OSUN DEBT MANAGEMENT OFFICE

OSUN STATE DEBT SUSTAINABILITY ANALYSIS, AND DEBT MANAGEMENT STRATEGY (DSA-DMS) REPORT FOR 2021

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Objectives of Debt Sustainability Analysis and Debt Management Strategy

This report presents the results of the Debt sustainability analysis (DSA) and Debt management strategy (DMS) of State of Osun for the year 2021. The pattern of the State's financing in terms of the trend between her revenue and expenditures, and the gap funded with debt for the five years period 2016-2020 were considered. In addition, the State's projected revenue, expenditure and debt portfolio for ten years (2021-2030) period were evaluated with a view to assessing the prospective performance of the State's finances, and determining how sustainable the State's budgeted debt portfolio could be under different scenarios and stress situations in relation to the macroeconomic indices having direct linkage with the projected revenue, expenditure, and debt portfolio. In the same vein, the State's Debt Management Strategy (DMS) was also evaluated so as to assess the cost-risk economy of debt stock employed by the State in her financing. Four different DMS put forward by the State were carefully assessed with a view to ensuring that the optimal debt strategy is identified.

DSA and DMS continue to receive greater attention globally. The rising public interest on the issue of debt sustainability is not unconnected with ever increasing fiscal challenges associated with issue of insecurity, low productivity, and inconsistency in government policies most especially in developing economies. Improved fiscal discipline exhibited through sustainable borrowing on the part of both National and sub-national governments are considered very essential at this time. This could however, only be achieved through a robust DMS that essentially focuses borrowing with lowest possible cost, and minimal degree of associated risks. Hence, the need to strike a balance between cost of debt and associated risks remains the bedrock of sound debt management practices.

From the analysis carried out on the State's Debt portfolio, Debt to Revenue figure received a significant improvement during the period under focus. From 310.27% in 2016, the State's Debt to Revenue figure reduced to 176.5% in 2020. These are against the recommended threshold of 200%. Also, when Debt to GDP is considered, it could be said that the State's Debt stock is below the recommended threshold of 25%. From an acceptable level of 13.37% in 2016, Debt to GDP improved gradually to 8.9% in 2020. This implies a remarkable trend. In the same vein, Debt service expressed as a share of revenue improved considerably from 54.25% in 2016 to 21.16% in 2020. These are against the recommended threshold of 40%. It is observed that the State Debt service figure became impressive as from 2018 when it dropped from 44.59% (in 2017) to 36.89% in 2018 and to 21.16% in 2020. Going by the findings from the analyses, it could be inferred that 2018 was a year of remarkable departure and shift from the State's unbridled appetite for borrowing. The implication of this strategic fiscal policy shift is reflected on the reported debt sustainability indicators.

In order to have a futuristic view of the State's fiscal position in terms of her future funding requirements and debt sustainability, Revenue and expenditure are projected for a ten year period (2021-2030), these are then analysed and subjected to various stress tests. As indicated by the various indicators, the State's debt sustainability deteriorates moderately mainly as a result of diminished repayment capacity. This indicates the limitation of the State's current revenue sources and heavy reliance on statutory revenue from the Federation account to support the State's fiscal activities in the medium term (particularly considering the volatility nature of the revenue from the Federation account as events of recent times continue to affirm).

CHAPTER TWO

2.0 OSUN STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the last 3 to 5 years

Since the creation of the State in 1991 till date, continuous improvements in governance have been the desire of successive administrations in the State. In achieving this, the State had gone through so many trajectories of reforms. These cut across human resources, finance, fiscal e.t.c. The various and continuous fiscal reforms in the State most especially in the last three to five years are specifically aimed at strengthening the State's fiscal position, by instituting efficiency, transparency and accountability in the management of the State's resources. The reforms initiated by the State over the last 3-5 years and the enabling laws supporting them are as below:

(a) Revenue administration –backed up by Osun Revenue administration and Tax (Codification and Consolidation) Law, 2019
(b) Public financial management – backed up by the State of Osun Public Financial Management Law 2020; and
(c) Public procurement administration- backed up by Public Procurement Law 2015
(d) Minimum wage implementation

2.2 2021 Budget and MTEF – 2022-2024

Table 2.1: Osun 2021 Budget

DESCRIPTION	APPROVED BUDGET 2021
ASSUMPTIONS:	₦
OIL PRICE BENCHMARK (US$ /BBL)	40.00
OIL PRODUCTION BENCHMARK (mbpd)	1.80
EXCHANGE RATE (₦/ US$)	379.00
GDP GROWTH RATE	2.00%
INFLATION RATE	11.95%
MINERAL RATIO	27.00%
1. OPENING BALANCE: (A)	**-**
2. RECURRENT REVENUE & CAPITAL RECIEPTS:	
RECURRENT REVENUE:	
GOVERNMENT SHARE OF FAAC	31,943,474,170.00
GOVERNMENT SHARE OF VAT	15,888,091,850.00
GOVERNMENT SHARE OF EXCESS CRUDE ACCOUNT	900,000,000.00
OTHER REVENUE FROM FAAC	1,500,000,000.00
DERIVATION	-
B = TOTAL REVENUE FROM FAAC	**50,231,566,020.00**
C = INDEPENDENT REVENUE	**26,671,825,610.00**
TOTAL RECURRENT REVENUE (D) = B + C	**76,903,391,630.00**

CAPITAL RECIEPTS:	
FOREIGNS AIDS AND GRANTS	5,869,095,000.00
DOMESTIC AIDS AND GRANTS	19,270,065,010.00
OTHER CAPITAL RECIEPTS	7,812,500,000.00
E = TOTAL CAPITAL RECIEPTS	**32,951,660,010.00**
F = TOTAL PROJECTED FUNDS AVAILABLE (A + D + E)	**109,855,051,640.00**
3. EXPENDITURES:	
RECURRENT EXPENDITURE:	
CRFC	2,059,927,660.00
PERSONNEL COST	31,599,386,530.00
OTHER RECURRENT EXPENDITURE	16,960,968,950.00
TOTAL RECURRENT EXPENDITURE (G)	**50,620,283,140.00**
CAPITAL EXPENDITURE: I	**59,234,768,500.00**
TOTAL EXPENDITURE (J = G + I)	**109,855,051,640.00**
BALANCE (SURPLUS / DEFICIT) (K): F - J	**-**
FINANCING:	
EXTERNAL LOAN	-
INTERNAL LOAN	-
FINANCING (L)	**-**
FINANCING GAP: M = (K+L)	**-**
TOTAL BUDGET SIZE	**109,855,051,640.00**

Source: Osun State's Ministry of Economic planning and Budget

Table 2.2: Osun Medium Term Fiscal Framework

Fiscal Framework	2022	2023	2024
Treasury Opening Balance	12,000,000	81,148,941	88,781,854
Recurrent Revenue			
Statutory Allocation	41,397,465,159	47,730,168,162	48,482,354,566
Net Derivation	0	0	0
VAT	14,751,476,030	16,051,686,317	17,430,913,592
IGR	25,000,000,000	25,000,000,000	24,000,000,000
Excess Crude Oil / Other Revenue	0	0	0
Other Recurrent Revenues			
Total Recurrent Revenue	**81,148,941,189**	**88,781,854,479**	**89,913,268,158**
Recurrent Expenditure			
CRF Charges	20,000,000,000	19,000,000,000	18,050,000,000
Personnel	38,841,486,810	25,553,008,631	26,191,833,847
Overheads	16,500,855,323	11,564,719,456	11,564,719,456
Total	**75,342,342,133**	**56,117,728,087**	**55,806,553,303**
Transfer to Capital Account	**5,818,599,055**	**32,745,275,333**	**34,195,496,710**
Capital Receipts			
Grants	17,328,744,826	2,229,756,157	2,479,882,854
Other Capital Receipts	0	0	0
Total	**17,328,744,826**	**2,229,756,157**	**2,479,882,854**
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	396,489,412	887,818,545	899,132,682
Total Reserves	**396,489,412**	**887,818,545**	**899,132,682**
Capital Expenditure	**26,368,455,528**	**34,886,249,636**	**36,585,466,295**
Discretional Funds	10,151,953,794	32,656,493,478	34,105,583,441
Non-Discretional Funds	16,216,501,734	2,229,756,157	2,479,882,854
Net Financing	3,698,750,000	0	0
Total Budget Size	**102,107,287,073**	**91,891,796,268**	**93,291,152,280**
Closing Cash Balance	81,148,941	88,781,854	89,913,268
Ratios			
Growth in Recurrent Revenue	51.65%	9.41%	1.27%
Growth in Recurrent Expenditure	-5.53%	-25.52%	-0.55%
Capital Expenditure Ratio	26.21%	38.93%	40.18%
Deficit to Total Expenditure	3.62%	0.00%	0.00%

Source:

Source: Osun State's Ministry of Economic planning and Budget

As can be seen from Table 2.1, the State's budgeted expenditure for the year 2021 is skewed more towards Capital expenditure over recurrent. Capital expenditure to revenue ratio of 54% in the year reflects the State's desire to quickly remedy the impact of the low activities witnessed in 2020 due to the unprecedented COVID-19 pandemic that rattled the whole world. Out of the 46% of the State's total revenue allocated for recurrent expenditure in the current year however, Personnel cost accounts for over 60% (62.4%). This huge ratio might not be unconnected with the State's implementation of the Minimum wage. It is on record that Osun state is among the first five states to implement the recent minimum wage act across the country. Looking at the State's MTEF for the years 2022-2024 however, it could be seen that the State's plans to be less aggressive on her capital project development. This is a result of increased provision for Consolidated revenue fund charges during the years. Contrary to the provision for CRFC of less than 2% in the current year, about 20% of the State's total annual revenue is estimated to be applied for CRFC during the years 2022 to 2024. Certainly, Deferral of loan repayment granted all the State in 2020 by the FGN, and resumption of the loan repayments in the current year, as well as its implication on the State's annual debt servicing is responsible for the wide variations on the CRFC estimates for the years 2021, and 2022 to 2024 when compared to 2021.

CHAPTER THREE

REVENUE, EXPENDITURE, AND PUBLIC DEBT TREND (2016-2020)

3.1 Revenue, Expenditure, Overall and Primary Balance

Under this section, five years (2016-2020) historical details of the State's Revenue and expenditure are presented and reviewed briefly.

3.1.1 Revenue Performance

Discussion here focuses the trend maintained by the State's Revenue for the five year period (2016-2020), highlighting the relationship between the State's statutory revenue (from Federation account) and the internally-generated revenue (IGR).

Table 3.1: Osun Total Revenue Trend (2016 – 2020)

	2016	2017	2018	2019	2020
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
TOTAL REVENUE	**91,549.00**	**93,085.00**	**99,000.00**	**101,074.00**	**99,048.00**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	18,591.00	25,859.00	38,781.00	37,637.00	31,299.00
1.a. of which Net Statutory Allocation ('net' means of deductions)	(7,539.00)	(3,168.00)	9,700.00	10,451.00	12,923.00
1.b. of which Deductions	26,131.00	29,027.00	29,081.00	27,186.00	18,376.00
2. Derivation (if applicable to the State)	-	-	-	-	-
3. Other FAAC transfers (exchange rate gain, augmentation, others)	4,171.00	7,506.00	4,093.00	1,184.00	3,749.00
4. VAT Allocation	8,446.00	10,175.00	11,343.00	12,195.00	14,726.00
5. IGR	11,253.00	11,842.00	15,690.00	17,600.00	19,671.00
6. Capital Receipts	49,088.00	37,703.00	29,093.00	32,458.00	29,603.00
6.a. Grants	10,699.00	10,023.00	11,768.00	29,008.00	29,603.00
6.b. Sales of Government Assets and Privatization Proceeds	-	-	-	-	-
6.c. Other Non-Debt Creating Capital Receipts	19,775.00	14,425.00	16,625.00	-	-
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	18,614.00	13,255.00	700.00	3,450.00	-
6.d.1. of which Borrowings from Domestic bonds	18,614.00	13,255.00	700.00	3,450.00	-
6.d.2. of which Borrowings from Commercial bank loans	-	-	-	-	-
6.d.3. of which Borrowings from External loans	-	-	-	-	-

Source: Osun State's Audited Financial statements

Whereas it could be gleaned from Table 3.1 above that the State's Total revenue actually increased from =N=91.5billion in 2016 to =N=101.1billion in 2019, this reduced slightly to =N=99billion in 2020. It is also noted that the growth in the State's total revenue between 2016 and 2019 conforms to no particular trend. However, among the various sources of revenue to the State, IGR maintains consistent increase year on year during the period, from =N=11.3billion in 2016 to =N=19.7billion in the year 2020.

3.1.2: FAAC allocation trend

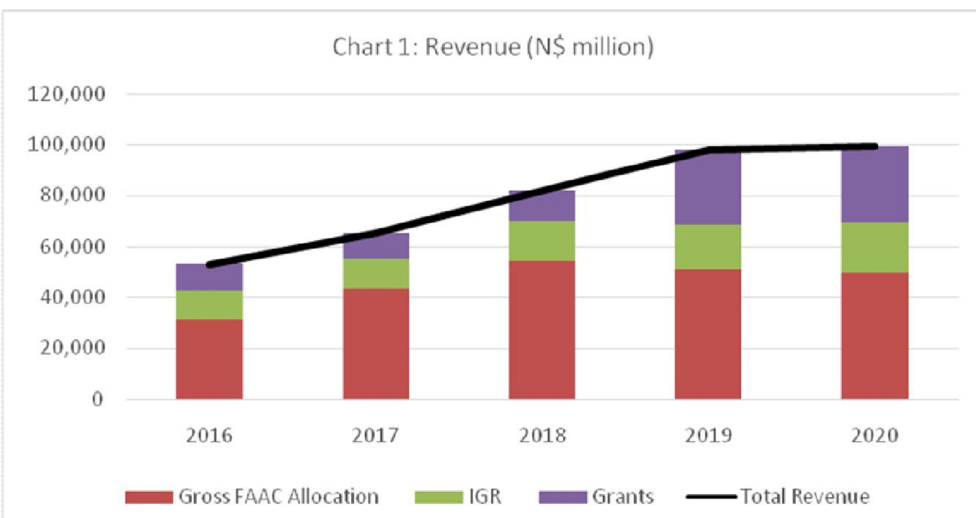
Table 3.2: FAAC allocation trend

	2016	2017	2018	2019	2020
	=N=’000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Revenue	**53,160.00**	**65,405.00**	**81,675.00**	**97,624.00**	**99,048.00**
Gross FAAC Allocation	31,208.00	43,540.00	54,217.00	51,016.00	49,774.00
IGR	11,253.00	11,842.00	15,690.00	17,600.00	19,671.00
Grants	10,699.00	10,023.00	11,768.00	29,008.00	29,603.00
Gross FAAC to Total Revenue (%)	**58.71**	**66.57**	**66.38**	**52.26**	**50.25**
IGR to Total Revenue (%)	**21.17**	**18.11**	**19.21**	**18.03**	**19.86**
Grants to Total Revenue (%)	**20.13**	**15.32**	**14.41**	**29.71**	**29.89**

Source: Osun DSA-DMS populated template

Looking at the composition and distribution of the State’s revenue during the period under focus, FAAC accounts for about 60% during the 5 year period while IGR accounts for about 20%. The trend, also shown in Chart 1 below implies that the State is highly dependent on statutory revenue from the Federation account. This portends serious fiscal sustainability issues to the State. The continuous push and various reforms aims at boosting IGR on the part of the State are however, geared towards reversing this worrisome trend. As earlier indicated in chapter 2, the State’s reform relating to revenue administration in the State is gradually yielding results year on year.

CHART 1: REVENUE



3.1.3 Expenditure Performance

Table 3.3 Expenditure Performance

	2016	2017	2018	2019	2020
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
T0TAL EXPENDITURE	**89,460.00**	**89,249.00**	**105,658.00**	**104,024.17**	**86,470.79**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	17,675.00	23,632.00	35,905.00	28,703.00	28,749.00
2. Overhead costs	11,564.00	9,219.00	16,904.00	13,335.00	16,378.00
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	21,473.12	20,654.75	20,186.92	19,395.61	16,281.99
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	20,406.12	19,508.75	18,888.92	17,931.61	14,731.99
3.b. of which Interest deducted from FAAC Allocation	1,067.00	1,146.00	1,298.00	1,464.00	1,550.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	2,109.63	2,517.10	3,062.23	-	105.00
5. Capital Expenditure	28,206.00	23,571.00	18,362.00	30,095.00	18,734.00
6. Amortization (principal) payments	8,432.25	9,655.15	11,237.85	12,495.57	6,222.79
6.a. of which Amortization of Domestic bonds	7,579.00	8,830.00	10,307.00	11,465.00	4,541.00
6.b. of which Amortization of Commercial bank loans	-	-	-	-	-
6.c. of which Amortization of External loans	853.25	825.15	930.85	1,030.57	1,681.79
Budget Balance (' + ' means surplus, ' - ' means deficit)	2,089.00	3,836.00	(6,658.00)	(2,950.17)	12,577.21
Opening Cash and Bank Balance	11,636.00	13,725.00	17,561.00	10,903.00	7,952.83
Closing Cash and Bank Balance	13,725.00	17,561.00	10,903.00	7,952.83	20,530.04

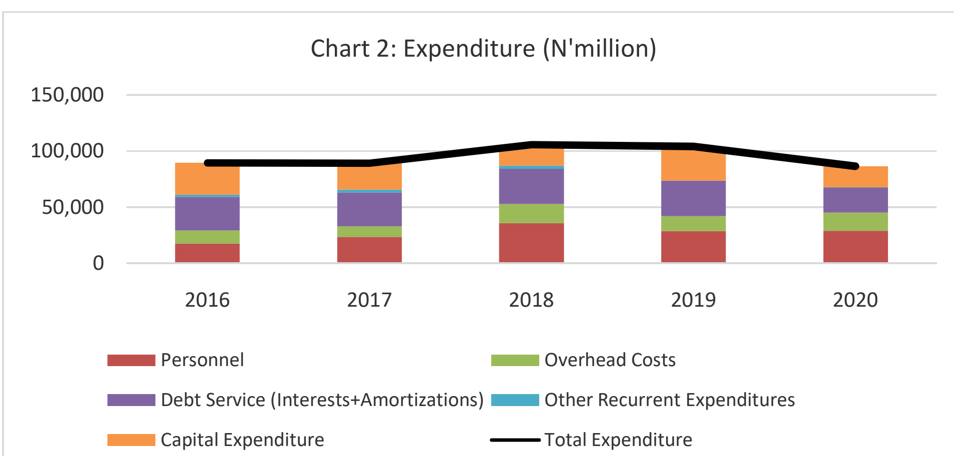
Source: Osun DSA-DMS populated template

Table 3.4: Aggregate (total) expenditure

	2016	2017	2018	2019	2020
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
TOTAL EXPENDITURE	**89,460.00**	**89,249.00**	**105,658.00**	**104,024.17**	**86,470.79**
1. Personnel	17,675.00	23,632.00	35,905.00	28,703.00	28,749.00
2. Overhead	11,564.00	9,219.00	16,904.00	13,335.00	16,378.00
3. Interest Payments	21,473.12	20,654.75	20,186.92	19,395.61	16,281.99
4. Other Recurrent Expenditure	2,109.63	2,517.10	3,062.23	-	105
5. Capital Expenditure	28,206.00	23,571.00	18,362.00	30,095.00	18,734.00
6. Amortization (principal) payments	8,432.25	9,655.15	11,237.85	12,495.57	6,222.79
Debt service (Interest+amortisation)	29,905.37	30,309.90	31,424.77	31,891.18	22,504.78
Personnel cost ratio	**19.76**	**26.48**	**33.98**	**27.59**	**33.25**
Overhead cost ratio	**12.93**	**10.33**	**16.00**	**12.82**	**18.94**
Interest payments ratio	**24.00**	**23.14**	**19.11**	**18.65**	**18.83**
Capital expenditure ratio	**31.53**	**26.41**	**17.38**	**28.93**	**21.67**
Debt Service ratio	**33.43**	**33.96**	**29.74**	**30.66**	**26.03**

Source: Osun DSA-DMS populated template

With the exception of the years 2018 and 2019, aggregate expenditure in the State was slightly over =N=89billion annually. In 2018, this increased to =N=105.7billion and reduced thereafter, first to =N=104billion in 2019 and to =N=86.5billion in 2020. During the year 2020, personnel cost accounts for 33.25% of the total expenditure, followed by Debt service that accounts for 26.03%, and by Capital expenditure of 21.67%. For the years 2016, 2017, and 2019, Debt service was in excess of 30% of the total expenditure of the State. Chart 2 below further illustrates this trend.

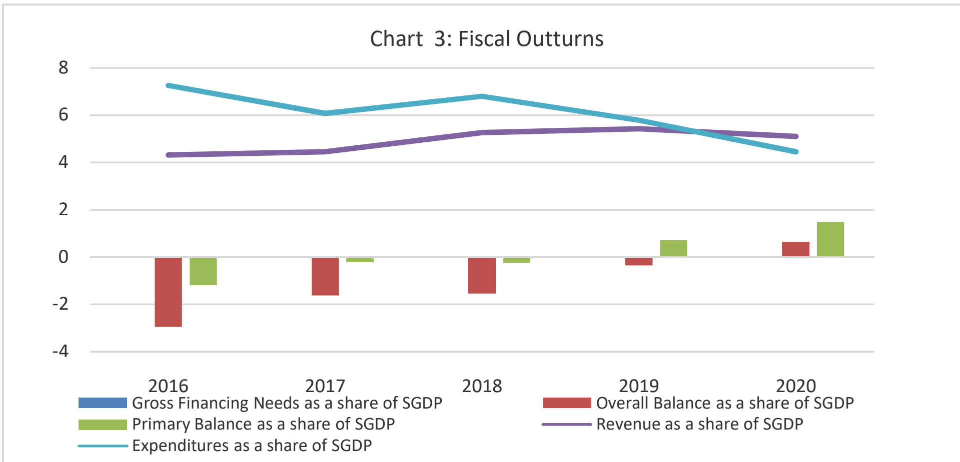


Source: State's DSA chart

Table 3.5: Fiscal outturns

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm	N'm
Primary balance	(7,811.00)	14,917.90	16,516.11	15,311.07	17,380.38	16,699.41	15,756.95	14,517.99	12,943.64	10,990.67

Source: Osun DSA-DMS populated template



Source: State's DSA chart

3.2.0. Osun State Debt Portfolio (2016-2020)

The State's Debt portfolio 2016-2020 year end are presented below:

3.2.1 Debt Stock

Table 3.6: Osun total Debt stock (2016-2020)

-	2016	2017	2018	2019	2020
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Debt (stock)	**164,939.13**	**167,779.00**	**178,470.09**	**169,786.00**	**174,815.60**
External	17,870.13	29,542.00	30,371.09	31,133.00	40,704.60
Domestic	147,069.00	138,237.00	148,099.00	138,653.00	134,111.00
External debt/Total Debt (%)	**10.83**	**17.61**	**17.02**	**18.34**	**23.28**
Domestic debt/Total Debt (%)	**89.17**	**82.39**	**82.98**	**81.66**	**76.72**

Source: DMO

The increase in the State's debt portfolio at year end between 2016 to 2018 seen from the table above (i.e. =N=164.9billion to =N=178.5billion) actually started since 2012 when the immediate past administration in the State began aggressive transformation of the State through unprecedented physical infrastructural developments across the State. This was at a time when there was a huge shortfall of revenue over the planned expenditure. Thus, necessitating borrowing. At this time however, the State's desire for debts with longer and lower-interest rate propelled her adventure into the nation's capital market through the issuance of 7 year tenored =N=30billion bond, and the 7 year tenored =N11.4billion Sukuk (the maiden issue in the sub-saharan Africa). Another factor that also contributed to the State's increased debt stock was the Federal Government's various life lines (in form of series of bailout loans, such as Salary Bail out loans, Budget support facility, etc) to all the States of the Federation to cushion the effect of the dwindled fortunes of crude oil at the international market, as well as the peculiarly low crude oil output (arising from series of crises in the oil-producing states). With a view to checkmating the impact of the huge loan portfolio of the State on her limited cash flow and its negative impact on the State's critical and mandatory expenditure, the current administration in the State, since assumption of duty has been less aggressive in her approach to borrowing. The administration's moderate annual budget size, aggressive IGR drive, overhead cost reduction approach, and unenthusiastic disposition to borrowing are contributory to the declining debt profile of the State particularly from 2018 till date.

3.2.2 Debt composition

Table 3.7: Osun Debt composition (2016-2020)

	2016	2017	2018	2019	2020
	=N='000,000	**=N='000,000**	**=N='000,000**	**=N='000,000**	**=N='000,000**
Total Debt (stock)	**164,939.13**	**167,779.00**	**178,470.09**	**169,786.00**	**174,815.60**
External	17,870.13	29,542.00	30,371.09	31,133.00	40,704.60
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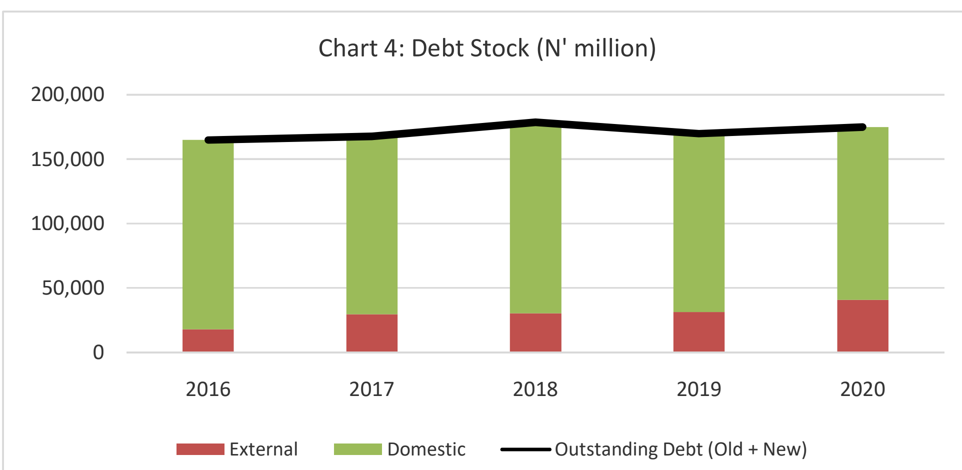
External debt/Total Debt (%)	**10.83**	**17.61**	**17.02**	**18.34**	**23.28**
Domestic debt/Total Debt (%)	**89.17**	**82.39**	**82.98**	**81.66**	**76.72**

Source: DMO



During the period under review, about 17.4% (on the average) of the State's total loan portfolio is external. In the year 2020 however, External debt component of the State's total loan portfolio accounts for 23.3%. This shows that the state loan is skewed more towards Domestic. One may therefore say that the State is yet to take full advantage of longer tenor and low interest rate associated with foreign loan from multilateral agencies. This could also be interpreted to mean very low risk appetite on the part of the State's government. In another way however, one can say that the State is more insulated against shocks associated with foreign exchange rate fluctuations usually associated with foreign loan.

Further breakdowns of the domestic and external components of the State's debt portfolio into their different constituents are as shown in tables 3.8 and 3.9 below:

Table 3.8 : Domestic Debt Composition

	2016	2017	2018	2019	2020
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Domestic Debt – Stocks	**147,069.00**	**138,237.00**	**148,099.00**	**138,653.00**	**134,111.00**
Budget Support Facility	0.00	0.00	15,169.00	17,530.00	17,500.00
Salary Bailout Facility	25,216.00	24,669.00	24,072.00	23,419.00	23,247.00
Restructured Commercial Bank Loans (FGN Bond)	85,420.00	84,307.00	83,018.00	81,523.00	79,792.00
Excess Crude Account-backed Loan	9,861.00	9,660.00	9,441.00	9,202.00	8,940.00
State Bonds	26,572.00	19,601.00	11,543.00	2,230.00	0.00
Infrastructure Loan (CBN Development Financing Facilities)	0.00	0.00	4,856.00	4,749.00	4,632.00
FGN Bond/Total Domestic debt (%)	**58.08**	**60.99**	**56.06**	**58.80**	**59.50**

Source: DMO

Since the year 2016 till date, FGN bond issued since 2015 by the FGN on behalf of the State, for redemption of the State's outstanding balances on her then debilitating loans with the commercial banks, accounts for about 60% of the State's total loan portfolio. The bond has a tenor of 226months with interest rate of 14.83%p.a. incidentally, this component has the highest interest rate out of all the other components. As at end of year 2020, all other loans in the State's portfolio were on single digit interest rate of 9%p.a. The State's passionate desire to have the 14.83% FGN Bond restructured into a cheaper portfolio is yet to materialize.

Table 3.9 : External Debt Composition

	2016	2017	2018	2019	2020
	USD$'000,000	USD$'000,000	USD$'000,000	USD$'000,000	USD$'000,000
Total External Debt – Stocks	70.58	96.61	99.09	95.5	107.4
World Bank (WB) (including International Development Association (IDA) and IBRD)	57.77	78.56	81.1	77.57	77.57
African Development Bank (AfDB) [including African Development Fund (AfDFP)	5.86	5.8	5.74	5.68	5.68
Multilateral Creditor (1) [AFD 1 and 2]	6.95	12.25	12.25	12.25	24.15
Naira Equivalent of the Total External Debt (N'000,000)	**17,870.13**	**29,542.00**	**30,371.09**	**31,133.00**	**40,704.60**

Source: DMO

As shown on the above table, the chunk of the State's External debt is made up of World bank credit. This is followed by Multilateral creditor- AFD., and lastly by African Development Bank (AfDB).

3.2.3 Cost and Risk Profile

Analysis of the cost and ranking of the state portfolio components in terms of associated risks are given below:

Table 3.10: Cost and Risk profile (Domestic)

S/N	Loan Portfolio	Current Balance as at Dec. 31, 2020 (=N='000,000)	Cost (%)	Risk Profile
1	Budget Support Facility	17,500.00	9	Low
2	Salary Bailout Facility	23,247.00	9	Low
3	Restructured Commercial Bank Loans (FGN Bond)	79,792.00	14.83	Low
4	Excess Crude Account Backed Loan	8,940.00	9	Low
5	Infrastructure Loan (CBN Development Financing Facilities)	4,632.00	9	Low

Source: Osun DMO

Table 3.11: Cost and Risk Profile (External)

S/N	Loan Portfolio	Current Balance as at Dec. 31, 2020 (USD$'000,000)	Cost (%)	Risk Profile
1	World Bank (WB) (including International Development Association (IDA) and IBRD)	77.57	2	High
2	African Development Bank (AfDB) [including African Development Fund (AfDFP)	5.68	2	High
3	Multilateral Creditor (1) [AFD 1 AND 2]	24.15	2	High

Source: Osun DMO

The above tables (table 3.10 and 3.11) show that the State holds a low-cost, and moderate-risk debt portfolio. This is so given that external debt (with its associated risk of foreign exchange), constitutes only 23.8% of the State's entire portfolio. Most of the State's portfolio (domestic and external) have single-digit interest rate and can therefore be said to have low cost.

CHAPTER FOUR

DEBT SUSTAINABILITY ANALYSIS

4.0 Introduction – Concept of Debt Sustainability Analysis

The concept of Debt sustainability refers to the ability of the government to honour 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. Debt sustainability relates to a borrower's ability to meet obligations (of principal and interest repayments) from time to time as agreed without any distortion on other responsibilities. In effect, a sub-sovereign's debt sustainability assesses how a State's current level of debt and proposed borrowing affects her present and future ability to meet debt service obligations. In assessing sustainability of either national or sub-national loan portfolio, reference is usually made to the relationship between debt stock and debt servicing figures to Gross domestic product or revenue of the concerned government. These measures are usually benchmarked against certain thresholds. Presented below are the key indicators for the State as at 2020 year end.

Table 4.0: Osun State Debt burden indicators as at year end 2020

Indicators	**Threshold**	**Ratio**
Debt as % of GDP	25%	8.9%
Debt as a % of Revenue	200%	176.5%
Debt services as a % of Revenue	40%	21.16%
Personnel cost as a % of Revenue	60%	29.03%
Debt service as a% of FAAC Allocation	Nil	42.1%
Interest payment as % of Revenue	Nil	14.87
External Debt service as a % of Revenue	Nil	2.08%

Source: Osun DSA-DMS

From the analysis carried out on the State's portfolio, Debt to Revenue figure received a significant improvement during the period under focus. From 310.27% in 2016, the State's Debt to Revenue figure reduced to 176.5% in 2020. These are against the recommended threshold of 200%. Also, when Debt to GDP is considered, it could be said that the State's Debt stock is below the recommended threshold of 25%. From an acceptable level of 13.37 % in 2016, Debt to GDP improved gradually to 8.9% in 2020. This implies a remarkable trend. In the same vein, Debt service expressed as a share of revenue improved considerably from 54.25% in 2016 to 21.16% in 2020. These are against the recommended threshold of 40%. It is observed that the State Debt service figure became impressive as from 2018 when it dropped from 44.59% (in 2017) to 36.89% in 2018 and to 21.16% in 2020. As also indicated in chapter 3 of the report, it could be inferred that 2018 was a year of remarkable departure and shift from the State's unbridled appetite for borrowing. The implication of this strategic fiscal policy shift is reflected on the reported debt sustainability indicators.

4.1 Medium Term Budget Forecast

Table 4.1: Osun's Ten years (2021-2030) Revenue and expenditure projections

REVENUE	2021 (=N='M)	2022 (=N='M)	2023 (=N='M)	2024 (=N='M)	2025 (=N='M)	2026 (=N='M)	2027 (=N='M)	2028 (=N='M)	2029 (=N='M)	2030 (=N='M)
Gross Statutory Allocation	31,943.00	41,397.40	47,730.10	48,482.40	50,906.52	53,451.85	56,124.44	58,930.66	61,877.19	64,971.05
Net Statutory Allocation	11,296.14	20,608.58	26,709.52	27,389.55	29,756.98	31,867.20	34,106.86	36,996.59	39,167.83	40,668.72
Deductions	20,646.86	20,788.82	21,020.58	21,092.85	21,149.54	21,584.64	22,017.58	21,934.07	22,709.36	24,302.33
Other FAAC Revenue	2400	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VAT Allocation	15,888.00	14,751.50	16,051.60	17,430.90	17,866.67	18,313.34	18,771.17	19,240.45	19,721.46	20,214.50
IGR	26,671.00	25,000.00	25,000.00	24,000.00	25,200.00	26,460.00	27,783.00	29,172.15	30,630.76	32,162.30
Grants/Capital Receipt	25,139.00	17,513.70	2229.7	2479.8	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00

EXPENDITURE	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Personnel costs	31,599.00	38,841.40	25,553.00	26,191.80	26,191.80	26,191.80	26,191.80	26,191.80	26,191.80	26,191.80
Overhead costs	16,960.00	16,500.00	11,564.70	11,564.70	12,142.94	12,750.08	13,387.59	14,056.97	14,759.81	15,497.80
Other Recurrent Expenditure	2,059.00	2,264.90	2,491.39	2,740.53	3,014.58	3,316.04	3,647.64	4,012.41	4,413.65	4,855.01
Capital Expenditure	59,234.00	26,138.40	34,886.20	36,585.00	40,243.50	44,267.85	48,694.64	53,564.10	58,920.51	64,812.56

Source: Osun Populated DSA template

4.1.1 MACROECONOMIC OUTLOOK UNDERPINING THE STATE'S DSA-DMS

The State's DSA-DMS is prepared based on expectation of continuous recovery of the Nigerian economy from the gloomy economic situation triggered by the COVID-19 pandemic of 2020. Under the anticipated economic scenario, oil revenue accruing to the Federation account is expected to improve given the key assumptions underpinning oil revenue projections. These are daily production benchmark of 1.88million barrels, crude oil price of $57 per barrel, and Naira to Dollar exchange rate of =N=410. Also, non-oil revenue is expected to increase considering the current reforms by the Federal government, especially in Federal Inland Revenue and Nigeria Custom Services, the estimated GDP growth of 2.5% and national inflation of 13%. However, the current agitation of sub-national governments on the right to ownership of VAT collected within their jurisdiction, and the limited potential of Osun state in this regard are also given recognition.

With a bid to further strengthen the State's revenue base, particularly in realization of the volatility nature of oil revenue accruing from the federation account, the State is not relenting on her determination to significantly harness her IGR potential. Since 2012 when the reform of the State's revenue commenced through enactment of State of Osun Revenue Administration Law, steady improvements are being attained. The State however, plans to maintain her aggressive revenue drive by continuously expanding her tax base, while also harnessing collections from the existing tax payers in a more efficient manner particularly by leveraging on information technology (IT). As indicated under the 10years Revenue-Expenditure forecasts presented above, following the recent minimum wage full implementation, the State plans to maintain moderate personnel cost profile during this period while also persistently evolving workable overhead cost control strategies. The State's existing measures here include strategic deployment of running cost specifically to only key and targeted revenue generating ministries, departments and agencies (MDAs), matching of overhead with income generation efforts, quarterly review of the State's actual overhead with budgeted with a view to upholding the State's established control on same.

4.2 Borrowing Options

As the Template baseline scenario indicates, the State's aggregate borrowing needs for the ten year period (2021-2030) are projected to be =N=130.1billion as indicated in the table below:

Table: 4.2: Borrowing projections

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Borrowing projections	8,466.3	7,613.9	7,303.2	9,541.4	8,712.4	10,921.3	13,610.7	16,398.2	20,708.7	26,779.0	130,055.2

Source: Osun DSA-DMS

As currently applicable, both Domestic and External Debts are employed in all the strategies evolved to cater for the above funding requirements of the State for the ten year period (2021-2030). For Domestic debts, three different sources are being considered. These are FGN bond (of average interest 14.83%), Commercial bank concessionary loans (9%p.a.), and capital market finance (in form of Vanilla bond and Sukuk-14.75%). The External debt components are to be sourced from World Bank (including Internal development association (IDA), and IBRD), African Development Bank-AfDB and multilateral creditors. These loan portfolios have average tenor of 25years with average interest rate of 1.5%. These are as indicated below:

Table 4.3: Borrowing options

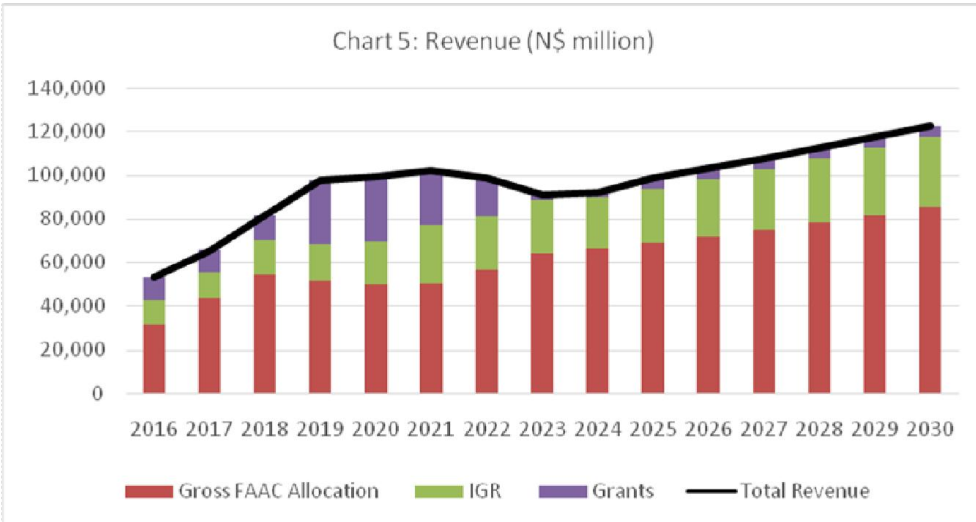
S/N	Borrowing options	Average Tenor (years)	Grace period (years)	Average interest rate
1	Commercial bank special intervention loan	20	1	9%p.a.
2	FGN Bond	20	1	14.83%p.a.
3	Capital market borrowing (Bond&Sukuk)	7	1	14.75%p.a.
4	External loans	25	7	1.5%p.a.

Source: Osun DMO

4.3.0 DSA Simulation Results

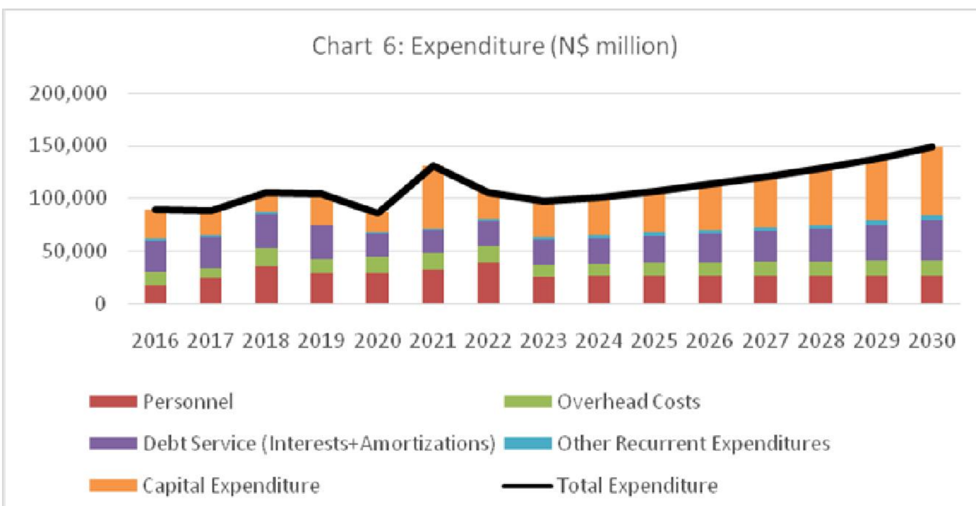
The results of the State's ten year Revenue/Expenditure forecast above are reflected upon in this section. The focus here however relates to how the debt sustainability of the State changes over the ten year period (2021-2030). The relationship between Debt stock, Debt service figures to Revenue remain the central theme of discussion. This is as displayed in charts 8 and 9 (Projected Debt as a Share of Revenue and Projected Debt Service as a Share of Revenue) on page 21-22.

4.3.1 Projected Revenue



Source: State's forecast

4.3.2 Projected Expenditure



Source: State's forecast

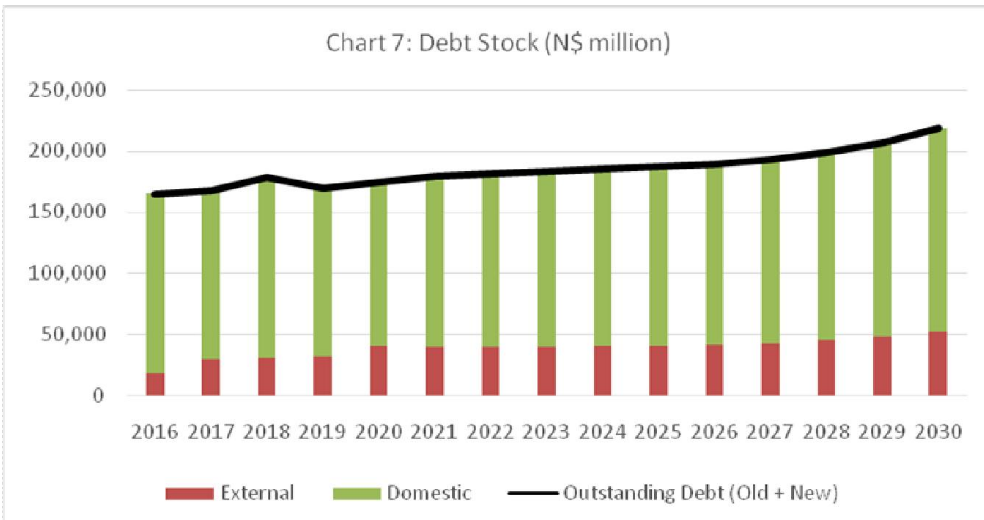
With a view to having a futuristic view of the State's possible position on a ten year period, the above ten year (2021-2030) forecast of the State's revenue and expenditures (Table 4.1) are synthesized. The State's MTEF already shown on page 7 of the report, and the various assumptions underlying same form the major bases of this forecast while the State's actual budget for the year 2021 also serves as the baseline for the forecast. The other assumptions relevant for the projections particularly for the years 2025 to 2030 are as indicated in section 4.1.1.

4.3.3: Projected Debt Stock

Table: 4.4: Projected Debt Stock

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Outstanding Debt (Old + New)	**164,939**	**167,779**	**178,470**	**169,786**	**174,816**	**179,132**	**181,775**	**183,116**	**185,925**	**187,064**	**189,284**	**192,985**	**198,685**	**206,945**	**218,668**
External	17,870	29,542	30,371	31,133	40,705	39,213	39,532	39,372	39,877	40,229	41,008	42,394	45,066	48,655	52,574
Domestic	147,069	138,237	148,099	138,653	134,111	139,920	142,243	143,743	146,048	146,835	148,276	150,591	153,619	158,290	166,093

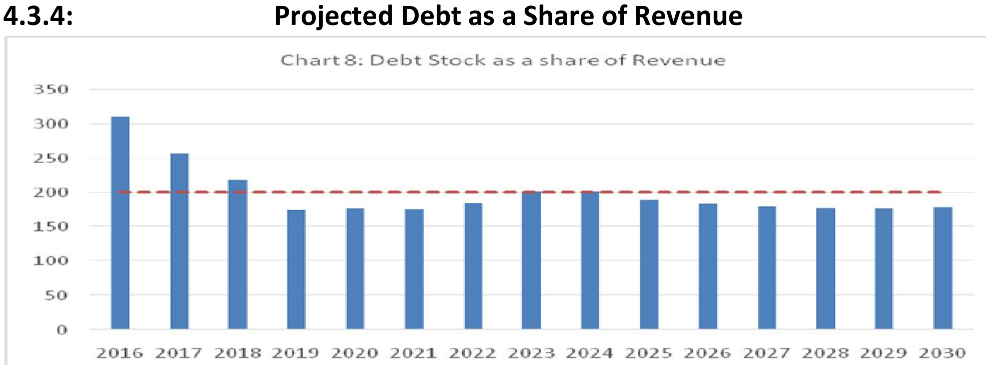
Source: Osun State's forecast



Source: State's forecast

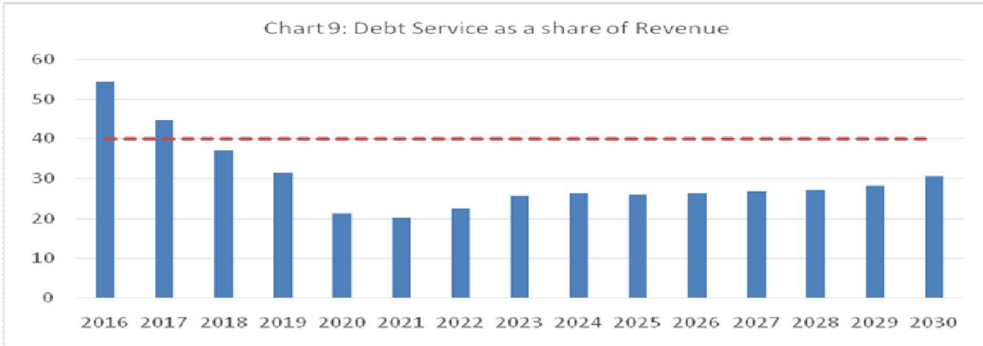
As presented above, the State's Debt stock increased significantly from =N=179.1billion to =N=218.67 billion (i.e. 22.1% increase) between the year 2021 to 2030. As projected, by the year 2030, external component of the State's debt stock is projected to be 24.04%.

4.3.4: Projected Debt as a Share of Revenue



Source: State's forecast

4.3.5: Projected Debt Service as a Share of Revenue

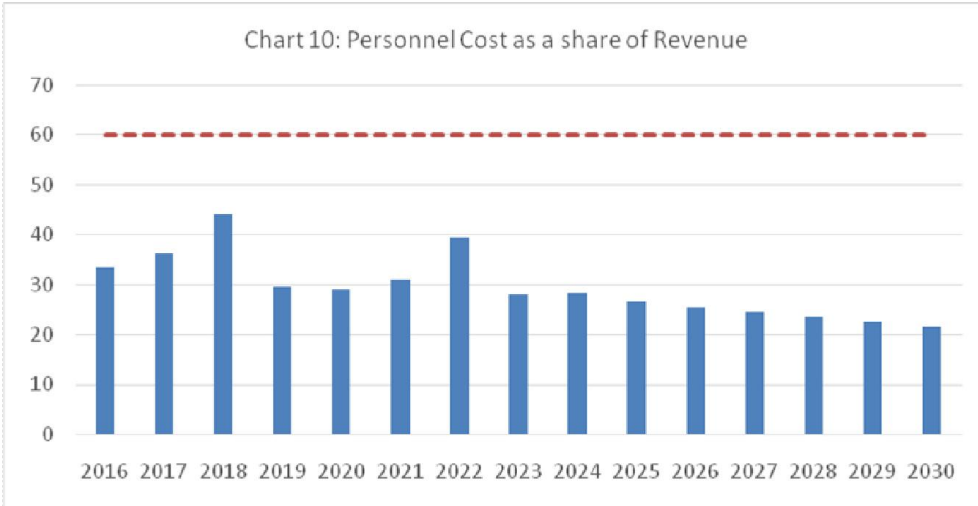


Source: State's forecast

As shown by the charts 8 and 9 above, the State's position in terms of debt sustainability looks appreciably better as from the year 2025 when Debt to revenue figure is put into consideration. With the exception of the years 2023 and 2024, the State's Debt to Revenue ratios under the 10 years projection are within the threshold of 200%. In terms of Debt service to Revenue however, the State's situation deteriorates as from the year 2022 (from 22%) to 2030 (30%). Whereas, it could be argued that the ratios are actually below the threshold of 40%, the implication of this is that the State shall be parting with increased portion of her revenue for debt service obligation as from 2022 and up to 2030. Of concern therefore, is the early warning signal indicated by the chart. This implies that the State needs to evolve some fiscal strategies that will help maintain her fiscal stability particularly post 2030. In order to achieve this, the following policies are identified:

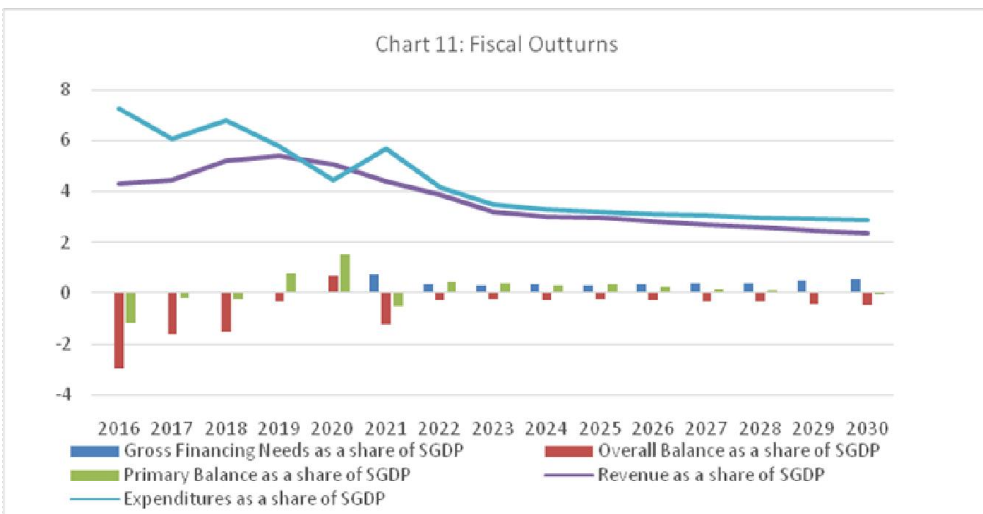
i. further strengthening of the State's IGR- concerted efforts are particularly required in areas where the State is yet to fully harness her potentials. These include revenue heads such as property tax (e.g land use charges). It could be argued that all the State's efforts in this regard are yet to reach remarkable level. Aside the State's capital city (Osogbo) where collection of the named tax is currently gathering traction, collection of land use charge in most notable cities in the State is yet to yield considerable result. Other areas awaiting further exploration are in the area of revenue associated with processing and issuance of Certificate of Occupancy (CofO). The State is yet to take a full advantage of the huge potential of this revenue line due to the usual bureaucratic bottlenecks. Templates from neighbouring States that had made significant success in this regards (e.g. Ogun, Lagos and Oyo) needs to be adopted as quickly as possible. Other areas the State plans to work on is widening of her tax net particularly with regards to informal sector. Presently, the State is having serious issue in this area, efforts are however on-going by way of citizens' engagement through continuous meetings as well as redirecting of government's capital expenditures, programs, and intervention activities towards the sector.
ii. reduction of overheads through strategic matching of overheads to revenue generating activities.
iii. as usual, the State should continue to monitor developments in the nation's economy with a view to taking advantage of any identified Debt restructure opportunity that may help reduce the future debt service burden.

4.3.6: Projected Personnel Cost



Source: State's forecast

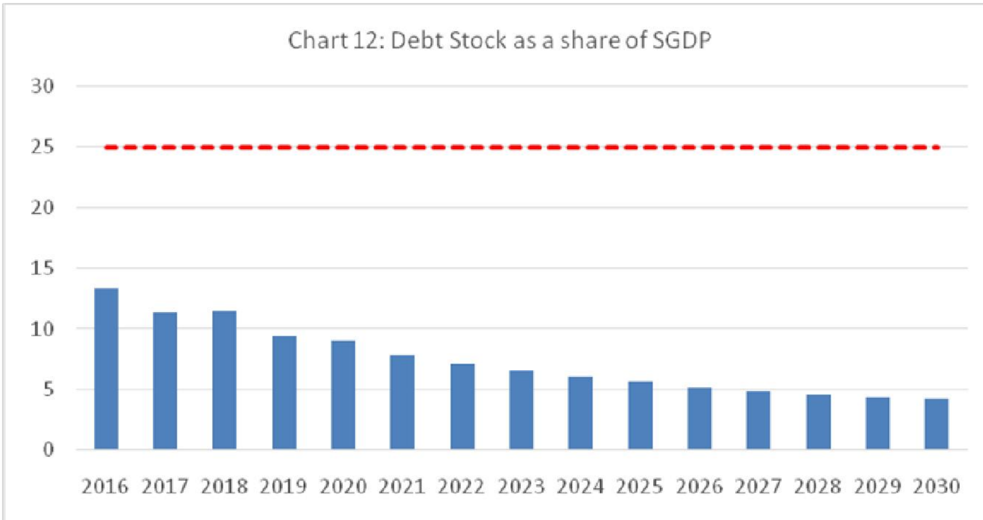
4.3.7: Fiscal Outturns



Source: State's forecast

Chart 10 above indicates that the State is currently not doing badly in terms of her Personnel cost as a share of Revenue. This ratio is kept below 60% throughout the projected ten year period. From the share of 29% in 2020 to 21% in 2030. The highest being 39% in 2022.

4.3.8: Projected debt as a share of GDP



Source: State's forecast

Debt as a share of GDP is another relevant ratio. As the above chart shows, this ratio is far below the threshold of 25% throughout the period under focus. The ratio improves from 13% in 2016 to 4% in 2030. This is an indication that the State's Debt stock as projected could be said to be at sustainable level particularly when viewed along with Debt to Revenue figure earlier discussed in 4.3.4.

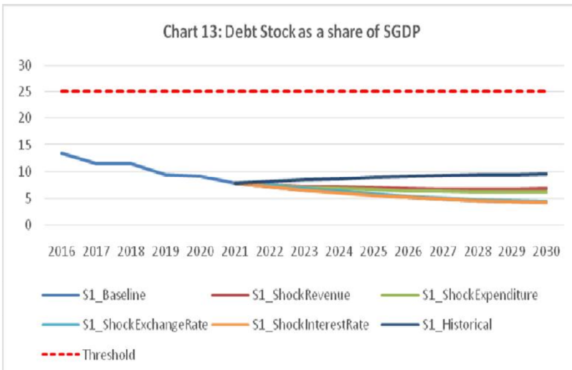
4.3.9 Main findings and conclusion of the Baseline scenario in terms of Debt sustainability

The sensitivity analysis of the State's debt sustainability carried out in this chapter is aimed at further evaluating the State's fiscal situation under the baseline scenario captured in terms of year on year projections based on some assumptions relating to the State's revenue and expenditure figures for the ten year period (2021-2030). Going by the results earlier discussed, the key indicators of debt sustainability i.e. Debt/Revenue, Debt/GDP, Debt service/Revenue all indicate that the State's projected Revenue, expenditure, and required annual borrowing levels, will not in any way affect the State's fiscal stability during the period under focus (i.e. 2021-2030). Therefore, barring other issues not factored into the various assumptions underlining the State's projections, the State's Debt could be said to be sustainable.

4.4 DSA Sensitivity Analysis

DSA sensitivity analysis provides a framework for stress test of a borrower's Debt sustainability under different levels of adverse variations on the key macroeconomic indices upon which revenue, expenditures and debt projections are postulated. States face important sources of fiscal risks associated with adverse country wide macroeconomic conditions and distortions or shocks on the State's revenue and expenditure policies. Under the sensitivity analysis carried out for Osun Debt sustainability, the impact of 10% adverse variations on the projected revenues, and expenditures, 20% on exchange rate, and 2% on interest rate are assessed. This is done to evaluate the robustness of the sustainability assessment of the baseline scenarios discussed in the previous sub-section. The overarching assumption is that both the resulting reduction in revenue and increase in expenditure shall be financed by the projected borrowings (domestic and external) as applicable under the baseline scenarios earlier discussed. The impact of the various shocks on the indicators (Debt stock as a share of GDP, Debt stock as a share of Revenue, Debt service as a share of Revenue, and Personnel cost as a share of Revenue) are established and evaluated in relation to the various thresholds of these indicators. This is to assess the State's level of resilience to these various shocks. Presented and discussed below are the results of the analyses of the various shocks scenarios in relation to Baseline***. Given the observed distortions in the various charts generated under the analyses, and the desire to control the significant volatility observed in recent years however, the historical scenario is completely excluded from the State's DSA-DMS template***.

Debt Stock as a share of SGDP (under Shock scenario)



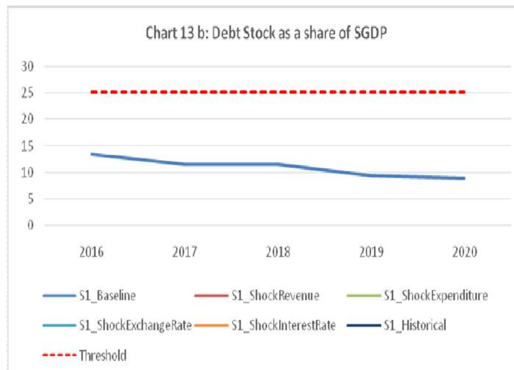


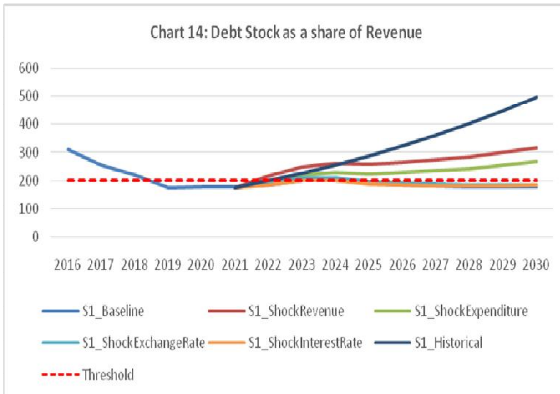
Table 4.5 : Debt Stock as a share of GDP (under Shock scenario)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Threshold	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**
S1_Baseline	8	7	6	6	6	5	5	5	4	4
S1_ShockRevenue	8	8	7	7	7	7	7	7	7	7
S1_ShockExpenditure	8	7	7	7	7	6	6	6	6	6
S1_ShockExchangeRate	8	7	7	6	6	5	5	5	5	4
S1_ShockInterestRate	8	7	7	6	6	5	5	5	4	4
S1_Historical	8	8	8	9	9	9	9	9	9	9

Source: Osun DSA-DMS template

As depicted in the above charts (Chart 13 &14), and table 4.5, it is discovered that the indicator reacts moderately to the shocks on all the five variables (Revenue, Expenditure, Exchange rate, Interest rate and Historical). The indicator is still within the threshold of 25% throughout all the years.

Debt Stock as a share of Revenue (under Shock scenario)



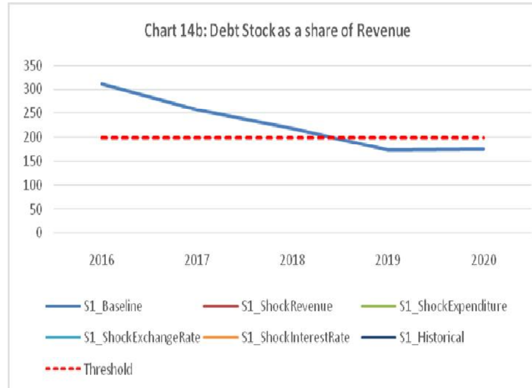


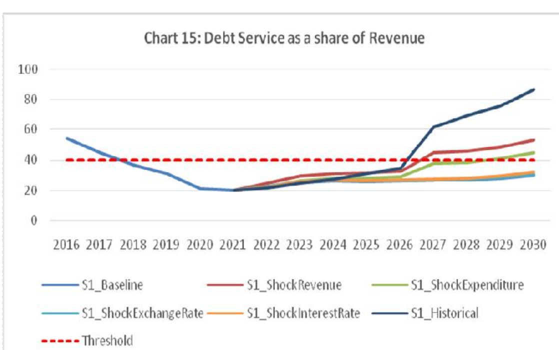
Table 4.6 : Debt Stock as a share of Revenue (under Shock scenario)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Threshold	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**
S1_Baseline	176	184	201	201	189	183	179	177	177	179
S1_ShockRevenue	176	216	248	260	258	265	273	285	298	315
S1_ShockExpenditure	176	193	219	229	225	229	235	243	254	268
S1_ShockExchangeRate	176	192	210	210	197	191	187	184	184	186
S1_ShockInterestRate	176	184	202	202	190	185	182	181	181	185
S1_Historical	176	200	227	257	288	323	361	402	447	496

Source: Osun DSA-DMS template

Here, the shocks considered breached the benchmarks through Revenue shock from the year 2022 to 2030, through Expenditure shock and Historical from the year 2023 to 2030. The breach due to exchange rate and interest rate are however between the years 2023 and 2024 only. These are as shown in the charts and table above.

Debt Service as a share of Revenue



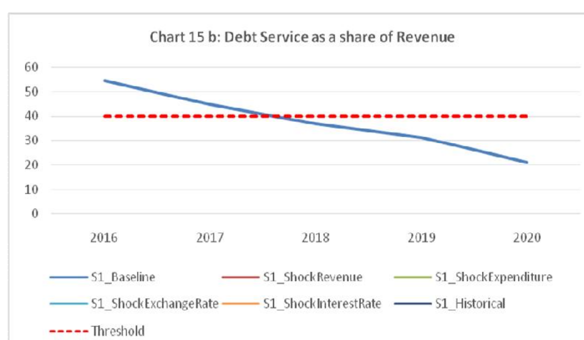


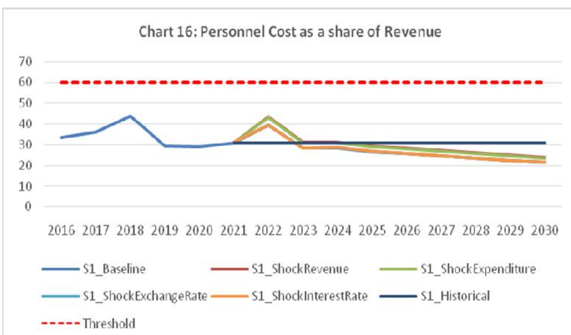
Table 4.7 : Debt Service as a share of Revenue (under Shock scenario)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Threshold	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**
S1_Baseline	20	22	26	26	26	26	27	27	28	30
S1_ShockRevenue	20	25	30	31	31	33	45	46	48	53
S1_ShockExpenditure	20	22	26	28	28	29	38	39	41	45
S1_ShockExchangeRate	20	23	26	27	26	27	27	27	28	31
S1_ShockInterestRate	20	23	26	27	26	27	28	28	30	32
S1_Historical	20	22	25	28	31	35	62	62	62	62

Source: Osun DSA-DMS template

Under Debt service as a share of Revenue, the indicator threshold of 40% were breached through both Revenue and Historical shocks from the year 2027 through to 2030, and by Expenditure shock in the years 2029 and 2030.

Personnel cost as a share of Revenue



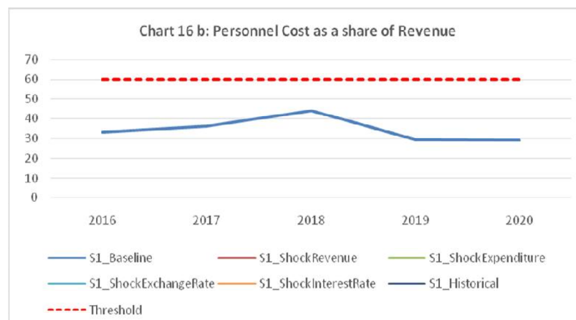


Table 4.8 : Personnel cost as a share of Revenue (under Shock scenario)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Threshold	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**
S1_Baseline	31	39	28	28	26	25	24	23	22	21
S1_ShockRevenue	31	44	31	31	29	28	27	26	25	24
S1_ShockExpenditure	31	43	31	31	29	28	27	26	25	24
S1_ShockExchangeRate	31	39	28	28	26	25	24	23	22	21
S1_ShockInterestRate	31	39	28	28	26	25	24	23	22	21
S1_Historical	31	31	31	31	31	31	31	31	31	31

Source: Osun DSA-DMS template

As shown by charts 16 and table 4.8 above, the indicator threshold of 60% were not in any way breached through shocks in all the variables.

From the analyses above, it becomes more evident that the State's Debt sustainability earlier established under the baseline scenario is untenable under macroeconomic shocks and policy adverse shifts. This is an indication that sustainability of the State's debt portfolio is not resilient enough during adverse macroeconomic situations. This further indicates the limitation of the State's current revenue sources and heavy reliance on statutory revenue from the Federation account to support the State's fiscal activities in the medium term particularly considering the volatility nature of the revenue from the Federation account. Events of recent times on declining revenue from the Federation account, and the severe impacts of same on States' fiscal situations affirm this. This is a strong call for urgent and aggressive policy review on the part of the State as far as her IGR drive is concerned so as to diversify her revenue base significantly from the very volatile and vanishing statutory sources.

CHAPTER FIVE: DEBT MANAGEMENT STRATEGY

5.0: Introduction

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. In evolving Debt management strategy, the objective is to mobilize borrowings at low cost over medium to long-term subject to prudent levels of risk in debt portfolio. The overall goal is to engender stable and sustainable financial stability over a period of time.

In order to develop a sound public debt management strategy, three key indicators that are usually given consideration are Debt stock/Revenue ratio (or Debt Stock to GDP, as the case may be), Debt services/Revenue and Interest/Revenue ratios. Debt to Revenue ratios is used to predict the optimal debt carrying capacity of an entity, Debt service to Revenue and Interest to Revenue ratios on the other hand, are used to assess the impact of the Debt stock on the borrower's revenue. While cost of any debt portfolio measures the expected value of the portfolio, risk assesses deviation from the expected value of the portfolio.

5.1 Alternative Borrowing options

In order to source for the required annual borrowing as reflected from the 10 year projection under the State's baseline position, four different strategies (S1-4) were developed. These revolve around assemblage of the various borrowing options available to the State, commencing from S1 (the State's baseline strategy). Generally, these are Domestic (such as FGN/Commercial bank on-lending concessionary loans, and bonds) and external (i.e. Concessionary long term funding from international lending institutions such as World Bank, African Development etc, and multi-lateral credits). Discussed below in details are the four different borrowing options or strategies (i.e. S1-4) indicating clearly the distinguishing features of each:

(a) Strategy 1 (S1) – The Baseline borrowing option

This represents the State's baseline borrowing option. This financing strategy actually represents the State's currently adopted portfolio mix. As earlier indicated in Table 3.7 in chapter 3, The State current portfolio mix is made up of both Domestic and External loans in the proportion 77:23 respectively. The Domestic financing sources comprise of the various commercial bank concessionary intervention loans (such as Budget support, Salary bail-out, Excess crude account-backed loans, and Infrastructure loans) and the FGN bond. Whereas, both classes of portfolio have the same average tenor of 20years, the commercial bank loans all have interest rate of 9%p.a. while the FGN Bond has 14.83%p.a. as interest. As earlier indicated, the Commercial bank concessionary loan constitutes about 40% of the State's Domestic loan portfolio while the FGN Bond constitutes 60%. The External debt components are of average tenor of 25years, and interest rate of 1.2%p.a.

(b) Strategy 2 (S2)

This is the first alternative borrowing strategy evolved under the analysis. While this strategy assumes the same Domestic/External debt mix of 77%:23% as reflected in S1, the distribution of the Domestic components is reversed from the initial 60/40 ratio to 40/60 ratio in favour of FGN Bond and Commercial bank, concessionary loans. The rationale behind this alternative mix is the consideration given to the lower interest rates associated with the Commercial bank, concessionary longer tenor loans over the FGN bond (i.e. 9%p.a. over 14.84%p.a.).The State has been desirous of an alternate debt mix in this manner ever since, but prevailing circumstances are yet to make this wish realistic.

(c) Strategy 3 (S3)

As applicable to S2, Domestic/External debt mix of 77%:23% also subsists under this alternative borrowing option. However, capital market option (in form of bond) is being explored as a constituent of the Domestic debt. Specifically, a mix of both Bonds and Commercial bank concessionary loan is being considered. The State is considering opportunity of fixed interest rate, and longer tenor associated with capital market debt structure in the country given her prior experience and enhanced capacity building in this regards. Aside the usual conventional bond of =N=30billion issued by the State in 2012, it is on record that Osun is the pioneer issuer of a faith-based variant of debt instrument (Sukuk) in the whole Sub-Saharan African in 2013. The State's Debt management office's enhanced capacity and robust contacts with the various key stakeholders in this regards are expected to provide a good head start on the proposed borrowing option.

(d) Strategy 4 (S4)

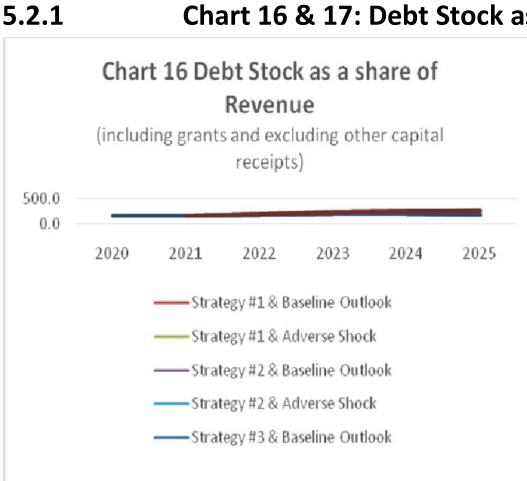
This alternative borrowing option is a variation of the applicable portfolio mix under the first strategies (S1-3). Instead of 77:23 ratio in favour of Domestic and External, a mix of 60:40 (Domestic/External) is being proposed. In addition, the 60% Domestic portion is distributed between FGN bond and Commercial banks concessionary loans in the ratio of 60:40 respectively. The thrust of this strategy remains mainly the lower interest rate of External loan over Domestic. Whereas this mix is theoretically being indicated (by the Federal DMO) as the ideal portfolio mix threshold, this is yet to be actualized by the State due to the ever challenging situations associated with arrangement of External loans particularly by a sub-national.

Generally, due to the peculiarity of the associated challenges of accessing external debts (in terms of processing time required, protocol and documentation), sourcing external debt during the first year under projection (i.e. 2021) is completely ruled out under all the four strategies.

5.2.0 DMS Simulation results

In order to establish the best borrowing strategy, simulation of the four different borrowing options (strategies) are carried out with emphases on cost and risk, and given consideration to the three indicators – Debt/Revenue, Debt service to Revenue and Interest/revenue. The results and relevant charts, populated from the template, are as presented and discussed below

5.2.1 Chart 16 & 17: Debt Stock as a share of Revenue, and Cost-Risk Trade Off



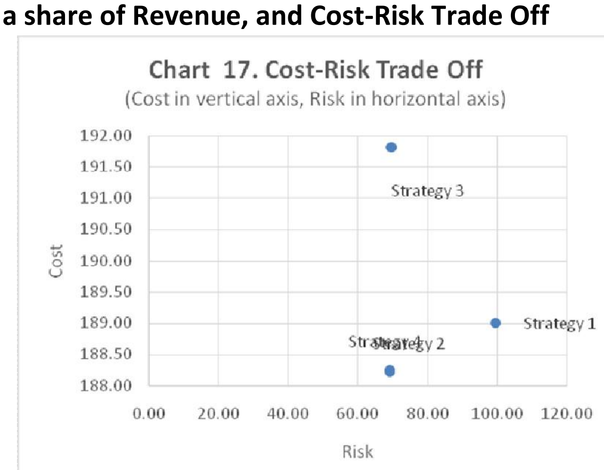


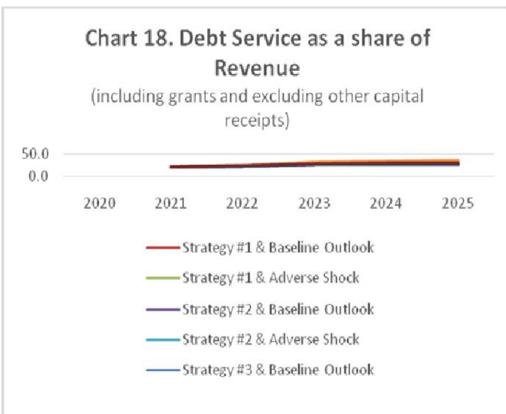
Table: 5.1 Debt Stock as a % of Revenue

	Strategy 1	Strategy 2	Strategy3	Strategy 4
Cost	189.01	188.25	191.82	**188.23**
Risk	99.34	69.1	69.5	**69.1**
Adverse shock	288.35	257.35	261.31	**257.33**

Source: Osun DMS charts

Using Debt stock as a percentage of Revenue indicator, it is observed that strategy 4 (S4) has the lowest cost and risk of 188.23% and 69.1% (see table 5.2.1). This is followed by S2 with 188.25% and 69.1% for cost and risk and then by S1 (189.01% & 99.34%, for Cost and Risk respectively. The worst strategy in terms of cost and risk is S3 with Cost and Risk of 191.82% and 69.5%. The analysis thus indicates that in terms of cost and risk, S4 is the best strategy for the State.

5.2.2 Chart 18 & 19: Debt Service as a Share of Revenue and Cost Risk Trade Off



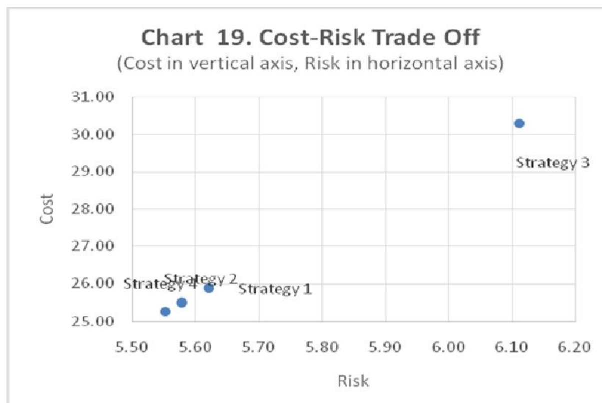


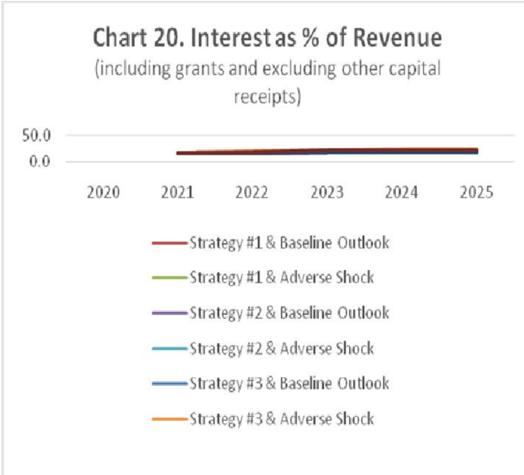
Table 5.2: Debt service as a % of Revenue

	Strategy 1	Strategy 2	Strategy3	Strategy 4
Cost	25.9	25.5	30.3	**25.3**
Risk	5.6	5.6	6.1	**5.6**
Adverse shock	31.5	31.1	36.4	**30.8**

Source: Osun DMS charts

As can be seen from the above table and DMS chart 18 and 19, with the lowest cost and risk of 25.3% and 5.6% respectively, strategy 4 (S4) is considered the best in terms of Debt service as a percentage of Revenue. This is followed by S2 and then by S1. The costliest and riskiest strategy is S3 with Cost and Risk of 30.3% and 6.1%.

5.2.8 Chart 20 & 21: Interest as a Percentage of Revenue and Cost Risk Trade Off



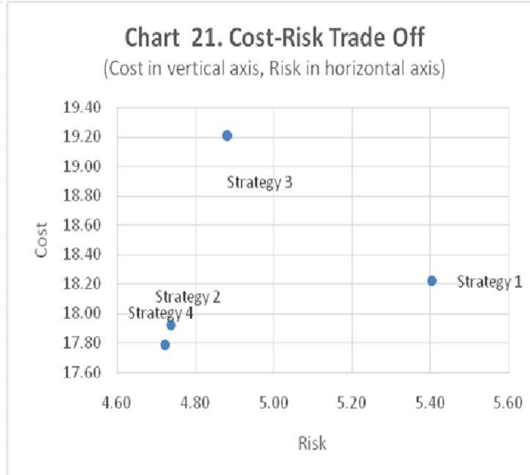


Table :5.3 Interest as a % of Revenue

	Strategy 1	Strategy 2	Strategy3	Strategy 4
Cost	18.2	17.9	19.2	**17.8**
Risk	5.4	4.7	4.9	**4.7**
Adverse shock	23.6	22.7	24.1	**22.5**

Source: Osun DMS charts

In terms of Interest as a % of Revenue, it is found that S4 is the best strategy with the lowest cost and risk of 17.8% and 4.7% respectively. This is followed by S2 (17.9%&4.7%) and S1 with risk and cost of 18.2% and 5.4%). The last preferred strategy in term of cost and risk is discovered to be S3 with cost and risk of 19.2% and 4.9% respectively.

5.3 DMS Assessment

Going by the analyses of the four strategies carried out in the prior section, it is established that under the three measures (Debt stock as a share of Revenue, Debt service as a share of Revenue, and Interest as a share of Revenue), strategy 4 is the best in terms of associated cost and risk.

Also, in terms of Debt stock and flows during the period under focus, whereas, Osun State debt portfolio stood at =N=174.82billion as at end of 2020, S4 leads to the least Debt stock of =N=211.38billion at the end of 2030, followed by by S2 (=N=214.4billion), then by S1 (=N=218.7billion), and lastly by S3 that leads to the highest debt stock of =N=229billion at the end of the period. The overall ranking of the four strategies are as shown in the table below.

Table 5.4: Strategy Ranking table

Strategy Ranking	Cost Risk Tradeoff	Debt stock increment
1st	**S4**	**S4**
2nd	S2	S2
3rd	S1	S1
4th	S3	S3

Source: Osun DMO

Going by the above strategy ranking table, and given its improvement on the State's existing strategy (S1), in terms of cost-risk trade off, and debt stock position at end of the strategic period, S4 is the best. Ordinarily, this would have been recommended for adoption during the strategic period, however, implementation of S4 might pose some issues due to the many inherent challenges associated with raising external debt particularly by a sub-national in a short to medium term. It is highly doubtful if the State would be able to implement S4 (through increase share of external debt of the State's debt portfolio from the current level of 23% mix to the projected level of 40%). ***Going by this doubt therefore, the State might need to jettison S4 for the next best strategy in terms of cost and risk, in this case S2. Consequently, Strategy 2 is considered and recommended as the most feasible and implementable strategy in the short to medium-term. This would still considerably improve the State's portfolio position relative to the baseline strategy- S1 currently being adopted by the State***.

In pursuance of the recommended debt strategy, the State shall continue to monitor developments in the nation's economy with a view to taking advantage of any identified Debt restructure opportunity in favour of single-digit interest rate.

Annexure:

1. **List of Tables**

2. List of Charts

3. **Assumptions**

A. **Assumptions on Revenue and expenditures for the years 2021-2024**

1. **Statutory Allocation** – The Statutory allocation of **₦41,397,465,159** is estimated based on elasticity forecast using the oil price of $57.00 per barrel (pb), National Inflation of 13.00%, National Real GDP Growth of 2.5%, NGN:USD Exchange benchmarks of ₦410 to $1 and production benchmark of 1.88 million barrels daily production (MBDP). it is assumed that the current reforms by the Federal Government, especially in Federal Inland Revenue and Nigeria Custom Services will increase the non-oil revenue flowing to the federation account.

2. **VAT** – This is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2022-2024 is in line with the current rate of collections. For 2022, the sum of **₦14.751 billion** is assumed.

3. **Internally Generated Revenue (IGR)** – Key fiscal target for the State of Osun in 2022 is to grow IGR by a minimum of 4.2% in 2022 which amounts to **₦25 billion**. The Government has already started putting in place measures to achieve these IGR targets. **Grants** –

4. **The Internal Grants**: The total sum of **₦9,862,106,439** is assumed for Internal Grant**.**

6. **Net Financing (Loans**): The total sum of **₦3,698,750,000** is being proposed from the following sources:

i. *NIGERIA CARES (Ministry of Agriculture)* --- **₦***922,500,000*.00

ii. *NIGERIA CARES (CSDP)* --- **₦***2,306,250,000*.00

iii. *Min*. of Youth (N-CARES) --- ₦470,000,000

7. **Planning Reserve:** The sum of **₦396,489,412** which is 16% of ***"Transfer to Capital Account"*** was set aside as reserve to take care of unforeseen expenditures.

8. **Capital Expenditure**–The State is proposing to spend **₦26,368,455,528 on Capital Projects in the fiscal year 2022.** Of this amount, the Discretional Fund stands as **₦10,151,953,794** while the Non-Discretional Fund is **₦16,216,501,734**.

B. **Other assumptions for the years 2025-2030:**

Revenue

i. FAAC to grow annually by 5%
ii. Other allocation from FAAC is NILL
iii. VAT to grow annually by 2.5%
iv. IGR to grow annually by 5%
v. Constant annual grant of =N=5billion was assumed.

Expenditure

i. Personnel cost remains constant
ii. Overhead cost to grow annually by 5%
iii. Other recurrent expenditure to grow annually by 10%
iv. Capital expenditure to grow annually by 10%

Closing Bank and Cash balance is projected to grow annually by 5%, using year 2019 balance as a base.

2021		Projection Methodology		Source
Assumptions:				
Economic activity	State GDP (at current prices)		2,300,036.0	DMO-WBG
Revenue	**Revenue**			
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Figure for year 2021 was actual Budget, while the state's MTEF figures was adopted for year 2022-2024. From year 2025, FAAC is projected to grow annually by 5%.		
	1.a. of which Net Statutory Allocation ('net' means of deductions)			OSUN DMO
	1.b. of which Deductions	The deductions here was the sums of principal and interest repayment on loan portfolios		
	2. Derivation (if applicable to the State)	NOT APPLICABLE		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other allocation from FAAC is assumed to be NIL		
	4. VAT Allocation	Year 2021 was actual Budget figure, while the state's MTEF figures was adopted for year 2022-2024. From year 2025, VAT is pı		OSUN DMO
	5. IGR	Year 2021 was actual Budget figure, while the state's MTEF figures was adopted for year 2022-2024. From year 2025, IGR is pr		OSUN IRS
	6. Capital Receipts	Year 2021 was actual Budget figure, while the state's MTEF figures was adopted for year 2022-2024. From year 2025-2030, constant annual grant of =N=5billion was projected.		OSUN MINISTRY OF BUDGET & PLANNING
	6.a. Grants			
	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)	Year 2021 was actual Budget figure, while the state's MTEF figures was adopted for year 2022-2024. From year 2025, constant personnel value is projected, using the year 2024 MTEF value as a base		OSUN MINISTRY OF BUDGET & PLANNING
	2. Overhead costs	Overhead cost is projected to grow annually by 5%, using 2024 MTEF value as a base.		OSUN MINISTRY OF BUDGET & PLANNING
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Amortized interest repayment on loan portfolio.		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	other recurrent expenditure is expected to grow annually by 10% using year 2024 figure as a base.		OSUN MINISTRY OF BUDGET & PLANNING
	5. Capital Expenditure	Year 2021 was actual Budget figure, while the state's MTEF figures was adopted for year 2022-2024. From year 2025, CAPEX		OSUN MINISTRY OF BUDGET & PLANNING
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Annual grow of 5% is projected for the Closing Balance figure. Using year 2019 figure as a base.		STATE'S AUDITED FINANCIAL STATEMENT
Debt Amotization and Interest Payments	**Debt Outstanding at end-2020**			
	External Debt - amortization and interest		40,704.60	OSUN DMO
	Domestic Debt - amortization and interest		134,111.00	OSUN DMO
	New debt issued/contracted from 2021 onwards			
	New External Financing	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1% interest rate, 30 years maturity period and 7 years grace period		OSUN DMO
	External Financing - Bilateral Loans	1.5 % interest rate, 30 years maturity period and 7 years grace period		OSUN DMO
	Other External Financing	1% interest rate, 20 years maturity period and 7 years grace period		OSUN DMO
	New Domestic Financing	**Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)**		
	Commercial Bank Loans (maturity 1 to 5 years)	17% interest rate, 5 years maturity and 1 years grace period		OSUN DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	9% interest rate, 20 years maturity period and 1 year grace period		OSUN DMO
	State Bonds (maturity 1 to 5 years)	12.5% interest rate, 5 years maturity period and 1 year grace period		OSUN DMO
	State Bonds (maturity 6 years or longer)	14.75% interest rate, 7 years maturity and 1 year grace period		OSUN DMO
	Other Domestic Financing (FGN BONDS)	14.83% interest rate,19 years maturity, no grace period		
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)		15770.70	OSUN DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		123183.90	OSUN DMO
	State Bonds (maturity 1 to 5 years)		32654.80	OSUN DMO
	State Bonds (maturity 6 years or longer)		0.00	OSUN DMO
	Other Domestic Financing (FGN BONDS)		0.00	
	New External Financing in Million US Dollar			
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		0.00	OSUN DMO
	External Financing - Bilateral Loans		0.00	OSUN DMO
	Other External Financing		0.00	OSUN DMO
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)		0.00	OSUN DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		8,466.30	OSUN DMO
	State Bonds (maturity 1 to 5 years)		192,337.41	OSUN DMO
	State Bonds (maturity 6 years or longer)		0.00	OSUN DMO
	Other Domestic Financing (FGN BONDS)		0.00	
	New External Financing in Million US Dollar			
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		0.00	OSUN DMO
	External Financing - Bilateral Loans		0.00	OSUN DMO
	Other External Financing		0.00	OSUN DMO
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)		13,919.10	OSUN DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		8,466.30	OSUN DMO
	State Bonds (maturity 1 to 5 years)		0.00	OSUN DMO
	State Bonds (maturity 6 years or longer)		51,370.10	OSUN DMO
	Other Domestic Financing (FGN BONDS)		0.00	
	New External Financing in Million US Dollar			
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		27.90	OSUN DMO
	External Financing - Bilateral Loans		113.00	OSUN DMO
	Other External Financing		0.00	OSUN DMO
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)		8,466.30	OSUN DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		0.00	OSUN DMO
	State Bonds (maturity 1 to 5 years)		0.00	OSUN DMO
	State Bonds (maturity 6 years or longer)		81,788.80	OSUN DMO
	Other Domestic Financing (FGN BONDS)		0.00	
	New External Financing in Million US Dollar			
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		121.50	OSUN DMO
	External Financing - Bilateral Loans		0.00	OSUN DMO
	Other External Financing		0.00	OSUN DMO

			Actuals								Projections				
Indicator	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	1,233,855.00	1,469,983.00	1,555,294.00	1,801,095.00	1,945,395.00	2,300,036.00	2,550,294.00	2,817,810.00	3,064,537.00	3,339,365.00	3,645,919.00	3,980,614.00	4,346,034.00	4,745,000.00	5,180,591.00
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	379.00	379.00
Fiscal Indicators (Million Naira)															
Revenue	**91,549.00**	**93,085.00**	**99,000.00**	**101,074.00**	**99,048.00**	**118,319.29**	**106,276.52**	**98,314.57**	**101,934.50**	**107,685.62**	**114,146.52**	**121,289.34**	**128,741.49**	**137,938.08**	**149,126.81**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	18,591.00	25,859.00	38,781.00	37,637.00	31,299.00	31,943.00	41,397.40	47,730.10	48,482.40	50,906.52	53,451.85	56,124.44	58,930.66	61,877.19	64,971.05
1.a. of which Net Statutory Allocation ('net' means of deductions)	-7,539.00	-3,168.00	9,700.00	10,451.00	12,923.00	11,296.14	20,608.58	26,709.52	27,389.55	29,756.98	31,867.20	34,106.86	36,996.59	39,167.83	40,668.72
1.b. of which Deductions	26,131.00	29,027.00	29,081.00	27,186.00	18,376.00	20,646.86	20,788.82	21,020.58	21,092.85	21,149.54	21,584.64	22,017.58	21,934.07	22,709.36	24,302.33
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	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	4,171.00	7,506.00	4,093.00	1,184.00	3,749.00	2,400.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. VAT Allocation	8,446.00	10,175.00	11,343.00	12,195.00	14,726.00	15,888.00	14,751.50	16,051.60	17,430.90	17,866.67	18,313.34	18,771.17	19,240.45	19,721.46	20,214.50
5. IGR	11,253.00	11,842.00	15,690.00	17,600.00	19,671.00	26,671.00	25,000.00	25,000.00	24,000.00	25,200.00	26,460.00	27,783.00	29,172.15	30,630.76	32,162.30
6. Capital Receipts	49,088.00	37,703.00	29,093.00	32,458.00	29,603.00	41,417.29	25,127.62	9,532.87	12,021.20	13,712.42	15,921.34	18,610.73	21,398.23	25,708.67	31,778.96
6.a. Grants	10,699.00	10,023.00	11,768.00	29,008.00	29,603.00	25,139.00	17,513.70	2,229.70	2,479.80	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
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	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	19,775.00	14,425.00	16,625.00	0.00	0.00	7,812.00	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 disbursements, etc.)	18,614.00	13,255.00	700.00	3,450.00	0.00	8,466.29	7,613.92	7,303.17	9,541.40	8,712.42	10,921.34	13,610.73	16,398.23	20,708.67	26,778.96
Expenditure	**89,460.00**	**89,249.00**	**105,658.00**	**104,024.17**	**86,470.79**	**130,498.86**	**105,859.00**	**97,876.17**	**101,474.18**	**107,202.28**	**113,639.02**	**120,756.47**	**128,181.97**	**137,350.58**	**148,509.94**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	17,675.00	23,632.00	35,905.00	28,703.00	28,749.00	31,599.00	38,841.40	25,553.00	26,191.80	26,191.80	26,191.80	26,191.80	26,191.80	26,191.80	26,191.80
2. Overhead costs	11,564.00	9,219.00	16,904.00	13,335.00	16,378.00	16,960.00	16,500.00	11,564.70	11,564.70	12,142.94	12,750.08	13,387.59	14,056.97	14,759.81	15,497.80
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	21,473.12	20,654.75	20,186.92	19,395.61	16,281.99	16,497.12	17,143.00	17,418.44	17,660.44	18,036.14	18,411.96	18,924.34	19,658.61	20,616.32	22,096.43
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	20,406.12	19,508.75	18,888.92	17,931.61	14,731.99	0.00	0.00	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	1,067.00	1,146.00	1,298.00	1,464.00	1,550.00	0.00	0.00	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 and Interest Payments)	2,109.63	2,517.10	3,062.23	0.00	105.00	2,059.00	2,264.90	2,491.39	2,740.53	3,014.58	3,316.04	3,647.64	4,012.41	4,413.65	4,855.01
5. Capital Expenditure	28,206.00	23,571.00	18,362.00	30,095.00	18,734.00	59,234.00	26,138.40	34,886.20	36,585.00	40,243.50	44,267.85	48,694.64	53,564.10	58,920.51	64,812.56
6. Amortization (principal) payments	8,432.25	9,655.15	11,237.85	12,495.57	6,222.79	4,149.74	4,971.30	5,962.44	6,731.70	7,573.32	8,701.29	9,910.46	10,698.09	12,448.49	15,056.33
Budget Balance (' + ' means surplus, ' - ' means deficit)	**2,089.00**	**3,836.00**	**-6,658.00**	**-2,950.17**	**12,577.21**	**-12,179.57**	**417.52**	**438.40**	**460.32**	**483.34**	**507.50**	**532.88**	**559.52**	**587.50**	**616.87**
Opening Cash and Bank Balance	**11,636.00**	**13,725.00**	**17,561.00**	**10,903.00**	**7,952.83**	**20,530.04**	**8,350.47**	**8,768.00**	**9,206.39**	**9,666.71**	**10,150.05**	**10,657.55**	**11,190.43**	**11,749.95**	**12,337.45**
Closing Cash and Bank Balance	**13,725.00**	**17,561.00**	**10,903.00**	**7,952.83**	**20,530.04**	**8,350.47**	**8,768.00**	**9,206.39**	**9,666.71**	**10,150.05**	**10,657.55**	**11,190.43**	**11,749.95**	**12,337.45**	**12,954.32**
Financing Needs and Sources (Million Naira)															
Financing Needs						**16,278.29**	**7,613.92**	**7,303.17**	**9,541.40**	**8,712.42**	**10,921.34**	**13,610.73**	**16,398.23**	**20,708.67**	**26,778.96**
i. Primary balance						-7,811.00	14,917.90	16,516.11	15,311.07	17,380.38	16,699.41	15,756.95	14,517.99	12,943.64	10,990.67
ii. Debt service						20,646.86	22,114.30	23,380.88	24,392.15	25,609.46	27,113.25	28,834.80	30,356.70	33,064.81	37,152.76
Amortizations						4,149.74	4,971.30	5,962.44	6,731.70	7,573.32	8,701.29	9,910.46	10,698.09	12,448.49	15,056.33
Interests						16,497.12	17,143.00	17,418.44	17,660.44	18,036.14	18,411.96	18,924.34	19,658.61	20,616.32	22,096.43
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-12,179.57	417.52	438.40	460.32	483.34	507.50	532.88	559.52	587.50	616.87
Financing Sources						**16,278.29**	**7,613.92**	**7,303.17**	**9,541.40**	**8,712.42**	**10,921.34**	**13,610.73**	**16,398.23**	**20,708.67**	**26,778.96**
i. Financing Sources Other than Borrowing						7,812.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings						8,466.29	7,613.92	7,303.17	9,541.40	8,712.42	10,921.34	13,610.73	16,398.23	20,708.67	26,778.96
Commercial Bank Loans (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
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						3,386.52	2,326.40	2,261.60	2,906.58	2,683.43	3,363.77	4,214.77	5,050.65	6,378.27	8,733.52
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)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing (FGN BONDS)						5,079.80	3,320.50	3,374.00	4,360.81	4,020.30	5,056.17	6,288.16	7,595.47	9,592.90	12,360.45
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	1,967.01	1,667.60	2,274.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	2,008.70	2,501.40	3,107.80	3,752.10	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,737.50	5,685.00
Residual Financing						-0.03	0.01	-0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**164,939.13**	**167,779.00**	**178,470.09**	**169,786.00**	**174,815.60**	**179,132.15**	**181,774.78**	**183,115.51**	**185,925.20**	**187,064.30**	**189,284.35**	**192,984.62**	**198,684.76**	**206,944.94**	**218,667.58**
External	17,870.13	29,542.00	30,371.09	31,133.00	40,704.60	39,212.51	39,531.88	39,372.14	39,876.77	40,229.32	41,008.39	42,393.89	45,066.12	48,655.38	52,574.48
Domestic	147,069.00	138,237.00	148,099.00	138,653.00	134,111.00	139,919.64	142,242.90	143,743.37	146,048.43	146,834.98	148,275.96	150,590.73	153,618.64	158,289.56	166,093.09
Gross borrowing (flow)						**8,466.29**	**7,613.92**	**7,303.17**	**9,541.40**	**8,712.42**	**10,921.34**	**13,610.73**	**16,398.23**	**20,708.67**	**26,778.96**
External						0.00	1,967.01	1,667.60	2,274.00	2,008.70	2,501.40	3,107.80	3,752.10	4,737.50	5,685.00
Domestic						8,466.29	5,646.91	5,635.57	7,267.40	6,703.72	8,419.94	10,502.93	12,646.13	15,971.17	21,093.96
Amortizations (flow)	**8,432.25**	**9,655.15**	**11,237.85**	**12,495.57**	**6,222.79**	**4,149.74**	**4,971.30**	**5,962.44**	**6,731.70**	**7,573.32**	**8,701.29**	**9,910.46**	**10,698.09**	**12,448.49**	**15,056.33**
External	853.25	825.15	930.85	1,030.57	1,681.79	1,492.09	1,647.64	1,827.34	1,769.37	1,656.15	1,722.33	1,722.30	1,079.87	1,148.24	1,765.90
Domestic	7,579.00	8,830.00	10,307.00	11,465.00	4,541.00	2,657.65	3,323.66	4,135.10	4,962.33	5,917.17	6,978.96	8,188.16	9,618.22	11,300.25	13,290.43
Interests (flow)	**20,406.12**	**19,508.75**	**18,888.92**	**17,931.61**	**14,731.99**	**16,497.12**	**17,143.00**	**17,418.44**	**17,660.44**	**18,036.14**	**18,411.96**	**18,924.34**	**19,658.61**	**20,616.32**	**22,096.43**
External	211.12	243.75	288.92	306.61	378.99	306.02	298.56	306.50	311.00	272.53	340.14	365.45	396.62	438.46	657.76
Domestic	20,195.00	19,265.00	18,600.00	17,625.00	14,353.00	16,191.10	16,844.44	17,111.94	17,349.45	17,763.61	18,071.83	18,558.89	19,261.99	20,177.87	21,438.68
Net borrowing (gross borrowing minus amortizations)						**4,316.55**	**2,642.62**	**1,340.73**	**2,809.69**	**1,139.10**	**2,220.05**	**3,700.27**	**5,700.14**	**8,260.18**	**11,722.63**
External						-1,492.09	319.37	-159.74	504.63	352.55	779.07	1,385.50	2,672.23	3,589.26	3,919.10
Domestic						5,808.64	2,323.25	1,500.47	2,305.06	786.55	1,440.98	2,314.77	3,027.91	4,670.92	7,803.53
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**13.37**	**11.41**	**11.48**	**9.43**	**8.99**	**7.79**	**7.13**	**6.50**	**6.07**	**5.60**	**5.19**	**4.85**	**4.57**	**4.36**	**4.22**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**310.27**	**256.52**	**218.51**	**173.92**	**176.50**	**175.55**	**184.24**	**201.20**	**201.23**	**189.01**	**183.37**	**179.22**	**176.86**	**176.53**	**178.73**
Debt Service as % of SGDP						**0.90**	**0.87**	**0.83**	**0.80**	**0.77**	**0.74**	**0.72**	**0.70**	**0.70**	**0.72**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**20.23**	**22.41**	**25.69**	**26.40**	**25.88**	**26.27**	**26.78**	**27.02**	**28.21**	**30.37**
Interest as % of SGDP						**0.72**	**0.67**	**0.62**	**0.58**	**0.54**	**0.51**	**0.48**	**0.45**	**0.43**	**0.43**
Interest as % of Revenue (including grants and excluding other capital receipts)						**16.17**	**17.38**	**19.14**	**19.11**	**18.22**	**17.84**	**17.57**	**17.50**	**17.59**	**18.06**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**30.97**	**39.37**	**28.08**	**28.35**	**26.46**	**25.37**	**24.32**	**23.31**	**22.34**	**21.41**

Osun State Technical Team

1. Dr. Tunde Adejumo -DMO
2. Tunji Bankole -DMO
3. Olasunkanmi Ojo -Accountant-General's office
4. Abiodun Olaitan -Osun Internal Revenue Service
5. Seyi Afolabi - Ministry of Economic planning and Budget

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Bola Oyebamiji, FCIB
(Honourable Commissioner for Finance)