



**STATE OF OSUN SOCIAL
BUDGETING STUDY AND FISCAL SPACE
ANALYSIS REPORT
(2008 - 2018)**



Social Budgeting Study Including Fiscal Space Analysis for the State of Osun





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Acronyms	Meaning
AAGR	Average Annual Growth Rate
AfDB	African Development Bank
BCC	Budget Call Circular
BPS	Budget Policy Statement
CAD	Consolidated Account Department
CAGR	Compound Annual Growth Rate
CCT	Conditional Cash Transfers
COICOP	Classification of Individual Consumption by Purpose
CPI	Consumer Price Index
CPR	Contraceptives Prevalence Rate
CRFC	Consolidated Revenue Funds Charges
CSO	Civil Society Organization
DFID	Departmental for International Development
DMO	Debt Management Office
DPRS	Department of Planning, Research and Statistics
EFU	Economic and Fiscal Update
EoDB	Ease of Doing Business
ERGP	Economic Recovery and Growth Plan
EXCO	State Executive Committee
FAAC	Federation Allocation Accounts Committee
FSP	Fiscal Strategic Paper
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
GEEP	Government Enterprise and Empowerment Programmes
GENCO	Generation Company
HDI	Human Development Index
HE	His Excellence
HMB	Health Management Board
HPR	HIV Prevalence Rate
ICT	Information Communication and Technology
IDA	International Development Assistance
IGR	Internally Generated Revenue
IMR	Infant Mortality Rate
IPSAS	International Public Sector Accounting Standards
JSS	Junior Secondary School
KPIs	Key Performance Indicators
LFN	Law of the Federation Nigeria
M&E	Monitoring and Evaluation
MDAs	Ministry, Department and Agencies
MEPB	Ministry of Economic Planning and Budget
MICS	Multiples Indicators Cluster Survey
MIS	Management Information System
MMR	Maternal Mortality Rate
MPI	Multidimensional Poverty Index
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NGOs	Non-Governmental Organisations

NMR	Neo-natal Mortality Rate
N-SIP	National Social Investment Programmes
OAuGS	Office of the Auditor General of the State
OAGS	Office of the Accountant General of the State
O-AMBULANCE	Osun Ambulance
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
OIRS	Osun Internal Revenue Service
O-MEALS	Osun Elementary School Feeding and Health Programme
OPHI	Oxford Poverty & Human Development Initiative
O-RAMP	Osun Road Access Mobility Project
O-YES Osun	Youth Empowerment Scheme
PEMFAR	Public Expenditure Management and Financial Accountability Review
PERs	Public Expenditure Reviews
PFM	Public Financial Management
PPP	Public Private Partnership
SBS	State Bureau of Statistics
SDGs	Sustainable Development Goals
SDP	State Development Plan
SHoA	State House of Assembly
SLOGOR	State and Local Governance Reform
SOM	Standard Operating Manual
SPB	Sector Performance Review
SSS	Senior Secondary School
TETFUNDS	Tertiary Education Trust Funds
UBE	Universal Basic Education
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
USD	United State Dollars
VAT	Value Added Tax
WASH	Water, Sanitation and Hygiene
WASHCOMS	Water, Sanitation and Hygiene Committees

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The report has been prepared by Taiwo Olaleye Ogundipe.

The views presented are solely those of the consultant, and should not be attributed to UNICEF or any other agency.

Executive Summary

The study for this report focused on analysing the social budgeting trends and practices by the State Government of Osun including what space may exist for fiscal expansion to mitigate poverty and address the needs of the most disadvantaged groups in the state, which included children, women and people with disabilities. Furthermore, the study examined the opportunities for the expansion of the various sources of revenues for simultaneous investment in the social sectors of the State's economy.

The researchers investigated the socio-economic conditions in Osun, highlighting the existing data on baseline developmental outcomes covering poverty, infant and maternal mortality as well as literacy and percentage of school children out of school. These indices served as a benchmark to measure and evaluate the various efforts of the state towards improving social-economic well-being of the people. Sequel to the above was the review of the Public Financial Management processes in the State which includes the M&E framework, the analyses of the public spending, with emphasis on the deviation between the planned and the actual spending on the key social sectors. The analysis of fiscal space focused on the main drivers of the revenue streams and State governments' efforts to strengthen all the sources of revenues available to the State, particularly the IGR which has shown steady improvement. Recommendations from this study highlight the low capacity of the critical personnel tasked with budgets in the State Ministries, Departments and Agencies with recommendations on the roles of government and development partners to improve the knowledge, skills and competences of the workforce. Summary of key findings include relatively modest allocations to the social sectors, poor quality data that made it difficult to correctly capture the actual spending to the social sector(s), the use of Consolidated Revenue Funds Charges (CRFC) which are not clearly specified, lack of functional framework for the management of ODAs, and the absence of State M&E framework.

Some of the key lessons learned in the project indicate the strengths in the state which include the availability of useful and comprehensive reports to guide the assignment, productive meetings to clarify issues and resolve challenges encountered during the work and the valuable role of UNICEF focal persons in the state with regards to the facilitation of data gathering and collections.

Some of the key recommendations were the imperative for a robust management information system (MIS) in order to have quality, comprehensive and regular data, strengthen Monitoring and Evaluation together with development and implementation of a robust Monitoring and Evaluation framework for effective results tracking and impact evaluation, increase in actual allocation to the social sector in order to improve the well-being of the citizens, improvement in the fiscal space to engender more revenue inflows into the coffers of the State treasury, urgent need for effective framework for the management of Overseas Development Assistance, and the deployment of resources to upscale capacity and competence of the personnel who will deliver quality service to the people.

Foreward

I feel honoured and privileged to write the foreword to this very significant document on Social Budgeting Study and Fiscal Space Analysis for the State of Osun. The document is as a result of commitment, hard work and a lot of critical thinking driven by passion of all relevant stakeholders in the State and UNICEF. The State of Osun recognises that social sector is germane to the growth and development of the State, hence, the State has put in place several programmes with intent mechanism to reduce citizens' social and economic risks and be able to cope better with the ever changing socio-economic environment. With growing globalization and international integration, the positive impacts of these programmes would be massive on the State Development, as envisioned in the State Development Plan (2019-2028). One of the key focus of the government policies and programmes in the State is to build the capacity of the marginalised and vulnerable group in the society paramount in the categories of women and children. In line with global and regional attention on the situation of women, children and other vulnerable groups in the society, the State Government of Osun has put in place a number of policies and programmes as well as specific targets to address the conditions of these groups in our society. A few of these policies and programmes are as follows:

- i. Child Protection Policy;
- ii. Osun Social Protection Policy and Law;
- iii. Osun Youth Employment Scheme (O-YES);
- iv. School Feeding Programme (O-MEAL);
- v. Osun Health Insurance Scheme;
- vi. Education Quality Assurance Policy;
- vii. Water, Sanitation and Hygiene Policy.

In a broader perception, the recent efforts of the State Government of Osun in producing the State Development Plan, further brought to the fore the commitment to “*leave no one behind*” as the State charts new ways to enhancing growth and development in the State, and ensuring that men, women, boys and girls, and all vulnerable groups benefit from emerging development process in the State and improve quality of lives. Thus, social protection stood out strongly as cross-cutting issues for all sectors, and to which the State must respond if the State Development Plan is to achieve its laudable goals and targets. It was unanimously agreed during the 2019 annual budget process that it is important for the government to make the groups at risk of exclusion, including women, children and vulnerable, central in her annual planning, budgeting and expenditures. Building a framework to respond to the foregoing therefore facilitated the need for 'Social Budgeting Study and Fiscal Space Analysis in the State with overarching sectoral performances and impacts over a period of time (2008 – 2018) Consequently, the findings through the study will influence appropriate planning, budgeting and expenditure in the MDAs with the social sector framework from 2021 and beyond. It would also assuring the continuation of social protection activities in the State for optimal performance.

It is instructive to mention that this document could have remained in the kernel without the support of UNICEF which provided technical and financial support for the Social Budgeting Study and Fiscal Space Analysis for the State, validation of the findings of the study, production of the final report and its dissemination. As the State of Osun duly appreciate support received so far from UNICEF, we also hope to receive more supports as we journey through the implementation of this document and strive to achieve its set goals.

**Professor Olalekan Yinusa,
Honourable Commissioner
Ministry of Economic Planning and Budget**

Chapter One: Introduction



SCHOOL FEEDING (O-MEAL)

1.1 Introduction

Budget is a fiscal process where resources are usually allocated among various competing needs by the government for the overall benefit of the citizenry and this is typically done on an annual basis in Nigeria. The aim of the study therefore is to improve current budgeting processes by increasing budgetary allocations to children, women and other vulnerable groups in the State of Osun. Addressing key causes of social investment insufficiency and ineffectiveness would enhance children's wellbeing and in general, improve social sector performance. More importantly, the study would provide significant information and analytical resource for civil society advocacy groups that are active in promoting the rights of children and other marginalized groups in the State.

1.2 Objectives of the Assessment

The study's overall objective is the analysis of the budgetary allocations to the social sectors, particularly to ensure more targeted budgeting for the children's wellbeing. It is expected that a quantitative and qualitative improvement of public spending in social sectors will occur, the fiscal space available for expansion will be identified to ensure better outcomes for children – especially the most marginalized.

1.3 Scope of the Analysis

Essentially, the focus of the study is to investigate how the government has deployed resources towards improving the well-being of the most vulnerable and disadvantaged groups in the State. The study explored whether actual allocations to these sectors have been sufficient between 2008 and 2018 when compared with the progress made by the State with respect to the implementation of government priorities and the Sustainable Development Goals (SDGs). A related part of the study examined the fiscal space (all revenues sources including loans and borrowings accruable to the State) and explored opportunities for increasing these flows with the hope of incrementally investing them in these sectors.

1.4 Justification

UNICEF Nigeria and the UNICEF Akure field office established in 2016 to cover the States of Edo, Ekiti, Ondo, Ogun, Osun and Oyo as part of the mission to ensure that child rights are attained, is looking to play a stronger role in transforming theory to practice in Public Finance Management through coordinated sectoral approach and support to the State governments. After four years of intensified support to State of Osun, the need to increase the dialogue, analysis and assessments of social sector budgets and existing fiscal space for State governments to implement programs focused on ensuring child rights across the public domain requires optimal investment, and an outlook consensus on way forward. This study in addition to others being implemented by development partners and international financial institutions is expected to support the way forward for effective and efficient budgeting for the social sectors to improve the living conditions and quality of life for children and women in the states especially for Osun.

1.5 Method of Study

The study identified critical political, economic, fiscal, structural and institutional factors that influence social budgeting in the State. The assessment involved

- Introductory meeting with relevant officials,
- Collection of data and documents,
- Key informant interviews and focus group discussions,
- review of documents and observations.

The interviews were designed to produce deeper insights on issues pertinent to understanding social budgeting in the State. Various documents collected from MDAs were analysed. Qualitative research techniques were used to gather perceptions on social budgeting. Budget data for the period 2008-2018 were analysed to identify concrete programs and projects implemented by the State and to equally evaluate developmental outcomes.

1.6 Limitations

The available data from the State Ministries, Departments and Agencies over the 2008-2018 period had quality issues and reflected the low capacity and non-prioritization of the budget units within the MDAs for trainings and knowledge of up-to date budgeting practices especially for data management. Largely the inability to correctly reclassify data belonging to each of sub-sector under social budgeting affected this study.

1.7 Quality and Reliability of Document

Secondary data from credible sources were gathered from the National Bureau of Statistics, and various donor agencies operating in Nigeria. Key among the data/document collected were the budget processes and funding sources; budget allocations, releases and expenditure; processes for MTEF; financing mechanisms, including potential fiscal space; political context; and institutional responsibility. These documents were triangulated for consistency and accuracy across board.

1.8 Structure of the Report

The report is structured into seven chapters. The first chapter is the introduction which included the objective of the study, scope of analysis, methodology and limitations among others. The second chapter deals with the macroeconomic and situational analysis comprising the history and people of the State, its demography, macroeconomic trends, social policy goals and targets, and policies, strategies and plans. The budget framework and the PFM system and analysis of public spending are discussed in the third and fourth chapters, respectively. Chapter five and six deal with the analysis of the fiscal space for social sectors and capacity gap analysis, respectively. While the summary of main findings, lessons learned and recommendations make up the final chapter of the report.

Chapter Two: Macroeconomic And Situational Analysis



ULTRA MODERN SCHOOL IN OSUN

2.1 History and People of Osun State

The State of Osun was created on 27th August 1991, when the administration of General Ibrahim Badamosi Babangida created nine States with “Osun” created out of old Oyo State and Osogbo as the capital ¹. The State of Osun has a fairly large population, which according to the 2006 National Population Census, was put at 3,416,959 ².

2.2 State Demographics

Estimated Population

According to the 2006 national population census, the population of the State of Osun was 3,416,959 but was estimated in 2018 to be 4,974,919, using the growth rate of 3.2 per annum ³. Table 1 shows that there were more males than females; the male representing 50.8 per cent of the total population in 2006. Furthermore, the population was predominantly youths as those aged 29 and below represented 67.5 per cent of the population ⁴.

Table 1: Distribution of the Population of the State of Osun 2006

Gender	Population	% of the Population
Male	1,734,149	50.8
Female	1,682,810	49.2
Total	3,416,959	100

¹ History (Osun State website) ; <http://osun.gov.ng/about/history/> downloaded on 27th October 2019

² People of State of Osun; <http://osun.gov.ng/about/people/>; downloaded on 27th October 2019

³ THE STATE OF OSUN DEVELOPMENT PLAN 2019 – 2028 (July 2018)

⁴ Ibid

Estimated Child Population

Based on the 2006 population, children (0–9 years) accounted for 846,964 or 24.8 percent of the total population while the older age groups accounted for 2,569,995 or 75.2 percent of the population (See Table 2 for details).

Table 2: Age Distribution of the Population (Child) of the State of Osun; 2006

<i>Age Bracket</i>	<i>Population</i>	<i>% of the Total Population</i>
0 – 9 years	846,964	24.8
10 – 80 + plus	2,569,995	75.2
Grand Total	3,416,959	100

2.3 Macro-economic Trends

2.3.1 State GDP and Income distribution

Available data from the National Bureau of Statistics (NBS) shows that the GDP for the State of Osun rose steadily from N986,178.85 million in 2013 to N1,469,983.47 million in 2017 based on current basic price [5](#). Please see table 3 for details.

Table 3: Gross Domestic Product At Current Basic Price (N' Million)

<i>Year</i>	<i>Population</i>
2013	986,178.85
2014	1,048,474.28
2015	1,128,292.96
2016	1,233,854.59
2017	1,469,983.47

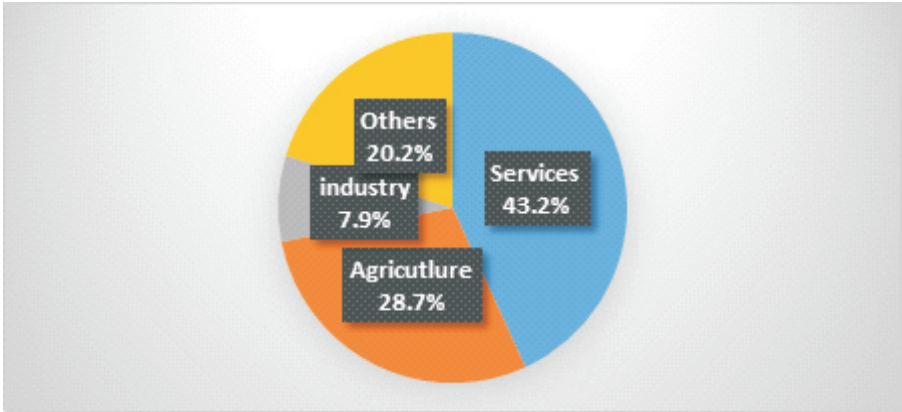
In terms of the GDP growth in the subsequent years, it was estimated that the GDP will grow by 1.9 percent, 2.1 percent and 2.0 percent in 2019, 2020 and 2021, respectively [6](#). In terms of sectoral contribution in 2017, services ranked first with a value of N634,418.97 (N' Million), accounting for 43.2 percent of the total [7](#). This was followed by agriculture, industry and others with N422,266.09 (N' Million), N116,671.77 (N' Million) and N296,626.64 accounting for 28.7 percent, 7.9 percent and 20.2 percent of the total, respectively [6](#). Please see Figure 1.

⁵ States Nominal Gross Domestic Product (2013 – 2017); National Bureau of Statistics

⁶ The State Of Osun Development Plan 2019 – 2028 (July 2018)

⁷ States Nominal Gross Domestic Product (2013 – 2017); National Bureau of Statistics

Figure 1: Sectoral Contribution to GDP in 2017



2.3.2 Inflation, Poverty and Unemployment Profile

In November 2019, the combined urban and rural State Consumer Price Index on a year-on-year basis was 4.2 percent while the month-on-month basis was 1.2 percent during the same reporting period ⁸. Reflecting the national trends, the percentage of residents living below poverty line in the State of Osun was 25.0 percent in 2017 ⁹. Based on the forecast in the State Development Plan, the percentage is expected to reduce to 20.0 percent between 2018 and 2020, 15.0 percent between 2021 and 2024 and 10.0 percent between 2025 and 2028 ¹⁰.

2.4 Trend in Social Indicators

The social development outcomes in the State of Osun is rather mixed when compared with the national average. The State of Osun performed well in some areas under the health sector while it underperformed in other areas ¹¹. For instance, the State outperformed the national indices in under 5 Mortality Rate and Maternal Mortality Rate (MMR). However, it underperformed when compared to national indices in Infant Mortality Rate, Neonatal Mortality Rate (NMR) and Contraceptives Prevalence Rate (CPR). See Table 4 for more details.

Table 4: Comparison between National and Osun Indices for Health related SDGs Targets

Description of Health Indices	National Indices	State of Osun Indices	SDG 2030 Targets
Infant Mortality Rate	75/100,000	78/100,000	70/100,000
Under 5 Mortality Rate	128/100,000	76/100,000	15/100,000
Maternal Mortality Ratio	156/100,000	165/100,000	70/100,000
Neonatal Mortality Rate (NMR)	75/100,000	78/100,000	70/100,000
Contraceptive Prevalence Rate (CPR)	15 Percent	22 Percent	100 Percent

Source: Multiple Indicator Cluster Survey 2016

⁸ National Bureau of Statistics; CPI and Inflation Report November 2019
⁹ State of Osun Development Plan (2019 – 2028)
¹⁰ Ibid
¹¹ The State Of Osun Development Plan 2019 – 2028

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2.5 Social Policy Goals and Targets

The State of Osun Development Plan (SDP) 2019–2028 encapsulates the developmental agenda of the government. The SDP was prepared after a very extensive consultations among the key stakeholders comprising the market women, trade unions, students' associations, professional bodies, parliament, and farmers groups.

In the SDP, the State of Osun has many policies that are currently being implemented, a few of which are itemised below:

- 1) Child Protection Policy;
- 2) Osun Social Protection Policy
- 3) Osun Youth Employment Scheme;
- 4) The School Feeding Policy;
- 5) Osun Ambulance Policy;
- 6) Osun Road Access Mobility Project; and
- 7) Opon Imo.

Chapter Three: Budget Framework And PFM System



INFRASTRUCTURAL DEVELOPMENT IN OSUN

3.1 Introduction

The State is under a legal obligation to make a budget ¹², which is a statement of income and expenditure and an indication of the State's expenditure priorities for the year. As an economic process, the budget converts the State Development Plans and priorities into a programme of actions. To be fully effective, budget and in general sense public expenditure management systems require four forms of fiscal and financial discipline:

- a) control of aggregate expenditure to ensure affordability; that is, consistency with the macroeconomic constraints;
- b) effective means for achieving a resource allocation that reflects expenditure policy priorities;
- c) efficient delivery of public services (productive efficiency); and
- d) minimization of the financial costs of budgetary management (i.e., efficient budget execution and cash and debt management practices).

3.2 The Budget Process

In the State of Osun, the budget process follows six iterative stages as presented in Table 5.

¹² See sections 80 and 81 of the Constitution of the Federal Republic of Nigeria 1999 requiring authorisation of public expenditure by the legislature.

Table 5 : Six Iterative Stages of the Budget Process

S/N	Process	Key elements
1	Policy Review	<ul style="list-style-type: none"> • Annual evaluation of the results of the public expenditure to facilitate the updating of the policies and plans • Analyses of budgetary allocations and releases to various sectors and MDAs • Review of the performance of each sector priorities, targets, key performance indicators • Review of cross sector collaborations
2	Strategic Planning	<ul style="list-style-type: none"> • Prepare the Medium-Term Expenditure Framework (MTEF) • Prepare the Medium-Term Sector Strategies (MTSS)
3	Budget Preparation	<ul style="list-style-type: none"> • High level budget political engagement and stakeholders' consultations comprising the Executive Council, Ministry of Economic Planning and Budget (MEPB)) and sector Ministries, Departments and Agencies (MDAs) • Issuance of the budget call circular (BCC) by MEPBD to all MDAs • Preparation of the Budget Proposals by Spending MDAs. • Capital projects performance Indicator • Capital Projects Priority Schedule • Function, Programme and Gencode (location) of each of the Capital Project • Review of Budget Proposals by MEPB. • Bilateral Discussion/Pre-Treasury Board Meeting. • Review of MDAs performance indicators and method of measuring output and outcome to ensure consistency with State Government of Osun approved system. • Consolidation of Annual Budget • Consideration of Draft Budget Estimates by the EXCO • Presentation of Draft Budget to House of Assembly • Review and Approval by the House of Assembly • Assent by the Governor – Governor appending his signature to pass the bill to make it a law • Public Presentation and Analysis
4	Budget Execution	<ul style="list-style-type: none"> • Adequate planning of budget execution to control and ensure that actual expenditures are as provided in the approved budget • Issuance of expenditure warrants • Procurement • Release of funds, accounting and reporting

<i>S/N</i>	<i>Process</i>	<i>Key elements</i>
5	Accounting and Monitoring	<ul style="list-style-type: none"> • Proper recording of all transactions in line with the extant laws and international best practice • Ascertain the actual performance numbers for revenue and expenditure periodically – monthly, quarterly, half-yearly and yearly • Ensure the effectiveness, efficiency, relevance and impact of the budget activities and projects • Monitoring of capital activities and projects
6	Reporting and Audit	<ul style="list-style-type: none"> • Detailed budget performance review – monthly, quarterly, annual analysis

3.3 Laws and Regulations Governing Osun State Budget

The budget as a fiscal and legal document is governed and guided by many laws including the following:

- i. The 1999 constitution of the Federal Republic of Nigeria (as amended);
- ii. Public Administration Law Cap. 133 of the Laws of Osun State of Nigeria 2002;
- iii. Osun State Pension Law 2008;
- iv. State Government of Osun Financial Regulation;
- v. The State Fiscal Responsibility Law 2015;
- vi. The State Public Procurement Law 2015;
- vii. Omoluabi Conservative Law 2012;
- viii. Osun State Public Service Rules;
- ix. State of Osun Medium Term Sector Strategies (MTSS) Preparation Guide 2018;
- x. State of Osun Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP); and Budget Policy Statement (BPS) Manual 2018;
- xi. State of Osun Budget Codes and Chart of Accounts Manual 2018;
- xii. State of Osun Monitoring and Evaluation Framework Tools;
- xiii. State of Osun Development Plan (2019 – 2028) and
- xiv. State policy on Child and Women

3.4 Medium-Term Fiscal Planning

In the State, MTEF preparation is done by the Planning Department in collaboration with Accountant-General's Office, Debt Management Office (DMO), Bureau of Statistics, Osun Internal Revenue Service (OIRS) and Budget Department. The draft is then forwarded to the House of Assembly for passage and back to the Ministry of Economic Planning and Budget for ceiling to be given to the sectors for budget preparation in accordance with the prioritised projects in the MTSS. [13](#)

The following are the key processes around a successful MTEF:

- Top down estimate of total resources available for public spending;
- A bottom up costing of sector programmes;
- A reconciliation of needs with resources allocated to sectors; and
- A process to ensure that annual budget submissions and budget execution reflect agreed medium term plans.

¹³ State of Osun Budget Manual October 2018

With respect to assumptions underlying the MTEF's sectoral budget allocations, the State follows the steps listed below:

- Realistic macroeconomic projections of total available resources are carried out.
- Sectors ceiling/resource envelopes consistent with available resources are done;
- Government policy priorities for the medium-term period [14](#) are considered – policy statement of the Governor as contained in his or her manifesto;
- Citizens Need Assessment Survey is carried out and the feedback from the stakeholders are factored into the MTEF process;
- The report of the “Thank You Tour” of the Governor to all nooks and crannies of the State is equally a critical input in the process ; and
- The MEPB disaggregates sector envelopes to guide the preparation of budget proposals based on available resources.

Weakness of the MTEF Process

- The following are some drawbacks of the MTEF process in the State:
- Low involvement of relevant organised private sectors, civil society organisations and non-governmental organisations [15](#) ;
- Integrated Financial Management Information System (SIFMIS) is an on-going process in the State ; and
- Inadequate capacity by the personnel to correctly estimate the revenue streams to fund the various programmes and projects in the MTSS.

3.5 Key Players in the Budget Process

The key players in the State's budget process include:

- Executive Governor of the State;
- State Executive Council (EXCO);
- State House of Assembly (SHoA);
- Ministry of Economic Planning and Budget;
- All other MDAs;
- CSOs and other Stakeholders; and
- The general public.

The budget process is highly participatory and consultative in the State as contained in the budget manual [16](#). Some of the steps taken are itemised below:

- Citizens' needs assessment was carried out in all the Local Government Areas of the State to elicit responses from the citizens in terms of their needs and expectation. This was supported by DFID/PERL in recent time.;
- The draft budget is taken back to the three senatorial districts for peoples input before the final passage by the State House of Assembly; and
- The four critical budget process (drafting, legislative approval, implementation and monitoring/evaluation) are opened to the CSOs and the general public.
- However, much still needs to be done to improve the budget process for the funding of the social sectors.
- Budget is an annual ritual the performance targets should be properly defined and more realistic [17](#).
- Reliable and timely data still remains a big challenge for budget preparation and monitoring/evaluation.
- The monitoring and evaluation process is episodic and largely uncoordinated which could not produce reliable report on the achievements of the budget in relation to targets

¹⁴ State of Osun Fiscal Responsibility Law, 2012 - section 11 - 18

¹⁵ Report of the Partnership for Public Expenditure Management and Financial Accountability Review (PFMFAR) 2010

¹⁶ State of Osun Budget Manual 2018

¹⁷ Ibid

- The dependence of the State on the federal allocation which is largely unreliable and unstable has adversely affected the performance of the State budget.
- Improvement on data gathering mechanism for budget preparation and monitoring/evaluation
- The State can improve on IGR.

3.6 Institutional Framework for Planning and Budgeting

The Ministry of Economic Planning and Budget (MEPB) coordinate both the budget and the planning unlike in some other States where the functions are housed in different MDAs.. While the Director of Budget in the MEPB is responsible for the recurrent expenditure, the Director of Planning in the same ministry manages the capital expenditure (projects). For the capital expenditure, only projects within the envelope in the MTSS are provided for in the budget proposal. Table 6 details out the budget cycle in the State of Osun.

Table 6: Budget Cycle in the State of Osun

<i>S/n</i>	<i>Stage</i>	<i>Timeline</i>	<i>Responsibility</i>
1	Annual sector performance review	March to May	Sectors with the support from MEPB
2	Preparation of EFU-FSP-BPS Document	May to June	EFU-FSP-BPS Preparation Team
3	Review and Rollover of MTSS	May to June	Sectors with support from MEPB
4	Submission of EFU-FSP-BPS and updated MTSS to EXCO for review and Approval	July	MEPB
5	Submission of EFU-FSP-BPS to House of Assembly and Political Engagement	July	MEPB after EXCO Approval
6	Stakeholder Consultation (MDAs, CSO's, other stakeholders)	July	MEPB
7	Issuance of Budget Call Circular with Capital Expenditure and Recurrent Envelopes	July	MEPB
8	Preparation and submission of MDA Budget Proposals	August/ September	MDAs
9	Bilateral Discussions/Pre-Treasury Board Meeting and Defence	September	Budget committee
10	Collation and consolidation of MDA Budget proposals	September	MDA's
11	Treasury Board Meeting and Defence by MDAs	September	Budget Committee

<i>S/n</i>	<i>Stage</i>	<i>Timeline</i>	<i>Responsibility</i>
12	EXCO Consideration and Approval of Draft Budget	October	EXCO
13	Presentation of Draft Budget to the State House of Assembly	October	HE, The Governor
14	Budget Defence by MDAs before the House of Assembly	November	House of Assembly
15	Debate and Approval of Budget by House of Assembly	December	House of Assembly
16	H.E. The Governor's Assent	December	H.E. The Governor

3.7 Monitoring and Evaluation Arrangement

Presently, the State of Osun have an on-going M&E system as most government policies, programmes and projects are subjected to monitoring and evaluation process.

However, this has been recognised by the government and efforts are being made to strengthening the use of monitoring and evaluation to consider and report performance of objectives and targets including input, activity, output, outcome and impact [18](#). There is a strong intention of the government to upgrade and sustain an M&E framework in line with global best practice. The government made commitment to improve monitoring and evaluation by ensuring MDAs have M&E structure as contained in the SDP [19](#). (Please see Table 7 for details).

Table 7: Projected Percentage of MDA to have M&E Process

<i>Year</i>	<i>percent of MDAs with M&E Process (Projected)</i>
2017 (baseline)	10
2019 – 2021	20
2021 – 2024	30
2025 – 2028	40

Source: *The State of Osun Development Plan (2019 – 2028)*

¹⁸ State of Osun Budget Manual, State Government of Osun (October 2018)

¹⁹State Government of Osun; State of Osun Development Plan (2019 – 2028); Ministry of Economic Planning, Budget and Development

Chapter Four: Analysis of Public Spending



MODERN HEALTH FACILITY IN OSUN

4.1 Introduction

The Budget is typically a comprehensive document that outlines what economic and non-economic activities the government wants to undertake with special focus on policies, objectives and strategies for accomplishments that are substantiated with revenue and expenditure projections [20](#). In short, what a budget does is to translate government agenda, priorities and policy directions into actionable process subject to availability of revenue [21](#).

4.2 Overview of State Budget Performance

4.2.1. Profile of Budgeted and Actual Revenue (2008 – 2018)

Due to the unrealistic forecast of sources of revenue for budget preparation, the budget outcomes revealed a wide deviation between budgeted and the actual revenues collected by the State, indicating performance level of 55.85 percent. The highest performance level occurred in other income (463.42 percent) and Federal allocations (91.76 percent). However, the lowest performance level of 14.92 percent was recorded in Capital Receipt (Grants and Aids). The ostensibly high-performance level in other incomes can be due to the poor data quality which seriously inhibits the separation of some items under other income to their correct groups (see Table 8 for more details).

²⁰ Uguh, S.C And Ukpere, W.I. (2009): "Problems And Prospects Of Budgeting And Budget Implementation In Local Government System In Nigeria". African Journal of Business Management. Vol3, No.12

²¹ Jadranka, D.T. And Marina, D. (2009): "The Importance of Public Expenditure Management In Modern Budget System"; Facta Universitatis. Vol.6, No.3.

Table 8: Profile of Estimated and Actual Revenue, N' Million (2008 - 2018)

	<i>Federal Allocations</i>	<i>Internally Generated Revenue</i>	<i>Capital Receipts</i>	<i>Loans / Borrowings</i>	<i>Other Incomes</i>	<i>Total Revenue</i>
Estimated	494,454.82	504,220.66	595,271.01	41,556.93	30,483.47	1,665,986.88
Actual	453,690.89	123,060.57	88,791.51	123,707.95	141,267.30	930,518.22
Variance	(40,763.93)	(381,160.09)	(506,479.50)	82,151.02	110,783.83	(735,468.66)
Percentage of Performance	91.76%	24.41%	14.92%	297.68%	463.42%	55.85%

Source: Various Budget Documents from the Accountant General of the State

4.2.2 Budgeted and Actual Expenditure (2008 – 2018)

The budget of the State has not been realistic given the wide deviation between the budgeted and the actual expenditure across board. For instance, total expenditure recorded a performance level of 54.77 percent while capital expenditure has the lowest performance of 33.49 percent. The above deviations, no doubt, was triggered by the unrealistic forecast of the various revenue sources (Please see Table 9 for details).

Table 9: Profile of Budgeted and Actual Expenditure, N' Million (2008 - 2018):

	<i>Recurrent</i>	<i>Capital</i>	<i>Total Expenditure</i>	<i>Percent of Recurrent</i>	<i>Percent of Capital</i>
Estimated	735,959.15	920,645.29	1,656,604.44	44.43%	55.57%
Actual	599,000.86	308,357.24	907,358.10	66.02%	33.98%
Variance	136,958.29	612,288.05	749,246.34	18.28%	81.72%
Percentage of Performance	81.39%	33.49%	54.77%		

Source: Various Budget Documents from the Office of the Accountant-General of the State

Source: Various Budget Documents from the Accountant General of the State

4.3 Allocation of Funds Across Various Sectors (2008 – 2018)

Allocation to education was the highest with cumulative figure of N196,369.10 billion in the period under review. This translated to 62.55 percent and 21.64 percent of total allocation to the social sector and total expenditure, respectively. Health came second with a cumulative allocation of N52,048.19 billion, representing 16.58 percent and 5.74 percent of total allocation to social sector and total expenditure, respectively. WASH came third with N33,855.93 billion, representing 10.78 percent and 3.73 percent of total allocation to social sector and total expenditure, respectively.

Others are Environmental Protection and Social Protection accounting for N16,327.23 billion and N15,319.83 billion or 5.20 percent and 4.88 percent of total allocation to the social sector as well as 1.80 percent and 1.69 percent of total expenditure, respectively (Please see table 10 for more details).

Table 10: Allocation of Funds Across Various Sectors N' Million (2008 - 2018)

SOCIAL SECTOR	Actual Allocations (N' Millions)	Percentage of Total (Social Sector)	Percentage of Total Expenditure
EDUCATION	196,369.10	62.55%	21.64%
HEALTH	52,048.19	16.58%	5.74%
ENVIRONMENTAL PROTECTION - OTHERS	16,327.23	5.20%	1.80%
ENVIRONMENTAL PROTECTION - WASH	33,855.93	10.78%	3.73%
SOCIAL PROTECTION	15,319.83	4.88%	1.69%
Total Social Spending	313,920.29		34.60%
Total Expenditure	907,358.10		34.60%

Source: Various Budget Documents from the Accountant General of the State

In summary, the state allocated N313,920.29 billion to the social sector out of the total actual spending of N907,358.10 billion, representing 34.6 percent of the total expenditure for the period under review. The huge outlay to the social sector reflects the strong commitment of the State Government to improve the Human Development Index of the State through the implementation of various programmes and projects. Some of the key programmes implemented within the period are

- Osun State Youth Employment Scheme (O-YES);
- School Feeding Programme (O-MEAL);
- Osun Ambulance (O-AMBULANCE);
- Osun Road Access Mobility Project (O-RAMP);
- O' Clean and O' Clean+ Programmes;
- Igi-lye Programme;
- Water, Sanitation and Hygiene Committees (WASHCOMS); and
- Osun Health Insurance Scheme.

Most of these initiatives and programmes have yielded positive results as the State got some recognition from both local and international donors and partners. First, State Government of Osun maintained the 2nd position after Lagos in the Global Multidimensional Poverty Index (MPI) released by the Oxford Poverty & Human Development Initiative (OPHI) for the year 2016 [22](#). Second, the State ranked second in human capital on Nigeria's first sub-national competitiveness index [23](#).

²² Vanguard (November 13, 2017); Osun ranks second in human capital on Nigeria's first sub-national competitiveness index

²³ Ibid

The huge financial outlay by the State Government of Osun recorded a slight impact on the Human Development Index (HDI) [24](#). As Table 11 indicated, the State recorded some positive achievements in areas such as:

- Literacy rate from 80.0 percent in 2017 to 82.0 percent in 2018;
- Stunting rate from 23.8 percent in 2014 to 21.8 percent in 2018;
- Underweight from 23.5 percent in 2017 to 18.7 percent in 2018; and
- Wasting rate from 8.0 percent in 2017 to 6.3 percent in 2018.

Table 11: State of Osun Human Development Indices and Basic Macro-economic Indicators

S/n	Index/Indicator	2008	2013	2017	2018
1	Life Expectancy at Birth		52.1		52
2	GDP per Capita			2,563.10	
3	Literacy Rate (percent)			80	82
4	Unemployment Rate	12.4	3	6.7	6.7
5	Immunisation Coverage (percent)		55.3	50.2	50.2
6	Fertility Rate (Women 15 – 49 years)			5.8	5.9
7	Infant Mortality Rate (per 1000)		40	69.8	78
8	Under 5 Mortality Rate (Per 1000)		56		101
9	Stunting Rate	20.5 (2013)	23.8 (2014)		21.8
10	Underweight percent	17.4 (2014)	14 (2015)	23.5	18.7
11	Wasting Rate (percent)	11.1 (2013)	9 (2014)	8.0	6.3

Source: State of Osun Development Plans

In spite of the above positive outcomes, the State needs to invest more resources in the social sector generally in order to achieve the SDGs.

4.4 Budget Requests, Ceilings and Allocation

The practice in the state is that Budget Call Circular with Recurrent and Capital Expenditure “envelope” would be given to all MDAs for them to allocate funds to their various programmes and projects. For Capital Expenditure, all programmes and projects must have been approved in the MTSS in order to ensure alignment between the annual budget document and the medium-term planning framework. For all intents and purposes, the envelope given to the MDAs also serves as the budget ceiling for all their programmes and projects during the particular budget year and this serves as one of the most important thresholds for budgetary control, transparency and accountability.

²⁴ State Government of Osun; State of Osun Development Plan (2019 – 2028); Ministry of Economic Planning, Budget and Development

4.5 Distribution of Social Spending

The cumulative expenditure for the social sector was N313,920.29 billion between 2008 and 2018. Out of this, education received the highest amount of N196,369.10 billion or 62.55 percent. This was followed by health with N52,048.19 billion or 16.58 percent. Others in ranking were WASH with N33,855.93 billion or 10.78 percent of the total while Environmental Protection is N16,327.23 billion or 5.20 percent and N15,319.83 billion or 4.88 percent went to Social Protection. Due to paucity of data, information relating to nutrition [25](#) and child protection could not be compiled and analyzed (Please see Table 12 and Figure 2 for more details).

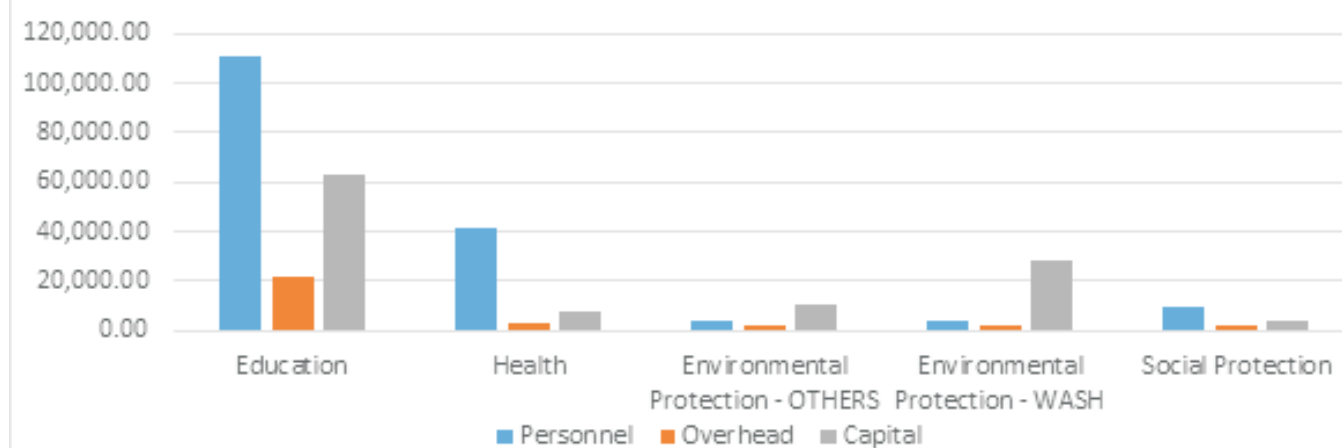
Table 12: Composition of Allocation to the Social Sector, N' Million (2008 - 2018)

	<i>Education</i>	<i>Health</i>	<i>Environmental Protection - OTHERS</i>	<i>Environmental Protection - WASH</i>	<i>Social Protection</i>	<i>Total</i>
Personnel	111,136.21	41,260.47	3,872.31	3,827.15	9,748.82	169,844.96
Overhead	22,159.33	3,033.43	1,749.63	1,913.51	1,965.90	30,821.81
Capital	63,073.56	7,754.29	10,705.29	28,115.27	3,605.11	113,253.52
Total	196,369.10	52,048.19	16,327.23	33,855.93	15,319.83	313,920.29
Percent of the Total	62.55%	16.58%	5.20%	10.78%	4.88%	100.00%

Source: Various Budget Documents from the Accountant General of the State

In terms of components, personnel cost dominated the total allocation with N169,844.96 billion or 54.10 percent, followed by capital expenditure with N113,253.52 billion or 36.10 percent and then overhead with N30,821.81 billion or 9.80 percent.

Figure 2 : Composition of Social Sector Allocation N' Million (2008 - 2018)



Source: Various Budget Documents from the Accountant general of the State

²⁵ There was only one figure for nutrition (O-MEAL for N1.88 billion in 2016) in the period under review but it has been merged with Education to ensure consistency across board

While this might be excusable and justified for social protection which involved payment of pension to retirees and the conditional cash transfers (CCT) to the poor and the unemployed people, the case is not true for health and education.

However, WASH recorded more capital spending compared to the recurrent component of the expenditure. Under WASH, the ratio of capital to recurrent was more than 4:1, signifying the strong commitment of the government to improve the water, sanitation and hygiene conditions of the people (see Table 12 for details). Due to the cross-cutting nature of WASH, education and health, the government should prioritize capital budget to strengthen the synergies among the three sub-sectors for impactful and holistic results.

4.6 Budget Allocations and Releases

Due to paucity of the data, it was not possible to ascertain if funds released to the MDAs were cash-backed, utilised and adequate. The reports from OAGS and OAuGS only indicated estimated/approved budget and actual expenditure for the period under review. It was curious to observe from available reports reasonable cash balances with MDAs (in most cases) at the end of each fiscal year.

4.7 Factors Responsible for Mismatches between Allocations and Expenditures

Below are some of the reasons for the mismatch between allocations and expenditures:

- a) Inaccurate forecasting of revenue streams by various MDAs.
- b) Improper costing of projects.
- c) Flippant virement of expenditure from the original purpose, project or programme will create mismatch between the funds allocated to that initial programmes and the actual expenditure;
- d) Weak revenue flows have also been adduced as one of the major sources of the mismatch

4.8 Availability and Quality of Social Budget Data

Largely, data for social sector budget in the State of Osun were available in hardcopies which made it easier to have a detailed report about the activities of the state government. However, data for some years could not be obtained from the OAGS and OAuGS as well as some MDAs. Apart from the proper identification and correct classification of activities (line items) in some sub sectors such as education and health, effort was made to identify and regroup sectors such as water and sanitation and social protection in order to have a fairly good and comparable data for each sub sector.

In some instances, this study was unable to identify line-items that substantially relate to child protection and nutrition in spite of the fact that the State of Osun has O-MEAL that provides feeding to school students

Another challenge is the absence of consistency in the data presentation in the various reports collected from the State. Different formats and templates for the various key social budgeting reports posed great challenge in terms of getting a credible, reliable and consistent trends for the data.

The reports from the Office of the Accountant General of the State (OAGS) and the Office of the Auditor General of the State (OAuGS) do not have breakdown of payment value in terms of amount cash-backed, released and utilised.

Again, absence of a central repository for data collection, compilation and presentation has not helped in getting a credible and accurate data from the State. The State's Bureau of Statistics has very limited equipment such as computers, printers, scanners and other digital devices for seamless operations. Generally, the weaknesses of the current data system include insufficient staffing, inadequate project monitoring vehicles and ICT equipment, and non-passage of the State Statistical Bill into law [26](#).

²⁶ Osun State Government (July 2019); 2020 – 2022 Medium Term Sector Strategy (MTSS) ; Planning and Budget Sector

4.9 Realism and Challenges of Budget Allocations in Achieving Social Rights

Budget credibility is used to mean the degree of deviation between planned and actual spending over a 12-month period, rather than relating it to the concepts of legitimacy or technical appropriateness.

Generally, a maximally credible budget would have no deviation from plan over the course of a year.

However, even in countries with the most capable and advanced budget systems, this is rarely – if ever – the case. In the best of situation, even the best-designed budget will deviate from plan to a certain degree as day-to-day amendments are made in the face of shifting realities

4.10 Budget Realism in the State of Osun

Revenue Profile

The projected revenue for the State of Osun when compared with the actual collected revenues shows performance of 55.85 percent in the period under review. The worst performance level of 36.84 percent occurred in 2014 when the total actual revenue underperformed by N 148,070.13 (see Table 13 for details).

Table 13: Profile of Budgeted and Actual Expenditure, N' Million (2008 - 2018):

<i>Year</i>	<i>Estimated Total Revenue</i>	<i>Actual Total Revenue</i>	<i>Variance</i>	<i>Percent of Performance</i>
2008	62,827.43	46,502.12	16,325.31	74.02%
2009	98,093.94	41,182.72	56,911.22	41.98%
2010	114,489.75	62,560.75	51,929.00	54.64%
2011	102,864.63	76,151.84	26,712.79	74.03%
2012	150,124.62	129,575.75	20,548.87	86.31%
2013	234,269.31	118,293.26	115,976.05	50.49%
2014	234,420.42	86,350.29	148,070.13	36.84%
2015	201,740.36	85,958.55	115,781.81	42.61%
2016	146,632.75	93,085.09	53,547.66	63.48%
2017	179,247.54	99,307.72	79,939.82	55.40%
2018	201,740.36	85,958.55	115,781.81	42.61%
Total	1,665,986.88	930,518.22	735,468.66	55.85%

Source: Various Budget Documents from the Accountant General of the State

The marked variance of N735,468.66 billion in the revenue flows was due to the high unpredictability of revenue sources such as Grants and Aids, IGR and Federation allocations. Conversely, sources such as loans/borrowing and other incomes exhibited low variance largely due to the ability and proactiveness of the State in the accessing these sources of revenues for augmentation during the period under review.

The expenditure profile in Osun mirrors the trends in actual revenue collected as the cumulative actual expenditure of N907,358.10 billion fell below the planned expenditure of N1,656,604.44 billion, indicating an average performance level of 54.77 percent. The most volatile period was in 2014 when the performance level was 39.08 percent (see Table 14 for more details).

Table 14: Profile of Expenditure Patterns N' Million (Planned against Actual)

Table 14: Profile of Expenditure Streams ₦"Million (Planned against Actual)

<i>Year</i>	<i>Estimated Total Revenue</i>	<i>Actual Total Revenue</i>	<i>Variance</i>	<i>Percent of Performance</i>
2008	53,266.70	44,184.62	9,082.08	82.95%
2009	98,176.87	42,939.97	55,236.90	43.74%
2010	114,489.75	50,584.84	63,904.91	44.18%
2011	102,934.63	59,765.59	43,169.04	58.06%
2012	150,124.62	108,050.79	42,073.84	71.97%
2013	234,269.31	141,014.61	93,279.70	60.19%
2014	234,420.42	91,609.16	142,811.26	39.08%
2015	201,740.36	84,836.54	116,904.18	42.05%
2016	146,632.75	89,460.74	51,815.38	63.32%
2017	146,632.75	89,249.13	57,383.62	60.87%
2018	179,247.54	105,662.11	73,585.43	58.95%
	1,656,604.44	907,358.10	749,246.34	54.77%

Source: Various Budget Documents from the Accountant General of the State

The share of recurrent expenditure significantly exceeded capital expenditure approximately by the ratio of 2:1. While the cumulative share of recurrent expenditure stood at 66.02 percent, capital expenditure accounted for the balance of 33.98 percent in the period under review. However, capital expenditure overshoot recurrent expenditure in 2013 when the former accounted for 58.14 percent of the total expenditure. It is noteworthy that capital expenditure was lowest in 2018 with a share of 17.38 percent of the total expenditure. (Details in Table 15 below)

Table 15: Share of Actual Recurrent and Capital Expenditure N' Million (2008 - 2018)

<i>Year</i>	<i>Recurrent</i>	<i>Capital</i>	<i>Total Expenditure</i>	<i>Percent of Recurrent</i>	<i>Percent of Capital</i>
2008	26,366.21	17,818.41	44,184.62	59.67%	40.33%
2009	29,039.43	13,900.54	42,939.97	67.63%	32.37%
2010	30,905.63	19,679.21	50,584.84	61.10%	38.90%
2011	43,411.76	16,353.83	59,765.59	72.64%	27.36%
2012	61,552.41	46,498.38	108,050.79	56.97%	43.03%
2013	59,024.81	81,989.80	141,014.61	41.86%	58.14%
2014	68,041.17	23,567.99	91,609.16	74.27%	25.73%
2015	66,912.02	17,924.52	84,836.54	78.87%	21.13%
2016	61,101.50	28,359.24	89,460.74	68.30%	31.70%
2017	65,346.66	23,902.47	89,249.13	73.22%	26.78%
2018	87,299.26	18,362.85	105,662.11	82.62%	17.38%
Total	599,000.86	308,357.24	907,358.10	66.02%	33.98%

Source: Various Budget Documents from the Accountant General of the State

4.11 Impact on the Social Sector

The State budget practices showing sharp variance between estimate and actual creates a negative impact on spending in the social sectors. Between 2008 and 2018, the performance of the allocation to the social sectors was 60.66 percent. On a yearly trend, the highest performance of 86.85 percent was recorded in 2008 while the lowest performance of 46.57 percent was recorded in 2014 (Please see Table 16 for details).

Table 16: Deviation of Spending in Social Sectors N' Million (2008 - 2018)

<i>Year</i>	<i>Estimated</i>	<i>Actual Total</i>	<i>Variance</i>	<i>Percent of Performance</i>
2008	18,207.28	15,812.20	2,395.07	86.85%
2009	23,281.02	16,435.39	6,845.63	70.60%
2010	30,720.31	20,519.65	10,200.66	66.80%
2011	32,306.74	21,409.85	10,896.88	66.27%
2012	47,810.28	32,293.73	15,516.55	67.55%
2013	59,878.69	34,161.39	25,717.31	57.05%
2014	59,803.24	27,852.50	31,950.75	46.57%
2015	55,924.56	30,314.06	25,610.49	54.21%
2016	45,229.15	26,684.00	18,545.15	59.00%
2017	40,822.46	22,509.03	18,313.43	55.14%
2018	47,710.55	32,072.55	15,638.00	67.22%
Total	461,694.28	280,064.36	181,629.92	60.66%

Source: Various Budget Documents from the Accountant General of the State

Chapter 5: Fiscal Space Analysis For Social Sector



O-AMBULANCE IN OSUN

5.1 Sources of Finance

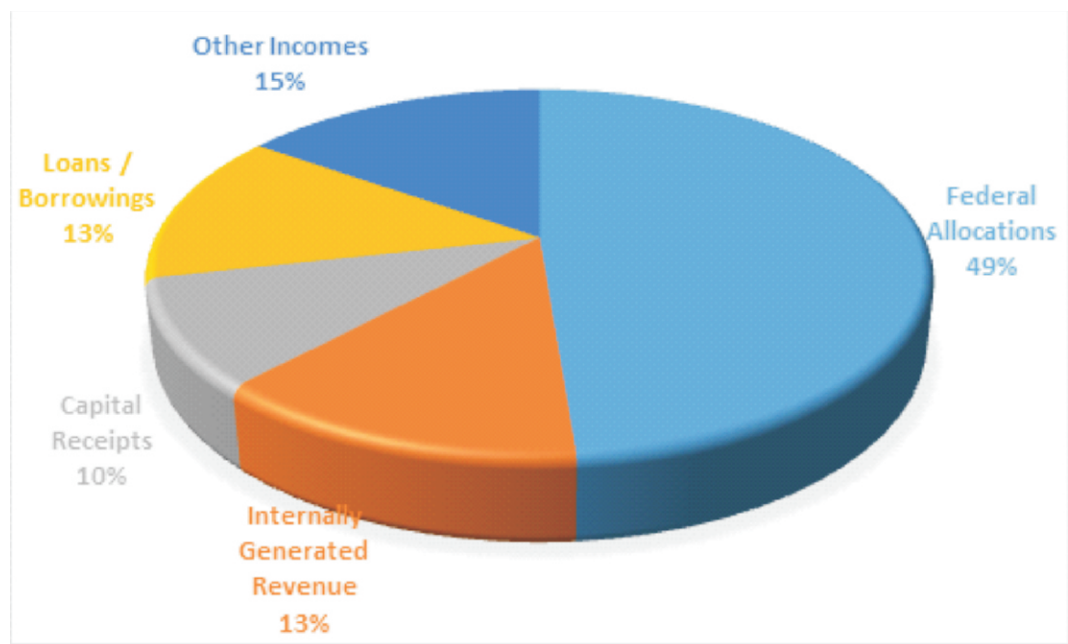
There are three major sources of revenue for the budget of the State Government of Osun: Federal Allocations, internally generated revenue and capital receipts. Other sources include Loans, Grants from development agencies. The Federation Accounts Allocation Committee (FAAC) allocation accounted for the highest cumulative value of N453,690.89 billion or 48.80 percentage of the total revenue in the period under review. This was followed by Other Incomes (sundry flows that are of different character) of N141,267.30 billion or 15.20 percent, Internally Generated Revenue (IGR) of N123,060.57 billion or 13.20 percent and Capital Receipts of N88,791.51 billion or 9.50 percent. The balance was sourced from loans and borrowings which stood at N123,707.95 billion or 13.30 percent of the total revenue (see Table 17 and Figure 3 for more details)

Table 17: Cumulative Revenue Sources for State of Osun, N' Million (2008 – 2018)

S/n	Types of Revenue	Total
1	Federal Allocations	453,690.89
2	Internally Generated Revenue	123,060.57
3	Capital Receipts	88,791.51
4	Loans / Borrowings	123,707.95
5	Other Incomes	141,267.30
	Total	930,518.22

Source: Various Budget Documents from the Accountant General of the State

Figure 3: Sources of Revenue N' Million (2008 - 2018)

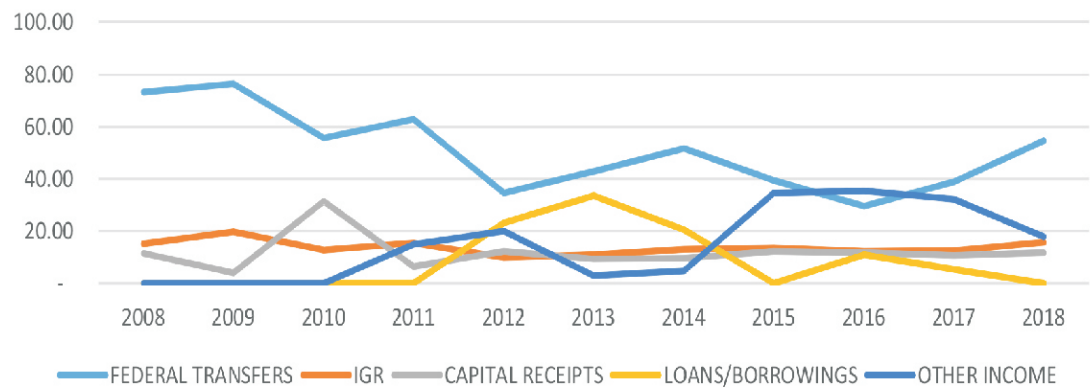


In the decade under review, the state received its highest federal allocation in 2009, declining sharply in 2010 by at least 22 percentage points and further declining in 2012 by 52% of the 2010 value. The lowest Federal allocation in the period under review was recorded in 2016 at 30% of the expected value.

Internally Generated Revenue while at one-quarter of the revenue required, has recently in 2018 returned to the 2009 level. IGR in Osun has remained fairly steady, rising according to the national economic landscape

Capital receipts for the very ambitious capital projects embarked upon by the state, was highest in 2010 after which it declined and has steadily remained at less than 20% of the states desired revenue levels. Loans and borrowing has been at a reasonable level given that the state is not oil producing and has limited private sector industries. In 2013the state took its highest loan in the period under study at a level close to the entire federal revenue received for the year 2013. This contributes to the low fiscal sustainability ranking of 32 out of 36 states nationwide in 2019xx27 (Please see figure 4 for details).

Figure 4: Profile of Various Revenue Flows N' Million (2008 - 2018)



Source: Various Budget Documents from the Accountant General of the State

27 BudgIT state of states report 2019

5.2 Potentials for Increasing Fiscal Space for the social sector in Osun

The options that could be explored to expand the fiscal space are:

1. Reallocation of the State budget within sectors to prioritise social sector expenditure
 2. Expanding social security coverage and contributory revenues—The current State social Health Insurance Scheme should be expanded to cover all residents
 3. Eliminating illicit financial flows and leakages where identified
 4. Collaborate with the Federal Ministry of Finance and Central Bank or possible leverage on fiscal and foreign exchange reserves;
 5. Increase tax revenue above the current low levels—Tax for mining etc sectors
- Examples of similar sized “states” --Costa Rica reallocated military expenditures for universal health while the smaller sized Botswana increased Tobacco taxes.

5.2.1 Overseas Development Assistance

Overseas Development Assistance is one of the sources of funding for the social sectors in the State. Most of the ODA have moved away from the traditional general budget support to a more targeted form of financing in selected priority sectors. From the available report in 2018 [28](#), the State of Osun benefited N10.46 billion from some of these donor agencies in the economic and social sectors.

5.2.2 Internally Generated Revenue

Internally Generated Revenue (IGR) accounted for less than 20.0 percent of the total revenue of the State over the 10-year period. However, the share of IGR has been on the upward trend from 2014, affirming the aggressive drive for a more sustainable and reliable revenue base. Riding on the current trajectory, the State of Osun has planned to inaugurate a State EXCO committee on IGR, which is to be chaired by the Deputy Governor [29](#). Some of the planned initiatives are:

1. granting of administrative autonomy to the State's Internal Revenue Board.;
2. review and amendment of various revenue laws;
3. strong collaboration amongst revenue collecting MDAs;
4. aggressive debt recovery across all revenue generating MDAs;
5. adoption of harmonised demand notices;
6. designation of all civil servants, public officers and political office holders as revenue marshals, with monthly revenue targets;
7. engagement and enlightenment of Tax payers. and
8. widening of Tax collection net

5.2.3 Loans and Borrowing

Borrowing from both domestic and external sources is another channel to buoy the resources available to the State for developmental purposes. From available records, the total yearly borrowing stood at N102.41 billion between 2008 and 2018, accounting for 11.0 percent of total revenue accruable to the state. Going forward, the State should aggressively pursue and access highly concessional borrowing from bilateral and multilateral institutions for purposes of debt sustainability and to utilise these borrowings to fund social sectors.

5.2.4 Reprioritization and Efficiency

The Osun State government should reprioritise budgetary allocations in favour of social sectors through the following strategies:

1. Re-prioritizing through Public Expenditure Reviews (PERs) and thematic budgets that will ensure that budgets are examined from a child and/or gender perspective.
2. Replacing high-cost, low-impact investments with investments that tend to have much larger positive social impacts. This can be achieved through:
 - a. Eliminating inefficiencies through deeper analysis of sector investments by ensuring overall cost effectiveness of a specific programme or policy through impartial evaluation process.

²⁸ First Transitional Accrual Basis (IPSAS Financial Statements); for the year ended 31st December 2016. State Government of Osun

²⁹ Osun State Development Plan

Chapter 6: Capacity Gaps



WASH IN OSUN

6.1 Current Capacity Gaps

Sustainable and inclusive economic growth and development can only be achieved through effective capacity of public institutions. The State Government of Osun recognised capacity as a critical success factor for development ³⁰. Reflecting the ambition of the government, the State plan to carry out a capacity gap analysis to identify training requirements of staff across board. In addition, the government has promised to place priority on strengthening workforce capacity, improving staff emoluments, incentives and allowances; providing enabling work environment for staff; including equipping them with appropriate and adequate tools ³¹.

In addition to the proposed initiatives articulated above, it will be necessary for the State government to specifically focus on the following;

- Improve the technical capacity of all personnel in the Department of Development Cooperation of the Ministry of Economic Planning and Budget.
- Improve the technical capacity of all personnel involved in the budget process across all the MDAs;
- Provide facilities and tools such as computers and other ICT accessories to enhance the effectiveness and efficiency of the personnel; and
- Organize specialized training for relevant staff across MDAs.

6.2 Role of Development Partners

The Development Partners (DPs) have an important role in facilitating and supporting improvement of the capacity of the staff of relevant MDAs towards achieving the State's developmental agenda and in particular the SDGs. Though the Development Partners have played critical roles in key sectors such as education, health, nutrition, WASH and others, no clear evidence exists from available reports on the specific nature of their interventions in the State. Thus, further study is required to clarify the nature and scope of their support and assistance to the State in order to enhance the effectiveness of these interventions.

³⁰ State Government of Osun (October 2018); State of Osun Development Plan (2019 – 2018); Ministry of Economic Planning, Budget and Development

³¹ Ibid

6.3 Institutional framework governing the relations between the Government and partners

There is a weak evidence of institutional framework and arrangement for the management of the Development Partners in the State. Though the Ministry of Economic Planning, Budget and Development is the government agency with the mandate for coordinating Official Development Assistance (ODA) which include concessionary and non-concessionary loans, the donors do have many entry points ranging from the Office of the Governor to some of the key MDAs managing the social sectors.

Furthermore, alignment of ODAs to the State's priority is another issue. Some donor interventions have so far not totally aligned with the State strategies and development objectives.

Lastly, lack of proper harmonization is a challenge. The consistency and complementarity of development partners' interventions is very challenging. The State is replete with different donors in many fields, duplicating efforts in some areas and not creating the right synergy for better development outcomes.

Due to the weak co-ordination, there exist the following challenges with regards to ODA:

- a) exclusion of ODA funds in the State's annual planning and budgeting process;
- b) inadequate provision or non-provision of counterpart funds for ODA funded programmes in the annual budget where this is required; and
- c) Ineffective or non-tracking of ODA utilization.

6.4 Institutional and staff capacity

Institutional structure for the management of international donor partners exist but it is very weak, thus under-performing. For a start, the State needs supports in the management of the Overseas Development Assistance and in particular the implementations of the declarations on aid effectiveness.

For capacity building in all MDAs, various donors partners should assist and support the State in the following areas:

- a) Development Partners Assisted Project Coordination and Management;
- b) Procedural knowledge on attraction of development partners intervention funds to the State;
- c) Monitoring & Evaluation;
- d) Social Sector budgeting;
- e) Capacity building of the State Bureau of Statistics;
- f) Capacity building of the policy and research units in all MDAs;and
- g) Equip relevant MDAs with ICT facilities such as laptops, desktops, etc.

6.5 Proposed Areas of Intervention

Currently, the existing donors operate in some social sectors such as education, health, women and children affairs, empowerment and youth engagement, waters resources, and rural water supply, and environmental sanitation (Please see Table 18).

Table18: Existing Areas of Intervention by International Development Partners

<i>S/n</i>	<i>DONORS</i>	<i>AREAS OF INTERVENTION</i>
1	United Nations	Education, health, industry
2	World Bank	State and local government reforms
3	IDA	<ul style="list-style-type: none"> ● Youth Empowerment ● Support vulnerable – people with disabilities
4	UNICEF	<ul style="list-style-type: none"> ● WASH, ● Women and Child Development ● Education ● Social Protection ● Communication for Development ● Health ● Nutrition
5	AfDB	Rural Water and Sanitation
6	EU	Small town and Urbans Water and Sanitation

Source: Various Budget Documents from the Accountant General of the State

In the various budget reports in the public domain, the specific programmes and projects being carried out by the donors are clearly stated but the identities of the donors driving them are substantially missing. In addition, the programmes are not profiled to clearly indicate the specific social sector each of programmes/projects belong.

Other areas that required urgent attention are:

- Monitoring and Evaluation.
- Staff Capacity should be upscale to ensure that all government policies, programs and projects are successfully implemented with attendant benefits to the citizens.
- Child responsive budgeting – to help develop best practice templates and guidance on the reporting of child responsive budgeting;
- Strengthening the MIS - data collection, compilation and dissemination;

Chapter 7: Summary of Findings, Recommendations and Conclusion



O'YES CADET ON AGRIC & FOOD SECURITY

7.1 Summary of Findings

Some of the key findings from the study are:

1. Relatively high allocation to the social sector,
2. Poor data quality;
3. Lack of framework for management of ODA;
4. opacity around huge allocation to the Governor's Office,
5. absence of a robust M&E framework and
6. Evidence of improved IGR collection.

7.2 Lessons Learned

- The project management provided useful and comprehensive guide on what to do and the pathway for the delivery of the assignment.
- Series of meetings were arranged and conducted during the course of the work which provided a very useful platform to gain new knowledge and to get clarity on some of the intractable technical issues not clear to members of the team, thus, efficiency improved greatly due to the rapport and comradeship that the meetings engendered.
- The facilitation role of the UNICEF focal persons in the State assisted in information gathering and data collection process.

7.3 Recommendations

- Efficient and effective Management Information System (MIS). A robust MIS is urgently required particularly in the budget/planning related activities of the State. This will require huge financial and technical resources to resuscitate the existing weak system and process.
- Efficiency and effectiveness of current social sector expenditures to match with expected outcomes. To receive commensurate output from current budgetary inout, the state should have clearly established annual workplan and expected output for the amount to be committed

- Increase the fiscal space through afore mentioned mechanisms. It has become imperative for the State to expand the fiscal space in order to get more revenues that will be used to increase spending in the social sectors.
- Monitoring and Evaluation (M&E) System. The State should fast track the resuscitation and strengthening of the M&E System in order to ensure consistent monitoring of government policies, programmes and projects as well as evaluating their impact on the citizens.
- Framework for the coordination and management of ODA must be put in place. Closely monitoring the resources from ODA will assist in the achievement of the State's Government Agenda (State Development Plan) and most importantly the SDGs. ODA remain a sure way to support the State in execution of her development agenda, therefore, acquisition of procedural knowledge of relevant officers to enhance their knowledge on attraction of development partners intervention funds to the State should be accorded the required attention.
- Capacity building. The state leveraging on the development partners should embark on improving the knowledge, skills and competencies of the officials in the social sectors of the economy.
- Anti-corruption measures/efficient utilisation of resources. Efforts should be made to reduce over inflation of contracts, waste and inefficiency in the utilisation of State resources. It is recommended for the State to establish an efficiency unit that will ensure all procurement contracts reflect the least best prices available coupled with the commitment of the government to adhere strictly to the State Procurement Law.
- Public Financial Management Reforms. The State of Osun should deepen the current SLOGOR in order to reap the benefits of a sound PFM system that will ensure aggregate fiscal discipline, strategic allocation of resources and efficient service delivery.

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