Osun State

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

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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
FRL	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
MDAs	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 Corporation
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	Osun State
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) is a pivotal document that underpins the budget planning process by offering in-depth economic and fiscal analyses. It primarily caters for policymakers and decision-makers within the Osun State. Additionally, the EFU evaluates historical and current budget performance, spotlighting key factors influencing implementation effectiveness.
2. Conversely, the Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) play critical roles within the Medium Term Expenditure Framework (MTEF) and annual budget procedure. They play a determining role in shaping the available resources for Government programs and projects from a sustainable fiscal perspective.
3. In a significant move toward embracing a comprehensive Medium Term Expenditure Framework process, the Osun State embraced the preparation of EFU-FSP-BPS in 2018. This marks the sixth rendition of this document, encompassing the time span of 2024 to 2026.

1.A.1 Budget Process

4. The budget process delineates the recurring stages within a fiscal year's budget cycle. This process takes its cues from the Medium-Term Expenditure Framework (MTEF), which consists of four core components:

   Medium-Term Fiscal Framework (MTFF)

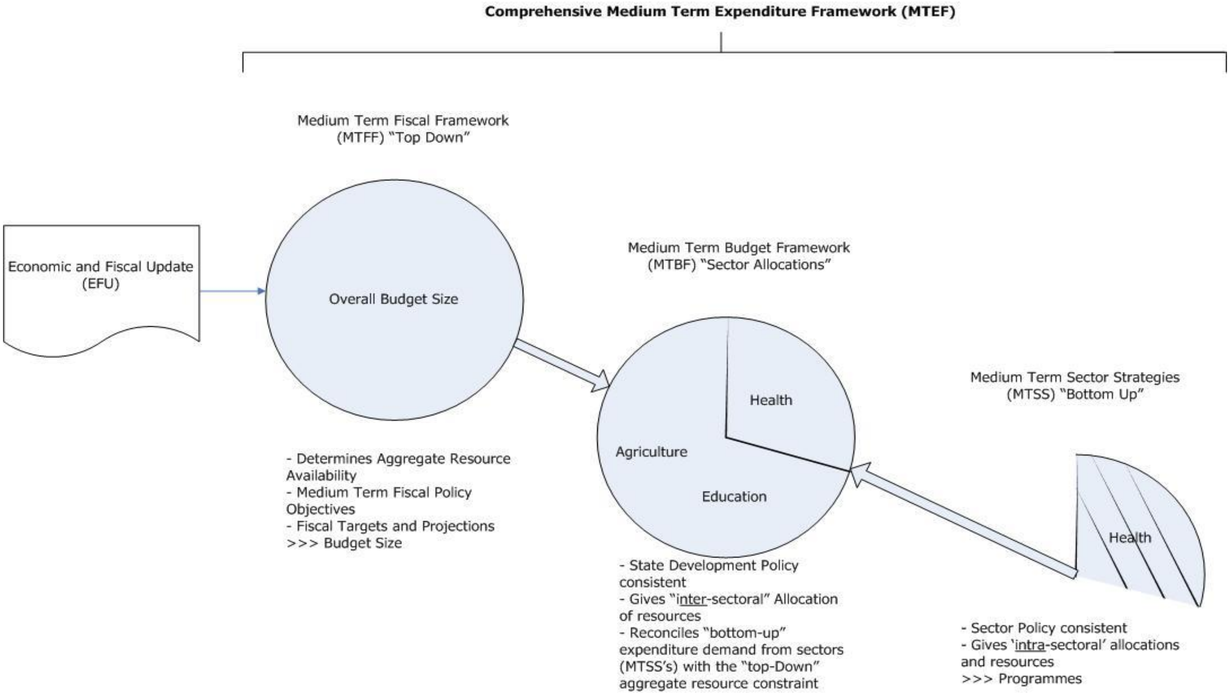
   Medium-Term Budget Framework (MTBF)

   Medium-Term Sector Strategies (MTSS)

   Medium-Term Implementation Plan (MTIP)

5. This process initiates with its conceptualization and advances through phases of preparation, execution, control, monitoring, and evaluation. Eventually, it cycles back to the initial conceptualization stage in preparation for the subsequent year's budgeting cycle.
6. An illustrative depiction of the MTEF process is encapsulated in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

7. Commencing the budget preparation cycle for the period 2024 - 2026, the Osun State Government adheres to the stipulations outlined in Sections 11 – 18 of the Osun State Fiscal Responsibility Law, 2012. The initial step in this cycle involves the creation of an integrated Economic and Fiscal Update (EFU), accompanied by a Fiscal Strategy Paper (FSP) and a Budget Policy Statement (BPS).

8. This comprehensive document serves a three-fold purpose:

   i. Offering a retrospective synopsis of crucial economic and fiscal trends that will impact forthcoming public expenditures – a component termed as the Economic and Fiscal Update.

   ii. Articulating medium-term fiscal goals and objectives, encompassing aspects like tax policies, revenue generation strategies, anticipated public expenditure levels, approaches to deficit financing, and management of public debt. This segment encompasses the Fiscal Strategy Paper and Medium-Term Fiscal Framework (MTFF).

   iii. Furnishing indicative sector-specific allocations for the duration of 2024 - 2026, constituting what is known as the Medium-Term Budget Framework (MTBF).

9. Section 2 of this document presents the Economic and Fiscal Update (EFU), a substantive analysis intended to inform the budget planning process. Its primary audience consists of budget policy makers and decision-makers within the Osun State. The EFU not only offers an evaluation of budgetary performance, encompassing historical and current data, but also highlights influential factors impacting implementation. Notable components within the EFU include:

   - An overview of global, national, and state economic performance;

   - A comprehensive assessment of the petroleum sector;

   - A review of Osun State budgetary performance spanning the past six years.

10. The Fiscal Strategy Paper (FSP) represents a pivotal facet of the Osun State's Medium-Term Expenditure Framework (MTEF) process and its annual budget formulation. Its role is to ascertain the available resources for the government's growth and poverty alleviation initiatives from a standpoint of fiscal sustainability.

1.A.3 Preparation and Audience

11. The purpose of this document is to provide an informed basis for the 2024 budget preparation cycle for all the key Stakeholders, specifically:
    - Executive Council (ExCo);
    - State House of Assembly (SHoA);
    - 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 Osun State Ministry of Economic Planning, Budget and Development 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 State, National and International organizations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

13. **Legislative Framework for PFM in the Osun State**– The fundamental law governing public financial management in Nigeria and the Osun State in particular is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to the Osun State 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 Osun State 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 Osun State 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 Osun State 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

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

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 Osun State Public Procurement Law**, 2019 as amended provides for a bicameral approach to procurement administration. The policy arm is the Osun State Public Procurement Agency Governing Board while the Osun State 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 Osun State for additional rules and guidelines to support accounting, internal audit and stores procedures.

15. **Institutional Framework for PFM in** the Osun State - 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 Osun State 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 Osun State.

16. Specifically, the Osun State 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, 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 2024 - 2026 Medium Term Sector Strategy (MTSS)	May - June	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
3	Preparation of 2024 - 2026MTEF (EFU-FSP-BPS) Document	1st – 30th June	EFU-FSP-BPS Preparation Team & MEPBD (Economic Planning Department)
4	Completion and submission of 2024 - 2026 Medium Term Sector Strategy (MTSS) Documents	30th July	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
5	Stakeholder Consultation (Citizens' consultative forum)	August	MEPBD
6	Issuance of 2024 Budget Call Circular with Capital Expenditure & Recurrent Envelopes	7th September	MEPBD (Budget Department)
7	Compilation of first Draft of 2024 Budget.	25th - 29th September	MDAs & MEPBD
8	Pre-Treasury Board Meeting	9th – 13th of October	Budget Committee & MEPBD (Budget Department)
9	Presentation of 2024 – 2026 MTEF (EFU-FSP-BPS) Document at EXCO for Approval	23rd October	MEPBD (Hon. Commissioner)
10	Treasury Board Meeting	23rd – 3rd of November	Board Members
11	Submission of 2024 - 2026 MTEF (EFU-FSP-BPS) Document to House of Assembly after EXCO's Approval	2nd November	MEPBD (Hon. Commissioner)
12	Collation and consolidation of MDAs 2024 Budget (Final Draft)	6th - 8th November	MDAs & MEPBD (Budget Department)
13	EXCO Consideration and Approval of 2024 Draft Budget	9th November	EXCO
14	Presentation of 2024 Draft Budget to House of Assembly	10th November	HE, The Governor
15	Budget Defence by MDAs before House of Assembly	November - December	House of Assembly
16	Debate and Approval of 2024 Budget by House of Assembly	December	House of Assembly
17	HE, The Governor's Assent	December	HE, The Governor

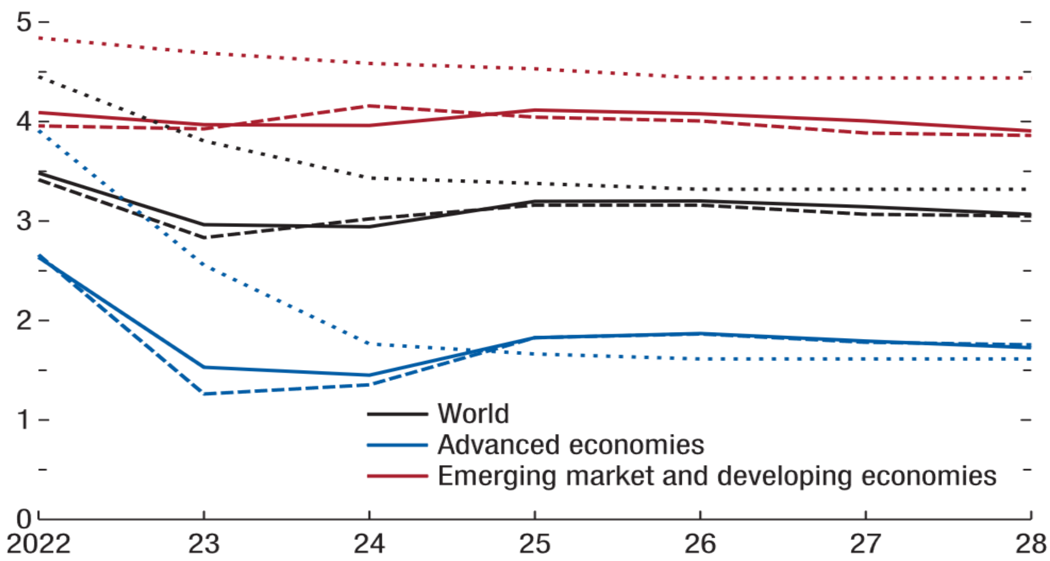
Section 2 Economic and Fiscal Update

2.A Economic Overview

2. A. 1 Global

22. The global economy is slowing down as inflation decreases from its multidecade peak in the previous year.
23. The baseline scenario does not include a contraction in global per capita real GDP, which is typically associated with a global recession.
24. Growth and employment in the first half of the year were more resilient than initially forecast in the April 2023 World Economic Outlook (WEO).
25. The global average forecast has seen little change since the July 2023 WEO Update.
26. There are shifts in growth and inflation prospects among different countries.
27. The medium-term prospects for global economic growth are the lowest in decades, with middle- and lower-income countries experiencing a slower pace of convergence toward higher living standards.

Figure 2: GDP Growths Forecasts (2023 – 2028)



Source: IMF staff calculations.
Note: Solid lines denote GDP growth from the October 2023 WEO, and dashed lines and dotted lines denote GDP growth forecasts from the April 2023 WEO and the January 2022 WEO *Update*, respectively. WEO = *World Economic Outlook*.

28. The projected growth of the global GDP for 2023 stands at 2.7%, marking its most sluggish pace since the financial crisis. This projection is anticipated to see a minor uptick to 2.9% in the subsequent year, as indicated by the OECD.

Figure 3: Real GDP Growths (1980 – 2025)

29. Global Economic Trends: Global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024, indicating a slowdown.

30. Global headline inflation is expected to decline from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024, suggesting a decrease in price pressures.

31. Global monetary policy tightening, driven by global inflation resulting from the Ukraine-Russia war, has led to higher interest rates worldwide, impacting financial conditions.

32. Developed economies like the US and the eurozone are experiencing economic downturns, while the UK is showing signs of recovery. However, industrial production in these regions lags behind long-term trends.

33. Among emerging economies, China is leading the resurgence with a notable 3.5% growth in industrial output.

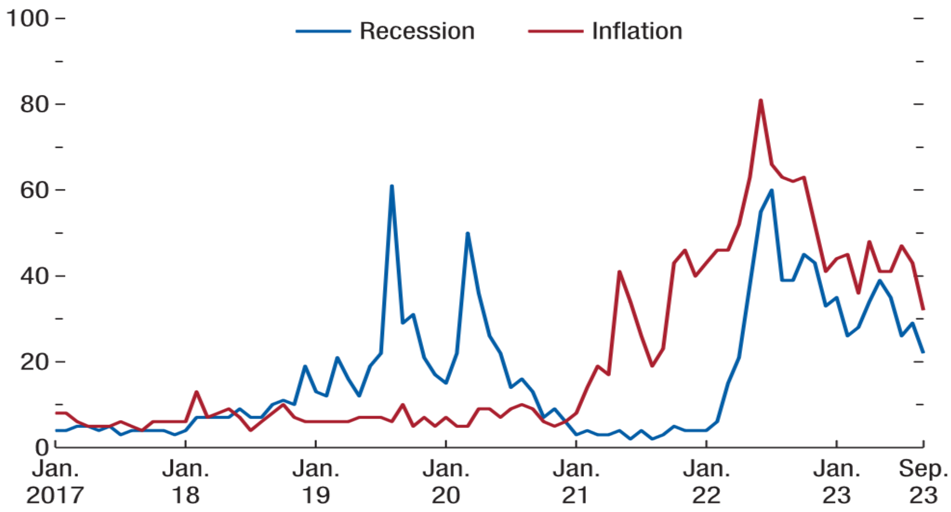
34. **Global Risks and Challenges:** Risks at the global level include potential impacts on African countries through lower demand for imports and lower commodity prices due to banking sector turmoil in major economies.

35. Other global risks include stickier-than-expected inflation, an escalation of the war in Ukraine, and geoeconomic fragmentation, all of which could negatively affect sub-Saharan Africa.

36. Inflation and recession concerns persist amid receding adverse risks, with global economic activity proving more resilient and inflation surprising on the downside.

37. The resolution of US debt ceiling tensions and swift actions by Swiss and US authorities have mitigated immediate financial stress risks. However, the global environment remains challenging, and the balance of risks for global growth remains skewed to the downside.

Figure 4: Inflation and Recession Trends, 2017 - 2023



Source: Google Trends.
Note: Figure reports Google search interest in the topics *recession* and *inflation* relative to the highest point (100) during 2008–23 worldwide.

38. **Global Food and Agricultural Trends:** Global food price indices have increased since July 13, 2023, with agricultural, export, and cereal prices rising significantly.

39. Domestic food price inflation remains high in many countries, affecting low-, middle-, and high-income nations.

40. The 2023 State of Food Insecurity and Nutrition in the World report highlights global hunger, food insecurity, and challenges posed by urbanization in agrifood systems.

41. Russia's withdrawal from the Black Sea Grain Initiative (BSGI) and India's non-basmati rice export ban are causing concerns in global markets.

42. Russia's decision not to renew the Black Sea Grain Initiative (BSGI) had minimal immediate impact on grain markets, but there were slight increases in future prices for key grains and oilseeds.

43. Progress in reducing hunger is seen in Asia and Latin America but is increasing in western Asia, the Caribbean, and all subregions of Africa.

44. The invasion of Ukraine by Russia impacted the global economy and food markets, leading to a surge in international food prices and affecting access to food for many.

45. Moderate or severe food insecurity affected a large portion of the global population, with women and people in rural areas being disproportionately affected.

46. Urbanization is driving changes in agrifood systems, presenting both challenges and opportunities for farmers and food supply.

47. Understanding the rural-urban continuum and strengthening governance mechanisms and institutions are crucial for achieving food security and access to nutritious food.

48. Domestic food price inflation is high worldwide, particularly in low- and middle-income countries, with many experiencing double-digit inflation. Africa, North America, Latin America, South Asia, Europe, and Central Asia are the most affected regions.

49. Real food price inflation is higher than overall inflation in the majority of countries where data is available.

50. Agricultural, export, and cereal prices have increased recently, driven by higher maize and wheat prices. Rice prices have remained stable.

51. The government of India banned the export of non-basmati white rice to control domestic prices, potentially leading to price volatility in the international market.

52. The FAO's 2023 report on Food Insecurity and Nutrition shows global hunger has remained relatively unchanged from 2021 to 2022 but is higher than pre-pandemic levels. Food insecurity affects a significant proportion of the global population, with women and rural areas being disproportionately affected.

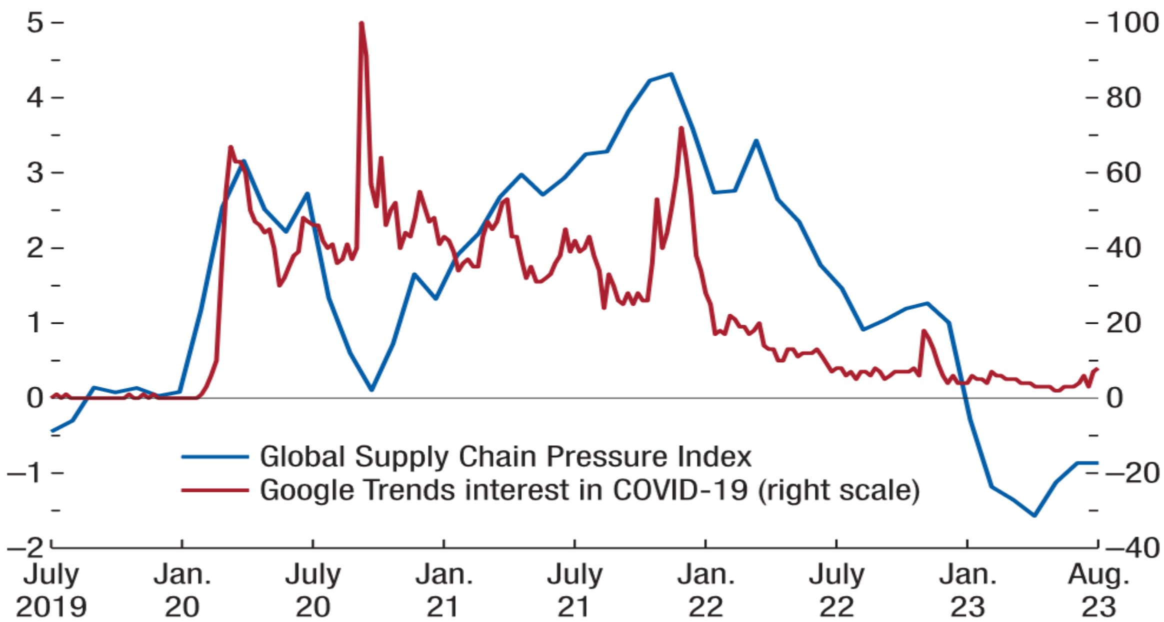
53. Following Russia's invasion of Ukraine, there has been an increase in food trade restrictions implemented by countries, exacerbating the global food crisis. Many countries have imposed export bans and export-limiting measures to increase domestic supply and control prices.

54. **Pandemic Emergence**: COVID-19, caused by the SARS-CoV-2 virus, emerged in Wuhan, China in 2019 and quickly spread globally, leading to a WHO-declared pandemic in 2020.

55. Healthcare and Economic Impact: The pandemic strained healthcare systems, resulting in shortages and economic recessions due to lockdowns and reduced consumer spending.

56. **Vaccine Development and Distribution:** Rapid vaccine development was a significant achievement, but equitable global distribution remains a challenge, especially in low-income countries.

Figure 5: COVID-19 Vaccine Distributions Spread



Sources: Federal Reserve Bank of New York, Global Supply Chain Pressure Index; Google Trends.
Note: On right scale, numbers represent search interest relative to the highest point (100) during 2008–23 worldwide.

57. **Ongoing Challenges**: New variants, long-term health effects, travel restrictions, and mental health concerns continue to shape the course of the pandemic.

Table 2: Latest World Economic Outlook Growth Projections

(Real GDP, annual percent change)		Projections	
	2022	2023	2024
World Output	3.5	3.0	2.9
Advanced Economies	**2.6**	1.5	1.4
United States	2.1	1.5	1.4
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
United Kingdom	4.1	0.5	0.6
Canada	3.4	1.3	1.6
Emerging Market and Developing Economies	4.1	4.0	4.0
Emerging and developing Asia	4.5	5.2	4.8
China	3.0	5.0	4.2
India	7.2	6.3	6.3
Emerging and Developing Europe	0.8	2.4	2.2
Russia	-2.1	2.2	1.1
Middle East and Central Asia	5.6	2.0	3.4
Moroco	1.3	2.4	3.6
Saudi Arabia	8.7	0.8	4.0
Sub-Saharan Africa	4.0	3.3	4.0
Nigeria	3.3	2.9	3.1
South Africa	1.9	0.9	1.8

Source: IMF, WEO, October 2023

2. A. 2 Africa

58. Sub-Saharan Africa is facing a funding squeeze due to higher global interest rates, increased sovereign debt spreads, and exchange rate depreciation.

59. Borrowing costs for sub-Saharan African countries have increased significantly over the past decade.
60. The region is grappling with macroeconomic imbalances, including high and volatile inflation rates.
61. Most currencies in the region have depreciated against the US dollar, exacerbating inflationary pressures.
62. Sub-Saharan Africa's economic growth is expected to decline to 3.3 percent in 2023.
63. Sub-Saharan Africa's growth is expected to increase to 4.0 percent in 2024, driven by higher private consumption and investment.
64. Median inflation for the region is projected to be at 5 percent by the end of 2024, although it remains above pre-pandemic levels.
65. Limited fiscal space and funding constraints make it challenging for governments to address critical development needs, including education, healthcare, and infrastructure.
66. Climate finance to the region falls far short of the estimated needs.

Table 3: Economic Forecast: Sub-Saharan Africa

(Real GDP, annual percent change)		Projections	
	2022	2023	2024
Sub-Saharan Africa	4.0	3.3	4.0
Angola	**3.0**	1.3	3.3
Benin	6.3	5.5	6.3
Botswana	5.8	3.8	4.1
Burkina Faso	1.5	4.4	6.4
Burundi	1.8	3.3	6.0
Chad	3.4	4.0	3.7
Cote d'Ivoire	6.7	6.2	6.6
Gabon	3.0	2.8	2.6
Nigeria	3.3	2.9	3.1
Rwanda	8.2	6.2	7.0
South Africa	1.9	0.9	1.8
Zambia	4.7	3.6	4.3

Source: IMF, WEO, October 2023

2. A. 3 Nigerian Economy

67. **Economic Performance and Challenges at the National Level**: In 2022, Nigeria faced economic challenges as real GDP growth declined to 3.3% due to reduced oil production, while inflation reached a two-decade high of 18.8%, and the fiscal deficit narrowed to 4.9% of GDP through increased borrowing, resulting in a public debt of $103.1 billion (22% of GDP).

68. **Outlook and Fiscal Situation at the National Level**[2]: Nigeria's economic outlook expects average real GDP growth of 3.3% in 2023–24 with elevated inflation at 19.6% in 2023, gradually declining to 13.6% in 2024; fiscal deficits are projected to narrow below 5% of GDP, potentially aided by subsidy reductions, financed through borrowing with a focus on concessional debt and longer maturities, while the current account is expected to be in deficit, averaging 0.2% of GDP.

69. In the second quarter of 2023, Nigeria's economy showed a notable acceleration, expanding by 2.51% compared to the previous year. This growth rate outpaced the 2.31% increase observed in the first quarter and exceeded market expectations, which had anticipated a 2.3% growth.

70. This marks the 11th consecutive quarter of economic expansion, with the non-oil sector (3.58% growth versus 2.77% in the first quarter) playing a pivotal role. Notably, the services sector, with a growth rate of 4.42%, made a significant contribution to this positive trend.

71. Several key sectors drove this growth, including information and communication, financial and insurance, trade, agriculture, manufacturing, construction, and real estate. These sectors collectively made substantial positive contributions to the economy.

72. However, in contrast, the oil sector continued its decline for the 13th consecutive quarter, contracting even more deeply at -13.43% compared to -4.21% previously. This contraction can be attributed to ongoing challenges such as supply disruptions, theft, and pipeline vandalism.

73. In terms of oil production, the average daily crude oil output in the second quarter stood at 1.22 million barrels per day, a decrease from 1.51 million barrels per day in the first quarter and 1.43 million barrels per day a year ago.

74. **Gross Domestic Product (GDP):** In the second quarter of 2023, Nigeria's Gross Domestic Product (GDP) grew by 2.51% year-on-year, which is a decrease from the 3.54% growth in the same quarter of 2022. This slowdown can be attributed to challenging economic conditions.

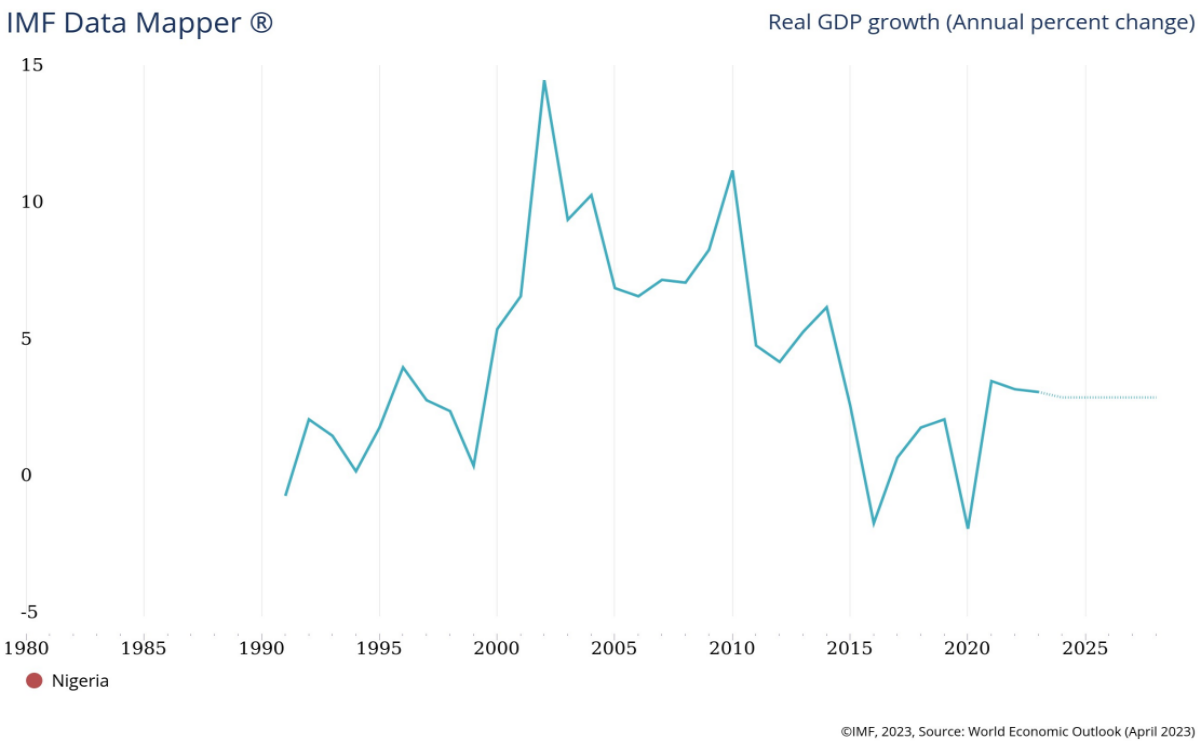
75. The Services sector was the main driver of this growth, expanding by 4.42% and contributing 58.42% to the overall GDP. Agriculture saw a modest improvement, growing at 1.50%, compared to 1.20% in the second quarter of 2022.

76. However, the industry sector had a contraction of -1.94%, which was slightly less severe [than the -2.30% recorded in the same quarter of the previous year. Overall, both agriculture and the industry sectors contributed less to the GDP in the second quarter of 2023 compared to the second quarter of 2022.

77. **Climate Change and Green Growth at the National Level:** Nigeria holds significant natural capital valued at $842.4 billion in 2018, including nonrenewable and renewable resources, offering opportunities for green growth; it can transition to a net-zero economy by addressing gas flaring, promoting lithium-ion battery manufacturing, requiring $247 billion in climate finance through 2030 for its Nationally Determined Contribution (NDC) emphasizing clean energy, while the private sector can mobilize climate finance via green bonds and SUKUK bonds for resilient infrastructure, and restructuring the sovereign wealth fund presents a climate finance opportunity.

[2] Nigeria MTEF & FSP (2024-2026)

Figure 6: Nigeria Real GDP Growth



78. **Macroeconomic Outlook**: Based on the projections by various agencies (NBS, CBN, IMF, EIA, etc.), the key parameters as well as other macroeconomic projections driving the medium- term revenue and expenditure framework have been revised in line with the emergent realities. The figures are presented in the table below.

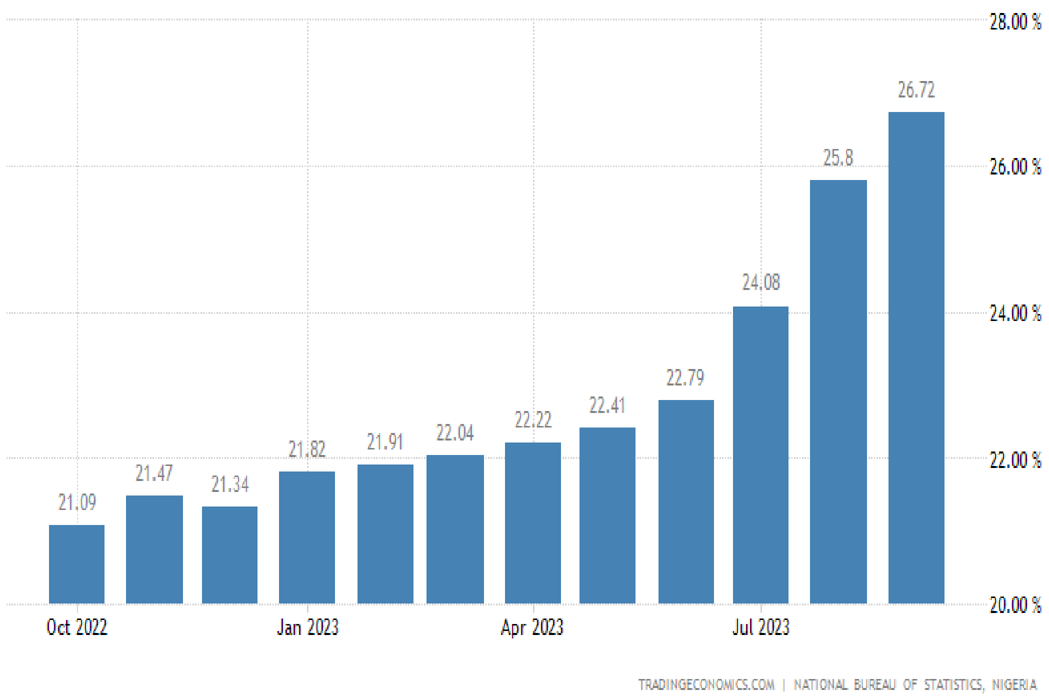
Table 4: 2020-2026 Macroeconomic Outlook

YEAR	2020	2021	2022	2023	2024	2025	2026
National Inflation (CPI) %	14.15	11.95	10.95	17.16	21.40	20.30	18.60
National GDP Growth (%)	2.50	2.00	2.50	3.75	3.76	4.22	4.78
GDP Nominal (Trillion NGN)	161.20	179.10	199.50	225.51	236.31	262.41	292.52
Oil Price (Benchmark) $	28.00	40.00	73.00	75.00	74.00	73.00	69.90
Oil Production MBPD (Benchmark)	1.80	1.80	1.90	1.72	1.73	1.67	1.58
NGN:USD Exchange Rate (Benchmark)	360.00	379.00	379.00	700.00	660.84	665.61	669.79

Source: ***Ministry of Finance, Budget & National Planning; NNPC; BOF ; NBS, 2023***

79. **Inflation Rates:** Inflation rates vary over the years, with the highest inflation rate of 21.40% projected for 2024. Inflation is generally high, indicating potential challenges with rising prices.

Figure 7: Nigeria Inflation Growth

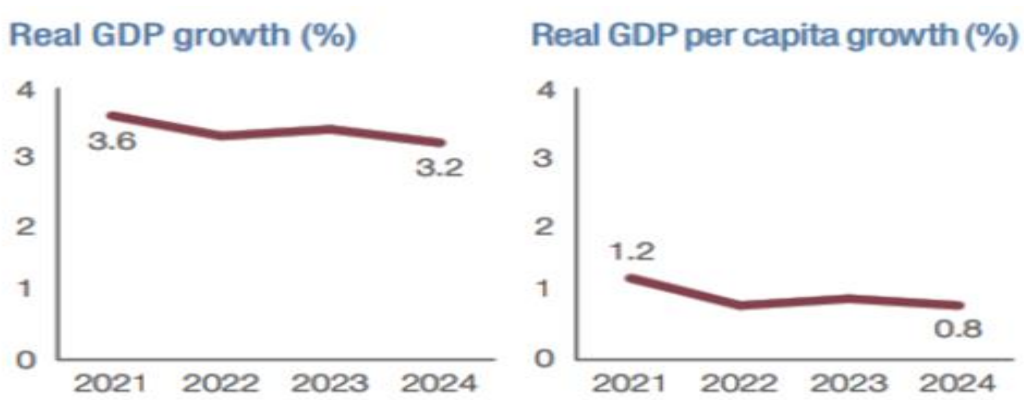


Source: https://tradingeconomics.com/nigeria/inflation-cpi

80. **GDP Growth:** GDP growth is expected to increase over the years, with the highest growth rate of 4.78% projected for 2026. The economy is expected to expand steadily during this period.

81. **Nominal GDP:** Nominal GDP increases each year, reaching 292.52 trillion NGN by 2026. This indicates expected economic growth and a rising GDP in current prices.

Figure 8: Nigeria Real GDP and Real GDP Per Capita Growths (2021 – 2024)



Source: African Development bank Group; Nigeria Economic outlook, April 2023

82. **Oil Prices:** Oil prices fluctuate but generally increase from 2020 to 2023, peaking at $75.0 per barrel in 2023. The Nigerian economy is significantly influenced by oil prices.

83. **Oil Production:** Oil production levels fluctuate but remain relatively stable, with some decrease in 2023. Nigeria continues to produce a significant amount of oil.

84. **Exchange Rates:** Exchange rates show significant fluctuations, with a substantial increase in 2023 to 700 NGN to 1 USD. Exchange rate stability is a concern, especially in 2023.

85. Overall, the data and interpretations suggest that Nigeria's economy faces challenges related to inflation, exchange rate volatility, and its heavy reliance on oil revenue. However, there are positive signs of economic growth and increasing GDP, which may indicate efforts to diversify the economy or improvements in other sectors. It's essential to monitor these trends to understand Nigeria's economic prospects and challenges better.

2. A.4 Osun State Economy

86. **Revenue Performance (2023):** Osun State's revenue performance in the first quarter exceeded expectations, with an overall cumulative performance of 111%, driven by a 107% performance in the government's share of FAAC and 74% in independent revenue.

87. However, in the second quarter, the total revenue fell short of the budget, resulting in an overall cumulative performance of 92%. Efforts are needed to improve revenue collection, especially in the area of independent revenue.

88. **Recurrent Expenditure Performance (2023):** The state's recurrent expenditure performance showed gradual improvement from the first quarter to the second quarter.

89. In the first quarter, cumulative performance was at 73%, with personnel cost at 82% and other recurrent expenditure at 66%.

90. By the second quarter, the cumulative performance had increased to 78%, with personnel cost and other recurrent expenditure at 84% and 73%, respectively.

91. **Capital Expenditure Performance (2023):** Osun State's capital expenditure performance was relatively low in both the first and second quarters, with 43% and 44% respective performances.

92. This was primarily due to commitment of the State to recurrent expenditure, low level of internally Generated Revenue and insufficient capital receipts to fund projects.

93. To address this issue, the state is actively seeking support from donors to boost its capital expenditure and implement essential development projects.

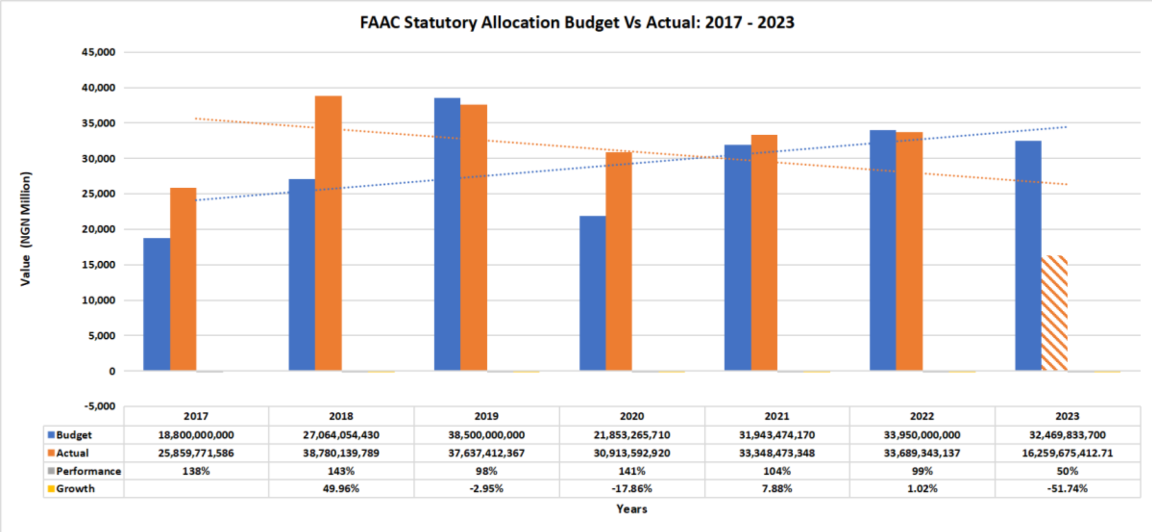
2. B. Osun State Fiscal Update

2. B.1 Historic Trends

Revenue Side

94. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2017-2023 (Seven years historic).

Figure 9: Statutory Allocation

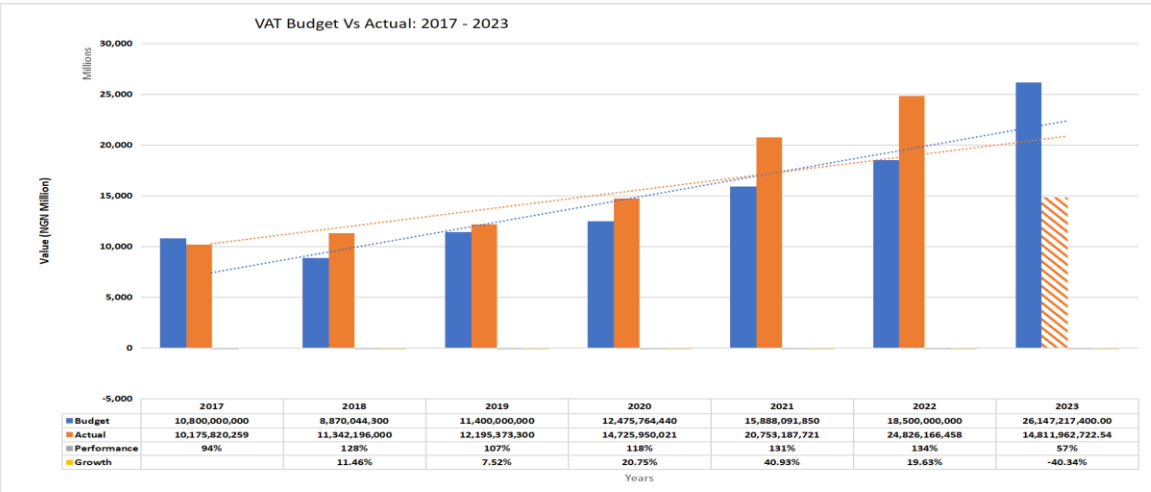


95. **Statutory Allocation** is a revenue from Federation Account that is distributed to all three tiers of government based on vertical (percent to each of the three tiers) and a horizontal (e.g. Equity, land mass, population etc.) sharing formula.

96. **Budget vs. Actual Performance:** The actual allocations for FAAC consistently exceeded the budget from 2017 to 2022 except in 2019 and 2022 where actual recorded are marginally lower than the budgeted amount. In 2017, actual allocation was 138% of the budget, indicating a significant surplus. The highest over performance occurred in 2018 with an actual allocation of 143% of the budget.

97. **Budget Trends:** As can be seen in the chart, (see the two lines); the FAAC budgeted revenue (i.e., blue dotted line) is on the increase yearly while Actual expenditure (i.e., Orange dotted line) is marginally decreasing.

Figure 10: VAT



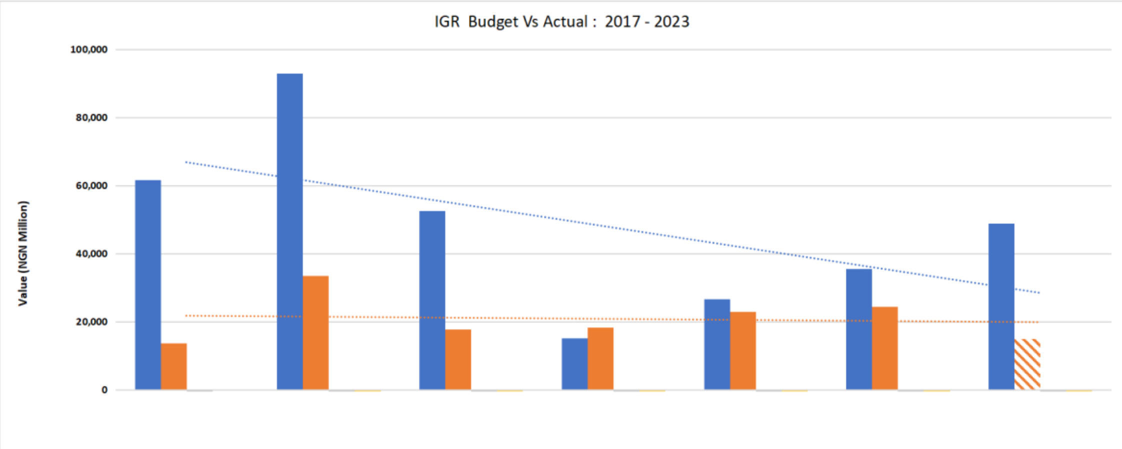
98. **VAT, short for Value Added Tax**, is a consumption tax imposed on the value added to goods and services at various production and distribution stages. Generally paid by end consumers, businesses collect and remit it to the government. The revenue is then distributed among the three tiers of government (Local, State, and Federal) based on agreed-upon proportions.

99. **Budget vs. Actual Performance:** VAT budgets increased from ₦10, 800,000,000.00 in 2017 to ₦26, 147,217,400.00 in 2023. Actual VAT allocations exceeded the budget in most

years, with the highest performance of 134% in 2022. In 2023, actual VAT allocation has reached 57% of the budgeted amount as at June, 2023.

100. **Budget Trends:** Budgeted and Actual VAT revenue are on the increase. There is tendency for Osun to have higher VAT in 2023 when compared to 2022, even higher than the budgeted VAT.

Figure 11: IGR



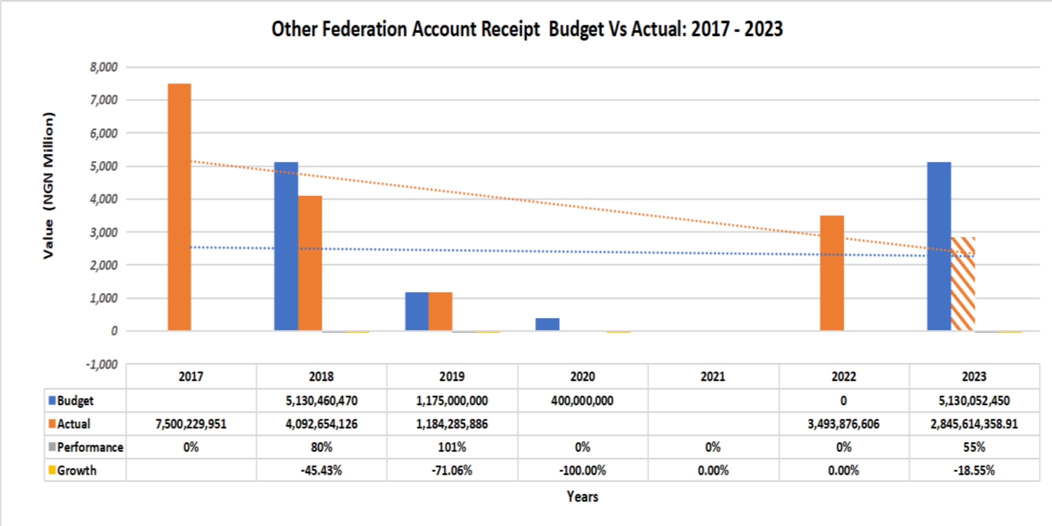
	2017	2018	2019	2020	2021	2022	2023
Budget	61,535,868,130	93,004,976,458	52,584,100,385	15,082,345,490	26,671,825,610	35,473,692,250	48,855,104,290.00
Actual	13,656,294,310	33,415,807,568	17,701,126,405	18,322,985,211	22,855,392,563	24,445,504,014	14,978,034,583.79
Performance	22%	36%	34%	121%	86%	69%	31%
Growth		144.69%	-47.03%	3.51%	24.74%	6.96%	-38.73%

101. **IGR, short for "Internally Generated Revenue,"** represents income generated locally through sources such as taxes, fees, licenses, and local activities, as opposed to funds received from external entities like the federal government.

102. **Budget vs. Actual Performance:** In 2017, the budget for Internally Generated Revenue (IGR) was ₦61, 535,868,130.00 but the actual IGR generated was significantly lower at ₦13, 656,294,310.00, resulting in a performance of only 22% of the budget. Over the years, IGR performance improved, reaching 121% of the budget in 2020 when the actual IGR exceeded the budgeted amount. However, in 2021 and 2022, IGR performance fell below the budgeted figures, achieving 86% and 69% of the budgets, respectively. In 2023, the performance improved slightly, with IGR reaching 31% of the budget as at June, 2023.

103. **Budget Trends:** The budgeted IGR has a decrease trend. State needs to be more proactive in IGR generation. The Actual IGR is marginally increasing. Serious and deliberation actions are expected of Osun State Government to enhance her IGR locally.

Figure 12: Other FAAC Receipts



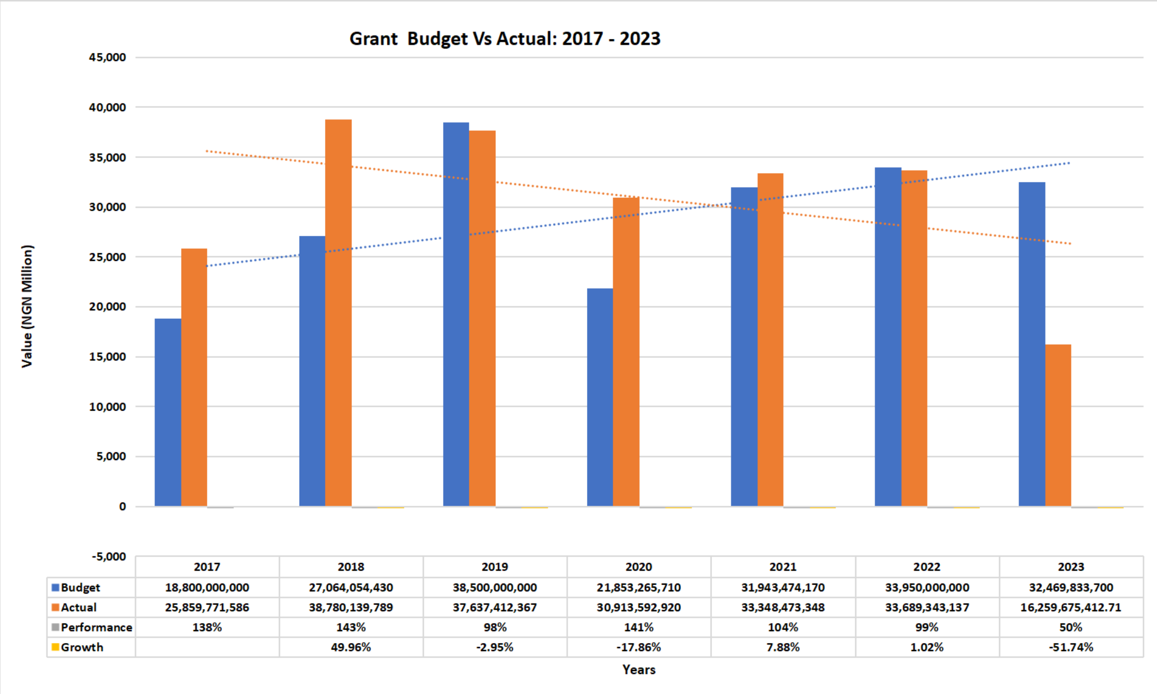
104. **Other FAAC Receipts** typically refer to revenues received by states from the Federation Accounts Allocation Committee (FAAC) in addition to the regular allocations.

105. **Budget vs. Actual Performance:** For "Other Federation Account Receipts," the budget for 2023 was ₦5, 130,460,470.00 but the actual amount received was ₦2, 845,614,358.91. The actual performance was 55% of the budget as June, 2023. While, in 2017 and 2022, significant amount of other Capital Receipts was accrued to the State without any anticipations.

106. **Budget Trends:** The budgeted Other FAAC Receipt is marginally increasing. This means the State relies less (i.e., conservative) on this source of revenue. The Actual Revenue from this source is generally on declining trend towards the year, 2022. The State needs concerted effort to exploit this source for more opportunities.

107. These findings highlight a significant deviation between budgeted and actual amounts, a fluctuation in budget trends, and a decline in receipts in recent years for "Other Federation Account Receipts."

Figure 13: Grants



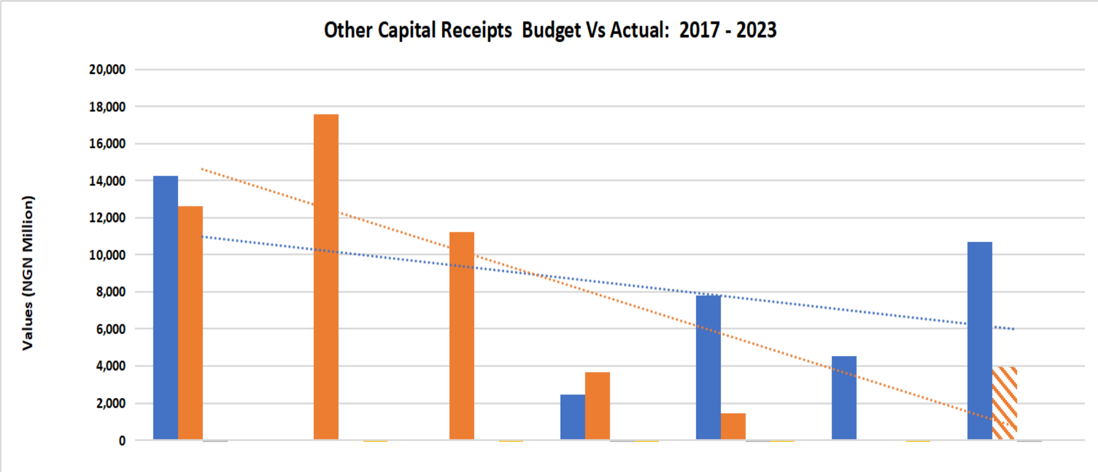
	2017	2018	2019	2020	2021	2022	2023
Budget	18,800,000,000	27,064,054,430	38,500,000,000	21,853,265,710	31,943,474,170	33,950,000,000	32,469,833,700
Actual	25,859,771,586	38,780,139,789	37,637,412,367	30,913,592,920	33,348,473,348	33,689,343,137	16,259,675,412.71
Performance	138%	143%	98%	141%	104%	99%	50%
Growth		49.96%	-2.95%	-17.86%	7.88%	1.02%	-51.74%

108. **Grant** is a revenue from federal government, research institute, development partners, NGOs, etc., for a specific purpose or project. Grant can be discretional or non-discretional.

109. **Budget vs. Actual Performance:** In most years, the actual Grants recorded were significantly higher than the budgeted amounts. The highest performance against the budget was observed in 2018, where the actual amount exceeded the budgeted figure by 143%. Meanwhile, as at June 2023, the actual Grant received by the State has reached 50% of the budget.

110. **Budget Trends:** The budgeted Grant is generally on the increase whereas the Actual Grant to the State is decreasing marginally. Ministry of Economic Planning, Budget and Development and other relevant agencies of government should do more to bring more Grants to the State.

Figure 14: Other Capital Receipts



	2017	2018	2019	2020	2021	2022	2023
Budget	14,256,000,000			2,460,000,000	7,812,500,000	4,513,527,230	10,705,210,000
Actual	12,628,212,681	17,561,496,905	11,207,102,272	3,646,643,790	1,461,552,198		3,943,980,478.46
Performance	89%	0%	0%	148%	19%	0%	37%
Growth		39.07%	-36.18%	-67.46%	-59.92%	-100.00%	0.00%

111. **Other Capital Receipts** typically refer to various forms of capital inflow or revenue that do not fall into the conventional categories like tax revenue, grants, loans, or proceeds from asset sales.

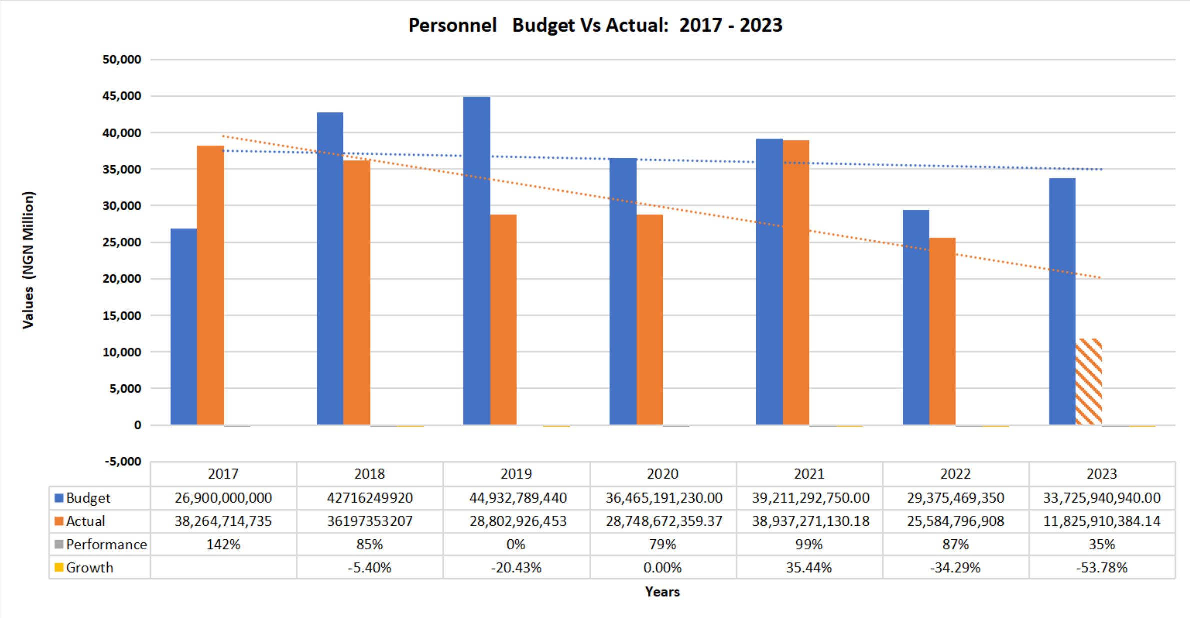
112. **Budget vs. Actual Performance:** In 2017, the budget for Other Capital Receipts was ₦14, 256,000,000.00, but the actual performance was ₦12, 628,212,681.00 representing 89% of the budget. In 2018 and 2019, the actual performance was ₦17, 561,496,905.00 and ₦11, 207,102,272.00 respectively. This indicated that there was no anticipated budgetary provision during the period. In 2022, the actual performance was 0% of the budget, meaning that no capital receipts were realized against the budgeted amounts. As at June, 2023, there was a marginal performance of 37% against the budgeted figure for the fiscal year.

113. **Budget Trends:** The budget and Actual "Other Capital Receipts" are going down but at different rates. While the Budgeted is marginally declining, the Actual is significantly trending down. This may be as a result of lack of not having clear understanding of appropriate procedures of partnership engagement by some agencies of Government that directly relate with the partners through which the fund come to the State.

114. In summary, the table shows varying levels of performance against budgeted amounts for Other Capital Receipts, with some years exceeding the budget, some matching it, and others falling significantly short. There have been significant fluctuations in budgeted amounts over the years, and 2023 shows a positive growth in capital receipts compared to the preceding year.

Expenditure Side

Figure 15: Personnel



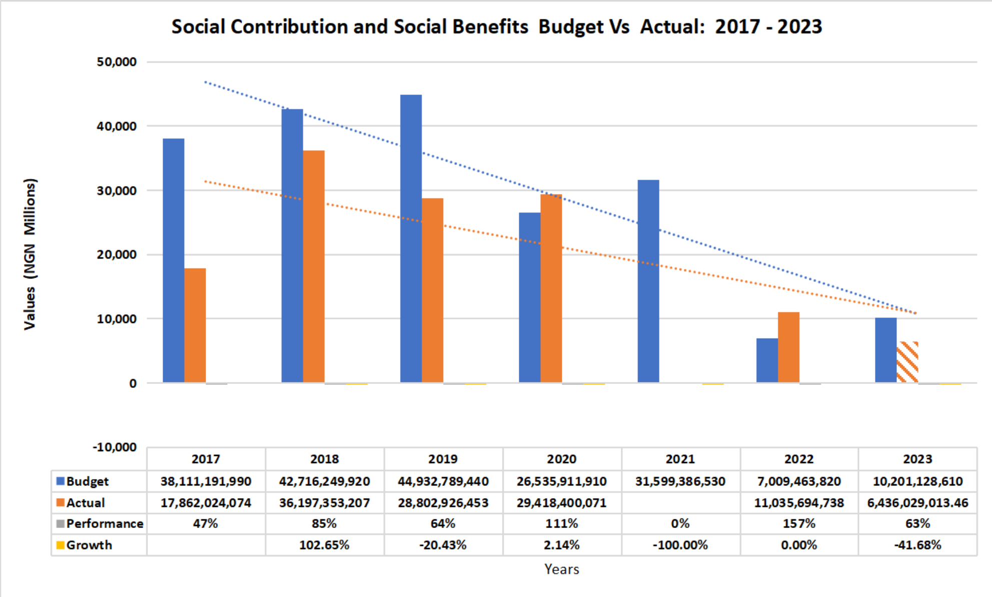
	2017	2018	2019	2020	2021	2022	2023
Budget	26,900,000,000	42716249920	44,932,789,440	36,465,191,230.00	39,211,292,750.00	29,375,469,350	33,725,940,940.00
Actual	38,264,714,735	36197353207	28,802,926,453	28,748,672,359.37	38,937,271,130.18	25,584,796,908	11,825,910,384.14
Performance	142%	85%	0%	79%	99%	87%	35%
Growth		-5.40%	-20.43%	0.00%	35.44%	-34.29%	-53.78%

115. **Personnel Expenditure** in the context of Osun State refers to the total amount of funds allocated and spent by the state government on the payment of salaries, wages, allowances, and benefits to its employees, including civil servants, public servants, and other government personnel.

116. **Budget vs. Actual Performance:** In terms of Personnel expenditures, the budgeted figure exceeded that actual expenditure between 2018 – 2022. In term of the Actual expenditure, the figure declined from 38.3 billion in 2017 to ₦25.6 billion in 2022 except in 2021 when it suddenly rose to ₦38.9 billion.

117. **Budget Trends:** Budgeted and Actual expenditures are going down. While the Budgeted is marginally declining, the Actual is considerably going down.

Figure 16: Social Contributions and Social Benefits

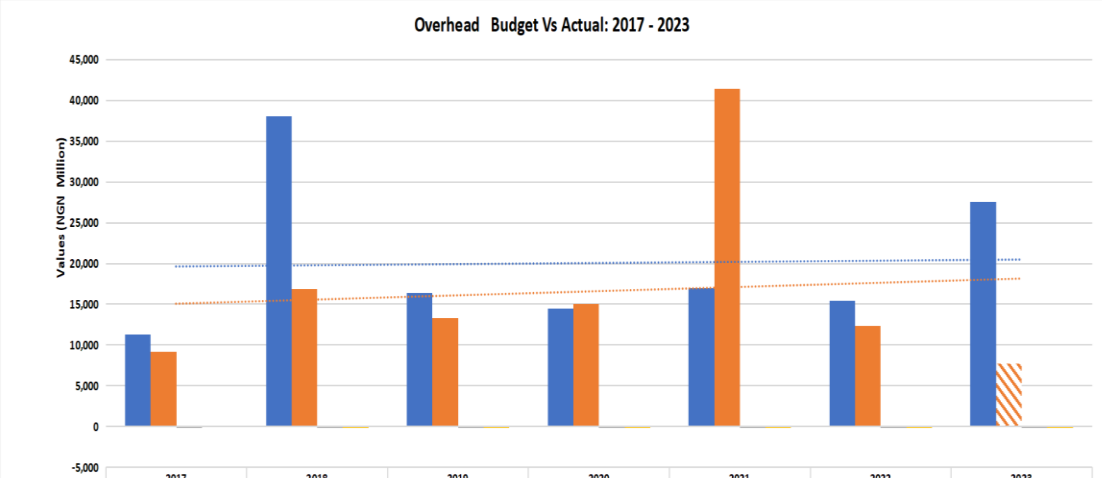


118. **Budget vs. Actual Performance:** In 2017, the budget for Social Contribution and Social Benefits was ₦38, 111,191,990.00 but the actual allocation was only ₦17, 862,024,074.00 which was 47% of the budget. The actual performance improved significantly in 2018, with the allocation of ₦36, 197,353,207.00, reaching 85% of the budget. However, in 2019, the performance dropped to 64% of the budget, with an actual allocation of ₦28, 802,926,453.00. In 2020, the performance exceeded the budget, reaching 111% with an actual allocation of ₦29, 418,400,071.00. In 2021, there was a significant drop in actual performance, with only 0% of the budget allocated, which suggests that the actual allocation may have fallen short or was not recorded. In 2022, the actual allocation improved to 157% of the budget, with ₦11, 035,694,738.00 allocated. In 2023, the actual performance remained positive, reaching 63% of the budgetary provision of ₦10, 201,128,610.00.

119. **Budget Trends:** Both Budgeted and Actual Social Contribution and Social Benefits cost are trending downward. The Budget is more pronounced than the actual.

120. It's essential to note that the 2023 actual data is reported for only six months, hence it represents a partial year's data rather than a full annual value as in the other years.

Figure 17: Overheads

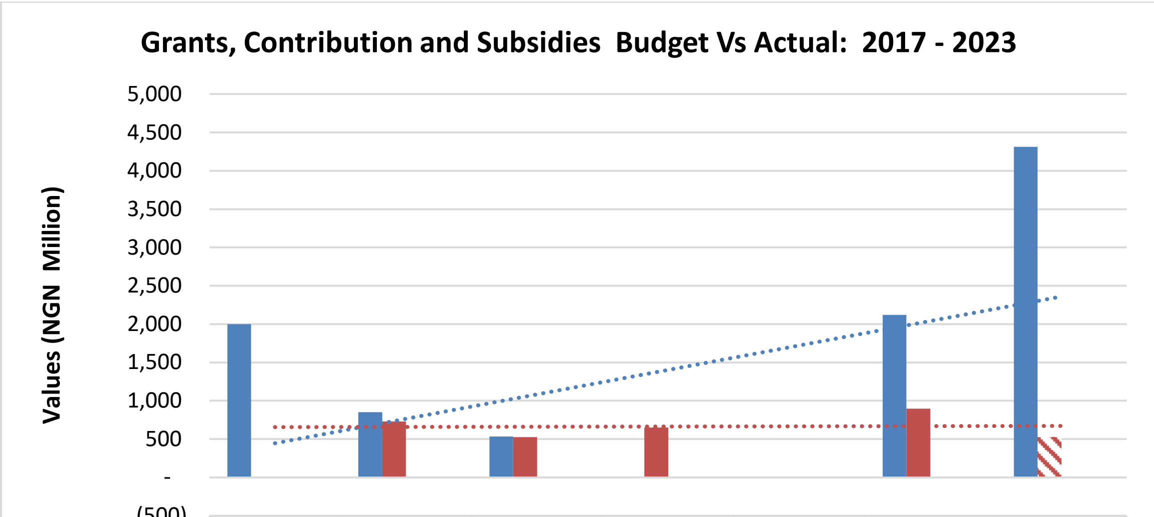


	2017	2018	2019	2020	2021	2022	2023
Budget	11,304,304,250	38,055,926,326	16,387,537,910	14,424,968,810	16,960,968,950	15,389,326,820	27,540,125,720.00
Actual	9,219,924,311	16,904,567,868	13,335,387,855	14,996,951,428	41,415,375,888	12,351,286,407	7,692,563,788.99
Performance	82%	44%	81%	104%	244%	80%	28%
Growth		83.35%	-21.11%	12.46%	176.16%	-70.18%	-37.72%

121. **Budget vs. Actual Performance:** The budget for overhead expenses significantly increased over the years, from approximately ₦11.3 billion in 2017 to over ₦27.5 billion in 2023. Actual overhead expenses varied year by year, with some years falling below the budget (e.g., 2017, 2018 and 2019) and others exceeding it (e.g., 2020 and 2021). Overall, the performance against the budget ranged from 44% (in 2018) to 244% (in 2021), indicating substantial fluctuations in spending compared to the budget.

122. **Budget Trends:** Over the years under consideration (2017 – 2023), the Budgeted Overhead cost has relatively constant trend while the Actual Overhead Cost over the same period is marginally increasing.

Figure 18: Grants, Contributions and Subsidies



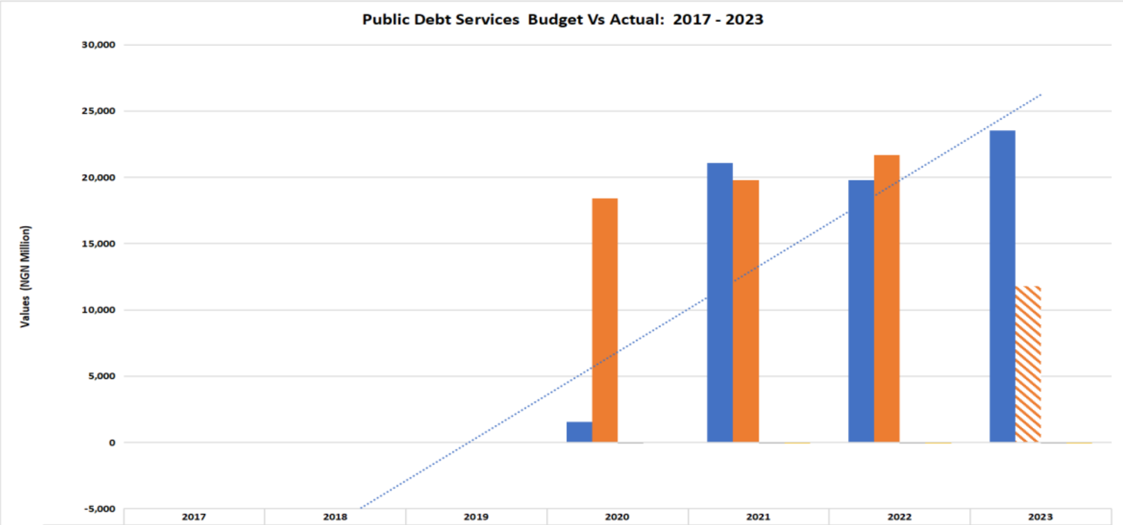
	2017	2018	2019	2020	2021	2022	2023
Budget	2,000,000,	851,716,80	534,575,00	0	0	2,119,368,0	4,310,671,9
Actual		728,319,20	525,390,92	652,152,80		895,811,819	521,149,28
Performance	0%	86%	98%	0%	0%	42%	12%
Growth		0.00%	-27.86%	24.13%	-100.00%	0.00%	-41.82%

123. **Budget vs. Actual Performance:** In 2017, the budget for Grants, Contributions, and Subsidies was ₦2, 000,000,000.00 but nothing was recorded as actual amount expended. Meanwhile, in 2018 and 2019, the actual performance recorded against budgeted amount was 86% and 98% respectively. In 2020, there was no budget allocation for this category, likewise 2021, but a sum of ₦652, 152,800.00 recorded in 2020, as actual amount expended. In 2022, the budget increased to ₦ 2,119,368,000.00 but the actual performance was 42% of the budget, with ₦ 895,811,819.00 expended.

124. **Budget Trends**: The budget for Grants, Contributions, and Subsidies fluctuated over the years, but generally, the trend was on the increase while the trend for the actual remain constant over the years under consideration (2017 – 2023).

125. In summary, the chart shows variations in budget allocation and actual performance for Grants, Contributions, and Subsidies over the years.

Figure 19: Public Debt Service



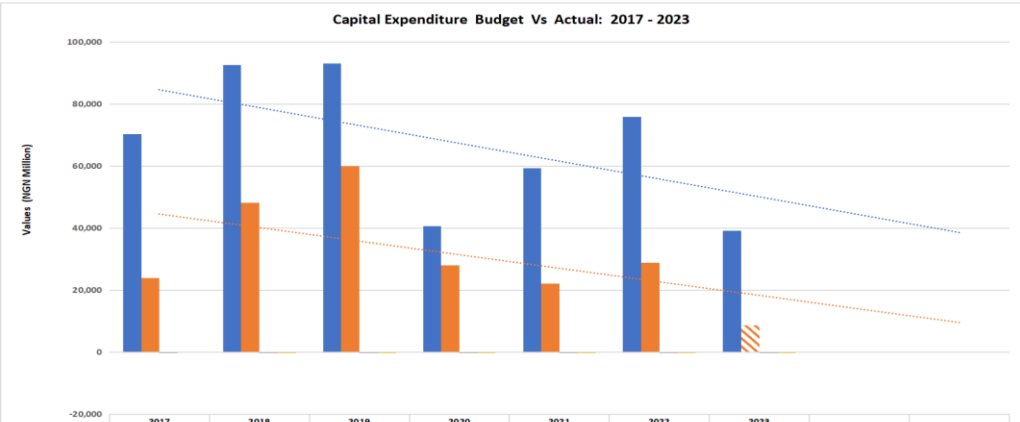
	2017	2018	2019	2020	2021	2022	2023
Budget				1,550,000,000	21,087,152,700	19,787,437,858	23,554,972,020.00
Actual				18,395,942,355	19,787,437,858	21,667,048,660	11,799,840,956.38
Performance	0%	0%	0%	1187%	94%	109%	50%
Growth		0.00%	0.00%	0.00%	7.56%	9.50%	-45.54%

Years

126. **Budget vs. Actual Performance:** In 2020, the actual expenditure exceeded the budget by 1,187%, significantly surpassing the budgeted amount. In 2021 and 2022, the actual expenditures were 94% and 109% of the budget and as at June, 2023, the actual expenditure has attained 50% of the budget.

127. **Budget Trends:** For both the Budget and Actual expenditures, the trends are upward.

Figure 20: Capital Expenditure



	2017	2018	2019	2020	2021	2022	2023		
Budget	70,317,250,740	92,625,248,892	93,086,214,050	40,628,190,040	59,234,768,500	75,862,822,800	39,059,447,710.00		
Actual	23,902,460,244	48,123,251,903	59,889,195,847	27,993,438,381	21,994,488,255	28,720,572,832	8,665,445,207		
Performance	34%	52%	64%	69%	37%	38%	22%		
Growth		101.33%	24.45%	-53.26%	-21.43%	30.58%	-69.83%		

Years

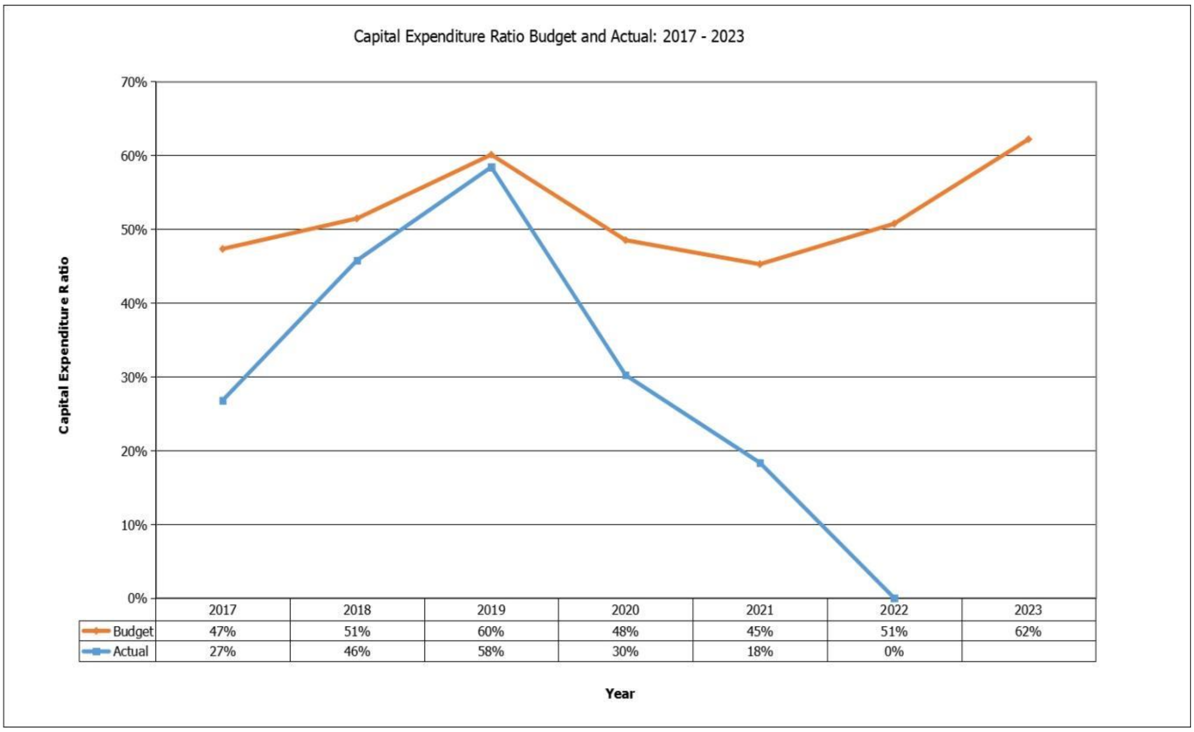
128. **Capital expenditure**, as it applies to Osun State refers to the totality of fund / financial resources allocated by government to investments in long-term assets and infrastructure projects that are intended to enhance the state's economic growth, public services, and overall development.

129. **Budget vs. Actual Performance:** Capital expenditure budgets for the years' 2017 to 2023 range from ₦39, 059,447,710.00 to ₦93, 086,214,050.00. Actual capital expenditure consistently falls short of the budgeted amounts, with the highest performance at 69% in 2020 and at 22% performance level as at June, 2023.

130. **Budget Trends:** Both trends (Budget and Actual) are going down but not sharply.

131. These findings highlight the variance between budgeted and actual capital expenditure, the fluctuating growth rates, the budget trends, and the particularly low performance.

Figure 21: Capital Expenditure Ratio



132. **Variance in Expenditure**: Budgeted capital expenditures vary from year to year, reflecting changing financial priorities and commitments. Actual expenditures fluctuate, most times falling short of the budgeted amount and other times aligning closely with the budget.

133. **Budget Execution:** In some years, the government experiences significant shortfalls in actual capital expenditure compared to the budget, indicating potential challenges in project funding. There are also instances where the government effectively executes its budget, that is closely matching with allocated capital expenditure.

134. **Incomplete Data:** Data is missing for specific years, limiting a comprehensive assessment of the government's capital expenditure performance during those periods.

135. **Room for Improvement:** The findings suggest opportunities for the Osun State Government to improve budget execution, ensure consistent funding for capital projects, and enhance transparency and accountability in financial management.

136. These key points summarize the observations and implications related to budgeted and actual expenditures for the Osun State Government.

2. B.2 Debt Position

137. 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 2022

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

Table 5: Debt Position as at 31st December 2022

Debt Sustainability Analysis			
A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2022
	Solvency Ratios	Percentage	Percentage
1	Total Domestic Debt/IGR	150%	587.36%
2	Total External Debt/Gross FAAC	150%	61.03%
3	Total Public Debt/Total Recurrent Revenue	150%	209.85%
4	Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
	Liquidity Ratios	Percentage	Percentage
5	Domestic Debt Service/IGR	15%	87.29%
6	External Debt Service/Gross FAAC	10%	3.92%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	38.33%
8	Total Debt Service/Total Recurrent Revenue	25%	27.49%
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2022		Naira
1	Total Domestic Debt		143,582,350,000
2	Total External Debt		37,841,680,000
3	Total Public Debt		181,424,030,000
4	Total Domestic Debt Service 2022		21,337,260,000
5	Total External Debt Service in 2022		2,429,730,000
6	Total Public Debt Service		23,766,990,000

(A) Solvency Ratios:

139. Total Domestic Debt/IGR: The actual ratio is 587.36%, significantly exceeding the sustainability threshold of 150%. This suggests that Osun State's domestic debt is much higher than what is considered sustainable relative to its Internally Generated Revenue (IGR).

140. Total External Debt/Gross FAAC: The actual ratio is 61.03%, which is within the sustainability threshold of 150%. This indicates that Osun State's external debt is within a manageable range relative to its Gross Federation Account Allocation Committee (FAAC) revenue.

141. Total Public Debt/Total Recurrent Revenue: The actual ratio is 209.85%, well above the sustainability threshold of 150%. This signifies that the state's total debt burden is significantly higher than recommended in relation to its total recurrent revenue.

142. Total Public Debt/State GDP Ratio: There is no State GDP figure available to calculate this ratio, so it's not possible to assess the state's debt-to-GDP ratio.

(B) Liquidity Ratios:

143. Domestic Debt Service/IGR: The actual ratio is 87.29%, which is much higher than the sustainability threshold of 15%. This indicates that a substantial portion of Osun State's Internally Generated Revenue is being used to service domestic debt, potentially impacting the state's liquidity.

144. External Debt Service/Gross FAAC: The actual ratio is 3.92%, well below the sustainability threshold of 10%. This suggests that Osun State has a relatively low external debt service burden compared to its Gross FAAC revenue.

145. Debt Service Deductions from FAAC/Gross FAAC: The actual ratio is 38.33%, just below the sustainability threshold of 40%. This implies that a significant portion of the state's Gross FAAC revenue is allocated to debt service.

146. Total Debt Service/Total Recurrent Revenue: The actual ratio is 27.49%, slightly above the sustainability threshold of 25%. This indicates that a notable portion of Osun State's recurrent revenue goes toward servicing its debt obligations.

(C) Public Debt Data as at 31/12/2022:

147. Total Domestic Debt: Osun State's total domestic debt as of December 31, 2022, stands at ₦143, 582,350,000.00.

148. Total External Debt: The state's total external debt as of December 31, 2022, is ₦37, 841,680,000.00.

149. Total Public Debt: The combined total of domestic and external debt as of December 31, 2022, is ₦181, 424,030,000.00.

150. Total Domestic Debt Service in 2022: Osun State spent ₦21, 337,260,000.00 on servicing its domestic debt in 2022.

151. Total External Debt Service in 2022: The state allocated ₦2, 429,730,000.00 to service its external debt in 2022.

152. Total Public Debt Service in 2022: The combined total of domestic and external debt service for 2022 was ₦23, 766,990,000.00.

153. In summary, Osun State faces significant challenges in terms of its solvency ratios, particularly the high domestic debt burden relative to revenue sources like IGR and recurrent revenue. However, its external debt ratios are relatively more favourable. The state also spends a substantial portion of its revenue on servicing its debt obligations, which could impact its liquidity. It's essential for the state to address its debt situation and work on revenue generation to ensure long-term financial stability.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

154. 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 global economic activities and as laid out in the reviewed Federal Government Medium Term Expenditure Framework for the period 2024 - 2026. Real GDP growth and Inflation (CPI) are as per the IMF World Economic Outlook dated July, 2023. The figures represent a prudent macro-economic framework on which the Osun State Medium Term Fiscal Framework is based.

Table 6: Osun State Macroeconomic Framework

Macro-Economic Framework

Item	2024	2025	2026
National Inflation	21.40%	20.30%	18.60%
National Real GDP Growth	3.76%	4.22%	4.78%
Oil Production Benchmark (MBPD)	1.7300	1.6700	1.5800
Oil Price Benchmark	$74.00	$73.80	$69.90
NGN:USD Exchange Rate	660.84	665.61	669.79
Other Assumptions			
Mineral Ratio	27%	27%	27%

155. **The National Inflation Rate:** The table reflects a declining trend in national inflation rates from 21.40% in 2024 to 18.60% in 2026, indicating potential improvements in price stability over the three-year period.

156. **The National Real GDP**: National real GDP growth rates are projected to increase gradually from 3.76% in 2024 to 4.78% in 2026, suggesting a consistent expansion in the country's economic output.

157. **Oil Production Benchmark (MBPD):** Both the oil production benchmark and oil price benchmark show a slight decrease, which may have negative implications for government revenue from the oil sector.

158. **The Exchange Rate:** The NGN: USD exchange rate is expected to appreciate slightly over the three-year period, affecting international trade and foreign investment dynamics.

3.B Fiscal Strategy and Assumptions

Policy Statement

159. 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.

160. Within the constraints imposed by the Federal system, the Osun State's strategic fiscal policy direction can be summarized as follows:

a. implement policies using strategic sectors in the State to support the vulnerable groups across the State whose means of livelihood were distorted by COVID-19 pandemic and persistent inflationary pressure.

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

161. The key targets for the Osun State from a fiscal perspective are:

a. By 2023, at least 30% 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 60:40.

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

162. The indicative three-year fiscal framework for the period 2024 - 2026 is presented in the table 8 below.

Table 7: The Osun State Medium Term Fiscal Framework

Fiscal Framework

Item	2024	2025	2026
Opening Balance	10,000,000	10,000,000	10,000,000
Recurrent Revenue			
Statutory Allocation	66,754,717,052	65,542,000,716	61,171,563,522
VAT	30,184,775,376	32,451,636,789	35,559,280,468
IGR	30,000,000,000	30,500,000,000	30,000,000,000
Excess Crude / Other Revenue	2,000,000,000	2,040,000,000	2,100,000,000
Total Recurrent Revenue	128,939,492,428	130,533,637,505	128,830,843,989
Recurrent Expenditure			
Personnel Costs	33,850,950,970	35,850,950,970	36,350,950,970
Social Contribution and Social Benefit	13,601,268,826	14,145,319,579	15,097,408,396
Overheads	14,836,751,391	15,281,853,933	15,578,588,961
Grants, Contributions and Subsidies	1,000,248,609	1,030,256,067	1,050,261,039
Public Debt Service	28,600,450,000	28,200,030,000	28,200,040,000
Total	91,889,669,796	94,508,410,549	96,277,249,366
Transfer to Capital Account	37,059,822,632	36,035,226,956	32,563,594,623
Capital Receipts			
Grants	13,141,308,875	9,082,992,847	7,321,812,566
Other Capital Receipts	10,904,637,015	2,625,000,000	2,625,000,000
Total	24,045,945,891	11,707,992,847	9,946,812,566
Reserves			
Planning Reserve	1,488,721,890	1,507,126,295	1,487,467,544
Total Reserves	1,488,721,890	1,507,126,295	1,487,467,544
Capital Expenditure	59,617,046,633	46,236,093,508	41,022,939,645
Discretional Funds	35,571,100,742	34,528,100,661	31,076,127,079
Non-Discretional Funds	24,045,945,891	11,707,992,847	9,946,812,566
Financing (Loans)	0	0	0
Total Revenue (Including Opening Balance)	152,995,438,319	142,251,630,352	138,787,656,555
Total Expenditure (including Contingency Reserve)	152,995,438,319	142,251,630,352	138,787,656,555
Closing Balance			
Ratios			
Growth in Recurrent Revenue	83.32%	1.24%	-1.30%
Growth in Recurrent Expenditure	286.63%	2.85%	1.87%
Capital Expenditure Ratio	39.94%	33.56%	30.63%
Deficit (Financing) to Total Expenditure	0.00%	0.00%	0.00%
Deficit (Financing) to GDP Ratio	NA	NA	NA

3.C.1 Assumptions

163. **Projected Statutory Allocation** – The fiscal year's expected Statutory Allocation is set at ₦66, 754,717,052.00, determined using an elasticity forecast methodology. This estimation relies on the following key parameters: a presumed oil price of $74.00 per barrel (pb), a national inflation rate of 21.4%, a national real GDP growth rate of 3.76%, an NGN:USD exchange rate pegged at ₦660.84 to $1, and a production benchmark of 1.73 million barrels daily production (MBDP). Furthermore, it is anticipated that ongoing federal government

reforms, particularly within the Federal Inland Revenue and Nigeria Customs Services, will enhance non-oil revenue contributions to the federation account.

164. **VAT Projection –** The projected VAT figures are based on an elasticity forecast, which takes into account the cumulative impact of changes in both GDP and inflation rates. In the upcoming year, 2024, we anticipate an amount of N30.18 billion, aligning with our current collection rates and forecasts.

165. **Internally Generated Revenue (IGR)** – A key fiscal goal for Osun State in 2024 is to attain a minimum growth rate of 5.0% in IGR, amounting to at least N30 billion. The government has already implemented measures to work toward achieving these IGR targets.

166. **Excess Crude/Other Revenue:** The anticipated revenue from Excess Crude and various other sources for the State in 2024 is estimated at approximately ₦2.0 billion.

Grants –

The Internal Grants: An estimated total of ₦13, 141,308,875.00 is earmarked for Internal Grants, with the breakdown as follows:

1.	*SUBEB - UBE Intervention Programme*	*₦3,048,228,955.00*
2.	*SUBEB - Better Education Service Delivered for All*	*₦ 348,089,494.00*
3.	*Livestock Productivity and Resilience Support (Ministry of Agriculture)*	*₦ 3,000,000,000.00*
4.	*State CARES Project (Ministry of Agriculture)*	*₦ 2,638,255,000.00*
5.	*Nigeria for Women (Ministry of Agriculture)*	*₦ 100,000,000.00*
6.	*State CARES Project (Osun State CSDA)*	*₦ 1,524,800,000.00*
7.	*TETFUND (Osun State Poly. Iree)*	*₦ 527,000,000.00*
8.	*TETFUND (University of Ilesa)*	*₦ 520,000,000.00*
9.	*National Social Safety Net Project*	*₦ 50,000,000.00*
10.	*Household Uplifting Project / Conditional Cash Transfer (Osun State Cash Transfer Unit)*	*₦ 991,512,000.00*

Other Capital Receipts: A total of ₦10, 904,637,015.00 is allocated for other Grants, with specific allocations to various projects;

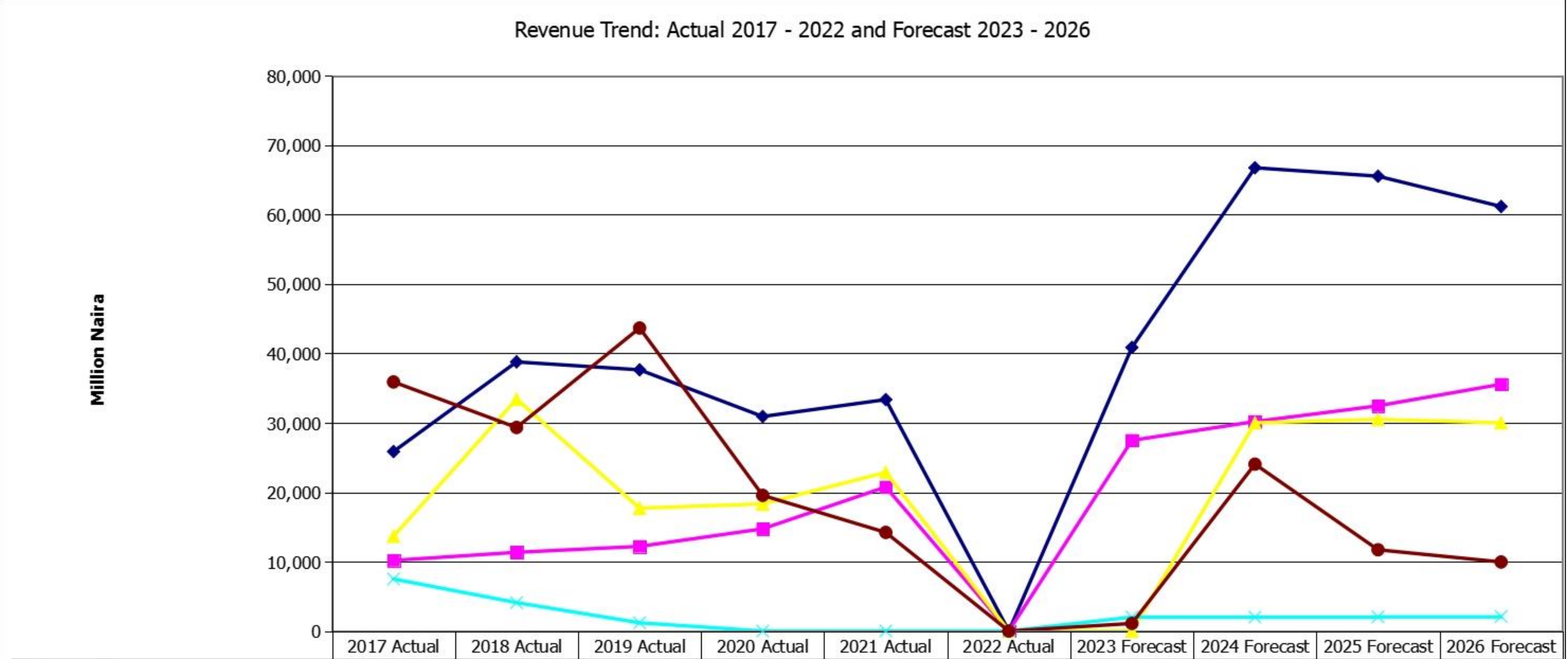
i.	*Ministry of Rural Devt. (RAAMP)*	*₦2,250,000,000.00*
ii.	*Ilesa Water Project (Osun State Water Corporation)*	*₦6,074,938,025.00*
iii.	*Global Fund Grant (Ministry of Health)*	*₦ 1,979,698,990.00*
iv.	*Nigeria Center for Disease Control / World Bank (Ministry of Health)*	*₦ 600,000,000.00*

167. **Capital Expenditure**–The State is proposing to spend ₦**59, 617,046,633.00 on Capital Projects in the fiscal year 2023.** Of this amount, the Discretional Fund stands as **₦35, 571,100,742.00** while the Non-Discretional Fund is **₦24, 045,945,891.00**.

3. C.2 Fiscal Trends

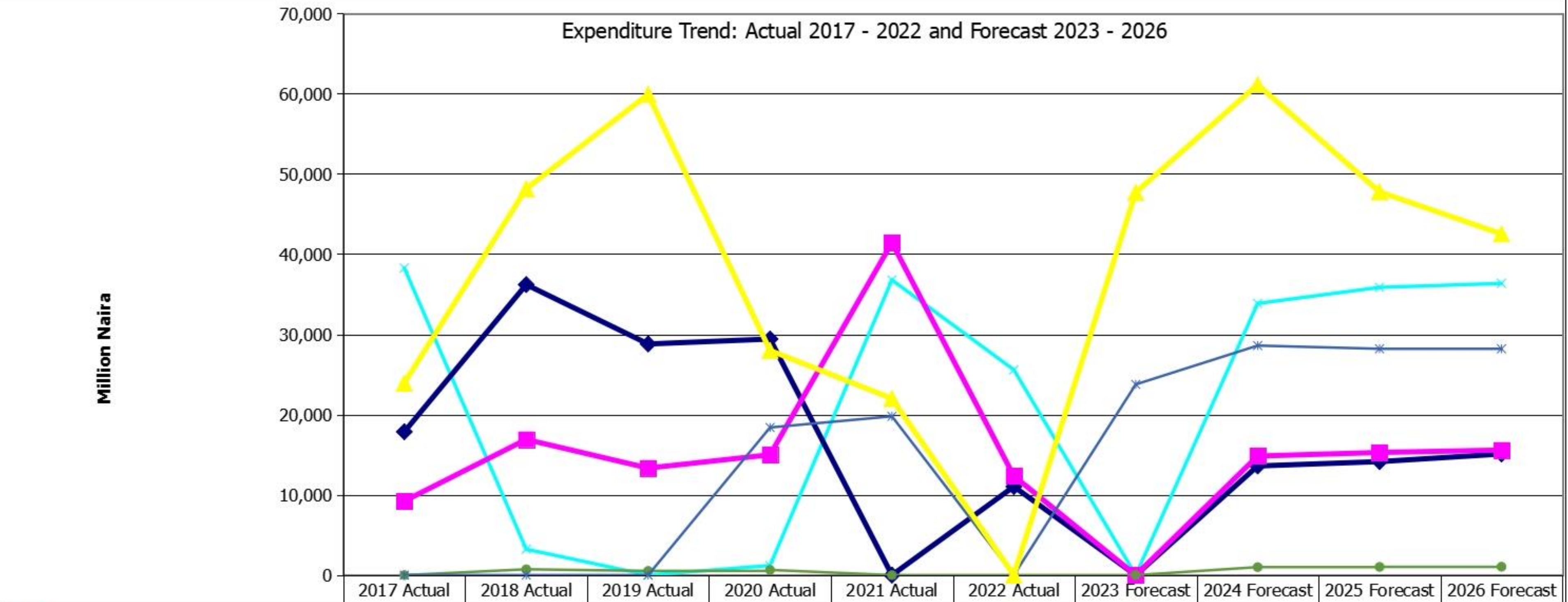
168. Based on the above envelope, plus forecast figures for 2024 - 2026 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

Figure 22: The Osun State Revenue Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Stat.Allocation	25,859,771,58	38,780,139,78	37,637,412,36	30,913,592,92	33,348,473,34	0	40,862,682,79	66,754,717,05	65,542,000,71	61,171,563,52
VAT	10,175,820,25	11,342,196,00	12,195,373,30	14,725,950,02	20,753,187,72	0	27,472,491,04	30,184,775,37	32,451,636,78	35,559,280,46
Total IGR	13,656,294,31	33,415,807,56	17,701,126,40	18,322,985,21	22,855,392,56	0	0	30,000,000,00	30,500,000,00	30,000,000,00
Other Federation Account Receipts	7,500,229,951	4,092,654,126	1,184,285,886	0	0	0	2,000,000,000	2,000,000,000	2,040,000,000	2,100,000,000
Capital Receipts	35,892,974,35	29,327,767,40	43,665,925,50	19,547,421,50	14,207,495,75	0	1,091,262,000	24,045,945,89	11,707,992,84	9,946,812,566

Figure 23: The Osun State Expenditure Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Personnel Costs	38,264,714,73	3,227,831,997	0	1,200,000,000	36,773,538,26	25,584,796,90	0	33,850,950,97	35,850,950,97	36,350,950,97
Social Contribution and Social Benefit	17,862,024,07	36,197,353,20	28,802,926,45	29,418,400,07	0	11,035,694,73	0	13,601,268,82	14,145,319,57	15,097,408,39
Overheads	9,219,924,311	16,904,567,86	13,335,387,85	14,996,951,42	41,415,375,88	12,351,286,40	0	14,836,751,39	15,281,853,93	15,578,588,96
Grants, Contributions and Subsidies	0	728,319,201	525,390,929	652,152,808	0	0	0	1,000,248,609	1,030,256,067	1,050,261,039
Public Debt Service	0	0	0	18,395,942,35	19,787,437,85	0	23,766,990,00	28,600,450,00	28,200,030,00	28,200,040,00
Capital Expenditure	23,902,460,24	48,123,251,90	59,889,195,84	27,993,438,38	21,994,488,25	0	47,659,445,83	61,105,768,52	47,743,219,80	42,510,407,18

3.D Fiscal Risks

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

Table 8: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Threat to Global economy by the Russia – Ukraine War	H	H	• Ensure steady production of arable crops to mitigate against global food crisis.
Threat to Global economy by the novel virus - COVID-19 Pandemic	L	L	• 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, oil theft and payment of subsidy 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
Delay in passage of 2024 Budget before end of the current fiscal year thereby undermining the fiscal objectives and targets.	L	L	• Ensure 2024 budget is passed on time as stipulated in fiscal reform guideline. • Engagement of members of State House of Assembly to ensure that 2024 – 2026 MTEF and 2024 Budget are passed on time.
Persistent And High Inflation	H	H	• Local contents should be promoted.
Rising Global Trade Tensions	M	M	• Strategic engagement with development partners. • Promotion of Local contents
Global Security Threats	H	L	• Strengthen of security architecture of the State. • Creation of jobs (Casual and permanent) • Steadfast on border / communal dispute resolution
Cyber-Attacks	H	L	• Strengthen Cybersecurity activities

170. It should be noted however that no budget is without risk. Each potential risk has been 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 materialize using the same categories. Also, actions or approaches that the Osun State Government will take to minimize 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 n

171. The Revised Osun State Development Plan, 2023 - 2050 rests on four pillars, namely:
    a. The Economic Development;
    b. Infrastructural Development;
    c. Human Capital Development and Security; and
    d. Environmental Sustainability.
172. The 2023 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)

173. The total **Forecast Budget Size** for the 2024 fiscal year as explained in Section 3.C above is **₦152,995,438,319.00** of which the sum of **₦91,889,669,796** will be for recurrent and **₦59,617,046,633** for Capital**.** The capital expenditure component is in two parts: the discretionary capital expenditure (**₦35,571,100,742)** that will be spent across all MDAs and Non-Discretionary capital expenditure (**₦24,045,945,891)** which will be spent specifically on Health, Education, Infrastructure (i.e. Osun-CARES), Water and Sanitation, Agriculture (i.e. Osun-CARES), Social Development and Welfare (i.e. Osun-CARES), etc.
174. Based on the five goals of the State derived from the State Development Plan, an indicative capital allocation (envelope) to the sectors for 2024 - 2026 is shown in Table 10 below.

Table 9 (a): Indicative Sector Expenditure Ceilings 2024-2026

		Discretionary Funds						Non-Discretionary Funds		
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	2024 Allocation	2025 Allocation	2026 Allocation
1	EDUCATION	12.23%	4,350,345,621	15.23%	5,257,911,540	15.23%	4,732,247,765	4,479,318,449	6,932,077,119	4,080,851,662
2	HEALTH	10.40%	3,699,394,477	15.00%	5,179,215,099	15.00%	4,661,419,062	2,579,698,990	4,959,422,328	19,301,338,070
3	WATER AND SANITATION	8.06%	2,867,030,720	3.80%	1,313,039,714	3.80%	1,181,767,552	6,074,938,025	0	0
4	AGRICULTURE	6.00%	2,134,266,045	10.10%	3,487,338,167	10.10%	3,138,688,835	6,095,678,426	20,000,000	20,000,000
5	COMMERCE AND INDUSTRY	3.80%	1,351,701,828	2.00%	690,562,013	2.00%	621,522,542	0	1,688,925,000	600,000,000
6	INFRASTRUCTURE	19.87%	7,067,977,718	15.00%	5,179,215,099	15.00%	4,661,419,062	3,774,800,000	3,920,130,000	3,920,130,000
7	SOCIAL AND YOUTH DEVELOPMENT	2.90%	1,031,561,922	2.00%	690,562,013	2.00%	621,522,542	991,512,000	4,000,000	4,000,000
8	ENVIRONMENT	3.00%	1,067,133,022	1.50%	517,921,510	1.50%	466,141,906	0	0	0
9	SECURITY LAW AND JUSTICE	2.50%	889,277,519	5.00%	1,726,405,033	5.00%	1,553,806,354	0	0	0
10	PLANNING AND BUDGET	4.54%	1,614,927,974	2.00%	690,562,013	2.00%	621,522,542	50,000,000	0	0
11	INFORMATION AND COMMINICATIO	3.40%	1,209,417,425	2.00%	690,562,013	2.00%	621,522,542	0	0	0
12	GOVERNANCE AND ADMINISTRATIO	10.40%	3,699,394,477	2.00%	690,562,013	2.00%	621,522,542	0	1,092,912,000	1,092,912,000
13	FINANCE AND REVENUE MOBILIZATI	5.67%	2,016,881,412	7.00%	2,416,967,046	7.00%	2,175,328,896	0	1,088,925,000	0
14	SOLID MINERAL RESOURCES	1.00%	355,711,007	3.09%	1,066,055,102	3.09%	959,475,418	0	0	0
15	CULTURE AND TOURISM	2.60%	924,848,619	12.54%	4,328,775,961	12.54%	3,896,003,235	0	0	0
16	HUMAN CAPITAL DEVELOPMENT	3.63%	1,291,230,957	1.74%	601,491,649	1.74%	541,357,056	0	0	0
								0	0	0
	Total	100.00%	35,571,100,742	100%	34,527,145,986	100%	31,075,267,848	24,045,945,891	19,706,391,447	29,019,231,732

Table 9 (b): Indicative Sector Expenditure Ceilings 2024-2026

		Total Capital Envelope					
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	EDUCATION	14.8%	8,829,664,070	22.5%	12,189,988,659	14.7%	8,813,099,428
2	HEALTH	10.5%	6,279,093,467	18.7%	10,138,637,428	39.9%	23,962,757,131
3	WATER AND SANITATION	15.0%	8,941,968,745	2.4%	1,313,039,714	2.0%	1,181,767,552
4	AGRICULTURE	13.8%	8,229,944,471	6.5%	3,507,338,167	5.3%	3,158,688,835
5	COMMERCE AND INDUSTRY	2.3%	1,351,701,828	4.4%	2,379,487,013	2.0%	1,221,522,542
6	INFRASTRUCTURE	18.2%	10,842,777,718	16.8%	9,099,345,099	14.3%	8,581,549,062
7	SOCIAL AND YOUTH DEVELOPMENT	3.4%	2,023,073,922	1.3%	694,562,013	1.0%	625,522,542
8	ENVIRONMENT	1.8%	1,067,133,022	1.0%	517,921,510	0.8%	466,141,906
9	SECURITY LAW AND JUSTICE	1.5%	889,277,519	3.2%	1,726,405,033	2.6%	1,553,806,354
10	PLANNING AND BUDGET	2.8%	1,664,927,974	1.3%	690,562,013	1.0%	621,522,542
11	INFORMATION AND COMMINICATIO	2.0%	1,209,417,425	1.3%	690,562,013	1.0%	621,522,542
12	GOVERNANCE AND ADMINISTRATIO	6.2%	3,699,394,477	3.3%	1,783,474,013	2.9%	1,714,434,542
13	FINANCE AND REVENUE MOBILIZATI	3.4%	2,016,881,412	6.5%	3,505,892,046	3.6%	2,175,328,896
14	SOLID MINERAL RESOURCES	0.6%	355,711,007	2.0%	1,066,055,102	1.6%	959,475,418
15	CULTURE AND TOURISM	1.6%	924,848,619	8.0%	4,328,775,961	6.5%	3,896,003,235
16	HUMAN CAPITAL DEVELOPMENT	2.2%	1,291,230,957	1.1%	601,491,649	0.9%	541,357,056
		0.0%	0				
	Total	**100.0%**	59,617,046,633	**100%**	**54,233,537,433**	**100%**	**60,094,499,580**

4.C Considerations for the Annual Budget Process

175. The ceilings mentioned above will be utilized to update the Medium-Term Sector Strategies (MTSS) for the 16 sectors in 2024. The Ministry of Economic Planning and Budget (MEP&B) ensured the completion of all 16 MTSSs by July 2023. This accomplishment greatly facilitated the seamless preparation of the 2024 Annual Budget for various Ministries, Departments, and Agencies (MDAs) across the State.

176. Therefore, the budget call circular should incorporate the following directives for MDAs when submitting their annual budget proposals:

    a. Any projects not included in the MTSS should not be considered for inclusion in the Budget.

    b. Given the relatively limited Capital Development Fund, the highest priority must be accorded to the completion of ongoing projects.

    c. Capital project submissions should encompass comprehensive lifetime capital investment requirements, including associated costs and the sources of funding. This is especially important when grants and/or loans are utilized to partially or fully fund a project.

    d. A planning reserve will be allocated to fund critical projects, which will be included in the Pre-Treasury/Treasury Board Meeting and subsequently seek ExCo approval.

Section 5: Summary of Key Points and Recommendations

Global:

- Overall Growth Outlook: Growth in emerging market and developing economies is projected to decline relatively modestly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, with a slight downward revision for 2024 compared to the previous projection.
- Global economic prospects for 2023 reveal a challenging landscape.
- The world's GDP growth is anticipated to be the slowest since` the financial crisis, standing at 2.7%, with a modest uptick to 2.9% projected in 2024.
- This slowdown is attributed to factors such as reduced global growth, declining headline inflation, and monetary policy tightening influenced by the Ukraine-Russia conflict.
- Various risks and challenges threaten global economic stability, including disruptions in food and agricultural markets, food insecurity, and urbanization-related issues.
- The invasion of Ukraine by Russia has further exacerbated the global food crisis, leading to increased food trade restrictions and escalating prices.
- Key concerns include persistent hunger, food insecurity, and gender disparities, particularly affecting women and rural areas.

Africa:

- Sub-Saharan Africa: Growth in this region is projected to decline to 3.3 percent in 2023 and then pick up to 4.0 percent in 2024, with 0.2 percentage point and 0.1 percentage point downward revisions for 2023 and 2024, respectively, and with growth remaining below the historical average of 4.8 percent.
- The projected decline reflects, in a number of cases, worsening weather shocks, the global slowdown, and domestic supply issues, including, notably, in the electricity sector.
- Growth in Nigeria is projected to decline from 3.3 percent in 2022 to 2.9 percent in 2023 and 3.1 percent in 2024, with negative effects of high inflation on consumption taking hold.
- The forecast for 2023 is revised downward by 0.3 percentage point, reflecting weaker oil and gas production than expected, partially as a result of maintenance work.
- In South Africa, growth is expected to decline from 1.9 percent in 2022 to 0.9 percent in 2023, with the decline reflecting power shortages, although with a 0.6 percentage point upward revision thanks to the intensity of power shortages in the second quarter of 2023 being lower than expected.

- Funding Squeeze: Sub-Saharan Africa is currently experiencing financial challenges due to higher global interest rates, increased sovereign debt spreads, and exchange rate depreciations.
- Rising Borrowing Costs: Over the past decade, borrowing costs for countries in the region have notably increased, affecting their ability to secure affordable financing.
- Macroeconomic Imbalances: Sub-Saharan Africa is grappling with macroeconomic imbalances, which include high and volatile inflation rates.
- Currency Depreciation: Most currencies in the region have depreciated against the US dollar, exacerbating inflationary pressures and affecting the cost of imports.
- Economic Growth Decline: Economic growth in Sub-Saharan Africa is expected to decline to 3.6 percent in 2023, reflecting challenges in the region's economic landscape.
- Growth Outlook: However, there is optimism for a growth rebound, with an expected increase to 4.2 percent in 2024, driven by higher private consumption and increased investment.
- Inflation Levels: Median inflation for the region is projected to be around 5 percent by the end of 2024, although it remains elevated compared to pre-pandemic levels.
- Fiscal Challenges: Limited fiscal space and funding constraints pose challenges for governments in addressing critical development needs, including education, healthcare, and infrastructure.
- Climate Finance Shortfall: The region faces a significant gap in climate finance to support initiatives

National Level (Nigeria):

- Growth in Nigeria is projected to decline from 3.3 percent in 2022 to 2.9 percent in 2023 and 3.1 percent in 2024, with negative effects of high inflation on consumption taking hold.
- The forecast for 2023 is revised downward by 0.3 percentage point, reflecting weaker oil and gas production than expected, partially as a result of maintenance work.
- Nigeria has faced economic challenges, including declining GDP growth and high inflation.
- The removal of the petrol subsidy and FX management reforms are positive steps.
- Diversifying the economy, improving agriculture, and addressing security are key strategies for Nigeria.
- Nigeria's natural resources offer opportunities for green growth and climate change mitigation.
- 2022 Economic Challenges: In 2022, Nigeria faced challenges with a GDP growth drop to 3.3%, high inflation at 18.8%, and a fiscal deficit of 4.9% of GDP due to increased borrowing.
- Outlook (2023-24): Nigeria's outlook projects 3.3% GDP growth in 2023-24 with high inflation at 19.6%, narrowing fiscal deficits below 5% of GDP, and a deficit of 0.2% of GDP.

- Strong Q2 2023 Growth: Nigeria's economy accelerated in Q2 2023, growing by 2.51%, marking the 11th consecutive quarter of expansion. Services, at 4.42%, played a key role.
- Growth Sectors: Information, finance, trade, agriculture, manufacturing, construction, and real estate drove the positive trend.
- Q2 2023 GDP Growth: Q2 2023 GDP growth was 2.51%, led by the services sector at 4.42%. Agriculture improved, but the industry sector contracted.
- Green Growth and Climate Finance: Nigeria's natural capital offers green growth opportunities, including addressing gas flaring, lithium-ion battery manufacturing, and requiring $247 billion in climate finance for clean energy by 2030.
- Private sector involvement in climate finance through green bonds and restructuring the sovereign wealth fund is crucial.

Osun State:

1. **Debt and Financial Stability:**
   - The Total Domestic Debt/IGR ratio is significantly high, standing at 587.36%, surpassing the sustainable threshold. This portrays an excessive burden of domestic debt concerning Osun State's Internally Generated Revenue (IGR).
   - In contrast, the Total External Debt/Gross FAAC ratio is at 61.03%, within the sustainability threshold, indicating a relatively manageable external debt in comparison to the Gross Federation Account Allocation Committee (FAAC) revenue.
   - However, the Total Public Debt/Total Recurrent Revenue ratio significantly exceeds the sustainable threshold at 209.85%, illustrating an overall debt burden surpassing the recommended limit concerning total recurrent revenue.
2. **Revenue Generation:**
   - Efforts to improve revenue generation, particularly independent revenue, are crucial for the state's financial stability. Osun State faces challenges in solvency, particularly due to high domestic debt compared to its revenue sources.
3. **Expenditure Details:**
   - Personnel Expenditure consistently showed a higher budgeted figure compared to actual expenditures between 2018 and 2022. Both the budgeted and actual figures are declining, with a more pronounced decrease in actual spending.
   - Overhead Costs witnessed a notable increase in budget over the years. The budget for this expense remained relatively constant, while actual costs showed a marginal increase over the same period.
   - Capital Expenditure consistently falls short of the budgeted amounts, with both budgeted and actual trends declining, although not drastically.

Recommendations for Osun State Government:

1. **Debt Management Strategies:**

- Diversify Debt Portfolios: Osun State should consider diversifying its debt portfolio to reduce over-dependence on domestic borrowing, potentially seeking more stable, long-term financing options.
- Enhance Debt Servicing Efficiency: Prioritize effective debt service management to prevent further strain on the state's resources, ensuring timely and efficient repayments without overburdening revenue sources.

2. **Revenue Generation and Expenditure Control:**
    - Strengthen Revenue Streams: Focus on enhancing and diversifying revenue streams, particularly by improving Internally Revenue Generation (IGR), possibly through innovation, investment in infrastructure, and effective tax collection strategies.
    - Optimizing Expenditure: Implement stringent cost-control measures to align actual expenditure with budgeted figures, ensuring efficient use of funds and minimizing unnecessary expenses.
    - Innovative Financing Mechanism (IFM): Explore innovative financial mechanisms for capital project funding such as; Sovereign Wealth Funds and Climate Change Financing.
3. **Enhanced Financial Planning and Reporting:**
    - Improved Budget Allocation: Develop more realistic and accurately calculated budgets to avoid substantial variances between budgeted and actual figures, ensuring transparency and accuracy in financial planning.
    - Enhanced Reporting Systems: Implement robust and transparent financial reporting systems to provide clear, accurate, and timely updates on the state's financial health, promoting better decision-making and accountability.
4. **Investment in Critical Sectors:**
    - Prioritize Infrastructure Development: Allocate funds to critical sectors such as infrastructure development, healthcare, education, and agriculture, which can have a positive impact on the state's economic growth and social development.
    - Private Sector Support: Support private sector growth for job creation and economic expansion.
    - Green Growth: Capitalize on natural capital for green growth, focusing on clean energy and green technologies.
5. **Fiscal Discipline and Monitoring:**
    - Fiscal Responsibility: Enforce strict fiscal discipline to prevent excessive spending and mismanagement, ensuring that financial resources are allocated prudently and effectively.
    - Periodic Evaluation and Monitoring: Regularly review and monitor financial indicators to promptly identify and address any deviations or issues, promoting proactive measures for sustained financial health. There is also needs to strengthen a robust framework for monitoring and evaluating the effectiveness of policies and programs within the state and making necessary adjustments.