%	45%	41%	38%
TOTAL DEBT/PREVIOUS YEAR TOTAL REVENUE	50%				84%	50%	50%
Sources : DMO, Ministry of Budget & Planning							

The table above shows that the State Government is within the international threshold for debt sustainability except for Domestic Debt Service to IGR and Local Debt to Foreign Debt.

This in effect implies that the State Government Debt is sustainable. Concerted efforts shall continue to be made to replace the local debts with foreign ones.

FISCAL RISKS

Fiscal risks comprise general development or specific events that may affect the fiscal outlook.

Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

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

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

Table 24: Risk Matrix

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

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

	RISK MATRIX			
	RISK	**LIKELIHOOD**	**IMPACT**	**MITIGATION STRATEGY**
5	**LEGAL**			
a	Change in Debt Regulatory Framework	MEDIUM	This can impact negatively on the government's ability to raise debt finance.	The State government mitigates this through long-term debt instrument like bonds and multi-lateral loans from World Bank.
6	**Global Risk**			
a	Global financial crisis	MEDIUM	The risk posed by the global financial crisis and economic recession is very high considering the spiral effect on the banking system in Nigeria. The attendant consequence of this often manifest in form of liquidity squeeze and credit contraction. This can impact negatively on the government's ability to raise debt finance.	Ditto
b	Loss of key diplomatic relationship	LOW	The current strain in relationship between the FGN and some countries have reduced the activities of the Development Partners in the country. This is capable of affecting the State's ability to tap into grants posture	The State Government continues to utilise its potentials, governance structure and diplomatic relationship to manage and woo more development partners despite the FGN

SECTION B: MEDIUM TERM BUDGET FRAMEWORK

BUDGET POLICY STATEMENT

The Direction in managing the economy in the medium term involves the government's priority in supporting the sustainable economic growth along with the fiscal sustainability.

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

In preparing the Y2020 budget, and outer 2021 & 2022 budgets, State government will have to set the following budget policy;

- Whether deficit budget policy will be adopted with a consideration on the fiscal sustainability to maintain the continued economic expansion.
- State government to improve managerial efficiency with the aim to reduce public spending.
- The government agencies will be urged to redeploy certain operations which have lower priorities or become redundant so as to economize operating expenses
- The government will maintain at least the proportion of capital/recurrent expenditures at a 50: 50 in order to support and sustain a sustainable economic expansion.
- The Ogun State Development Plan (OGSDP) sets out a developmental approach up to 2030. It provides government with a clear and progressive foundation on which to develop the work of the State and policy framework to which the public finances will be aligned.

Purpose of the Budget Policy Statement ("BPS")

As part of this Administration's plans to deliver on all her promises to the teeming population of the good people of Ogun State, an Economic Development Strategy has been initiated and is expected to serve as a roadmap towards effective and qualitative service delivery.

In order to actualize the objectives of **"building our future together"** and to ensure spontaneous and even spread development, the State Government has come up with a '**five pillar development agenda'** in consonance with the State Anthem **ISEYA; Infrastructure, Social Welfare and Well Being, Education, Youth Empowerment and Agriculture**.

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

For a conducive and robust environment to thrive while engendering qualitative and rapid growth, the following enablers have been identified and will be pursued in year 2020 to accelerate progress across the State:

(i) Good Governance

(ii) Security

(iii) ICT/Digital Transformation

(iv) Enabling Business Environment

(v) Transport Infrastructure.

The overriding policy thrust of the BPS is to stimulate the State economy through budget realism, up-scaling of investments in critical socio-economic sectors and physical infrastructure, sustainable debt management as well as deepening of structural reforms in the area of governance, public financial management, public service and business regulation.

Development Priorities

The present administration is conscious of the uncertain economic times globally and therefore will embrace a more prudent and conservative budget that focuses on development priorities aimed at sustaining rapid, employment generating growth, while at the same time maintaining macroeconomic stability.

In addition to existing initiatives in Ogun State, the World Bank Group is assisting States to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to better insulate state finances against fiscal crisis. The World Bank Programme called State Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results, will reward States with financial grants following the attainment of various milestones in Budgeting Effectiveness, Financial Reporting, Citizen Engagement etc.

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

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

To this end, huge investments will be witnessed in the Agriculture sector to improve food security, self-sufficiency and sustainability, develop and implement framework for the State Public, Private Partnership Initiatives (PPP) , Implement Statewide physical infrastructure master plan in the areas of road network mapping and validation, develop commuter rail infrastructure network, create a viable port as an alternative to and linking to other nearby ports, implement the framework for Power Sector Development, re- designed and developed urban centers, commercial hubs and rural/ agric communities, develop new low and medium density housing projects and estates across the State among several others.

The achievements in these sectors will be consolidated and in the next medium term, Government will begin to explore the potentials in others sectors such as Education, Health, Transportation, ICT, Tourism and Hospitality Industries.

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

Role of Government

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

Government expenditure provides the springboard for every economy in case there is a market failure, which occurs when the production or use of goods and services by the market is not efficient. Conscious of the need to provide support to the economy, the state government shall ensure a suitable, effective and concise legal and regulatory framework to serve as a guide and protect the activities of the stakeholders in the market economy, which are mostly operated by private individuals. It is therefore the responsibility of the government to protect the economy against market fluctuation, political instability or pressure. Where the market and the private sector are willing and able to produce goods and services more efficiently the Government will, over time, withdraw from these activities in order to focus on its core business and provide more of an enabling environment for private sector activity.

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

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

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

Alternative funding sources will be accorded topmost priority to further deepen our revenue base and embrace the Fiscal Sustainability Plan (FSP) to achieve the vision, agenda and strategic pillars as earlier enunciated. The FSP approach is geared towards managing public funds, ensuring maximization of the cost of governance. It is to reposition the State for stronger fiscal independence where internally generated revenue (IGR) is expected to contribute more than half of the State's total recurrent revenue and is sufficient to fund our total recurrent expenditure, including personnel and overhead costs. Hence, as part of fiscal discipline, the year 2020 budget will ensure transparency and accountability, increase performance of public revenue viz-a-viz expenditure, public financial management and debt management. The outcome of the afore-mentioned approach is to create a hygienic and conducive environment that will attract both local and foreign investments which will create jobs, bring about gradual withdrawal of State Government in ownership of enterprises and improve the Ease of Doing Business (EoDB) in the State.

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

In the light of all these, it is certain that unless we pursue vigorously developmental policies as a State, we may not be able to be truly self-sustaining. Going-forward, we should be able to attract quality private sector investments, focus on external funding to ensure economic diversification, inclusive growth and sustainable development.

BUDGET ALLOCATIONS

Table 25: Sectoral Budget Allocations 2020 – 2022 (IPSAS)

S/NO	SECTOR	2020 BUDGET PROPOSALS		2021 BUDGET PROPOSALS		2022 BUDGET PROPOSALS	
		N'M		N'M		N'M	
1	Education	91,609	20%	114,157	21%	160,403	23%
2	Health	44,719	10%	59,797	11%	78,419	11%
3	Housing & Community Development	51,662	11%	62,412	11%	81,849	11%
4	Agricuture and Industry	22,791	5%	27,588	5%	36,337	5%
5	Rural and Infrastructure	102,892	23%	125,029	23%	163,967	23%
6	Recreation, Culture and Religion	8,052	2%	7,665	1%	8,077	1%
7	Social Protection	27,028	6%	38,052	7%	48,834	7%
8	General Public Service	85,118	19%	92,598	17%	117,194	16%
9	Public Order and Safety	13,499	3%	13,590	3%	14,258	2%
10	Economic Affairs	2,603	1%	2,718	1%	3,565	1%
	TOTAL	**449,974**	**100%**	**543,606**	**100%**	**712,902**	**100%**

Table 26: Five Pillars Strategic Sectoral Allocation

ISEYA CLASIFICATION	2020		2021		2022	
INFRASTRUCTURE (ICT, POWER, TRANSPORT, INDUSTRIALISATION)	105,495.23	23%	127,747.48	24%	167,531.98	24%
SOCIAL WELFARE & WELL BEING (HEALTH, HOUSING, ENVIRONMENT, PHYSICAL PLANNING, SPECIAL NEEDS)	123,409.54	27%	160,261.38	29%	209,102.35	29%
EDUCATION (EARLY CHILDHOOD, VOCATIONAL, TECHNICAL AND TERTIARY)	91,609.47	20%	114,157.33	21%	160,402.96	23%
YOUTH EMPOWERMENT, RELIGION AND CULTURE (SPORTS, ENTREPREUNERSHIP, CREATIVE ARTS AND ENTERTAINMENT)	8,051.56	2%	7,664.85	1%	8,077.18	1%
AGRICULTURE (FORESTRY, CROPS, PLANTATIONS, HUSBANDRY)	22,791.17	5%	27,588.02	5%	36,336.62	5%
OTHERS (GENERAL PUBLIC SERVICE, PUBLIC ORDER & SAFETY)	98,616.73	22%	106,188.06	20%	131,452.01	18%
TOTAL	**449,973.69**	**100%**	**543,607.12**	**100%**	**712,903.09**	**100%**

The proposed allocations in this section are driven by the strategic allocation policy of the Government in view of ongoing and uncompleted projects inherited from the past administration, projects that have revenue and employment generating capacity in line with the development drive of the present administration.

The Government's overarching objective in line with the **ISEYA Strategic Allocation of resources (5 pillars)** as contained in table 26 is to ensure poverty eradication and sustainable economic growth through infrastructure renewal and development.

The **Education** Sector will witness a massive investment of almost N366b within the next 3 years, while investment in the **Social Welfare and Well Being** sector consisting of health, housing, environment, physical planning and special needs is expected to increase from 5-6% allocation inherited from the past administration to witness a consistent average allocation of 28% within year 2020 to 2022 in the medium-term period as shown in the above table.

This is as a result of the premium the present administration places on these sectors in line with achieving the Sustainable Development Goals (SDGs). Expectedly, these allocations would translate into provision of new primary and secondary schools that would provide more access to primary and secondary education as well as provision of new basic health facilities in order to provide more access to basic health service delivery, especially in the rural areas of the State.

The **Agriculture and Infrastructure Sectors** with a combined average allocation of 28.5% from the 2020 – 2022 Medium Term Framework (MTEF) is of great interest to the present administration with the strong conviction that such investment will redistribute resources, create employment which are essential factors for economic growth and development.

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

Inter- and Intra- Functional Allocation & Sector Heads

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

The overall budget is thereafter disaggregated into functions based on the State's priorities.

This process refers to functional allocation of resources and is comprehensively covered in the MTBF.

The intra- functional allocation is to further disaggregate the resource allocation to each of the spending entities in line with sector priorities.

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

The Ministry of Budget & Planning (MB&P) now gives Envelopes to the function which is then disaggregated by the Sector Chairman among the different clustered MDAs that make up the Sector as MB&P has decentralized the responsibility of intra- functional allocation of resources to Sector Heads.

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

SECTION C MEDIUM TERM SECTOR STRATEGIES (MTSS)

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

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

It is a bottom- up resource allocating strategy that is meant to link up with the medium-term budget framework resource allocation also known as the MTBF.

The primary aim of the MTSS is to chart a three-year expenditure plan for each MDA focusing on their goals as detailed in its vision and mission statement.

Each MDA is expected to propose projects and programmes thal will enable the State to deliver on the State Development Plan (SDP) and the present admnistration's vision within the three year period .

The MTSS clearly entails a profiled budget which states the various approved expenditure headings and cost allocated for them over the three years. It also includes the approved programs upon which expected level of completion over the period is monitored. Hence, in allocating envelopes to different Sectors and MDAs, priority would be given to the following in the allocation process;

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

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

SECTION D: CONCLUSION

The Medium Term Fiscal Framework (MTFF) Is a scientific framework for estimating aggregate resources available and expenditure using realistic mecroeconomic assumptions such as projections of growth, inflation, exchange rates, revenues, expenditure aggregates, deficit levels, borrowing and financing. It helps to ascertain the extent to which the government wants to disaggregate revenue and expenditure items for performance analysis and forecasting.

MTFF is also a strong basis for sectoral allocations. It is used to capture data and make projections on sectoral allocation. The State MTFF is expected to provide the structural and strategic basis for the entire MTEF, it is expected to enable better fiscal discipline through the use of fiscal targets and advanced forecasting templates.

The Medium-Term Sector Strategies will continue to be the efficient strategy for allocating the Medium-Term resources according to various functions within the Classified Government Functions.

Because it is a bottom- up resource allocating strategy that is meant to link up with the medium-term resource allocation of the MTBF, the various approved expenditure headings and cost allocated for them over the three-year period must align appropriately; followed by proper and effective monitoring.

MTSS is institutionalised for effective allocation of scarce resources, reduction of wastes through identification of overlapping functions and linking goals with outcome, thereby ensuring that spending on programmes meets the need of the people.

Indeed, the MTBF Document has served to reconcile the top-down aggregate resource constraint provided by the MTSS with the bottom-up expenditure needs as articulated by the MDAs in their MTSS. It will provide critical analysis for decision makers in EXCO over the medium-term allocation of resources. It will also help to promote a prudent budget which is both revenues driven and policy oriented.

This 2020-2022 MTBF Document will be used to inform the 2020 Budget Call Circular and in turn formulation of the Annual Budget.