# OGUN STATE GOVERNMENT

**2022-2024**

# MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

**VOLUME 1**

- ECONOMIC AND FISCAL UPDATE (EFU)
- FISCAL STRATEGY PAPER (FSP)
- BUDGET POLICY STATEMENT (BPS)

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# List of Abbreviations

| BRINCS | Brazil, Russia, India, Nigeria, China, South Africa |
|---|---|
| CBN | Central Bank of Nigeria |
| CPIA | Country Policy and Institutional Assessment |
| CRF | Consolidated Revenue Fund |
| DMD | Debt Management Department |
| EFU | Economic and Fiscal Update |
| ExCo | Executive Council |
| FAAC | Federal Allocation Accounts Committee |
| FSP | Fiscal Strategy Paper |
| GDP | Gross Domestic Product |
| HRM | Human Resource Management |
| IGR | Internally Generated Revenue |
| IMF | International Monetary Fund |
| MDA | Ministry, Department and Agencies |
| MTBF | Medium Term Budget Framework |
| MTEF | Medium Term Expenditure Framework |
| MTFF | Medium Term Fiscal Framework |
| MTRS | Medium Term Revenue Strategy |
| MTSS | Medium Term Sector Strategy |
| NBS | National Bureau of Statistics |
| NNPC | Nigerian National Petroleum Company |
| NPC | National Planning Commission |
| OAG | Office of the Accountant-General |
| OECD | Organisation for Economic Cooperation and Development |
| OGFRC | Fiscal Responsibility Commission |
| OGIRS | Ogun State Internal Revenue Service |
| OGPPB | Public Procurement Board |
| OGSBS | Ogun State Bureau of Statistics |
| OGSG | Ogun State Government |
| PFM | Public Financial Management |
| PIB | Petroleum Industry Bill |
| PITA | Personal Income Tax Act |
| PMS | Petroleum |
| SHoA | State House of Assembly |
| VAT | Value Added Tax |
| WEO | World Economic Outlook |

# 1 Introduction and Background

## 1.A Introduction

1. The Economic and Fiscal Update (EFU) provides economic and fiscal analysis which forms the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Ogun State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.

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

3. The present administration came with a vision **"To create a focused and qualitative governance whilst creating an enabling environment for a public private partnership to thrive and fundamental to the creation of an enduring economic development and individual prosperity of the people of Ogun State".**

4. The administration's agenda of **"Building Our Future Together"** has positioned the State to adopt the preparation of the EFU-FSP-BPS through the successful production of 2020 – 2022 and 2021 – 2023 State MTEF as part of the movement towards a comprehensive Public Financial Management process.

5. Hence, the document provides a platform for both the State Legislature and Executive Council to discuss the allocation of resources in the 2022 budget and the outer years of 2023 and 2024.

6. The MTEF provides the Government with a means to manage the burden of competing policy priorities and budget realities. This helps to reprioritize expenditure and make informed policy choices that are affordable in the medium term.

7. Expectedly, the document outlines the macroeconomic target for the period 2022 – 2024 and provides input to the preparation of the 2022 budget and the 2023-2024 frameworks.

8. The projected macroeconomic targets are referred to in this document as the Macroeconomic Framework that is embedded in the Medium-Term Fiscal Framework (MTFF). It aligns with the Government's macroeconomic objectives of determining the aggregate resources that are expected to be available to the Treasury for the budget over the medium term; and provide an explanation on Government key policy priorities and expenditures to which resources allocation will be aligned and to develop indicative resources /expenditures envelopes for the twelve (12) sectors in compliance with International Public Accounting Standard (IPSAS) over the period of 2022-2024.

### 1.A.1 Budget Process

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

   i. Medium Term Fiscal Framework (MTFF);

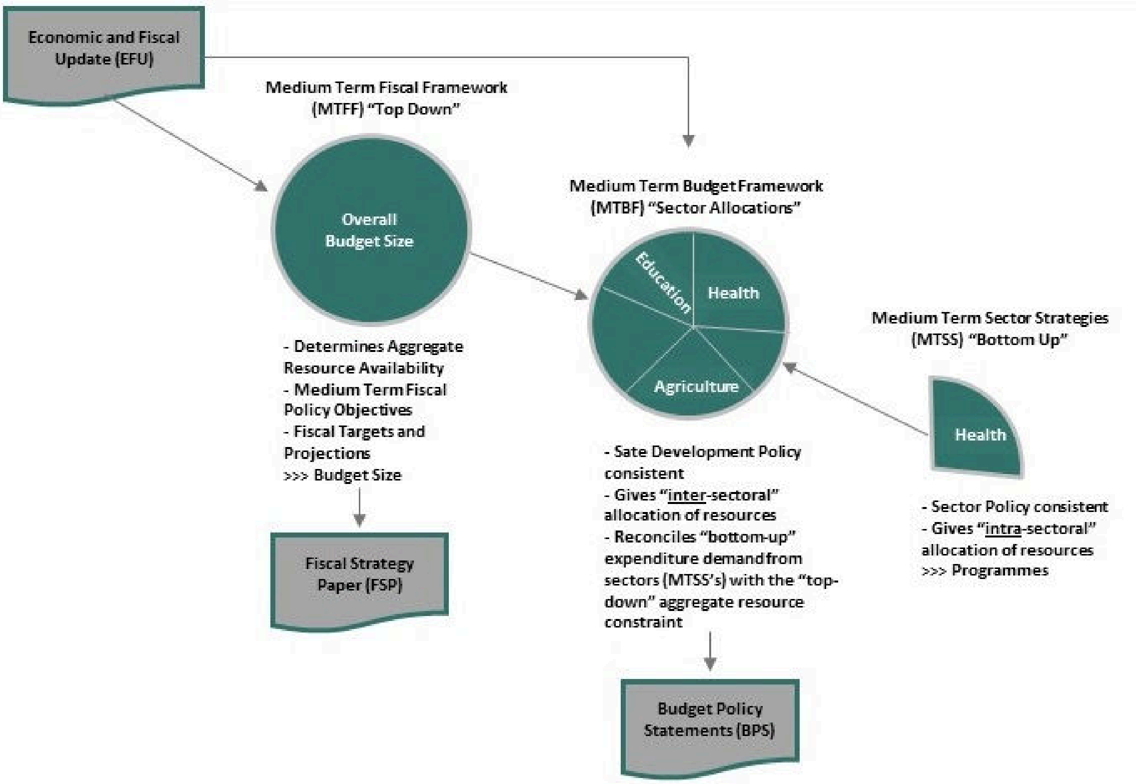
   ii. Medium Term Budget Framework (MTBF);

   iii. Medium Term Sector Strategies (MTSS).

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

11. The MTEF process is summarized in the diagram below:

Figure 1: MTEF Process




## 1.A.2 Summary of Document Content

12. In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Ogun State Government (OGSG) for the period of 2022-2024.

13. The purpose of this document is in three-fold:

i. To provide a backward-looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;

ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilization; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and

iii. Provide indicative sector envelopes for the period 2022-2024 which constitute the MTBF.

14. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in the Ogun State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

- Overview of Global, Continental, National and State Economic Performance;
- Overview of the Petroleum Sector;
- Trends in budget performance over the last six (6) years.

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

### 1.A.3 Preparation and Audience

16. The purpose of this document is to provide an informed basis for the 2022-2024 budget preparation cycle for all the key Stakeholders, specifically:
    - State House of Assembly (SHoA);
    - Executive Council (ExCo);
    - Ministry of Budget and Planning (MoB&P);
    - Ministry of Finance (MoF);
    - All Government Ministries, Departments and Agencies (MDA's);
    - Civil Society Organizations (CSOs).

17. The document is prepared within the first two quarters of the year prior to the annual budget preparation period. It is prepared by Ogun State Economic Working Team using data collected from International, National and State organisations.

## 1.B Background

### 1.B.1 Legislative and Institutional arrangement for PFM

18. Legislative Framework for PFM in Ogun State - The fundamental law governing public financial management in Nigeria and Ogun State in particular is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to Ogun State Government shall be received into a Consolidated Revenue Fund (CRF) to be maintained by the Government and no revenue shall be paid into any other fund, except as authorized by the State House of Assembly (SHoA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SHoA through the annual budget or appropriation process. The Governor of Ogun State shall prepare and lay expenditure proposals for the coming financial year before the Ogun State House of Assembly (OGSHoA), and the OGSHoA shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the executive arm of government to withdraw and spend the amounts specified from the CRF[1].

19. Apart from the Nigerian Constitution, Ogun State has a set of laws and regulations that regulate its budget preparation and implementation. The laws include:
    - Ogun State Fiscal Responsibility Law, 2020 which provides the following: the creation of the implementation organ, MTEF, how public expenditure may be carried out, borrowing process, transparency and accountability in governance and principles of sound financial management.

[1] Sections 120 and 121 of the Constitution of Federal Republic of Nigeria 1999 as amended

- Public Procurement (Amendment) Law, 2020 sets the administrative arrangement, standards and procedures for procurement in Ogun State.
- Ogun State Audit Law;
- Ogun State Debt Management (establishment) Law, 2020; and
- Occasional treasury circulars issued by the Accountant-General of Ogun State for additional rules and guidelines to support accounting, internal audit and stores procedures.

20. **Institutional Framework for PFM in Ogun State** – The Executive arm of the government, in line with its Constitutionally vested powers, proposes the budget (revenue and expenditure estimates) before the commencement of each financial year, and implements it after legislative approval by the Ogun State House of Assembly. The State's Ministries, Departments and Agencies (MDAs) assist the Executive Governor to perform these functions. Consequent on legislative approval of the budget, MDAs receive authorization of the Governor to commence project execution. The Governor's expressed authorization is necessary for MDAs to award contracts and for the treasury to honour due certificates.

21. In specific terms, the Ogun State Executive Council (ExCo) formulates the policies of the State Government, considers and recommends the state budget to the House of Assembly. On passage, the Executive Governor signs the appropriation bill into Law. The House of Assembly appropriates expenditure in the budget, maintains oversight over budget execution, and enforces audit findings.

22. The Ministry of Budget and Planning (MoB&P) prepares and coordinates the strategic and fiscal planning of the MTEF/MTBF in line with the Ogun State Fiscal Responsibility Law, 2020, ensures budget discipline and adequate monitoring and evaluation of government revenue and expenditures. Thus, it oversees the preparation of the budget, both capital and recurrent.

23. The Ministry of Finance (MoF) manages public finances and fiscal policies for the State in collaboration with the Ministry of Budget and Planning (MoB&P). MoF is responsible for core treasury functions of revenue and expenditure management, accounting, and fund and cash management. The Ministry of Finance has two important quasi-autonomous agencies, the Office of the Accountant General for the State (OAGS) and Ogun State Internal Revenue Service (OGIRS).

24. The Office of the Accountant-General (OAG) a semi-autonomous and professional arm of the MoF, performs treasury and accounting functions for the State. Other functions include receipt of revenue (not generation), expenditure management, financial reporting and internal audit; collate and prepare Statutory Financial Statements of the State Government and any other Statements of accounts required by the Commissioner for Finance; maintain and operate the accounts of the Consolidated Revenue Fund, development fund and other public funds and provide cash backing for the operations of the State Government; maintain and operate the State Government's accounts; conduct routine and in-depth inspection of the books of accounts of State ministries, departments and agencies to ensure compliance with rules, regulations, policy decisions and maintenance of account codes; and formulate and implement the accounting policy of the State Government. The OAG deploys personnel to run the finance and internal audit departments of MDAs. MDAs prepare monthly returns of transcripts and bank reconciliation statements to the accountant-General.

25. The Ogun State Internal Revenue Service (OGIRS) performs revenue administration for the entire state with policy direction from the Ogun State Ministry of Finance.

26. The Ogun State Fiscal Responsibility Commission (OGSFRC) derives is powers and functions from the Fiscal Responsibility Law, 2020 and is in charge of the MTEF process with specific schedules that covers revenue and expenditure monitoring and evaluation, target setting for MDAs and ensuring aggregate fiscal discipline for the State.

27. The Debt Management Office (DMO) a semi-autonomous and professional arm of the MoF charged with specific function of public debt management for the State as well as liaising with the Debt Management Office at the Federal level.

28. The Auditor-General reviews and reports on budget implementation. The State Auditor General conducts audits of spending agencies to assess Government spending compliant with budget and that funds are accounted for in terms of best financial practices. The State audit report is submitted to the SHoA for consideration.

29. It is worthy to note that in a bid to achieve a sustainable economic environment in the State and institutionalize the reforms in Public Financial Management, the present administration of **Prince (Dr.) Dapo Abiodun MFR, the Executive Governor of Ogun State** has done the following amongst others over the last two (2) years:

    - **State Fiscal Responsibility Law, 2020 :** For the first time in the history of Ogun State, the present administration took the giant step to legislate the long-standing Fiscal Responsibility Law in the State. The law established **Ogun State Fiscal Responsibility Commission,** highlight roles and functions of all the stakeholders and as well spells out the expected fiscal activities in the State.

    - **Bureau of Statistics**: In a bid to have Statistical System that will be well coordinated and provide accurate, reliable, efficient and effective data for end-users within and outside the State, the present administration upgraded the Central Department of Statistic to a Bureau and appointed the first Statistician-General in the State. The Bureau has been reorganized and repositioned to provide accurate data for decision makers and other stakeholders in the State.

    - **Bureau of Public Procurement:** The State Public Procurement Law, 2014 was amended and enacted as Public Procurement (Amendment) Law, 2020 by the present administration and it also established the Bureau of Public Procurement with the appointment of the first Director-General. The Bureau has however commenced various activities for the State, targeted towards effective public financial management and to create a fair, transparent and competitive public procurement system that will deliver value for money to State spending.

    - **State Debt Management Office:** The Unit was reinforced and upgraded to deliver its functions optimally; maintain a reliable database of all instruments, loans and contingent's liabilities, prepare and implement a plan for the efficient management of the State debts obligations at sustainable levels compatible with desired economic activities for growth and development for each financial year,

    - **The Central Department of Monitoring and Evaluation:** Strengthening and equipping the State M&E stakeholders and the inauguration of the State Technical Working Committee on M & E to ensure projects and programmes approved in the State Budget are executed, measure the output, outcomes and impact in order to provide necessary feedback to the State Government for efficient and effective decision making.

    - **Ogun State Public Private Partnership Office (PPP):** Establishment of the Ogun State Public Private Partnership Office as an MDA with the appointment of a Director General.

The present administration focused on creating an enabling environment for investment to thrive and create good governance, and individual prosperity. The Public Private Partnership initiative will drive the State economy and the ambition is to position Ogun as the fastest growing economy in the country.

- **Medium Term Revenue Strategy (MTRS)**: The MoB&P in conjunction with MoF prior to the preparation of 2021 - 2023 State MTEF document initiated the Medium-Term Revenue Strategy (MTRS) process in the State; a movement from the traditional expenditure-based budget to a revenue driven budget by identifying few major revenue generating MDAs in the State, engaged these MDAs on improving the revenue generation and most importantly blocking revenue leakages. The State is determined to extend its tax net to informal sector which involves the larger percentage of the State Economy.
- **States Fiscal Transparency, Accountability and Sustainability (SFTAS):** Sustaining and benefitting from the States Fiscal Transparency, Accountability and Sustainability (SFTAS) programmes in order to achieve effective and efficient resources allocation in line with international best practices.
- **Adoption of the IPSAS Accrual:** This is a principles-based accrual basis fair presentation accounting framework that is developed and maintained by the International Public Sector Accounting Standards Board (IPSASB), preparation, presentation of Budget and Financial Statement reporting systems has now been changed from cash basis to accruals basis
- **Compliance with the National Chart of Accounts (NCoA)**: The Federal Government has urged state governments to domesticate the National Chart of Account (NCoA). This was used to qualify States for performance-based grants under the States' Fiscal Transparency Accountability and Sustainability (SFTAS) Programme for Results 2020 Annual Performance Assessment (APA).

30. The State Government relies on the extant Public Service Rules that further define the roles of public officers in the PFM system. The rule details human resource management (HRM) processes and tools including, job descriptions, roles and responsibilities, recruitment, career, discipline, and boarding procedures. The establishment of the **Public Service Transformation Office (PSTO)** further enhances efficiency from the Public Servants.

## 1.B.2 Overview of the State MTEF/Budget Calendar

31. Indicative Budget Calendar for Ogun State Government is presented below:

Table 1: State MTEF/Budget Calendar

| STAGE | DATE(S) | RESPONSIBILITY |
|---|---|---|
| Previous Year Budget Performance Review (i.e., Performance Management Review -PMR) | April-May | • MoB&P. |
| Preparation and Adoption of Medium-Term Fiscal Framework (MTFF) & Medium-Term Budget Framework (MTBF) | June | • MoB&P<br>• MoF |
| Review of Medium-Term Sector Strategy (MTSS) | June-July | • MoB&P |
| Issuance of Year 2021 Call Circular | August | • MoB&P |
| Budget Consultative Forum (i. e Stakeholders Forum) | August-September | • MoB&P<br>• ExCo |
| Collection and Collation of Budget proposals from MDAs | July-September | • MoB&P |
| Budget Bilateral Discussions | August-September | • MoB&P<br>• MoF |
| Preparation of Budget Draft | September | • MoB&P |
| Submission of Budget Draft | September | • MoB&P |
| Presentation of Year 2021 Draft Budget to His Excellency | September | • MoF<br>• MoB&P |
| Presentation of Year 2021 Draft Budget to the State Treasury Board (STB) & the State Executive Council (SEC) | October | • MoB&P |
| EXCO/Legislative Parley on Year 2021 Budget | October | • MoF<br>• MoB&P<br>• ExCo<br>• OGHA |
| Presentation, Consideration and Passing of Year 2021 Appropriation Bill | October-December | • OGHA |
| Assent of Year 2021 budget by the Governor | December | • HE |
| Issuance of General and Developmental Warrant | January | • MoB&P |
| Distribution of Budget Operational Guideline | January | • MoB&P |

# 2 Economic and Fiscal Update

## 2.A Economic Overview

### 2.A.1 Global Economy

32. The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022 (0.1 percentage point lower for 2021 than in the July 2021 World Economic Outlook. The downward revision for 2021 reflects a downgrade for advanced economies factored on supply disruption while the worsening pandemic dynamics will largely affect low-income developing countries.

33. Beyond 2022, global growth is projected to moderate to about 3.3 percent over the medium term. Advanced economy output is forecast to exceed pre-pandemic medium-term projections—largely reflecting sizable anticipated further policy support in the United States that includes measures to increase supply potential and forces that predate the pandemic, including aging-related slower labour force growth in advanced economies. By contrast, persistent output losses are anticipated for the emerging market and developing economy group due to slower vaccine rollouts and generally less policy support compared to advanced economies.

34. As discussed earlier in April 2021 WEO, the pattern of medium-term damages across economy groups is different from what was observed after the 2008 global financial crisis. Then, advanced economies were hit hard and emerging market and developing economies fared better. Today the reverse appears likely, consistent with the greater protection against further COVID-19 shocks from more widespread vaccinations in many advanced economies and sizable policy support. Due to unprecedented policy response, the COVID-19 recession is likely to leave smaller scars than the 2008 global financial crisis. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

35. Output losses have been particularly large for countries that rely on tourism and commodity exports, including Nigeria, and for those with limited policy space to respond. Many of these countries entered the crisis in a precarious fiscal situation and with less capacity to mount major health care policy responses or support livelihoods. The projected recovery follows a severe contraction that has had particularly adverse employment and earnings impacts on certain groups.

36. Labour market prospects for low-skilled workers and youth continue to be relatively bleak compared to other demographic groups, pointing to increasing inequality and higher vulnerability to incomes falling below extreme poverty thresholds within countries in this group. About 65–75 million additional people are estimated to be in extreme poverty in 2021 compared to pre-pandemic projections. Globally, income inequality is likely to increase significantly because of the pandemic. Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections.

37. Commodity prices have continued their upward tear with strengthening economic activity. Oil prices are expected to increase in 2021, close to 60 percent above their low base for 2020. Non-oil commodity prices are expected to rise almost 30 percent above their 2020 levels, reflecting particularly strong increases in the price of metals and food over recent months. Commodity prices (particularly for crude oil) are expected to firm up further in the months ahead. Given their record-low levels of a year ago, firmer prices should mechanically

lift consumer price indices, and headline inflation could turn volatile in coming months. The volatility should be short lived.

38. Inflation expectations appear contained across most economies. Some household survey-based measures, for example in the United States, have registered a recent increase in inflation expectations—possibly linked to rising fuel prices. Moreover, market-implied measures also point to inflation pressure over a two- to three-year horizon, consistent with the Federal Reserve's Average Inflation Targeting policy framework. However, market-implied medium-term inflation expectations have so far remained well behaved, hovering around the levels seen just before the pandemic struck in early 2020. Baseline projections show a return of inflation to its long-term average as the remaining slack subsides only gradually and commodity-driven base effects fade away. The subdued outlook reflects developments in the labour market, where subdued wage growth and weak worker bargaining power have been compounded recently by high unemployment, underemployment, and lower participation rates. Moreover, various measures of underlying inflation remain low.

39. In the baseline projections across most economies, inflation is expected to come down to its pre-pandemic range in 2022, once supply-demand mismatches are resolved; measuring the slack has arguably become more difficult during the pandemic as both supply and demand have shifted. Nevertheless, even if output gaps are less negative than currently estimated, the implications for inflation should be relatively moderate.

40. Whether inflation temporarily overshoots or starts trending up in the medium term has quite different implications and depends, in the first instance, on the credibility of monetary frameworks and the reaction of monetary authorities to rising inflation pressure. For instance, if monetary policy is used primarily to keep government borrowing costs low (or is widely perceived as doing so) at the expense of ensuring price stability, inflation expectations and inflation could, in principle, increase rapidly. But this appears unlikely for most advanced and many emerging market economies with independent Central Banks. The adoption of inflation-targeting frameworks in the 1990s has helped anchor inflation expectations around Central Banks' inflation targets in advanced economies. Moreover, during the pandemic, survey measures of inflation expectations have remained broadly stable, as have market measures—even though the latter have recently increased slightly.

42. Monetary frameworks have also improved considerably in many emerging markets over the past decade. Inflation expectations are much more anchored, inflation has declined and become less persistent, and the risk of runaway inflation has decreased accordingly. However, progress has not been uniform. Some countries continue to observe high and volatile inflation and may be limited in the monetary accommodation they can provide without risking destabilizing inflation. Rapidly rising food prices have already lifted headline inflation rates in some regions, including sub-Saharan Africa and Asia. Temporarily high headline inflation could raise inflation expectations in these economies and affect inflation durably.

43. Central banks can generally look through transitory inflation pressures and avoid tightening until there is more clarity on underlying price dynamics, with necessary prompt action towards fast recovery than expected or risks of rising inflation expectations become tangible.

44. Future developments will depend on the path of the health crisis, including whether the new COVID-19 strains prove susceptible to vaccines, or they prolong the pandemic, the

effectiveness of policy actions to limit persistent economic damage (scarring); the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy. The ebb and flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term scarring across countries.

45. Policy support has helped create the conditions for a handoff to private demand in the recovery. Where deployed, extensive fiscal measures have provided insurance to households and firms, enabling many to replenish or build up their savings, and creating the conditions for private demand to propel the recovery, particularly in 2022 when the advanced economy group is projected to shift its fiscal stance toward tightening. In some countries, policy support and lack of spending opportunities have led to large increases in savings that could be unleashed very quickly should uncertainty dissipate. At the same time, it is unclear how much of these savings will be spent, given the deterioration of many firms' and households' balance sheets (particularly among those with a high propensity to consume out of income) and the expiration of loan repayment moratoria. In sum, risks are assessed as balanced in the short term, but tilted to the upside later.

46. Differential recovery speeds across countries may give rise to divergent policy stances, particularly if advanced economies benefit sooner than others from wide vaccine coverage. Clear forward guidance and communication from advanced economy central banks is particularly crucial, and not just for calibrating the appropriate domestic monetary accommodation. It also vitally bears on external financial conditions in emerging markets and the impact that divergent policy stances have on capital flows.

47. Strong international cooperation is vital for achieving the objective of ensuring that emerging market economies and low-income developing countries continue to narrow the gap between their living standards and those of high-income countries. On the health care front, this means ensuring adequate worldwide vaccine production and universal distribution at affordable prices—including through sufficient funding for the COVAX facility—so that all countries can quickly and decisively beat back the pandemic.

48. Countries should also work closely to redouble climate change mitigation efforts. Moreover, strong cooperation is needed to resolve economic issues underlying trade and technology tensions (as well as gaps in the rules-based multilateral trading system). Building on recent advances in international tax policy, efforts should continue to focus on limiting cross-border profit shifting, tax avoidance, and tax evasion.

49. The economic outlook (GDP growth rate and inflation rate) of selected countries are shown in table 2 below.

50. Countries selected are chosen to represent Advanced Economy, Euro- Area, Emerging Markets and Developing/Low Income Countries, Sub – Sahara Africa and other large African countries.

51. The IMF expects that Advanced economies will rebound from the 4.6% 2020 pandemic induced contraction. Growth prospects for 2021 are revised down compared to the July forecast, largely reflecting downgrades to the United States (due to large inventory drawdowns in the second quarter, in part reflecting supply disruptions, and softening consumption in the third quarter). Advanced Economies is projected to grow at 5.2% in 2021 & 4.5% in 2022.

52. Low income developing countries' GDP Growth is projected to accelerate by 3.0% in 2021, and 5.3% in 2022.

53. These projections indicate that global economy will recover from COVID 19 induced contraction in 2021, while Growth is projected to moderate beyond 2022.

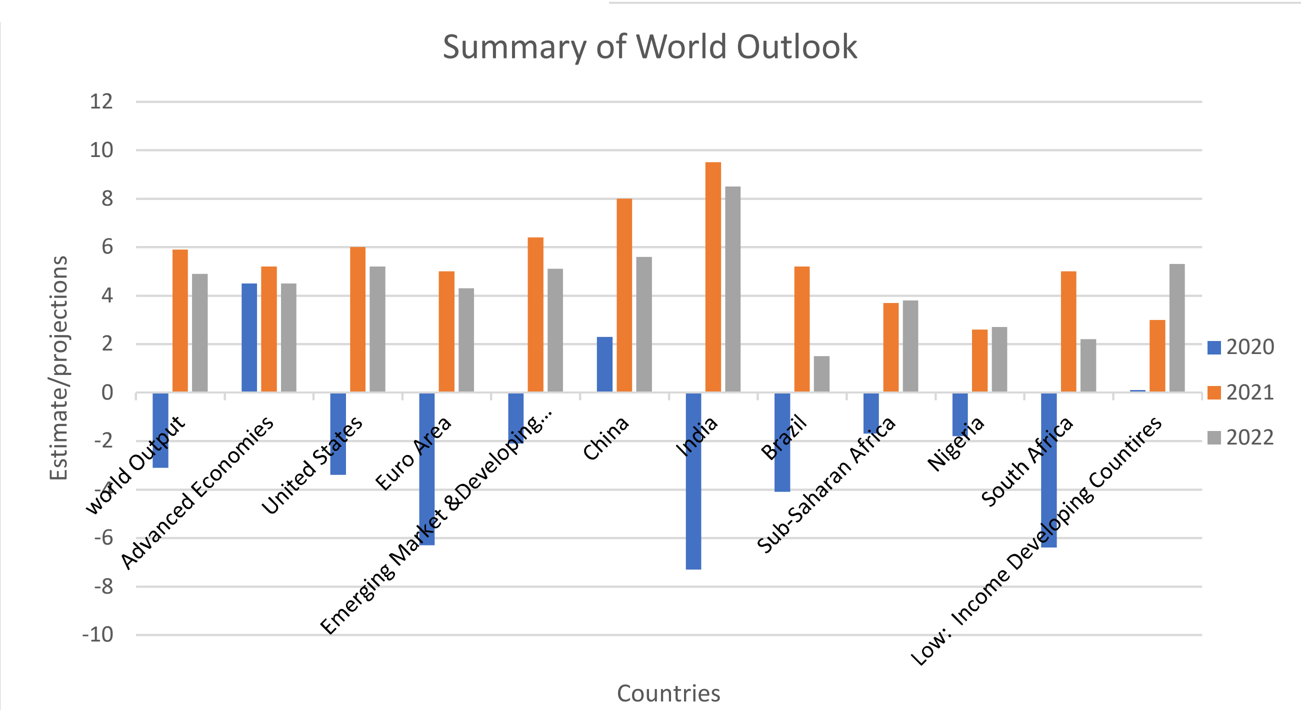
54. The Euro Area is projected to rebound to a 5.0% growth in 2021. The recovery is anticipated to be driven by pent up demand and higher household incomes.

55. China's economy is projected to tick up 8.0% in 2021 and 5.6% in 2022.

Table 2: Real GDP Growth - Selected Countries

| | Estimate | Projections | |
|---|---|---|---|
| **Real GDP annual percent change** | 2020 | 2021 | 2022 |
| **world Output** | -3.1 | 5.9 | 4.9 |
| Advanced Economies | 4.5 | 5.2 | 4.5 |
| United States | -3.4 | 6.0 | 5.2 |
| Euro Area | -6.3 | 5.0 | 4.3 |
| Emerging Market &Developing Countries | -2.1 | 6.4 | 5.1 |
| China | 2.3 | 8.0 | 5.6 |
| India | -7.3 | 9.5 | 8.5 |
| Brazil | -4.1 | 5.2 | 1.5 |
| **Sub-Saharan Africa** | -1.7 | 3.7 | 3.8 |
| Nigeria | -1.8 | 2.6 | 2.7 |
| South Africa | -6.4 | 5.0 | 2.2 |
| Low: Income Developing Countires | 0.1 | 3.0 | 5.3 |

Figure 2 : Summary of World Outlook



Source: IMF's World Economic Outlook, October,2021.

56. COVID-19 pandemic had severe impact on global growth as most of the BRICS, MINT and advanced economies countries had economic contraction (a negative GDP growth) in 2020. However, China, Turkey and Ghana had GDP growth in 2020. All the selected countries are expected to have a positive GDP growth in 2021 and beyond.

### 2.A.2 Africa Economy

57. The African Economic Outlook, 2021[2] provides that Africa suffered its worst recession in more than 50 years in 2020 due to the COVID–19 pandemic, as its GDP declined by 2.1%. But it is expected to increase by 3.4% in 2021. GDP per capital is estimated to have contracted by 10% in nominal terms in 2020. Because of the pandemic's lower-than-expected impact on Africa, the recession in 2020 was not as severe as the Bank projected earlier. Africa suffered fewer economic losses from the pandemic than other regions of the world. Similarly, the fatality rates per million people have been relatively modest in relation to other regions.

58. Africa's growth performance and recovery prospects vary across regions and economic groupings. The average GDP decline of 2.1% in 2020 and projected recovery to 3.4% growth in 2021 mask significant heterogeneity.

59. East Africa seems to be the most resilient region, thanks to less reliance on primary commodities and greater diversification. It enjoyed 5.3% growth in 2019 and an estimated 0.7% growth in 2020. In 2021, growth of real GDP is projected at 3.0%, and in 2022, 5.6%. The top performers in 2021 would be Djibouti (9.9%), Kenya (5.0%),

60. Southern Africa is the region that was hardest hit by the pandemic, with an economic contraction of 7.0% in 2020. It is projected to grow by 3.2% in 2021 and 2.4% in 2022. GDP in West Africa is estimated to have contracted by 1.5% in 2020, better than the initial projection of a 4.3% decline in June 2020, partly due to the relatively limited spread of the virus in the region.

61. Many West African countries-maintained growths in 2020 thanks to more targeted and less restrictive lockdowns—including Benin (2.3%), Côte d'Ivoire (1.8%), and Niger (1.2%). Other countries such as Cabo Verde (–8.9%), Liberia (–3.1%), and Nigeria (–1.8%) were in recession in 2020. Growth in the region is projected at 2.8% in 2021 and 3.9% in 2022, as lockdowns are eased, and commodity prices rebound.

62. In Central Africa, real GDP is estimated to have contracted 2.7% in 2020. Countries significantly impacted by the crisis in the sub-region include Cameroon (–2.4%), Republic of Congo (–7.9%), Democratic Republic of Congo (–1.7%), and Equatorial Guinea (–6.1%). Growth is projected to recover to 3.2% in 2021 and 4% in 2022 in Central Africa.

63. The economies of North Africa contracted by an estimated 1.1% in 2020, propped up mainly by Egypt, which maintained 3.6% growth despite the relatively severe health impact of the virus in the country. Other countries contracted significantly in 2020, including Tunisia (–8.8%), Morocco (–5.9%), and Algeria (–4.7%). The effects of COVID–19, internal conflict, and a drop-in oil prices caused an estimated 60.3% contraction of real GDP in Libya. North Africa is projected to experience robust recovery of 4% in 2021 and 6% in 2022.

[2] African Economic Outlook 2021 From Debt Resolution to Growth: The Road Ahead for Africa (afdb.org)

64. Similarly, Africa's growth performance varies across country groups depending on structural characteristics. Tourism-dependent economies are estimated to have experienced the sharpest decline in growth in 2020, –11.5% for the group, which includes, among others, Mauritius (–15%), Seychelles (–12%), and Cabo Verde (–8.9%). The group is expected to bounce back in 2021 with a projected growth rate of 6.8%, assuming that the pandemic is subdued, permitting a resumption of international travel and tourism.

65. GDP in oil-exporting countries is estimated to have contracted by 1.5% in 2020, due to the collapse in oil demand and prices, with Libya (–60.3%), Equatorial Guinea (–6.1%), Algeria (–4.7%), Angola (–4.5%), Nigeria (–3.0%) suffering the most. The recovery in 2021 is projected at 3.1%, following an expected modest recovery in oil prices.

66. Other resource-intensive economies are estimated to have contracted by 4.7% in 2020 because of a drop in metal and mineral prices due to lower demand. Botswana (–8.9%), South Africa (–8.2%), Zambia (–4.9%), and Liberia (–3.1%) were particularly hard hit. Growth is projected to recover to 3.1% in 2021.

67. Growth in non-resource-intensive economies is estimated to have contracted by 0.9% in 2020. This group was least affected by the crisis, thanks to diversified economic structures and earlier strong public investments. Most of these countries entered the pandemic from a position of strength, with average GDP growth of 5.3% in 2019, and many did not implement stringent lockdown measures in 2020. Countries that maintained growth in 2020 include Ethiopia (6.1%), Benin (2.3%), Tanzania (2.1%), and Côte d'Ivoire (1.8%). This group is expected to rebound in 2021 with growth of 4.1%.

68. Significant currency depreciation observed in April (during the peak of the crisis) continued through the fourth quarter of 2020. For frontier market economies integrated into global financial markets, such as South Africa, recent depreciation can be attributed to sudden stops and reversals of capital flows. Exchange rate volatility is particularly severe in tourism-dependent economies (such as Mauritius and Seychelles), and resource-intensive economies. High external debt service obligations, dwindling foreign reserves, and rising fiscal issues will prolong depreciation pressures for most African currencies.

69. Monetary policies varied among countries prior to the pandemic. But the spread of COVID–19 has triggered a synchronization of policies, all of which are providing liquidity to ease the pandemic's impact. African central banks have eased monetary conditions with a variety of policy actions. Most central banks have cut monetary policy rates since January 2020. Central banks have also injected liquidity into the banking system, ranging from 0.5% of GDP in Angola to about 3.1% of GDP in Zambia.

70. Central banks have also used unconventional monetary and macro-prudential tools, such as temporary suspension of loan payments by distressed firms and households. They have relaxed prudential constraints, for example, by reducing bank capital requirements. Other actions include the purchase of government securities (South Africa) and the delay of the transition to Basel III norms (the West African Economic and Monetary Union).

71. Fiscal deficits are estimated to have nearly doubled, to 8.4% of GDP in 2020, from 4.6% in 2019, because of heavy stimulus spending by many countries to alleviate the pandemic's economic impact. The fiscal measures included above-the-line budgetary support through investments in health systems, expansion of social protection programs, and support to the private sector, for example through tax relief. Some countries have also used below-the-line measures such as guarantees to support ailing businesses. The average size of the fiscal

stimulus packages deployed by countries is about 3% of GDP, but it varies significantly, from about 32% in Mauritius to 10% in South Africa to less than 1% in Tanzania.

72. Besides the additional spending related to COVID–19 interventions, fiscal deficits in 2020 were the result of revenue shortfalls for oil exporters, a narrowed tax base due to the economic contraction, and a decline in both imports and exports. Growing debt levels and debt service burdens (more than 20% of tax revenue for many countries) have squeezed available fiscal space for most countries, adding to gross financing needs. But the temporary debt service suspension granted by G20 countries and the emergency budget supports by multilateral institutions have helped alleviate the financing constraints. Modest fiscal consolidation measures are expected as economic activity resumes in 2021.

### 2.A.3 Nigerian Economy

73. Nigeria's economy - had been on a rough path even before COVID-19. Although the trajectory of economic growth had been improving since 2017, economic growth was still fragile and driven by just a few sectors, as was the case leading up to the recession in 2016. There is a high level of contagion across main macroeconomic indices in response to crude oil prices and production shocks – GDP, inflation, exchange rates and public expenditure all suffering.

74. The Nigerian economy lapsed into recession in Q3 2020, after two successive quarters of negative GDP growth, but promptly emerged from the recession with a positive 0.11% GDP growth in Q4 2020.

75. The economy sustained the recovery, with a Q1 Year-on-Year (YoY) GDP growth of 0.51% and a Q2 of 5.01%, fuelled by implementation of government's Economic Sustainability Plan and helped by the easing of COVID19 induced restrictions on economic activities.

76. The growth was mainly driven by the non-oil sector, which rose by 6.74% YoY, masking the deterioration in oil GDP by -12.65% YoY. Other non-oil performance include trade (22.5% YoY) water supply and waste management (18.5%), ICT (5.5%) and human and health services (4.9% YoY) growth rate.

77. The persistent rise of inflation halted in April 2021 after nineteen consecutive months. From a four year high of 18.17% in March 2021, the consumer price index (CPI) which measures inflation moderated for the fourth consecutive month to 17.01% in August 2021, with the downward trend expected to continue through the end of the year.

78. High unemployment/underemployment rates have implications for poverty incidence in the population. NBS' Q4 2020 estimates put unemployment at 33% and underemployment rate at 22.84%.

79. The IMF has reviewed upward Nigeria's GDP growth forecast to 2.5% and 2.7% in 2021 and 2022 respectively.

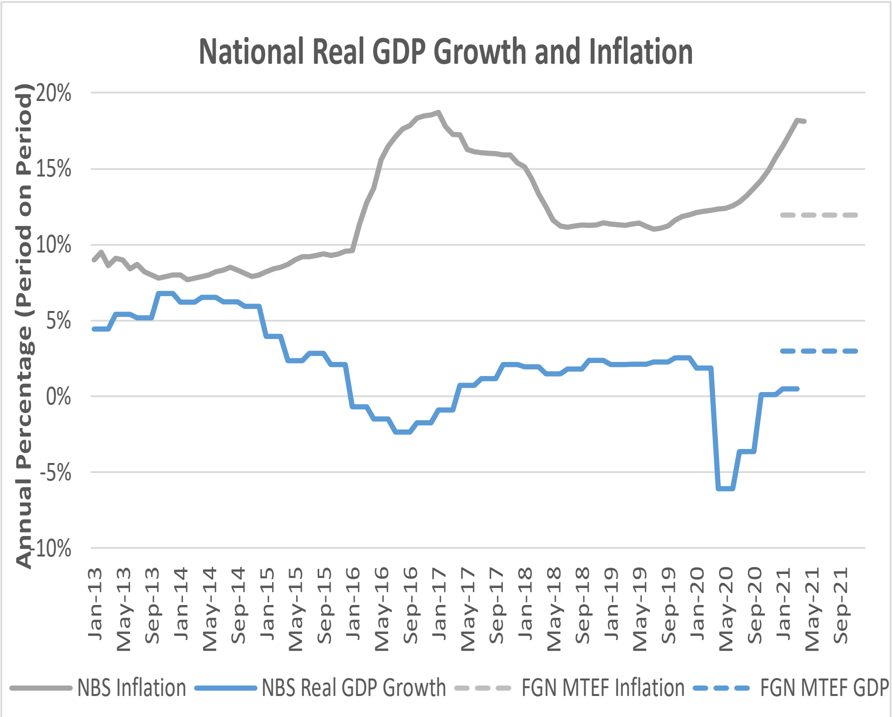
80. The non-oil sector is a significant contributor to the economic performance in Q2,2021 with growth of 6.74% in real terms

81. Nigeria has one of the lowest revenue levels as a share of GDP worldwide. Furthermore, a large share of revenues is spent on the country's public debt service payments, leaving insufficient fiscal space for critical social and infrastructure spending and to cushion an economic downturn. In this context, mobilizing revenues through efficiency-enhancing and

progressive measures is a top near-term priority. This situation is currently being worsened by the spate of insecurity in the country.

82. The national quarterly real GDP growth and year on year inflation rates from January 2013 and May 2021 are shown in figure 3 below.

Figure 3 : Real GDP Growth and Inflation




Data Sources and Trends:

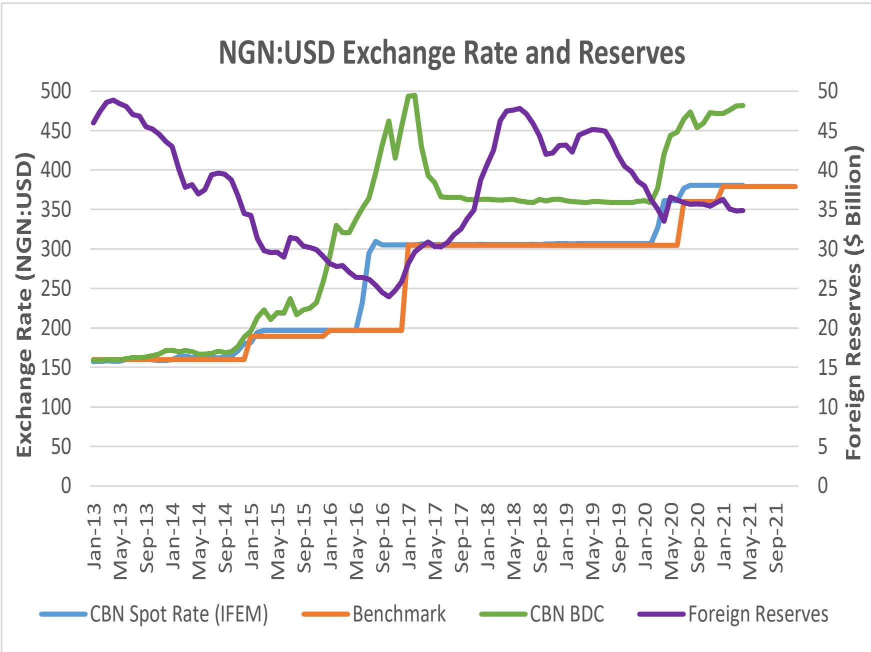
- Quarterly Real GDP Growth returned to positive in the last quarter of 2020 at +0.11%, increasing to 0.51% in Q1 2021. Overall growth for 2020 was -1.92%.
- IMF WEO forecasts 2.5% growth in 2021, slowing slightly to 2.3% in 2022 and declining to 2.2% by 2026.
- World Bank is slightly more pessimistic, forecasting 1.1% in 2021 and 1.8% in 2022.
- AfDB forecasts 1.5% in 2021 and 2.9% in 2022.

83. Foreign Exchange Rate – the Naira devalued against the dollar from 305 to 360 and very shortly after to 380 over the course of 2020. Foreign reserves, which had been on the decline since mid-2019 (25% drop from April 2019 to April 2020), and have remained relatively stable since the COVID pandemic, likely as a result of significant foreign borrowing (e.g., $3.5 billion from International Monetary Fund (IMF).

84. In 2020, arbitrage opportunities witnessed significant increase, weakening the convergence of foreign exchange windows. This is partly attributed to the COVID – 19 ripples of economic downturn. Also, the fall in foreign reserve potentially condenses the policy options available to the CBN in controlling monetary aggregates. Nigeria’s foreign reserve has fallen to its lowest level in recent time.

85. The NGN: USD exchange rate, which is a key crude oil revenue parameter, for the period January 2013 to May 2021, along with the benchmarks assumed in the Federal Government budgets over the same period, are shown in Figure 4.

Figure 4: NGN: USD Exchange Rate and Foreign Reserves




- Data Sources and Trends:
- Data from Federal Budget documents and CBN.
- The Naira devalued twice in 2020 against the US Dollar, from N305 to N360 and shortly afterwards to N380 as crude oil revenue declines impacted on foreign reserves.
- In late May 2021, CBN effectively replaced the Official Rate of N380 with the NAFEX, which has settled at around N410.
- The rate of N360 in the Federal MTEF is already out of date.

86. Crude oil price has trended upwards since the end of October 2020, rising by from Year to date (April 19), crude oil price has increased by 26% and has averaged over US$74 per barrel. The increase in the price of crude oil has been driven by factors such as production cuts by OPEC and non-OPEC members and improved demand due to the administration of COVID-19 vaccines. These factors will continue to sustain high crude oil price to the last quarter of 2021. However, it is important to always consider that the crude oil market is highly volatile. This only serves to remind authorities of the delicacies and unpredictability that reinforce the rationale for a benchmark that is set significantly below the current / forecast price.

87. Crude Oil Production continues to fall below the potential (believed to be around 2.4 million barrels per day) (MBPD) and it has done for the last five years. At 1.42 MBPD in December 2020 (latest data available from NNPC), crude oil (including condensate) production is also significantly below capacity and below the ten-year average of 2.06 MBPD – largely as a result of OPEC quotas (currently set at 1.495 for Nigeria, but critically there is no cap on condensate production). Nigeria had to cut production in the latter months of 2020 as a result of over production (vis-à-vis its quota) earlier in the year.

88. According to EIA, production (including lease condensate) increased to 1.595 MBPD in February 2021. Lease condensate production has typically been in the region of 200,000 – 300,000 per day. EIA forecasts that global crude oil demand will increase by around 3.8% in

2022 compared to 2021. They forecast 97.7 MBPD in 2021, which is an increase of 5.4 MBPD from 2020. 2021 is forecast at 101.4 MBPD.

89. The policy thrust of the ESP include deregulation of the price of refined petroleum products and establish a sustainable framework for maintaining the national strategic stock; remittance of 100% of royalties and taxes paid to NNPC into the Federation Account as well as sustained periodic reconciliation with DPR and FIRS. The implementation of the Finance ACT 2020 and VAT reforms, development of business continuity plans for tax and custom administration and rationalization of ineffective tax incentives and exemptions as well as increased remittances and recovery of unremitted revenues from GOEs.

90. Proceeds from VAT has been on the increase since late-2015. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). Given the increase in VAT from 5% to 7.5%, in the 2020 Finance Act, there have been significant spike in VAT over the last nine months from August 2020. There is still a level of monthly volatility that makes it slightly difficult to forecast. However, with the economy returning to positive real growth and inflation staying slightly above 10% for some time, it is anticipated that VAT will continue to grow in nominal terms.

91. Exchange rate controls import policy and devaluing Naira may have affected some Customs receipts. However, there are still some short-term volatility and Federal Revenue reforms should increase collections in the medium term, but the timing of impact remains uncertain.

### 2.A.4 Ogun State Economy

92. Ogun State, the 'Gateway State' was created on 3rd February 1976 and has a high concentration of industrial estates and considered as a major manufacturing hub in Nigeria. Ogun State sits on a land mass of 16, 980.55.km2 (the second largest State in Southwest and twenty-fourth in Nigeria) with over 80% of arable land area. It also offers ready market to a local population of over 7.5million people[3]. The State serves as a trade strip to an estimated population of 350 million within the West Africa/ECOWAS sub region. Agriculture and industrialization provide the major entry points for the government's partnership and co-operation with the private sector.

93. The Gateway State serves as access point to the largest road network with strategic link to other regions of Nigeria. It strategically borders four major States and Republic of Benin (I.e. Ogun State borders Lagos State to the south, Oyo State and Osun State to the north, Ondo State, and the Republic of Benin to the west) in the South West and is positioned as a strategic link to the Northern, Southern, Eastern regions of Nigeria.

94. Next to Lagos State – the 5th largest economy in Africa, Ogun State borders Lagos from the South at major cities - Ipokia, Ijoko, Sagamu and Odogbolu.

95. Ogun State is a vital economic and trade corridor as a result of its location and proximity to many Nigerian States, it is expected to be the new industrial hub in Nigeria and West Africa. Ogun State's GDP has experienced a 42% growth from N1.7 trillion in 2013 to an estimated 2.9 trillion. In terms of Household consumption, Households in Ogun State consume N1.5 trillion worth of goods and services every year according to the NBS in 2019, the 6th largest in the Country.

[3] Ogun State Bureau of Statistics & World Bank Projections 2018 - 2021

96. Ogun State also ranks as the 4th in the country in terms of revenue generation in 2019, generating an IGR of N70.9billion ($186.6million). Also, according to the Nigeria Investment Promotion Council (NIPC) in its 2020 Book of States, the State makes 30% contribution to national solid minerals production. Solid minerals are available in commercial quantities - Limestone, Bitumen, Phosphate, Granite, Silica Sand, Feldspar, Kaolin, Clay etc.

97. Comparative advantage on commercial activities as a result of the location of three (3) Free Trade Zones (FTZs) – Olokola FTZ, Igbesa FTZ and Kajola FTZ. Industrial Investment hubs mostly share resources, hence benefit from economies of scale. Till date, Ogun State ranks among the few States that has good rating in respect of Ease of Doing Business (EoDB) in Nigeria.

98. Investment in Education and a conducive environment has brought about the highest number of tertiary institutions in Nigeria (23 currently) making access to trainable labour easy in the State.

99. By year 2023, Ogun State aims to be the fastest growing economy and one of the top three States in Nigeria with broader focus on becoming Africa's Model Industrial & Logistics Hub. The overall mission is to give Ogun State focused and qualitative governance and to create the enabling business environment for public private sector partnership built on an awareness of the need for an investor friendly environment able to attract private sector capital and foster economic growth. This is the motivation behind ongoing reforms and infrastructural projects in the State, including the Ogun State Economic Transformation Project (OGSTEP) among others.

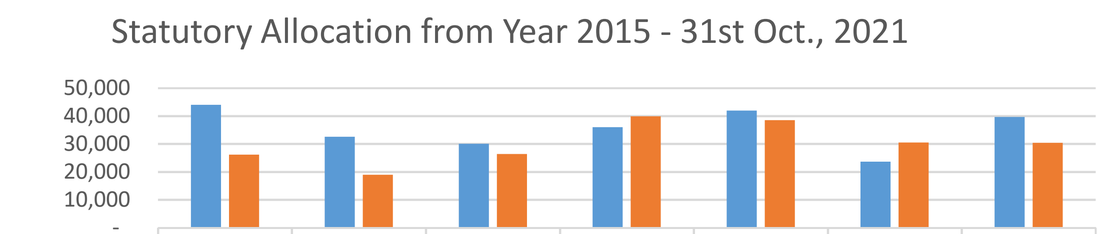
## 2.B Fiscal Update

### 2.B.1 Historic Trends

**Revenue Side**

100. Composition of the State Revenue includes Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2015 to 2020 (six year historic) and 2021 budget.

Figure 5: Statutory Allocation




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 44,000 | 32,600 | 30,000 | 36,000 | 42,000 | 23,685 | 39,676 |
| Actual N'M | 26,149 | 18,939 | 26,343 | 39,937 | 38,488 | 30,473 | 30,383 |

Budget N'M   Actual N'M

101. Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies

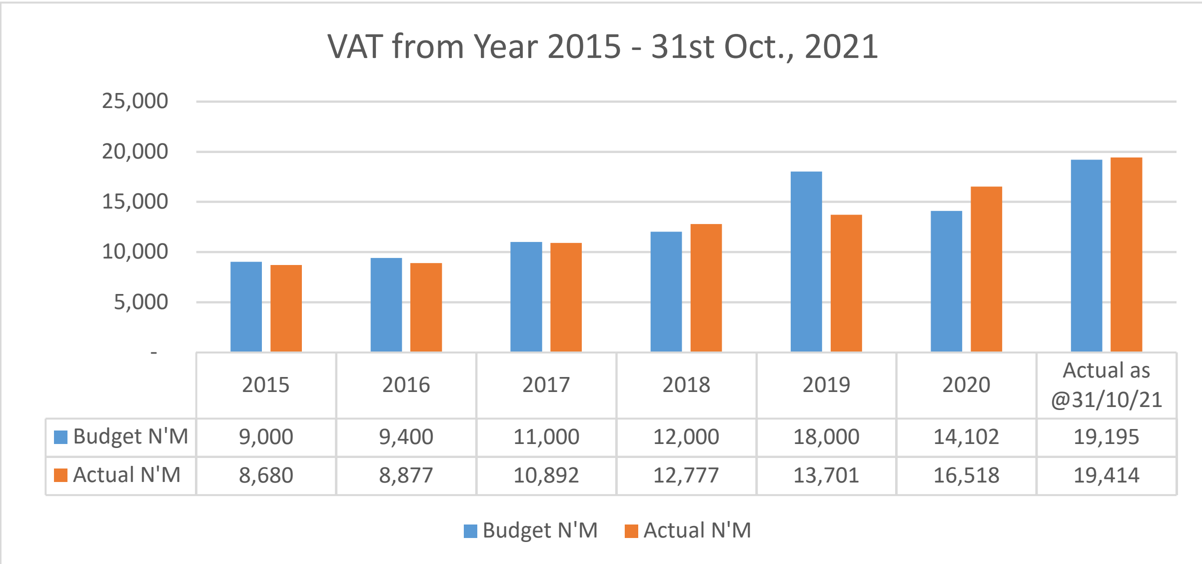
income tax, customs and (excise) at the national level, which is then shared between the three tiers of government using a predetermined sharing ratio.

102. Actual receipts have risen year on year between 2017 to 2019 from N26B to N38B after the drop in 2016 due drop in the global oil price and production in Nigeria; largely based on the increase in the crude oil benchmark over the period of pre-covid-19 and had a major drop in year 2020 as a result of the pandemic. Actual receipts as at 31st October 2021 shows N30B.

103. It is however envisaged that the uptick in global economic activities will increase the crude oil sales and eventually brings more revenue in the outer years.

104. Going forward, it is important to take into consideration the crude oil benchmarks, the global effect of the pandemic and the envisaged gradual economic uptick that will increase economic activities globally. The crude oil price has continued to be on the rise from the approved $46 to over $74 pb while global trade has brought about increase revenue from excise duties and other revenue components that makes the statutory allocation. In essence, year 2022 is expected to bring about increase in statutory allocation to the State.

Figure 6: Value Added Tax (VAT)

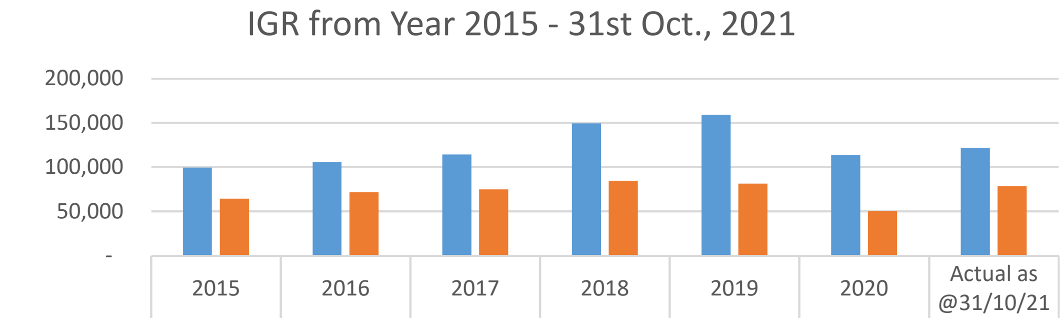



| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 9,000 | 9,400 | 11,000 | 12,000 | 18,000 | 14,102 | 19,195 |
| Actual N'M | 8,680 | 8,877 | 10,892 | 12,777 | 13,701 | 16,518 | 19,414 |

105. Value Added Tax (VAT) is the tax calculated according to value on goods and services at a rate of 7.5% (as increased from 5% to 7.5% on February 1st, 2020 by the Federal Government). It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT individual states generated. States receive 50% of the total VAT collections nationally, from which Ogun State gets around 2.32% of the VAT distribution to States.

106. VAT receipts have increased year-on-year due to the growth in nominal economic activity in Nigeria. With global ease of lockdowns and increased economic activity in Nigeria, the hospitality and service industries in the State are beginning to pick; this is the main component of the Value Added Tax. It is expected that by the last quarter of 2021, the economy will bounce back to pre-COVID era of between years 2018 and 2019 at an average of 90% performance. The projected increase is expected to grow with GDP growth in the outer years as a result of increased new VAT rate.

Figure 7: Internally Generated Revenue (IGR)




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 99,354 | 105,671 | 114,305 | 149,430 | 159,245 | 113,552 | 121,807 |
| Actual N'M | 64,337 | 71,582 | 74,836 | 84,554 | 81,420 | 50,561 | 78,432 |

107. Internally Generated Revenue is revenue collected within the state, this relates to income tax (PAYE represents the highest contributor to IGR), withholding taxes, direct assessment fines, levies, fees, and other sources of revenue collectable within the state by the Ogun State Internal Revenue Service (OGIRS).

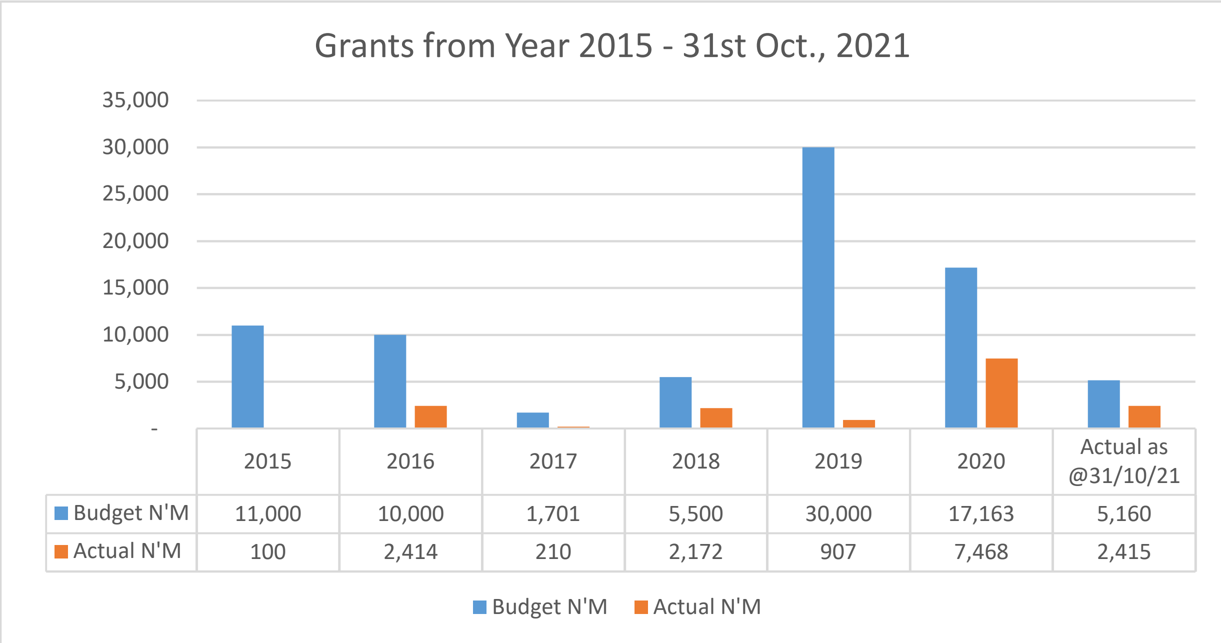
108. IGR has grown at a steady pace year on year since 2015 and witnessed little drop in year 2019 with major setback in year 2020; a reflection of the Covid-19 pandemic that clamped down almost all the economic activities not only in Nigeria but in the entire globe.

109. The State's projection for 2021 is predicated on the plan to expand the tax base and improve collection methods to boost IGR from the lowest end of N50billion as of 31st December 2020 to N122 billion in 2021 based on the expectation that the State's economy will be more active before the end of Q4, 2021 and bounce back to pre-COVID -19 era of years 2017-2018. Most importantly, the MTRS initiative is expected to boost the existing internally generated revenue The state has generated a total sum of N78b as at the end of October 2021 which reflects an increase compared to the N50b that was generated in the year 2020.

110. The present administration is also set to review outdated rates of taxes levied on Companies and individuals, a move to align the tax paid to be commensurate with the present economic realities. Some key and strategic steps/drive have been taken by the State Government, a significant boost to the State economy. For instance, the recent Lagos-Ogun Joint Development Commission to facilitate and accelerate infrastructural development, attracts investors as a result of existing ease of doing business, movement of people, goods and services, as well as stimulate industrialization along the border communities and ensure wholesome development in the two states. Secondly, the recently launched Ogun State Lands Administration and Revenue Management System is expected to bring more investors into the property and Investment opportunities within the State and consequential increase in revenue.

111. It is of great significance to mention that the outcome of the planned Ogun Investment Summit, ISEYA21 with the theme Ogun State ‘Becoming Africa’s Model Industrial & Logistics Hub’ is expected to showcase the investment opportunities in the State and position the State comfortably among the comity of State that drive Nigerian’s economy a major prerequisite for revenue generation.

Figure 8: Grants




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 11,000 | 10,000 | 1,701 | 5,500 | 30,000 | 17,163 | 5,160 |
| Actual N'M | 100 | 2,414 | 210 | 2,172 | 907 | 7,468 | 2,415 |

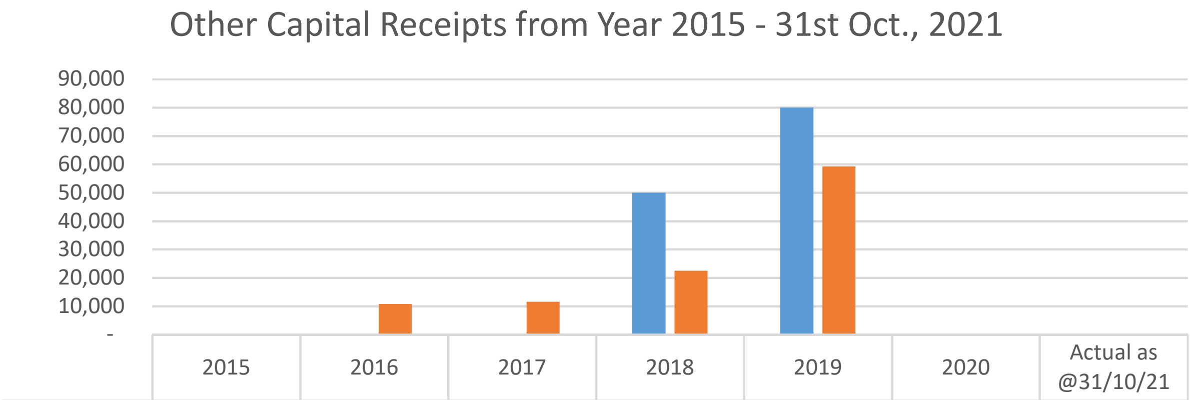
112. Grants are receipts from federal government and international development partners (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children’s Fund (UNICEF) etc.

113. Actual receipts/performance has been on a very low side, the trend continues to drop even in 2019 when the State was so optimistic in getting N30billon but generated less than N1billion. For this reason, performance against budget has also been poor as budgets have tended to pick up all anticipated grants whereas proceeds may not reflect all activities surrounding projections.

114. Grant estimates going forward should be consistent with signed agreements, any “blue-sky” should be specifically linked to the implementation of specific projects.

115. However, the State has been a beneficiary of the World Bank Group assistance to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to shield the State’s finances against fiscal crisis.

Figure 9: Other Capital Receipts



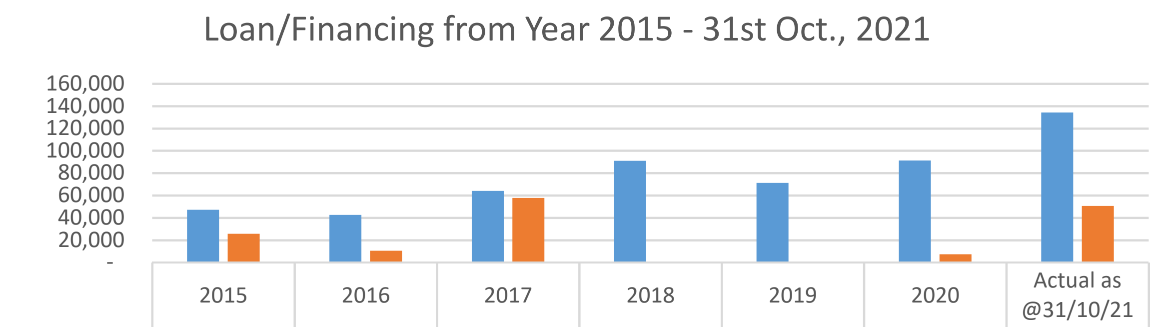

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | - | - | - | 50,000 | 80,000 | - | - |
| Actual N'M | - | 10,700 | 11,479 | 22,517 | 59,211 | - | - |

116. Other Capital Receipts which includes the PARIS Club Fund, refund on federal road construction and other maintenance costs incurred by the State is expected from the Federal Government. The State witnessed significant increase from 2018 actual receipts in 2019, a very huge increase from N22.5b to N59b, over 162% increase.

117. However, based on existing Federal Government policy on CAPEX FG Road Refund since 2019, refunds to State on road construction refund claims without legal backing/MOU has been stopped. This explains the zero performance in 2020.

118. Consequently, the State is not expected to receive any fund with respect to Capital Expenditure incurred on Road Construction again in line with the FGN stoppage of refund on road construction on Federal roads to States.

Figure 10: Loan Financing




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 47,000 | 42,529 | 64,085 | 91,054 | 71,078 | 91,100 | 134,368 |
| Actual N'M | 25,617 | 10,423 | 57,843 | - | - | 7,149 | 50,540 |

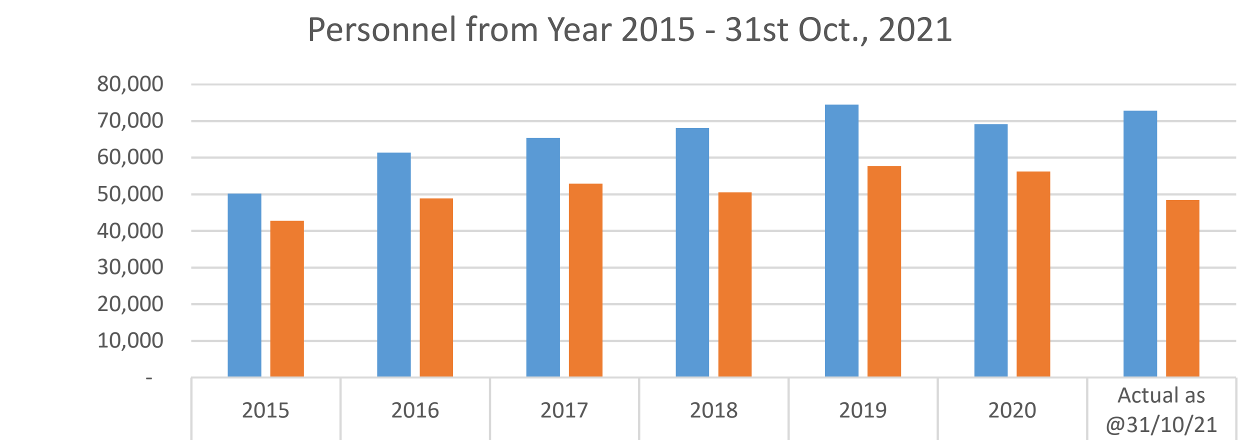
119. Besides some short-term borrowing from banking facilities, financing has come in the form of various World Bank programmes (Social Protection, Housing and Community Development, Health and Education sector support).

120. Nevertheless, the State is expected to be a beneficiary of the Central Bank Loan initiative 'Differentiated Cash Reserve Ratio - DCRR' of Seventy-Five Billion naira (N75billion) basically for infrastructural development in the State.

Expenditure Side

121. On the expenditure side, the Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2015-2020 (six years) and 2021 budget.

Figure 11: Personnel




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 50,155 | 61,340 | 65,336 | 68,034 | 74,480 | 69,088 | 72,760 |
| Actual N'M | 42,780 | 48,888 | 52,837 | 50,503 | 57,713 | 56,213 | 48,391 |

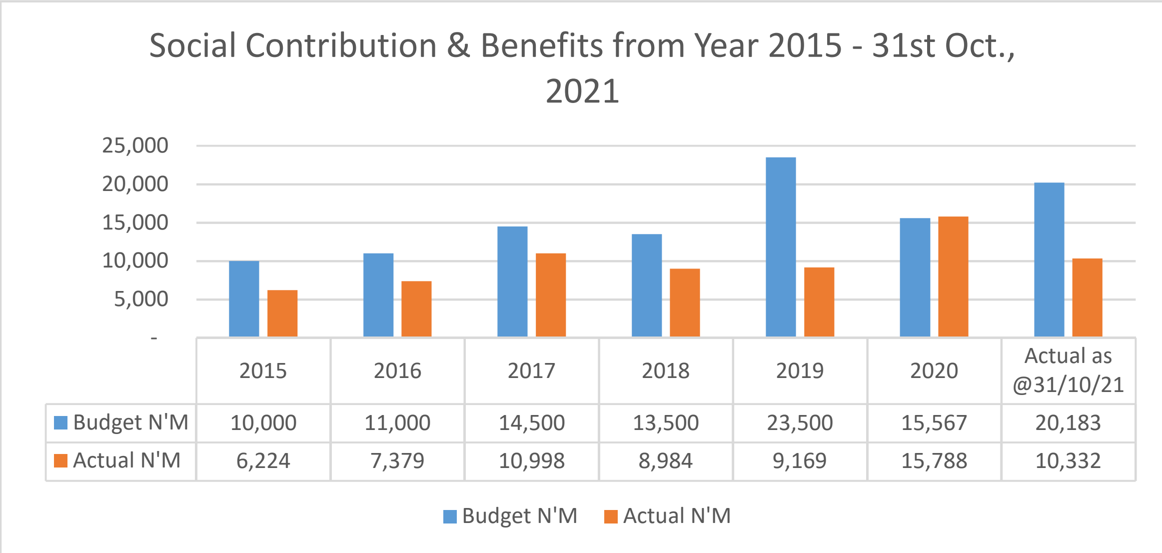
122. Personnel cost represents the wage bill of the State Government workers, funded from the revenue accruable to the State. This budgeted value has been on the increase from the year 2015 to year 2019, while the actual figure witnessed a decrease in year 2018 but rose again in year 2019. The sharp increase of over N7b is evident by the absolute increase in the actual personnel costs in year 2019 which could be ascribed to the review of Health workers salaries, recruitment of teachers and continuous recruitment of staff as well as pension obligations and payment of backlog on pension liabilities which were appropriately budgeted for.

123. The above decision was necessary in the spirit of continuity and sustaining social responsibility to the people of the State.

124. The present administration's absorption of new workers recruited by the immediate past administration, new recruitment across the health sector prior/post - COVID-19 crisis etc. This also explains the increase experienced in the budgeted personnel cost in 2021.

125. The State is equally mindful to keep the personnel cost within the Sustainability level in view of the fact that year 2019 had an actual of personnel cost of 42% of total revenue and 68 % of IGR against the previous year 2018 (36% of total revenue and 60% of IGR).

Figure 12: Social Contribution and Social Benefit



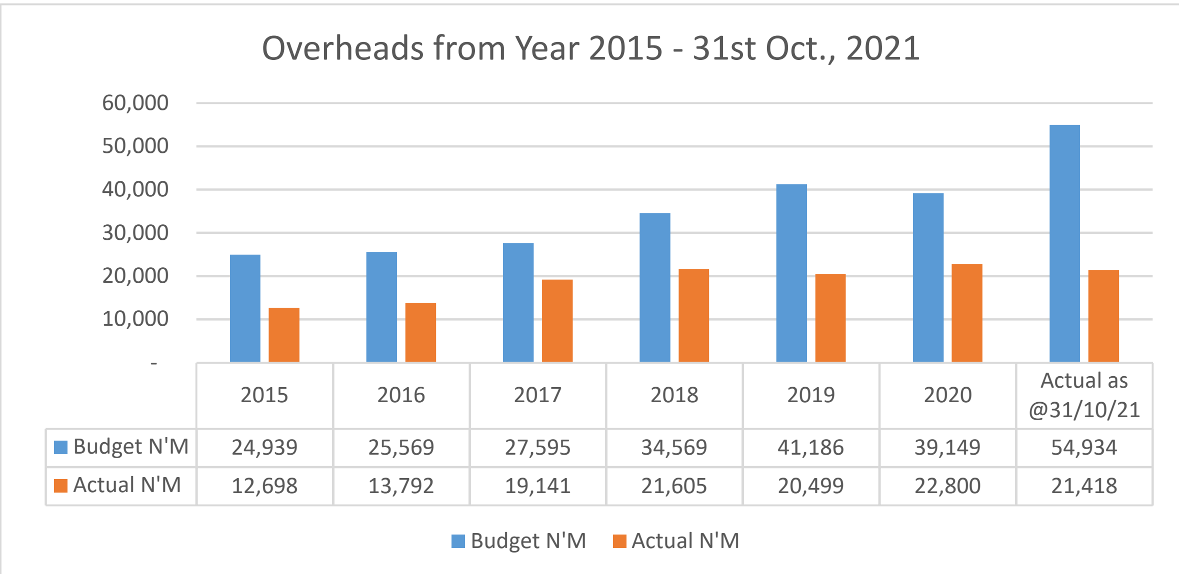

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 10,000 | 11,000 | 14,500 | 13,500 | 23,500 | 15,567 | 20,183 |
| Actual N'M | 6,224 | 7,379 | 10,998 | 8,984 | 9,169 | 15,788 | 10,332 |

126. This consist of monthly contributory pension scheme, gratuity and grants to the local governments to defray outstanding recurrent liabilities. The present administration inherited outstanding arears on Social contributions and social benefit in year 2019, after due financial auditing and consultation with all stakeholders concerning the outstanding payment. Consequently, the State Government began to meet agreed financial commitment with the Stakeholders as evident in the financial year 2020 actual performance.

127. In the short and mid-term frame, the State Government will continue to sustain payment of pension and gratuities within the limited resources as evident in the recent N1billion fund released, while conscious of the severity of the resulting macro-economic and fiscal economic challenges.

128. To this end, in view of social protection, the State Government will strive to review upward outstanding payments on gratuity to Four billion (N4B) naira per annum while other standing commitments will be sustained.

Figure 13: Overheads



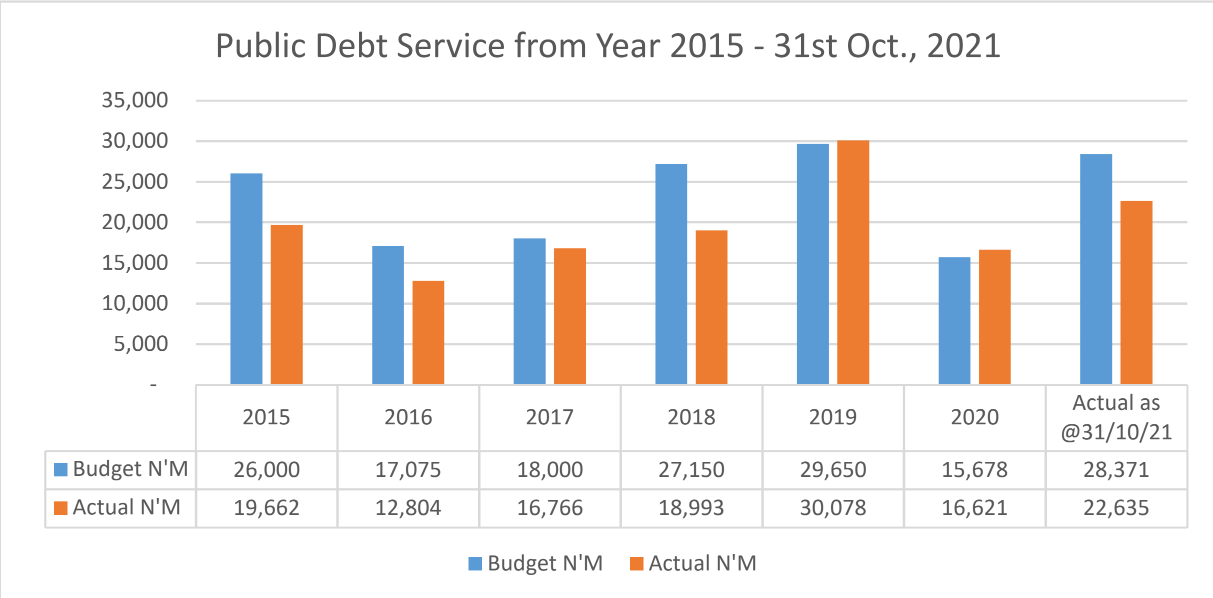

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 24,939 | 25,569 | 27,595 | 34,569 | 41,186 | 39,149 | 54,934 |
| Actual N'M | 12,698 | 13,792 | 19,141 | 21,605 | 20,499 | 22,800 | 21,418 |

129. Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs on a monthly basis subject to warrants and availability of fund.

130. The actual overhead costs have been below the budget limit since 2016, this will be sustained in the medium term.

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

Figure 14: Public Debt Service



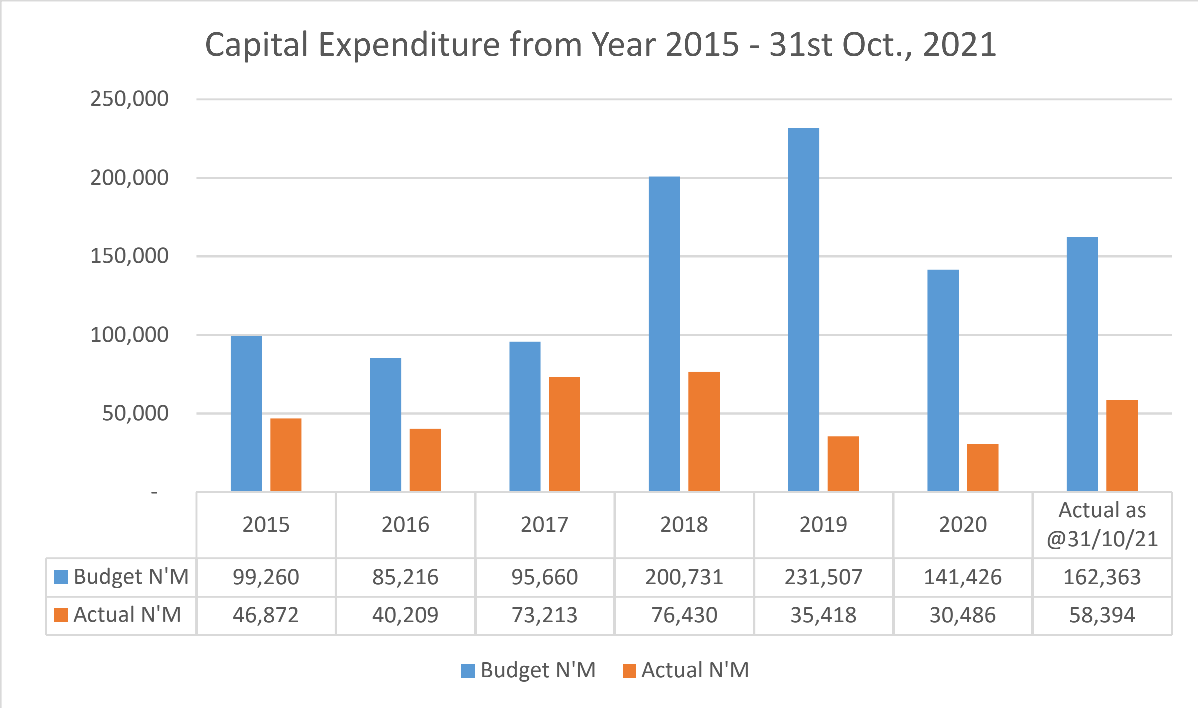

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Actual as @31/10/21 |
|---|---|---|---|---|---|---|---|
| Budget N'M | 26,000 | 17,075 | 18,000 | 27,150 | 29,650 | 15,678 | 28,371 |
| Actual N'M | 19,662 | 12,804 | 16,766 | 18,993 | 30,078 | 16,621 | 22,635 |

132. Public debt charges include the interest on unmatured debt and on other accounts, amortization of premiums and discounts on unmatured debt, the servicing costs and costs of issuing new borrowings.

133. Due to a strong public debt system, the debt servicing costs have been well estimated over the period; In order to increase the State credit rating, the State Government ensures appropriate debt management as evident in the actual debt servicing performance in years 2019 and 2020 respectively.

134. The debt service performance is necessary to review the debt position of the State Government; this will propel the ability of the State to borrow to execute necessary capital expenditure that will ensure economic growth and development of the State.

Figure 15: Capital Expenditure




135. Capital expenditure represents the commitment of Government towards infrastructure development.

136. Except for 2017 and 2018, performance of capital expenditure has been on the decrease owing to the State's inability to mobilize resources for execution of capital projects due to the shortfall in Government estimated revenue and the increase in recurrent expenditure which could not be correspondingly matched by the total revenue of the State. The negative effects of the pandemic on investment at both micro and macro level particularly had absolute impact on the State' investments in capital projects in year 2020.

137. Secondly, diversion of limited resources to the health sector to curb the spread of the pandemic and necessary huge investment on social and welfare projects as palliatives necessary during the lockdown also affected the projected capital investments in the year 2020.

138. Prudent forecasting of revenue, and hence the capital development fund, and tight control on recurrent expenditure, will help both increase the level of capital expenditure and also improve performance against budget going forward. This is important as the State should look to avoid wasted effort in preparing detailed capital expenditure submissions if they cannot, ultimately, be resource-backed.

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

**By Sector**

140. Capital Expenditure Performance by sector varied over the period 2013-2018 - only General Public Service (Financial and Fiscal Affairs) sector performed above average (i.e., 80.23%), while Infrastructure, General Public Service (Executive Organ) and Public Order & Safety

sectors performed at the level of 47.83%, 41.84% and 41.11% respectively. The remaining 11 sectors did not perform well.

141. The emphasis of expenditure of the current administration has been on Fiscal and Financial reforms, infrastructure and security of lives and investments, the high capital expenditure performance reflects this and the investment in these sectors is expected to ultimately boost future economic activity in the state.

142. The performance of personnel and overhead are detailed in table 3a and 3b while performance of capital expenditure is detailed in table 4 below.

a Table 3 : Sector Recurrent Expenditure Trends

| | Personnel Expenditure by Sector | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. | Sector | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Actual | 2021 Budget | 2021 Actual | Performance | Average Budget | Average Actual |
| 1 | EDUCATION | 35,521,000,000 | 26,974,007,015 | 35,979,000,000 | 29,977,088,791 | 33,107,500,000 | 31,653,988,280 | 36,456,506,594 | 26,355,128,075 | 81.50% | 49.61% | 54.48% |
| 2 | HEALTH | 8,488,500,000 | 6,742,218,804 | 8,488,500,000 | 7,485,454,751 | 11,437,500,000 | 8,133,311,181 | 10,781,243,707 | 7,481,534,695 | 76.14% | 13.78% | 14.14% |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 2,695,000,000 | 2,217,494,750 | 2,750,000,000 | 2,328,095,140 | 2,685,000,000 | 2,232,406,052 | 3,918,196,697 | 2,265,145,363 | 75.06% | 4.24% | 4.29% |
| 4 | AGRICULTURE & INDUSTRY | 2,295,000,000 | 1,877,376,054 | 2,305,000,000 | 2,003,189,653 | 2,265,000,000 | 1,721,634,721 | 3,249,239,503 | 2,014,479,901 | 75.31% | 3.56% | 3.61% |
| 5 | INFRASTRUCTURE | 835,000,000 | 629,118,021 | 815,000,000 | 673,716,475 | 850,000,000 | 597,832,150 | 1,081,135,421 | 546,959,129 | 68.35% | 1.26% | 1.16% |
| 6 | RECREATION, CULTURE & RELIGION | 1,709,000,000 | 1,240,683,342 | 1,757,500,000 | 1,331,678,826 | 1,615,800,000 | 1,218,435,157 | 2,183,730,858 | 1,224,692,865 | 69.03% | 2.56% | 2.38% |
| 7 | SOCIAL PROTECTION | 225,000,000 | 184,811,842 | 225,000,000 | 180,494,306 | 215,000,000 | 155,627,152 | 346,144,317 | 200,929,180 | 71.39% | 0.36% | 0.34% |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGAN) | 10,790,000,000 | 7,213,552,727 | 11,570,000,000 | 8,755,937,716 | 7,271,224,632 | 1,529,995,622 | 2,543,180,504 | 1,656,511,721 | 59.54% | 11.31% | 9.08% |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FISCAL AFFAIRS) | 1,373,500,000 | 994,189,709 | 1,373,500,000 | 1,142,557,493 | 1,380,000,000 | 1,041,991,892 | 2,731,242,049 | 1,012,103,615 | 61.11% | 2.41% | 1.99% |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSONNEL SERVICES) | 382,500,000 | 303,390,398 | 417,500,000 | 304,488,328 | 397,500,000 | 206,687,149 | 510,368,191 | 263,108,260 | 63.10% | 0.60% | 0.51% |
| 11 | PUBLIC ORDER & SAFETY | 400,000,000 | 222,574,550 | 400,000,000 | 227,643,222 | 300,000,000 | 259,672,877 | 700,270,788 | 330,345,270 | 57.78% | 0.63% | 0.49% |
| 12 | ECONOMIC AFFAIRS | 710,000,000 | 456,043,635 | 765,000,000 | 590,729,089 | 850,000,000 | 640,343,171 | 1,429,274,346 | 668,713,038 | 62.75% | 1.32% | 1.12% |
| 13 | JUDICIARY | 1,310,000,000 | 908,900,399 | 1,310,000,000 | 941,134,340 | 1,260,000,000 | 1,117,677,607 | 1,660,191,560 | 1,095,642,969 | 73.34% | 1.95% | 1.93% |
| 14 | LEGISLATURE | 824,000,000 | 331,233,784 | 824,000,000 | 381,380,017 | 500,000,000 | 294,190,920 | 560,899,897 | 287,445,514 | 47.78% | 0.95% | 0.61% |
| 15 | STATEWIDE | 475,000,000 | 206,949,363 | 5,500,000,000 | 1,389,070,614 | 4,953,042,627 | 5,409,540,389 | 4,608,537,132 | 1,167,137,533 | 52.60% | 5.46% | 3.87% |
| | **Total** | **68,033,500,000** | **50,502,544,392** | **74,480,000,000** | **57,712,658,760** | **69,087,567,259** | **56,213,334,321** | **72,760,161,565** | **46,569,877,128** | **74.20%** | **100.00%** | **100.00%** |

b

| | Overhead Expenditure by Sector | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. | Sector | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Actual | 2021 Budget | 2021 Actual | Performance | Average Budget | Average Actual |
| 1 | EDUCATION | 4,175,000,000 | 1,757,927,593 | 4,225,000,000 | 2,032,947,564 | 5,053,500,000 | 1,852,666,259 | 5,934,454,952 | 2,776,014,096 | 43.43% | 7.30% | 5.31% |
| 2 | HEALTH | 690,000,000 | 309,480,012 | 625,000,000 | 384,833,195 | 3,461,622,950 | 743,590,240 | 3,021,619,914 | 999,332,199 | 31.25% | 2.94% | 1.54% |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 4,107,859,895 | 1,680,623,381 | 3,420,000,000 | 1,432,031,791 | 2,641,907,070 | 1,399,256,738 | 4,103,635,101 | 1,255,525,570 | 40.41% | 5.38% | 3.64% |
| 4 | AGRICULTURE & INDUSTRY | 446,200,000 | 113,295,806 | 425,000,000 | 107,063,673 | 353,056,514 | 190,173,388 | 2,762,271,723 | 273,872,435 | 17.17% | 1.50% | 0.43% |
| 5 | INFRASTRUCTURE | 890,000,000 | 78,525,938 | 710,000,000 | 107,176,250 | 1,053,033,704 | 182,853,659 | 438,891,302 | 156,206,501 | 16.97% | 1.16% | 0.33% |
| 6 | RECREATION, CULTURE & RELIGION | 1,950,000,000 | 1,012,678,732 | 1,957,500,000 | 1,110,331,860 | 2,172,833,761 | 655,515,981 | 1,512,755,141 | 757,915,144 | 46.57% | 2.86% | 2.23% |
| 7 | SOCIAL PROTECTION | 13,710,500,000 | 9,069,214,618 | 23,700,000,000 | 9,258,044,591 | 15,861,772,510 | 15,997,206,673 | 453,892,281 | 127,195,733 | 64.12% | 20.24% | 21.72% |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGAN) | 3,585,000,000 | 2,681,282,594 | 5,755,000,000 | 3,442,579,374 | 5,287,000,000 | 4,857,490,785 | 5,775,382,770 | 5,160,451,896 | 79.12% | 7.69% | 10.18% |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FISCAL AFFAIRS) | 8,657,000,000 | 6,061,401,846 | 10,095,000,000 | 3,796,883,242 | 4,270,000,000 | 2,998,092,362 | 18,172,725,526 | 2,544,071,700 | 37.38% | 15.52% | 9.71% |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSONNEL SERVICES) | 237,800,000 | 105,809,950 | 270,000,000 | 134,958,200 | 396,000,000 | 130,682,399 | 189,137,417 | 108,565,788 | 43.92% | 0.41% | 0.30% |
| 11 | PUBLIC ORDER & SAFETY | 3,614,710,000 | 3,117,756,788 | 5,030,000,000 | 2,703,464,594 | 2,515,000,000 | 2,427,100,832 | 3,493,362,586 | 3,515,663,305 | 80.28% | 5.52% | 7.42% |
| 12 | ECONOMIC AFFAIRS | 280,000,000 | 53,731,784 | 215,000,000 | 65,612,838 | 255,000,000 | 115,265,580 | 1,307,942,742 | 107,182,794 | 16.61% | 0.78% | 0.22% |
| 13 | JUDICIARY | 490,000,000 | 409,020,000 | 590,000,000 | 524,465,510 | 720,000,000 | 615,500,000 | 966,374,555 | 510,848,184 | 74.46% | 1.04% | 1.30% |
| 14 | LEGISLATURE | 2,235,000,000 | 1,149,361,526 | 3,168,200,000 | 1,213,358,000 | 4,610,115,590 | 1,218,600,000 | 2,733,977,973 | 826,133,900 | 34.58% | 4.80% | 2.78% |
| 15 | STATEWIDE | 8,000,000,000 | 10,441,579,232 | 15,000,000,000 | 11,976,170,975 | 14,742,641,766 | 12,759,632,003 | 22,903,308,152 | 16,994,325,930 | 86.03% | 22.85% | 32.90% |
| | Total | 53,069,069,895 | 38,041,689,799 | 75,185,700,000 | 38,289,921,656 | 63,393,483,865 | 46,143,626,899 | 73,769,732,138 | 36,113,305,175 | 59.75% | 100.00% | 100.00% |

Table 4: Sector Capital Expenditure Trends

| | Capital Expenditure by Sector | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. | Sector | 2018 Budget | 2018 Actual | 2019 Budget | 2019 Actual | 2020 Budget | 2020 Actual | 2021 Budget | 2021 Actual | Performance | Average Budget | Average Actual |
| 1 | EDUCATION | 39,215,000,002 | 3,472,282,702 | 48,375,209,203 | 2,751,636,436 | 4,141,955,845 | 2,714,062,089 | 15,897,040,627 | 2,718,192,611 | 10.83% | 13.56% | 4.65% |
| 2 | HEALTH | 12,020,000,000 | 2,996,973,802 | 13,433,935,070 | 3,773,052,579 | 40,031,949,870 | 1,560,073,732 | 20,678,562,702 | 1,011,222,239 | 10.84% | 10.85% | 3.73% |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 38,430,429,776 | 15,010,291,108 | 46,977,525,522 | 4,681,935,177 | 8,922,645,449 | 4,679,502,365 | 23,655,633,139 | 6,597,753,740 | 26.25% | 14.86% | 12.35% |
| 4 | AGRICULTURE & INDUSTRY | 17,376,384,676 | 2,826,198,650 | 17,401,638,455 | 262,884,092 | 4,262,065,246 | 1,934,982,902 | 11,713,359,520 | 448,340,934 | 10.78% | 6.39% | 2.18% |
| 5 | INFRASTRUCTURE | 67,596,661,019 | 45,872,472,351 | 75,964,821,900 | 19,017,579,136 | 62,918,223,865 | 13,903,296,153 | 51,611,382,668 | 43,795,560,489 | 47.50% | 32.51% | 48.90% |
| 6 | RECREATION, CULTURE & RELIGION | 8,124,999,997 | 143,620,917 | 6,500,000,000 | 113,631,759 | 312,792,638 | 185,672,880 | 2,873,580,879 | 166,647,364 | 3.42% | 2.24% | 0.24% |
| 7 | SOCIAL PROTECTION | 596,000,000 | 44,925,100 | 535,000,000 | 9,681,750 | 84,530,125 | 20,819,322 | 281,442,187 | 10,778,236 | 5.76% | 0.19% | 0.03% |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGAN) | 2,400,000,000 | 1,881,930,730 | 4,610,000,000 | 2,649,542,425 | 1,691,000,000 | 1,436,040,914 | 4,095,018,693 | 2,547,994,457 | 66.55% | 1.61% | 3.40% |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FISCAL AFFAIRS) | 3,169,687,760 | 506,053,618 | 2,360,000,000 | 697,903,039 | 1,490,000,000 | 416,039,541 | 10,523,615,468 | 185,885,390 | 10.29% | 2.21% | 0.72% |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSONNEL SERVICES) | 313,100,000 | 10,860,000 | 310,000,000 | 36,301,420 | 200,000,000 | 39,047,830 | 229,071,139 | 43,006,222 | 12.28% | 0.13% | 0.05% |
| 11 | PUBLIC ORDER & SAFETY | 1,774,644,015 | 994,000,000 | 2,457,243,189 | 117,949,800 | 1,355,072,496 | 1,120,632,650 | 1,628,597,764 | 208,057,564 | 33.82% | 0.91% | 0.97% |
| 12 | ECONOMIC AFFAIRS | 3,213,901,829 | 49,578,979 | 2,050,000,000 | 10,136,000 | 965,138,593 | 85,109,450 | 2,092,237,309 | 28,390,183 | 2.08% | 1.05% | 0.07% |
| 13 | JUDICIARY | 1,070,583,137 | - | 1,950,000,000 | - | 270,000,000 | 151,500,000 | 346,442,819 | 22,524,938 | 4.78% | 0.46% | 0.07% |
| 14 | LEGISLATURE | 2,430,000,000 | 301,346,300 | 4,081,955,450 | 126,246,750 | 1,659,000,000 | 605,600,000 | 999,843,970 | 7,162,000 | 11.34% | 1.16% | 0.42% |
| 15 | STATEWIDE | 25,150,000,000 | 13,860,242,185 | 23,650,000,000 | 22,625,648,243 | 20,122,113,126 | 10,700,301,481 | 25,272,309,841 | 8,487,220,890 | 59.10% | 11.87% | 22.21% |
| | Total | 222,881,392,211 | 87,970,776,441 | 250,657,328,788 | 56,874,128,606 | 148,426,487,252 | 39,552,681,307 | 171,898,138,727 | 66,278,737,257 | 31.58% | 100.00% | 100.00% |

## 2.B.2 Debt Position

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

Table 5: Debt Position as at 31st October 2021

| Debt Sustainability Analysis | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| A | DSA RATIO SCENARIOS: | Sustainability Thresholds | ACTUAL, 2020 | As at 31st October 2021 | Proposed Estimates, | Proposed Estimates, | Proposed Estimates, |
| | Solvency Ratios | Percentage | | | Percentage | | |
| 1 | Total Domestic Debt/IGR | 150% | 304% | 295% | 192% | 162% | 139% |
| 2 | Total External Debt/Gross FAAC | 150% | 76.97% | 72.13% | 57.41% | 46.64% | 42.24% |
| 3 | Total Public Debt/Total Recurrent Revenue | 200% | 166% | 146% | 96% | 87% | 76% |
| 4 | Total Public Debt/State GDP Ratio | 25% | 7% | 9% | 11% | 11% | 10% |
| | Liquidity Ratios | Percentage | | Percentage | | | |
| 5 | Domestic Debt Service/IGR | 15% | 29% | 27% | 17% | 15% | 14% |
| 6 | External Debt Service/Gross FAAC | 20% | 2% | 1% | 2% | 2% | 2% |
| 8 | Debt Service Deductions from FAAC/Gross FAAC | 40% | 26% | 26% | 24% | 19% | 18% |
| 8 | Total Debt Service/Total Recurrent Revenue | 25% | 14% | 11% | 8% | 7% | 7% |
| | | | | | | | |
| B | PUBLIC DEBT DATA | | | Naira | | | |
| 1 | Total Domestic Debt | | 153,490.67 | 231,383.48 | 294,383 | 279,383 | 262,383 |
| 2 | Total External Debt | | 39,326.40 | 42,462.01 | 41,910.01 | 41,827.01 | 41,732.01 |
| 3 | **Total Public Debt** | | **192,817.06** | **273,845.49** | **336,293.49** | **321,210.49** | **304,115.49** |
| | | | | | | | |
| 4 | Total Domestic Debt Service | | 14,733.52 | 20,879.75 | 25,632.00 | 25,761.00 | 26,572.00 |
| 5 | Total External Debt Service | | 1,070.01 | 722.70 | 1,381.00 | 1,588.00 | 1,826.00 |
| 6 | Other Charges | | 818.00 | 975.90 | 1,000.00 | 1,000.00 | 1,000.00 |
| 6 | **Total Public Debt Service** | | **16,621.52** | **22,578.35** | **28,013.00** | **28,349.15** | **29,398.37** |
| | | | | | | | |
| C | STATE GDP FOR 2021-2024 | | | | | | |
| 1 | State GDP | | 2,891,647 | 2,919,407 | 2,977,000 | 3,043,000 | 3,092,000 |

144. By December 2020, the State's total public debt was N193b broken into N154b for domestic and N39b for external debt. However, the total public debt as at 31st October 2021 was N273b with a breakdown of N231b for domestic and N42b for external debt, reflecting an increase of N80b between the period of December 2020 to October 2021 with the DSA rating of total domestic debt/IGR of 295% against the threshold of 150%. This can be adduced to the effect of the pandemic for the better part of year 2020 that affected economic activities and internally generated revenue target through to the 2021 fiscal year. However, the State economy is expected to grow in the outer years better than pre-COVID era, because of the increase in IGR which is expected to reduce domestic debt as well improve debt service repayment.

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

146. Most importantly, the State is very conscious of the dire need to improve on her IGR next year and the outer years in order to meet/defray domestic debts and be within sustainability ratio; and be well positioned for more financial facilities for developmental projects.

# 3 Fiscal Strategy Paper

## 3.A Ogun State Macroeconomic Framework

Table 6: State Key Macro-Economic Indicators

| Indicators/Years | 2020 Budget | Approved Budget 2021 | Budget Proposals 2022 | Budget Proposals 2023 | Budget Proposals 2024 |
|---|---|---|---|---|---|
| **National Inflation Rate (CPI)** | 13.20% | 16.00% | 13.00% | 11.00% | 10.00% |
| **National GDP Growth Rate (%)** | -1.80% | 3.00% | 4.20% | 2.30% | 3.30% |
| **State GDP Growth Rate (%)** | -1.10% | -1.00% | 3.63% | 1.79% | 2.46% |
| **Estimated State GDP (N'TR)** | 2.892 | 2.921 | 2.977 | 3.043 | 3.092 |
| **State Inflation Rate (%)** | 13.14% | 11.95% | 11.24% | 8.57% | 7.47% |
| **Average Naira to USD Exchange rate** | 360 | 379 | 410.15 | 410.15 | 410.15 |
| **Forecast/Benchmark oil Price** | $20 | $40 | $57 | $57 | $55 |
| **Oil Production per day barrels (N'M)** | 1.7440 | 1.7000 | 1.8800 | 2.2300 | 2.2200 |
| **Interest Rate on Domestic Debts** | 13.50% | 13.00% | 12.75% | 12.75% | 12.75% |
| **Interest Rate on External Debts** | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| ***Sources: FMFBNP, NBS, CBN, OGBS*** | | | | | |

147. The State's growing population and estimated GDP to be N2.92 trillion in 2021 and would be ₦3.09 trillion by 2024 with projected annual average growth rate of 2.63% from 2022 through to 2024. The projection is based on the gradual ease of lockdown which is expected to increase commercial and economic activities by Q3 of 2021 with marginal increase in the outer years of the medium-term framework. The ultimate goal is for the State to be the fastest growing economy and one of the top three States in Nigeria by 2024 with the wider focus of becoming Africa's Model Industrial & Logistics Hub', the Sub - Saharan Africa's first choice destination for investment,

148. Creation of enabling environment with focus on transparent public financial management system; to attract both local and foreign investments and encourage Public-Private Sector Partnership with sustained investment in Finance and Economic Planning, Housing, Environment and Physical Planning, Transportation (Deep Sea at Ogun Waterside, Ogun

East Senatorial District) Water and Waste Management, Industry, Trade and Investments, Agriculture and Food Security, Education, Healthcare, Physical Infrastructure Development, Information, Communication and Technology (ICT), and supported by enduring Human Capital Development to sustain all the intended vision through building of Institutions.

149. The macroeconomic objectives for the Medium Term 2022-2024 intend to support and position the State in the right pedestal towards economic recovery and growth in order to achieve the overarching goal that includes maintaining the real economic growth at an annual average rate of 2.63% up to 2024, moderating rate of inflation below the two digits of 10% by 2024.

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

151. In line with the broad objectives stated above, the Government's macroeconomic targets for the period 2021-2024 with the Fiscal Framework Projections are as follows:

- Increase the Internally generated revenue based on bold target through well-planned far-reaching reforms in real terms in the medium term,
- To ensure the reduction of borrowing and financing of debt service significantly in the 2022 – 2024 medium term year to continue to attract credit investment,
- Sustaining the real GDP growth rate at not less than 2.46% growth by 2024 away from the projected 2021 contraction of 1.0%

- To bring down end-year inflation to less than 10% in 2024,
- To be fiscally sustainable by keeping the fiscal deficit of GDP at a barest level within the Medium Term,
- Due to global gradual economic recovery and attendant social protection investment, the State will give utmost priority to capital expenditure investments to achieve the fiscal stimulus of spending target within the 2022-2024 Medium Term Framework at an average of 52% to 48% on capital/recurrent expenditure.
- To keep the wage bill within the State wage policy and Development Policy Operation triggers.

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

Gross Domestic Product (State)

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

154. Investments in key infrastructure as well as a continued focus on promoting macroeconomic stability are expected to activate this shift in the economy, thereby positioning Ogun State as one of the major emerging economies in Nigeria and the World. It is against this backdrop that economic growth rate is conservatively projected at an average of 2.6% between Y2022 - Y2024 in the Medium Term.

**Inflation**

155. Due to the gradual ease of the lockdown and gradual uptick of economic activities, it is expected that the shock on supply and the demand-pull inflation an aftermath of the pandemic will eventual ease off; hence in the medium-term inflation rate is expected to be

curtailed at 10% an important target for the achievement of macroeconomic stability by 2024. To effectively control inflation expectations, there is need to control price stability through the eventual interaction of the market forces of demand and supply and provide a suitable environment for business planning and investment activities.

## 3.B Fiscal Strategy and Assumption

### Fiscal Policy Statement

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

157. Substantially, the Public Expenditure Management ("PEM") that emphasizes outcomes rather than budget lines will help resolve the gaps identified between expenditure and outcomes. This will serve as a road map towards institutionalizing the PFM reforms introduced by the present administration in line with World Best Practice.

158. PEM will continue to focus on outcomes and ensure that expenditure produces targeted outputs which are needed to achieve desired outcomes as against the traditional conventional budgeting that focuses narrowly on expenditures on inputs.

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

160. Sustenance of the economy from a post pandemic in the face of emerging global challenges in the outer years of 2022 – 2024, the State Government's fiscal policy will focus on 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.

161. In line with the present administration's strategic imperatives and implementation road map, the medium-term fiscal strategy of the present administration 2022-2024 will rely on the existing five main pillars.

- Infrastructure (ICT, Power, Transport, Industrialization)
- Social Welfare and Well Being (Healthcare, Housing, environment and Physical Planning, Water and Waste Management

- Education (Human Capital Development,
- Youth Empowerment (Sports, Entrepreneurship, Creative Arts, Entertainment)
- Agriculture (Food Security, Cash and food Crops, Plantations, Forestry, Fisheries)

162. The focus of Government is to reduce the infrastructure gap as well providing fiscal stimulus to lift demand and help the State's economy to recover.

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

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

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

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

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

(iii) **prepare for recovery**. The present administration despite paucity of funds has sustained its social protection programme as a fiscal stimulus to lift demand and help the economy to come back.

**Objectives and Targets**

166. The 2022 - 2024 fiscal objectives will continue with its year 2021 fiscal strategy which will be to intensify increased revenue in order to direct resources to most productive and growth- enhancing sectors while upholding social safeguards.

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

**The highlights of Government fiscal strategy include:**

- The revenue driven budget approach through the Medium-Term Revenue Strategy (MTRS) is expected to assist the State Fiscal Sustainability drive and endear potential investors to the State economy
- Enhancing economic growth and ensuring inclusiveness.
- Promoting economic diversification
- Maintaining macroeconomic stability
- Increasing revenue generation
- Re-balancing 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 sustain the Modified Zero-Based Budgeting (Modified ZBB) & MTSS across all MDAs and Budget profiling for cash management.
- To lay greater emphasis on maintenance of public assets.
- To effectively manage parastatal organizations to reduce their dependence on the State's finances.
- To foster a robust enabling environment for private investors through PPP initiatives and investment climate in general; and
- To improve fiscal discipline State-wide

**Enhancing economic growth and promoting inclusiveness**

168. The State will align the State Development Plan 2018-2030 (SDP), five pillars of the present administration – ISEYA with the Medium-Term National Development Plan 2021- 2025 (MTNDP) that aims to lift 34million people out of poverty and generate 25 million jobs by 2025.

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

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

171. 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.

172. In view of the gradual reopening of the global economies and continued uptick of economic activities in the State, government support will be geared towards stimulating activities of Small and Medium-Scale Enterprises (SMEs). The State economy witnessed a growth of 1% in year 2021 and it is projected to be rapid with 3.63 for year 2022 and continue to grow at 1.79 and 2.46 percent by years 2023 and 2024 respectively.

**Promoting Economic Diversification (OGUN STATE LANDS ADMINISTRATION AND REVENUE MONITORING SYSTEM (OLARMS) AND THE OGUN INVESTMENT SUMMIT #ISEYA21)**

173. The diversification of the productive base of the Ogun State economy is a critical objective of Government and germane to the quick recovery from the pandemic effect on the economy of the State.

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

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

176. 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. The State will take advantage of the recently launched Ogun State Land Administration and Revenue Management System (OLARMS) and projected successful hosting of the Ogun State Investment Summit #ISEYA21.

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

178. The present administration acknowledges the importance of alternative revenue generation sources for the State; ample attention will be given to the Service Industry and Agriculture sector in its economic diversification strategy targeted towards increase revenue and job creation.

179. As part of the efforts to provide an enabling environment for economic diversification and growth, Government will accelerate the strategic establishment and implementation of Economic Development Clusters that will endear/invite investment to the State. This will further improve the domestic business environment, and secure both existing and new jobs.

**Maintaining Macro Economic Stability**

180. 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.

181. 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.

182. 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**

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

184. 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.

185. The Government will expand the focus of the Medium-Term Revenue Strategy (MTRS) framework to cover identified MDAs with revenue generation potentials for the State. While, intensive efforts shall be made to identify and plug revenue leakages, improve tax compliance, tighten the tax code, and broaden the tax net by employing appropriate technology. In addition, government will ensure that more businesses in the informal sector are formalized.

186. A broad audit campaign will be conducted to identify under-filing taxpayers and non-compliant taxpayers will be engaged to ensure compliance.

**Re-balancing the Distribution of Government Spending**

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

188. Government will sustain its desire to continue to allocate at least an average of 52% of its spending to the execution of capital projects in the medium term in order to gradually position the State in the right path towards economic growth.

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

190. Despite paucity of funds to meet increasing public needs; the State Government shall sustain investment on social and welfare projects in order to ward off social unrest in the State in the face of the economic and reality effects of the post pandemic.

191. Therefore, government intends to continue to utilize alternative mechanisms for financing capital projects and considered social and welfare investments in partnership with the private sector.

**Improving the Quality of Spending**

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

193. 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.

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

195. 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**

196. 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.

197. Consistent with the Ogun State Fiscal Responsibility Law; Fiscal deficit will be maintained within the acceptable threshold with specific consideration of emerging socio-economic challenges to the State.

**Facilitating Output Growth, Economic Diversification and Job Creation**

198. It is difficult to promote job creation in an environment with massive infrastructure deficit coupled with unemployment created by the effect of the pandemic. The present administration will continue to benefit from ongoing and new Programmes supporting growth by the CBN targeted towards small and medium enterprises, manufacturing, airlines, and agriculture sectors.

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

200. The interventions in the critical sectors of the State's economy will be strengthened to enhance economic growth and reduce unemployment.

201. The State will key to the extended moratorium approved framework ("regulatory forbearance for the restructuring of credit facilities of other financial institutions impacted by Covid-19") by the CBN from financial shocks or distortions that might have arisen at the height of the pandemic and post pandemic period.

202. 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**

203. 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).

204. The present administration will continue to invest in Human Capital Development focused on acquisition of technical and vocational skills in specialized areas such as agriculture, manufacturing, and craftsmanship to boost economic growth.

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

206. 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 centres to disseminate and provide business support to entrepreneurs through apprenticeship and mentorship.

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

**Industrialization through Public Private Partnerships (PPP)**

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

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

210. 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.

211. 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 centres.
- 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 centres, commercial hubs, and rural/agricultural communities.
- Improve on the gains of the establishment of the Ogun State Investment Promotion and Facilitation Agency and Ogun State Enterprise Development Agency to bring investment needed support and capacity building to the Micro, Small, Medium Enterprises (MSMEs) which are the bedrock of any economy.
- Strengthen the PPP Office, capacity development of personnel to attract potential investors and sustain public - private sector partnership engagements.

212. 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.

213. 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.

214. Strategies to achieve food security in the medium term include:

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

**Social Investments: Health, Education and Social Welfare**

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

216. Furthermore, Government will:

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

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

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

d. Introduce post-university skills development institutions (PUSDIs).

e. Seek partnerships and strategic alliances with local and international bodies, such as the UNESCO, World Bank, DFI's, Bill and Melinda Gates Foundation etc.

f. Improve enrolment especially in primary and secondary schools.

g. Re-train, redeploy and recruit more teachers.

h. Strengthen the newly established e-learning/digital class across schools and introduce e-libraries and research centres.

i. Continue with the location of primary healthcare centres in each of the 235 wards, including the renovation of the existing primary health care facilities.

j. Expand and sustain the home-grown school feeding to enhance school enrolment and combat stunting.

k. Rehabilitate, equip, and adequately staff the General Hospitals and Olabisi Onabanjo Teaching Hospital (OOUTH) to serve as effective referral centres for lower tier healthcare delivery centres.

l. Designate a hospital as specialist centre in each of the three (3) Senatorial District.

m. Re- train and recruit more medical personnel.

n. Review and restructure the Health Insurance Scheme to facilitate accreditation and access to the Basic Healthcare Provision Fund (BHCPF) through enrolment of children, aged and vulnerable.

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

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

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

## 3.C Indicative Three-Year Fiscal Framework

**The indicative three-year fiscal framework for the period 2022-2024 is presented in the table 7.**

Table 7: Ogun State Medium Term Fiscal Framework

**Macro-Economic Framework**

| Item | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| National Inflation | 16.00% | 13.00% | 11.00% | 10.00% |
| National Real GDP Growth | 2.50% | 4.20% | 2.30% | 3.30% |
| State Inflation | 18.51% | 13.00% | 11.00% | 10.00% |
| State Real GDP Growth | 1.00% | 4.20% | 2.30% | 3.30% |
| State GDP Actual | 2,920,563,500,000 | 2,980,714,450,000 | 3,049,270,880,000 | 3,099,583,850,000 |
| Oil Production Benchmark (MBPD) | 1.7000 | 1.8800 | 2.2300 | 2.2200 |
| Oil Price Benchmark | $50.00 | $57.00 | $57.00 | $55.00 |
| NGN:USD Exchange Rate | 380 | 410.15 | 410.15 | 410.15 |
| **Other Assumptions** | | | | |
| Mineral Ratio | 27% | 31% | 31% | 31% |

**Fiscal Framework**

| Item | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Opening Balance** | 18,405,526,772 | 10,312,247,982 | 10,549,429,686 | 10,895,560,866 |
| | | | | |
| **Recurrent Revenue** | | | | |
| Statutory Allocation | 39,674,563,607 | 43,096,470,300 | 47,999,406,296 | 50,965,552,356 |
| VAT | 19,195,453,009 | 26,593,542,182 | 36,764,957,961 | 42,309,501,216 |
| IGR | 121,806,876,776 | 153,174,462,525 | 172,457,477,850 | 188,767,721,118 |
| Excess Crude / Other Revenue | 0 | 3,311,846,750 | 4,919,645,481 | 5,530,136,618 |
| **Total Recurrent Revenue** | **180,676,893,392** | **226,176,321,757** | **262,141,487,588** | **287,572,911,308** |
| | | | | |
| **Recurrent Expenditure** | | | | |
| Personnel Costs | 72,760,161,565 | 74,775,454,623 | 77,005,987,462 | 79,316,167,085 |
| Social Contribution and Social Benefit | 20,182,910,593 | 19,212,802,458 | 20,852,238,742 | 22,862,968,725 |
| Overheads | 54,933,731,419 | 50,995,729,945 | 49,708,247,805 | 54,220,754,626 |
| Grants, Contributions and Subsidies | 0 | 0 | 0 | 0 |
| Public Debt Service | 28,371,086,305 | 28,013,395,249 | 28,349,555,992 | 29,398,489,564 |
| **Total** | **176,247,889,881** | **172,997,382,275** | **175,916,030,000** | **185,798,380,000** |
| | | | | |
| **Transfer to Capital Account** | **22,834,530,282** | **63,491,187,464** | **96,774,887,274** | **112,670,092,173** |
| | | | | |
| **Capital Receipts** | | | | |
| Grants | 5,160,956,000 | 10,281,020,000 | 3,798,000,000 | 3,923,000,000 |
| Other Capital Receipts | 0 | 0 | 0 | 0 |
| **Total** | **5,160,956,000** | **10,281,020,000** | **3,798,000,000** | **3,923,000,000** |
| | | | | |
| **Capital Expenditure** | **162,363,053,141** | **177,737,767,464** | **194,109,552,974** | **213,829,249,613** |
| Discretional Funds | 123,396,297,141 | 142,757,514,464 | 176,981,677,974 | 194,115,469,614 |
| Non-Discretional Funds | 38,966,756,000 | 34,980,253,000 | 17,127,875,000 | 19,713,780,000 |
| | | | | |
| **Financing (Loans)** | 134,367,566,858 | 103,965,560,000 | 93,536,665,700 | 97,236,157,440 |
| | | | | |
| **Total Revenue (Including Opening Balance)** | **338,610,943,022** | **350,735,149,740** | **370,025,582,974** | **399,627,629,613** |
| **Total Expenditure (including Contingency Reserve)** | **338,610,943,022** | **350,735,149,740** | **370,025,582,974** | **399,627,629,613** |
| | | | | |
| **Closing Balance** | | | | |
| | | | | |
| **Ratios** | | | | |
| Growth in Recurrent Revenue | 78% | 25% | 16% | 10% |
| Growth in Recurrent Expenditure | 86% | -2% | 2% | 6% |
| Capital Expenditure Ratio | 48% | 51% | 52% | 54% |
| Deficit (Financing) to Total Expenditure | 40% | 30% | 25% | 24% |
| Deficit (Financing) to GDP Ratio | 5% | 3% | 3% | 3% |

### 3.C.1 Assumptions

i. **Opening Balance - This represents cash and cash equivalent as at the beginning of a fiscal year.**

ii. **Statutory Allocation –** The accrued revenue to the State from the Federal Government is expected to increase relatively at 19% over the medium term of 2022-2024 from a low point of N43B to N51B in year 2024. The State has been conservative over the years in respect of statutory returns to avoid any financial shock that may occur because of production loss and sudden fall in prices.

iii. **VAT –** The Federal Inland Revenue Services collects the tax on behalf of the Federal Government of Nigeria. Over the years the State has been ambitious in respect of expectations on VAT returns based on the VAT percentage of 2.3% of the State and the high commercial – economic activities in the State which is services delivery oriented. However, the State forecast a relative increase of 56% between the medium term 2022 -2024 (N27B -N42B).

iv. **Internally Generated Revenue (IGR) –** It comprises of PAYE, withholding taxes, direct assessment, and other forms of revenue collectables by the Ogun State Internal Revenue Services (OGIRS) and other generating Ministries, Departments and Agencies in the State. Despite experiencing absolute annual increase over the years in IGR, there still exist a lot of revenue generation potentials within the State. To this end, IGR to the State is expected to be N153B -2022, N172B - 2023 and N189B - 2024. The projection is hinged on the improved revenue generation capacity of the State through a realistic policy driven model guided by proper and realistic revenue strategy (i.e. Medium-Term Revenue Strategy – MTRS) enables collective working/interactions with MDAs to achieve a bottom-up approach to the prevailing gaps viz-a-viz revenue potentials, leakage blocking, technology development, monitoring and evaluation strengthening and capacity development. Most 0importantly, IGR projection factored inflationary and GDP growth rate of the State.

v. **Grants –** This represents an amount in cash or in kind received from either federal authority, Development Partners or NGOs for a beneficial/Special Intervention Projects/Programmes.

vi. **Miscellaneous Capital Receipts –** This represents the proceeds from Paris Club Refund and Capex on FG Road Refund in respect of Federal Roads constructed by the Ogun State Government. However, these are one-off transactions and are not expected to accrue to the state government in 2022-2024 fiscal years.

vii. **Financing (Net Loans) –** This is the amount expected to be sourced from both Internal and External sources to fund the finance gap in the budget. The Internal sources include financial institutions and stock marker while External sources consists of long-term Loans from World Bank, AFDB etc.

viii. **Personnel –** The projection considered 5.5% increase in personnel cost to cater for increment, outstanding promotion of three years and payment of outstanding allowances between 2022 -2024 from N73B – 2021 to N75B, N77B and N79B in the outer years of 2022 to 2024 respectively.

ix. **Social Contribution and Social Benefits –** This projected for outstanding payments on pension, gratuity, contributory pension and grants to local government based on existing agreement between the State Government and other stakeholders. Based on the peculiarity of the issue and social responsibility on the part of the Government, it is projected that a total sum **of N19B, N21B and N23B will be paid to defray and sustain government's commitment within the years 2022 -2024.**

x. **Overheads –** To sustain continuous operations of Government businesses and in view of the prevailing inflation and GDP growth rate coupled with annualised actual performance; the State Government is expected to spend **N51B, N50B and N54B between 2022 to 2024 respectively.**

xi. **Public Debt Service -** This includes the expenditure for the services of Internal and External Loans (i.e. interest and principal). It is the practice of Ogun State Government to capitalized Interest on Loans obtained for Developmental Projects in accordance with IPSAS 5 Accrual Accounting Standard. It is projected to be **N28B, N28B and N29B** within the years 2022-2024.

- Contingency and Planning Reserves – four percent has been allocated to serve as shock, buffer, and intervention funds to meet unforeseen circumstances and project execution over the medium term.

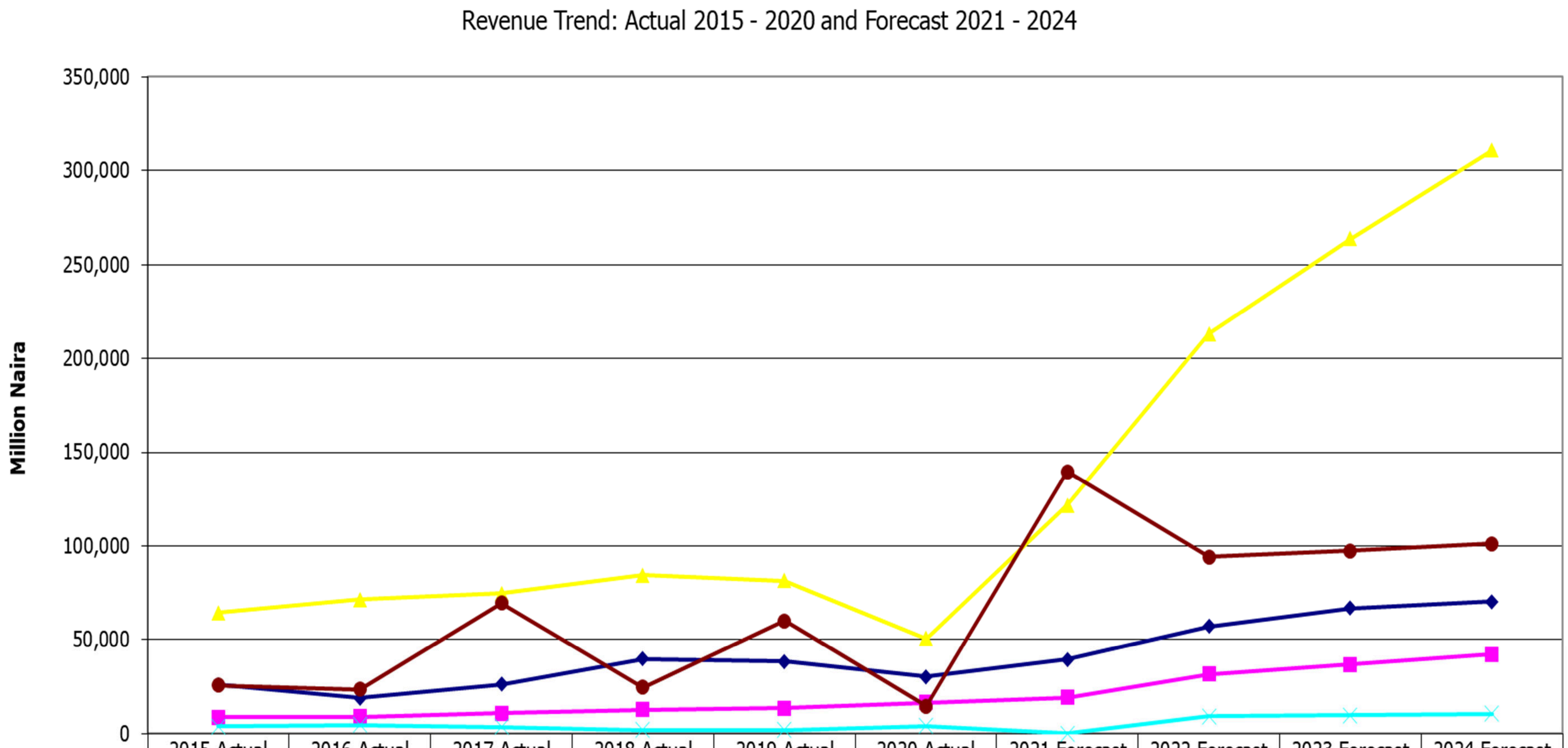
- Stabilization Fund - reviewed downward from 10% to 5 % of the State IGR as a result low global economic activity because of the pandemic.

- Capital Expenditure – To achieve the fiscal stimulus of spending target of increased capital expenditure investment within the 2022-2024 Medium Term Framework, the State Government intend to invest an average of N195B.

## 3.C.2 Fiscal Trends

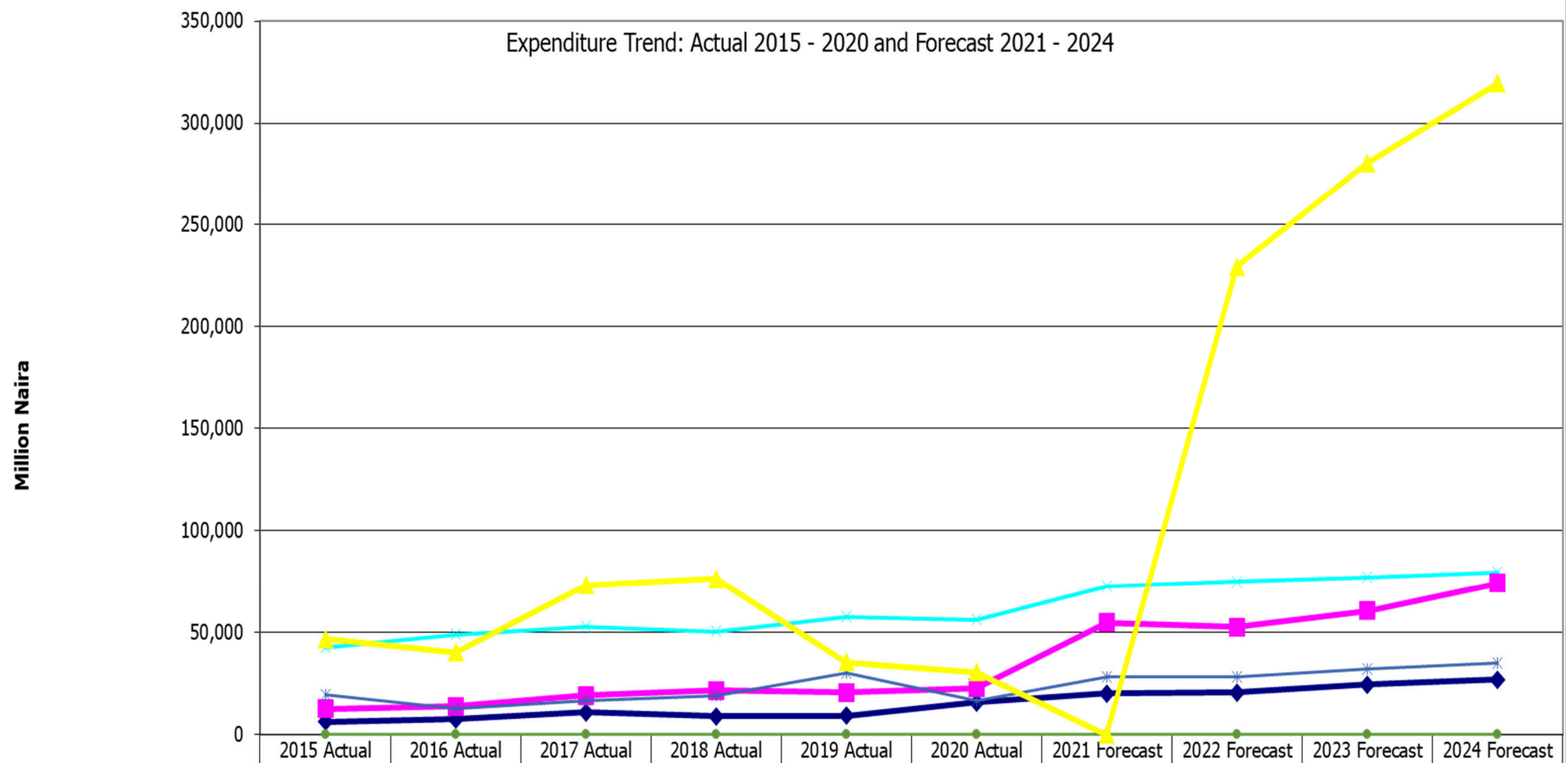
217. Based on the above envelope, plus actual figures for 2022-2024 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

Figure 16: Ogun State Revenue Trend




| | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Forecast | 2022 Forecast | 2023 Forecast | 2024 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Stat.Allocation | 26,149,407,27 | 18,938,822,90 | 26,342,685,37 | 39,937,169,26 | 38,488,458,51 | 30,473,026,27 | 39,674,563,60 | 57,096,470,30 | 66,999,406,29 | 70,465,552,35 |
| VAT | 8,680,220,497 | 8,876,553,049 | 10,891,870,46 | 12,776,510,58 | 13,700,584,44 | 16,517,951,37 | 19,195,453,00 | 31,593,542,18 | 36,764,957,96 | 42,309,501,21 |
| Total IGR | 64,336,991,78 | 71,581,698,58 | 74,835,979,00 | 84,554,199,59 | 81,420,131,10 | 50,561,119,45 | 121,806,876,7 | 213,322,591,8 | 263,887,880,9 | 310,746,846,5 |
| Other Federation Account Receipts | 3,834,639,288 | 4,802,127,963 | 3,571,772,759 | 1,838,012,640 | 2,042,074,588 | 4,104,080,190 | 0 | 9,311,846,750 | 9,919,645,481 | 10,530,136,61 |
| Capital Receipts | 25,717,564,17 | 23,536,782,61 | 69,531,052,33 | 24,688,990,07 | 60,118,055,84 | 14,616,868,24 | 139,528,522,8 | 94,246,842,50 | 97,334,670,70 | 101,159,154,9 |

Figure 17: Ogun State Expenditure Trend




| | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Actual | 2019 Actual | 2020 Actual | 2021 Forecast | 2022 Forecast | 2023 Forecast | 2024 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel Costs | 42,780,461,694 | 48,887,920,922 | 52,837,118,582 | 50,502,544,392 | 57,712,658,760 | 56,213,334,321 | 72,760,161,565 | 74,995,146,761 | 77,208,984,888 | 79,541,238,160 |
| Social Contribution and Social Benefit | 6,224,145,738 | 7,379,026,746 | 10,997,838,425 | 8,984,307,918 | 9,168,584,091 | 15,788,261,868 | 20,182,910,593 | 20,600,000,000 | 24,540,000,000 | 26,844,000,000 |
| Overheads | 12,697,673,978 | 13,791,647,574 | 19,140,854,824 | 21,604,770,883 | 20,499,118,433 | 22,800,150,780 | 54,933,731,419 | 52,531,070,782 | 60,673,386,753 | 74,142,411,385 |
| Grants, Contributions and Subsidies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Debt Service | 19,662,279,447 | 12,804,236,332 | 16,766,349,634 | 18,993,218,182 | 30,078,066,356 | 16,621,445,068 | 28,371,086,305 | 28,013,395,249 | 32,065,404,536 | 35,251,352,490 |
| Capital Expenditure | 46,872,293,777 | 40,209,246,420 | 73,213,197,542 | 76,430,169,256 | 35,418,281,381 | 30,486,450,490 | 0 | 229,431,680,765 | 280,418,785,238 | 319,432,189,605 |

## 3.D Fiscal Risks

218. 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.

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

220. The analysis and forecasting basis as laid out above implies some fiscal risks, including but not limited to the underlisted risk matrix, showing the various risk exposures, likelihood, impact and mitigating strategy for Ogun State.

Table 8: Fiscal Risks

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

| | | | | |
|---|---|---|---|---|
| | | | | hospitals State-wide. |
| D | Global Warming | MEDIUM | The State is part of the global economy exposed to the consequences of the ozone layer depletion. | Government's programs and advocacy in environmental sustainability which includes, greening, yearly tree planting campaign and encouragement for the use of renewable energy sources shall be put in place. |
| | **RISK MATRIX** | | | |
| | **RISK** | **LIKELIHOOD** | **IMPACT** | **MITIGATION STRATEGY** |
| **3** | **FINANCIAL/ ECONOMIC** | | | |
| **A** | Unforeseen Changes in Macroeconomic Indicators such as exchange rate, inflation rate and interest rate. | HIGH | The unforeseen changes in macro-economic variables predispose the State's economy to high volatility in revenue and expenditure. | The adoption of conservative assumption in determining the budget size and reduced expectation from statutory allocations have always mitigated economic shocks from major macro indicators. |
| **B** | Contingent Liability e.g., Default in liability obligation | LOW | The risk of default in making good the State obligation varies from legal risk, reputation, and loss of revenue | There is existence of professional MDA for management of debt obligation of the State |
| **C** | Fall in commodity prices e.g., crude oil and Gas. | HIGH | The major commodities determining the revenue size includes Oil and Gas. Any volatility in their prices has the potential of either downside or upside in revenue accumulation | The conservative projection for statutory allocation and robust IGR base has always reduced the effect of falling oil prices. |
| **D** | Counter-party failure | LOW | The government counter parties include contractors, suppliers, and financiers. Inability to meet up with agreed terms and conditions may occasion loss of funds, litigation, and reputation. | Implementation of budget profiling cash management in the State will mitigate the risk of payment default |
| **E** | Loss of revenue/Tax evasion | HIGH | Continuous evasion of taxes by potential taxpayers could result in reduction in IGR and negative impact on the overall budget performance. | The incidence of tax evasion is on the decrease. However, government is currently Implementing different programs to bring more people into its tax net and have a comprehensive database of taxpayers. |
| 4 | **SECURITY/ SOCIAL** | | | |
| **A** | Rural urban Migration/population | HIGH | Uncontrolled rural Urban Migration will ultimately lead into population explosion which would mount more pressure on the scarce resources of the State. | Government continues to institute structures and programmes capable of reducing rural urban drift. Some of these include provision of essential amenities in rural areas and supports in agriculture. However, Government may not be able to control the influx from other States of the Federation. |
| **B** | Insurgency spill over, e.g., Herdsmen Clashes ***Kidnappers and Robbers on the highway*** | HIGH | Continuous insurgency activities in the North East Nigeria poses a huge risk to all parts of the country and the citizenry. The insurgency has mounted additional pressure on the resources of governments at all levels. | The State Government is partnering with Nigerian Police 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, and the creation of Security Network tagged |

| | | | | |
|---|---|---|---|---|
| | | | | 'AMOTEKUN'.<br>Establishment of the Ogun State Security Trust Fund (OGSTF) – a private sector driven program to support the State Government on various security challenges in the State.<br>Also, the State Government recently launched Joint Security Intervention Squad (JSIS) handed over patrol vans and motorcycles to secure lives and properties in the State |
| **C** | Crime | MEDIUM | The closeness to Lagos State and gateway to the neighbouring country (Seme Border) predisposes it to crime and violence. This will continue to affect the attraction of investors and mount pressure on State's security machinery | Ditto |
| **D** | Religious Sentiments | LOW | Religious bigotry is becoming endemic in everyday affairs of the citizenry. The expression of this sentiment polarizes national issues and discourse which is capable of degenerating to security threat. This is potential additional strain on revenue of the State. | The tolerant nature of the State is a major mitigant and advocacy in area of religious tolerance is equally of benefit |

| 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 | HIGH | The risk posed by the global financial crisis and economic recession is extremely 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 Federal Government is expected to sustain the existing cordial relationship with foreign countries and as a result the State will continue to benefit from the proceeds of the Foreign bilateral relationship | The State Government continues to utilize its potentials, governance structure and diplomatic relationship to manage and woo more development partners despite the FGN |

221. It should be noted however that no budget is without risk. The implementation of the 2021 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

# 4 Budget Policy Statement

## 4.A Budget Policy Thrust

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

223. 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.

224. In preparing the Y2022 budget, and 2023 & 2024 budgets, State government will have to set the following budget policy.

- Whether deficit budget policy will be adopted with consideration on the fiscal sustainability to maintain the continued economic expansion viz a viz the pandemic effect on the State's economy.
- State government to improve managerial efficiency with the aim to reduce public spending.
- The government agencies will be urged to redeploy certain operations which have lower priorities or become redundant so as to economize operating expenses.
- The government will maintain at least the proportion of capital/recurrent expenditures at a 51: 49 to support and sustain economic expansion.
- The contents of the Ogun State Development Plan (OGSDP) 2018 – 2030 shall be sustained by the present administration, the document provides government with a clear and progressive foundation on which to develop the work of the State and policy framework to which the public finances will be aligned.

## 4.B Sector Allocations (3 Year)

225. Presented in the table below are the indicative three years envelopes for sectors and sub-sectors. Although, the State Government is expected to align the State Budgetary allocations of sectors with some International Benchmarks that forms best practices in governance such as the African Union (Abuja Declaration, 2017) wherein 15% was recommended for Health sector, 20% was recommended for Education by UNESCO while 10% was recommended for the Agricultural sector according African Union MAPUTO Declaration, in addition to the aforementioned, 58% resources allocation is recommended for Capital Investment to align with best practices that bring about growth in the State Economy.

226. However, the limited resources of the State had been a major challenge and most especially the COVID-19 Pandemic has constrained the state from maximizing full potentials, the State Government will continue to strive to achieve this within the medium term.

Table 9: Indicative Sector Expenditure Ceilings 2022 – 2024

| Personnel Expenditure by Sector | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. | Sector | 2021 Budget | 2021 Budget % | % 2022 | 2022 Allocation | % 2023 | 2023 Allocation | % 2024 | 2024 Allocation |
| 1 | EDUCATION | 36,456,506,594 | 50.11% | 48.86% | 36,534,156,904 | 48.87% | 37,630,181,611 | 48.87% | 38,759,087,059 |
| 2 | HEALTH | 10,781,243,707 | 14.82% | 14.40% | 10,764,426,942 | 14.40% | 11,087,359,751 | 14.40% | 11,419,980,543 |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 3,918,196,697 | 5.39% | 5.00% | 3,735,545,300 | 4.98% | 3,834,880,859 | 4.98% | 3,949,927,285 |
| 4 | AGRICULTURE & INDUSTRY | 3,249,239,503 | 4.47% | 4.68% | 3,500,634,182 | 4.68% | 3,605,653,207 | 4.68% | 3,713,822,804 |
| 5 | INFRASTRUCTURE | 1,081,135,421 | 1.49% | 1.45% | 1,081,447,758 | 1.45% | 1,113,891,190 | 1.45% | 1,147,307,926 |
| 6 | RECREATION, CULTURE & RELIGION | 2,183,730,858 | 3.00% | 2.90% | 2,171,505,449 | 2.90% | 2,236,650,612 | 2.90% | 2,303,750,130 |
| 7 | SOCIAL PROTECTION | 346,144,317 | 0.48% | 0.95% | 711,036,228 | 0.95% | 732,367,315 | 0.95% | 754,338,335 |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGAN) | 2,543,180,504 | 3.50% | 6.16% | 4,609,113,027 | 6.16% | 4,747,386,417 | 6.16% | 4,889,808,010 |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FISCAL AFFA | 2,731,242,049 | 3.75% | 2.86% | 2,139,168,675 | 2.86% | 2,203,343,735 | 2.86% | 2,269,444,047 |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSONNEL SER | 510,368,191 | 0.70% | 0.72% | 535,818,984 | 0.72% | 551,893,554 | 0.72% | 568,450,360 |
| 11 | PUBLIC ORDER & SAFETY | 700,270,788 | 0.96% | 0.89% | 668,551,548 | 0.89% | 688,608,094 | 0.89% | 709,266,337 |
| 12 | ECONOMIC AFFAIRS | 1,429,274,346 | 1.96% | 1.89% | 1,412,765,696 | 1.89% | 1,455,148,667 | 1.89% | 1,498,803,127 |
| 13 | JUDICIARY | 1,660,191,560 | 2.28% | 2.19% | 1,636,913,680 | 2.19% | 1,686,021,090 | 2.19% | 1,736,601,723 |
| 14 | LEGISLATURE | 560,899,897 | 0.77% | 1.56% | 1,166,835,582 | 1.56% | 1,201,840,649 | 1.56% | 1,237,895,869 |
| 15 | STATEWIDE | 4,608,537,132 | 6.33% | 5.49% | 4,107,534,670 | 5.49% | 4,230,760,710 | 5.49% | 4,357,683,531 |
| | Total | **72,760,161,565** | **100.00%** | **100.00%** | **74,775,454,623** | **100.00%** | **77,005,987,462** | **100.00%** | **79,316,167,085** |

| Overhead Expenditure by Sector | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. | Sector | 2021 Budget | 2021 Budget % | % 2022 | 2022 Allocation | % 2023 | 2023 Allocation | % 2024 | 2024 Allocation |
| 1 | EDUCATION | 5,934,454,952 | 8.04% | 8.84% | 6,981,871,374 | 9.05% | 7,065,653,831 | 8.76% | 7,327,083,022 |
| 2 | HEALTH | 3,021,619,914 | 4.10% | 4.88% | 3,858,318,998 | 5.00% | 3,904,618,826 | 4.84% | 4,049,089,723 |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 4,103,635,101 | 5.56% | 4.72% | 3,731,894,834 | 4.53% | 3,532,454,909 | 4.38% | 3,663,155,741 |
| 4 | AGRICULTURE & INDUSTRY | 2,762,271,723 | 3.74% | 2.16% | 1,703,387,795 | 2.21% | 1,723,828,449 | 2.14% | 1,787,610,102 |
| 5 | INFRASTRUCTURE | 438,891,302 | 0.59% | 1.51% | 1,196,014,640 | 1.55% | 1,210,366,816 | 1.50% | 1,255,150,388 |
| 6 | RECREATION, CULTURE & RELIGION | 1,512,755,141 | 2.05% | 2.25% | 1,781,388,307 | 2.31% | 1,802,764,967 | 2.24% | 1,869,467,271 |
| 7 | SOCIAL PROTECTION | 453,892,281 | 0.62% | 1.69% | 1,336,385,488 | 1.73% | 1,352,422,113 | 1.68% | 1,402,461,732 |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGA | 5,775,382,770 | 7.83% | 7.52% | 5,942,191,142 | 7.70% | 6,013,497,436 | 7.46% | 6,235,996,841 |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FIS | 18,172,725,526 | 24.63% | 16.02% | 12,658,527,488 | 16.41% | 12,810,429,818 | 15.89% | 13,284,415,721 |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSO | 189,137,417 | 0.26% | 0.36% | 281,145,013 | 0.36% | 284,518,753 | 0.35% | 295,045,947 |
| 11 | PUBLIC ORDER & SAFETY | 3,493,362,586 | 4.74% | 4.78% | 3,774,596,100 | 4.89% | 3,819,891,253 | 4.74% | 3,961,227,230 |
| 12 | ECONOMIC AFFAIRS | 1,307,942,742 | 1.77% | 0.76% | 602,479,365 | 0.78% | 609,709,117 | 0.76% | 632,268,354 |
| 13 | JUDICIARY | 966,374,555 | 1.31% | 1.22% | 965,394,918 | 1.25% | 976,979,657 | 1.21% | 1,013,127,904 |
| 14 | LEGISLATURE | 2,733,977,973 | 3.71% | 3.23% | 2,553,975,423 | 3.31% | 2,584,623,128 | 3.21% | 2,680,254,184 |
| 15 | STATEWIDE | 22,903,308,152 | 31.05% | 40.05% | 31,641,554,309 | 38.90% | 30,366,044,724 | 40.86% | 34,162,890,031 |
| | Total | **73,769,732,138** | **100.00%** | **100.00%** | **79,009,125,194** | **100.00%** | **78,057,803,797** | **100.00%** | **83,619,244,189** |

| Capital Expenditure by Sector | | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. | Sector | 2021 Budget | 2021 Budget % | % 2022 | 2022 Allocation | % 2023 | 2023 Allocation | % 2024 | 2024 Allocation |
| 1 | EDUCATION | 15,897,040,627 | 9.25% | 7.06% | 12,555,185,576 | 6.88% | 13,352,168,357 | 6.04% | 12,921,944,939 |
| 2 | HEALTH | 20,678,562,702 | 12.03% | 11.51% | 20,450,769,033 | 11.44% | 22,210,579,720 | 11.45% | 24,493,692,695 |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 23,655,633,139 | 13.76% | 11.85% | 21,066,709,347 | 11.16% | 21,652,982,540 | 10.27% | 21,950,503,032 |
| 4 | AGRICULTURE & INDUSTRY | 11,713,359,520 | 6.81% | 5.63% | 10,010,181,817 | 5.91% | 11,466,409,952 | 5.40% | 11,540,885,400 |
| 5 | INFRASTRUCTURE | 51,611,382,668 | 30.02% | 42.48% | 75,498,307,603 | 40.46% | 78,533,892,833 | 41.37% | 88,471,176,964 |
| 6 | RECREATION, CULTURE & RELIGION | 2,873,580,879 | 1.67% | 1.33% | 2,371,389,922 | 1.63% | 3,166,355,736 | 1.41% | 3,005,882,028 |
| 7 | SOCIAL PROTECTION | 281,442,187 | 0.16% | 0.73% | 1,297,564,169 | 2.71% | 5,257,604,543 | 2.66% | 5,688,961,434 |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGAN) | 4,095,018,693 | 2.38% | 1.68% | 2,993,081,325 | 2.16% | 4,194,808,199 | 2.50% | 5,350,487,688 |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FISCAL AI | 10,523,615,468 | 6.12% | 2.42% | 4,298,913,837 | 2.36% | 4,579,556,199 | 2.60% | 5,565,308,561 |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSONNEL SE | 229,071,139 | 0.13% | 0.12% | 221,493,216 | 0.21% | 406,159,876 | 0.20% | 423,815,797 |
| 11 | PUBLIC ORDER & SAFETY | 1,628,597,764 | 0.95% | 0.84% | 1,486,960,145 | 1.11% | 2,147,641,726 | 1.16% | 2,472,916,538 |
| 12 | ECONOMIC AFFAIRS | 2,092,237,309 | 1.22% | 1.08% | 1,925,473,458 | 0.88% | 1,710,849,239 | 0.78% | 1,674,064,969 |
| 13 | JUDICIARY | 346,442,819 | 0.20% | 0.29% | 518,949,495 | 0.38% | 746,331,381 | 0.43% | 911,460,900 |
| 14 | LEGISLATURE | 999,843,970 | 0.58% | 1.74% | 3,085,573,804 | 2.07% | 4,018,106,261 | 1.92% | 4,095,423,652 |
| 15 | STATEWIDE | 25,272,309,841 | 14.70% | 11.2% | 19,957,214,716 | 10.65% | 20,666,106,411 | 11.81% | 25,262,725,016 |
| | Total | **171,898,138,727** | **100.00%** | **100.00%** | **177,737,767,464** | **100.00%** | **194,109,552,974** | **100.00%** | **213,829,249,613** |

Table 10: Ogun State Global Sector Allocation

| No. | Sector | Year 2022 N' M | 2022 | Year 2023 N' M | 2023 | Year 2024 N' M | 2024 |
|---|---|---|---|---|---|---|---|
| 1 | EDUCATION | 56,071 | 16% | 58,048 | 16% | 59,008 | 15% |
| 2 | HEALTH | 35,074 | 10% | 37,203 | 10% | 39,963 | 10% |
| 3 | HOUSING & COMMUNITY DEVELOPMENT | 28,656 | 8% | 29,020 | 8% | 29,564 | 7% |
| 4 | AGRICULTURE & INDUSTRY | 15,214 | 4% | 16,796 | 5% | 17,042 | 4% |
| 5 | INFRASTRUCTURE | 77,776 | 22% | 80,858 | 22% | 90,874 | 23% |
| 6 | RECREATION, CULTURE & RELIGION | 6,324 | 2% | 7,206 | 2% | 7,179 | 2% |
| 7 | SOCIAL PROTECTION | 22,097 | 6% | 27,970 | 8% | 30,536 | 8% |
| 8 | GENERAL PUBLIC SERVICE (EXECUTIVE ORGAN) | 13,544 | 4% | 14,956 | 4% | 16,476 | 4% |
| 9 | GENERAL PUBLIC SERVICE (FINANCIAL & FISCAL AFFAIRS) | 19,097 | 5% | 19,593 | 5% | 21,119 | 5% |
| 10 | GENERAL PUBLIC SERVICE (GENERAL PERSONNEL SERVICES) | 1,038 | 0.3% | 1,243 | 0.3% | 1,287 | 0.3% |
| 11 | PUBLIC ORDER & SAFETY | 5,930 | 2% | 6,656 | 2% | 7,143 | 2% |
| 12 | ECONOMIC AFFAIRS | 3,941 | 1% | 3,776 | 1% | 3,805 | 1% |
| 13 | JUDICIARY | 3,251 | 1% | 3,539 | 1% | 3,791 | 1% |
| 14 | LEGISLATURE | 7,015 | 2% | 7,900 | 2% | 8,057 | 2% |
| 15 | STATEWIDE | 55,706 | 16% | 55,263 | 15% | 63,783 | 16% |
| | **TOTAL** | **350,735** | **100%** | **370,026** | **100%** | **399,628** | **100%** |

Table 11: Ogun State ISEYA Sector Classification

| No. | ISEYA CLASSIFICATION | Year 2022 N' M | 2022 | Year 2023 N' M | 2023 | Year 2024 N ' M | 2024 |
|---|---|---|---|---|---|---|---|
| 1 | INFRASTRUCTURE ( ICT, POWER, TRANSPORT, INDUSTRIALISATION) | 81,716 | 23% | 84,634 | 23% | 94,679 | 24% |
| 2 | SOCIAL WELFARE & WELL BEING (HEALTH, HOUSING, ENVIRONMENT, PHYSICAL PLANNING, SPECIAL NEEDS) | 85,827 | 24% | 94,193 | 26% | 100,062 | 25% |
| 3 | EDUCATION (EARLY CHILDHOOD, VOCATIONAL, TECHNICAL AND TERTIARY) | 56,071 | 16% | 58,048 | 16% | 59,008 | 15% |
| 4 | YOUTH EMPOWERMENT, RELIGION AND CULTURE (SPORTS, ENTREPREUNERSHIP, CREATIVE ARTS AND ENTERTAINMENT) | 6,324 | 2% | 7,206 | 2% | 7,179 | 2% |
| 5 | AGRICULTURE (FORESTRY, CROPS, PLANTATIONS, HUSBANDRY) | 15,214 | 4% | 16,796 | 5% | 17,042 | 4% |
| 6 | ENABLERS (GENERAL PUBLIC SERVICE, PUBLIC ORDER & SAFETY) | 105,582 | 30% | 109,149 | 29% | 121,657 | 30% |
| | **TOTAL** | **350,735** | **100%** | **370,026** | **100%** | **399,628** | **100%** |

The gradual ease of lock down came with slow and low economic activities globally and urgent need to re -strategize viz-a-viz limited resources in the face of emerging macroeconomic changes. Hence, the 2021 budget becomes the baseline for the 2022 -2024 medium term sectoral allocation.

227. Despite the above, the proposed allocations in this section will continue to be driven by the strategic allocation policy of the Government in view of the 2021 -2025 Medium Term National Development Plan, ongoing and uncompleted projects inherited from the past administration, projects that have revenue and employment generating capacity in line with the development drive of the present administration and social protection responsibilities being a fallout of the ravaging pandemic.

**Personnel Expenditure**

228. Personnel cost represents the wage bill of the State Government funded from the revenue accruable to the State. The budgeted value has been on the increase; ascribed to the review of Health workers salaries, recruitment of teachers and continuous recruitment of staff as well as pension obligations and payment of backlog on pension liabilities which were appropriately budgeted for.

229. The above decision was necessary in the spirit of continuity and sustaining social responsibility to the people of the State. Nevertheless, in the medium term ahead the state

allocated annual expenditure of N75B in year 2022, N77B and N79B in the outer years of 2023 and 2024 respectively.

230. However, the State Government will ensure that the personnel cost is within the Sustainability level.

### Overhead Expenditure

231. These are funds allocated for the daily activities of the government and funds for public debt charges. The present economic realities indicate that overhead cost should be reviewed downward to minimize wastages, yet Government operations cannot be sustained without attendant financial implications; funds have been allocated for the years 2022 – N79B, 2023 – N78B and 2024 – N84B to sustain government activities in the medium term.

232. The government will explore necessary avenues to trim down the cost of governance, a necessary line of action in an inflationary environment viz-a-viz revenue generation prospects of each MDA in the State.

### Capital Expenditure

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

234. It is imperative that the State's economy must key into emerging economic realities of the post pandemic era in order to avoid permanent loss of productive capacity as a result of the global lockdown; the Social Welfare and Well Being sector consisting of health, housing, environment, physical planning, and special needs is expected to have an average of N93b for the year 2022 to 2024 in the medium-term period. The Education Sector will continue to enjoy government investment of a total sum of N173b within the next 3 years, as indicated in the above table.

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

236. The Agriculture and Infrastructure Sectors will enjoy an average allocation of N103b within 2022 – 2024 Medium Term Framework (MTEF) an indication of the present administration's strong conviction that such investment will redistribute resources and create employment which are essential factors for economic growth and development in line with the 3Ps economic recovery vision of the present administration.

237. Appropriate State expenditure in Agriculture (the largest employment sector in Nigeria) through focus on three cash crops and livestock with highly competitive advantages (i.e.

cassava, rice, maize and poultry and fishery), the provisions of extension services, establishment of new and revamping of old farm settlements, Agric estates and model farms will boost output and productivity and create wealth and employment over time. Inter- and Intra- Functional Allocation & Sector Heads

238. 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.

239. 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.

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

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

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

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

## 4.C Considerations for the Annual Budget Process

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

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

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

247. 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 2022 to accelerate progress across the State:

(i) Good Governance

(ii) Enabling Business Environment

(iii) Security

(iv) ICT/Digital Transformation

(v) Transport Infrastructure

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

249. Moving forward in the medium term in allocating envelopes to different Sectors and MDA; 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.
- Seven (7) thematic areas contained in the Medium-Term National Development Plan 2021-2025, namely:
    i. Economic Growth and Development;
    ii. Infrastructure;
    iii. Public Administration (Governance, Security and International Relations);
    iv. Human Capital Development;
    v. Social Development;
    vi. Regional Development; &
    vii. Plan Implementation, Communication, Financing, Monitoring and Evaluation

250. The above will be actualized through the Medium-Term Sector Strategies (MTSS), a bottom-up resource allocation strategy that is expected 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.

251. The MTSS clearly entails a profiled budget which enunciates the various approved expenditures 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. **The detailed MTSS are attached as volume II of the MTEF**.

# 5 Summary of Key Points and Recommendations

We summarize below a list of the key points arising in this document:

**Development Priorities**

252. Conscious of the uncertain economic times globally, the present administrations' approach to public investment will be more prudent and conservative with specific attention to welfare and development priorities aimed at sustaining rapid, employment generating growth, while at the same time maintaining macroeconomic stability.
253. The State has been a beneficiary of the World Bank Group assistance to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to order to shield the State's finances against fiscal crisis. Essentially, the present administration will continue to partner and participate in the World Bank Programme; States Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results, in order to benefit from available financial grants following the attainment of various milestones in Budgeting Effectiveness, Financial Reporting, Citizen Engagement etc.
254. Government is determined to develop both physical and Human Capital, it recognizes that these will enhance investment and productivity in the State. The essential successful economic growth indicators 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.
255. The present administration shall continue to take necessary comparative and absolute advantages to drive the economic growth of the State in line with the Development Agenda; emphasis shall be placed on the social wellbeing of the citizenry, the completion of ongoing/uncompleted projects and ensure strategic allocation of resources on projects that have revenue generation and employment potentials within the State.
256. Huge investments will be witnessed in the Education and Health sectors and Agriculture sector to improve food security, self-sufficiency and sustainability, sustain the existing Public, Private Partnership Initiatives (PPP) framework, implement State-wide physical infrastructure master plan in the areas of road network mapping and validation, re- design and develop urban centers, develop new low and medium density housing projects and estates across the State among several others.
257. The achievements in these sectors will be consolidated and in the next medium term, Government will begin to explore the potentials in other sectors such as commercial hubs and rural/ Agric communities, Transportation, ICT, Tourism and Hospitality Industries.
258. 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**

259. 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).

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

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

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

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

264. Alternative funding sources will be accorded topmost priority to further deepen our revenue base and embrace the Fiscal Sustainability Plan (FSP) to achieve the vision, agenda, and strategic pillars as earlier enunciated. The FSP approach is geared towards managing public funds, ensuring maximization of the cost of governance. It is to reposition the State for stronger fiscal independence through the medium-term revenue strategy framework that guarantees that internally generated revenue (IGR) contributes more than half of the State's total recurrent revenue and is sufficient to fund our total recurrent expenditure, including personnel and overhead costs. Hence, as part of fiscal discipline, the year 2022 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.

265. 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.

266. In tandem with the aim of the Medium-Term National Development Plan 2021 – 2025 (MTNDP), it is apparent that the road map to self-sustenance as a State lies in our strong pursuit of developmental policies. Essentially, we should be able to attract quality private sector investments, focus on external funding to ensure economic diversification, inclusive growth, and sustainable development.

OGUN STATE

KNOWLEDGE ENTERPRISE DIGNITY

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NIGERIA