2021

Ogun State Debt Sustainability Analysis and Debt Management Strategy

(OGSG DSA-DMS)

Contents

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

The Ogun State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyze the trend and patterns in the State's public finances during the period of 2016-2020 while also evaluating the ability of the State to sustain its debt in the long term (2021-2030).

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

1.2 SUMMARY OF FINDINGS

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

The debt management strategy of the state was developed to ensure that the state maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance (both domestic and external). By the state projections revenue is expected to rise from N109.693 billion in 2020 to N388.374 billon in 2030. Expenditure is aslo anticipated to move from N129.288 to N563.211 in 2030. The resulting deficit is to be financed by a combination of domestic and external loans.

The debt stock position of the state as at year 2020 stood at **N192.679 billion** with the component being 80% while the external debt share is 20%. The debt stock is expected to rise from **N192,679 billion** in 2020 to **N1,534.826** in 2030. This increase is huge considering the fact that state is embarking on huge infrastructural development in the medium to long term. Projects that are expected to impact positively on growth in GDP are to be embarked upon.

The Debt to State GDP is projected to remain favorable all through 2021-2030. Even though there are concerns majorly about the debt stock as a share of revenue performance indicators, if the state aggressively pursues fiscal discipline as planned, the risk that comes with this indicator will be mitigated against.

The outlook of the Nigerian economy which is the basis of the assumptions for the DSA-DMS exercise is expected to improve marginally based on the following economic indicators. For 2021, the national GDP is expected to grow at 3%, oil price benchmark set at $40, oil production per day is expected to be 1.86mbpd while inflation is projected to remain stable at 11%, and exchange rate at N379/$1 and the global recovery on the Covid 19 pandemic, FAAC allocations are projected to increase in the present and future years

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

CHAPTER TWO

2.0 OGUN STATE FISCAL AND DEBT FRAMEWORK

2.1 FISCAL REFORMS IN THE LAST 4 TO 6 YEARS

The Fiscal Reforms being implemented by the Ogun State Government in the last four to six years include the Public Finance Management (PFM) and Human Resources Management (HRM) which are sub-divided into Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reform. These reforms led to the enactment of Laws that regulates implementation of Fiscal Policies in the State Fiscal Responsibility Law, 2020; This led to Ogun State upgrading of the Central Department of Statistics to Bureau of Statistics and appointment of the first Statistician-General in the State, reinforcement of State Debt Management Office and Central Department of Monitoring and Evaluation, establishment of the State Public Private Partnership Office as an MDA with the appointment of a Director General, establishment of Bureau of Public Procurement in the State and the enactment of the State Public Procurement (Amendment) Law, 2020 with the appointment of the first Director-General and the Newly launched Ogun State Land Administration and Revenue Management System (OLARMS). The Fiscal Responsibility Law for instance, provides for the creation of the implementation organ, medium term fiscal framework, how public expenditure should be carried out, borrowing process, transparency and accountability in governance and principles of sound financial management.

2.2 Ogun State Approved 2021 Budget and Medium-Term Expenditure Framework (MTEF), 2021-2023

2.2.1 Approved 2021 Budget

The 2021 Budget was prepared amidst a challenging global and domestic environment due to the persistent headwinds from the Coronavirus Pandemic. The resulting global economic recession, low oil prices and heightened global economic uncertainty have had important implications for our economy.

Based on the foregoing fiscal assumptions and parameters, the Ogun State total revenue available to fund the 2021 Budget is estimated at **N338.611 billion**. This includes Internally Generated Revenue of **N121.807 billion**, Statutory Allocation of **N39.676 billion**, Value Added Tax of **N19.196billion**, Other Statutory Revenue, Domestic and Foreign Grants of **N5.160 billion**, Opening Balance of **N18.406 billion**, Domestic Loans of **N95.710 billion**, Foreign Loans of **N38.658 billion**, and Sale of Government Assets, respectively.

An aggregate expenditure of **N338.611 billion** is proposed by the Ogun State Government in 2021. The 2021 proposed Expenditure comprises, Debt Repayment (Interest and Principal) of Statutory Transfers, Recurrent Expenditure and Capital Expenditure.

2.2.2 Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2021-2023 is presented in the table below.

Ogun State Medium Term Fiscal Framework

Particulars	Proposal 2022	Proposal 2023	Proposal 2024
MDAS	**N' M**	**N' M**	**N' M**
Internally Generated Revenue (OGIRS)	56,304	66,582	68,540
Internally Generated Revenue (MDAs)	96,870	105,875	120,228
Sub-Total (IGR)	**153,174**	**172,457**	**188,768**
EXTERNAL LOANS	28,637	13,330	15,791
INTERNAL LOANS	75,329	80,207	81,445
SUB-TOTAL LOANS	**103,966**	**93,537**	**97,236**
TOTAL GRANTS	10,312	3,798	3,923
TOTAL CAPITAL RECEIPTS	**114,278**	**97,335**	**101,159**
STATUTORY ALLOCATION	43,096	47,999	50,966
EXCESS CRUDE, EXCHANGE GAIN ETC	3,312	4,920	5,530
VAT	26,594	36,765	42,310
TOTAL FAAC	**73,002**	**89,684**	**98,805**
OPENING BALANCE	10,312	10,549	10,896
GRAND TOTAL	**350,766**	**370,025**	**399,628**

Ogun State Expenditure Projections (2022 – 2024)

PARTICULARS	**PROPOSAL 2022**	**PROPOSAL 2023**	**PROPOSAL 2024**
Expenditure	**N' M**	**N' M**	**N' M**
Personnel Cost	74,775	77,006	79,316
Overhead Cost	50,996	49,708	54,221
Consolidated Revenue Cost	19,213	20,852	22,863
Public Debts Charges	28,013	28,350	29,398
Total Recurrent Expenditure	**172,997**	**175,916**	**185,798**
Capital Expenditure	170,079	185,487	204,391
Stabilization Fund	7,659	8,623	9,438
Total Capital Expenditure	**177,738**	**194,110**	**213,829**
Total Expenditure	**350,735**	**370,026**	**399,628**

2.2.2 The Key Objectives of Approved 2021 Budget

i. Gradual ease of the global lockdown measures, flattening the pandemic curve coupled with the gradual increase in economic activities and the herald of the new financial system in the public service that ensures adherence and financial discipline.

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

iii. Creating a framework in which public funds are allocated optimally and cost-effectively to meet Government's policy aims, thus ensuring improvement of key performance indicators in Ogun State.

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

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

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

2.2.3 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are;

1. The State Budget will rely more on and will be financed by the internally generated revenue from OGIRS and other MDAs (MTRS) due to the drastic dwindling transfers from the Federal Account Allocation Committee (FAAC):

i. 16% relative reduction of year 2022 expected proceeds from VAT in view of the ongoing legal tussle between the FGN and the State Government as well as slow economic activity recovery in the non-oil sectors, while the outer years projection is sustained based on expected amicable settlement of present VAT collection and remuneration issues, improved economic activities to be at its optimal in the outer years of the medium Term.

ii. 27% relative average reduction projected proceeds from statutory allocation in the medium term in view of the recently enacted Petroleum Industrial Act (PIA),

iii. 54% average reduction projected proceeds from excess crude oil /exchange gain to States of the Federation as a result of reduction of Nigeria's production quota by OPEC that will affect revenue proceeds.

2. Explore every opportunity in terms of supports, donations, grants and interventions while also engaging the Federal Government on matters affecting monetary and fiscal authorities.

3. Expand revenue base by exploring new opportunities in the informal sector through accurate data gathering and necessary enforcement while blocking leakages.

4. Other Financing Requirements e.g. bonds, loans and other capital receipts.

5. The Government shall imbibe a more stringent fiscal discipline regime in order to manage the socio-economic reality till complete recovery from COVID-19 pandemic is achieved.

6. We will continue to sustain payment of salaries, pensions and gratuities within the limited resources.

7. Continuous review of overhead expenses but at reasonable percentages against revenue generation prospects of each MDA in the State.

8. Ensure the nominal roll of the Public Service and payment of monthly pensions is accurate (e.g. removal of duplication of salaries through BVNs from the State payroll).

9. The present Administration will endeavor to sustain its agenda and contract with the people of Ogun State despite the obvious challenges.

10. Will give utmost priority to capital expenditure investments at an average of 52% to 48% on capital/recurrent expenditure within the medium-term framework.

11. In view of economic growth and expansion, an average of 60% allocated to identified sectors over the medium-term framework (i.e. Education, Health, Housing and Community DeOvelopment, Agriculture and Industry and Infrastructure).

12. The Five (5) Strategic Pillars (ISEYA) has allocation of 70% while 30% has been allocated to the enablers expected to provide policies and stabilize the economic growth and development in the medium-term framework.

13. Revenue generation projects will be considered in respect of investment in capital projects.

CHAPTER THREE

3.0 REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2016-2020

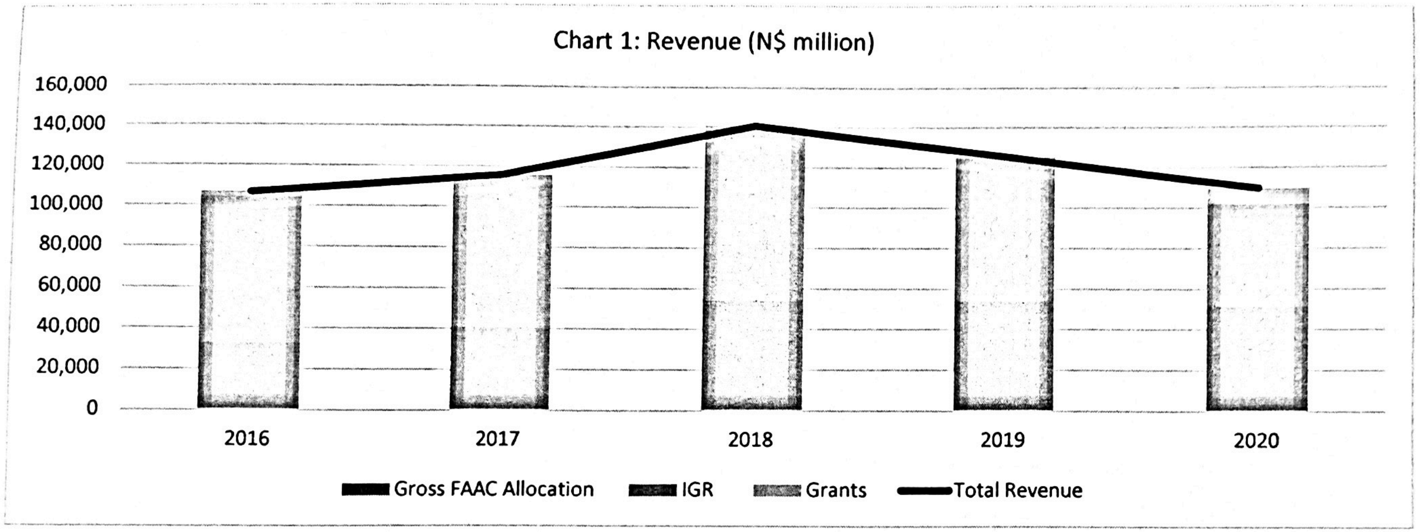
3.1 Revenue

The Ogun State's total revenue increased from N106,585 in 2016 to N115,852 in 2017 by 8.7%, also increased from N115,852 in 2017 to N140,845 in 2018 by 21% but declined in 2019 to N125,690 from N140,845 in 2018 by 10.76% and also to N109,693 in 2020 from N125,690 in 2019 by 12.73% due to drop in Gross FAAC Allocation and IGR between 2019 and 2020.

The Gross FAAC Allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others increased from N32,618 in 2016 to N40,806 in 2017 by 25.1%, also increased from N40,806 in 2017 to N54,119 in 2018 by 32.63% but declined in 2019 to N53,781 from N54,119 in 2018 by 0.63% and also to N51,528 in 2020 from N53,781 in 2019 by 4.19% due to lower crude oil receipts in 2019 and 2020. The decline is largely attributable to COVID -19 Pandemic in 2020.

Ogun State's Internally Generated Revenue (IGR) showed a growth during the period under review, the IGR increased from N71,553 in 2016 to N74,836 in 2017 by 4.6%, also increased from N74,836 in 2017 to N84,554 in 2018 by 12.99% but declined in 2019 to N71,002 from N84,554 in 2018 by 16.03% and also to N50,697 in 2020 from N71,002 in 2019 by 28.60% due to drop in 2019 and 2020. The decline is largely attributable to COVID -19 Pandemic in 2020.

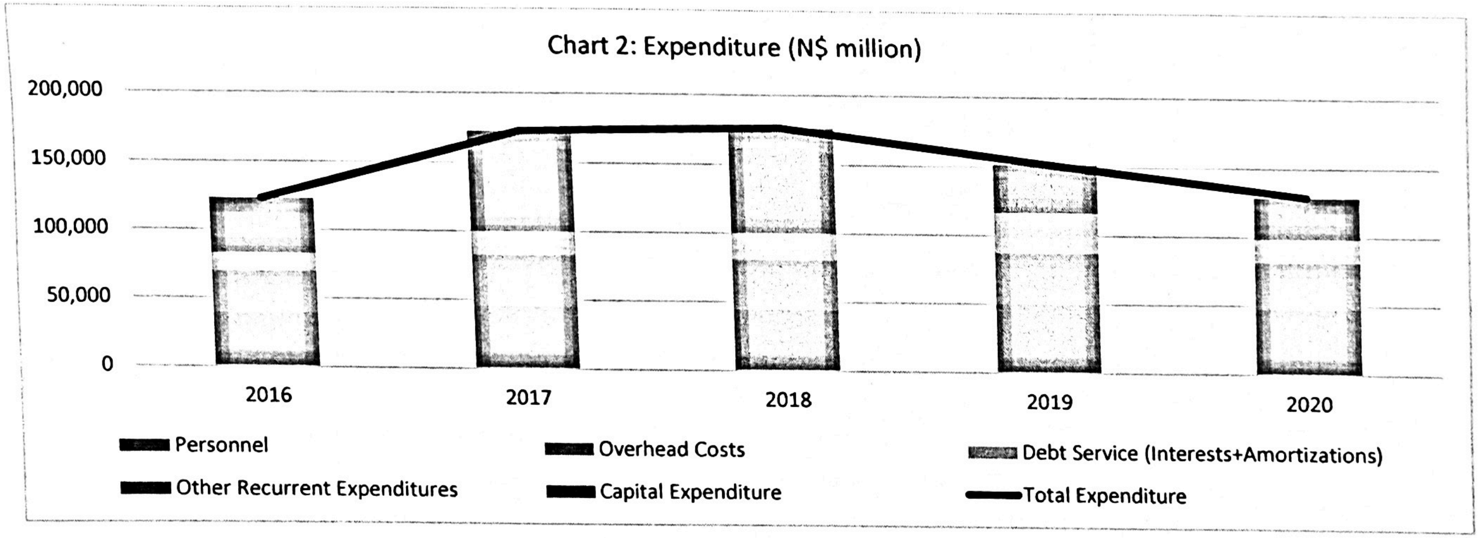
Details	**2016**	**2017**	**2018**	**2019**	**2020**
	N'000,000	**N'000,000**	**N'000,000**	**N'000,000**	**N'000,000**
Total Revenue	106,585	115,852	140,845	125,690	109,693
Gross FAAC Allocation	32,618	40,806	54,119	53,781	51,528
IGR	71,553	74,836	84,554	71,002	50,697
Grants	2,414	210	2,172	907	7,468



3.2 Expenditure Performance

The State's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2020 Ogun State total expenditure amounted N129.288 billion compared to N122.997 billion as at end-December 2016, which represent a growth of N6.291 billion or 5.11 percent. The personnel cost stood at N39.568 billion in 2016, N45.806 billion in 2017, N44.915 billion in 2018, N50.415 billion in 2019, and N48.220 billion in 2020, respectively. The overhead cost stood at N33.960 billion in 2020 compared to N36.965 billion in 2019. Capital expenditure amounted to N30.487 billion in 2020, N35.418 billion in 2019, N76.430 billion in 2018, N73.213 billion in 2017, and N40.189 billion in 2016, respectively. The Total debt service that comprises the interest payment and principal repayment stood at N16.621 billion as at end-December 2020 compared to N12.804 billion as at end-December 2016.

Details	2016	2017	2018	2019	2020
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Total Expenditure	122,997	172,956	176,515	152,090	129,288
Personnel	39,568	45,806	44,915	50,415	48,220
Overhead Costs	30,437	37,170	36,177	36,965	33,960
Debt Service (Interests + Amortizations)	12,804	16,766	18,993	29,291	16,621
Other Recurrent Expenditures	0	0	0	0	0
Capital Expenditure	40,189	73,213	76,430	35,418	30,487



3.3 STATE DEBT PORTFOLIO, 2016 - 2020

Ogun State's Debt stock amounted to N192.679 billion as at end-December 2020 compared to N174.695 billion as at end-December 2019, representing an increase of N17.984 billion or 10.29 percent. The increase in the Total Debt stock was reflected in both Domestic and External Debt components. The external debt stock increased from N32.799 billion in 2019 to N39.189 billion in 2020, while the domestic debt stock significantly increased to N153.491 billion in 2020 from N141.896 billion in 2019.

PUBLIC DEBT PORTFOLIO

Details	2016	2017	2018	2019	2020
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Outstanding Debt (Old + New)	105,727	137,897	129,872	174,695	192,679
External	26,185	32,857	31,649	32,799	39,189
Domestic	79,542	105,040	98,223	141,896	153,491

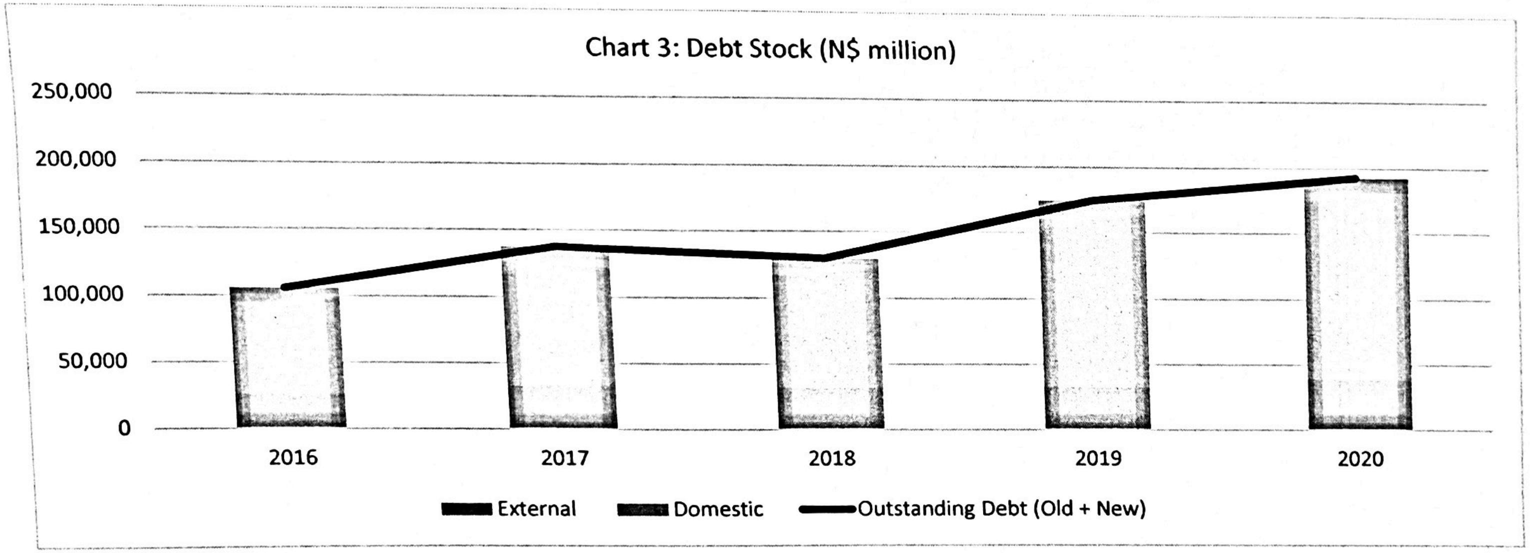


Chart 3: shows a sharp increase in the Debt Stock from N105.727 billion in 2016 to N192.679 billion in 2020, due to receipt of the Excess Crude Account Backed Loan and Budget Support. Other loans like the Commercial Agriculture Credit Scheme (CACS) and infrastructure loans along with the Salary arrears which the State owed increased the Debt Stock from 2018 to 2020.

Ogun State Debt Portfolio as at the end of 2020 consists of external debt N39.189 billion or 20.33 percent and Domestic debt was amounted to N153.491 billion or 79.67 percent, respectively.

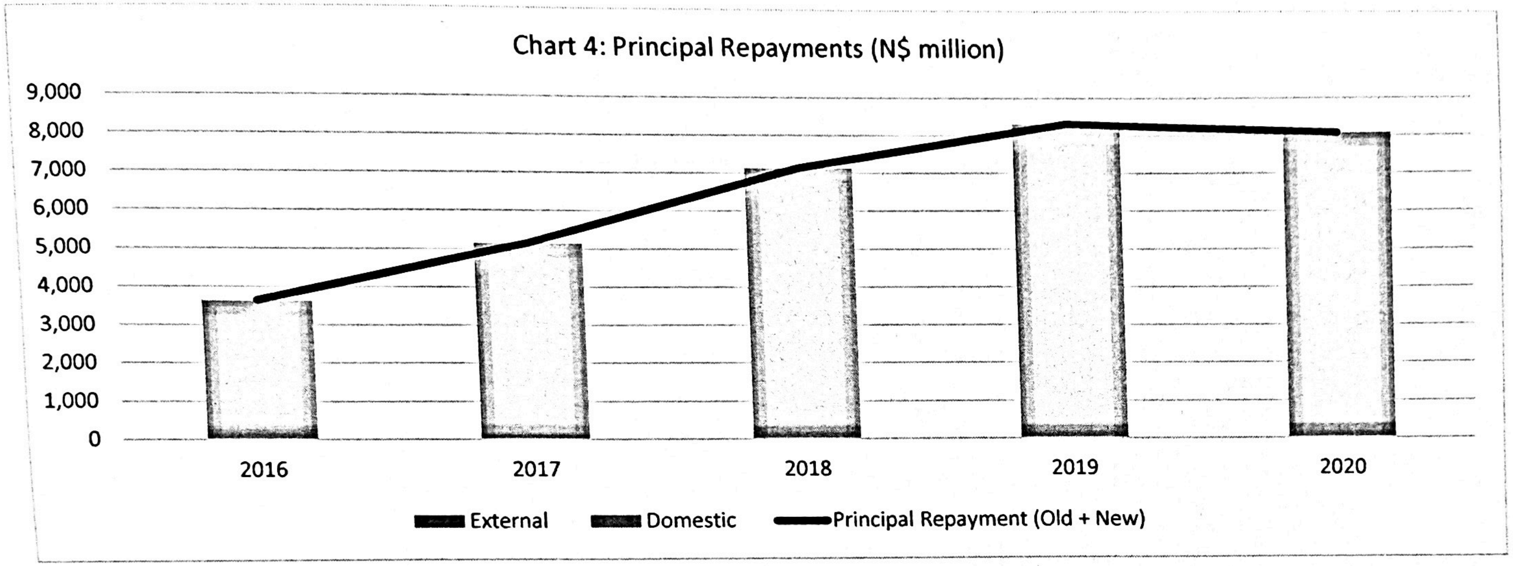
Ogun State holds a medium cost and medium risk debt portfolio. The debt portfolio has an average domestic interest rate of 10.3 percent and average external interest of 2.0 percent in 2020. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risks. Exposures to currency fluctuations is limited because the foreign currency–denominated loans are only 20.33 percent of total debt stock in 2020. Most all the loans in Ogun State are fixed-rate obligations, thus not affected by changes in interest rates. A large portion of these loans have maturities ranging from 10 to 35 years and include financing from the Federal Government and Multilateral organizations. Therefore, rollover/refinancing risk associated with potential deterioration of domestic financial conditions is reasonably negligible.

Ogun State Debt Service amounted to N11.484 billion, N15.094billion, N16.962 billion, N18.141 billion and N16.523 billion for 2016, 2017, 2018, 2019, and 2020 respectively. The principal repayment stood at N8.077 billion in 2020 compared to N8.314 billion in 2019.

While Interest Payment amounted to N8.446 billion in 2020 compared to N9.828 billion in 2019. The principal repayments and Interest Payment made were on both External Debt and Domestic Debt

(see Chart 4 and 5).

Details	**2016**	**2017**	**2018**	**2019**	**2020**
	N'000,000	**N'000,000**	**N'000,000**	**N'000,000**	**N'000,000**
Principal Repayment (Old + New)	3,647	5,161	7,145	8,314	8,077
External	273	114	327	337	379
Domestic	3,374	5,047	6,818	7,977	7,698



Details	2016	2017	2018	2019	2020
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Interest Payment (Old + New)	7,837	9,933	9,817	9,828	8,446
External	108	94	133	104	152
Domestic	7,728	9,839	9,684	9,723	8,295

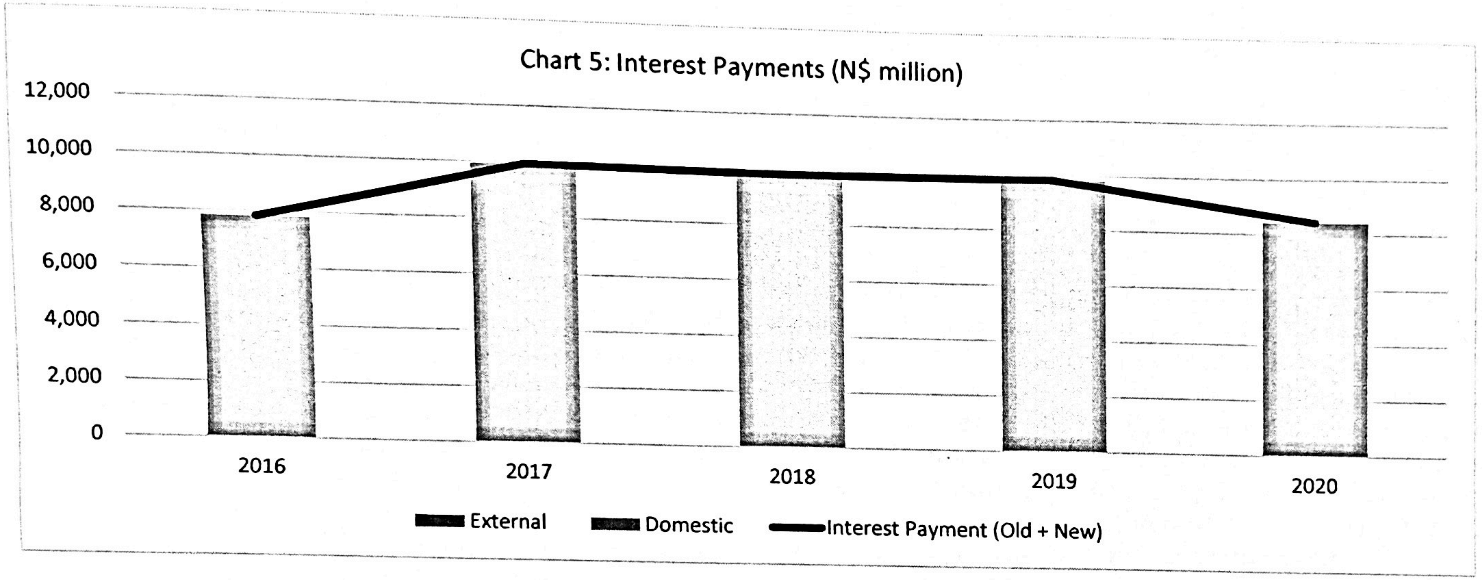


Chart 5: Interest Payments (N$ million)
12,000
10,000
8,000
6,000
4,000
2,000
0
2016
2017
2018
2019
2020
External
Domestic
Interest Payment (Old + New)

CHAPTER FOUR

4.0. DEBT SUSTAINABILITY ANALYSIS

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

OGUN STATE DEBT SUSTAINABILITY ANALYSIS

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

The sustainability position of the State's Total debt portfolio in the fiscal block shows a gradual ascending trend from 2016 to 2024 in chart 21 but there was a decline after 2024. The ratio was 12/25 in 2025 and increased to 14/25 in 2030. The total debt portfolio to SGDP is within the threshold from 2016 to 2030 insinuating room for additional further borrowing under the right circumstances.

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

Chart 22 shows the Debt as a percentage of revenue. The percentage is below the threshold up till 2021 but the outer years of 2022 -2030 are projections and the Government is coming up with various reforms, in its revenue drive.

Personnel Costs as percentage of Revenue is below the threshold to the end of projection period.

Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 29 percent in 2021 to 135 percent in 2030.

Interest Payment as a percentage of Revenue revealed that the maximum exposure of the State Interest towards revenue was 23 in 2027 and 2028 with over-all positive outlook.

Looking at the External Debt Service as a percentage of Revenue, the maximum exposure of the State Revenue towards External Debt shows that the External debt of the State was properly managed, standing at 11 percent in year 2030.

4.1. MEDIUM-TERM BUDGET FORECAST

Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by average of 16 percent in the medium term. The economy is expected to gradually recover from 2021-2024, with real GDP expanding at an average annual rate of 4.2 percent and domestic inflation decreasing below 13 percent by 2022. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The Tax Administration reforms adopted by the State Government will also strengthen resources provided by IGR, as well as numerous industries that are being attracted to the State through industrialization drive, which are expected to continue in the next few years. This will benefit the economy immensely.

Ogun State Debt burden indicators as at end-2020

INDICATORS	THRESHOLDS	RATIO
Debt/SGDP	25%	7%
Debt/Revenue	200%	176%
Debt Service/Revenue	40%	15%
Personnel Cost/Revenue	60%	44%
Debt Service/FAAC Allocation	-	32%
Interest Payment/Revenue	-	8%
External Debt Service/Revenue	-	0.48%

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

4.2. BORROWING OPTIONS

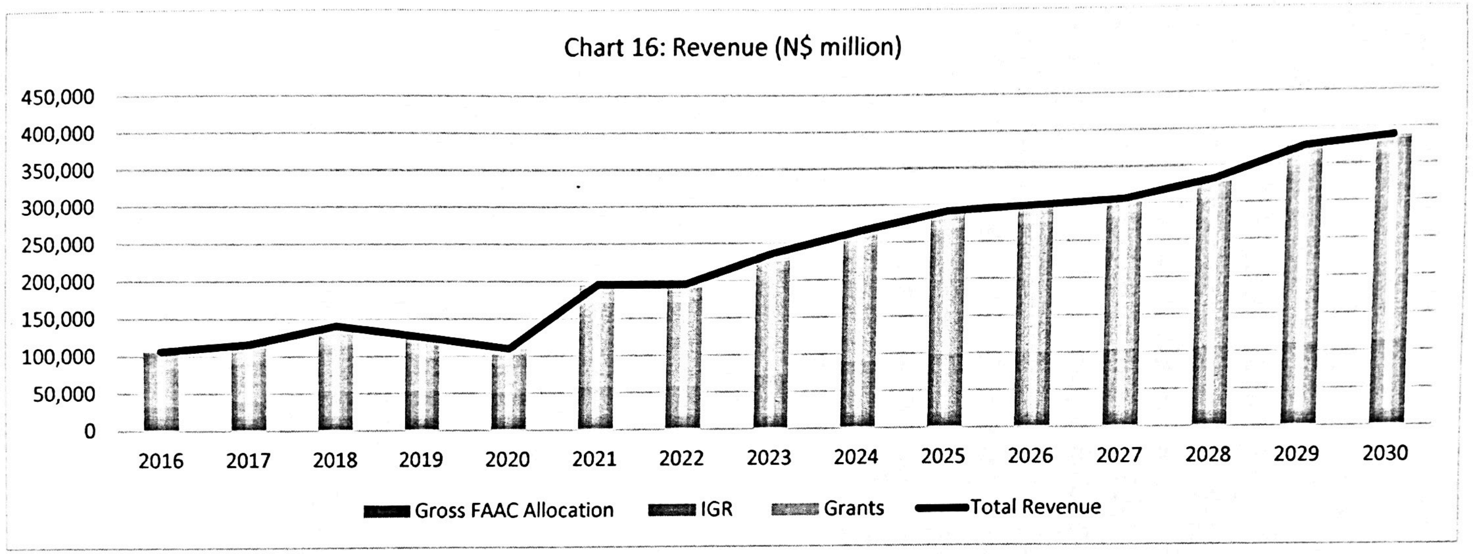
Ogun state government intends to finance its new borrowing from 2021 to 2030 mainly through Commercial Bank Loans (maturity 6 year above) estimated at 9.0 percent, State, State Bonds (maturity 6 years above) at 13.5 percent over projection period, compared with External financing – Concessional financing which was estimated at 2,0 percent. For external financing was due to the limited funding envelopes from the external borrowing with long processing time required loans from Multilateral and Bilateral.

4.3. DSA SIMULATION RESULTS

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the Revenue-to-GDP ratio to 9%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

Ogun State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N109.693 billion in 2020 to N388.374 billion in 2030, representing an increase of N278.681billion or 254.06 percent over the projection period. Gross FAAC Allocation projected to grow from 51.528 billion in 2020 to 113.214 billion in 2030, which expected to increase by N61.686 billion or 119.71 percent and Grants reduced from N7.468 billion in 2020 to N4.496 billion in 2030. The projections were sources from the Ogun Stat Audited Financial Statement, Approved 2021 Budget; MTEF, 2022-2024; 2025-2030 projections as estimated by the Ministry of Budget and Economic Planning official.

The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to grow by N219.967 billion or 433.88 percent (from 50.697 billion in 2020 to N270.664 billion in 2030), over the projection period of the Approved 2021 Budget; MTEF, 2022-2024; 2025-2030 projections as estimated by the Ministry of Budget and Economic Planning and official

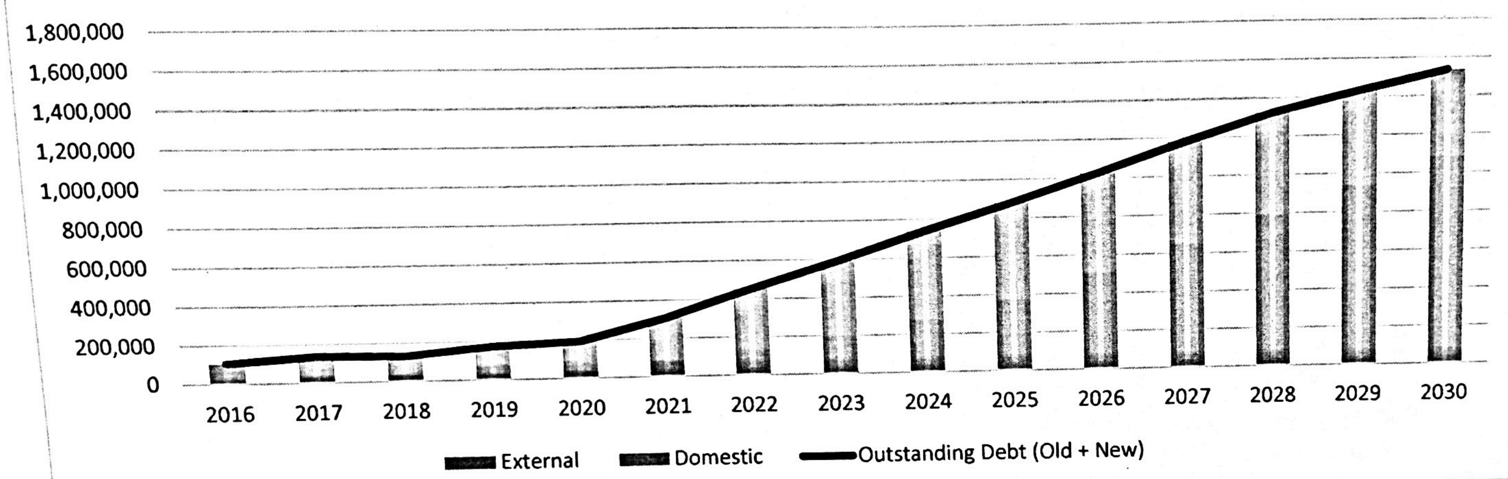


Total expenditure projected at N327.104 billion in 2021, N362.131 billion in 2022, N396.475 billion in 2023, N439.092 billion in 2024, N462.596 billion in 2025, N477.288 billion in 2026, N503.998 billion in 2027, N528.057 billion in 2028, N553.066 billion in 2029 and 563.211 billion in 2030, respectively, indicating stability in the state growth recovery.

The Recurrent Expenditure (i.e. Personnel Costs, Overhead Costs, Debt Service and Other Recurrent Expenditures) estimated to increase from N164.741 billion in 2021 to N184.393 billion in 2022, N202.365 billion in 2023, NN225.263 billion in 2024, N245. 559 billion in 2025, N256,779 in 2026, N279.740 billion in 2027, N299,763 billion in 2028, N320.434 billion in 2029 and N325.927 billion in 2030.

Capital Expenditure estimated to increase over the projection period from N162.363 billion in 2021, N177.738 billion in 2022, N194.110 billion in 2023, N213.829 billion in 2024, N217.036 billion in 2025, N220.509 billion in 2026, N224.258 billion in 2027, N228.294 billion in 2028, N232.632 billion in 2029 and N237.285 billion in 2030 respectively, over the projection period as provided in the Ogun State Audited Financial Statement, Approved 2021 Budget; MTEF, 2022-2024; 2025-2030 projections as estimated by the Ministry of Budget and Economic Planning

Chart 18: Debt Stock (N$ million)



OGUN STATE MAIN FINDING

The Baseline Scenario results shows that the ratio of Debt as % of GDP is projected at 10 percent in 2021, 19 percent in 2023, 13 percent in 2026, 14 percent in 2028 and 14 percent in 2030, respectively, as against the indicative threshold of 25 percent.

The ratio of Debt as percentage of Revenue estimated at 156 percent in 2021, 250 percent in 2023, 302 percent in 2025, 398 percent in 2028 and 395 percent in 2030, respectively, the ratio of Debt as % of Revenue is below the threshold in 2021.

Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain under the threshold over the projection period from 2021 to 2030, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

Chart 6: Debt Stock as a share of SGDP

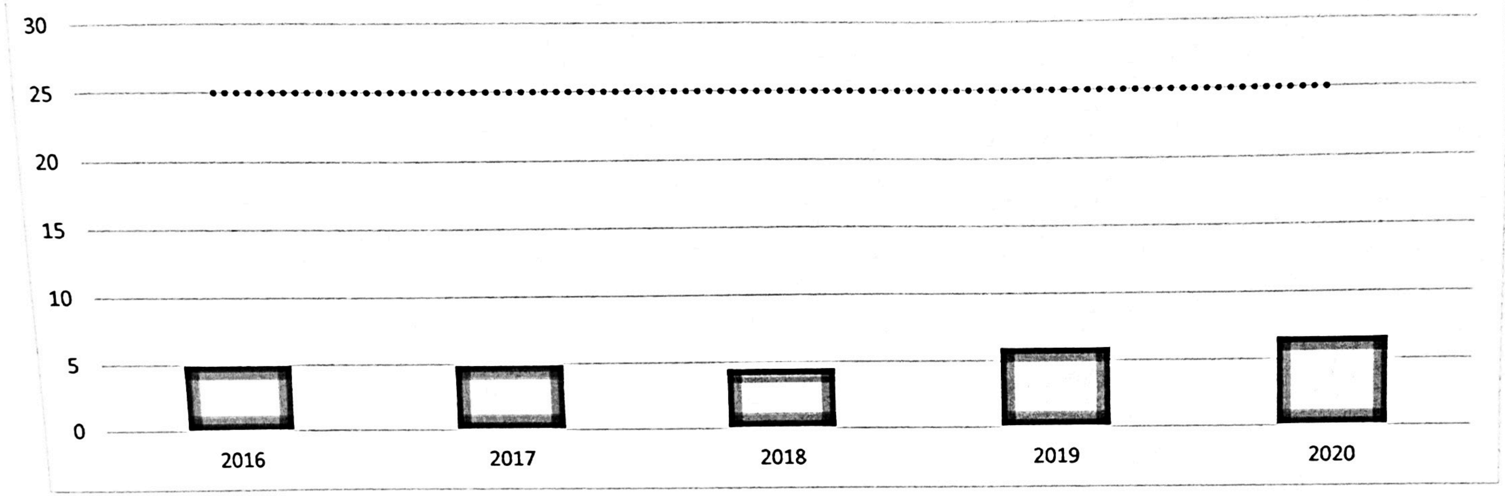


Chart 7: Debt Stock as a share of Revenue

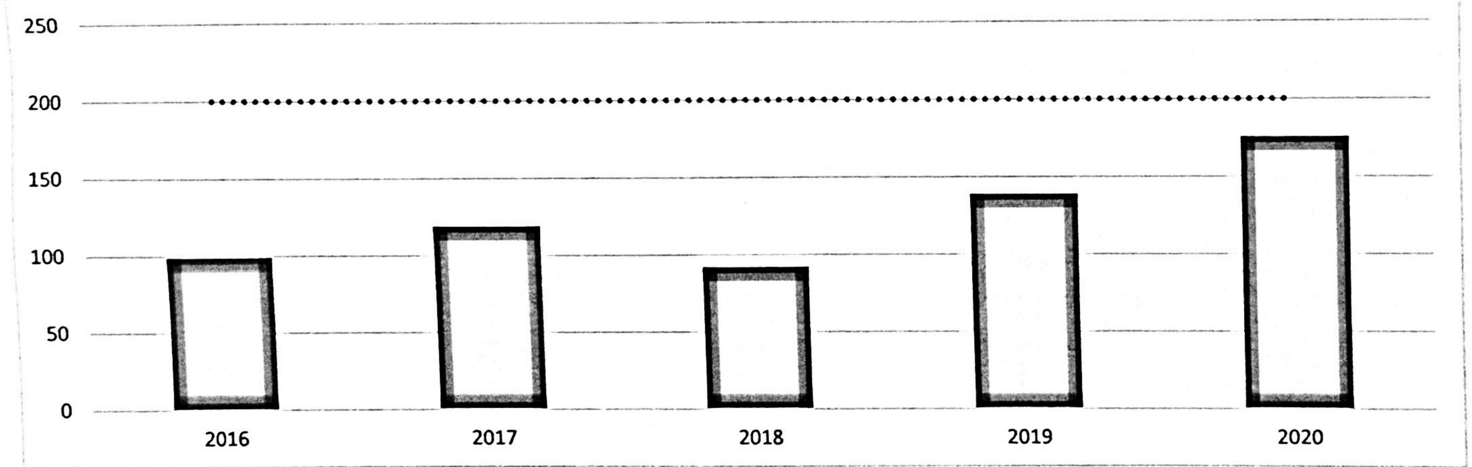


Chart 9: Personnel Cost as a share of Revenue

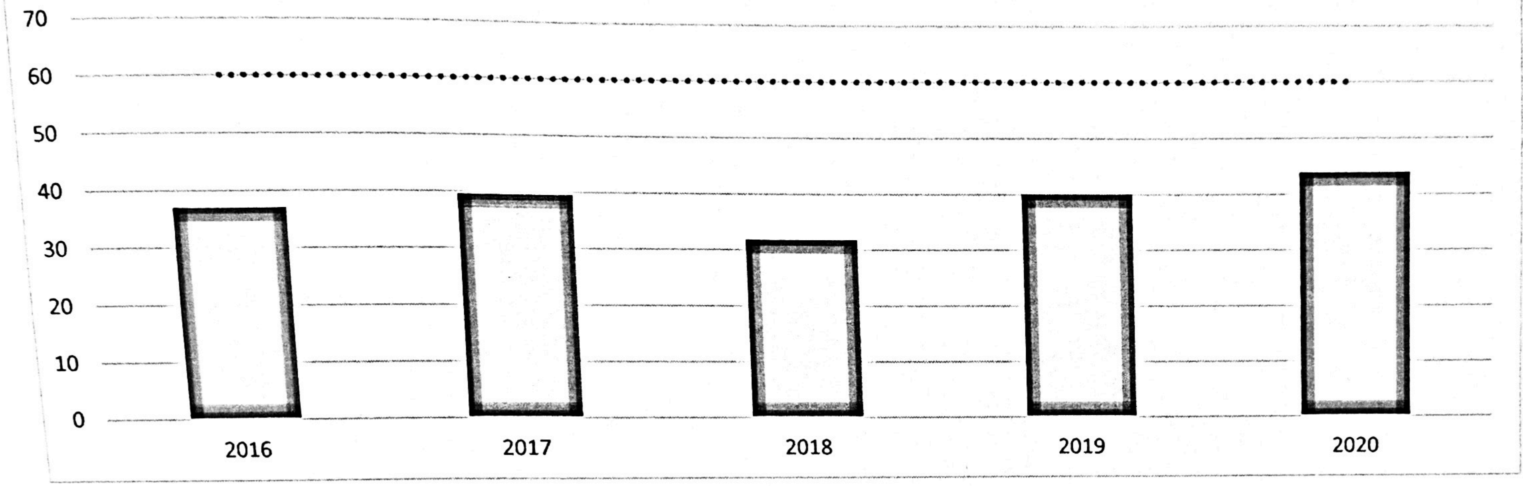


Chart 21: Debt Stock as a share of SGDP

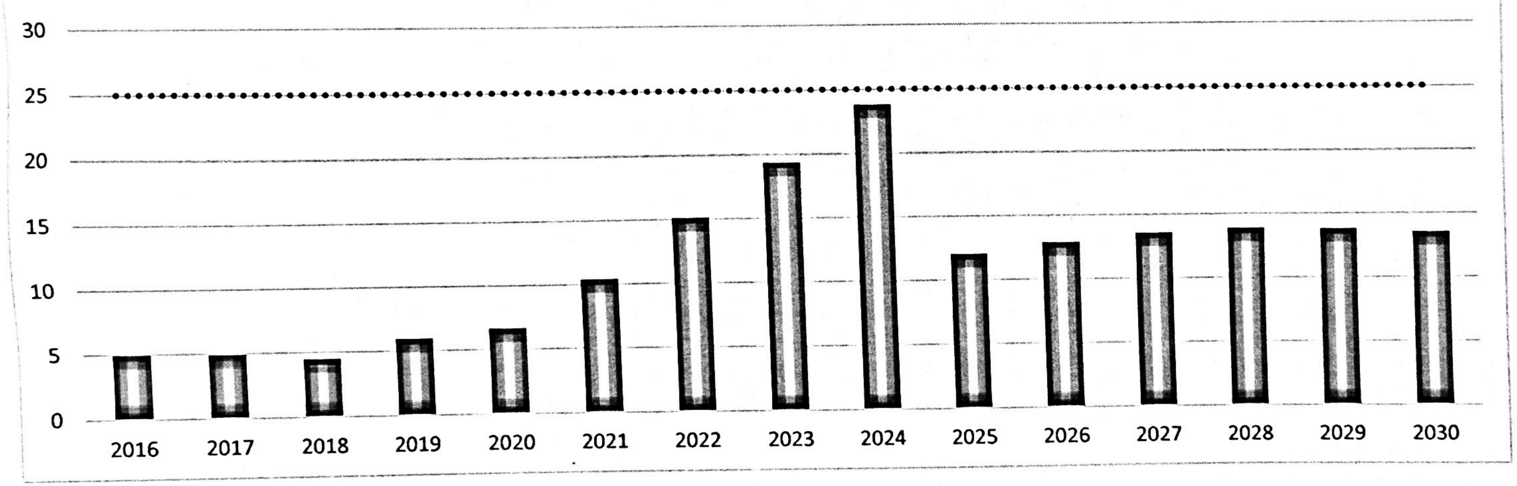


Chart 22: Debt Stock as a share of Revenue

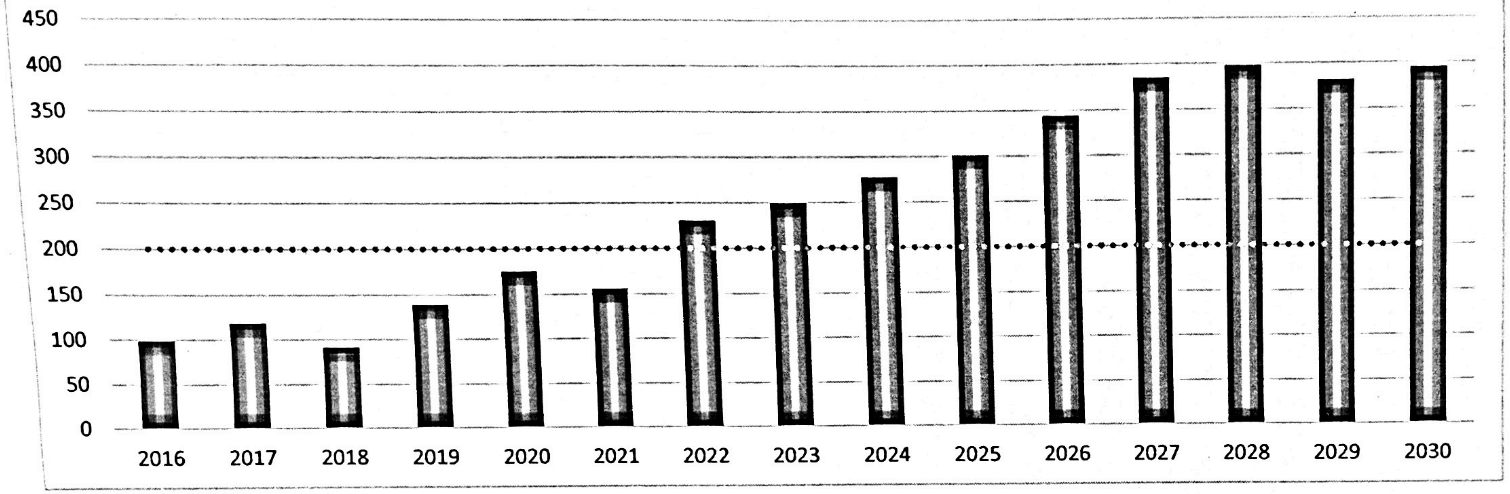


Chart 23: Debt Service as a share of Revenue

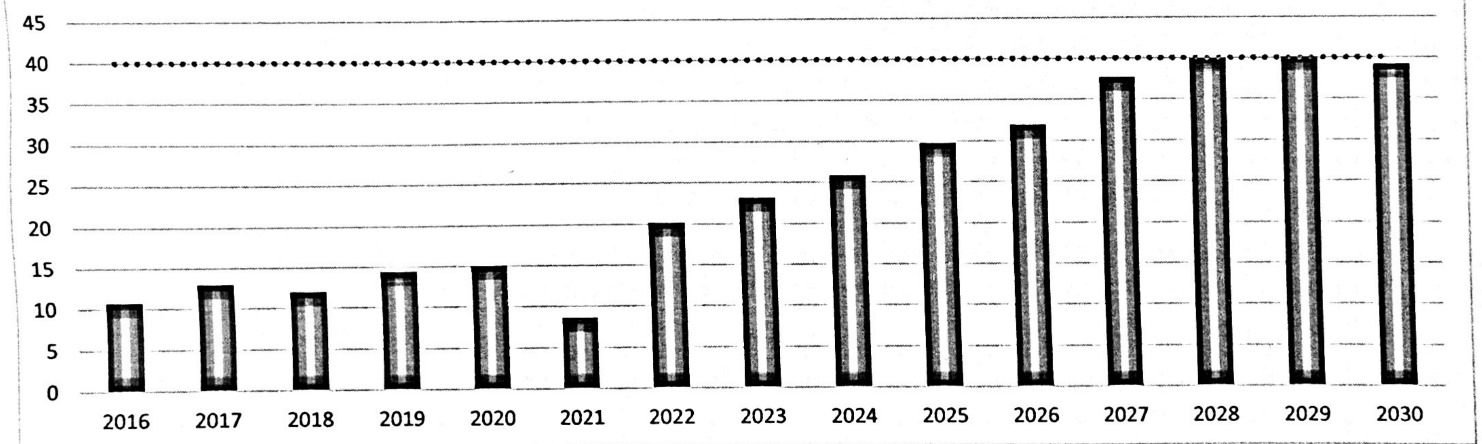
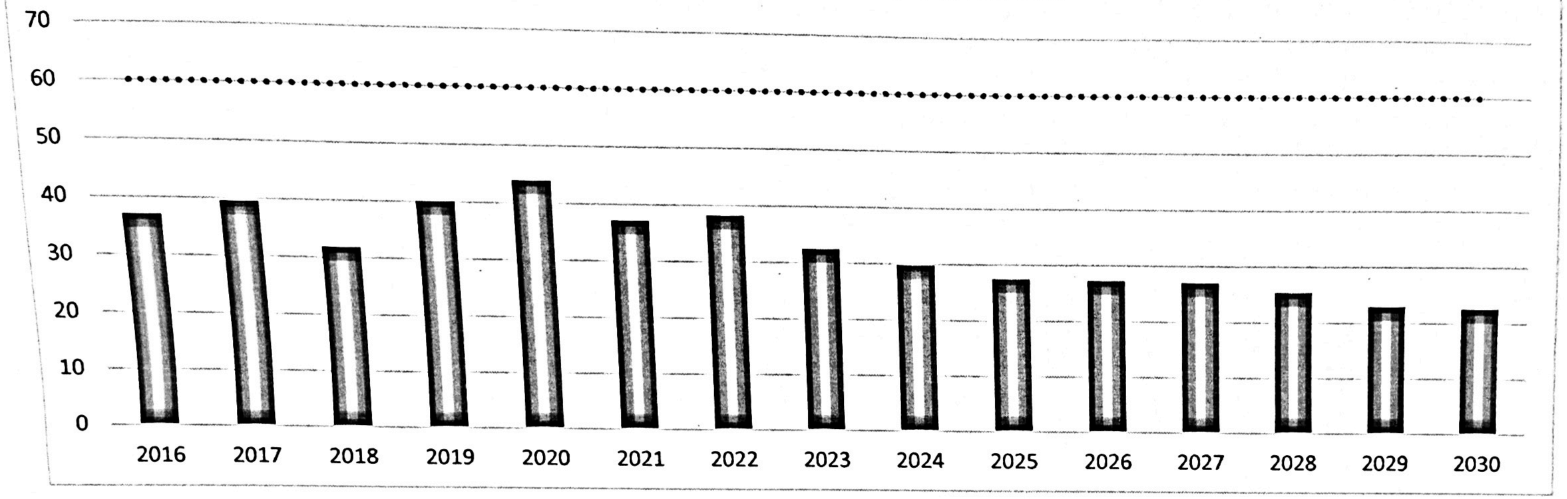


Chart 24: Personnel Cost as a share of Revenue



CONCLUSION

Ogun State DSA result shows that, the State at the medium Risk of Debt Distress. The Debt as a share of GDP performance indicator remains favorable to the state as state did not breach the threshold set at 25%. However, the situation is critical for Debt Stock as a share of revenue as the state breached the threshold from 2022 which is just second year into the projection years. Debt service to revenue indicator did not also breach the threshold but the figures are high as well which means the necessary state authorities must intensify efforts to ensure more revenue accrues to the state.

In order to keep the debt profile of the state moderate, the state is putting together the underlisted reforms and actions to greatly improve internally generated revenue and reduce projected borrowings in the medium to the long term;

i. Introduction of Ogun State Land Administration and Revenue Management System (OLARMS) which allows citizens of the State to regularize their land title/document online. This has a lot of multiplier effect on the IGR of the State inform of income from Stamp duty, Building Permit, Survey, PAYE etc.
ii. The loan obtained/to be obtained are geared towards major infrastructure development e.g., Ijebu Ode/Epe Road which would be outsourced for toll collection from motorists under Public Private Partnership.
iii. Concession of government Assets and sales of government building by Ministry of Housing
iv. Upward review of old revenue rates,

v. Expanding Land Use Charges to cover all the Local Governments,

vi. Giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms.

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

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

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

x. Staff Verification Exercise is being done as to reduce personnel cost and by extension recurrent expenditure

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

4.4. DSA SENSITIVITY ANALYSIS

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

The 2021 DSA analysis shows that Ogun State remains at high risk of debt distress under sensitivity analysis. The State DSA analysis shows deteriorate levels related to revenue shocks, expenditure shocks, exchange rate shocks and interest rate shocks. This would lead to increase Gross Financing Needs over the projection period.

In the Debt stock as share of Revenue indicator, except for the historical scenario which we considered abnormal and not factored into this analysis, all other shock scenarios (interest rate, exchange rate, revenue & expenditure) all breached the threshold from 2022 to 2030. In Debt service as percentage of Revenue indicator, revenue shock, expenditure and interest rate shock all breached the threshold from 2027- 2030. There is, an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

Chart 12: Debt Stock as a share of SGDP

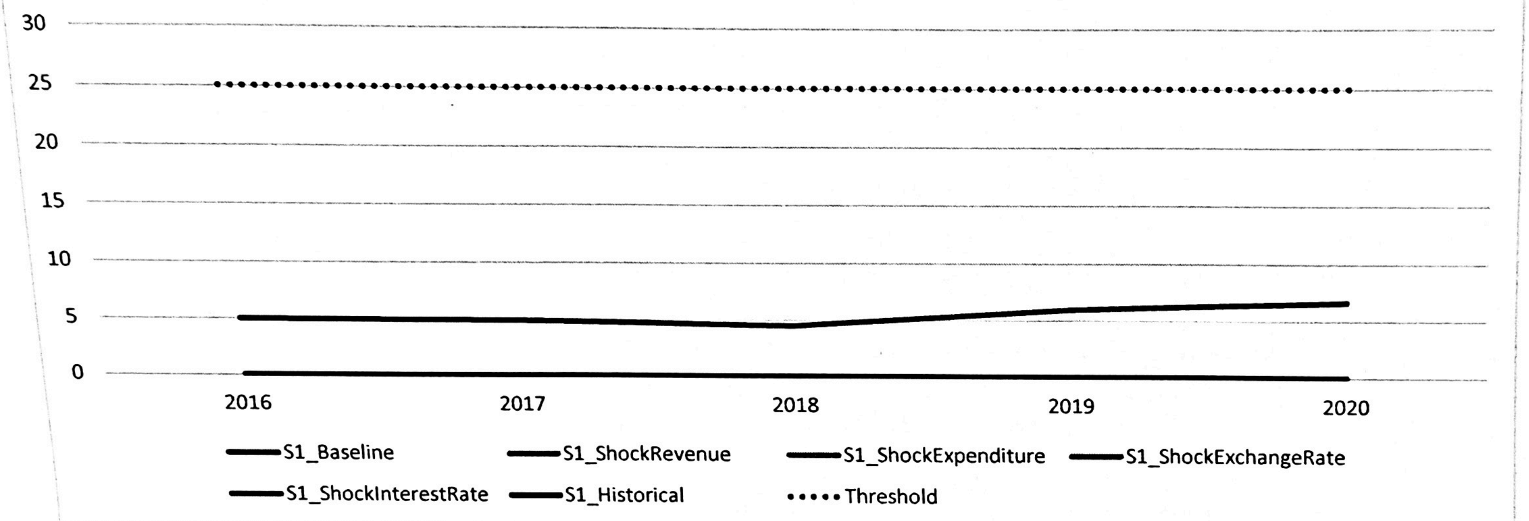
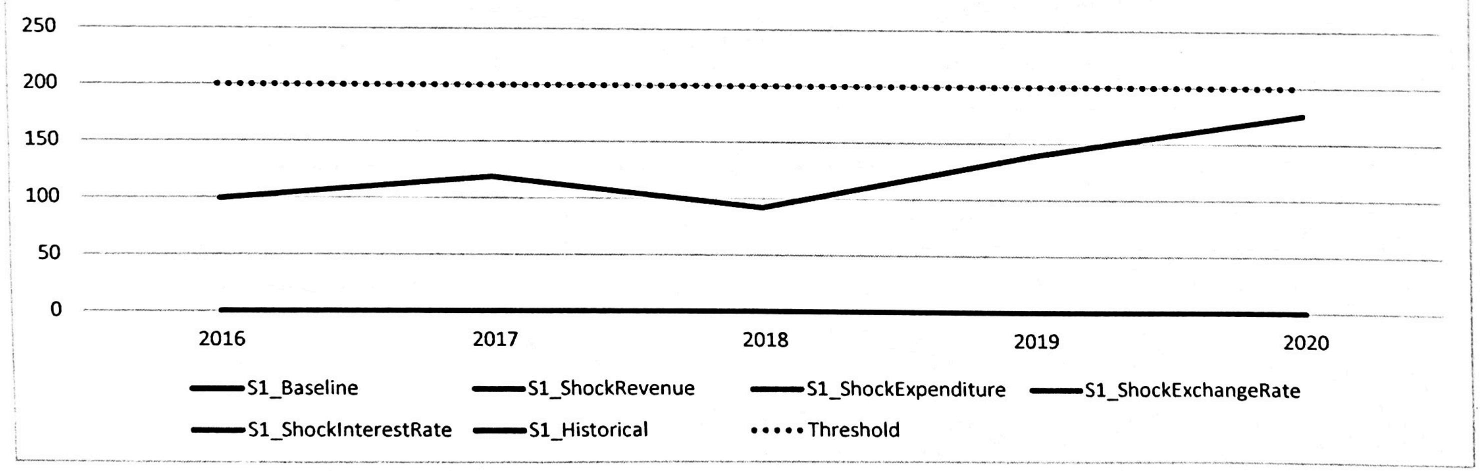


Chart 13: Debt Stock as a share of Revenue



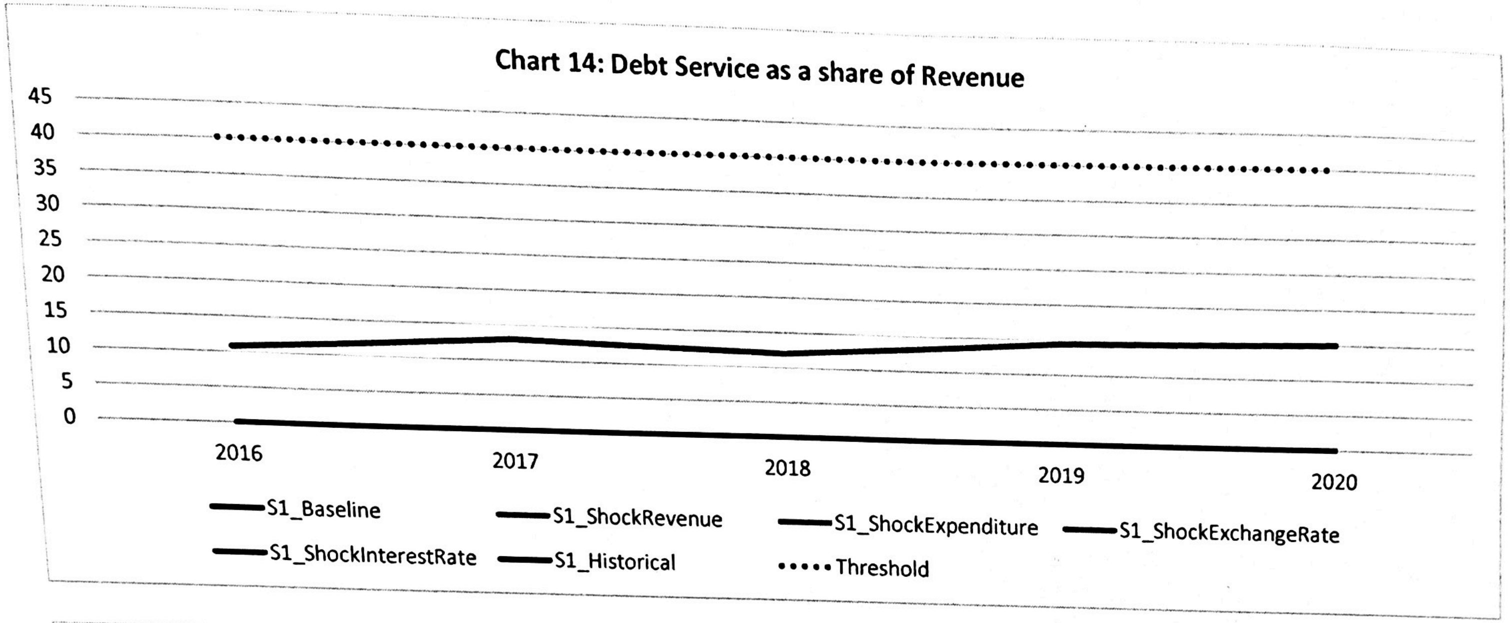


Chart 14: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2016
2017
2018
2019
2020
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

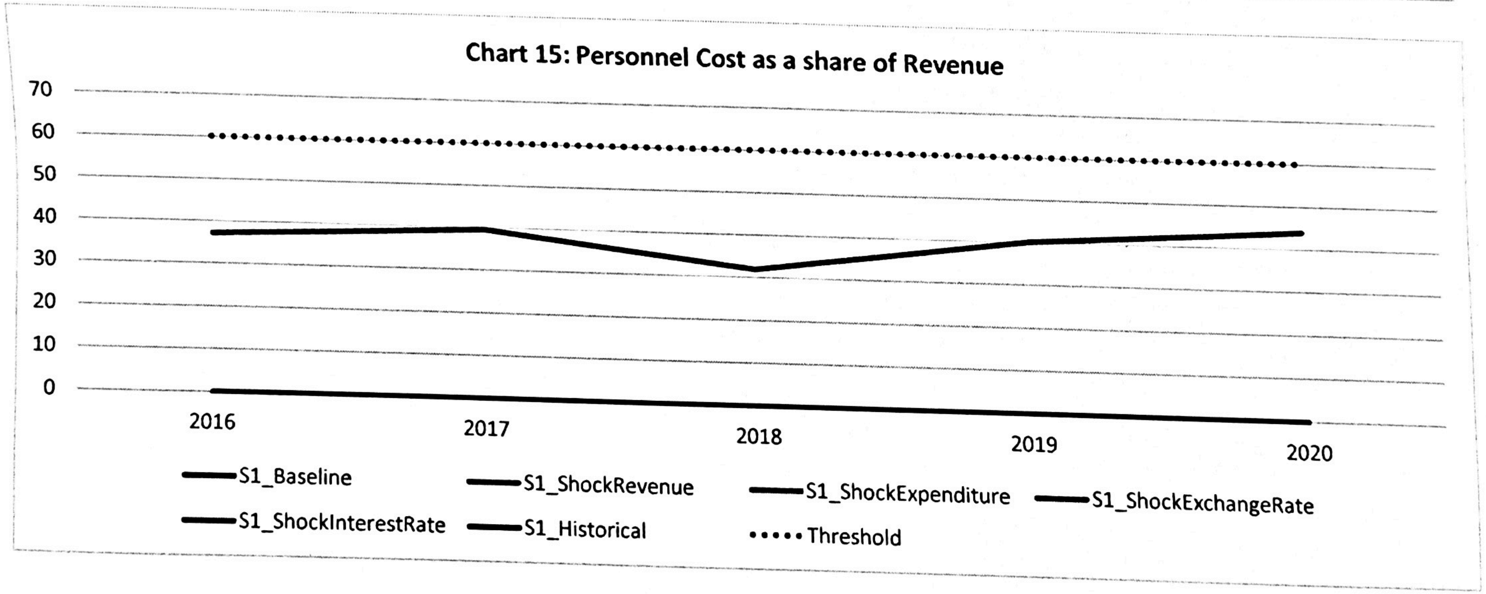


Chart 15: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2016
2017
2018
2019
2020
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

Chart 14: Debt Service as a share of Revenue

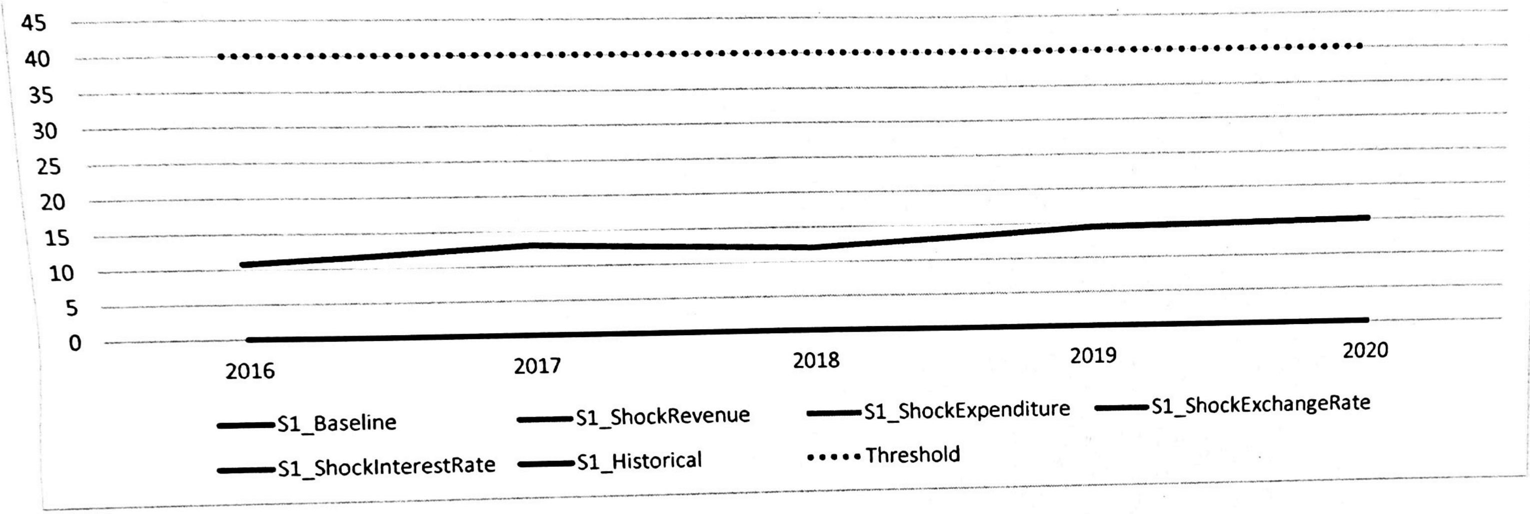


Chart 15: Personnel Cost as a share of Revenue

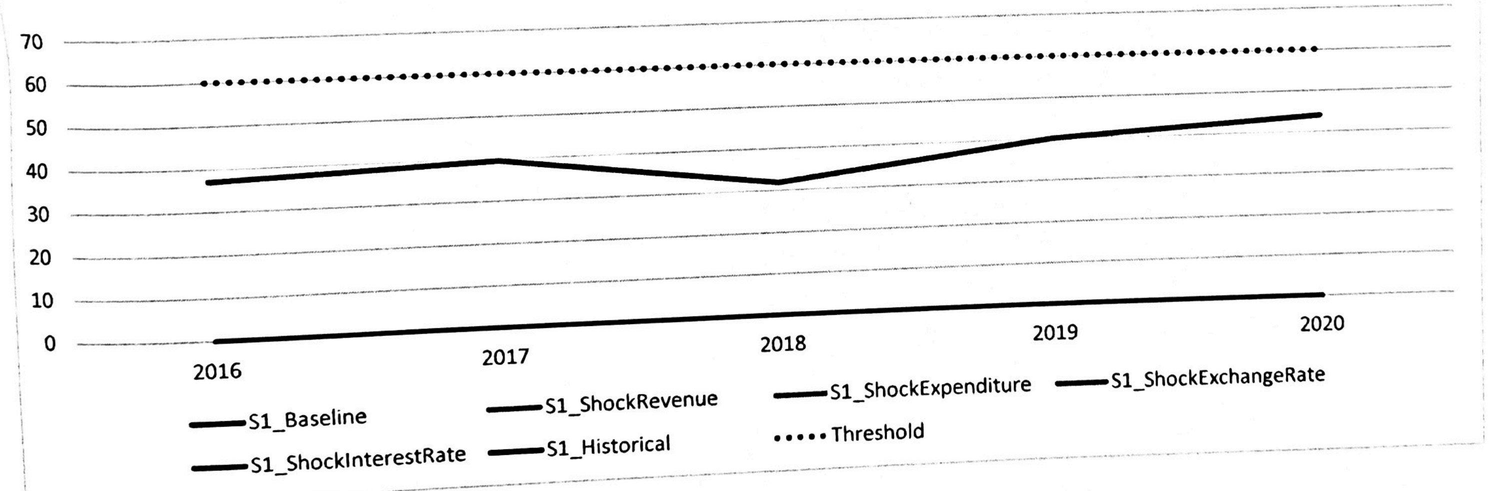


Chart 27: Debt Stock as a share of SGDP

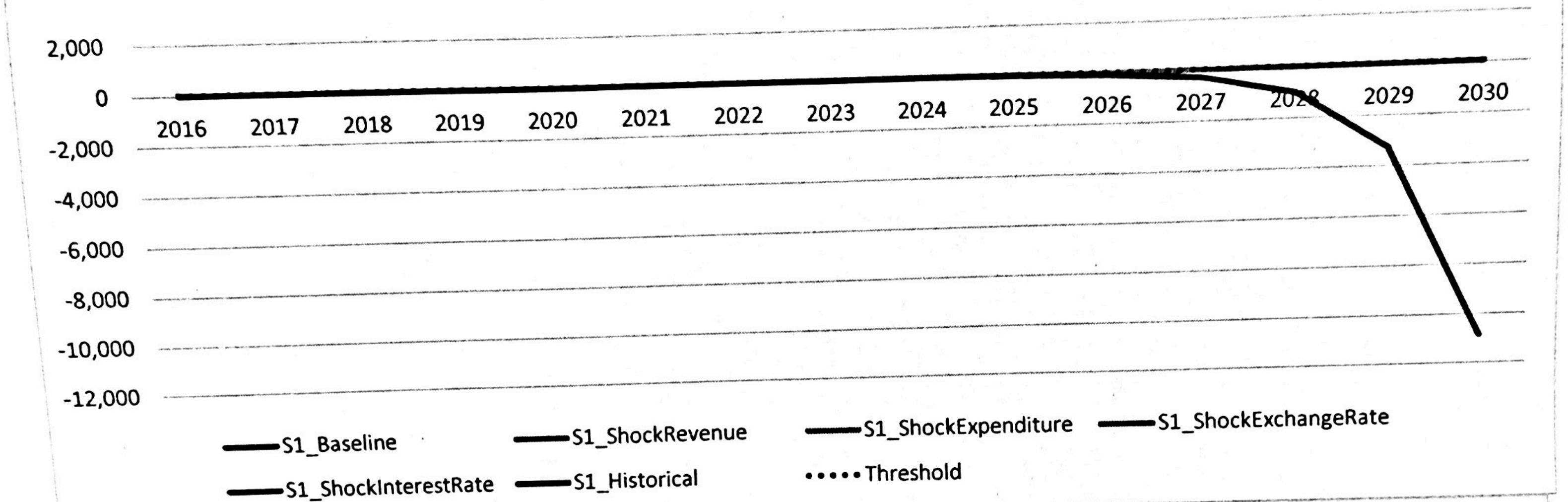


Chart 28: Debt Stock as a share of Revenue

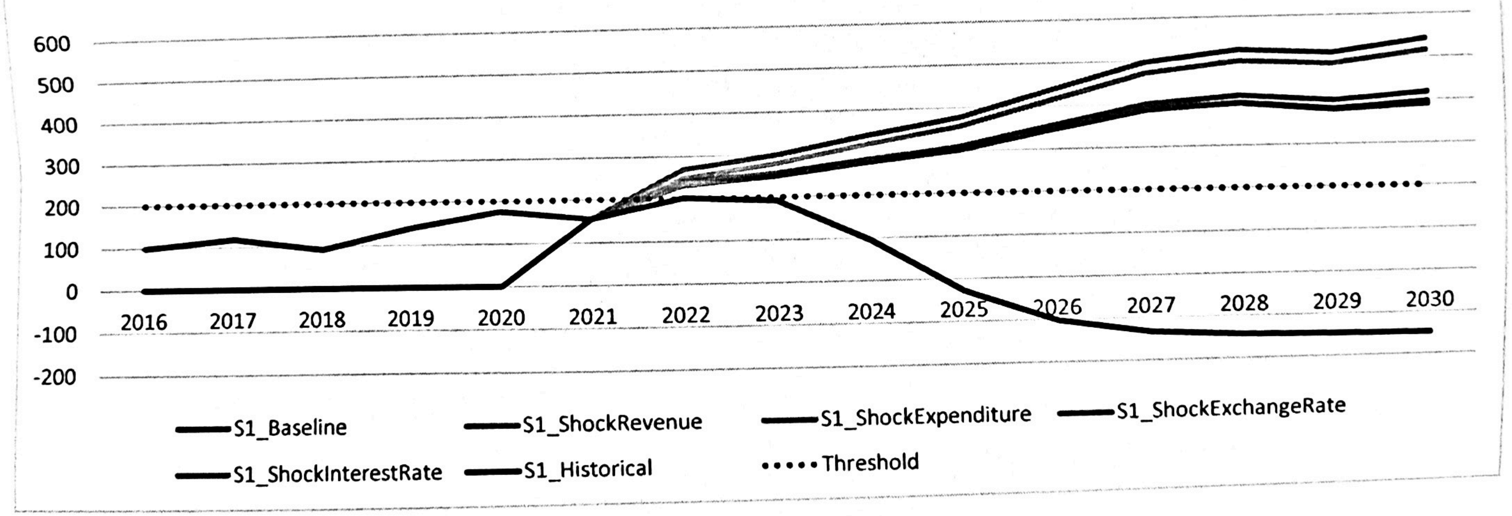


Chart 29: Debt Service as a share of Revenue

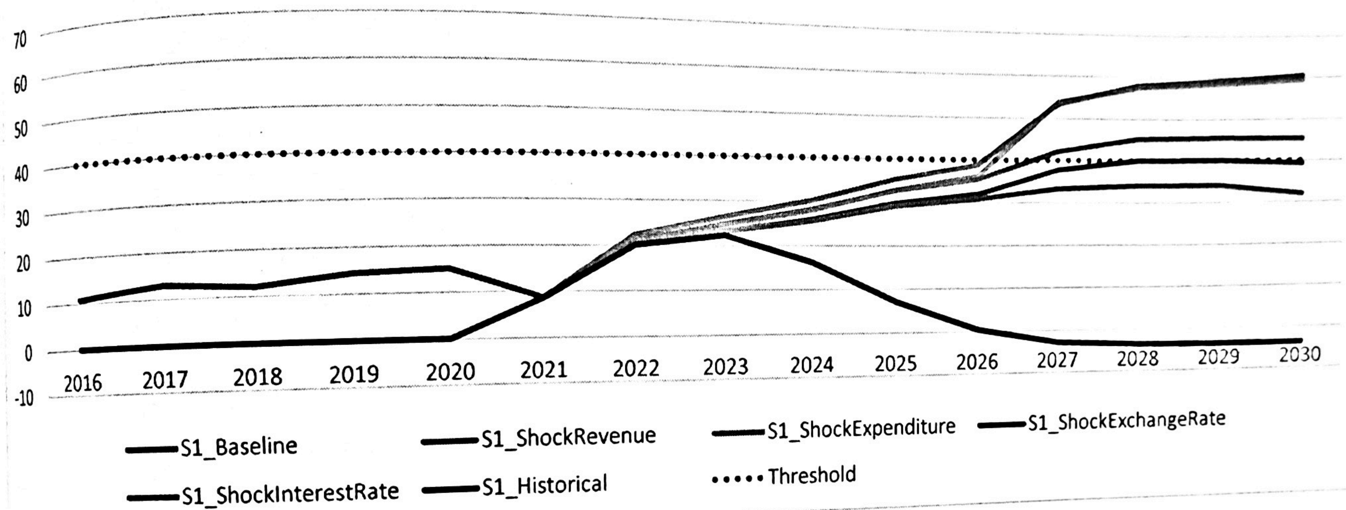
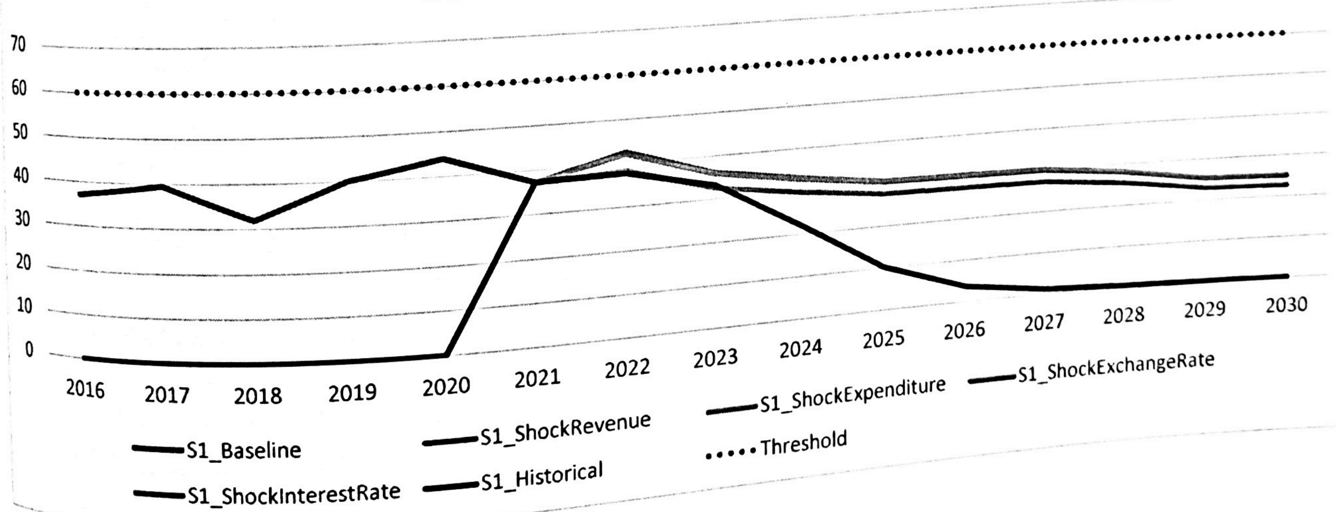


Chart 30: Personnel Cost as a share of Revenue



5.0 DEBT MANAGEMENT STRATEGY

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

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Ogun State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. Following four strategies are assessed by the government. The Ogun State's Debt Management Strategy, 2021-2025, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2025, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2025 caused by an un-expected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2024.

External gross borrowing under External Financing - Concessional Loans (e.g., World Bank, African Development Bank) accounts on average 42.74 percent over the strategic period mainly through World Bank and African Development Bank.

The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Domestic Financing under the Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF on average 8.35 percent and State Bonds (maturity 6 years or longer) 42.74 percent over the DMS period of 2021 to 2025.

Strategy 2 (S2) focus more financing through State Bonds (maturity 6 years or longer)

In this strategy, the state government will focus its financing through State Bonds (maturity 6 years or longer, 100 percent over the strategic period.

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

In strategy 3, the government decided to focus its financing from 2021 to 2025, through External Financing - Concessional Loans (e.g., World Bank, African Development Bank) 100 percent.

Strategy (S4) focus its financing through Financing Mix (external Concessional Loans and domestic loans).

This Strategy (S4) considers financing mix of external and domestic debt instruments but not in the same proportion as strategy one (S1). Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) represents an average of 47.29 percent from 2021-2025, while External Financing - Concessional Loans (e.g., World Bank, African Development Bank) represents 52.71 percent respectively.

5.2 DMS Simulation Results

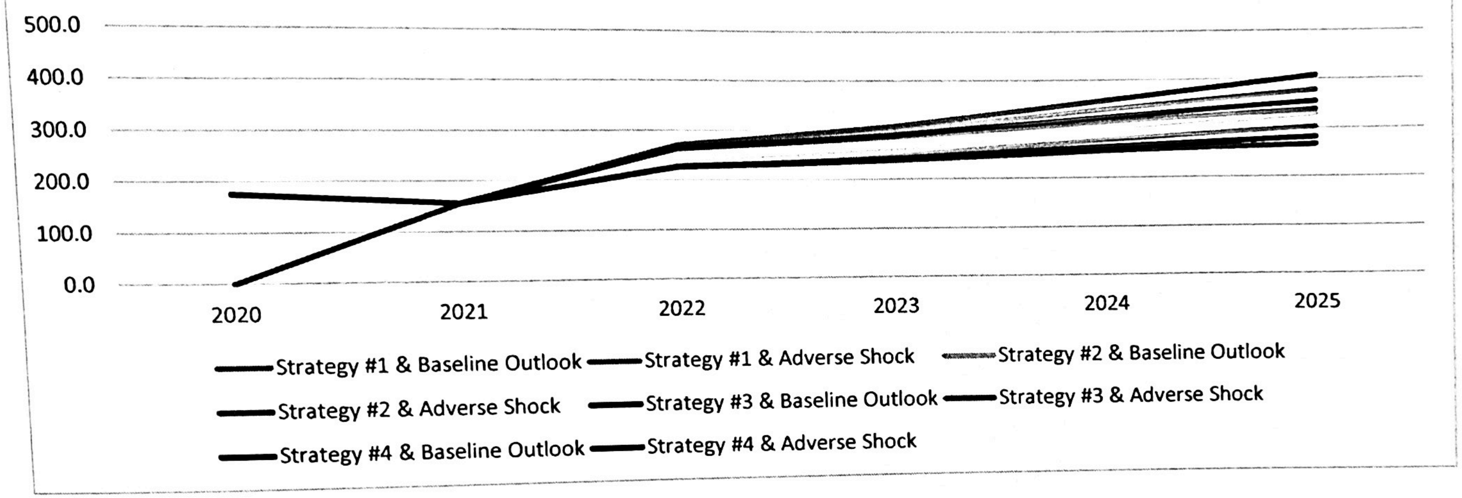
Analysis of strategies & outcomes of the analysis. The cost risk trade off charts illustrate the performance of the alternative strategies with respect to four debt burden indicators.

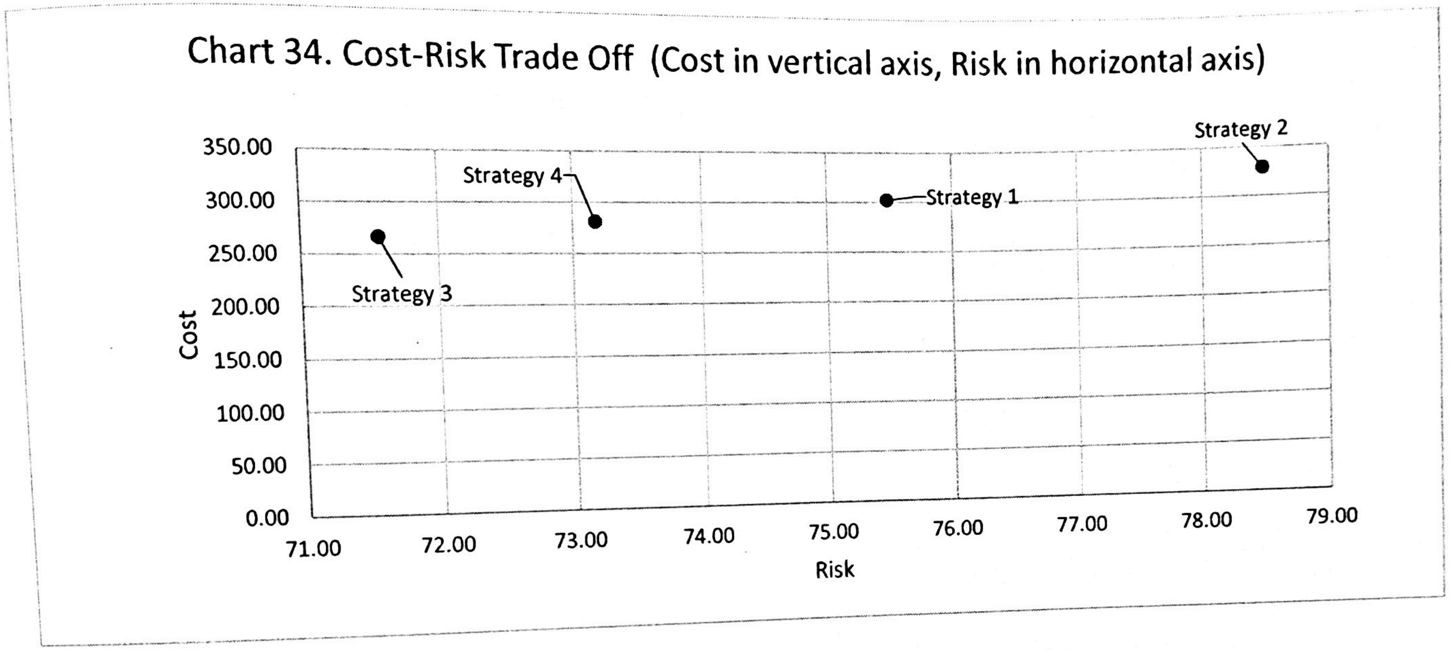
a. Debt as a share Revenue:

- Strategy 3 shows the Cost ratio of Debt to Revenue estimated to increase from 156.1 percent in 2021 to 260 percent, as against Strategy 4 (290 percent), Strategy 1 (300 percent) and Strategy 2 (330 percent), over the DMS period of 2025, compared with the Risks measured of Strategy 3 (71.75 percent), Strategy 4 (73.25 percent), Strategy 1 (75.75 percent) and Strategy 2 (78.25 percent), respectively.

- Analysis using this debt indicator of debt to revenue shows that S3 is the least costly and riskier which was estimated at 260 percent and 71.75 percent compared to Strategy 4 (290 percent and 73.25 percent) Strategy 1 (300 percent and 75.75 percent), respectively. On the other hand, Strategy 2 is the costliest and the riskiest strategy which was estimated as 330 percent and 78.25 percent, which concentrated on more State bonds borrowings without external financing over the DMS period of 2021-2025.

Chart 33. Debt Stock as a share of Revenue (including grants and excluding other capital receipts)





b. Debt Service as a share of Revenue:

➢ In terms of Debt Service to Revenue, Strategy 3 has the lowest costs of 8.6 percent in 2021 to 10 percent in 2025 and lowest risks of 3,5 percent compared to Strategy 4 (costs at 25 percent and risks at 5 percent), Strategy 1 (costs at 30 percent and risks at 5.75 percent) and Strategy 2 (costs at 40 percent and risks at 6.5 percent), respectively, as at end of the strategic period of 2025.

➢ Strategy 3 has the lowest costs at 10 percent and minimum risks at 3.5 percent under the Debt Service to Revenue, followed by Strategy 4 costs at 25 percent and risks at 5 percent. But the Strategy 2 is the costliest and riskiest strategy as the domestic debt financing considered State Bonds 100 percent.

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

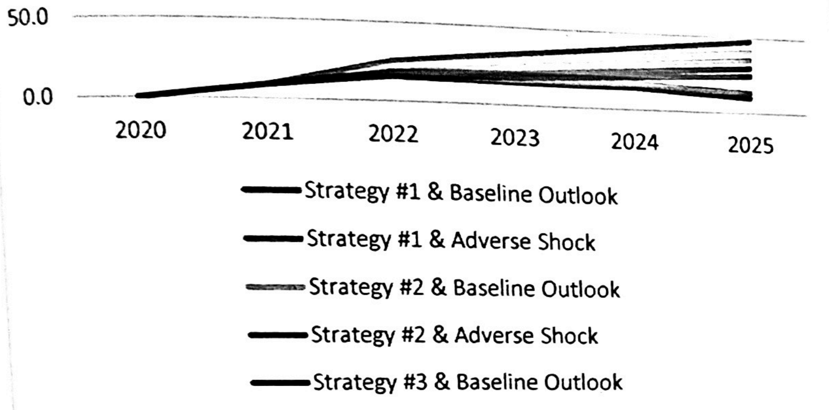


Chart 38. Cost-Risk Trade Off (Cost in vertical axis, Risk in horizontal axis)

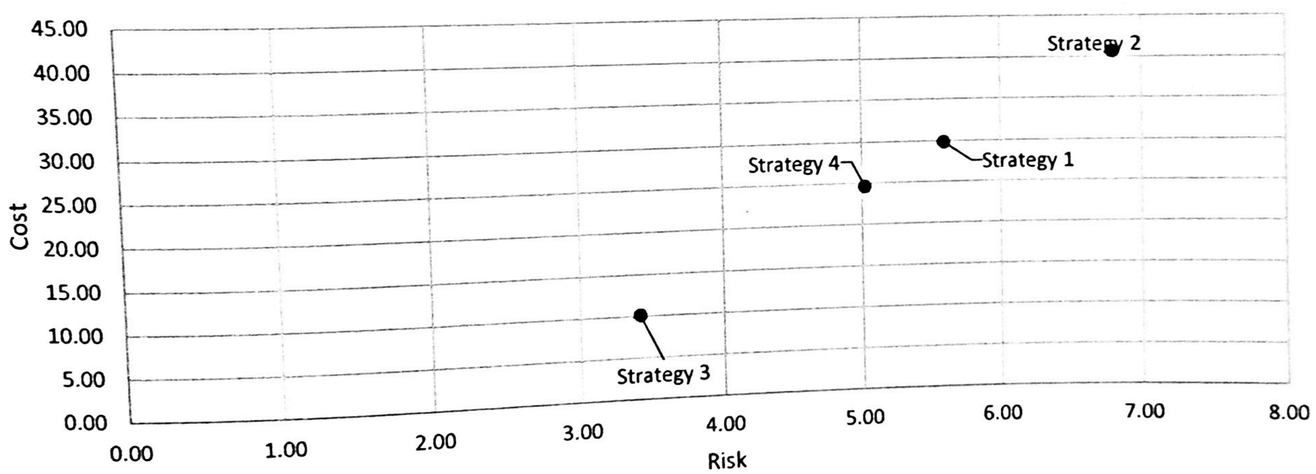


Chart 37. Debt Service as a share of Revenue (including grants and excluding other capital receipts)

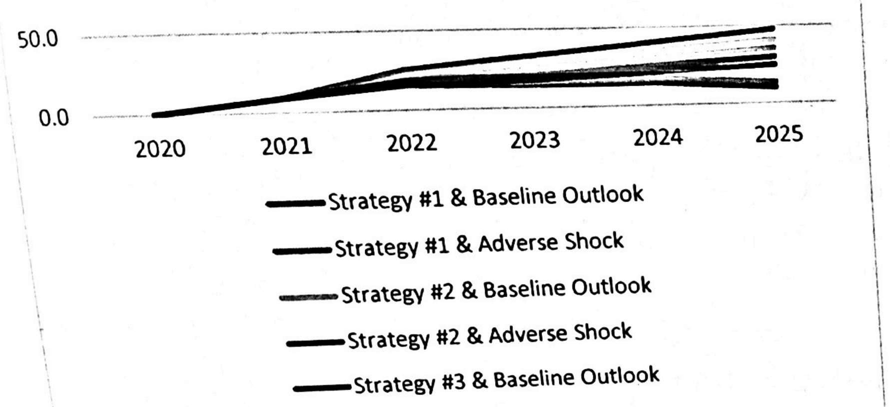
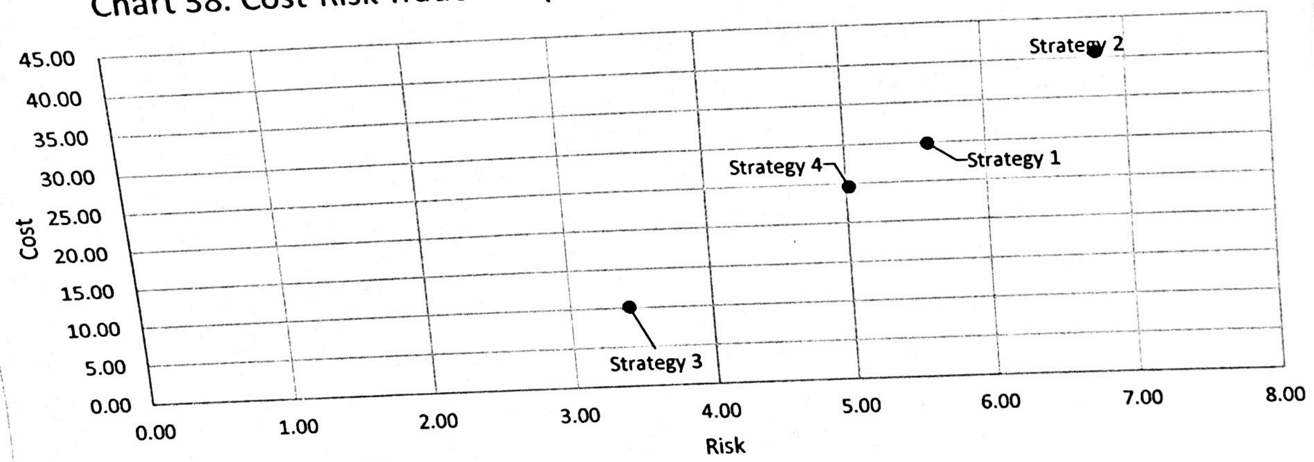


Chart 38. Cost-Risk Trade Off (Cost in vertical axis, Risk in horizontal axis)



c. Interest as a share of Revenue

➢ Strategy 3 is the least costs with regards Interest to Government revenues, which projected to increase from 3.2 percent in 2021 to 5 percent and Risks at 3 percent, whilst Strategy 2 is the most costly and risky strategy at 32 percent and 5.88 percent, compared to Strategy 4 with moderate costs and risks of 12 percent and 3.6 percent and Strategy 2 with estimated costs and risks of 19 percent and 4.4 percent, as at end of the strategic period of 2025.

➢ The ratios of Interest as percent of Revenue analysis shows that S3 yield the lowest costs and risks due to high external financing, as the external debt service terms requirement has low interest rate, longer maturity and grace period in concessional external financing. Compared to S4 and S1 with the moderate costs and risks. S2 is the most costly and risky strategy.

Chart 41. Interest as % of Revenue (including grants and excluding other capital receipts)

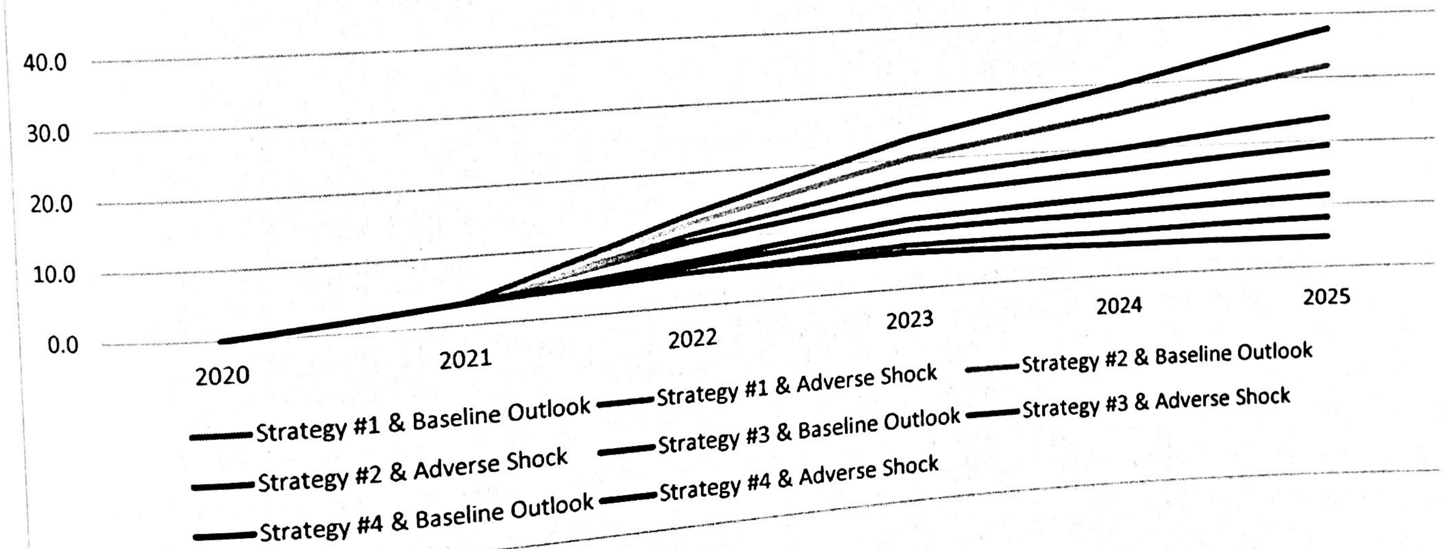
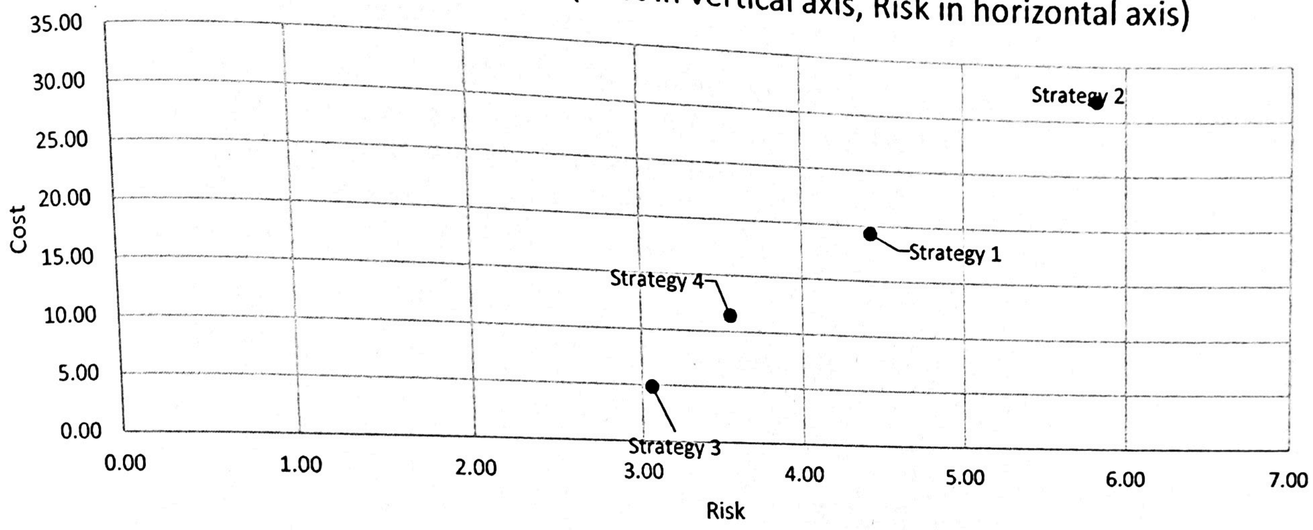


Chart 42. Cost-Risk Trade Off (Cost in vertical axis, Risk in horizontal axis)



5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all the four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of costs and risks would suggest that the recommended strategy is (S3). However, implementing S3 is not feasible due to the restriction placed on states by the Federal Government in directly accessing the international market to borrow. Still considering cost and risk, S4 becomes the next but implementation is also almost impossible because State cannot access both commercial bank loans and external loans on yearly basis all through the projection years. The state will therefore settle for S1 being the strategy that is feasible and can be implementable in the short to medium – term. It also has a balanced mix of both domestic and external loans.

In comparison to the current debt position, Ogun State debt portfolio stood at N192.679 billion as at end-2020, which expected an increase to N879.557 billion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N958.379 billion), Strategy 3 (N776.670 billion), and Strategy 4 (N819.086 billion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2021-2025.

The Debt Management Strategy, 2021-2025 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2021 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annexure I

Assumptions

State GDP (at current prices)	Ogun State as one of the Industrial hub in the country, continued to experience growng economic output over the years due to emergency of more industries in the state.The historical data according to the National Bureau of Statistics (NBS) on the State Nominal Gross Domestic Product 2018 showed that Ogun State percentage contribution to the National GDP from 2013-2017 rose steadily from 2.16% in 2013 to 2.47% in 2017. The State GDP at the end of 2030 was conservatively projected to be above Four Billion Naira (N4 Billion) if the above trend was maintained during the period under review. Ogun State as the "Gateway State" provides corridor to other States in the Country that link the Country's most Commercial State "Lagos State" also share international border with the Republic of Benin.This has made the State a destination for economic active population due to access to inexpensive space to these areas. The historical data according to National Population Commission revealed that her population rose from 2,333,726 in 1991 Census to 3,751,140 in 2006 census reflecting population growth of 60.74% while the official national annual growth rate was 3.18%. At the end of 2030, the State population was projected above ten million if all things being equal, this growing economic active population assures availability of human capital for the State to continue to enjoy robust economic output during the period under review.The creation of more infrastructures like Agro-cargo Airport, Railway, Housing, Information Technology, Road, etc through the various agenda implemented by the government help the State to record GDP in the sectors compared to the nil economic output recorded by the State in the past years as revealed by the National Bureau of Statistics (NBS) on the State Nominal Gross Product 2018 Report. Farming is the predominant occupation in the State because it was endowed with abundant arable land for agriculture.The farmers were encouraged through various programmes implemented by the government to ensure full security and earn foreign exchange through their produces.Other key microeconomic projection assumptions are : Stabilizing and reduced inflation rate, Stabilizing Naira to US Dollar exchange Rate, increase Crude Oil production rate, increase crude oil benchmark price and Export of Mineral Resources.	The SGDP from 2016 to 2017 was Historical Data from National Bureau of Statistics while SGDP of 2018 to 2024 was from the State MTEFF. The World Bank Suggested Forecast figure was used from 2025 to 2030.
Revenue		
1. Gross Statutory Allocation ('gross' means with no deductions; do not include V/	Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies income tax, customs and (excise) duties at the national level, which is then shared between the three tiers of government using a predetermined sharing ratio. It is envisaged that the uptick in global economic activities will increase the crude oil sales and eventually brings more revenue in the outer years. it is important to take into consideration the crude oil benchmarks, the global effect of the pandemic and the envisaged gradual economic uptick that will increase economic activities globally. The crude oil price has continued to be on the rise from the approved $46 to over $70 pb while global trade has brought about increase revenue from excise duties and other revenue components that makes the statutory allocation. In essence, year 2022 is expected to bring about increase in statutory allocation to the State. The State Revenue Projection of years 2025 to 2030 from Federal Allocation was based on average inrease of 2.5% to 3.0%.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Three Year Moving Average basis(2025-2030) Projection.
1.a. of which Net Statutory Allocation ('net' means of deductions)		
1.b. of which Deductions		
2. Derivation (if applicable to the State)		
3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other FAAC Receipts contained the calculated Exchange Gains, Excess Crude, NNPC Refund, NNLG Dividend and Stamp Duty shared among the three tiers of Government. The S tate Revenue Projection of years 2025 to 2030 from Other FAAC was based on average inrease of 2.5% to 3.0%.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Three Year Moving Average basis(2025-2030) Projection.
4. VAT Allocation	Value Added Tax (VAT) is the tax calculated according to value on goods and services at a rate of 7.5% (as increased from 5% to 7.5% on February 1st, 2020 by the Federal Government). It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT individual states generated. States receive 50% of the total VAT collections nationally, from which Ogun State gets around 2.45% of the VAT distribution to States. The S tate Revenue Projection of years 2025 to 2030 fromVAT was based on average inrease of 2.5% to 3.0%.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Three Year Moving Average basis(2025-2030) Projection.
5. IGR	Internally Generated Revenue is revenue collected within the state, this relates to income tax (PAYE represents the highest contributor to IGR), withholding taxes, direct assessment fines, levies, fees, and other sources of revenue collectable within the state by the Ogun State Internal Revenue Service (OGIRS).IGR has grown at a steady pace year on year since 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.The State's projection for 2021 is predicated on the plan to expand the tax base and improve collection methods to boost IGR from the lowest end of N50billion as of 31st December 2020 to N122 billion in 2021 based on the expectation that the State's economy will be more active before the end of Q4, 2021 and bounce back to pre-COVID -19 era of years 2017-2018. Most importantly, the MTRS initiative is expected to boost the existing internal ly generated revenue. The state generated N54b at the end of Q2 2021 which reflects an increase compared to the N50b that was generated in the year 2020.It is of great significance to mention that the outcome of the planned Ogun Investment Summit, ISEYA21 with the theme Ogun State 'Becoming Africa's Model Industrial & Logistics Hub' is expected to showcase the investment opportunities in the State and position the State comfortably among the comity of State that drive Nigerian's economy a major prerequisite for revenue generationThe IGR shows the amount of revenue generated by the State as contained in the State Audited Financial Statement for the period(2016-2020).The 2021 figure reflects the revenue expected to be generated by the State following the MTRS in the Approved Budget. The MTRS is a movement from traditional expenditure-based budget approach to revenue driven budget approach. 2022-2024 revenue projections are extracted from the proposed 2022-2024 MTEF documents while the 2025-2030 projections were based on average inrease of 2.5% to 3.0%.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Three Year Moving Average basis(2025-2030) Projection.
6. Capital Receipts	Grants are receipts from federal government and international development partners (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children's Fund (UNICEF) etc,Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Year (2025-2030) ProjectionS based on 2.5% TO 3%increase.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Year (2025-2027) Projectionis based on 15% increase while (2028-2030) is 20% increase.
6.a. Grants	Actual receipts/performance has been on a very low side, the trend continues to drop even in 2019 when the State was so optimistic in getting N30billon but generated less than N1billion. For this reason, performance against budget has also been poor as budgets have tended to pick up all anticipated grants whereas accounts may not reflect all activities.Grant estimates going forward should be consistent with signed agreements, any "blue-sky" should be specifically linked to the implementation of specific projects.However, the State has been a beneficiary of the World Bank Group assistance to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to shield the State's finances against fiscal crisis The grants for the period of 2016-2020 were obtained from the State Audited Financial Statements. 2021 -2024 figures are internally grants expected to be received from SFTAS, SOCU, TETFUND. The 2025-2030 projections were based on previous grants received by the State.	
6.b. Sales of Government Assets and Privatization Proceeds		
6.c. Other Non-Debt Creating Capital Receipts		

Expenditure

Expenditure

1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel cost represents the wage bill of the State Government workers, funded from the revenue accruable to the State. This budgeted value has been on the increase from the year 2016 to year 2019, while the actual figure witnessed a decrease in year 2018 but rose again in year 2019. The sharp increase of over N7b is evident by the absolute increase in the actual personnel costs in year 2019 which could be ascribed to the review of Health workers salaries, recruitment of teachers and continuous recruitment of staff as well as pension obligations and payment of backlog on pension liabilities which were appropriately budgeted for. The above decision was necessary in the spirit of continuity and sustaining social responsibility to the people of the State. The present administration's absorption of new workers recruited by the immediate past administration, new recruitment across the health sector prior/post-COVID-19 crisis etc. This also explains the increase experienced in the budgeted personnel cost in 2021. The State Personnel Cost Projection of years 2025 to 2030 was based on average inrease of 1.5% to 2.0%.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), 5% increase from from (2025-2027)and 10% increase in (2028-2030).
2. Overhead costs	Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs on a monthly basis subject to warrants and availability of fund. The actual overhead costs have been below the budget limit since 2016, this will be sustained in the medium term. There should be concerted efforts to prune down the cost of governance, a necessary line of action in an inflationary environment. Hence, the government must review downward (depress overhead costs) MDAs overhead expenses substantially, but at reasonable percentages viz-a-viz revenue generation prospects of each MDA in the State. The S tate Overhead Cost Projection of years 2025 to 2030 was based on average inrease of 1.5% to 2.0%.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), 10% annual increase from (2025-2030).
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC	The Public Debt Charges comprise of both principal and interest repayment for domestic and external loans. Pension and Gratuity arrears 2025 - 2030 is based on simple average of outstanding amount as at 2024 for period of 8 years. Most of the domestic loans will be fully repaid by 2025 which result to reduction in loan repayment in the outer years.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF) while 2025-2030 is on projection
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and In	Consolidated revenue charges was added to overhead cost	
5. Capital Expenditure	Capital expenditure represents the commitment of Government towards infrastructure development. Except for 2017 and 2018, performance of capital expenditure has been on the decrease owing to the State's inability to mobilize resources for execution of capital projects due to the shortfall in Government estimated revenue and the increase in recurrent expenditure which could not be correspondingly matched by the total revenue of the State. The negative effects of the pandemic on investment at both micro and macro level particularly had absolute impact on the State' investments in capital projects in year 2020. Secondly, diversion of limited resources to the health sector to curb the spread of the pandemic and necessary huge investment on social and welfare projects as palliatives necessary during the lockdown also affected the projected capital investments in the year 2020. Prudent forecasting of revenue, and hence the capital development fund, and tight control on recurrent expenditure, will help both increase the level of capital expenditure and also improve performance against budget going forward. The S tate Capital Expenditure Projection of years 2025 to 2030 was based on average inrease of 1.5% to 2.0%. The larger percentage of resource allocation to Capital Projects is to align with the best practice that bring about growth in the State Economy.	Ogun State Audited Financial Statement, 2021 Approved Budget, Proposed 2022-2024 Medium Term Expenditure Framework (MTEF), Three Year Moving Average basis(2025-2030) Projection.
Closing Cash and Bank Balance **Closing Cash and Bank Balance**	The closing Cash and Bank balance figures for 2021 to 2030 are computed using annual percentage increase of 3.0%. The closing Cash and Bank Balance represent the addition of budget Balance (which is Total Revenue minus Total Expenditure) and opening Cash and Bank Balance (which is gotten from the Annual Financial Statement).	Audited Financial Statement

	Other Domestic Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State government will raise CBN intervention loan through Commercial Bank loans with a maturity over six years including Agric loans and infrastructure loans and MSMEDFfrom 2022 -2024.i.e, N5177.88,N8464.98 and N14189.78 respectively.	Ogun State I
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	The State government will raise additional funds from capital market in form of Bonds for a period of fifteen years with a coupon rate of 13.5%with a 15 years tenor from 2021 to 2030	Ogun State I
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development B	The State Government will access OGSEP WORLDBANK Loan at 2% for a period of 15 years with a moratorium of 5 years	Ogun State I
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State government will raise fund from Commercial Bank loans with a maturity over six years including Agric loans and infrastructure loans and MSMEDFfrom 2021 -2030	Ogun State I
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development B	The State will source through world bank loan at a longer period and very low interest rate, i.e, 2% with a tenor of 20 y	Ogun State I
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State government will raise fund from Commercial Bank loans with a maturity over six years including Agric loans and infrastructure loans and MSMEDFfrom 2021 -2030	Ogun State I
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development B	The State will source through world bank loan at a longer period and very low interest rate, i.e, 2% with a tenor of 20 y	Ogun State I
	External Financing - Bilateral Loans		
	Other External Financing		

ANNEXURES 11

Historical and projections of the S1_Baseline Scenario

Indicator	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actuals					Projections							
BASELINE SCENARIO													
Economic Indicators													
State GDP (at current prices)	2,120,354.06	2,810,276.62	2,883,189.60	2,923,808.99	2,891,647.09	2,920,563.56	2,980,714.45	3,049,270.88	3,099,583.85	7,298,496.00	7,968,498.00	8,700,006.00	9,498,667.00
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)													
Revenue	127,707.70	185,173.36	163,794.88	163,270.16	116,841.70	318,280.07	362,188.73	396,504.05	439,105.12	462,613.89	477,298.59	504,000.63	528,060.96
1. Gross Statutory Allocation ('gross' means with no deductions; do not inclu	18,938.82	26,342.69	39,504.33	38,254.84	31,490.88	39,674.56	39,674.56	43,096.00	47,999.00	50,966.00	52,240.15	53,650.63	55,206.50
1.a. of which Net Statutory Allocation ('net' means of deductions)	6,516.64	11,819.58	25,029.63	23,099.22	18,125.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	12,422.18	14,523.10	14,474.70	15,155.61	13,365.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	4,802.13	3,571.77	1,838.01	1,955.49	4,134.98	0.00	0.00	3,312.00	4,920.00	5,530.00	5,668.25	5,821.29	5,990.11
4. VAT Allocation	8,876.55	10,891.87	12,776.51	13,570.49	15,901.86	19,195.45	19,195.45	26,594.00	36,765.00	42,310.00	43,367.75	44,538.68	45,830.30
5. IGR	71,553.41	74,835.98	84,554.20	71,001.58	50,697.10	131,352.73	131,352.73	153,174.00	172,457.00	188,768.00	193,487.20	198,517.87	220,877.85
6. Capital Receipts	23,536.78	69,531.05	25,121.83	38,487.76	14,616.87	128,057.32	171,965.98	170,328.05	176,964.12	175,039.89	182,535.24	201,472.16	200,156.20
6.a. Grants	2,414.08	209.78	2,171.64	907.12	7,467.73	5,160.96	5,160.96	10,312.00	3,798.00	3,923.00	4,021.47	4,130.05	4,249.82
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	10,709.67	38,744.17	22,950.19	37,580.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbur	10,413.03	30,577.11	0.00	0.00	7,149.14	122,896.37	166,805.03	160,016.05	173,166.12	171,116.89	178,513.78	197,342.11	195,906.38
Expenditure	122,997.20	172,955.50	176,515.08	152,089.52	129,287.51	327,103.95	362,130.91	396,474.65	439,092.32	462,595.69	477,287.59	503,997.63	528,056.96
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	39,567.50	45,806.10	44,915.20	50,415.00	48,219.60	72,760.16	74,775.00	77,006.00	79,316.00	80,505.74	81,793.83	83,184.33	84,681.64
2. Overhead costs	30,436.70	37,169.80	36,176.50	36,965.42	33,960.00	75,116.64	70,209.00	70,560.00	77,084.00	78,240.26	79,492.10	80,843.47	82,298.65
3. Interest Payments (Public Debt Charges, including interests deducted from	8,911.70	11,104.70	11,540.60	20,408.70	9,066.20	6,288.40	18,922.21	34,162.15	44,053.62	56,199.40	65,953.28	72,057.07	77,586.81
3.a. of which Interest Payments (Public Debt Charges, excluding interests (	5,643.30	2,016.70	3,063.20	11,978.30	2,409.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	3,268.40	9,088.00	8,477.40	8,430.50	6,656.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure	40,188.80	73,213.20	76,430.17	35,418.30	30,486.50	162,363.05	177,738.00	194,110.00	213,829.00	217,036.44	220,509.02	224,257.67	228,294.31
6. Amortization (principal) payments	3,892.50	5,661.70	7,452.61	8,882.10	7,555.21	10,575.69	20,486.70	20,636.50	24,809.70	30,613.86	29,539.36	43,655.09	55,195.55
Budget Balance ('+' means surplus, '-' means deficit)	4,710.46	12,218.00	-12,720.13	11,180.73	-12,445.81	-8,823.87	57.83	29.40	12.80	18.20	11.00	3.00	4.00
Opening Cash and Bank Balance	5,916.39	10,626.86	22,844.86	10,124.73	21,305.46	8,859.64	35.77	93.60	123.00	135.80	154.00	165.00	168.00
Closing Cash and Bank Balance	10,626.86	22,844.86	10,124.73	21,305.46	8,859.64	35.77	93.60	123.00	135.80	154.00	165.00	168.00	172.00

Financing Needs and Sources (Million Naira)

Financing Needs						122,896.37	166,805.03	160,016.05	173,166.12	171,116.89	178,513.78	197,342.11	195,906.38	178,090.15	174,841.89
i. Primary balance						-114,856.15	-127,338.29	-105,188.00	-104,290.00	-84,285.43	-83,010.14	-81,626.95	-63,120.03	-27,805.91	-22,466.22
ii. Debt service						16,864.09	39,408.91	54,798.65	68,863.32	86,813.25	95,492.64	115,712.16	132,782.35	150,281.24	152,370.67
Amortizations						10,575.69	20,486.70	20,636.50	24,809.70	30,613.86	29,539.36	43,655.09	55,195.55	69,014.60	72,021.39
Interests						6,288.40	18,922.21	34,162.15	44,053.62	56,199.40	65,953.28	72,057.07	77,586.81	81,266.64	80,349.28
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-8,823.87	57.83	29.40	12.80	18.20	11.00	3.00	4.00	3.00	5.00
Financing Sources						122,896.37	166,805.03	160,016.05	173,166.12	171,116.89	178,513.78	197,342.11	195,906.38	178,090.15	174,841.89
i. Financing Sources Other than Borrowing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings						122,896.37	166,805.03	160,016.05	173,166.12	171,116.89	178,513.78	197,342.11	195,906.38	178,090.15	174,841.89
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	43,625.80	8,464.90	14,189.69	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						77,721.56	75,329.00	80,207.00	81,445.00	73,676.30	45,750.20	48,375.10	41,380.10	13,322.50	6,850.30
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						45,174.80	47,850.23	71,344.10	77,531.42	97,440.60	132,763.59	148,967.01	154,526.30	164,767.67	167,991.60
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.01	0.00	0.05	0.00	-0.01	-0.01	0.00	-0.02	-0.02	-0.01

Debt Stocks and Flows (Million Naira)

Debt (stock)	105,726.79	137,897.17	129,871.91	174,694.98	192,679.30	304,999.98	451,318.31	590,697.86	739,054.28	879,557.31	1,028,531.73	1,182,218.75	1,322,929.58	1,432,005.13	1,534,825.64
External	26,184.88	32,856.73	31,649.19	32,798.86	39,188.60	84,052.62	131,106.95	201,314.05	277,481.07	373,595.17	505,335.45	648,723.78	792,810.58	939,776.94	1,081,872.98
Domestic	79,541.91	105,040.45	98,222.72	141,896.12	153,490.70	220,947.36	320,211.36	389,383.81	461,573.21	505,962.15	523,196.27	533,494.96	530,119.00	492,228.20	452,952.66
Gross borrowing (flow)						122,896.37	166,805.03	160,016.05	173,166.12	171,116.89	178,513.78	197,342.11	195,906.38	178,090.15	174,841.89
External						45,174.80	47,850.23	71,344.10	77,531.42	97,440.60	132,763.59	148,967.01	154,526.30	164,767.67	167,991.60
Domestic						77,721.57	118,954.80	88,671.95	95,634.70	73,676.29	45,750.19	48,375.10	41,380.08	13,322.48	6,850.29
Amortizations (flow)	3,647.29	5,161.38	7,144.67	8,313.92	8,077.00	10,575.69	20,486.70	20,636.50	24,809.70	30,613.86	29,539.36	43,655.09	55,195.55	69,014.60	72,021.39
External	273.33	113.92	326.94	337.37	379.00	310.78	795.90	1,137.00	1,364.40	1,326.50	1,023.30	5,578.68	10,439.50	17,801.31	25,895.55
Domestic	3,373.96	5,047.47	6,817.73	7,976.55	7,698.00	10,264.91	19,690.80	19,499.50	23,445.30	29,287.36	28,516.06	38,076.41	44,756.04	51,213.29	46,125.83
Interests (flow)	7,836.51	9,932.62	9,816.96	9,827.53	8,446.40	6,288.40	18,922.21	34,162.15	44,053.62	56,199.40	65,953.28	72,057.07	77,586.81	81,266.64	80,349.28
External	108.12	93.64	133.02	104.17	151.60	303.20	1,168.80	2,125.80	3,552.68	5,065.41	7,052.12	9,707.39	12,596.39	15,500.86	18,429.58
Domestic	7,728.39	9,838.98	9,683.94	9,723.36	8,294.80	5,985.20	17,753.41	32,036.35	40,500.94	51,133.99	58,901.15	62,349.68	64,990.42	65,765.78	61,919.71
Net borrowing (gross borrowing minus amortizations)						112,320.68	146,318.33	139,379.55	148,356.42	140,503.03	148,974.41	153,687.02	140,710.83	109,075.55	102,820.50
External						44,864.02	47,054.33	70,207.10	76,167.02	96,114.10	131,740.29	143,388.33	144,086.79	146,966.36	142,096.04
Domestic						67,456.66	99,264.00	69,172.45	72,189.40	44,388.94	17,234.13	10,298.69	-3,375.96	-37,890.81	-39,275.54

Debt and Debt-Service Indicators

Debt Stock as % of SGDP	4.99	4.91	4.50	5.97	6.66	10.44	15.14	19.37	23.84	12.05	12.91	13.59	13.93	13.81	13.56
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	99.19	119.03	92.21	138.99	175.65	156.10	230.99	249.78	277.90	301.74	344.24	385.52	398.29	381.89	395.19
Debt Service as % of SGDP						0.58	1.32	1.80	2.22	1.19	1.20	1.33	1.40	1.45	1.35
Debt Service as % of Revenue (including grants and excluding other capital receipts)						8.63	20.17	23.17	25.89	29.78	31.96	37.73	39.98	40.08	39.23
Interest as % of SGDP						0.22	0.63	1.12	1.42	0.77	0.83	0.83	0.82	0.78	0.71
Interest as % of Revenue (including grants and excluding other capital receipts)						3.22	9.68	14.45	16.57	19.28	22.07	23.50	23.36	21.67	20.69
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						37.24	38.27	32.56	29.82	27.62	27.38	27.13	25.49	23.01	22.66

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2025

For Debt Stock as % of SGDP the adverse shock is: Expenditure	Expenditure										
Debt Stock as % of SGDP		10.44	16.22	21.64	27.44	14.22	15.53	16.63	17.35	17.58	17.65
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue										
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		156.10	267.77	298.56	340.09	377.22	437.80	497.67	522.77	512.19	541.83
For Debt Service as % of SGDP the adverse shock is: Historical	Historical										
Debt Service as % of SGDP		0.58	1.34	1.69	1.88	1.79	0.26	-6.40	-24.81	-85.67	-283.02
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is:	Revenue										
Debt Service as % of Revenue (including grants and excluding other capital receipts)		8.63	22.41	26.48	30.27	35.38	38.79	53.32	57.97	59.16	60.43
For Interest as % of SGDP the adverse shock is: Expenditure	Expenditure										
Interest as % of SGDP		0.22	0.63	1.21	1.60	0.89	0.99	1.02	1.04	1.03	0.99
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue										
Interest as % of Revenue (including grants and excluding other capital receipts)		3.22	10.76	16.79	19.90	23.71	27.80	30.42	31.07	29.77	29.77

Signature Page

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Date: 02-12-2021