State of Osun

Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS)

To Cover Period: 2022– 2024

AUGUST, 2021

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Abbreviations

BDC	Bureau de Change
BIR	Board of Internal Revenue
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CCA	Common Country Assessment
CIT	Company Income Tax
CPI	Consumer Price Index
CRF	Consolidated Revenue Fund
EFU	Economic and Fiscal Update
ERGP	Economic Recovery and Growth Plan
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FLR	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
FX	Foreign Exchange
G	Group
GDP	Gross Domestic Product
HE	His Excellency
IFEM	International Foreign Exchange Market
IGR	Internally Generated Revenue
LCDA	Local Council Development Area
LGCs	Local Government Councils
IMF	International Monetary Fund
JTB	Joint Tax Board
MBDP	Million Barrel Daily Production
MDA	Ministry, Department and Agencies
MINT	Mexico, Indonesia, Nigeria and Turkey
MoEPBD	Ministry of Economic Planning, Budget and Development
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
N-11	Next Eleven Countries (potential large economies)
NCS	Nigeria Custom Service
NBS	National Bureau of Statistics
ND	Net Derivation
NGN or ₦	Nigeria Naira
NNPC	Nigerian National Petroleum Company
OAGS	Office of the Accountant General of State
OAGF	Office of the Accountant General of the Federation
OPEC	Oil Producing Exporting Countries
EMDEs	Emerging Market and Developing Economies

SGO	State Government of Osun
PFM	Public Financial Management
SA	Statutory Allocation
SMEs	Small and Medium Enterprises
SHoA	State House of Assembly
USD or $	United States Dollar
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Introduction and Background

1.A Introduction

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

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

3. The State Government of Osun decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2018 as part of the movement toward a comprehensive MTEF process. This is the fifth iteration of the document and covers the period 2022 - 2024.

1.A.1 Budget Process

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

   Medium Term Fiscal Framework (MTFF)

   Medium Term Budget Framework (MTBF)

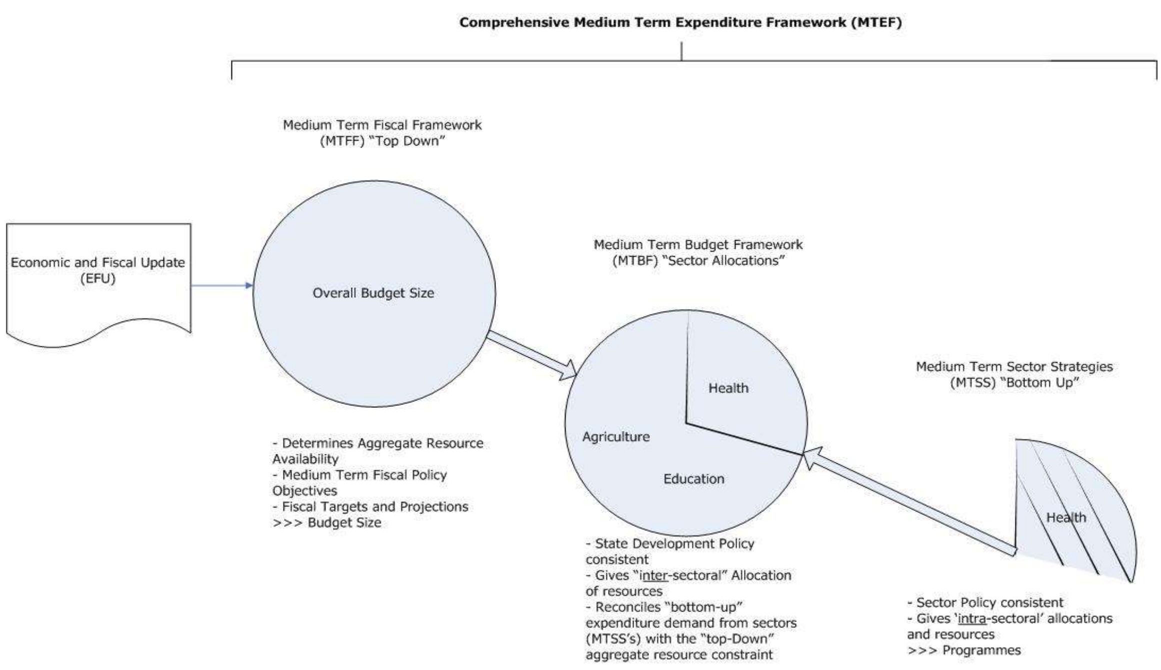
   Medium Term Sector Strategies (MTSS)

   Medium Term Implementation Plan (MTIP)

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

6. The MTEF process is summarised in diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

7. In accordance with provisions of Sections 11 – 18 of the State of Osun Fiscal Responsibility Law, 2012 the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for the State Government of Osun(SGO) for the period 2022-2024.

8. The purpose of this document is three-fold:

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

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

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

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

   Overview of Global, National and State Economic Performance;

   Overview of the Petroleum Sector;

   Trends in budget performance over the last six years.

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

1.A.3 Preparation and Audience

11. The purpose of this document is to provide an informed basis for the 2022 budget preparation cycle for all the key Stakeholders, specifically:

    - State House of Assembly (SHoA);
    - Executive Council (ExCo);
    - Ministry of Economic Planning, Budget and Development;
    - Ministry of Finance;
    - Office of the Accountant General;
    - All Government Ministries, Departments and Agencies (MDAs);
    - Civil Society.

12. The document is prepared within the last two quarters of the year prior to the annual budget preparation period. It is prepared by the State of Osun Ministry of Economic Planning and Budget in collaboration with Ministry of Finance, Office of Accountant General, State Bureau of Statistics, Board of Internal Revenue, and Debt Management Office using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

13. **Legislative Framework for PFM in the State of Osun**– The fundamental law governing public financial management in Nigeria and the State of Osun in particular is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to the State Government of Osun shall be received into a Consolidated Revenue Fund (CRF) to be maintained by the Government and revenue cannot be paid into any other fund, except as authorized by the State House of Assembly (SHoA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SHoA through the annual budget or appropriation process. The Governor of the State of Osun shall prepare and lay expenditure proposals for the coming fiscal year before the SHoA, and the SHoA shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the executive arm of government to withdraw and spend the amounts specified from the CRF[1].

14. Apart from the Nigerian Constitution, the State of Osun has a set of laws and regulations that govern its budget preparation and implementation. The laws are:
    a) Public Administrative Law, Cap. 133 of the Laws of Osun State of Nigeria, 2002.
    b) Financial Regulations, 2009 issued by the Treasury Board of Osun State in exercise of the powers vested in the Treasury Board by Section 5(1) of the Public Administrative Law, 2002.The Financial Regulations makes provision for regulating the management of the financial business of the government as well as control and use of public moneys.
    c) The State of Osun Fiscal Responsibility Law, 2012. The FRL was enacted in 2012 based on the Federal Fiscal Responsibility Act. The FRL provides the following: the creation of the implementation organ, medium term fiscal framework, how public expenditure may be carried out, borrowing process, transparency and accountability in governance, principles of sound financial management, and application of law to Local Governments.
    d) The State of Osun Public Procurement Law, 2019 as Amended provides for a bicameral approach to procurement administration. The policy arm is the State of Osun Public Procurement Agency Governing Board while the State of Osun Public Procurement Agency is the technical oversight arm. The Governing Board consist of the Commissioner in charge of Finance as Chair, Commissioner of Economic Planning, Budget and Development, Attorney General/Commissioner of Justice, one other member of State Executive Council and three members from public (including a member of a Civil Society Organization). The Agency is led by a General Manager who shall also serve as Secretary of the Governing Board.
    e) Occasional treasury circulars issued by the Accountant General of the State of Osun for additional rules and guidelines to support accounting, internal audit and stores procedures.

15. **Institutional Framework for PFM in** the State of **Osun** - The Constitution vests executive powers of the state in the Governor. The Governor shall be caused to prepare and laid before the House of Assembly at any time before the commencement of each financial year estimates of the revenues and expenditure of the State for the next following financial year. The Governor of the State of Osun exercises his executive powers directly or through the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries and other officers in the public service of the State of Osun.

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

16. Specifically, the State of Osun Executive Council (EXCO) formulates the priorities of the State Government and considers and recommends the State budget to the House of Assembly. On passage, the Governor signs the appropriation bill into law.

17. The Ministry of Finance is the main organ of the EXCO for formulation and execution of fiscal policy. The functions of Ministry of Finance include, financial policy, borrowing, investment, loans, and advances, banking and treasury, boards of survey and boards of enquiry, etc. The Ministry of Finance has two important quasi-autonomous agencies, the Office of the Accountant General for the State (OAGS) and the Board of Internal Revenue (BIR).

18. Specific functions of the OAGS include, maintenance of accounting policies and procedures, supervision and inspection of the accounting operations of all MDAs, inspection and monitoring of all revenue collectors, accounting for the SGO's revenue and expenditure, safe custody of all revenue-earning books including license books, etc. The OAGS is also responsible for funds management, expenditure control of all MDAs, investment of surplus short-term funds, compilation of monthly and annual financial statements of accounts, treasury operations, maintenance of accounts, local and foreign, and internal audit, among others. The OAGS also deploys and post accounting staff to MDAs.

19. The Board of Internal Revenue is responsible for generation of government revenue. The Board formulates and executes Joint Tax Board (JTB) policies on taxation, stamp duties, motor vehicle licensing, pools betting and gaming machines, lotteries, sweepstakes, and raffles.

20. The Ministry of Economic Planning, Budget and Development coordinates preparation of state development plans (long and medium-term), medium term sector strategies, medium term fiscal framework within the framework of fiscal strategy paper, and annual budget; leads in formulation of tools and tracking of the implementation of plans and budget; coordinates all development assistance from both bilateral and multilateral sources; and supports the Local Government Councils (LGCs) in developing sound plans at the grass root level.

21. The Office of the Auditor General (State) audits and certifies the accounts of the State Government and submits certified reports to the SHoA. The Auditor General (Local Government) performs similar responsibilities for the LGCs.

1.B.2 Overview of Budget Calendar

Indicative Budget Calendar for Osun State Government is presented below:

Table 1: Budget Calendar

S/N	STAGE	TIMELINE	RESPONSIBILITY
1	Annual Sector Performance Review (Preparation & Documentation)	March-April	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
2	Preparation and Documentation of 2022-2024 Medium Term Sector Strategy (MTSS)	16th -30th May	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
3	Preparation of 2022-2024 MTEF (EFU-FSP-BPS) Document	1st -30th June	EFU-FSP-BPS Preparation Team & MEPBD (Economic Planning Department)
4	Completion and submission of 2022-2024 Medium Term Sector Strategy (MTSS) Documents	30th June	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
5	Issuance of 2022 Budget Call Circular with Capital Expenditure & Recurrent Envelopes	12th July	MEPBD (Budget Department)

6	Stakeholder Consultation (Citizens' consultative forum)	3rd -5th August	MEPBD
7	Presentation of 2022-2024 MTEF (EFU-FSP-BPS) Document at EXCO for Approval	16th August	MEPBD (Hon. Commissioner)
8	Compilation of first Draft of 2022 Budget.	17th August	MDAs & MEPBD
9	Bilateral Discussions and Defence	23rd -27th August	Budget Committee & MEPBD (Budget Department)
10	Collation and consolidation of MDAs 2022 Budget (Final Draft)	25th -31st August	MDAs & MEPBD (Budget Department)
11	Submission of 2022-2024 MTEF (EFU-FSP-BPS) Document to House of Assembly after EXCO's Approval	7th September	MEPBD (Hon. Commissioner)
12	EXCO Consideration and Approval of 2022 Draft Budget	9th September	EXCO
13	Presentation of 2022 Draft Budget to House of Assembly	5th October	HE, The Governor
14	Budget Defence by MDAs before House of Assembly	October	House of Assembly
15	Debate and Approval of 2022 Budget by House of Assembly	November	House of Assembly
16	HE, The Governor's Assent	November	HE, The Governor

Section 2 Economic and Fiscal Update

2.A Economic Overview

22. The International Monetary Fund's (IMF's) April 2021 World Economic Outlook (WEO) Update[2], provides that after an estimated contraction of –3.3% in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. The contraction for 2020 is 1.1% points smaller than projected in the October 2020 World Economic Outlook (WEO), reflecting the higher-than-expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to new ways of working.

23. The April 2021 projections for 2021 and 2022 are 0.8% and 0.2% stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year. Global growth is expected to moderate to 3.3% over the medium term—reflecting projected damage to supply potential and forces that predate the pandemic, including aging-related slower labour force growth in advanced economies and some emerging market economies.

24. Due to unprecedented policy response, the COVID-19 recession is likely to leave smaller scars than the 2008 global financial crisis. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

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

26. Globally, income inequality is likely to increase significantly because of the pandemic. Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections.

27. Commodity prices (particularly for crude oil) are expected to firm up further in the months ahead. Given their record-low levels of a year ago, firmer prices should mechanically lift consumer price indices, and headline inflation could turn volatile in coming months. The volatility should be short lived.

28. Baseline projections show a return of inflation to its long-term average as the remaining slack subsides only gradually and commodity-driven base effects fade away. The subdued outlook reflects developments in the labour market, where subdued wage growth and weak worker bargaining power have been compounded recently by high unemployment, underemployment, and lower participation rates. Moreover, various measures of underlying inflation remain low.

29. Trimmed-mean inflation rates (which eliminate extreme price changes from the price distribution every month to filter out underlying inflation and provide slow-moving, unbiased estimates of price pressure) point to declining, not increasing, inflation pressure. Measuring slack has arguably become more difficult during the pandemic as both supply and demand have shifted. Nevertheless, even if output gaps are less negative than currently estimated, the implications for inflation should be relatively moderate.

30. Whether inflation temporarily overshoots or starts trending up in the medium term has quite different implications and depends, in the first instance, on the credibility of monetary frameworks and the reaction of monetary authorities to rising inflation pressure. For instance, if monetary policy is used primarily to keep government borrowing costs low (or is widely

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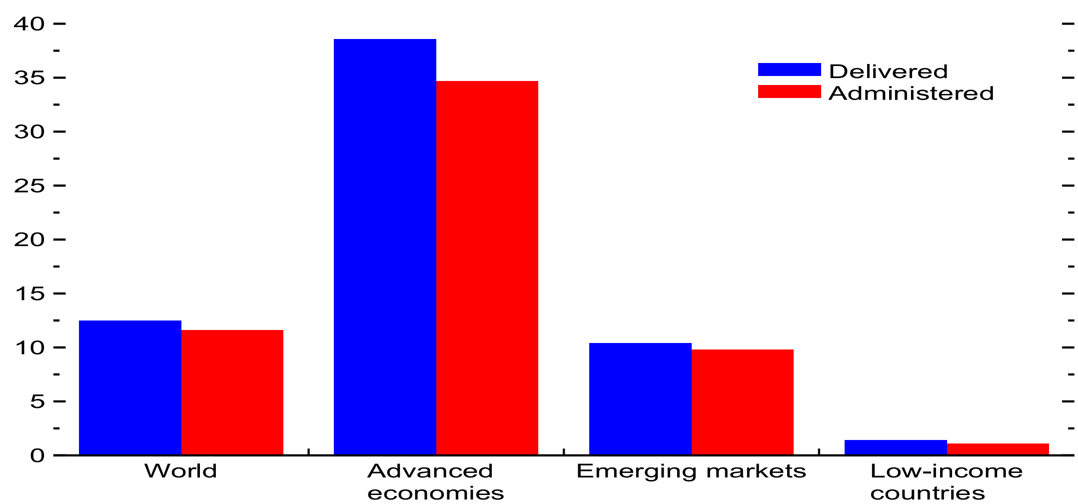
[2] World Economic Outlook, April 2021: Managing Divergent Recoveries (imf.org)

perceived as doing so) at the expense of ensuring price stability, inflation expectations and inflation could, in principle, increase rapidly. But this appears unlikely for most advanced and many emerging market economies with independent central banks. The adoption of inflation-targeting frameworks in the 1990s has helped anchor inflation expectations around central banks' inflation targets in advanced economies. Moreover, during the pandemic, survey measures of inflation expectations have remained broadly stable, as have market measures—even though the latter have recently increased slightly.

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

32. Future developments will depend on the path of the health crisis, including whether the new COVID-19 strains prove susceptible to vaccines or they prolong the pandemic, the effectiveness of policy actions to limit persistent economic damage (scarring); the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy. The ebb and flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term scarring across countries.

Figure 1. Vaccine Courses
(Percent of population)



Sources: Airfinity; and IMF staff calculations.
Note: Latest data available are for July 6, 2021. Bars show the ratio of vaccine courses needed for full vaccination (two doses generally, but one dose for Johnson & Johnson and CanSino) either delivered or administered to population by WEO economy group.

33. The Figure 1 (Vaccine Courses) shows the level of vaccination scheme achieved across the globe. The chart depicts that almost two-third of globally manufactured vaccines for the protection against the COVID-19 infection have been delivered to Advanced Economies of which approximately 90% of delivered vaccines had been administered as at July, 2021. Emerging Markets (e.g. South Africa) had almost one-third of which about 98% had been

administered. The Low-income countries like Nigeria had the least proportion of the delivered vaccines (about 2% of global production) and this quantity had almost been administered.

34. Low-income Countries need to invest more on research, so as to enhance the capacity of health institutions and relevant research institutes on local discoveries to combat diseases such as COVID-19 and other related contagious diseases.

35. The legacies of the pandemic exacerbate the challenges facing policy makers as they balance the need to support the recovery while safeguarding price stability and fiscal sustainability. As the recovery becomes more entrenched, policy makers also need to continue efforts toward promoting growth-enhancing reforms and steering their economies onto a green, resilient, and inclusive development path.

36. In some countries, policy support and lack of spending opportunities have led to large increases in savings that could be unleashed very quickly should uncertainty dissipate. At the same time, it is unclear how much of these savings will be spent, given the deterioration of many firms' and households' balance sheets (particularly among those with a high propensity to consume out of income) and the expiration of loan repayment moratoria. In sum, risks are assessed as balanced in the short term, but tilted to the upside later.

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

38. WOE, April 2021 concludes that strong international cooperation is vital for achieving the objective of ensuring that emerging market economies and low-income developing countries continue to narrow the gap between their living standards and those of high-income countries. On the health care front, this means ensuring adequate worldwide vaccine production and universal distribution at affordable prices—including through sufficient funding for the COVAX facility—so that all countries can quickly and decisively beat back the pandemic. The international community also needs to work together to ensure that financially constrained economies have adequate access to international liquidity so that they can continue needed health care, other social, and infrastructure spending required for development and convergence to higher levels of income per capita. Countries should also work closely to redouble climate change mitigation efforts. Moreover, strong cooperation is needed to resolve economic issues underlying trade and technology tensions (as well as gaps in the rules-based multilateral trading system). Building on recent advances in international tax policy, efforts should continue to focus on limiting cross-border profit shifting, tax avoidance, and tax evasion.

39. The economic outlook (GDP growth rate and inflation rate) of selected countries are shown in tables 2 and 3 below.

40. The earlier projected economic outlook (GDP growth rate and inflation rate) of some countries prior to the outbreak of COVID-19 pandemic are shown in tables 2a and 2b below.

41. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies and other large African countries.

Table 2a: Real GDP Growth - Selected Countries

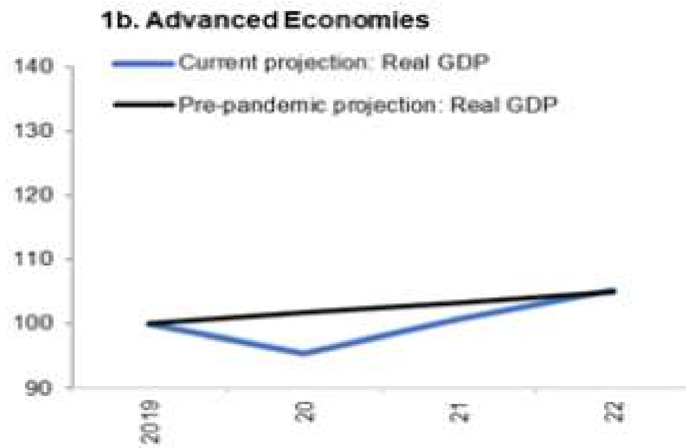
Selected Economies Real GDP Growth
(Percent change)

			Projections		Difference from April 2021 WEO Projections 1/	
	2019	2020	2021	2022	2021	2022
Argentina	–2.1	–9.9	6.4	2.4	0.6	–0.1
Australia	1.9	–2.4	5.3	3.0	0.8	0.2
Brazil	1.4	–4.1	5.3	1.9	1.6	–0.7
Canada	1.9	–5.3	6.3	4.5	1.3	–0.2
China	6.0	2.3	8.1	5.7	–0.3	0.1
Egypt 2/	5.6	3.6	2.8	5.2	0.3	–0.5
France	1.8	–8.0	5.8	4.2	0.0	0.0
Germany	0.6	–4.8	3.6	4.1	0.0	0.7
India 2/	4.0	–7.3	9.5	8.5	–3.0	1.6
Indonesia	5.0	–2.1	3.9	5.9	–0.4	0.1
Iran 2/	–6.8	3.4	2.5	2.0	0.0	–0.1
Italy	0.3	–8.9	4.9	4.2	0.7	0.6
Japan	0.0	–4.7	2.8	3.0	–0.5	0.5
Kazakhstan	4.5	–2.6	3.2	4.0	0.0	0.0
Korea	2.2	–0.9	4.3	3.4	0.7	0.6
Malaysia	4.4	–5.6	4.7	6.0	–1.8	0.0
Mexico	–0.2	–8.3	6.3	4.2	1.3	1.2
Netherlands	1.7	–3.8	3.3	3.2	–0.2	0.2
Nigeria	2.2	–1.8	2.5	2.6	0.0	0.3
Pakistan 2/	2.1	–0.5	3.9	4.0	2.4	0.0
Philippines	6.1	–9.6	5.4	7.0	–1.5	0.5
Poland	4.7	–2.7	4.6	5.2	1.1	0.7
Russia	2.0	–3.0	4.4	3.1	0.6	–0.7
Saudi Arabia	0.3	–4.1	2.4	4.8	–0.5	0.8
South Africa	0.2	–7.0	4.0	2.2	0.9	0.2
Spain	2.0	–10.8	6.2	5.8	–0.2	1.1
Thailand	2.3	–6.1	2.1	6.1	–0.5	0.5
Turkey	0.9	1.8	5.8	3.3	–0.2	–0.2
United Kingdom	1.4	–9.8	7.0	4.8	1.7	–0.3
United States	2.2	–3.5	7.0	4.9	0.6	1.4

Source: International Monetary Fund, World Economic Outlook, July 2021 Update.
Note: The selected economies account for approximately 83 percent of world output.
1/ Difference based on rounded figures for the current and April 2021 WEO forecasts.
2/ Data and forecasts are presented on a fiscal year basis.

42. Among major economies, U.S. growth is projected to reach 7.0% the current year 2020, reflecting large-scale fiscal support and the easing of pandemic restrictions. Growth in other advanced economies is also firming, but to a lesser extent. Among emerging markets and developing economies, China is anticipated to rebound to 8.1% in 2020, reflecting the release of pent-up demand. As reflected in fig. 1b, the advanced economy is projected to converge at the pre-pandemic projection by 2022.

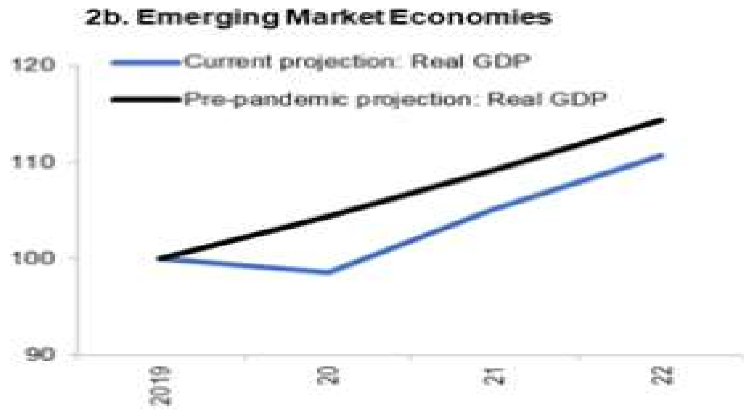
Effect of the Covid-19 Pandemic on Forecast of Real GDP, 2019 – 2022 (Index; 100 = 2019)



1b. Advanced Economies				
	Years			
	2019	2020	2021	2022
Current projection: Real GDP	100.0	95.4	100.8	105.2
Pre-pandemic projection: Real GDP	100.0	101.7	103.3	104.9
***Source: IMF staff estimates and projections*.**				

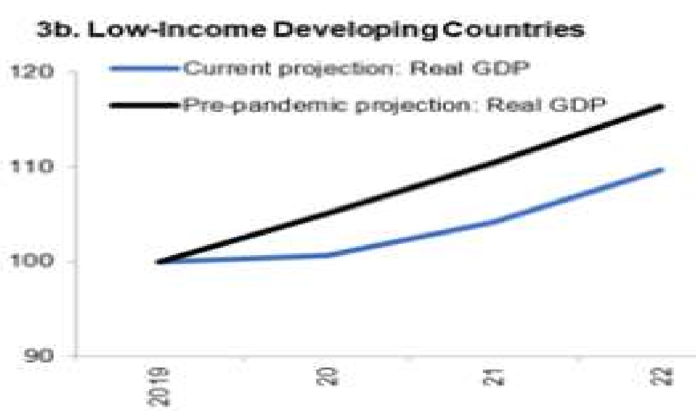
43. Emerging market and developing economies as a group are forecast to expand 6% this year, supported by higher demand and elevated commodity prices. However, the recovery in many countries is being held back by a resurgence of COVID-19 cases and lagging vaccination progress, as well as the withdrawal of policy support in some instances. Excluding China, the rebound in this group of countries is anticipated to be a more modest 4.4%. The recovery among emerging market and developing economies is forecast to moderate to 4.7% in 2022. Even so, gains in this group of economies are not sufficient to recoup losses experienced during the 2020 recession, and output in 2022 is expected to be 4.1% below pre-pandemic projections.

44. Per capita income in many emerging market and developing economies is also expected to remain below pre-pandemic levels, and losses are anticipated to worsen deprivations associated with health, education and living standards. Major drivers of growth had been expected to lose momentum even before the COVID-19 crisis, and the trend is likely to be amplified by the scarring effects of the pandemic. Unlike the convergence expected between the pre-pandemic projection and current projection in the advanced economies in 2022, the case in the emerging market as presented in fig. 2b shows a parallel projected trend. This simply implied that it would take some several years before the emerging market economies could recover to the pre-pandemic economic level if the current trend is not deliberately thwarted through unusual strategic big-push



2b. Emerging Market Economies				
	Years			
	2019	2020	2021	2022
Current projection: Real GDP	100.0	98.6	105.2	110.6
Pre-pandemic projection: Real GDP	100.0	104.4	109.2	114.4
Source: IMF staff estimates and projections.				

45. Growth in low-income economies this year is anticipated to be the slowest in the past 20 years other than 2020, partly reflecting the very slow pace of vaccination. Low-income economies are forecast to expand by 2.9% in 2021 before picking up to 4.7% in 2022. The group's output level in 2022 is projected to be 4.9% lower than pre-pandemic projections. As such, the case in the low income economies as presented in fig. 3b shows a form of divergence in the projected trends for both the pre-pandemic and the current reality. This simply implied that low income economies may not recover to the pre-pandemic economic level if the current trend is not deliberately thwarted through unusual strategic big-push which is much more than required by the emerging market economies.



3b. Low-Income Developing Countries				
	Years			
	2019	2020	2021	2022
Current projection: Real GDP	100.0	100.7	104.2	109.6

Pre-pandemic projection: Real GDP	100.0	105.1	110.4	116.3
Source: IMF staff estimates and projections.				

46. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies and other large African countries.

Table 2: Real GDP Growth - Selected Countries

Country	Actual				Forecast		
	2017	2018	2019	2020	2021	2022	2026
Mexico	2.1	2.2	-0.1	-8.2	5.0	3.0	2.0
Indonesia	5.1	5.2	5.0	-2.1	4.3	5.8	5.2
Turkey	7.5	3.0	0.9	1.8	6.0	3.5	3.5
United States	2.3	3.0	2.2	-3.5	6.4	3.5	1.6
Germany	2.6	1.3	0.6	-4.9	3.6	3.4	1.1
United Kingdom	1.7	1.3	1.4	-9.9	5.3	5.1	1.4
China	6.9	6.7	5.8	2.3	8.4	5.6	4.9
Ghana	8.1	6.3	6.5	0.9	4.6	6.1	5.4
South Africa	1.4	0.8	0.2	-7.0	3.1	3.6	1.3
Brazil	1.3	1.8	1.4	-4.1	3.7	2.6	2.0
Angola	-0.2	-2.0	-0.6	-0.4	0.4	2.6	3.7
Nigeria	0.8	1.9	2.2	-1.8	2.5	2.3	2.2

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

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

Table 3: Inflation (CPI) - Selected Countries

Country	Actual				Forecast		
	2017	2018	2019	2020	2021	2022	2026
Mexico	6.0	4.9	3.6	3.4	3.5	3.1	3.0
Indonesia	3.8	3.2	2.8	2.0	2.0	3.1	2.9
Turkey	11.1	16.3	15.2	12.3	13.6	11.8	11.0
United States	2.1	2.4	1.8	1.2	2.3	2.4	2.2
Germany	1.7	1.9	1.3	0.4	2.2	1.1	2.1
United Kingdom	2.7	2.5	1.8	0.9	1.5	1.9	2.0
China	1.6	2.1	2.9	2.4	1.2	1.9	2.0
Ghana	12.4	9.8	7.2	9.9	9.0	8.2	6.0
South Africa	5.3	4.6	4.1	3.3	4.3	4.5	11.3
Brazil	3.4	3.7	3.7	3.2	4.6	4.0	3.3
Angola	29.8	19.6	17.1	23.3	22.3	13.1	5.8
Nigeria	16.5	12.1	11.4	13.2	16.0	13.5	10.5

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

48. Angola and Turkey both experienced high two digits inflation rates in 2020 while Ghana had inflation for the same year 2020 was 9.9%.

2.A.1 Africa

49. The African Economic Outlook, 2021[3] provides that Africa suffered its worst recession in more than 50 years in 2020 due to the COVID–19 pandemic, as its GDP declined by 2.1%. But it is expected to increase by 3.4% in 2021. GDP per capita is estimated to have contracted by 10% in nominal terms in 2020. Because of the pandemic's lower-than-expected impact on Africa, the recession in 2020 was not as severe as the Bank projected earlier. Africa suffered fewer economic losses from the pandemic than other regions of the world. Similarly, the fatality rates per million people have been relatively modest in relation to other regions.

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

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

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

53. Many West African countries-maintained growth in 2020 thanks to more targeted and less restrictive lockdowns—including Benin (2.3%), Côte d'Ivoire (1.8%), and Niger (1.2%). Other countries such as Cabo Verde (–8.9%), Liberia (–3.1%), and Nigeria (–3%) were in recession in 2020. Growth in the region is projected at 2.8% in 2021 and 3.9% in 2022, as lockdowns are eased, and commodity prices rebound.

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

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

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

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

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

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

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

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

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

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

63. Fiscal deficits are estimated to have nearly doubled, to 8.4% of GDP in 2020, from 4.6% in 2019, because of heavy stimulus spending by many countries to alleviate the pandemic's economic impact. The fiscal measures included above-the-line budgetary support through investments in health systems, expansion of social protection programs, and support to the private sector, for example through tax relief. Some countries have also used below-the-line measures such as guarantees to support ailing businesses. The average size of the fiscal stimulus packages deployed by countries is about 3% of GDP, but it varies significantly, from about 32% in Mauritius to 10% in South Africa to less than 1% in Tanzania.

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

2.A.2 Nigerian Economy[4]

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

[4] Sources: **African Economic Outlook 2021**

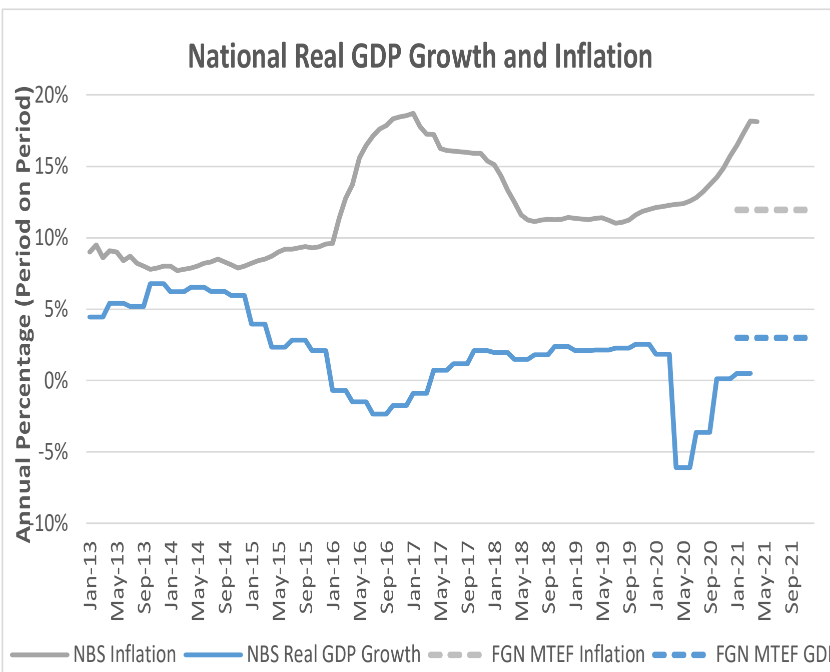
66. Nigeria has one of the lowest revenue levels as a share of GDP worldwide. Furthermore, a large share of revenues is spent on the country's public debt service payments, leaving insufficient fiscal space for critical social and infrastructure spending and to cushion an economic downturn. In this context, mobilizing revenues through efficiency-enhancing and progressive measures is a top near-term priority. This situation is currently being worsened by the spate of insecurity in the country.

67. **Real GDP** - Nigeria's economy entered into a recession in 2020, with the real GDP contracting by 1.8%, reversing three years of recovery from 2017 to 2020. This downturn resulted from the fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. However, in the fourth quarter of 2020, the Nigerian economy expanded by 0.11%; exiting one of its worst recessions, having posted a decline of 6.1% and 3.6% in 2020 Q2 and 2020 Q3, respectively.

68. Overall real GDP is estimated by the World Bank to have shrunk by 3% in 2020, although mitigating measures in the Economic Sustainability Programme (ESP) prevented the decline from being much worse. According to the IMF forecast, it is expected that Nigeria's economy will expand by 2.5% in 2021. The Federal 2021-2023 MTEF anticipates 3% growth in 2021, increasing to 4.68% in 2022 but then declining slightly to 3.86% in 2023.

69. **Inflation (CPI)** is expected to increase from 13.2% recorded in 2020 to 16% by the end of 2021. Headline inflation (year-on-year) moderately declined to 18.12% in April 2021 from 18.17 per cent in March 2021, following nineteen consecutive months of continuous rise. The decrease was driven by a marginal slowdown in food inflation to 22.7% in April 2021 from 22.95 per cent in the previous month. The increase has been sharpest over the last 11 months and has coincided with the Naira devaluation from 305 to 380 (official rate); and the increase in VAT from 5% The national quarterly real GDP growth and year on year inflation rates from January 2013 and May 2021 are shown in figure 2 below.

Figure 2: Real GDP Growth and Inflation



Data Sources and Trends:

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

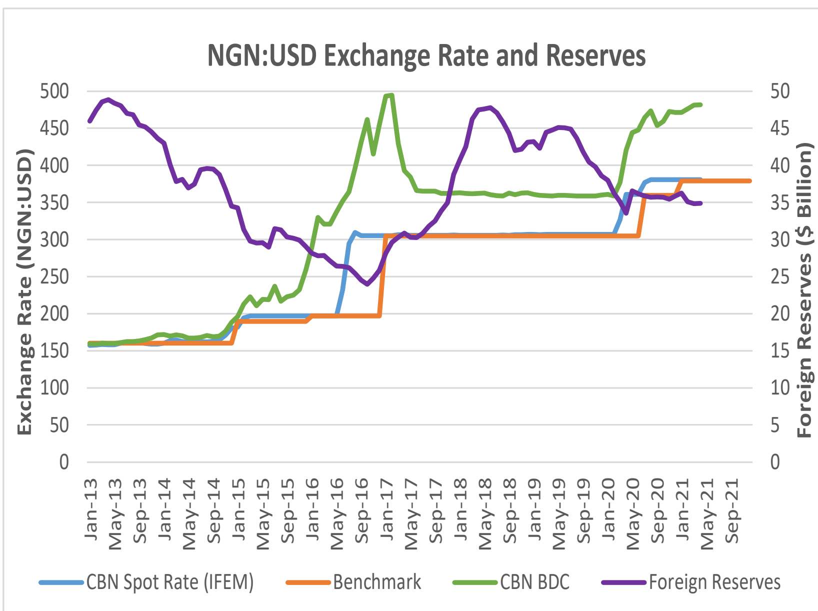
70. Foreign Exchange Rate – the Naira devalued against the dollar from 305 to 360 and very shortly after to 380 over the course of 2020. Foreign reserves, which had been on the decline since mid-2019 (25% drop from April 2019 to April 2020), and have remained relatively stable since the COVID pandemic,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

71. In 2020, arbitrage opportunities witnessed significant increase, weakening the convergence of foreign exchange windows. This is partly attributed to the COVID – 19 ripples of economic downturn. Also, the fall in foreign reserve potentially condenses the policy options available to the CBN in controlling monetary aggregates. Nigeria's foreign reserve has fallen to its lowest level in 10 months.

72. As of Friday, 4th June 2021, Nigeria's gross foreign exchange reserve stood at $34.170 billion, representing a year-to-date decline of $1.2 billion (3.4%). The last time Nigeria's reserve position was at this level was 5th June 2020, almost exactly 12 months ago. The foreign reserve has recorded a steady decline despite the recent bullish run in the global oil market.

73. The NGN:USD exchange rate, which is a key crude oil revenue parameter, for the period January 2013 to May 2021, along with the benchmarks assumed in the Federal Government budgets over the same period, are shown in Figure 3 below.

Figure 3: NGN: USD Exchange Rate and Foreign Reserves

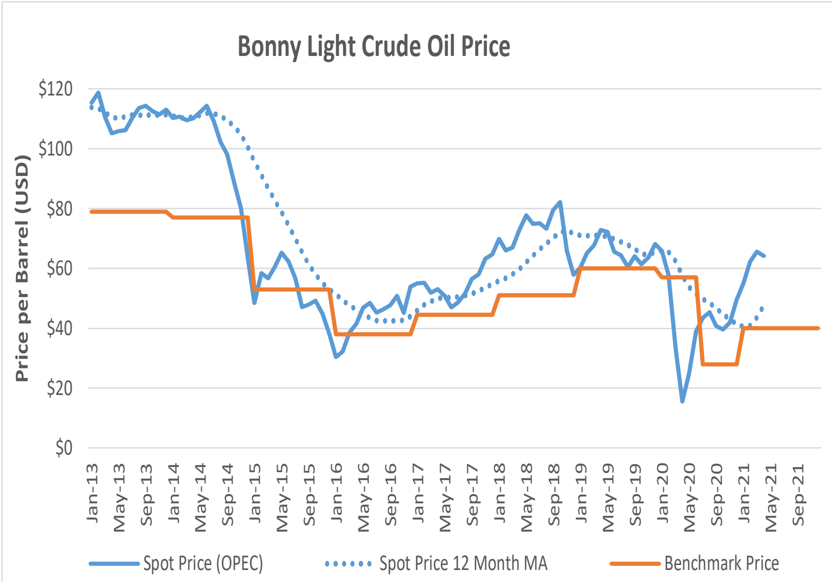


- Data Sources and Trends:
- Data from Federal Budget documents and CBN.
- The Naira devalued twice in 2020 against the US Dollar, from N305 to N360 and shortly afterwards to N380 as crude oil revenue declines impacted on foreign reserves.
- In late May 2021, CBN effectively replaced the Official Rate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

74. Crude oil price has trended upwards since the end of October 2020, rising by from Year to date (April 19), crude oil price has increased by 26% and has averaged US$64.17 per barrel. The increase in the price of crude oil has been driven by factors such as production cuts by OPEC and non-OPEC members and improved demand due to the administration of COVID-19 vaccines. These factors will continue to sustain high crude oil price in the second quarter of 2021. However, it is important to always consider that the crude oil market is highly volatile. This only serves to remind authorities of the delicacies and unpredictability that reinforce the rationale for a benchmark that is set significantly below the current / forecast price.

75. Crude Oil (Bonny Light) Price (spot price and benchmark for the period of January 2013 to April 2021 are presented in Figure 4 below.

Figure 4: Bonny Light Crude Oil Price



Data Sources and Trends:

- Data from Federal Budget documents and OPEC monthly reports.
- Though over the months of April and May 2021, crude oil price has averaged $62.5 per barrel, the Federal 2021-2023 MTEF set a price of $40 per barrel across the three years.
- Significant factors affecting both supply and demand of crude oil mean outlook is uncertain

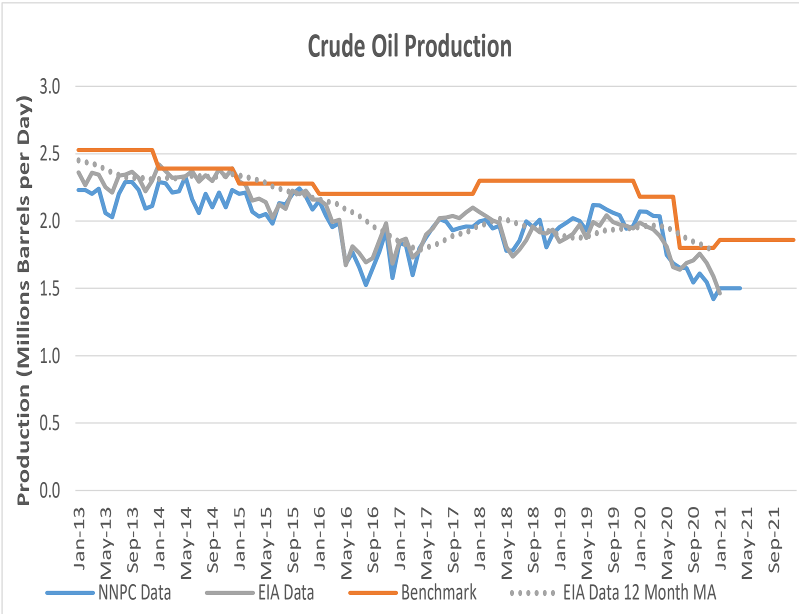
76. As indicated in figure 4 above the current price of about $66 is higher than the average price of $41.29 recorded in 2020. The current price (1 June 2021) is $71.21. EIA is forecasting an average price of $62.26 for Brent Crude in 2021, dropping marginally to $60.74 in 2022 (Bonny light usually trades a few cents above Brent Crude). The IMF forecast in its April 2021 WEO suggest a price of around $56.08 for Brent Crude – somewhat lower than EIA.

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

78. According to EIA, production (including lease condensate) increased to 1.595 MBPD in February 2021. Lease condensate production has typically been in the region of 200,000 – 300,000 per day. EIA forecasts that global crude oil demand will increase by around 3.8% in 2022 compared to 2021. They forecast 97.7 MBPD in 2021, which is an increase of 5.4 MBPD from 2020. 2021 is forecast at 101.4 MBPD.

79. Crude Oil Production (including condensates) for the period January 2013 to May 2021 along with the benchmark is presented in figure 5 below.

Figure 5: Crude Oil Production



Data Sources and Trends:

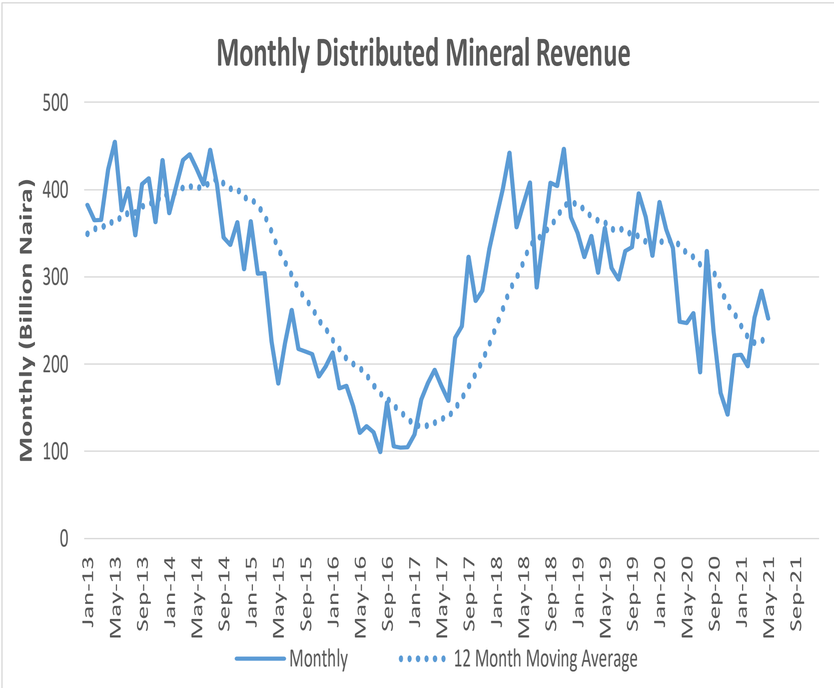
- Data from Federal Budget documents and NNPC monthly reports (production includes condensates).
- At 1.42 MBPD in December 2020 (latest data available from NNPC), crude oil (including lease condensate)
- production is also significantly below capacity and below the ten-year average of 2.06 MBPD – largely as a result of OPEC quotas (currently set at 1.495 for Nigeria, but critically there is no cap on lease condensate production).

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

81. April and May 2021 FAAC distributions saw increasing levels of PMS Under Recovery in the NNPC Reports (N60.4 billion and N112.0 billion respectively, based on NNPC operations in the months of February and March 2021), to the extent that in May, NNPC were not able to remit any revenues to FAAC.

82. Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2013 to May 2021 inclusive are shown in figure 6 below.

Figure 6: Distributed Mineral Revenues



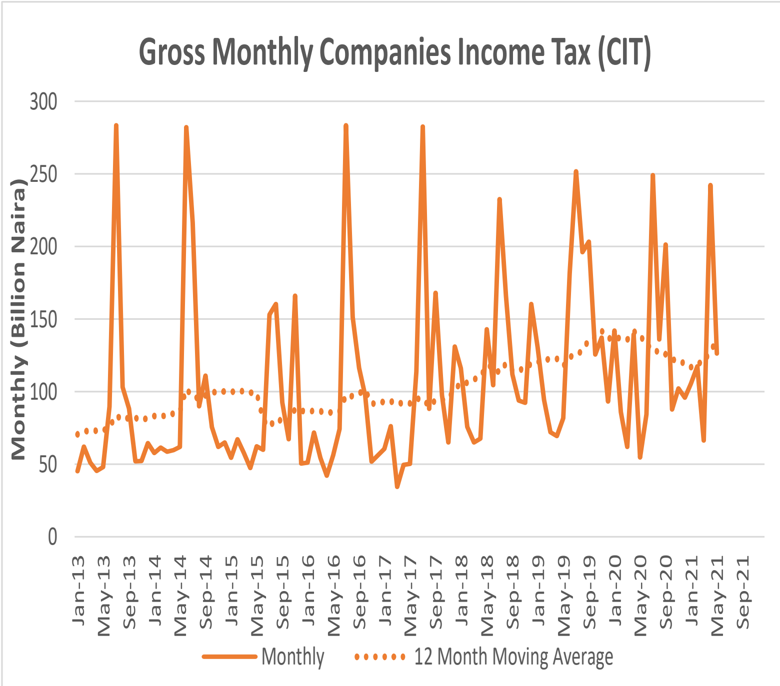
Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- In May 2021, Mineral revenue grew to N370 billion.
- Mineral revenues dropped significantly in 2020 as crude oil prices crashed and OPEC production quotas were cut
- Distributed mineral revenues (through Statutory Allocation and Derivation) fell from N4.038 trillion in 2019 to N3.102 trillion in 2020 – a drop of 23%
- Jan-May performance in 2021 is 24% lower than the same period in 2020.

83. A total of N616.9 billion generated as revenue in the month of April 2021 has been disbursed to the federal, states and local governments as allocation for May 2021. However, the NNPC did not remit any revenues to FAAC in May 2021. NNPC first started to report PMS Under Recovery in the March 2021 FAAC pack (based on PMS Under Recovery in January 2021). April and May 2021 FAAC distributions saw increasing levels of PMS Under Recovery in the NNPC Reports (N60.4 billion and N112.0 billion respectively, based on NNPC operations in the months of February and March 2021), to the extent that in May, NNPC were not able to remit any revenues to FAAC.

84. Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2013 to May 2021 inclusive are shown in Figure 7 below. The graph also includes linear trend.

Figure 7: CIT Revenues



Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- Quite significant variability in receipts over the last thirteen months, including large distributions in May 2021.
- Linear trend added to graph to smooth large fluctuations.
- Company Income Tax (CIT) revenues declined by 12% in 2020, possible as a result of minor tax expenditure and concessions related to COVID-19, and the real economic activity.
- Although real GDP fell by 1.8% in 2020, nominal GDP actually grew by 7.7% as a result of 13% inflation over the course of the year.
- Jan-May performance in 2021 is 35% above the same period in 2020.

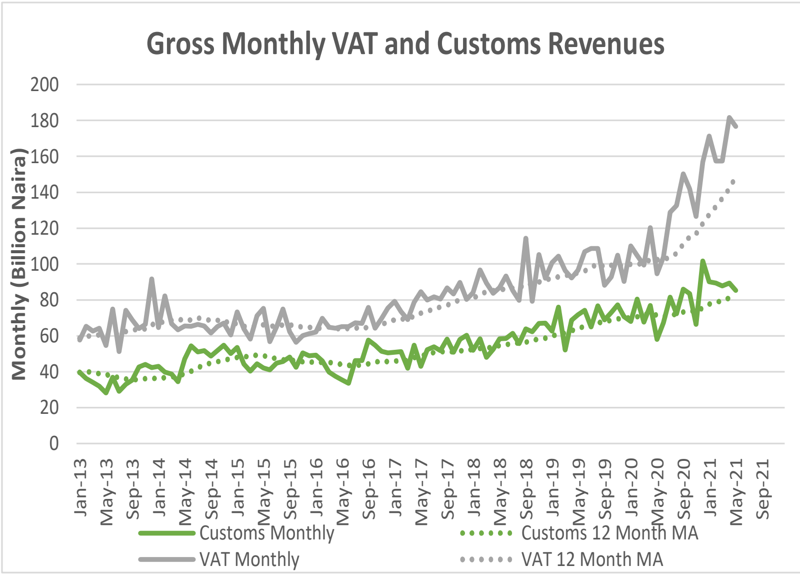
85. The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July.

86. The total collection from August 2017 to April 2019 is 35% higher than the collections from August 2016 to April 2017. This may be due to one off collections as part of the FIRS amnesty programme (which ended in December 2017, and has been extended to end of June 2018), but these should also result in more corporate taxpayers being brought into the net which will boast tax collections in subsequent years. High levels of decline in CIT in May 2021 compared to the volume in April 2021 is something to monitor and trend in the condensed projection in the short term.

87. There is also a clear upward trend in CIT as shown by the linear trend line (which is useful given the level of fluctuation). Forecast of CIT for full-year 2020 and 2021 is still difficult, it will be easier once the mid-year collections are known.

88. Customs and Excise duties (NCS), which is distributed as part of Statutory Allocation, and VAT (which is distributed in its own right), for the period January 2013 to May 2021 are shown in Figure 8 below.

Figure 8: NCS and VAT Revenues



Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- Data from online FAAC summary sheets (www.oagf.gov.ng)
- Jan-May performance in 2021 is 26% above the same period in 2020.
- Value Added Tax (VAT) grew by 23.5% in 2020 – significantly ahead of nominal GDP growth. This largely as a result of the increase in the VAT rate from 5% to 7.5%.
- VAT continues to grow significantly in 2021. Jan-May performance in 2021 is 60% above the same period in 2020.

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

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

91. Forecasts for 2021-2024 are contained in the Fiscal Strategy Paper section of this document.

92.

93. Based on the above historical trend and projections by various agencies (NBS, CBN, IMF, EIA, etc.), an outlook from 2019 projected to 2024 is provided in 4 below.

Table 4: 2019-2024 Macroeconomic Outlook

YEAR	2019	2020	2021	2022	2023	2024
NATIONAL INFLATION (CPI)	11.98%	14.15%	11.95%	10.95%	11.02%	10.0%
NATIONAL GDP GROWTH	2.10%	2.50%	2.0%	2.50%	3.0%	3.30%
GDP DEFLATOR	9.60%	8.80%	8.40%	8.40%	8.40%	11.0%
GDP NOMINAL (TRILLION NGN)	144.60	161.20	179.10	199.50	199.50	222.0
IMPLIED GROWTH IN NCS	11.80%	11.46%	11.38%	13.85%	13.89%	
IMPLIED GROWTH IN CIT	13.19%	12.81%	12.72%	15.48%	15.53%	
IMPLIED GROWTH IN VAT	10.05%	9.70%	9.68%	11.79%	11.82%	

OIL PRICE (BENCHMARK)	$28.00	$28.00	$40.00	$40.00	$40.00	$55.00
OIL PRODUCTION MBPD (BENCHMARK)	2.00	1.80	1.80	1.90	2.00	2.22
NGN:USD EXCHANGE RATE (BENCHMARK)	305	360	379	379	379	410
MINERAL RATIO	35%	27%	27%	27%	27%	27%

Source: IMF, 2021

2.A.3 The State of Osun Economy

94. Osun State has enjoyed impressive GDP performance over the years, although not quite as high as the national average since Osun does not benefit directly from the mineral sector.

95. According to the United Nations' Global Multidimensional Poverty Index, 2017, Osun State was ranked 2nd Wealthiest State in Nigeria after Lagos and Fourteenth on GDP ranking list of States by NBS in 2010. Also, in a recent UN publication, Osun came second after Lagos in the result of a National Assessment for 2014 on infant and material healthcare delivery. On the poverty index rating, Osun still came second (10.9%) only to Lagos State (8.5%) according to UN's report on Nigeria's Common Country Analysis (CCA, 2017).

96. Economic activities in the State are predominantly farming and commerce. The State of Osun is an agrarian State: depending heavily and critically on the agriculture sector for its food supply, employment and growth of its GDP. The major food crops planted include: cereals like maize and beans; roots and tubers like cassava, yam and cocoyam; as well as fruits and vegetables like oranges, cashew, mango and tomatoes. The cash crops grown include tobacco, cocoa and oil palm.

97. Tourism is an emerging economic activity in the State. The State has a rich cultural heritage which is shown in its music, art dances, dress and cultural festivals. The State is well known for its talking and Bata drums, as well as works of arts

98. The economic fortunes of the State are heavily dependent on the national economy. The economic fundamentals of the state economy have been linked to national indices on the affected specific variables.

99. The state is still a net importer of goods and services but is a net exporter of agriculture produce to other states. The movement of agricultural produce is not well-documented and computed to register meaningful contribution to the state economy.

100. In spite of the steady progress in economic growth and development, available data indicate that agriculture, especially crops and livestock, and fisheries as well as SMEs, which have the potential to generate large scale employment opportunities, are undergoing transformation.

101. There is the predominance of subsistence and non-mechanized agriculture in the state. That is why the growth of the state's economy is predicated on increased transformation of the agricultural value chain (large scale agricultural production and agro-based industrial production).

102. Although the trend of IGR in the State over the years has been varied, the present administration has demonstrated strong determination to change the prevailing situation of the state's IGR.

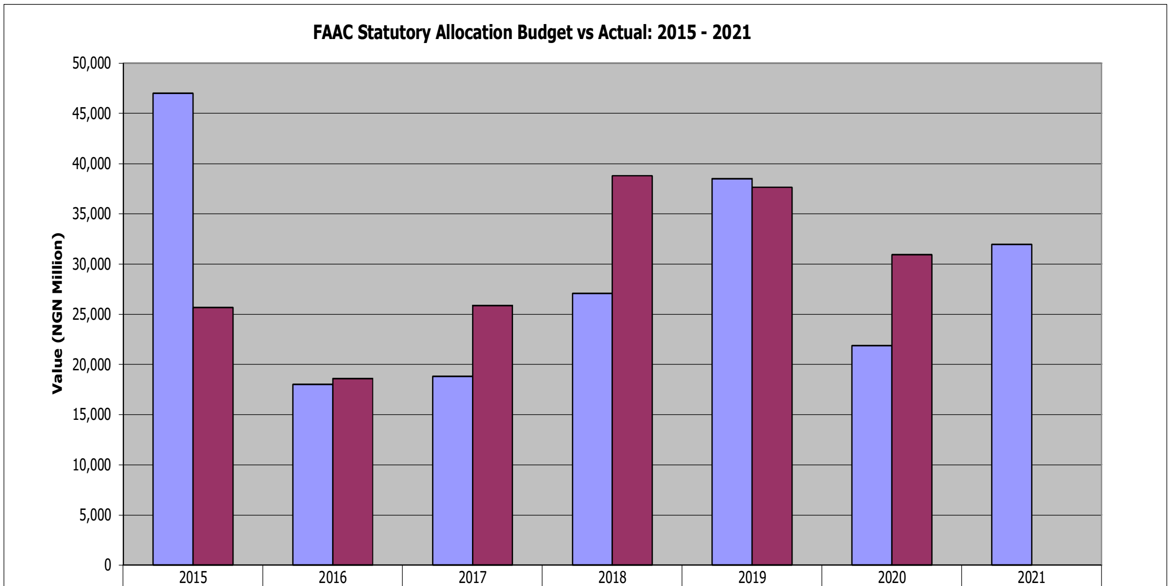
1.A Fiscal Update

1.A.1 Historic Trends

Revenue Side

103. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2014-2020 (six years historic).

Figure 9: Statutory Allocation



	2015	2016	2017	2018	2019	2020	2021
Budget	47,000,000,000	18,000,000,000	18,800,000,000	27,064,054,430	38,500,000,000	21,853,265,710	31,943,474,170
Actual	25,670,036,659	18,591,636,640	25,859,771,586	38,780,139,789	37,637,412,367	30,913,592,920	0
Performance	54.6%	103.3%	137.6%	143.3%	97.8%	141.5%	0.0%
Growth		-27.57%	39.09%	49.96%	-2.95%	-17.86%	0.00%

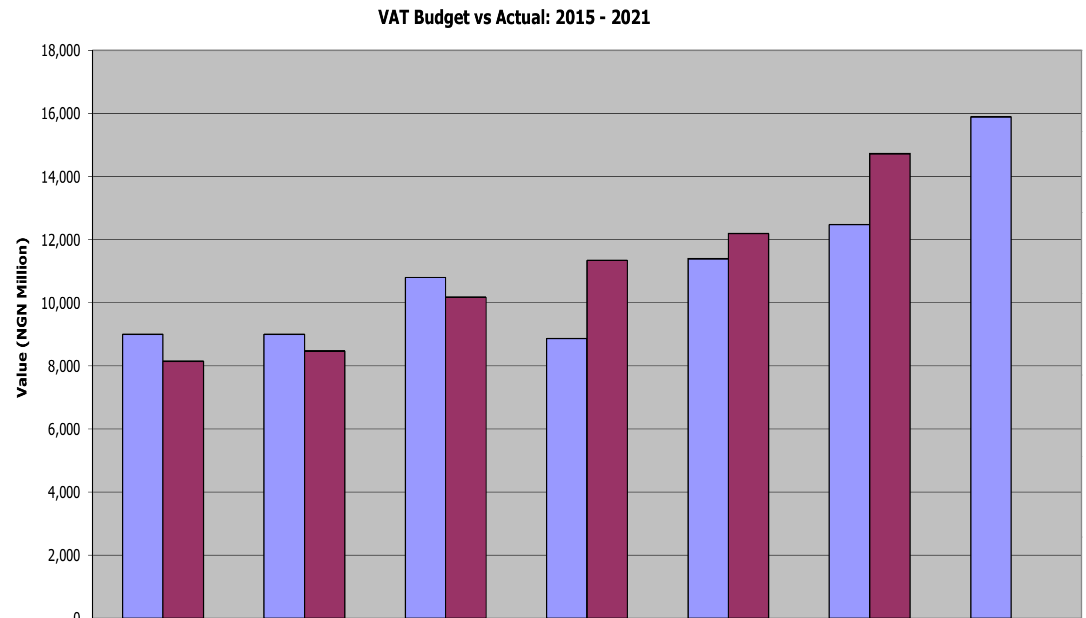
Year

104. Statutory Allocation is a transfer from Federation Account that is distributed to all three tiers of government based on vertical (percentage to each of the three tiers) and a horizontal (e.g. Equity, land mass, population etc) sharing formula. The revenue that flows into Federation Account as Statutory allocation comes from the mineral and non-mineral sources (company income tax and custom and excise duties).

105. In terms of performance, the picture has been mixed with budget exceeding actual in three of the 6 years (i.e. 2014, 2015 and 2019), whereas in 2016, 2017 and 2018 the reverse has been the case with actual exceeding the budgeted amount.

106. Actual statutory allocation decreased from 2014 to 2016 (from ₦36,161,401,370bn to ₦18.59bn) and began to increase from 2017 to 2018 from ₦25.86bn to ₦38.78bn. There was slight decrease from ₦38.78 in 2018 to ₦37.64bn in 2019 and ₦30.9bn in 2020.

Figure 10: VAT



	2015	2016	2017	2018	2019	2020	2021
Budget	9,000,000,000	9,000,000,000	10,800,000,000	8,870,044,300	11,400,000,000	12,475,764,440	15,888,091,850
Actual	8,144,705,885	8,466,435,500	10,175,820,259	11,342,196,000	12,195,373,300	14,725,950,021	0
Performance	90.5%	94.1%	94.2%	127.9%	107.0%	118.0%	0.0%
Growth		3.95%	20.19%	11.46%	7.52%	20.75%	0.00%

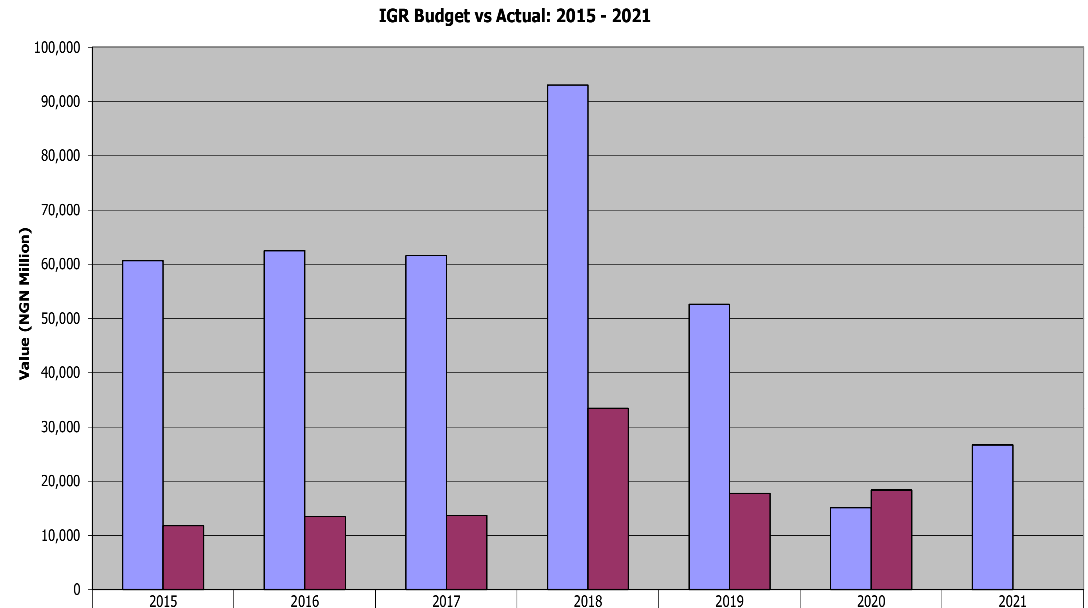
Year

107. Value Added Tax (VAT) is an ad-valorem tax applied to sales of almost all goods and services within the Nigerian economy which is applied at a rate of 5%. VAT is collected by FIRS and distributed across the three tiers of government. The distribution to each state is based on a set of criteria slightly different from statutory allocation distribution.

108. Except in 2015, VAT receipts have increased every year from 2014 to 2019 due to revenue generating reforms in the sector and sustained annual increase in economic activities for the period.

109. From a performance perspective, actual receipts exceeded the budgeted amount in 2018 and 2019 whereas in other years (2014, 2015, 2016 and 2017) the reverse was the case with the budget amount exceeding actual receipts. However, the variance between budget and actual in all the years is less than 10%, this is commendable and could be attributed to sustained fiscal reforms.

Figure 11: IGR



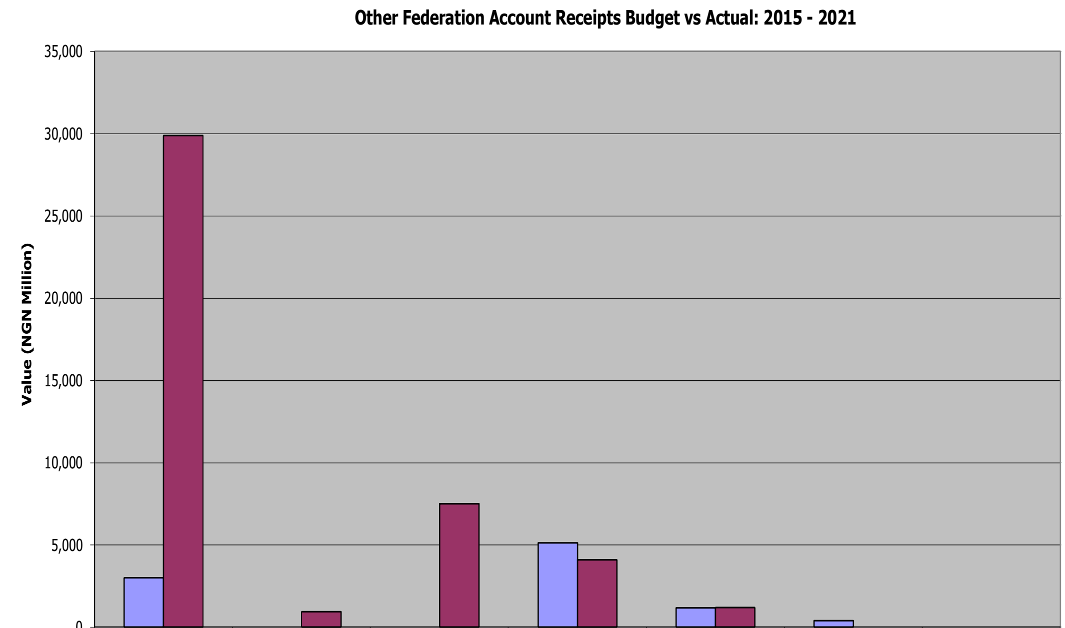
	2015	2016	2017	2018	2019	2020	2021
Budget	60,646,308,500	62,455,079,400	61,535,868,130	93,004,976,458	52,584,100,385	15,082,345,490	26,671,825,610
Actual	11,783,968,573	13,489,297,091	13,656,294,310	33,415,807,568	17,701,126,405	18,322,985,211	0
Performance	19.4%	21.6%	22.2%	35.9%	33.7%	121.5%	0.0%
Growth		14.47%	1.24%	144.69%	-47.03%	3.51%	0.00%

110. Internally Generated Revenue (IGR) is collected by Osun Internal Revenue Service (OIRS) and revenue collecting MDA's. The major sources of IGR are PAYE, lands and land services, withholding tax, dividends from state investments, fines, fees, licenses and other sources.

111. IGR has been steadily on the increase between 2015 and 2018, starting with **₦**11.78 billion in 2015 and peak at **₦**33.4 billion in 2018, but dropped to **₦**17.7 billion in 2019 and rise to ₦18.82bn in 2020, meanwhile this is proportional to the budgeted size. However, on average the performance in 2020 between the budgeted and actual is the best among the six periods under consideration.

112. In all the years, the actual values of IGR generated have been abysmally low against the budgeted values with average performance below 30%. This is pointing to a need for concerted effort in harnessing the potential of IGR in the State with a much strategic approaches. There are lots of IGR potential that are yet to be unlocked in the State.

Figure 12: Other FAAC Receipts

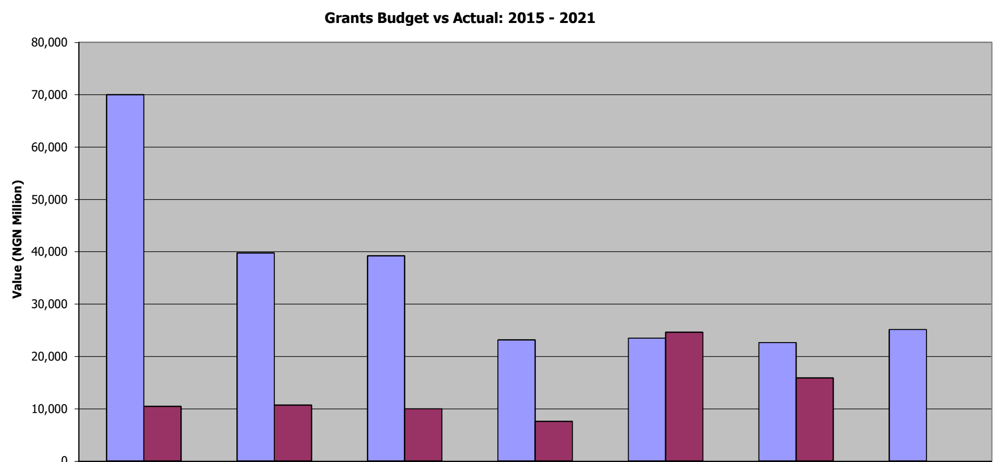


	2015	2016	2017	2018	2019	2020	2021
Budget	3,000,000,000	0	0	5,130,460,470	1,175,000,000	400,000,000	0
Actual	29,880,265,497	945,244,652	7,500,229,951	4,092,654,126	1,184,285,886	0	0
Performance	996.0%	0.0%	0.0%	79.8%	100.8%	0.0%	
Growth		-96.84%	693.47%	-45.43%	-71.06%	-100.00%	

113. Other FAAC receipts include all other FAAC distributed revenue accruing from other sources. Other FAAC distributed revenue includes Excess Crude, exchange gains, refunds from NNPC and FIRS, augmentations and any other excesses.

114. Performance increased significantly in 2015 (i.e. ₦29.88 billion) and dropped to ₦945 million in 2016. Other FAAC receipts increased to ₦7.5 billion in 2017 and dropped to **₦**4.09 billion in 2018. The 2019 performance is determined to be 100.8%, meaning the actual is higher than the budgeted marginally by 0.8%. In all cases, the national events determine the trends and performances.

Figure 13: Grants



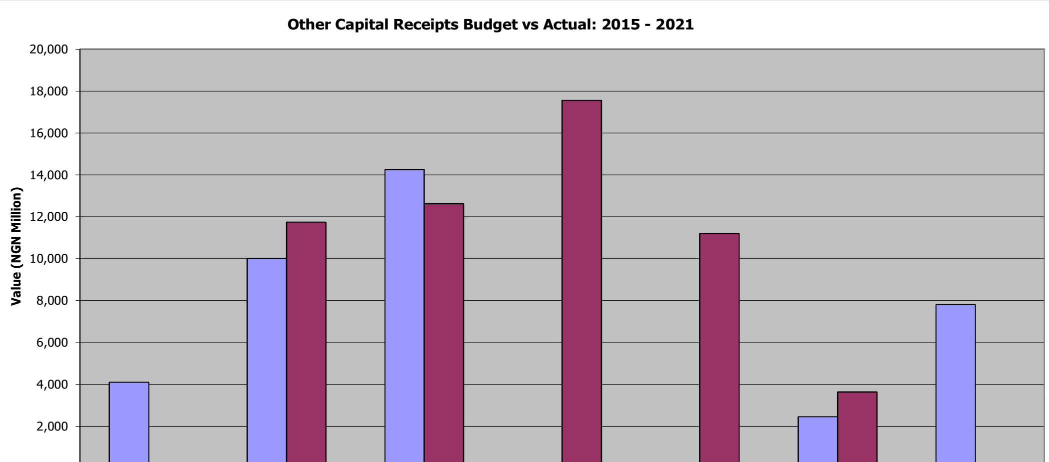
	2015	2016	2017	2018	2019	2020	2021
Budget	69,990,555,200	39,770,520,920	39,203,154,680	23,153,870,020	23,480,638,705	22,638,654,470	25,139,160,010
Actual	10,479,568,205	10,699,274,623	10,009,761,670	7,581,102,677	24,616,016,295	15,900,777,714	0
Performance	15.0%	26.9%	25.5%	32.7%	104.8%	70.2%	
Growth		2.10%	-6.44%	-24.26%	224.70%	-35.40%	

Year

115. Grants are receipts from federal government and development partners such as Federal Government Conditional Grant Scheme, Federal Government Universal Basic Education Scheme, UNICEF, SLOGOR, DFID, UNDP, SIFTAS, TETFUND, etc.

116. Grants were received in all the years. The graph shows the high degree of unpredictability in this item of capital receipt as actual performances from 2015 to 2018 were very low (less than 33% in each of the 5 years). The highest performance was recorded in 2019 with 88.8%. This was as a result of positive response of MDAs to fiscal openness as required by the on-going fiscal reforms.

Figure 14: Other Capital Receipts



	2015	2016	2017	2018	2019	2020	2021
Budget	4,103,497,000	10,012,797,750	14,256,000,000	0	0	2,460,000,000	7,812,500,000
Actual	0	11,744,237,794	12,628,212,681	17,561,496,905	11,207,102,272	3,646,643,790	0
Performance	0.0%	117.3%	88.6%	0.0%	0.0%	148.2%	
Growth		0.00%	7.53%	39.07%	-36.18%	-67.46%	

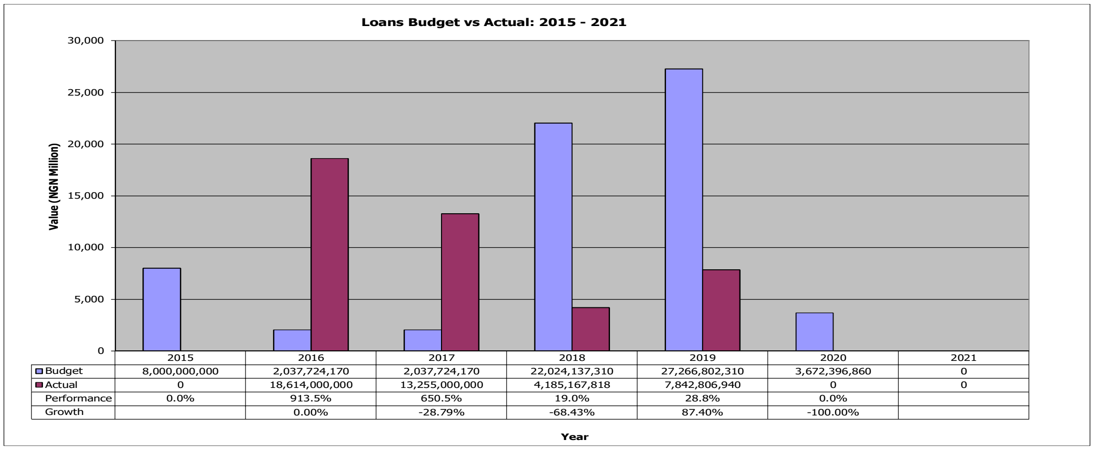
Year

117. Other Capital Receipts include receipts like Excess on Crude oil, Bailout Fund, refund on federal capital projects in the State, etc.

118. The Other Capital Receipts grew from ₦11.74 billion in 2016 to ₦17.6 billion in 2018, dropped to ₦11.21billion in 2019 and ₦3.65bn in 2020.

119. In terms of performance, the actual amount exceeded the budgeted amount in 2016 with the value ₦11.7billion and 2018 with the value ₦16.6 billion.

Figure 15: Loans / Financing



	2015	2016	2017	2018	2019	2020	2021
Budget	8,000,000,000	2,037,724,170	2,037,724,170	22,024,137,310	27,266,802,310	3,672,396,860	0
Actual	0	18,614,000,000	13,255,000,000	4,185,167,818	7,842,806,940	0	0
Performance	0.0%	913.5%	650.5%	19.0%	28.8%	0.0%	
Growth		0.00%	-28.79%	-68.43%	87.40%	-100.00%	

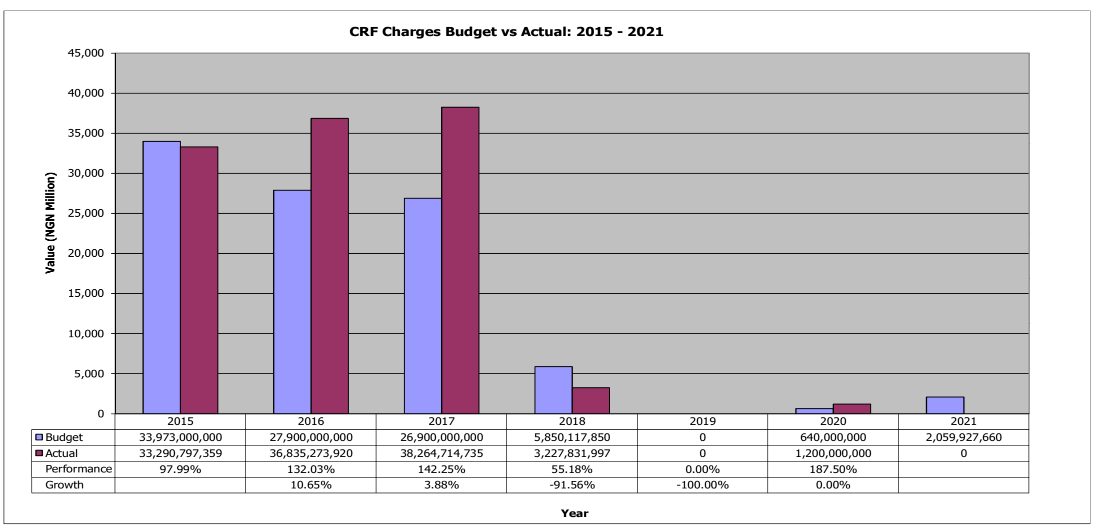
120. Loans include both Internal and External loans. Internal loans include development bond, short term commercial loans, contractual obligations, etc. External loan are receipts from World Bank, African Development, Islamic Development Bank, etc.

121. The State benefited from loans/financing in 4 of the 6 years (i.e. 2015 – 2020). The highest amount was in 2016 with ₦18.6 billion. Repayment of most of the internal loans were through direct deductions from the State of Osun monthly Statutory Allocation from the Federation Accounts. However, in 2015 and 2016 the State of Osun monthly Statutory Allocation dropped by more than 50%. In some months within this period (i.e. 2015 and 2016) the repayment of internal loans through the irrevocable standing payment order wiped out entire State of Osun Statutory Allocation. The State did not incur any loan in 2020 though it budgeted N3.7bn to finance NCARES projects.

Expenditure Side

122. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2015-2020.

Figure 16: CRF Charges



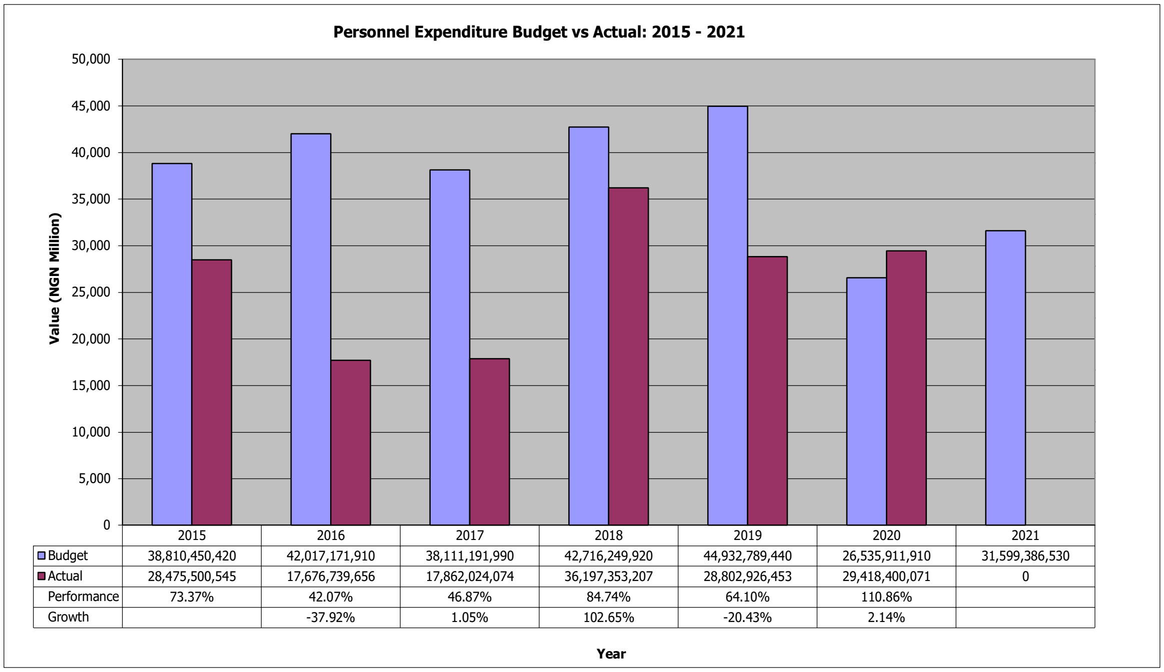
	2015	2016	2017	2018	2019	2020	2021
Budget	33,973,000,000	27,900,000,000	26,900,000,000	5,850,117,850	0	640,000,000	2,059,927,660
Actual	33,290,797,359	36,835,273,920	38,264,714,735	3,227,831,997	0	1,200,000,000	0
Performance	97.99%	132.03%	142.25%	55.18%	0.00%	187.50%	
Growth		10.65%	3.88%	-91.56%	-100.00%	0.00%	

123. Consolidated Revenue Fund (CRF) charges include Public Debt Charge, Pensions and Gratuities, other social contribution items. Salaries of Judicial Officers, Auditor Generals of

state, Auditor Generals of Local Government and members of Statutory Commissions are captured under personnel costs.

124. CRF increased from ₦33.97 billion in 2015 to ₦38.26 billion (142.25% increase) in 2017. There has been mixed performance with budget exceeding actual in 2015 and 2018 whereas in the other years (2016, 2017 and 2020) the reverse has been the case.

Figure 17: Personnel

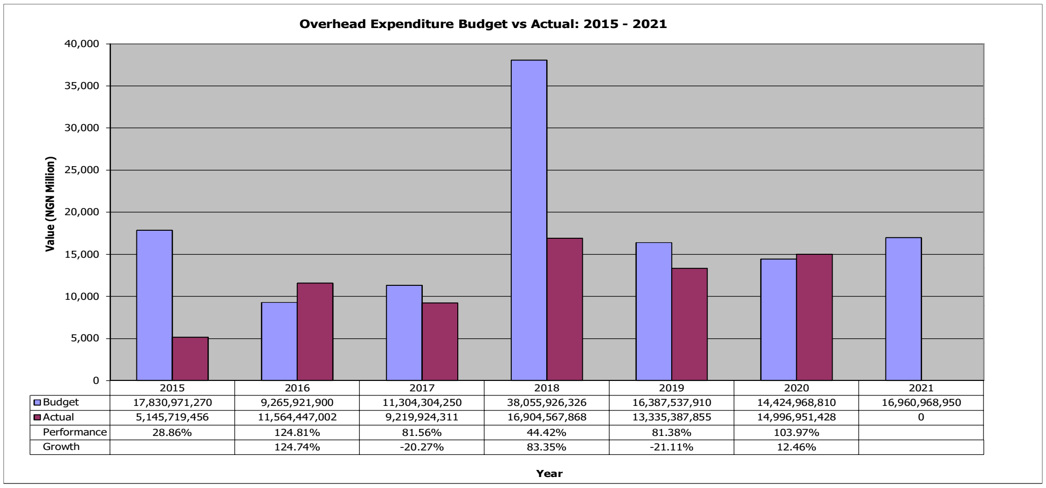


	2015	2016	2017	2018	2019	2020	2021
Budget	38,810,450,420	42,017,171,910	38,111,191,990	42,716,249,920	44,932,789,440	26,535,911,910	31,599,386,530
Actual	28,475,500,545	17,676,739,656	17,862,024,074	36,197,353,207	28,802,926,453	29,418,400,071	0
Performance	73.37%	42.07%	46.87%	84.74%	64.10%	110.86%	
Growth		-37.92%	1.05%	102.65%	-20.43%	2.14%	

125. Personnel Cost comprised of salaries and allowances of civil servants, public servants in government agencies and parastatals, members of the State House of Assembly, Judicial Officers, Political Office holders, Permanent Secretaries, Accountant General, Auditor Generals of state, Auditor Generals of Local Government and members of Statutory Commission. Personnel Cost has risen steadily over the period under review reaching highest of ₦36.2 billion in 2018.

126. In terms of performance, the picture has been mixed with actuals increasing in 2016, 2017, and 2018. The actual performance in the two years (i.e. 2016 and 2017) were because of modulation of personnel costs in 2016 and 2017.

Figure 18: Overheads

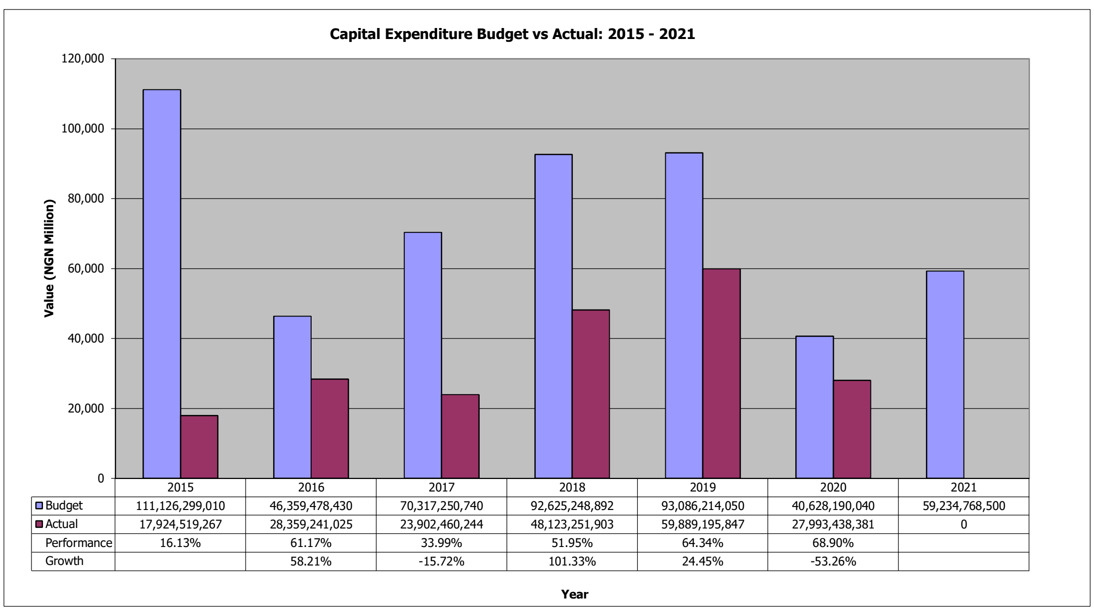


	2015	2016	2017	2018	2019	2020	2021
Budget	17,830,971,270	9,265,921,900	11,304,304,250	38,055,926,326	16,387,537,910	14,424,968,810	16,960,968,950
Actual	5,145,719,456	11,564,447,002	9,219,924,311	16,904,567,868	13,335,387,855	14,996,951,428	0
Performance	28.86%	124.81%	81.56%	44.42%	81.38%	103.97%	
Growth		124.74%	-20.27%	83.35%	-21.11%	12.46%	

127. Overhead expenditure is comprised of operational and maintenance cost for running Government activities. The actual overhead increased from N5.12bn in 2015 to ₦11.56bn in 2016 and then slightly dropped to ₦9.22bn in 2017. It accelerated again in 2018 to ₦16.91 billion and declining again in 2019 to ₦13.33bn. It rose to N15bn in 2020.

128. In four of the six years (2015 – 2020), the budgeted amount significantly exceeded the actual except in 2016 and 2020 where the reverse was the case. The overhead expenditure in 2015 was lower compared to others; this was as a result of recession that crippled economic activities nationwide which led to decline in revenue accruing to the State.

Figure 19: Capital Expenditure

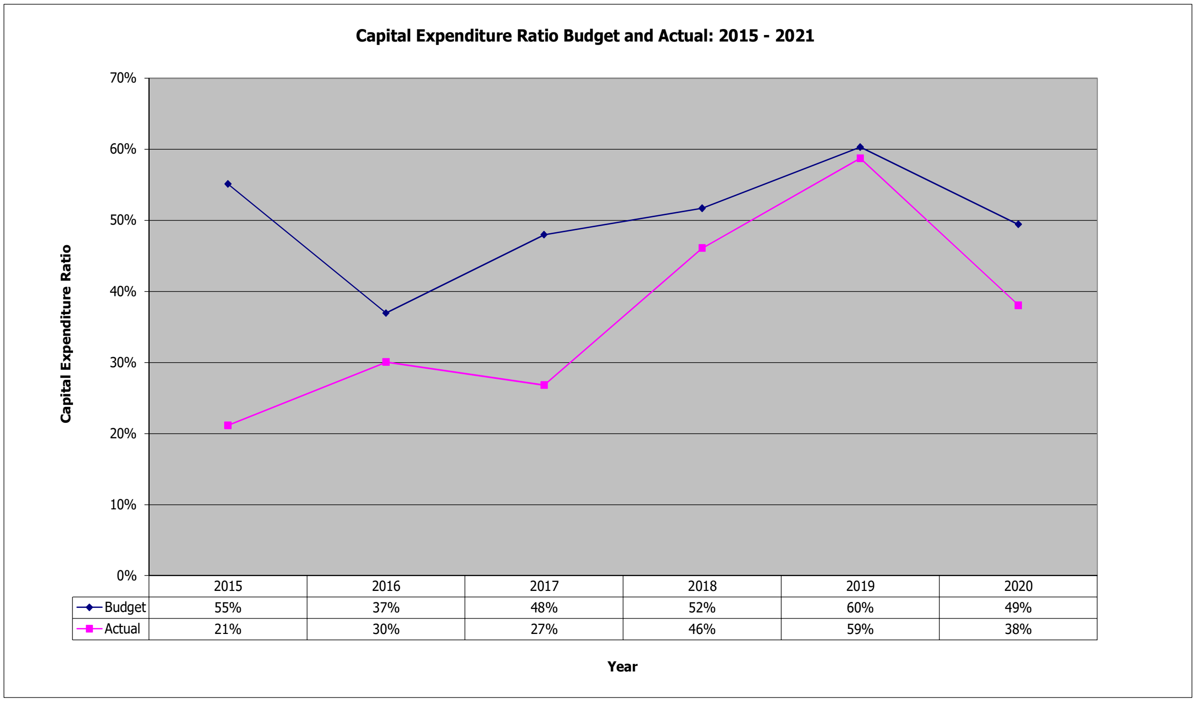


	2015	2016	2017	2018	2019	2020	2021
Budget	111,126,299,010	46,359,478,430	70,317,250,740	92,625,248,892	93,086,214,050	40,628,190,040	59,234,768,500
Actual	17,924,519,267	28,359,241,025	23,902,460,244	48,123,251,903	59,889,195,847	27,993,438,381	0
Performance	16.13%	61.17%	33.99%	51.95%	64.34%	68.90%	
Growth		58.21%	-15.72%	101.33%	24.45%	-53.26%	

129. Capital Expenditure includes the main investment of government through implementation of programmes and projects. In terms of actual capital expenditure, the performance has again been mixed with the rise in 2015 to 2016 and decline from ₦28.4bn in 2016 to ₦23.90bn in 2017, but a steady rise over the periods to N59.89bn 2019 and dropped to N27.99bn in 2020.

130. In all the years, the budgeted amount exceeded the actual amount, and in some years' performance was less than 60%, but there has been steady improvement over the period since 2018. The steady increase in performance could be attributed to success of the on-going fiscal reform process.

Figure 20: Capital Expenditure Ratio



131. The graph shows a variable picture in terms of capital expenditure ratio. In all the years, the budgeted capital expenditure ratio exceeded the actual capital expenditure ratio. Budgeted capital expenditure ratio exceeded 50% in 2015 and less than 50% in 2016 and 2017. However, actual capital expenditure ratio exceeded 50% only in 2019 and less than 50% in other years (i.e. 2015, 2016, 2017, 2018 and 2020. The implication is that the State spent more than 50% of entire expenditure on recurrent expenditure. However, the ratio is steadily on the increase over the periods from 2017 which is also a result of successful fiscal reform process. The fall experienced in 2020 was as a result of COVID-19 pandemic that grounded all economic activities across the State.

By Sector

132. The table below is a comprehensive analysis of both capital budget and actual capital expenditure from 2017-2020 with performance indicators for 2020.

Table5: Sector Expenditure Trend

Capital Expenditure by Sector												
No.	**Sector**	**2017 Budget**	**2017 Actual**	**2018 Budget**	**2018 Actual**	**2019 Budget**	**2019 Actual**	**2020 Budget**	**2020 Actual**	**Performance**	**Average Budget**	**Average Actual**
1	**EDUCATION**	9,054,158,760	5,736,333,767	15,338,237,240	6,637,682,580	10,471,201,800	6,320,785,805	5,532,954,860	2,183,555,510	**51.68%**	13.61%	13.06%
2	**HEALTH**	1,776,064,400	485,085,074	2,611,873,680	143,822,064	7,040,061,850	4,705,043,203	3,778,302,220	910,248,834	**41.06%**	5.12%	3.90%
3	**WATER AND SANITATION**	1,700,128,980	5,308,887,337	14,799,539,980	4,332,578,516	9,160,915,190	9,047,591,195	7,581,241,350	1,799,672,212	**61.64%**	11.20%	12.81%
4	**AGRICULTURE**	4,636,340,560	344,524,494	4,916,345,640	128,245,875	3,143,741,000	75,140,937	874,863,650	7,164,000	**4.09%**	4.57%	0.35%
5	**COMMERCE AND INDUSTRY**	2,034,181,910	635,078,024	2,347,754,672	125,340,975	702,849,070	10,488,642	278,713,490	4,960,000	**14.47%**	1.81%	0.49%
6	**INFRASTRUCTURE**	21,009,508,110	6,684,036,838	6,214,170,250	3,620,777,237	14,411,578,390	4,064,391,327	7,320,278,950	1,783,858,414	**33.00%**	16.50%	10.10%
7	**SOCIAL DEVELOPMENT AND WELFARE**	86,001,890	100,104,015	295,511,480	159,488,407	695,820,460	142,041,265	7,412,430	487,000	**37.07%**	0.37%	0.25%
8	**ENVIRONMENT**	1,554,753,090	439,136,576	1,092,316,590	144,559,816	1,567,176,740	217,319,664	295,000,000	290,045,905	**24.20%**	1.52%	0.68%
9	**SECURITY LAW AND JUSTICE**	1,320,456,760	46,477,000	968,549,500	86,000,000	482,515,130	53,254,000	247,255,460	0	**6.15%**	1.02%	0.12%
10	**PLANNING AND BUDGET**	11,585,259,940	6,297,000	1,421,091,160	47,526,600	3,202,086,450	1,144,885,977	368,025,000	7,140,130	**7.27%**	5.59%	0.75%
11	**INFORMATION AND COMMINICATION**	282,132,470	76,200,510	248,852,220	32,214,926	166,000,000	10,226,067	98,500,000	17,389,821	**17.10%**	0.27%	0.09%
12	**GOVERNANCE AND ADMINISTRATION**	15,396,299,070	4,040,299,610	10,112,452,420	1,754,634,934	4,819,286,910	3,352,435,685	1,943,346,090	2,044,424,296	**34.68%**	10.87%	7.00%
13	**FINANCE AND REVENUE MOBILIZATION**	0	0	32,258,554,060	30,910,379,973	37,222,981,060	30,745,592,079	12,302,296,540	18,944,492,260	**98.55%**	27.56%	50.40%
	Total	**70,435,285,940**	**23,902,460,244**	**92,625,248,892**	**48,123,251,903**	**93,086,214,050**	**59,889,195,847**	**40,628,190,040**	**27,993,438,381**	**53.88%**	**100.00%**	**100.00%**

133. The budgeted capital expenditures exceeded actual capital expenditures in all sectors between 2017 and 2020. The sector that had the highest average performance over the period is Finance and Revenue Mobilization with 98.55% followed by Water & Sanitation with 61.64% while Education sector with 51.68% came third. The least performed sector was Agriculture with 4.09% followed by Security, Law and Justice with 6.15% while the third performed sector was Planning and Budget Sector with 7.27%. Over the period under review, (2017 – 2020), the average budget performance was 53.88%.

134. In terms of average budget allocation to each sector in 2020, Finance and Revenue Mobilization has the highest with ₦12.30bn out of which ₦18.94bn was expended followed by Water and Sanitation Sector with ₦7.58bn out of which ₦1.80bn was expended and closely followed by Infrastructure Sector with ₦7.32bn out of which ₦1.78bn was expended. Social Development and Welfare sector has the least budgetary allocation in 2020 with ₦7.41 million out of which ₦487,000 was expended followed by Information and Communication with ₦98,500,000 out of which ₦17.39 million was expended. No capital expenditure was incurred by Security, Law and Justice sector from her allocated budgetary provision of N247.26 million. Hence, Security, Law and Justice is the least performed Sector in 2020.

135. Going forward, it is important to be realistic in allocating capital expenditure envelopes to sectors. In addition, the 2020 – 2022 forecast separated non-discretional capital expenditure (i.e. fund that will be spent on specified projects and/or specified sector) from discretional capital expenditure (i.e. fund that may be allocated across all sectors and all projects).

2.A.4 Debt Position

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

Table 6: Debt Position as at 31st December 2020

2.A.1 Debt Position

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

Table 6: Debt Position as at 31st December 2020

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2020**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenu	50%	209.67%
2	Total Domestic Debt/IGR	150%	731.93%
3	Total External Debt/Total Recurrent Revenue	50%	0.15%
4	Total Public Debt/Total Recurrent Revenue	100%	209.82%
5	Total Public Debt/State GDP Ratio	40%	9.13%
	Liquidity Ratios		
6	External Debt Service/Total Recurrent Rever	10%	2.98%
7	Total Debt Service/Total Recurrent Revenue	15%	28.76%
8	Domestic Debt Service/IGR	10%	90.00%
9	Debt Service Deductions from FAAC/Gross F	40%	63.90%
			2020 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2020**		**Naira**
1	Total Domestic Debt		134,110,843,535
2	Total External Debt		95,016,325
3	**Total Public Debt**		**134,205,859,860**
4	Total Domestic Debt Service 2020		16,490,963,833
5	Total External Debt Service in 2020		1,904,978,522
6	**Total Public Debt Service**		**18,395,942,355**
C	**STATE GDP FOR 2020**		
1	**State GDP**		1,470,000,000,000

2. The State is not performing well in most ratios except for External Debt Service to Total Recurrent Revenue. Total Domestic Debt to IGR ratio is 731.93% which is well off the recommended sustainable threshold of 150%. One of the 22 action points of the Fiscal Sustainability Plan is that monthly debt service deduction should not exceed 40% of the average FAAC allocation for the preceding 12 months. The debt service deduction from January to December 2020 from FAAC allocation over the period is 63.90%. This is higher than the FSP recommended threshold of 40%.

3. However, the State Total Public Debt to State GDP ratio is 9.13%. This is an indication that the level of public debt is still low compared to the recommended threshold level of 40%. Non favourable performance on other solvency and liquidity ratios is due to low level of revenue .

4. In view of the high level of domestic debt to recurrent revenue and domestic debt service costs to recurrent revenue viz-a-viz low level of total debt to GDP as indicated in table 6 above, it is also recommended for the Debt Management Office to produce detailed debt sustainability analysis and Medium-Term Debt Management Strategy.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

5. The Macroeconomic framework is based on key reviewed macroeconomic Indicators which are used to evaluate the performance of our economy. The Macroeconomic framework reflects the mineral sector benchmarks (reviewed production, price and NGN:USD exchange rate) dictated by COVID-19 pandemic as laid out in the reviewed Federal Government Medium Term Expenditure Framework for the period 2020-2022. Real GDP growth and Inflation (CPI) are as per the IMF World Economic Outlook dated June 2020. The figures represent a prudent macro-economic framework on which the State of Osun Medium Term Fiscal Framework is based.

Table7: Osun State Macroeconomic Framework

Macro-Economic Framework

Item	**2022**	**2023**	**2024**
National Inflation	13.00%	11.00%	10.00%
National Real GDP Growth	2.50%	2.300%	3.30%
Oil Production Benchmark (MBPD)	1.88	2.23	2.22
Oil Price Benchmark	$57.00	$57.00	$55.00
NGN:USD Exchange Rate	410	410	410
Other Assumptions			
Mineral Ratio	27.0%	27%	27%

6. Although Nigeria's total production capacity is 2.5 mbpd, current (year to date) crude production is about 1.4 mbpd *(slightly short of the OPEC+ production quota)*, and an additional 300,000bpd of condensates, totaling about 1.7mbpd.
7. Going into 2022, post recovery outlook suggests an upward demand for crude oil and will see OPEC+ upward revisions. Nigeria is also growing production of condensates which are excluded in OPEC cuts.
8. The Energy Information Administration (EIA) expects that global oil production will increase to match rising levels of global oil consumption.
9. World Bank forecasts that crude oil prices will rise gradually from an average of US$60 pb in 2022 to $61 pb in 2023, and US$61.9 pb in 2024.

3.B Fiscal Strategy and Assumptions

Policy Statement

10. As a Sub-National Government in a Federating Unit, the overall fiscal policy direction of the Federal Government has serious implication for the State's fiscal policy direction. In this connection, the State's budgetary estimates are based on many variables that are outside the control of the State. Such variables include: transfers from the Federation Accounts, share of Value Added Tax, growth/decline in the national GDP, National Inflation, Exchange Rate, Level of Crude Oil Productions, and Prices of Crude Oil per barrel.
11. Within the constraints imposed by the Federal system, the State of Osun's strategic fiscal policy direction can be summarised as including:
    a. implement policies using strategic sectors in the state for the COVID-19 pandemic economic recovery;

b. reducing the cost of governance;

c. strengthening fiscal discipline;

d. transparency and accountability in Public Financial Management; and

e. strengthening human and organizational capacity to manage the State's resources.

Objectives and Targets

12. The key targets for the State Government of Osun from a fiscal perspective are:

    a. By 2023, at least 35% of total expenditure will be funded through IGR and by 2030 60%.

    b. Create efficiencies in personnel and overhead expenditure as well as reduce debt service costs to allow greater resource for capital development and by 2023 achieve a recurrent to capital expenditure ratio of 40:60.

    c. Target sources of capital receipts and financing outside of loans (e.g. Grants, PPP, etc.).

    d. Continue to give priority to completion of on-going capital projects before new projects are commenced.

3.C Indicative Three-Year Fiscal Framework

13. The indicative three-year fiscal framework for the period 2022-2024 is presented in the table 8 below.

Table 8: The State of 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%

3.C.1 Assumptions

14. **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.

15. **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.

16. **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** –

17. **The Internal Grants**: The total sum of **₦9,862,106,439** is assumed for Internal Grant**.** The breakdown is as follows:

1.	*TETFUND (OSCOED, Ilesa)*	*₦614,292,444.00;*
2.	*TETFUND (Osun State College of Education, Ila-Orangun)*	*₦452,000,000.00*
3.	*TETFUND (Osun State Polytechnic, Iree)*	*₦414,500,000*
4.	*Needs' Assessment & TETFUND (Osun State University)*	*₦970,000,000.00*
5.	*BHCPF (OHIS)*	*₦350,000,000.00*
6.	*NPHCDA --- (OPHCDB)*	*₦548,757,276.00*
7.	*UNICEF --- (OPHCDB)*	*₦177,459,964.00*
8.	*NEMCHIC & AFENET --- (OPHCDB)*	*₦1,290,000.00*
9.	*UNFPA --- (OPHCDB)*	*₦6,810,000.00*
10.	*Osun Broiler Outgrower Production Scheme (OBOBS)*	*₦200,000,000*
11.	*OSSADEC (Revolving Capital within the Agency)*	*₦10,000,000*
12.	*O-MEAL*	*₦2,125,552,410.00*
13.	*SUBEB*	*₦3,043,444,345.14*
14.	*TETFUND (OSCTECH, ESA-OKE)*	*₦498,000,000.00*
15.	*SDG*	*₦50,000,000.00.00*
16.	*LOCAL GOVT. SERVICE COMMISSION*	*₦400,000,000.00*

18. **The External Grants**: The total sum of **₦7,466,638,387** is assumed for total External grant.

i.	*Lion Club Support (OHMB)*	*₦47,750,000.00*
ii.	*Tuberculosis and Malaria Control (Ministry of Health)*	*₦1,979,689,995*
iii.	*UNDP (MoEPB)*	*₦11,102,500.00*
iv.	*SAVE The Children (MoEPB)*	*₦5,760,000.00*
v.	*UNICEF (MoEPB)*	*₦1,500,000.00*
vi.	*SIFTAS*	*₦4,000,000,000.00*
vii.	*Rural Access and Agricultural Marketing Project – RAAM (RAMP)*	*₦315,000,000.00*
viii.	*Small Holders Horticultural Marketing Project (JICA Support)*	*N7,500,000.00*
ix.	*EU-UNICEF Water Sanitation Project by RUWESA*	*N287342,800*

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

i.	*NIGERIA CARES (Ministry of Agriculture) ---*	**₦***2,306,250,000*.00
ii.	*NIGERIA CARES (CSDP) ---*	**₦***922,500,000*.00
iii.	*Min*. of Youth (N-CARES) ---	₦470,000,000

20. **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.

21. **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**.

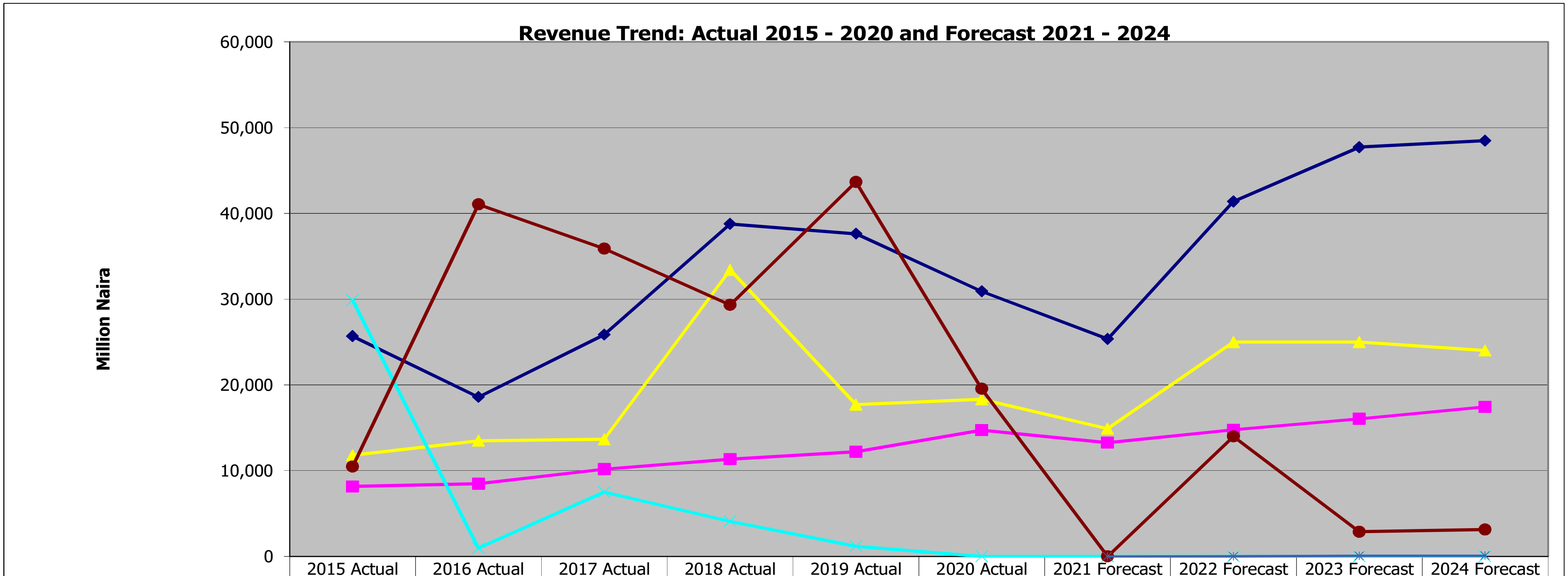
22. **Local Governments (LGs)** – The indicative 2022 revenue (statutory allocation, VAT, other FAAC distribution and 10% of state IGR) forecast based on the assumptions explained in

paragraphs 130-136 above is presented in annex 1 while distribution of 10% of state IGR to LGs and LCDAs is presented in annex 2.

3.C.2 Fiscal Trends

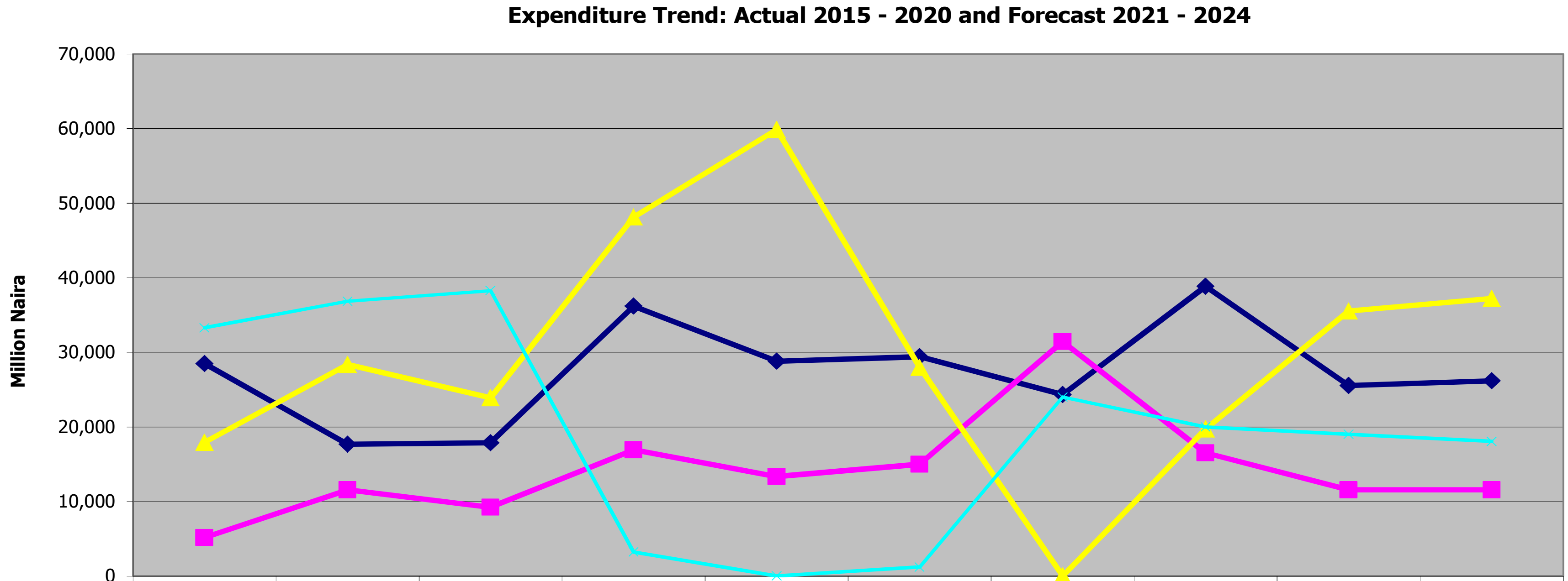
23. Based on the above envelope, plus forecast figures for 2022-2024 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

Figure 21: The State of Osun Revenue Trend



	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Stat.Allocation	25,670,036,659	18,591,636,640	25,859,771,586	38,780,139,789	37,637,412,367	30,913,592,920	25,359,547,954	41,397,465,159	47,730,168,162	48,482,354,566
VAT	8,144,705,885	8,466,435,500	10,175,820,259	11,342,196,000	12,195,373,300	14,725,950,021	13,261,151,077	14,751,476,030	16,051,686,317	17,430,913,592
Total IGR	11,783,968,573	13,489,297,091	13,656,294,310	33,415,807,568	17,701,126,405	18,322,985,211	14,889,729,688	25,000,000,000	25,000,000,000	24,000,000,000
Other Recurrent Receipts	29,880,265,497	945,244,652	7,500,229,951	4,092,654,126	1,184,285,886	0	0	0	0	0
Capital Receipts	10,479,568,205	41,057,512,417	35,892,974,351	29,327,767,401	43,665,925,507	19,547,421,504	0	13,985,262,382	2,871,412,753	3,127,963,470
Treasury Opening Balance							0	12000000	81148941.19	88781854.48

Figure 22: The State of Osun Expenditure Trend



	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Personnel Costs	28,475,500,54	17,676,739,65	17,862,024,07	36,197,353,20	28,802,926,45	29,418,400,07	24,321,721,48	38,841,486,81	25,553,008,63	26,191,833,84
Overheads	5,145,719,456	11,564,447,00	9,219,924,311	16,904,567,86	13,335,387,85	14,996,951,42	31,430,200,61	16,500,855,32	11,564,719,45	11,564,719,45
Cap. Ex.	17,924,519,26	28,359,241,02	23,902,460,24	48,123,251,90	59,889,195,84	27,993,438,38	0	19,722,712,49	35,527,906,23	37,233,546,91
CRF Charges	33,290,797,35	36,835,273,92	38,264,714,73	3,227,831,997	0	1,200,000,000	24,000,000,00	20,000,000,00	19,000,000,00	18,050,000,00

Year

3.D Fiscal Risks

24. The analysis and forecasting basis as laid out above implies some fiscal risks, including but not limited to.

Table 9: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Threat to Global economy by the novel virus - COVID-19 Pandemic	H	H	Ensure the projects in the budget are those to mitigate the adverse effects of the pandemic.
Threat to oil revenues from global economic and political factors, resulting in drop in oil revenue	H	H	Continue with the ongoing efforts to improve IGR to reduce dependence on FAAC Statutory Allocation Maintain prudent assumptions related to Crude Oil sector performance Monitor closely in-year performance
Election Risk - Change in Policy Priorities of the incoming Administration	L	H	Use the Development Plan to sensitize the state to show case the rationale for the current Policy Priorities Engagement of citizens in the policy/budget process
Election Risk – Depressed economic activity during elections affects IGR and FAAC revenues	L	H	Ensure independence of BIR to carry out it's functions
Election Risk – security threats that require additional expenditure to check and control	L	M	Vigilance of state security service and police Engagement of citizens to ensure peace and stability
Delay in passage of 2021 Budget before end of the current administration thereby undermining the fiscal objectives and targets.	L	L	Ensure 2022 budget is passed on time Engagement of members of State House of Assembly to ensure that the FSP and 2019 Budget is passed on time.

25. It should be noted however that no budget is without risk. Each potential risk has assessed according to its likelihood of occurring using the categories High (H), Medium (M) and Low (L) and also in relation to the impact should the risk materialise using the same categories. Also, actions or approaches that the SGO will take to minimise the chance of the risk occurring and/or to offset the impact in the event that the risk does become reality are provided.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

26. The State of Osun Development Plan, 2019 - 2028 rests on four pillars, namely:
    a. The Economic Development;
    b. Infrastructural Development;
    c. Human Capital Development and Security; and
    d. Environmental Sustainability.
27. The 2022 state budget policy thrust is predicated on the five (5) goals of the State Development Plan, which are:
    a. Achieve inclusive, sustainable economic growth with full and productive employment that ensures high standard of living for all residents of the state.
    b. Achieve diversified and enhanced revenue base by providing enabling business environment which will attract and retain investors and expand existing businesses.
    c. Achieve world class state infrastructure system that attracts investors, facilitates economic growth and supports the state's priority needs.
    d. Ensure qualitative and functional education and healthy living in a safe and secure egalitarian society through people-oriented development.
    e. Ensure cities and human settlements are safe, resilient and sustainable while also conserving the ecosystem

4.B Sector Allocations (3 Year)

28. The total **Forecast Budget Size** for the2022 fiscal year as explained in Section 3.C above is **₦102,107,287,073.00** of which the sum of **₦75,342,342,133** will be for recurrent and **₦26,368,455,528** for Capital**.** The capital expenditure component is in two parts: the discretionary capital expenditure (**₦10,151,953,794)** that will be spent across all MDAs and Non-Discretionary capital expenditure (**₦16,216,501,734)** which will be spent specifically on Health, Education, Infrastructure (i.e. NCARES), Water and Sanitation, Agriculture (i.e. NCARES), Social Development and Welfare (i.e. NCARES), etc.
29. Based on the five goals of the State derived from the State Development Plan, an indicative capital allocation (envelope) to the sectors for 2022-2024 is shown in Table 10 below.

Table 10: Indicative Sector Expenditure Ceilings 2020-2022

Expenditure by Sector		Discretional Funds						Non-Discretional Funds		
No.	Sector	2022	2022 Allocation	2023	2023 Allocation	2024	2024 Allocation	2022 Allocation	2023 Allocation	2024 Allocation
1	EDUCATION	14.93%	1,457,621,983	21.71%	2,775,001,836	21.71%	3,918,790,554	8,117,789,199	0	0
2	HEALTH	4.00%	389,478,152	2.37%	303,481,943	2.37%	428,569,868	3,111,757,235	1,199,539,500	1,139,546,500
3	WATER AND SANITATION	6.90%	671,849,812	6.14%	784,301,244	6.14%	1,107,571,270	287,342,800	400,000,000	350,000,000
4	AGRICULTURE	4.00%	389,478,152	1.77%	226,688,157	1.77%	320,123,539	2,523,750,000	750,000,000	750,000,000
5	COMMERCE AND INDUSTRY	5.00%	486,847,690	1.79%	229,011,982	1.79%	323,405,188	0	0	0
6	INFRASTRUCTURE	21.90%	2,229,762,419	33.31%	4,257,048,229	33.31%	6,011,700,667	1,707,500,000	4,500,000,000	2,700,000,000
7	SOCIAL DEVELOPMENT AND WELFARE	2.50%	243,423,845	3.69%	471,292,213	3.69%	665,547,478	0	0	0
8	ENVIRONMENT	6.05%	589,478,152	4.76%	608,591,199	4.76%	859,437,789	0	0	0
9	SECURITY LAW AND JUSTICE	4.00%	419,478,152	0.59%	75,144,311	0.59%	106,116,981	0	0	0
10	PLANNING AND BUDGET	2.50%	243,423,845	4.51%	575,944,361	4.51%	813,334,713	18,362,500	0	0
11	INFORMATION AND COMMINICATION	3.53%	343,423,845	0.98%	125,055,240	0.98%	176,599,989	0	0	0
12	GOVERNANCE AND ADMINISTRATION	17.19%	1,983,389,910	18.38%	2,349,120,477	18.38%	3,317,371,186	450,000,000	0	0
13	FINANCE AND REVENUE MOBILIZATION	7.50%	730,271,535	14.00%	1,789,295,367		0		0	0
14	PLANNING RESERVE		396,489,412	0	0		0	0	0	0
30	0				0		0		0	0
	Total	100.00%	10,151,953,794	100.00%	12,780,681,193	100.00%	18,048,569,222	16,216,501,734	6,849,539,500	4,939,546,500

		Total Capital Envelope					
No.	Sector	2022	2022 Allocation	2023	2023 Allocation	2024	2024 Allocation
1	EDUCATION	36.31%	9,575,411,182	12.96%	2,775,001,836	17.05%	3,918,790,554
2	HEALTH	13.28%	3,501,235,387	7.02%	1,503,021,443	6.82%	1,568,116,368
3	WATER AND SANITATION	3.64%	959,192,612	5.53%	1,184,301,244	6.34%	1,457,571,270
4	AGRICULTURE	11.05%	2,913,228,152	4.56%	976,688,157	4.66%	1,070,123,539
5	COMMERCE AND INDUSTRY	1.85%	486,847,690	1.07%	229,011,982	1.41%	323,405,188
6	INFRASTRUCTURE	14.93%	3,937,262,419	40.88%	8,757,048,229	37.90%	8,711,700,667
7	SOCIAL DEVELOPMENT AND WELFARE	0.92%	243,423,845	2.20%	471,292,213	2.90%	665,547,478
8	ENVIRONMENT	2.24%	589,478,152	2.84%	608,591,199	3.74%	859,437,789
9	SECURITY LAW AND JUSTICE	1.59%	419,478,152	0.35%	75,144,311	0.46%	106,116,981
10	PLANNING AND BUDGET	0.99%	261,786,345	2.69%	575,944,361	3.54%	813,334,713
11	INFORMATION AND COMMINICATION	1.30%	343,423,845	0.58%	125,055,240	0.77%	176,599,989
12	GOVERNANCE AND ADMINISTRATION	9.23%	2,433,389,910	10.97%	2,349,120,477	14.43%	3,317,371,186
13	FINANCE AND REVENUE MOBILIZATION	2.77%	730,271,535	0	1,789,295,367	0	0
14	PLANNING RESERVE		396,489,412	0	0	0	0
	0		0	0	0	0	0
	Total	**100.00%**	**26,368,455,528**	**100.00%**	**21,419,516,060**	**100.00%**	**22,988,115,722**

4.C Considerations for the Annual Budget Process

30. The ceilings stated above will be used to update the MTSSs of the 13 sectors. MEP&B should ensure that the 13 (thirteen) MTSSs are completed by July, 2021 so that the MTSS will be used for 2022 budget.

31. Therefore, budget call circular should include the following instructions to MDA's for the annual budget submissions:
    - Any projects not in MTSS should not be admitted into the Budget
    - With a relatively small Capital Development Fund, priority must be given to completing on-going projects;
    - Budget submissions for capital projects must include full life-time capital investment requirements (costs) and also sources of funding (particularly if grants and/or loans are being used to partially / fully fund the project);
    - Planning reserve will be used to fund critical projects that will be included at bilateral discussion stage and ExCo approval stages.

Section 5 Summary of Key Points and Recommendations

32. We summarised below a list of the key points arising from this document:

Global Outlook

a. **Advanced economies** is projected to converge at the pre-pandemic projection by 2022.

b. it would take some several years before the **emerging market economies** could recover to the pre-pandemic economic level, if the current trend is not deliberately thwarted through unusual strategic big-push

c. **Low income economies** may not recover to the pre-pandemic economic level, if the current trend is not deliberately thwarted through unusual strategic big-push, which is much more than required by the emerging market economies. **Nigeria is classified under this category**

Nigeria Outlook

d. **The GDP is turning positive and alongside the inflation. This is relatively normal considering the expansionary policy geared towards the economic recovery**

e. There is a drop in the revenue from mineral resources as a result of low production despite the rise in the price of crude oil. If the wave of COVID-19 persists, it may impact negatively on the price with further fall in the revenue.

f. VAT is trending positively and the trend is expected to be sustained

33. The following recommendations are proposed;

a. Giving the projected long term effects of the COVID-19 on the economies of developing and low income countries, the budget of the State of Osun is proposed towards a speedy economic recovery using social intervention programmes and business friendly environment and supports

b. To promote speedy recovery through more social intervention and big-push in strategic sectors, in the face of uncertain revenues from FAAC, the IGR of the state should be pursued aggressively, leaving no stone unturned and also block all leakages

c. Data driven policies still remain the un-faulted and most realistic approach to governance and budget design and preparations. As such, the State Bureau of Statistics should be strengthened to gather data on key indicators timely and exhaustively. In other words, the Bureau should be supported to have capacity to generate necessary data for planning purposes.

d. Moreso, in order to ensure value for money, M&E system in the State should be strengthened and resourced.

e. The budget preparation is proposed based on the State Development Plan (SDP), using the Mr. Governor's Manifestoes, Thank You Tour, Citizens Needs Assessment and the Citizens Consultative Meetings.

f. The State of Osun need to prepare detailed debt sustainability analysis to better understand the nature, complexity and monitor sustainability of its debt.

g. The State should give special consideration to Health sector in order to mitigate the likely adverse effects of the deadly Delta Variant of Covid-19 pandemic

h. A deliberate action plan should be evolved that will enhance the operation of local security architectures (i.e. Amotekun and Vigilante Groups) to prevent breakdown of laws before, during and after the gubernatorial election in the State

i. Special Anti-Violent Campaign Programmes should be promoted on our Media; Television Stations, radio Stations and other Social Media to promote peace during the election period.

j. In order to sustain the current reform, the State budget should be passed before the end of current fiscal year.

Annex 1: The State of Osun LGs Forecast 2022 FAAC Revenue and 10% State IGR

(A) LGAs

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2022				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
ATAKUMOSA EAST	0.0890%	0.0827%	0.3020%	1,181,491,962	388,746,677	-	75,510,044	1,645,748,684
ATAKUMOSA WEST	0.0893%	0.0811%	0.3205%	1,184,806,211	381,133,769	-	80,133,972	1,646,073,952
AYEDAADE	0.1112%	0.0986%	0.3842%	1,476,069,522	463,520,268	-	96,061,581	2,035,651,371
AYEDIRE	0.0983%	0.0826%	0.2885%	1,304,812,832	388,392,940	-	72,113,638	1,765,319,409
BOLUWADURO	0.0930%	0.0815%	0.3098%	1,234,762,342	383,282,395	-	77,448,435	1,695,493,173
BORIPE	0.1060%	0.0962%	0.3423%	1,406,333,660	452,400,222	-	85,576,689	1,944,310,571
EDE NORTH	0.0888%	0.0843%	0.3316%	1,178,716,555	396,440,209	-	82,902,832	1,658,059,597
EDE SOUTH	0.0922%	0.0826%	0.3231%	1,224,157,656	388,583,414	-	80,764,159	1,693,505,228
EGBEDORE	0.0907%	0.0823%	0.3277%	1,204,019,795	386,970,937	-	81,922,122	1,672,912,854
EJIGBO	0.1030%	0.0948%	0.3235%	1,366,800,391	445,630,841	-	80,868,104	1,893,299,337
IFE CENTRAL	0.1091%	0.1022%	0.3456%	1,447,210,101	480,513,762	-	86,406,897	2,014,130,760
IFE EAST	0.1260%	0.1067%	0.3313%	1,672,641,371	501,509,223	-	82,834,238	2,256,984,831
IFE NORTH	0.1175%	0.0993%	0.3832%	1,559,143,022	466,848,018	-	95,810,751	2,121,801,790
IFE SOUTH	0.1024%	0.0953%	0.3538%	1,359,089,827	448,348,873	-	88,455,960	1,895,894,660
IFEDAYO	0.0805%	0.0743%	0.2811%	1,068,001,674	349,302,462	-	70,285,450	1,487,589,586
IFELODUN	0.1037%	0.0871%	0.3425%	1,376,221,235	409,457,939	-	85,617,754	1,871,296,928
ILA	0.0914%	0.0796%	0.3357%	1,213,327,183	374,488,348	-	83,913,016	1,671,728,547
ILESA EAST	0.0953%	0.0892%	0.3237%	1,264,906,724	419,372,658	-	80,932,445	1,765,211,827
ILESA WEST	0.1010%	0.0885%	0.3236%	1,340,414,559	416,318,022	-	80,900,845	1,837,633,426
IREPODUN	0.1000%	0.0920%	0.3603%	1,326,538,288	432,384,341	-	90,073,892	1,848,996,521
IREWOLE	0.1082%	0.0971%	0.3268%	1,435,264,433	456,674,295	-	81,710,804	1,973,649,531
ISOKAN	0.0982%	0.0885%	0.3265%	1,302,740,518	415,937,074	-	81,612,959	1,800,290,552
IWO	0.1207%	0.1074%	0.3591%	1,601,902,282	504,824,879	-	89,784,893	2,196,512,054
OBOKUN	0.1001%	0.0913%	0.3146%	1,328,399,102	429,375,056	-	78,656,623	1,836,430,780
ODO OTIN	0.1319%	0.0951%	0.3394%	1,750,149,286	447,111,297	-	84,855,843	2,282,116,426
OLA OLUWA	0.0903%	0.0828%	0.2951%	1,197,936,379	389,145,765	-	73,765,528	1,660,847,673
OLORUNDA	0.1092%	0.0946%	0.3474%	1,448,961,169	444,743,979	-	86,859,350	1,980,564,498
ORIADE	0.1095%	0.0982%	0.3472%	1,453,607,053	461,731,426	-	86,791,557	2,002,130,036
OROLU	0.0965%	0.0884%	0.3350%	1,280,955,737	415,836,294	-	83,744,420	1,780,536,451
OSOGBO	0.1074%	0.0999%	0.3747%	1,425,159,165	469,871,413	-	93,685,200	1,988,715,778
Total	**3.0606%**	**2.7240%**	**10.0%**	**40,614,540,032**	**12,808,896,799**	**-**	**2,500,000,000**	**55,923,436,832**

S/N	LOCAL GOVTS.	EQUALITY (75%)		LAND MASS (2.5%)		POPULATION (15%)		IGR EFFORT (7.5%)		AGGRE GATE			Value 2021
		INDICES	AMOUNT	INDICES	AMOUNT	INDICES	AMO UNT	INDICES	AMOUNT	Share %	Value 2019	Value 2020	
1	Atakumosa East									**3.02%**	**75,510,043.81**	**75,510,043.81**	**72,489,642.06**
1(a)	Atakumosa East LG	0.55		0.0262		0.0097		0.0098		1.66%	41,506,684.95	41,506,684.95	39,846,417.55
1(b)	Atakumosa East Central LCDA	0.45		0.0215		0.0080		0.0081		1.36%	34,003,358.87	34,003,358.87	32,643,224.51
2	Atakumosa West									**3.21%**	**80,133,971.73**	**80,133,971.73**	**76,928,612.86**
2(a)	Atakumosa West LG	0.55		0.0299		0.0153		0.0111		1.76%	44,084,709.66	44,084,709.66	42,321,321.28
2(b)	Atakumosa West Central LCDA	0.45		0.0245		0.0125		0.0090		1.44%	36,049,262.07	36,049,262.07	34,607,291.58
3	Ayedaade									**3.84%**	**96,061,580.58**	**96,061,580.58**	**92,219,117.36**
3(a)	Ayedaade LG	0.55		0.0501		0.0241		0.0331		2.11%	52,814,782.75	52,814,782.75	50,702,191.44
3(b)	Ayedaade South LCDA	0.45		0.0410		0.0198		0.0271		1.73%	43,246,797.83	43,246,797.83	41,516,925.92
4	Ayedire									**2.88%**	**72,113,637.71**	**72,113,637.71**	**69,229,092.20**
4(a)	Ayedire LG	0.55		0.0157		0.0106		0.0017		1.59%	39,654,052.74	39,654,052.74	38,067,890.63
4(b)	Ayedire South LCDA	0.45		0.0129		0.0087		0.0014		1.30%	32,459,584.97	32,459,584.97	31,161,201.57
5	Boluwaduro									**3.10%**	**77,448,435.40**	**77,448,435.40**	**74,350,497.99**
5(a)	Boluwaduro LG	0.55		0.0098		0.0108		0.0188		1.70%	42,599,436.22	42,599,436.22	40,895,458.77
5(b)	Boluwaduro East LCDA	0.45		0.0081		0.0088		0.0154		1.39%	34,848,999.19	34,848,999.19	33,455,039.22
6	Boripe									**3.42%**	**85,576,688.81**	**85,576,688.81**	**82,153,621.26**
6(a)	Boripe LG	0.55		0.0081		0.0210		0.0227		1.88%	47,058,087.52	47,058,087.52	45,175,764.02
6(b)	Boripe North LCDA	0.45		0.0067		0.0172		0.0186		1.54%	38,518,601.29	38,518,601.29	36,977,857.24
7	Ede North									**3.32%**	**82,902,832.30**	**82,902,832.30**	**79,586,719.01**
7(a)	Ede North LG	0.80		0.0125		0.0257		0.0312		2.65%	66,331,017.59	66,331,017.59	63,677,776.89
7(b)	Ede North Area Council	0.20		0.0031		0.0064		0.0078		0.66%	16,571,814.71	16,571,814.71	15,908,942.12
8	Ede South									**3.23%**	**80,764,158.52**	**80,764,158.52**	**77,533,592.18**
8(a)	Ede South LG	0.55		0.0177		0.0186		0.0104		1.78%	44,427,796.75	44,427,796.75	42,650,684.88
8(b)	Ede East LCDA	0.45		0.0144		0.0152		0.0085		1.45%	36,336,361.77	36,336,361.77	34,882,907.30
9	Egbedore									**3.28%**	**81,922,121.54**	**81,922,121.54**	**78,645,236.68**
9(a)	Egbedore LG	0.50		0.0181		0.0094		0.0267		1.64%	40,964,184.52	40,964,184.52	39,325,617.14

9(b)	Egbedore South LCDA	0.40		0.0144		0.0075		0.0214		1.31%	32,766,423.89	32,766,423.89	31,455,766.93
9(c)	Okinni Administrative Office	0.10		0.0036		0.0019		0.0053		0.33%	8,191,513.13	8,191,513.13	7,863,852.61
10	Ejigbo									**3.23%**	**80,868,104.35**	**80,868,104.35**	**77,633,380.18**
10(a)	Ejigbo LG	0.40		0.0189		0.0128		0.0072		1.29%	32,345,992.24	32,345,992.24	31,052,152.55
10(b)	Ejigbo South LCDA	0.30		0.0142		0.0096		0.0054		0.97%	24,261,056.05	24,261,056.05	23,290,613.81
10(c)	Ejigbo West LCDA	0.30		0.0142		0.0096		0.0054		0.97%	24,261,056.05	24,261,056.05	23,290,613.81
11	Ife Central									**3.46%**	**86,406,897.21**	**86,406,897.21**	**82,950,621.32**
11(a)	Ife Central LG	0.55		0.0065		0.0246		0.0186		1.90%	47,531,939.04	47,531,939.04	45,630,661.47
11(b)	Ife Central West LCDA	0.45		0.0053		0.0201		0.0152		1.55%	38,874,958.18	38,874,958.18	37,319,959.85
12	Ife East									**3.31%**	**82,834,237.50**	**82,834,237.50**	**79,520,868.00**
12(a)	Ife East LG	0.40		0.0086		0.0178		0.0049		1.33%	33,142,412.24	33,142,412.24	31,816,715.75
12(b)	Ife North East LCDA	0.30		0.0065		0.0133		0.0037		0.99%	24,845,912.63	24,845,912.63	23,852,076.13
12(c)	Ife Ooye LCDA	0.30		0.0065		0.0133		0.0037		0.99%	24,845,912.63	24,845,912.63	23,852,076.13
13	Ife North									**3.83%**	**95,810,750.53**	**95,810,750.53**	**91,978,320.50**
13(a)	Ife North LG	0.45		0.0444		0.0266		0.0118		1.72%	43,111,958.09	43,111,958.09	41,387,479.77
13(b)	Ife North West LCDA	0.35		0.0345		0.0207		0.0092		1.34%	33,537,817.56	33,537,817.56	32,196,304.85
13(c)	Ife North Area Council	0.20		0.0197		0.0118		0.0053		0.77%	19,160,974.88	19,160,974.88	18,394,535.88
14	Ife South									**3.54%**	**88,455,959.93**	**88,455,959.93**	**84,917,721.53**
14(a)	Ife South LG	0.55		0.0416		0.0225		0.0171		1.95%	48,652,955.96	48,652,955.96	46,706,837.72
14(b)	Ife South West LCDA	0.45		0.0340		0.0184		0.0140		1.59%	39,803,003.97	39,803,003.97	38,210,883.81
15	Ifedayo									**2.81%**	**70,285,449.73**	**70,285,449.73**	**67,474,031.74**
15 (a)	Ifedayo LG	1.00		0.0210		0.0114		0.0116		2.81%	70,285,449.73	70,285,449.73	67,474,031.74
16	Ifelodun									**3.42%**	**85,617,754.26**	**85,617,754.26**	**82,193,044.09**
16(a)	Ifelodun LG	0.45		0.0070		0.0160		0.0210		1.54%	38,541,800.12	38,541,800.12	37,000,128.12
16(b)	Ifelodun North LCDA	0.35		0.0055		0.0124		0.0163		1.20%	29,957,441.05	29,957,441.05	28,759,143.41
16(c)	Ifelodun Area Council	0.20		0.0031		0.0071		0.0093		0.68%	17,118,513.09	17,118,513.09	16,433,772.57
17	Ila									**3.36%**	**83,913,016.30**	**83,913,016.30**	**80,556,495.65**
17(a)	Ila LG	0.55		0.0197		0.0129		0.0302		1.85%	46,164,984.16	46,164,984.16	44,318,384.79

17(b)	Ila Central LCDA	0.45		0.0161		0.0105		0.0247		1.51%	37,748,032.14	37,748,032.14	36,238,110.86
18	Ilesa East									**3.24%**	**80,932,444.89**	**80,932,444.89**	**77,695,147.09**
18(a)	Ilesa East LG	0.55		0.0062		0.0200		0.0118		1.78%	44,499,669.99	44,499,669.99	42,719,683.19
18(b)	Ilesa North East LCDA	0.45		0.0051		0.0164		0.0097		1.46%	36,432,774.90	36,432,774.90	34,975,463.91
19	Ilesa West									**3.24%**	**80,900,845.34**	**80,900,845.34**	**77,664,811.53**
19(a)	Ilesa West LG	0.55		0.0050		0.0156		0.0210		1.78%	44,516,805.09	44,516,805.09	42,736,132.89
19(b)	Ilesa West Central LCDA	0.45		0.0041		0.0127		0.0171		1.46%	36,384,040.25	36,384,040.25	34,928,678.64
20	Irepodun									**3.60%**	**90,073,892.17**	**90,073,892.17**	**86,470,936.48**
20(a)	Irepodun LG	0.55		0.0042		0.0205		0.0381		1.98%	49,543,840.03	49,543,840.03	47,562,086.43
20(b)	Irepodun South LCDA	0.45		0.0034		0.0168		0.0311		1.62%	40,530,052.14	40,530,052.14	38,908,850.06
21	Irewole									**3.27%**	**81,710,803.89**	**81,710,803.89**	**78,442,371.73**
21(a)	Irewole LG	0.55		0.0214		0.0199		0.0049		1.76%	44,104,828.69	44,104,828.69	42,340,635.54
21(b)	Irewole North East LCDA	0.45		0.0175		0.0162		0.0122		1.50%	37,605,975.20	37,605,975.20	36,101,736.19
22	Isokan									**3.26%**	**81,612,959.36**	**81,612,959.36**	**78,348,440.99**
22(a)	Isokan LG	0.55		0.0172		0.0145		0.0211		1.80%	44,885,317.73	44,885,317.73	43,089,905.02
22(b)	Isokan South LCDA	0.45		0.0141		0.0119		0.0172		1.47%	36,727,641.63	36,727,641.63	35,258,535.97
23	Iwo									**3.59%**	**89,784,892.75**	**89,784,892.75**	**86,193,497.04**
23(a)	Iwo LG	0.40		0.0109		0.0195		0.0154		1.44%	35,912,633.33	35,912,633.33	34,476,127.99
23(b)	Iwo East LCDA	0.30		0.0082		0.0146		0.0116		1.08%	26,936,129.71	26,936,129.71	25,858,684.52
23(c)	Iwo West LCDA	0.30		0.0082		0.0146		0.0116		1.08%	26,936,129.71	26,936,129.71	25,858,684.52
24	Obokun									**3.15%**	**78,656,622.68**	**78,656,622.68**	**75,510,357.77**
24(a)	Obokun LG	0.55		0.0228		0.0156		0.0085		1.73%	43,261,196.87	43,261,196.87	41,530,748.99
24(b)	Obokun East LCDA	0.45		0.0186		0.0128		0.0069		1.42%	35,395,425.82	35,395,425.82	33,979,608.78
25	Odo Otin									**3.39%**	**84,855,842.96**	**84,855,842.96**	**81,461,609.24**
25(a)	Odo Otin LG	0.40		0.0146		0.0152		0.0123		1.36%	33,943,626.45	33,943,626.45	32,585,881.39
25(b)	Odo Otin North LCDA	0.30		0.0110		0.0114		0.0092		1.02%	25,456,108.26	25,456,108.26	24,437,863.93
25(c)	Odo Otin South LCDA	0.30		0.0110		0.0114		0.0092		1.02%	25,456,108.26	25,456,108.26	24,437,863.93
26	Ola Oluwa									**2.95%**	**73,765,528.42**	**73,765,528.42**	**70,814,907.29**
26(a)	Ola Oluwa LG	0.55		0.0207		0.0101		0.0059		1.62%	40,574,406.42	40,574,406.42	38,951,430.17

26(b)	Ola Oluwa North East LCDA	0.45		0.0170		0.0082		0.0049		1.33%	33,191,122.00	33,191,122.00	31,863,477.12
27	Olorunda									**3.47%**	**86,859,350.41**	**86,859,350.41**	**83,384,976.39**
27(a)	Olorunda LG	0.45		0.0050		0.0174		0.0218		1.56%	39,093,538.11	39,093,538.11	37,529,796.58
27(b)	Olorunda North LCDA	0.35		0.0039		0.0135		0.0170		1.22%	30,402,693.97	30,402,693.97	29,186,586.21
27(c)	Olorunda North Area Council	0.20		0.0022		0.0077		0.0097		0.69%	17,363,118.33	17,363,118.33	16,668,593.60
28	Oriade									**3.47%**	**86,791,557.25**	**86,791,557.25**	**83,319,894.96**
28(a)	Oriade LG	0.55		0.0343		0.0206		0.0184		1.91%	47,730,411.56	47,730,411.56	45,821,195.10
28(b)	Oriade South LCDA	0.45		0.0281		0.0169		0.0150		1.56%	39,061,145.68	39,061,145.68	37,498,699.85
29	Orolu									**3.35%**	**83,744,419.72**	**83,744,419.72**	**80,394,642.93**
29(a)	Orolu LG	0.80		0.0102		0.0270		0.0328		2.68%	66,978,032.28	66,978,032.28	64,298,910.98
29(b)	Orolu Administrative Office	0.20		0.0026		0.0068		0.0082		0.67%	16,766,387.45	16,766,387.45	16,095,731.95
30	Osogbo									**3.75%**	**93,685,199.94**	**93,685,199.94**	**89,937,791.94**
30(a)	Osogbo LG	0.40		0.0029		0.0197		0.0258		1.50%	37,457,751.70	37,457,751.70	35,959,441.63
30(b)	Osogbo South LCDA	0.30		0.0022		0.0148		0.0194		1.12%	28,113,724.12	28,113,724.12	26,989,175.15
30(c)	Osogbo West LCDA	0.30		0.0022		0.0148		0.0194		1.12%	28,113,724.12	28,113,724.12	26,989,175.15
	TOTAL	**30.000**		**1.0004**		**0.9997**		**0.9899**		100%	**2,500,000,000**	**2,500,000,000**	**2,400,000,000**