Osun State

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

To Cover Period: 2025– 2027

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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
CH	Cadre Harmonise
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
FEWS NET	Famine Early Warning Systems Network
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FRL	Fiscal Responsibility Law
FSIN	Food Security Information Network
FSP	Fiscal Strategy Paper
FX	Foreign Exchange
G	Group
GDP	Gross Domestic Product
GRFC	Global Report on Food Crises
HE	His Excellency
IFEM	International Foreign Exchange Market
IGR	Internally Generated Revenue
IPC	Integrated Food Security Phase Classification
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
NGF	Nigeria Governors' Forum
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
SSA	Sub-Sahara Africa
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

Economic and Fiscal Update (EFU) Overview

34. The Economic and Fiscal Update (EFU) is a crucial document that lays the foundation for the budget planning process by providing comprehensive economic and fiscal analysis. It is primarily designed for policymakers and decision-makers within Osun State. Additionally, the EFU assesses past and present budget performance, highlighting key factors that influence the effectiveness of implementation.

Role of Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS)

35. In contrast, the Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are integral components of the Medium Term Expenditure Framework (MTEF) and the annual budget process. They are instrumental in determining the resources available for government programs and projects from a sustainable fiscal perspective.

Adoption of EFU-FSP-BPS in Osun State

36. In a significant step toward adopting a comprehensive Medium Term Expenditure Framework process, Osun State initiated the preparation of the EFU-FSP-BPS in 2018. This marks the seventh edition of the document, covering the period from 2025 to 2027.

1.A.1 Budget Process

Overview of the Budget Process

37. The budget process outlines the cyclical stages within a fiscal year's budget cycle. It is guided by the Medium-Term Expenditure Framework (MTEF), which is composed of four essential elements:

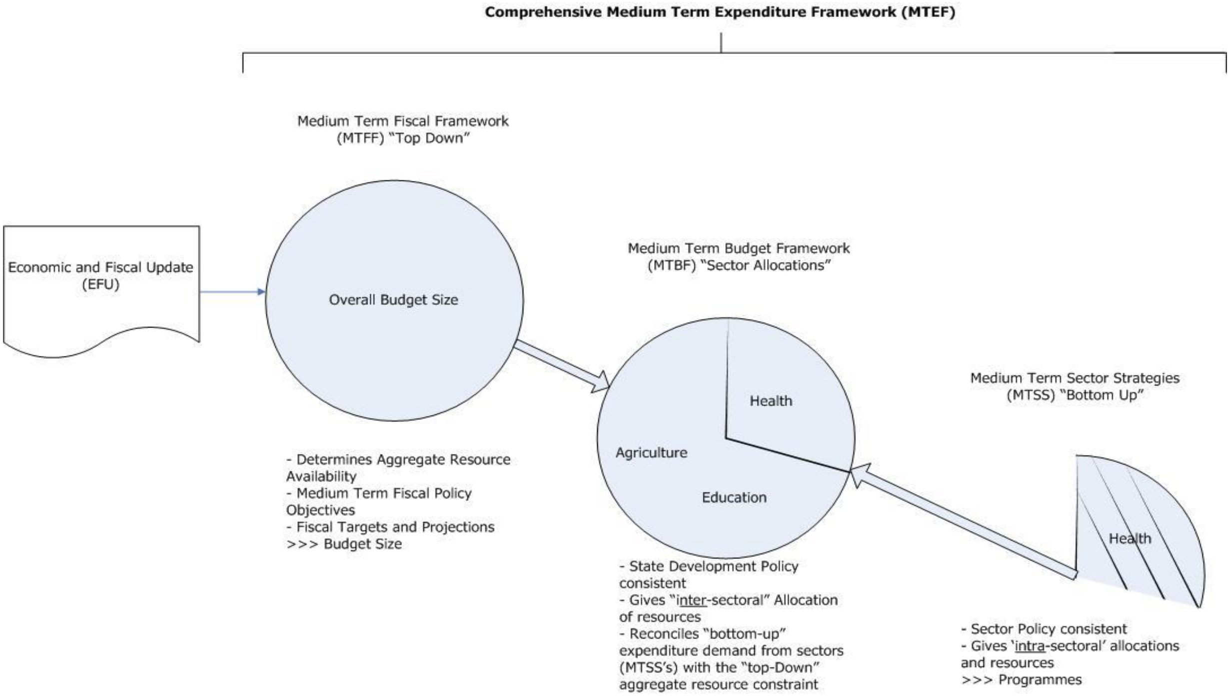
   i. **Medium-Term Fiscal Framework (MTFF)**
   ii. **Medium-Term Budget Framework (MTBF)**
   iii. **Medium-Term Sector Strategies (MTSS)**
   iv. **Medium-Term Implementation Plan (MTIP)**

Stages of the Budget Process

38. This process begins with conceptualization and progresses through the phases of preparation, execution, control, monitoring, and evaluation. Eventually, it returns to the initial conceptualization stage in readiness for the following year's budget cycle.

39. An illustrative depiction of the MTEF process is encapsulated in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

40. As the Osun State Government begins the budget preparation cycle for the 2025-2027 period, it follows the guidelines set forth in Sections 11-18 of the Osun State Fiscal Responsibility Law, 2012. The initial phase of this cycle involves drafting a comprehensive Economic and Fiscal Update (EFU), along with a Fiscal Strategy Paper (FSP) and a Budget Policy Statement (BPS).

41. This comprehensive document serves three primary purposes:

i. Economic and Fiscal Update: It provides a retrospective summary of key economic and fiscal trends that will influence future public spending.

ii. Fiscal Strategy Paper and Medium-Term Fiscal Framework (MTFF): It outlines medium-term fiscal goals and objectives, including tax policies, revenue generation strategies, expected public expenditure levels, deficit financing approaches, and public debt management.

iii. Medium-Term Budget Framework (MTBF): It delivers indicative sector-specific allocations for 2025-2027.

42. Section 2 of this document presents the Economic and Fiscal Update (EFU), a detailed analysis designed to guide the budget planning process. Its primary audience is budget policymakers and decision-makers within Osun State. The EFU provides a comprehensive evaluation of budgetary performance, including historical and current data, and identifies key factors affecting implementation. Key components of the EFU include:

- An overview of global, national, and state economic performance.
- A detailed assessment of the petroleum sector.
- A review of Osun State's budgetary performance over the past six years.

43. The Fiscal Strategy Paper (FSP) is a crucial component of Osun State's Medium-Term Expenditure Framework (MTEF) and annual budget formulation process. It plays a vital role in

determining the resources available for the government's growth and poverty alleviation initiatives while ensuring fiscal sustainability.

1.A.3 Preparation and Audience

44. This document aims to provide a comprehensive foundation for the 2025 budget preparation cycle, targeting all key stakeholders, including:

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

45. This document is prepared during the last two quarters of the year preceding the annual budget preparation period. It is crafted by the Osun State Ministry of Economic Planning, Budget, and Development in collaboration with the Ministry of Finance, the Office of the Accountant General, the State Bureau of Statistics, the Board of Internal Revenue, and the Debt Management Office. The preparation process involves utilizing data collected from state, national, and international organizations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

13. **Legislative Framework for Public Financial Management (PFM) in Osun State (Constitutional Foundation) :** The primary law governing public financial management in Nigeria, including Osun State, is the 1999 Constitution, as amended. According to Sections 120 and 121, all revenues accrued to Osun State must be deposited into a Consolidated Revenue Fund (CRF), maintained by the state government. Revenues can only be allocated to other funds if specifically authorized by the State House of Assembly (SHoA) for designated purposes. Withdrawals from the CRF require SHoA's authorization through the annual budget or appropriation process. The Governor of Osun State must prepare and present expenditure proposals for the upcoming fiscal year to the SHoA, which, upon approval, enacts an Appropriation Law. This law grants the executive branch the authority to withdraw and spend the specified amounts from the CRF.

14 **Additional Legal Framework:** Beyond the Nigerian Constitution, Osun State operates under a comprehensive set of laws and regulations for budgeting and financial management. These include:

- **Public Administrative Law, Cap. 133 (2002):** This law provides the foundational legal structure for public administration within Osun State.
- **Financial Regulations (2009):** Issued by the Osun State Treasury Board under Section 5(1) of the Public Administrative Law, 2002, these regulations govern financial management and control of public funds.

- **Osun State Fiscal Responsibility Law (FRL) (2012):** Based on the Federal Fiscal Responsibility Act, this law establishes mechanisms such as a medium-term fiscal framework, guidelines for public expenditure, borrowing procedures, and principles for transparency and accountability in governance. It also outlines the application of financial laws to Local Governments.
- **Osun State Public Procurement Law (2019, as amended):** This law introduces a bicameral approach to procurement administration. The **Osun State Public Procurement Agency Governing Board** serves as the policy-making body, while the **Osun State Public Procurement Agency** provides technical oversight. The Governing Board includes the Commissioner of Finance as Chair, the Commissioner of Economic Planning, Budget and Development, the Attorney General/Commissioner of Justice, a member of the State Executive Council, and three public representatives, including one from a Civil Society Organization. The Agency is led by a General Manager, who also acts as Secretary to the Governing Board.
- **Treasury Circulars:** Occasionally, the Accountant General of Osun State issues additional rules and guidelines to support accounting, internal audits, and store procedures.
- **Institutional Framework for Public Financial Management (PFM) in Osun State**

15. **Executive Powers:** The Governor holds the executive powers of the state, as per the Constitution. The Governor must prepare and submit estimates of state revenues and expenditures for the upcoming financial year to the House of Assembly before the start of each financial year. These powers may be exercised directly by the Governor or through the Deputy Governor, Commissioners, Special Advisers, Permanent Secretaries, and other officials within the Osun State public service.
16. **Role of the Executive Council (EXCO):** The Osun State Executive Council (EXCO) is responsible for setting the government's priorities and recommending the state budget to the House of Assembly. Upon the House's passage of the budget, the Governor signs it into law, thereby authorizing its implementation.
17. **Ministry of Finance:** The Ministry of Finance is a key arm of the EXCO, tasked with formulating and executing fiscal policy. Its responsibilities include managing financial policies, borrowing, investments, loans, advances, banking, treasury, and overseeing boards of survey and enquiry. The Ministry oversees two important quasi-autonomous agencies:

- **Office of the Accountant General for the State (OAGS):** The OAGS handles accounting policies and procedures, supervises and inspects the accounting operations of all Ministries, Departments, and Agencies (MDAs), monitors revenue collectors, manages state government revenue and expenditures, safeguards revenue-earning documents, manages funds, controls expenditures, invests surplus funds, compiles financial statements, and conducts treasury operations and audits. It also assigns accounting staff to various MDAs.
- **Board of Internal Revenue (BIR):** This board is responsible for generating government revenue and executing Joint Tax Board (JTB) policies. Its functions include taxation, stamp duties, motor vehicle licensing, and regulation of pools betting, gaming machines, lotteries, sweepstakes, and raffles.

18. **Ministry of Economic Planning, Budget, and Development:** This Ministry plays a pivotal role in coordinating the preparation of State Development Plans, Medium Term Sector Strategies, and the Medium Term Fiscal Framework within the context of the fiscal strategy paper and annual budget. It leads the development and tracking of plans and

budget implementation, manages development assistance from bilateral and multilateral sources, and supports Local Government Councils (LGCs) in crafting grassroots plans.

19. **Office of the Auditor General:** The Office of the Auditor General (State) is responsible for auditing and certifying the state's accounts and submitting certified reports to the SHoA. Similarly, the Auditor General (Local Government) performs these functions for the Local Government Councils (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 2025 - 2027 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 2025 - 2027 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 2025 Budget Call Circular with Capital Expenditure & Recurrent Envelopes	7th September	MEPBD (Budget Department)
7	Presentation of 2025 – 2027 MTEF (EFU-FSP-BPS) Document at EXCO for Approval	27th September	MEPBD (Hon. Commissioner)
8	Compilation of first Draft of 2025 Budget.	25th - 29th September	MDAs & MEPBD
9	Pre-Treasury Board Meeting	9th – 13th of October	Budget Committee & MEPBD (Budget Department)
10	Treasury Board Meeting	23rd – 3rd of November	Board Members
11	Submission of 2025 - 2027 MTEF (EFU-FSP-BPS) Document to House of Assembly after EXCO's Approval	4th November	MEPBD (Hon. Commissioner)
12	Collation and consolidation of MDAs 2025 Budget (Final Draft)	6th - 8th November	MDAs & MEPBD (Budget Department)
13	EXCO Consideration and Approval of 2025 Draft Budget	9th November	EXCO
14	Presentation of 2025 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 2025 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

20. 2024-2027 Projections: Global growth is expected to remain relatively stable, hovering around 3.2% for 2024-2026, with a slight dip to 3.1% in 2027. This indicates a cautious outlook for global economic growth, with stability but no significant acceleration.

21. Throughout the projection period, emerging market and developing economies consistently outperform advanced economies, with growth rates that are roughly 2.5 percentage points higher each year. This highlights the ongoing importance of emerging markets as engines of global economic expansion.

22. A moderate recovery is anticipated for Advanced economies, with growth stabilizing around 1.7%-1.8% from 2024 to 2027. This suggests that while growth may pick up slightly, it remains modest, reflecting potential challenges in advanced economies, such as tighter monetary policies or aging demographics.

23. Growth in emerging market and developing economies was higher, at 4.1% in 2022 and 4.3% in 2023, showing stronger resilience compared to advanced economies.

24. Projected growth for emerging & developing economies is expected to be moderate slightly but remain robust, with rates decreasing gradually from 4.2% in 2024 to 4.0% in 2027. This suggests emerging markets will continue to drive global growth, albeit at a slightly slower pace.

25. According to the Global Economic Outlook - June 2024, the Global Growth Forecasts have been revised. Fitch Ratings has revised its global growth forecasts upward, with an expected world growth rate of 2.6% in 2024, up from the previous forecast of 2.4%.

26. The forecast for 2025 sees a slight decrease in global growth to 2.4% as the U.S. economy slows to a below-trend rate of 1.5%, while the eurozone is expected to pick up to 1.5% growth.

27. Growth in China is projected to slow to 4.5% in 2025, following an upward revision for 2024 to 4.8%, from the previous estimate of 4.5%.

28. Eurozone Growth: Revised up by 0.2 percentage points to 0.8% for 2024, reflecting improved confidence in European recovery.

29. Emerging Markets Excluding China (EM ex-China): Growth forecast is significantly revised upward by 0.5 percentage points to 3.7% for 2024, driven by strong domestic demand.

30. India, Indonesia, and Mexico are experiencing robust growth due to strong domestic and external demand.

31. In contrast, African and Latin American economies are grappling with low growth, high inflation, and political instability, exacerbated by exchange rate pressures and elevated borrowing costs.

32. The actual global growth rate slowed from 3.5% in 2022 to 3.2% in 2023, indicating a deceleration in overall economic activity.

Table 2: Annual Real GDP Growth Rate

Real GDP growth (Annual percent change)	2022	2023	2024	2025	2026	2027
	Actual		Projected			
Advanced economies	2.6	1.6	1.7	1.8	1.8	1.7
Emerging market and developing economies	4.1	4.3	4.2	4.2	4.1	4
World	3.5	3.2	3.2	3.2	3.2	3.1

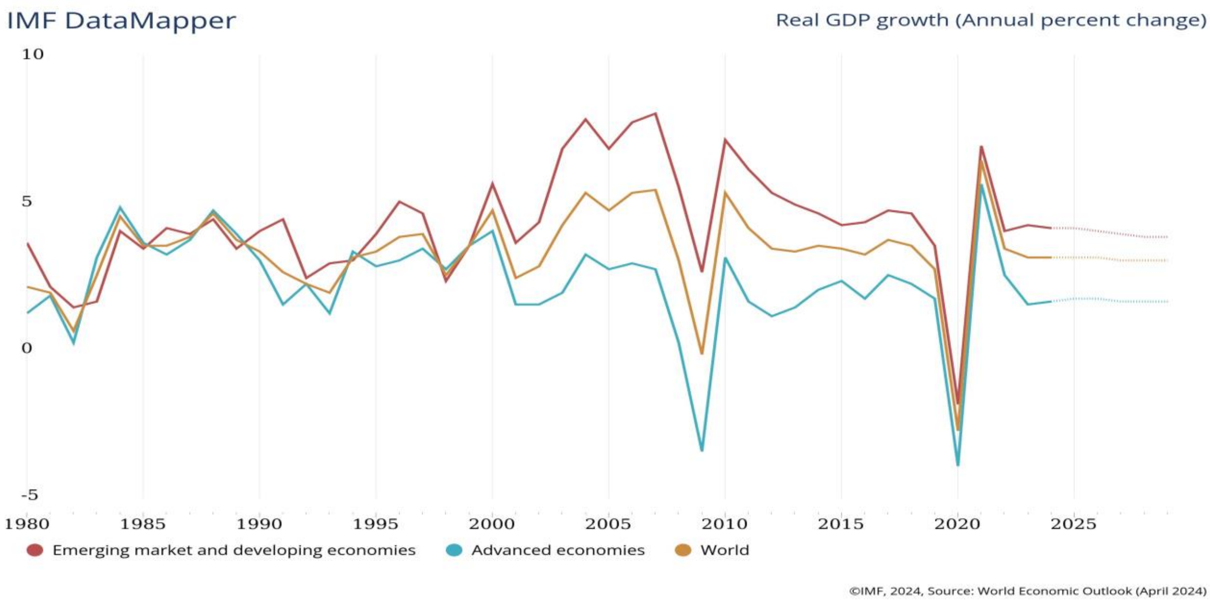
Source: ©IMF, April 2024

33. **Advanced Economies**: Growth slows from 2.6% in 2022 to an average of around 1.7-1.8% through 2027, suggesting economic stabilization at a slower rate.

34. **Emerging Markets and Developing Economies**: These economies show more robust growth, remaining around 4.1-4.3%, though with a slight decrease toward 4% by 2027.

35. **Global Perspective**: World GDP growth stabilizes around 3.1-3.2% after a peak of 3.5% in 2022, indicating a gradual leveling-off across regions.

Figure 2: Real GDP Growth Rate



Source: ©IMF, April 2024

36. **Inflation and Employment Stability:** Most major economies have successfully reduced inflation without causing significant unemployment or recessions, maintaining a cautiously optimistic outlook. However, persistent challenges such as high-interest rates, debt burdens, and geopolitical risks remain.

37. **Inflation Trends:** Inflation has generally declined since 2023, with notable disinflation in countries like Hungary, Latvia, and Ukraine. However, recent geopolitical tensions have led to rising food and energy prices, posing a risk of inflation resurgence.

38. **Expected Inflation Decline**: Advanced economies are projected to experience a general decline in inflation in 2024, driven by robust monetary policy frameworks and reduced vulnerability to commodity and exchange rate shocks.

39. **Regional Variations in Inflation Decline**: Developing Europe saw an 8.4 percentage point drop in inflation from 27.8% in 2022 to 19.4% in 2023, though inflation decreased more slowly in developing economies.

40. **Global Inflation Trends**: Inflation reached a record high in 2022, nearly doubling from pre-pandemic levels. It dropped to 6.8% in 2023 and is expected to continue declining in 2024, although it will remain above 2021 levels.

41. **Impact of Climate Shocks:** Climate-related disruptions continue to threaten economic stability, particularly affecting least developed countries (LDCs) and Small Island Developing States (SIDS). These challenges risk undoing development gains achieved over recent decades.

42. **Technological Opportunities and Risks:** The rapid pace of technological advancements, especially in artificial intelligence and machine learning, presents opportunities for productivity gains but also risks exacerbating technological divides and reshaping labor markets globally.

43. **Middle East and North Africa:** Economic uncertainties are heightened by potential conflicts in Gaza and the Red Sea, affecting regional stability.

Table 3: Inflation levels across the world (consumer prices), 2021-2024 (%)

	Inflation			
	2021	2022	2023	2024
World	4.7	8.7	6.8	5.9
Advanced Economies	3.1	7.3	4.6	2.6
United States	4.7	8	4.1	2.9
Euro Area	2.6	8.4	5.4	2.4
Japan	–0.2	2.5	3.3	2.2
Other Advanced Economies	2.3	5.6	4.2	2.5
Developing Economies	5.9	9.8	8.3	8.3
Developing Asia	2.3	3.9	2.4	2.4
Developing Europe	9.6	27.8	19.4	18.8
Latin America and the Caribbean	9.8	14	14.4	16.7
Middle East and Central Asia	12.7	13.9.0	16.7	15.5
Africa	12.7	14.2	18.2	18.4

Source: African Trade and Economic Outlook, 2024

44. Developing countries such as Angola, Argentina, and Nigeria continue to face high inflation due to balance of payments issues and currency devaluations.

45. **Trade and Investment:** Global investment has been on a decline, with a growth rate of 2.8% in 2023, reflecting high interest rates and geopolitical risks. Residential investment has particularly contracted in developed regions like the U.S. and the euro area.

46. Global trade in goods remained weak in 2023, with a 5% contraction in merchandise trade value. However, a recovery is expected in 2024, driven by destocking and robust trade between China and emerging markets.

47. **Monetary Policy Trends:** Many central banks maintained unchanged policy rates in early 2024, awaiting signals from the U.S. Federal Reserve and the European Central Bank. Some economies, including Brazil and Mexico, have already pivoted towards monetary easing.

48. Countries like Nigeria, Egypt, and Türkiye continued with monetary tightening to counterbalance currency depreciation pressures.

49. **Fiscal Policy Challenges:** High public debt and fiscal pressures remain significant concerns, especially in Africa and Latin America. In 2024, African governments are expected to allocate over 25% of public revenues to interest payments.

50. Fiscal consolidation is a priority, with many countries aiming to tighten fiscal stances while balancing public spending demands, including defense and sustainable development investments.

2. A. 2 Africa

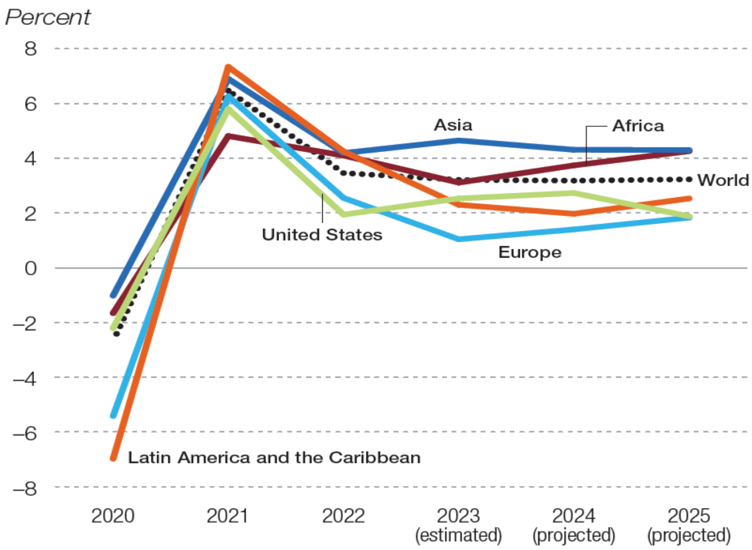
51. **Growth in Sub-Saharan Africa (SSA) Slowed to 3.1% in 2023:** The growth rate in SSA weakened to 3% in 2023, primarily due to weak economic performance in the region's three largest economies—Nigeria, South Africa, and Angola. It's also impacted by high food and energy prices, weak global demand, climate events, and regional conflicts. However, growth is expected to rise to 3.7% in 2024 and 4.3% by 2025, driven by East, West, and Southern Africa, making Africa the second-fastest-growing region globally after Asia.

  a. Nigeria: Growth slowed to 2.9% in 2023, impacted by ongoing macroeconomic adjustments but showed mild buoyancy in early 2024.

  b. South Africa: Growth weakened to 0.6% in 2023, with subdued economic activity continuing into early 2024 due to challenges such as electricity shortages, transport bottlenecks, and a high crime rate.

  c. Angola: Growth fell to 0.9% in 2023, affected by declining oil production and a lack of dynamism in non-oil sectors.

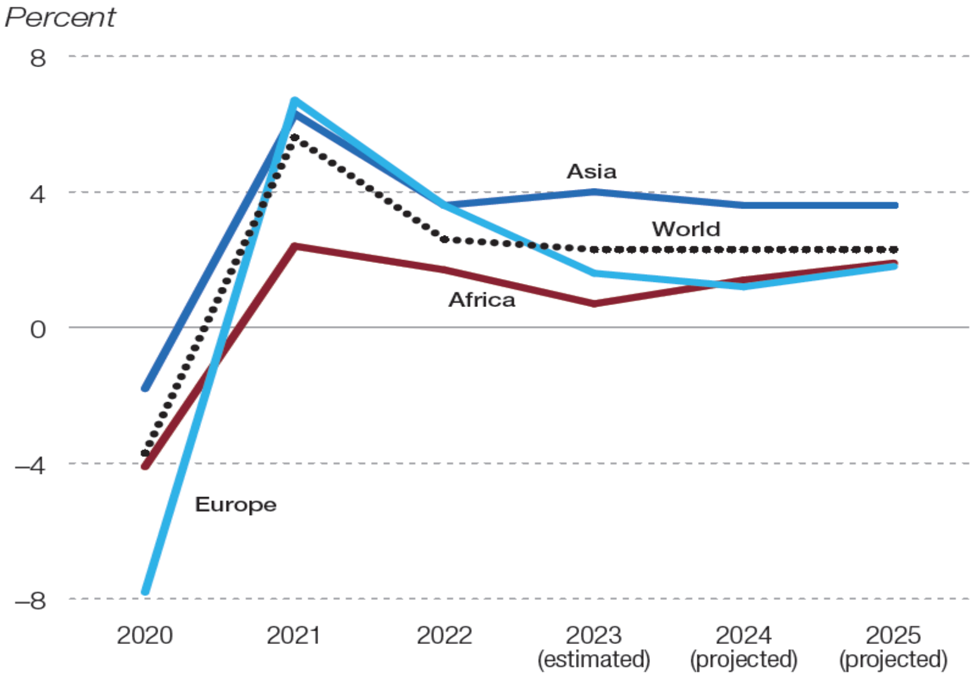
Figure 3: Real GDP Growth, by World Region, 2020 - 2025



Source: African Development bank Statistics and the International Monetary Fund's World Economic Outlook, April 2024.

52. From 2020 to 2025, real GDP per capita growth across regions is shaped by inflation, monetary tightening, and weakened currencies. Private consumption grew only modestly due to inflation eroding purchasing power, with projected improvements in 2024 potentially limited by rising living costs. Net exports saw minimal gains due to weak currencies, and as currencies stabilize, imports may increase, further constraining growth. Investment declined in 2023 but is expected to rebound in 2024-25 with reforms aimed at attracting domestic and foreign investment, underscoring varied economic resilience across regions.

Figure 4: Growth of real GDP per capita, by world region, 2020–25



Source: African Development Bank statistics; the International Monetary Fund's World Economic Outlook, April 2024; and United Nations Population Division estimates.

53. **Weak Government Balance Sheets:** Many SSA economies are grappling with weak government balance sheets due to low revenue collection and high debt-service costs.

54. Currency depreciations have further exacerbated these fiscal challenges, impacting economic stability.

55. **Regional Growth Variations:**

    a. ***East Africa:*** The fastest-growing region, with projected growth from 1.5% in 2023 to 5.7% in 2025, although facing challenges in Sudan and South Sudan.

    b. ***Central Africa:*** Moderate growth expected from 4.3% in 2023 to 4.7% by 2025, benefiting from stronger economies like Chad and the Democratic Republic of Congo.

    c. ***West Africa:*** Growth anticipated to increase from 3.6% in 2023 to 4.4% in 2025, with strong performance from economies like Côte d'Ivoire, Ghana, Nigeria, and Senegal.

    d. ***North Africa:*** Expected to slow down slightly but should rebound by 2025.

    e. ***Southern Africa:*** Projected recovery from 1.6% in 2023 to 2.7% by 2025, aided by growth in South Africa.

56. **Economic Group Differentiation:**

    a. ***Non-resource-intensive economies***: Growth driven by public investments in infrastructure, projected at 5.6% by 2025.

    b. ***Tourism-dependent economies***: Expected slowdown due to a return to pre-COVID tourism levels.

    c. ***Oil-exporting economies***: Expected to decrease in 2024 due to lower OPEC production targets and challenges in oil exports.

    d. ***Other resource-intensive economies***: Growth projected to rise, largely driven by China's demand for African minerals.

57. **Inflation Trends**: Africa's average inflation rose from 14% in 2022 to 17% in 2023, with East Africa experiencing the highest rates, mainly due to food shortages, currency depreciation, and high US interest rates. Inflation pressures have eroded socioeconomic gains and are mixed across regions.

58. **Fiscal and Current Account Deficits**: Africa's average fiscal deficit rose marginally in 2023 to 5% of GDP, and current account deficits are projected to widen due to high oil prices and an increase in import costs. However, some improvements are expected as global trade stabilizes.

59. **Currency Depreciation:** Many African currencies depreciated in 2023, notably Nigeria's Naira, reflecting currency market corrections and reforms. Pegged currencies (e.g., CFA franc) gained slightly against the dollar.

60. **Public Debt:** Africa's public debt remains above pre-pandemic levels but has stabilized, with the median debt ratio expected to decline slightly to around 60% by 2024.

61. **Downside Risks**: Key risks include persistent inflation, geopolitical tensions, potential surges in commodity prices, increased regional conflicts, and climate shocks that could hinder economic recovery.

62. **Potential Upside**: Fiscal consolidation, improved debt restructuring, and enhanced economic resilience offer possible positive trends for economic stability in Africa.

Table 4: Economic Forecast: Sub-Saharan Africa

	2022	2023	2024	2025	2026	2027
Real GDP growth (Annual percent change)	Actual		Projected			
Cameroon	3.6	4	4.3	4.5	4.5	4.5
Central African Republic	0.5	0.7	1.3	1.7	1.9	2.1
Chad	3.1	4.4	2.9	3.7	2.8	2.6
Gabon	3	2.3	2.9	2.7	2.6	2.6
Ghana	3.1	2.3	2.8	4.4	4.9	5
Niger	11.9	1.4	10.4	6.1	5.9	5.8
Nigeria	3.3	2.9	3.3	3	3	3.3
Senegal	4	4.1	8.3	10.2	5.2	5.1
Seychelles	15	3.7	3.2	3.8	3.8	3.7
Africa (Region)	4	3.2	3.5	4	4	4.2
Sub-Saharan Africa (Region)	3.8	2.7	3.6	4.1	4.1	4.4
Emerging and Developing Asia	4.4	5.6	5.2	4.9	4.7	4.6
Emerging and Developing Europe	1.2	3.2	3.1	2.8	2.6	2.6
Emerging market and developing economies	4.1	4.3	4.2	4.2	4.1	4
Sub-Saharan Africa	4	3.4	3.8	4	4	4.3
World	3.5	3.2	3.2	3.2	3.2	3.1

Source: IMF, WEO, October 2024

2. A. 3 Nigerian Economy

63. **Gross Domestic Product (GDP): Nigeria's Growth Trends**:

a) ***2004-2010:*** Nigeria experienced strong growth, peaking at 11.26% in 2010, driven by the oil boom.

b) ***2011-2014:*** Growth decelerated, settling around 4.9%-6.3%, as oil prices fluctuated.
c) ***2015-2016 Recession:*** A sharp decline in oil prices led to a significant slowdown, with GDP growth falling to -1.62% in 2016.
d) ***2017-2023 Recovery:*** The economy gradually recovered, with growth averaging around 2%-3.6%.
e) ***2024-2025 Outlook:*** Nigeria is expected to grow modestly at 3.34% in 2024 and 2.96% in 2025.

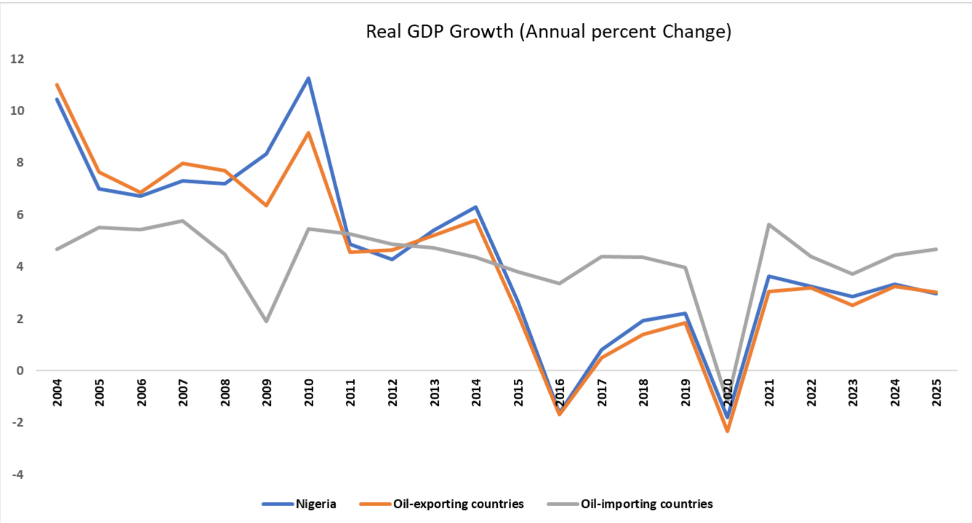
64. ***GDP Growth Projections:*** GDP expected to grow by 3.3% in 2024, with an annual average of 3.7% from 2025 to 2027.

65. **Oil-Exporting vs. Oil-Importing Countries:**
a) Oil-importing countries maintained more stable growth throughout the period, less affected by the oil price shocks that heavily impacted oil-exporting economies, including Nigeria.
b) Oil-exporting countries experienced more volatility, particularly during oil price collapses (e.g., 2015-2016).

66. **Recent and Future Trends:**

67. While growth for oil-exporting economies, including Nigeria, is expected to remain moderate and below pre-2014 levels, oil-importing countries are projected to experience stronger and more consistent growth in the coming years.

Figure 5: Nigeria Real GDP Growth



Source: WEO, IMEF, October, 2024

68. **Reforms and Economic Stability:** Nigeria implemented significant reforms to stabilize its economy, showing early positive results. These reforms included fiscal stabilization measures, tighter monetary policies, and exchange rate adjustments.

69. The reforms, while necessary, have imposed short-term pressures on households and businesses.

70. **Increase in foreign exchange reserves**: From $32.9 billion (end of 2023) to over $38.8 billion (mid-October 2024).

71. Despite gains, inflation remains high, driven by gasoline price hikes and recent floods.

72. Inflation projected to peak at 31.7% in 2024 but expected to decline to 14.3% by 2027 if current policies are maintained.

73. Poverty levels are projected to increase to 38.8% in 2024. Despite the high unemployment rate in the country, low consumer spending and purchasing power remains an issue,

especially in the absence of commensurate increase in minimum wage to mitigate the inflationary growth in the economy.

74. ***Conflict and Displacement:*** Prolonged conflicts in Nigeria's Northeast, North West, and North Central regions continue to drive severe food insecurity, particularly affecting displaced persons and inaccessible areas. Crisis (IPC Phase 3) and Emergency (IPC Phase 4) food insecurity outcomes are expected through early 2025.

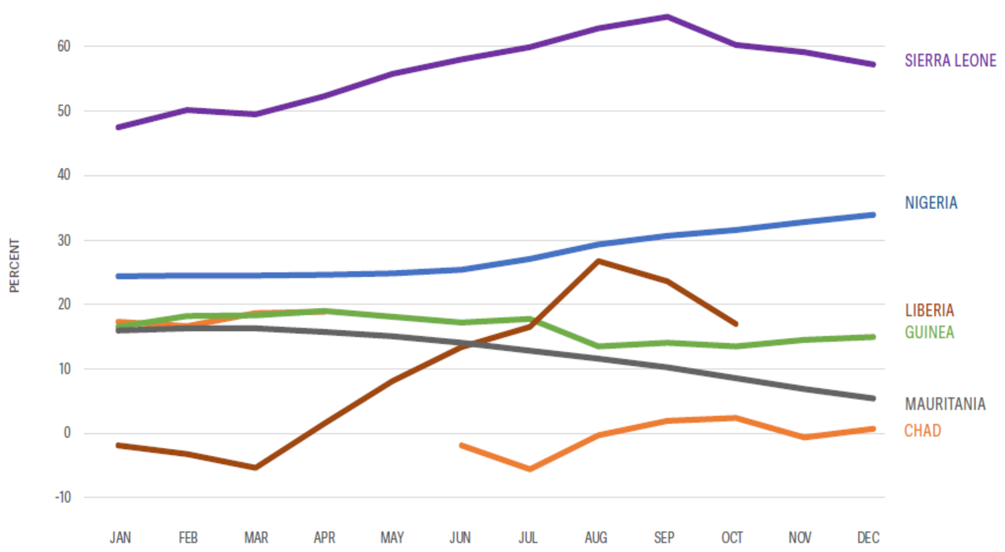
75. ***Humanitarian Assistance:*** An estimated 17-18 million people will require aid during the 2024 lean season, with the Northeast being prioritized. Humanitarian assistance meets only partial caloric needs and may be reduced after the October harvest, even though high needs persist.

76. A severe macroeconomic crisis, with inflation reaching 33.95% and a significant naira depreciation, has reduced purchasing power, particularly impacting vulnerable households. Basic necessities remain unaffordable for many.

77. ***Food Prices and Livelihoods:*** Staple food and livestock prices are unusually high, with labor wages failing to keep pace with inflation, exacerbating food insecurity.

78. High food prices in Nigeria are primarily driven by inflation; as a result of subsidy removal on fuel, which raised transportation and agricultural costs, and the rapid depreciation of the Naira following exchange rate unification, which increased import costs. Additionally, tight monetary policy by the Central Bank elevated borrowing costs, limiting investment in agriculture. Combined with low oil production and a weakened global economy, these factors reduced purchasing power and elevated production costs, ultimately driving food prices higher, (African Development Bank. (2024). *Country focus report 2024 – Nigeria: Driving the Nigeria transformation, the reform of global financial architecture).*

Figure 6: Very high food inflation throughout 2023 in several coastal countries of the region



Source: Trading Economics, 2024.

79. ***Outlook and Needs:*** Acute food insecurity will likely remain widespread in conflict-affected areas through the post-harvest season, underscoring a critical need for sustained and expanded humanitarian food aid across Nigeria.

80. **Escalating Food Insecurity**: Northeast, North West, and North Central Nigeria face Crisis (IPC Phase 3) levels of food insecurity, worsened by conflicts and economic instability.

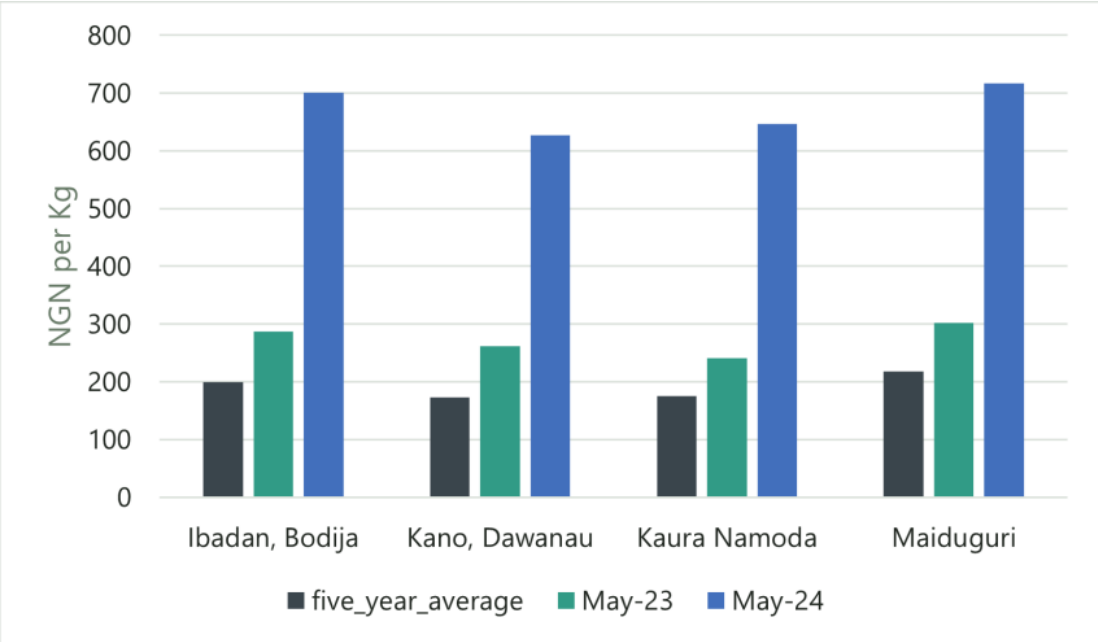
81. **Conflict Impact**: Conflict, especially in Northeast states like Borno, disrupts food access, leading to Emergency (IPC Phase 4) outcomes in some LGAs until early 2025, particularly affecting IDPs and returnees.

82. **Humanitarian Aid Shortfalls**: IDPs receive about 70% of caloric needs from food assistance, but this aid may decrease post-October harvest, despite continuing needs.

83. **Macroeconomic Crisis**: Inflation reached 33.95% in May 2024, with the naira depreciating by over 90%, reducing purchasing power and exacerbating high food prices.

84. **Urgent Need for Aid**: Humanitarian food aid requirements will remain elevated throughout the lean season and into the post-harvest period.

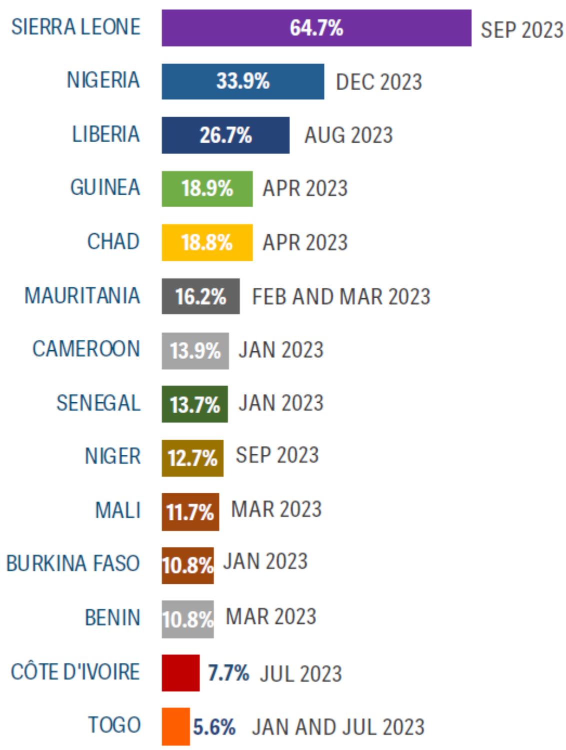
Figure 7 Price of maize in select markets, May 2024



Source: FEWS NET

85. **2024 Outlook**: High food insecurity is expected to persist due to ongoing conflicts, displacements, and climate shocks, though humanitarian efforts could reduce severity.

Figure 8: Highest annual food inflation rate by country, 2023



Source: Trading Economics, 2024.

86. **Decreased Share of Population in Crisis**: The share of people facing acute food insecurity has slightly decreased since the peak in 2022, though absolute numbers remain high due to expanded coverage.

87. **Coverage Expansion**: Increased analysis in Chad (94% to 100%) and Nigeria (72% to 91%) revealed more people in high food insecurity phases.

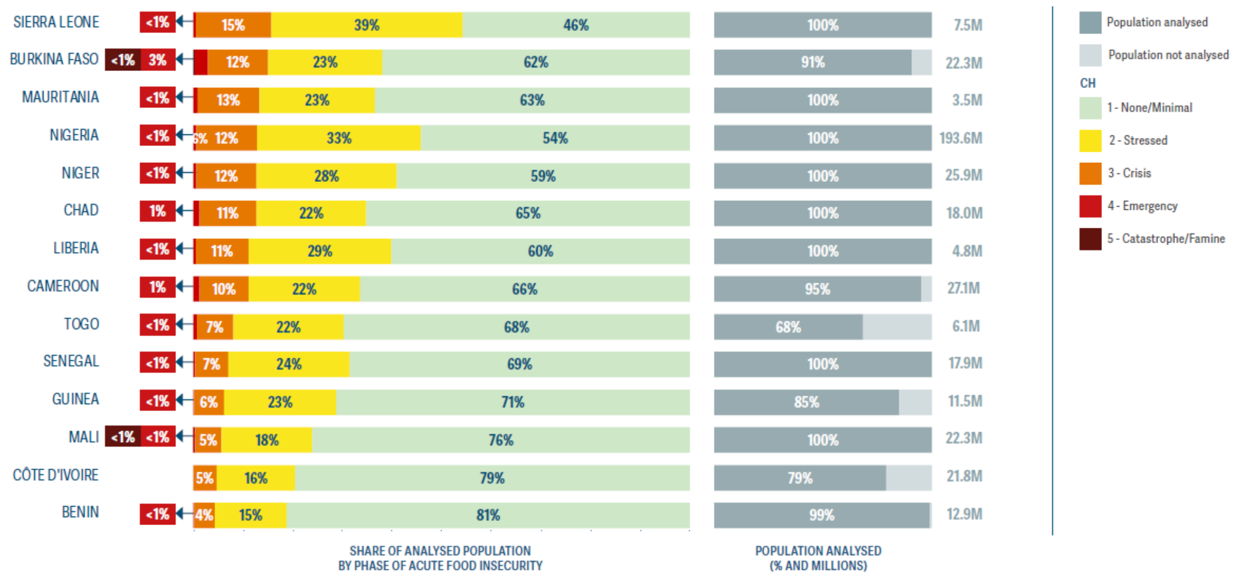
88. **Severe Crisis Areas**: Burkina Faso and Mali saw increases in people facing "Catastrophe" (CH Phase 5), with record high numbers in Burkina Faso due to blockades and conflict.

89. **Country-Specific Variations**:

- **Worsened**: Chad, Liberia, and Senegal experienced increased food insecurity.
- **Improved**: Mauritania, Guinea, and Niger showed significant reductions in acute food insecurity, likely from better crop and livestock production.

90. **CH Phase 4 (Emergency)**: 2.7 million people across 13 countries face Emergency levels, with Nigeria hosting the highest number, mainly in northern states.

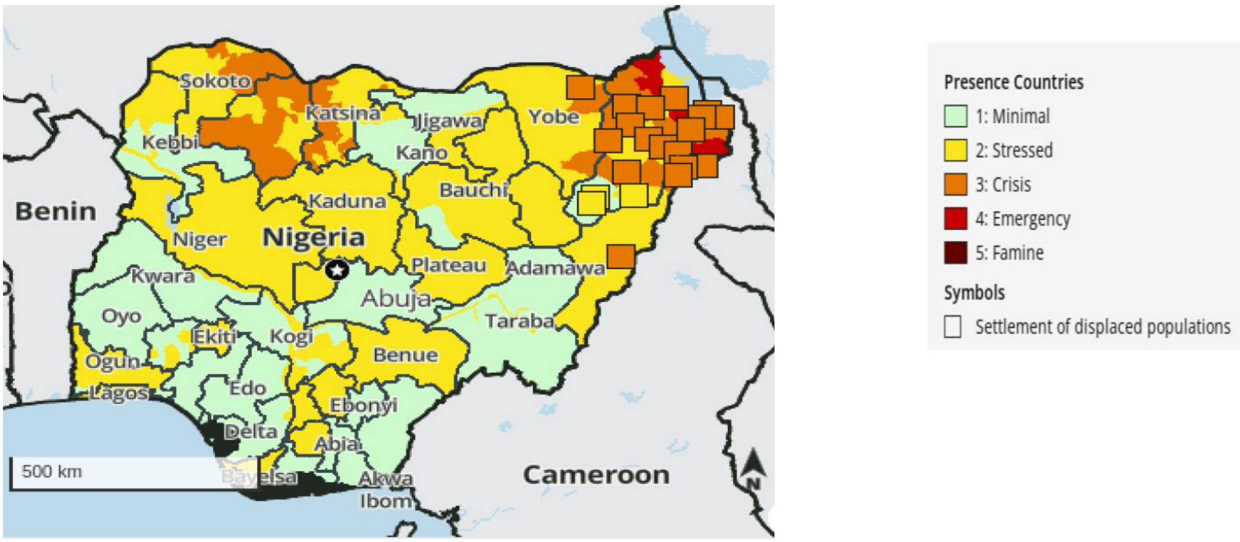
Figure 9: **Share of analyzed populations by phase of acute food insecurity, 2023 peak**



Source: Cadre Harmonisé, 2023.

91. High Food Insecurity: Food-insecure Nigerians reached 100 million by Q1 2024, with millions facing acute hunger.

Figure 10: Projected Food Security Outcome, June – September 2024



Source: FEWS NET, June 2024 - January 2025 Report

92. Agricultural Sector Constraints: Productivity declined due to land, soil, seed, and mechanization gaps.

93. Post-Harvest Losses: High rates, particularly for tubers and vegetables.

94. Infrastructure Gaps: Inadequate storage, poor rural roads, and limited irrigation hinder food security.

95. Financial Barriers: Limited access to credit for smallholder farmers restricts productivity.

2. A.4 Osun State Economy

96. Overview: The economic performance of Osun State for the first half of the year (January to June) has demonstrated some significant variances when compared to the budget projections for the entire year (January to December). This analysis focuses on revenue, recurrent expenditure, and capital expenditure.

Table 5: Osun Budget Performance as at June 2024

Category	Budget Amount (₦)	Actual Amount (₦)
Revenue	203,867,575,610.00	88,116,433,135
Recurrent Expenditure	164,060,976,700.00	52,719,172,056
Capital Expenditure	109,848,020,710.00	38,770,611,146

Source: MoEPB&D, Osun State

97. **Revenue Generation:**

a. Budget vs. Actual: The budgeted revenue for the year was ₦203.87 billion, while the actual revenue collected in the first six months was ₦88.12 billion. This indicates a shortfall of approximately 57.5% compared to the budgeted expectations.

b. Implications: The significant gap suggests challenges in revenue collection, possibly due to economic constraints, inefficiencies in tax administration, or lower-than-expected economic activities.

98. **Recurrent Expenditure:**

a. ***Budget vs. Actual***: With a budget of ₦164.06 billion and actual spending of ₦52.72 billion, recurrent expenditure is aligned to maintain operational stability. The expenditure reflects about 32% of the annual budget within the first half of the year.

b. ***Implications***: The lower actual expenditure compared to the budget indicates potential underspending, which could be due to delays in service delivery or procurement processes. This raises questions about the state's capacity to meet its obligations.

99. **Capital Expenditure:**

a. ***Budget vs. Actual:*** The capital expenditure budget was ₦109.85 billion, with actual spending reaching ₦38.77 billion. This amounts to roughly 35% of the annual capital budget utilized in just six months.

b. ***Implications***: The relatively higher proportion of capital spending compared to recurrent expenditure indicates an emphasis on infrastructure and development projects. However, delays in capital projects can hinder growth and service delivery, especially if the remaining budget is not effectively utilized in subsequent months.

100. **Conclusion:** The Osun State economy is experiencing significant challenges in revenue generation, with both recurrent and capital expenditures reflecting lower actual amounts compared to budget projections. Addressing the revenue shortfall and ensuring effective expenditure will be crucial for the state's economic stability and growth in the remaining months of the fiscal year. Enhanced fiscal management and strategies to boost revenue collection will be essential for achieving the budgetary goals and supporting development initiatives.

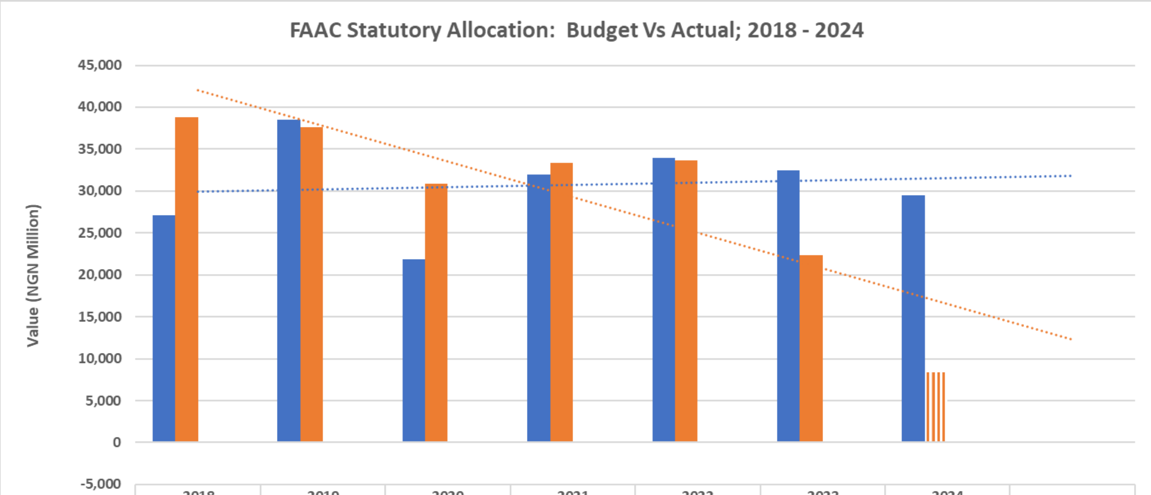
2. B. Osun State Fiscal Update

2. B.1 Historic Trends

Revenue Side

101. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2018-2024 (Seven years historic).

Figure 11: Statutory Allocation



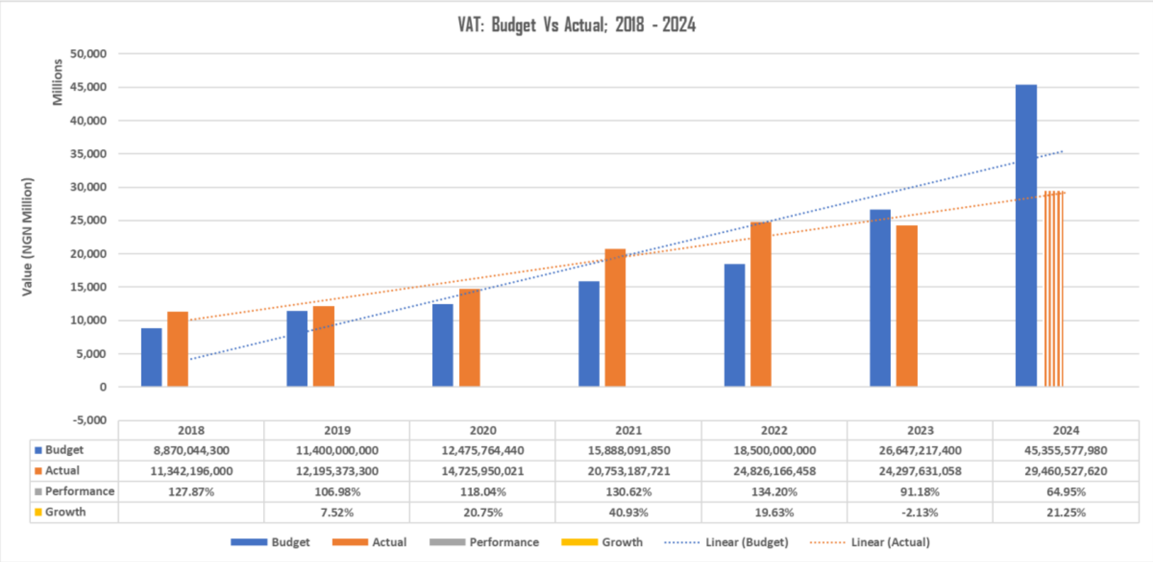
	2018	2019	2020	2021	2022	2023	2024
Budget	27,064,054,430	38,500,000,000	21,853,265,710	31,943,474,170	33,950,000,000	32,469,833,700	29,500,000,000
Actual	38,780,139,789	37,637,412,367	30,913,592,920	33,348,473,348	33,689,343,137	22,317,021,902	8,387,982,946
Performance	143.29%	97.76%	141.46%	104.40%	99.23%	68.73%	28.43%
Growth		-2.95%	-17.86%	7.88%	1.02%	-33.76%	-62.41%

102. **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.

103. Budget vs. Actual Performance: Statutory Allocation budgets peaked in 2019 at ₦38.5 billion and saw a gradual decline in the subsequent years, with 2024 budgeted at ₦29.5 billion. The actual performance generally exceeded expectations until 2022, with 2018 showing the highest performance at 143.29%. However, 2024 actual performance at 28.43% appears low; considering it's only based on the first six months, this performance—adjusted to approximately 56.86% when annualized—suggests that it is relatively on track, even if below peak years.

104. Trends: From 2018 to 2022, actual allocations demonstrated a fluctuating trend with slight gains in 2021 and 2022. The dip in 2023 (-33.76%) reflects potential economic constraints, but the partial 2024 data indicates some recovery if annualized.

Figure 12: VAT



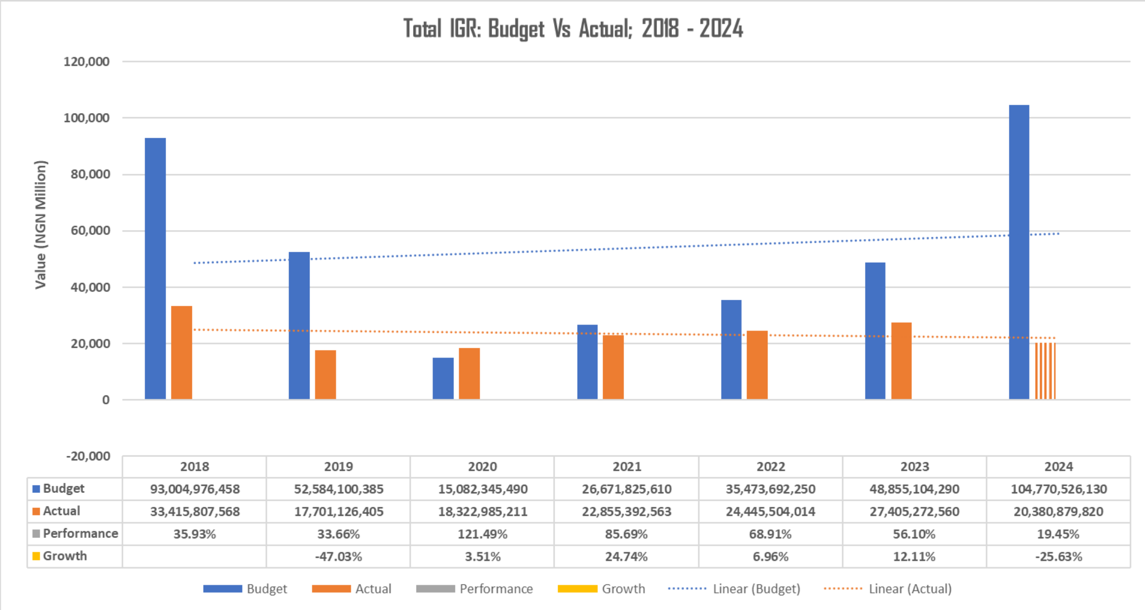
	2018	2019	2020	2021	2022	2023	2024
Budget	8,870,044,300	11,400,000,000	12,475,764,440	15,888,091,850	18,500,000,000	26,647,217,400	45,355,577,980
Actual	11,342,196,000	12,195,373,300	14,725,950,021	20,753,187,721	24,826,166,458	24,297,631,058	29,460,527,620
Performance	127.87%	106.98%	118.04%	130.62%	134.20%	91.18%	64.95%
Growth		7.52%	20.75%	40.93%	19.63%	-2.13%	21.25%

105. **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.

106. Budget vs. Actual Performance: VAT budget allocations increased steadily from ₦8.87 billion in 2018 to ₦45.36 billion in 2024. Actual collections consistently outperformed the budget until 2023. In 2024, with a performance of 64.95% based on half-year data, it effectively adjusts to 129.9% when considering a full-year context, indicating strong VAT collection continuity.

107. Trends: VAT has shown a consistent upward growth, particularly from 2018 to 2022, with notable increases in 2020 (+40.93%) and 2021 (+19.63%). A brief dip in 2023 (-2.13%) was countered by a partial rebound in 2024, suggesting resilient VAT income.

Figure 13: IGR



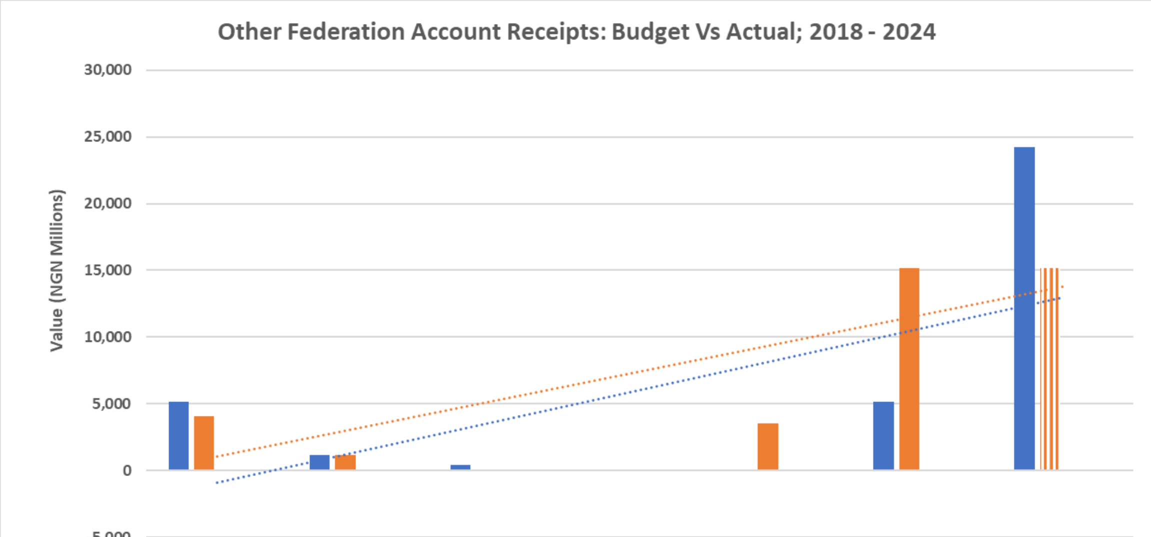
	2018	2019	2020	2021	2022	2023	2024
Budget	93,004,976,458	52,584,100,385	15,082,345,490	26,671,825,610	35,473,692,250	48,855,104,290	104,770,526,130
Actual	33,415,807,568	17,701,126,405	18,322,985,211	22,855,392,563	24,445,504,014	27,405,272,560	20,380,879,820
Performance	35.93%	33.66%	121.49%	85.69%	68.91%	56.10%	19.45%
Growth		-47.03%	3.51%	24.74%	6.96%	12.11%	-25.63%

108. **IGR, short for "Internally Generated Revenue:**

109. **Budget vs. Actual Performance:** IGR budgets saw considerable variation, dropping in 2019 and 2020 before recovering sharply to ₦104.77 billion in 2024. Actual performance peaked in 2020 (121.49%), but in 2024, with a reported half-year performance of 19.45%, the annualized figure of approximately 38.9% suggests underperformance compared to historical highs.

110. **Trends**: IGR showed positive growth spikes in 2020 (+24.74%) and 2021 (+6.96%), but a downturn in 2024 (-25.63%) suggests challenges in maintaining consistent revenue collection amidst economic pressures.

Figure 14: Other FAAC Receipts



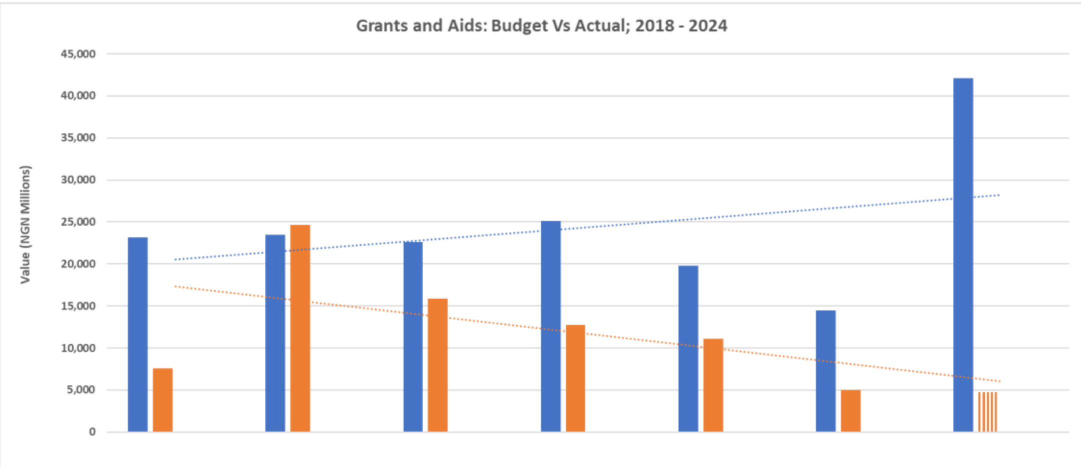
	2018	2019	2020	2021	2022	2023	2024
Budget	5,130,460,470	1,175,000,000	400,000,000		-	5,130,052,450	24,241,471,500
Actual	4,092,654,126	1,184,285,886			3,493,876,606	15,177,018,873	15,156,973,179
Performance	79.77%	100.79%	0.00%	0.00%	0.00%	295.85%	62.52%
Growth		-71.06%	-100.00%	0.00%	0.00%	334.39%	-0.13%

111. **Other FAAC Receipts**:

a. **Budget vs. Actual Performance:** Other FAAC Receipts had irregular budgeting, with some years lacking allocations. In 2023, the budget peaked at ₦24.24 billion with a record 295.85% performance. In 2024, the half-year actual data shows a performance of 62.52%, translating to 125.04% when annualized, indicating that the receipts are on track.

b. **Trends**: A major spike in 2023 (+334.39%) and a steady 2024 performance suggest volatility but improved predictability in recent years, even with data limitations.

Figure 15: Grants



	2018	2019	2020	2021	2022	2023	2024
Budget	23,153,870,020	23,480,638,705	22,638,654,470	25,139,160,010	19,793,448,300	14,458,570,300	42,089,755,860
Actual	7,581,102,677	24,616,016,295	15,900,777,714	12,745,943,555	11,096,057,045	5,019,687,798	4,730,069,570
Performance	32.74%	104.84%	70.24%	50.70%	56.06%	34.72%	11.24%
Growth		224.70%	-35.40%	-19.84%	-12.94%	-54.76%	-5.77%

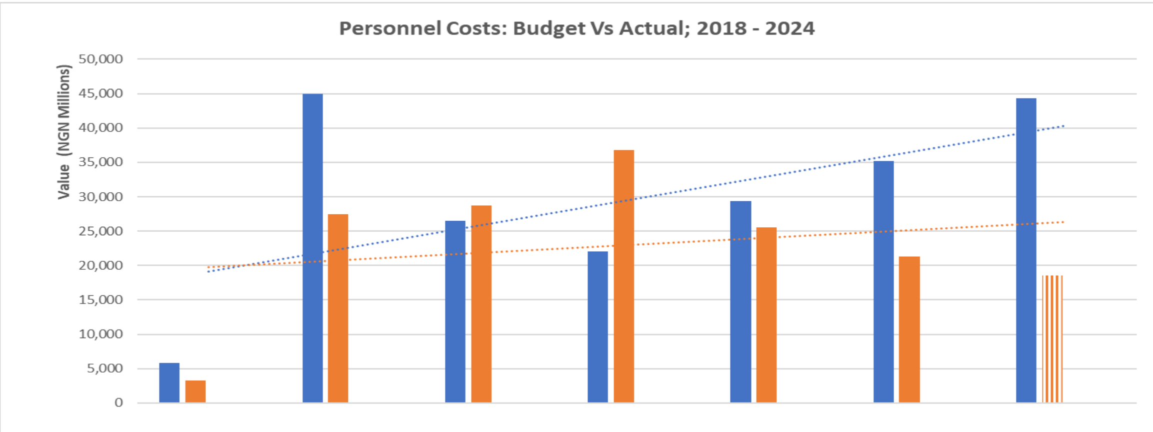
112. **Grant** :

a. Budget vs. Actual Performance: The budget for Grants and Aids remained steady until a surge to ₦42.09 billion in 2024**.** The half-year actual performance at 11.24% suggests about 22.48% when adjusted annually, indicating a significant underperformance relative to the budget.

b. Trends: Early growth in 2019 (+224.7%) gave way to consistent declines, reflecting challenges in attracting grants or possible tighter funding criteria. The partial 2024 data continues this downward trend.

Expenditure Side

Figure 16: Personnel



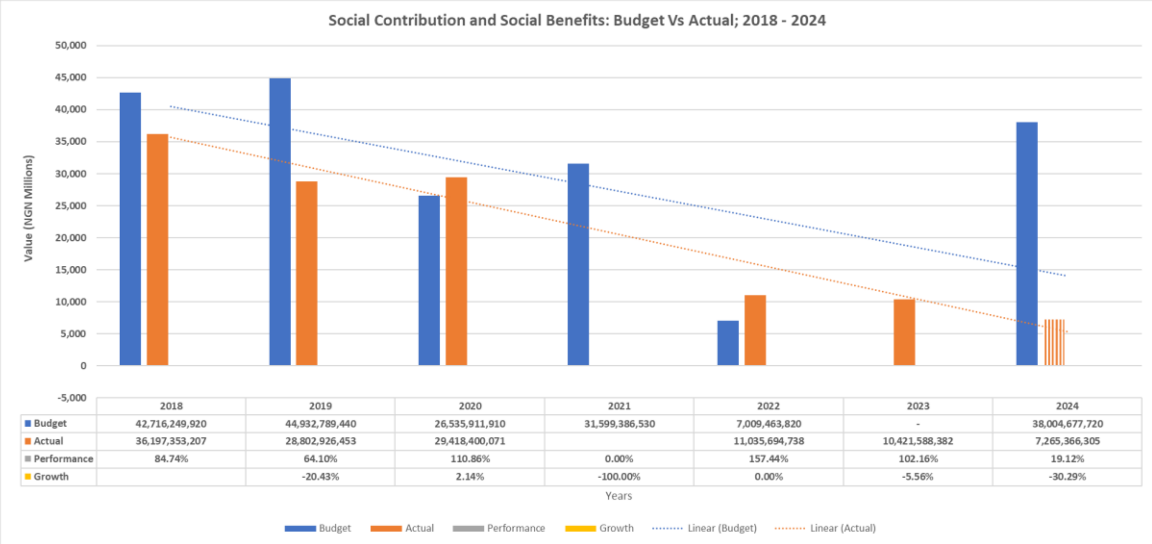
	2018	2019	2020	2021	2022	2023	2024
Budget	5,850,117,850	44,932,789,440	26,535,911,910	22,012,471,490	29,375,469,350	35,249,526,450	44,357,225,280
Actual	3,227,831,997	27,410,771,327	28,748,672,359.37	36,773,538,267	25,584,796,908	21,276,030,155	18,571,529,825
Performance	55.18%	0.00%	108.34%	167.06%	87.10%	60.36%	41.87%
Growth		749.20%	0.00%	27.91%	-30.43%	-16.84%	-12.71%

113. **Personnel Expenditure**:

a. **Budget vs. Actual Performance**: Personnel expenditure budgets fluctuated, peaking in 2019 at ₦44.93 billion. Actual performance reached a high in 2021 (1785.19%), likely due to back payments or adjustments. The half-year 2024 performance at 41.87% effectively annualizes to 83.74%, suggesting personnel expenditure is stable.

b. **Trends**: After a significant spike in 2021, the trend has been downward, indicating a controlled approach to personnel costs, with slight reductions each subsequent year.

Figure 17: Social Contributions and Social Benefits

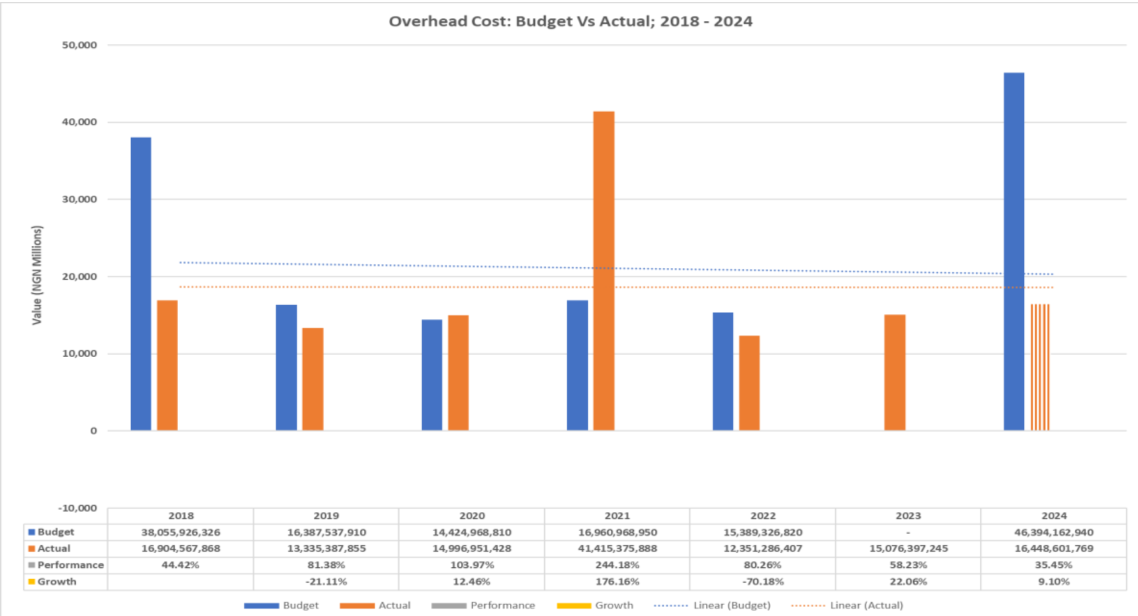


	2018	2019	2020	2021	2022	2023	2024
Budget	42,716,249,920	44,932,789,440	26,535,911,910	31,599,386,530	7,009,463,820	-	38,004,677,720
Actual	36,197,353,207	28,802,926,453	29,418,400,071		11,035,694,738	10,421,588,382	7,265,366,305
Performance	84.74%	64.10%	110.86%	0.00%	157.44%	102.16%	19.12%
Growth		-20.43%	2.14%	-100.00%	0.00%	-5.56%	-30.29%

114. **Budget vs. Actual Performance:** The budget for Social Contributions varied, with a noticeable reduction after 2021. The 2024 half-year actual data shows 19.12%, which, if annualized, suggests a potential 38.24% performance.

115. **Trends**: Spending has declined steadily from 2018 to 2024, reflecting potential shifts in budget priorities or a tightening of funds for social benefits.

Figure 18: Overheads

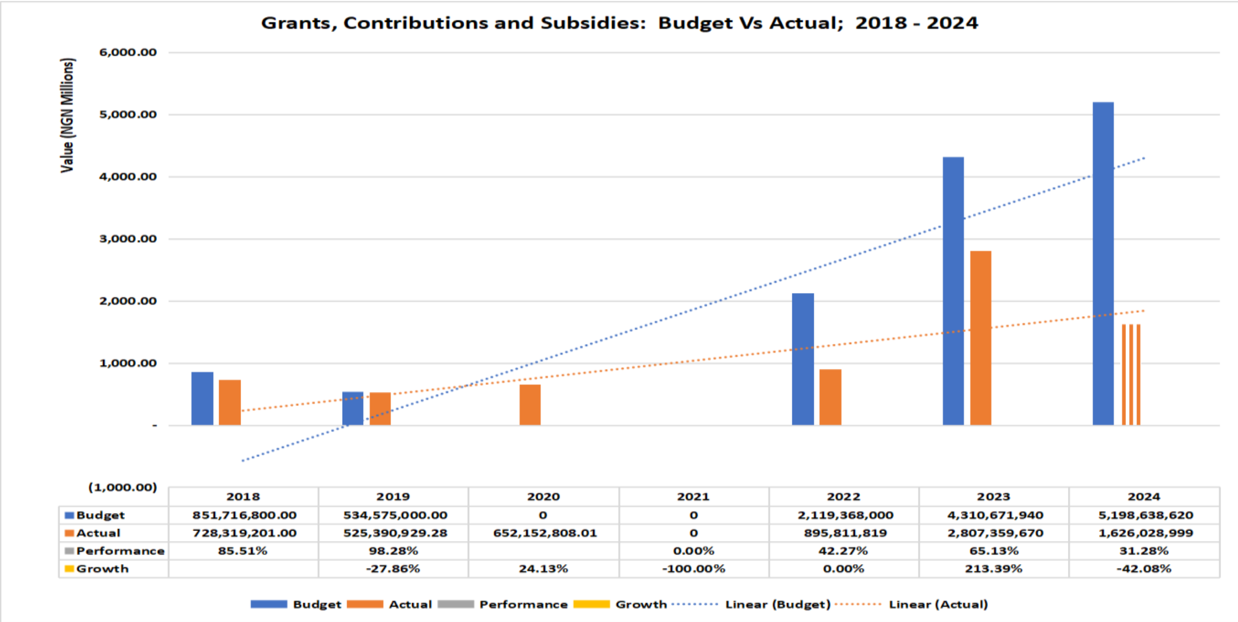


	2018	2019	2020	2021	2022	2023	2024
Budget	38,055,926,326	16,387,537,910	14,424,968,810	16,960,968,950	15,389,326,820	-	46,394,162,940
Actual	16,904,567,868	13,335,387,855	14,996,951,428	41,415,375,888	12,351,286,407	15,076,397,245	16,448,601,769
Performance	44.42%	81.38%	103.97%	244.18%	80.26%	58.23%	35.45%
Growth		-21.11%	12.46%	176.16%	-70.18%	22.06%	9.10%

116. Budget vs. Actual Performance: The overhead budget saw increases, reaching ₦46.39 billion in 2024. Actuals peaked in 2021 with a performance of 244.18%. The half-year 2024 actual at 35.45% suggests an annualized performance of 70.9%, showing stability.

117. Trends: After a sharp increase in 2021 (+176.16%), there's been a stabilization in overhead expenditure, aligning with efforts to control administrative costs.

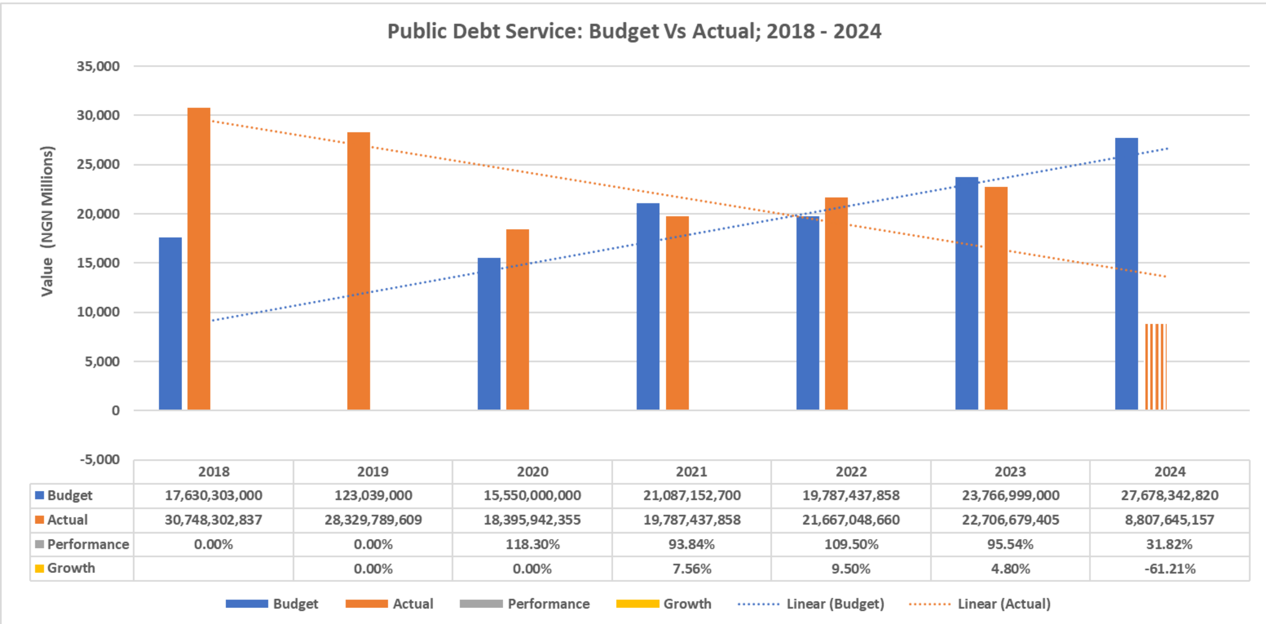
Figure 19: Grants, Contributions and Subsidies



118. **Budget vs. Actual Performance:** The budget remained modest until an increase in 2023 and 2024. The 2024 half-year actual performance at 31.28% annualizes to 62.56%, reflecting fair alignment with budget expectations.

119. **Trends**: A surge in 2023 (+213.39%) indicates variability in these expenses, with a moderated but stable pattern in 2024, pointing to clearer budget management.

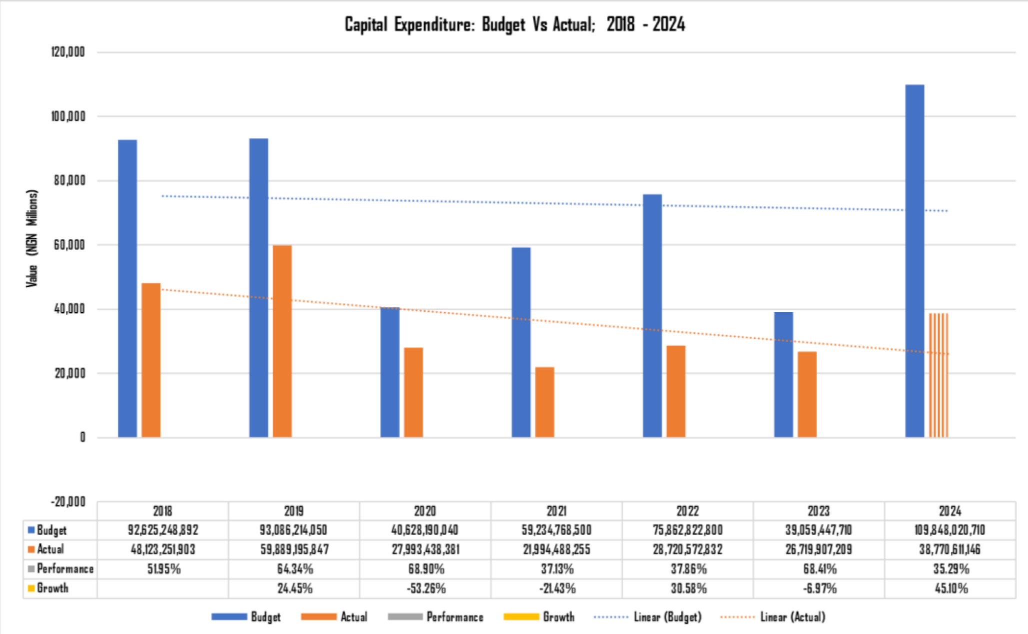
Figure 20: Public Debt Service



120. **Budget vs. Actual Performance:** Public debt service budgets varied, peaking in 2024 at ₦27.68 billion. This is largely due to higher exchange rate. The half-year actual at 31.82% suggests an annualized 63.64% performance, implying it is on track.

121. **Trends**: Debt servicing costs grew until 2023 before a reduction, reflecting potential refinancing efforts or debt restructuring.

Figure 21: Capital Expenditure



	2018	2019	2020	2021	2022	2023	2024
Budget	92,625,248,892	93,086,214,050	40,628,190,040	59,234,768,500	75,862,822,800	39,059,447,710	109,848,020,710
Actual	48,123,251,903	59,889,195,847	27,993,438,381	21,994,488,255	28,720,572,832	26,719,907,209	38,770,611,146
Performance	51.95%	64.34%	68.90%	37.13%	37.86%	68.41%	35.29%
Growth		24.45%	-53.26%	-21.43%	30.58%	-6.97%	45.10%

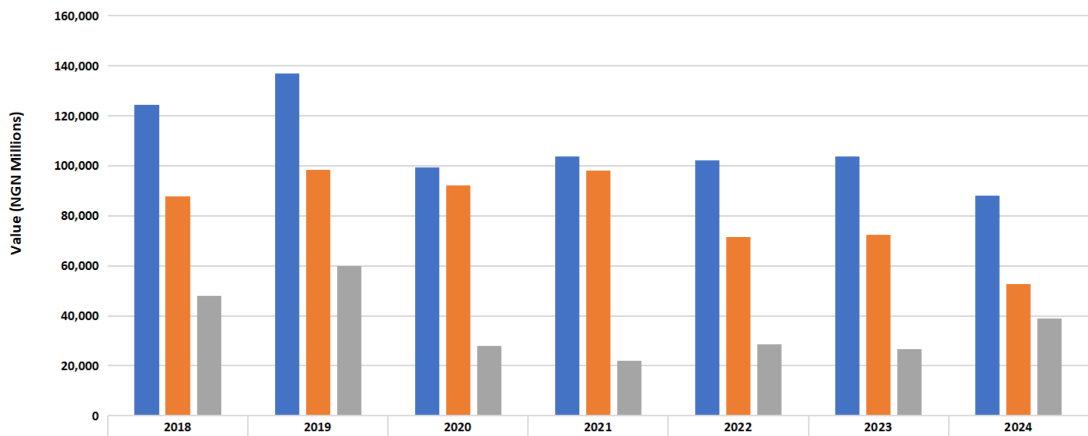
122. **Capital expenditure**:

123. Budget vs. Actual Performance: Capital expenditure budgets rose significantly in 2024 (₦109.85 billion). The half-year actual of 35.29% effectively adjusts to an annualized 70.58%, indicating a decent performance in 2024 if spending continues at the same pace.

124. Trends: Despite dips in 2020 and 2021, there was a recovery in 2023, and the 2024 half-year performance shows potential to maintain steady capital investments.

Figure 22: Fiscal Performance Summary

Fiscal Performance Summary: 2018 - 2024



	2018	2019	2020	2021	2022	2023	2024
Revenue	124,539,667,560	137,000,139,753	99,410,727,366	103,910,492,936	102,108,813,484	103,884,647,265	88,116,433,135
Recurrent Expenditure	87,806,375,109	98,404,266,172	92,212,119,022	97,976,352,013	71,534,638,532	72,288,054,856	52,719,172,056
Capital Expenditure	48,123,251,903	59,889,195,847	27,993,438,381	21,994,488,255	28,720,572,832	26,719,907,209	38,770,611,146

Revenue Recurrent Expenditure Capital Expenditure

Details

125. Revenue Trend:

Comparative Increase in 2024 Revenue: Revenue for the first half of 2024 reached ₦88.1 billion, already covering 84.8% of 2023's total ₦103.9 billion. This indicates a positive growth trend, with 2024 on track to surpass previous years' revenues. After a decline from the 2019 peak of ₦137 billion, this strong performance may signal a turnaround driven by new revenue initiatives or economic improvements.

126. **Recurrent Expenditure Trend:**

Recurrent spending for the first half of 2024 totaled ₦52.7 billion, about 73% of 2023's ₦72.3 billion, indicating a potential full-year decrease. This continues the post-2021 trend of reducing recurrent expenditures, reflecting ongoing fiscal discipline in managing operational costs.

127. **Capital Expenditure Trend:**

Capital spending in the first half of 2024 was ₦38.8 billion, already exceeding the full-year 2023 total of ₦26.7 billion and nearing 2022's ₦28.7 billion. If sustained, 2024 could see the highest capital spending since 2019, underscoring a renewed government focus on development and infrastructure projects to stimulate economic growth.

128. **Comparative Observations and Key Findings**

a. **Revenue vs. Expenditure Balance**: With the 2024 figures projected to double by year-end, total revenue may comfortably exceed recurrent expenditure, creating more room for capital investments. This contrasts with previous years where revenue barely covered recurrent expenses, leaving limited resources for capital projects.

b. **Improved Fiscal Health**: The strong half-year performance in both revenue generation and capital expenditure allocation for 2024 suggests an improvement in fiscal health and possibly a shift toward balancing recurrent and capital needs more effectively.

129. **Summary**: Overall, the 2024 half-year figures indicate a positive shift in fiscal policy, with revenue generation on track to surpass previous years and capital expenditure already surpassing the entire prior year's spending. If this trajectory continues, Osun State may achieve a more balanced fiscal position, with adequate funding for both operational needs

and growth-driving investments. This trend suggests that the state's fiscal strategy in 2024 may be more focused on sustainable development and reduced dependency on recurrent spending.

Table 6: Debt Sustainability Analysis

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2023**
	Solvency Ratios	**Percentage**	**Percentage**
1	Total Domestic Debt/IGR	150%	531.42%
2	Total External Debt/Gross FAAC	150%	126.99%
3	Total Public Debt/Total Recurrent Revenue	150%	251.25%
4	Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
	Liquidity Ratios	**Percentage**	**Percentage**
5	Domestic Debt Service/IGR	15%	48.56%
6	External Debt Service/Gross FAAC	10%	4.78%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	26.31%
8	Total Debt Service/Total Recurrent Revenue	25%	18.23%
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2023**		**Naira**
1	Total Domestic Debt		145,637,640,000
2	Total External Debt		78,469,700,000
3	**Total Public Debt**		**224,107,340,000**
4	Total Domestic Debt Service 2023		13,306,740,000
5	Total External Debt Service in 2023		2,951,360,000
6	**Total Public Debt Service**		**16,258,100,000**
C	**STATE GDP FOR 2023**		
1	**State GDP**		0

130. **Solvency Ratios:** The state's key solvency ratios continue to exceed sustainability thresholds, notably Total Domestic Debt to IGR at 531.42% (threshold: 150%), highlighting dependency on borrowing relative to revenue.

131. **Liquidity Ratios:** Domestic Debt Service to IGR was 48.56%, far exceeding the 15% threshold, emphasizing liquidity constraints due to high debt servicing costs.

132. **Public Debt Data as at 31/12/2023:** The State's total public debt amounted to ₦224.11 billion, with domestic debt comprising the majority. With no GDP figure for 2023, evaluating debt against economic output is challenging, indicating the need for broader fiscal assessment.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

133. 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 2025 - 2027. Real GDP growth and Inflation (CPI) are as per the IMF World Economic Outlook dated October, 2024. The figures represent a prudent macro-economic framework on which the Osun State Medium Term Fiscal Framework is based.

Table 7: Osun State Macroeconomic Framework

Item	**2025**	**2026**	**2027**
National Inflation	27.00%	21.00%	19.00%
National Real GDP Growth	3.00%	3.10%	3.20%
Oil Production Benchmark (MBPD)	1.6500	1.7000	1.8000
Oil Price Benchmark	$75.00	$75.00	$75.00
NGN:USD Exchange Rate	1200	1200	1200
Other Assumptions			
Mineral Ratio	18%	20%	22%

Source: NGF, 2024

134. **The National Inflation Rate:** The table reflects a declining trend in national inflation rates from 27.00% in 2025 to 19.0% in 2027, indicating potential improvements in price stability over the three-year period.

135. **The National Real GDP**: National real GDP growth rates are projected to increase gradually from 3.00% in 2025 to 3.20% in 2027, suggesting a consistent expansion in the country's economic output.

136. **Oil Production Benchmark (MBPD):** The oil production capacity is projected to increase from 1.65(MBPD) in 2025 to 1.8 (MBPD) in 2027.

137. **Oil Price Benchmark:** The oil price was projected to be constant over the three years at $75 per barrel.

138. **The Exchange Rate:** The NGN:USD exchange rate is expected to appreciate slightly over the three-year period at NGN1,200 to $1.00. This is projected to affect international trade and foreign investment dynamics.

139. **Mineral Ratio**: The percentage of revenue from minerals, besides oil, is expected to grow from 18% in 2025 to 22% in 2027. This increase may reflect efforts to diversify revenue sources. Higher mineral revenue contributions could provide additional funding for Osun State’s budget and reduce dependency on oil.

3.B Fiscal Strategy and Assumptions

Policy Statement

140. As a Sub-National Government within a Federating Unit, the overarching fiscal policies set forth by the Federal Government significantly impact the fiscal strategies of the State. Consequently, the State's budgetary estimates are influenced by numerous factors that lie beyond its control. Key variables include transfers from the Federation Accounts, the allocation of Value Added Tax, fluctuations in national GDP, national inflation rates, exchange rates, levels of crude oil production, and crude oil prices per barrel.

141. Given the limitations imposed by the federal system, Strategic Fiscal Policy Direction for Osun State the can be outlined as follows:

142. For the 2025 fiscal year, Osun State should adopt a strategic fiscal policy that focuses on revenue diversification, prudent expenditure management, and capital investment in growth-enhancing sectors. With a significant portion of its revenue derived from sources outside its control, such as federal allocations and VAT, Osun must reduce reliance on these transfers by enhancing its Internally Generated Revenue (IGR). This strategy will help the state build fiscal independence, maintain stability, and provide consistent funding for developmental projects.

143. **Key elements of this strategy include:**

   a. ***Boosting IGR***: By improving tax administration, broadening the tax base, and promoting economic activities within the state, Osun can generate a more stable revenue stream.

   b. ***Efficient Recurrent Spending:*** Rationalizing recurrent costs, especially overheads, will ensure more resources are available for critical projects without overspending.

   c. ***Debt Prudence***: Careful debt management, including limiting new borrowing and refinancing existing debt where possible, will keep debt servicing within sustainable limits.

   d. ***Prioritizing Capital Expenditure***: By focusing capital outlay on infrastructure, technology, and other growth-enhancing sectors, the state will stimulate economic development and job creation.

144. **Objectives and Targets for 2025**

(a) Objective I: Increase Internally Generated Revenue (IGR):

Target: Raise IGR to ₦45 billion.

Strategies: Strengthen tax compliance, introduce digital payment solutions, expand the tax base, and encourage public-private partnerships (PPPs) in sectors like tourism and agriculture to create new revenue streams.

(b) Objective II: Optimize Recurrent Expenditure:

Target: Limit recurrent expenditure growth to below 5%, with total recurrent spending capped at ₦131.88 billion.

Strategies: Control overhead costs, ensure efficient spending in social benefits, and streamline essential services. Digitize government processes to improve service delivery and reduce administrative costs.

(c) Objective III: Sustainable Debt Management

Target: Maintain manageable debt service costs with minimal new borrowing.

Strategies: Restructure existing debt, prioritize low-interest financing options if necessary, and adopt a transparent debt management framework to prevent unsustainable borrowing.

(d) Objective IV: Increase Capital Expenditure for Development

Target: Allocate at least ₦93.42 billion to capital projects, achieving a capital expenditure ratio of around 42%.

Strategies: Focus on high-impact sectors, prioritize completion of ongoing projects, and attract private investments through PPPs to extend capital funding.

(e) Objective V: Build a Contingency Reserve

Target: Set aside a planning reserve of ₦5.0 billion as a buffer against unexpected fiscal shocks.

Strategies: Achieve budget surpluses through efficient revenue and expenditure management, and reserve contingency funds strictly for emergencies or service wide votes.

Table 8: Summary of 2025 Fiscal Targets

Target	2025 Goal
IGR	₦45 billion
Recurrent Expenditure Growth	Below 5%
Total Recurrent Expenditure	Not to exceed ₦131.88 billion
Capital Expenditure	At least ₦93.42 billion
Capital Expenditure Ratio	Approximately 42%
Debt Management	Limited new debt
Planning Reserve	₦5.0 billion

3.C Indicative Three-Year Fiscal Framework

145. The indicative three-year fiscal framework for the period 2025 - 2027 is presented in the table 8 below.

Table 9: The Osun State Medium Term Fiscal Framework

Fiscal Framework

Item	**2025**	**2026**	**2027**
Opening Balance	100,000,000	100,000,000	100,000,000
Recurrent Revenue			
Statutory Allocation	73,355,714,280	81,213,789,605	91,447,432,092
VAT	60,000,000,000	63,000,000,000	65,500,000,000
IGR	45,000,000,000	50,000,000,000	53,000,000,000
Excess Crude / Other Revenue	15,000,000,000	15,040,000,000	15,100,000,000
Total Recurrent Revenue	**193,355,714,280**	**209,253,789,605**	**225,047,432,092**
Recurrent Expenditure			
Personnel Costs	45,000,000,000	46,200,000,000	47,500,000,000
Social Contribution and Social Benefit	20,500,000,000	21,320,000,000	22,755,000,000
Overheads	39,200,000,000	40,376,000,000	41,160,000,000
Grants, Contributions and Subsidies	3,800,000,000	3,914,000,000	3,990,000,000
Public Debt Service	23,381,060,994	24,677,872,562	25,431,467,712
Total	**131,881,060,994**	**136,487,872,562**	**140,836,467,712**
Transfer to Capital Account	**61,574,653,286**	**72,865,917,043**	**84,310,964,380**
Capital Receipts			
Grants	30,226,282,185	13,593,363,008	4,521,107,600
Other Capital Receipts	3,839,582,982	3,000,000,000	3,000,000,000
Total	**34,065,865,167**	**16,593,363,008**	**7,521,107,600**
Reserves			
Planning Reserve	5,029,848,571	5,443,198,530	5,853,833,234
Total Reserves	**5,029,848,571**	**5,443,198,530**	**5,853,833,234**
Capital Expenditure	**90,610,669,881**	**84,016,081,521**	**85,978,238,746**
Discretional Funds	56,544,804,714	67,422,718,513	78,457,131,145
Non-Discretional Funds	34,065,865,167	16,593,363,008	7,521,107,600
Financing (Loans)	0	0	0
Total Revenue (Including Opening Balance)	**227,521,579,447**	**225,947,152,613**	**232,668,539,692**
Total Expenditure (including Contingency Reserve)	**227,521,579,447**	**225,947,152,613**	**232,668,539,692**
Closing Balance			
Ratios			
Growth in Recurrent Revenue	49.96%	8.22%	7.55%
Growth in Recurrent Expenditure	43.52%	3.49%	3.19%
Capital Expenditure Ratio	42.04%	39.59%	39.47%
Deficit (Financing) to Total Expenditure	0.00%	0.00%	0.00%
Deficit (Financing) to GDP Ratio	NA	NA	NA

3.C.1 Assumptions

The projected Total Revenue and Total Expenditure for 2025 to 2027 are based on the following assumptions:

146. **Projected Statutory Allocation** (***2025-2027 Trend***): Statutory allocation is expected to increase progressively from ₦73.36 billion in 2025 to ₦91.45 billion in 2027.

147. **Statutory Allocation Growth Rate:** The increase in statutory allocation each year suggests an optimistic outlook, with expectations of enhanced federal transfers to support the state's recurrent expenditures and potentially offset other revenue shortfalls.

148. **VAT Projection**: Consistent Growth: VAT revenue is projected to grow steadily, starting at ₦60 billion in 2025 and rising to ₦65.5 billion in 2027.

149. **VAT Projection Significance**: This increase in VAT revenue is crucial for the state's financial sustainability, given its substantial share in recurrent revenue. VAT growth reflects an assumption of either a national economic recovery or policy changes enhancing VAT collection.

150. **Internally Generated Revenue (IGR):** Strong Growth Projection: IGR is expected to grow from ₦45 billion in 2025 to ₦53 billion in 2027.

151. **Internally Generated Revenue (IGR)'s Implication**: This reflects an assumption of improved efficiency in local revenue collection, possibly through enhanced tax administration or diversification of revenue sources within the state. High IGR growth is essential for reducing dependency on federal transfers.

152. **Excess Crude/Other Revenue (Stable Forecast):** Projected to remain relatively constant at around ₦15 billion annually.

153. **Excess Crude/Other Revenue's Implication:** The state does not expect significant growth in this area, indicating cautious assumptions about windfall revenues or other irregular federal allocations.

154. **Grants (Declining Trend)**: Grants are expected to decrease significantly from ₦30.23 billion in 2025 to ₦4.52 billion in 2027.

155. **Declining Trend 's Implication**: This reduction suggests either a decreased reliance on grants or conservative estimates due to uncertain availability. The state may need to compensate for this reduction through other capital sources or internal revenues for capital projects.

The Internal Grants: An estimated total of ₦30, 226,282,185.00 is earmarked for Internal Grants, with the breakdown as follows:

a)	*National Social Safety Net Project Scale-up NASSP-SU/NASSP-II (MEPB&D - SOCU)*	*25,000,000*
b)	*2024 UBEC Counterpart Funded Project (SUBEB)*	*3,554,642,584*
c)	*UBEC Teachers Professional Development Training 2023 / 2024 (SUBEB)*	*260,023,731*
d)	*Ilesa Water Supply and Sanitation Project (IsDB Component) (Osun State Water Corporation)*	*5,889,197.96*
e)	*UNICEF (AOP) (MoH)*	*30,000,000*
f)	*UNICEF (NTD) (MoH)*	*46,000,000*
g)	*Malarial Elimination Programme (MoH)*	*9,268,485,408*
h)	*ECEWS (MoH)*	*1,380,107,600*
i)	*OSUN-CARES (FADAMA)*	*1,110,000,000*
j)	*OSUN-CARES (CSDA)*	*1,000,000,000*
k)	*OSUN-CARES (Ministry of Youth)*	*500,000,000*
l)	*TETFUND (Osun State College of Education, Ila - Orangun)*	*1,912,092,380*

m) UNICEF Service Delivery and Supportive Supervision (SPHCB)	*42,860,500*
n) TETFUND (University of Ilesa)	*1,248,426,283*
o) And Others	*9,842,754,501.04*

156. **Other Capital Receipts (Stable Projection)**: Remains at around ₦3 billion from 2025 to 2027.

157. **Stable Projection's Implication**: Limited variation here reflects either cautious expectations of external capital funding or a relatively fixed pipeline of capital inflows from identified sources.

158. **Planning Reserve (Slight Increase)**: The planning reserve grows gradually from ₦5.23 billion in 2025 to ₦2.59 billion in 2027.

159. **Slight Increase's Implication**: This reserve provides a buffer against unforeseen expenses or revenue shortfalls, signalling a commitment to fiscal prudence.

160. **Capital Expenditure (Consistent Investment)**: Capital expenditure is forecasted to remain high, ranging from ₦93.42 billion in 2025 to ₦89.24 billion in 2027.

161. **Capital Expenditure Ratio**: Although the capital expenditure ratio slightly decreases from 42.04% in 2025 to around 39.47% in 2027, this still represents a substantial investment in infrastructure and development, indicating a strong focus on long-term growth.

162. **Total Revenue (Moderate Growth)**: Total revenue, including the opening balance, grows modestly from ₦227.52 billion in 2025 to ₦232.67 billion in 2027.

163. **Moderate Growth**'s **Implication**: This revenue growth rate reflects a balanced fiscal approach, combining recurrent revenue growth with restrained expectations for capital inflows. The state's revenue projections align with cautious optimism, anticipating some economic improvement while maintaining realistic targets.

164. **Total Expenditure (Balanced Budget)**: Total expenditure mirrors total revenue each year, resulting in a balanced budget across the forecast period.

165. **Sustainability Focus:** This balance reflects a policy of fiscal discipline, with expenditures carefully aligned to available revenues and a goal of minimizing deficit financing, particularly after 2025.

166. **Summary of Key Fiscal Ratios**

    a. ***Growth in Recurrent Revenue:*** High growth of 49.96% in 2025, stabilizing to 7.55% by 2027, indicating initial revenue expansion efforts followed by sustained but modest growth.

    b. ***Growth in Recurrent Expenditure:*** Similarly high growth (43.52%) in 2025, slowing to around 3.19% by 2027, reflecting controlled increases in operational costs.

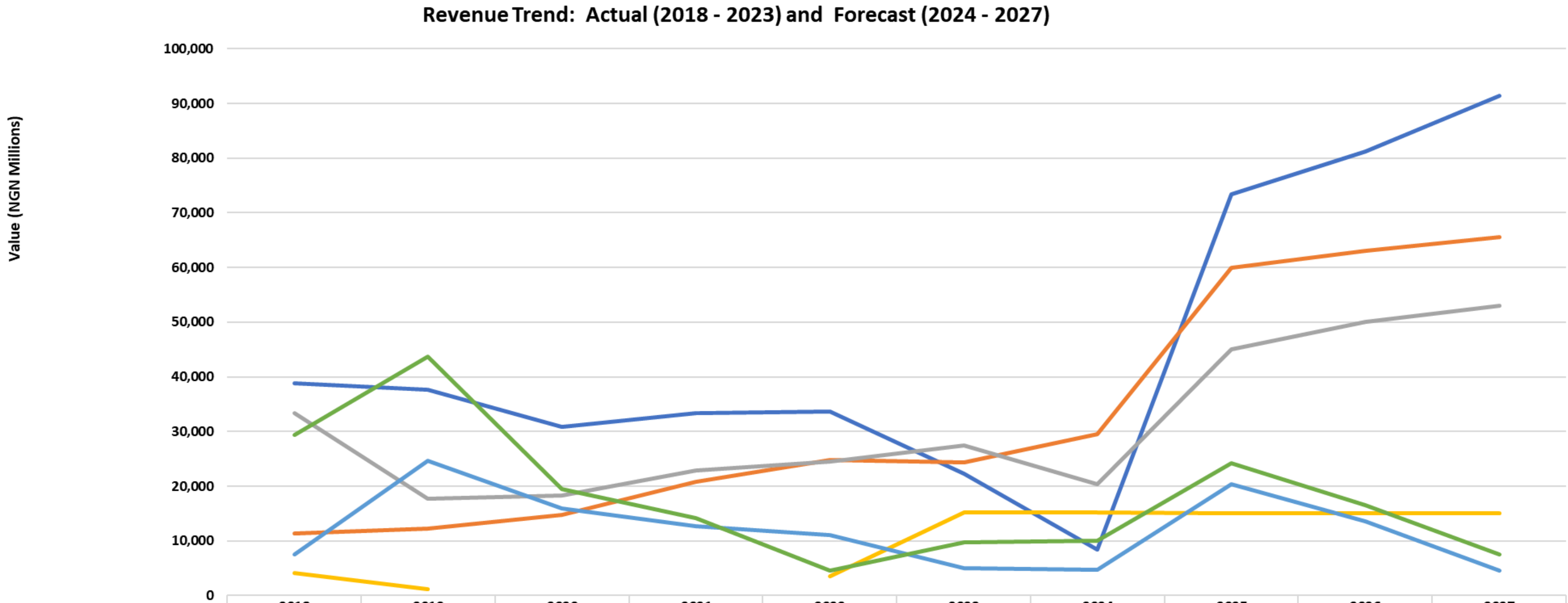
    c. ***Capital Expenditure Ratio:*** Slight decrease over time, from 42.04% in 2025 to 39.47% in 2027, signalling sustained investment but with a slight shift toward managing recurrent costs.

167. **Overall Implications:** The fiscal framework reflects a focus on revenue diversification and fiscal sustainability. The state plans to reduce dependency on deficit financing by 2026, maintain balanced budgets, and manage recurrent expenditures while still committing to significant capital investments.

3. C.2 Fiscal Trends

168. Based on the above envelope, plus forecast figures for 2025 - 2027 (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



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Statutory Allocation Actual	38,780,139,789	37,637,412,367	30,913,592,920	33,348,473,348	33,689,343,137	22,317,021,902	8,387,982,946	73,345,360,626	81,203,435,819	91,437,078,305
VAT Actual	11,342,196,000	12,195,373,300	14,725,950,021	20,753,187,721	24,826,166,458	24,297,631,058	29,460,527,620	60,000,000,000	63,000,000,000	65,500,000,000
Total IGR Actual	33,415,807,568	17,701,126,405	18,322,985,211	22,855,392,563	24,445,504,014	27,405,272,560	20,380,879,820	45,000,000,000	50,000,000,000	53,000,000,000
Other Federation Account Receipts Actual	4,092,654,126	1,184,285,886			3,493,876,606	15,177,018,873	15,156,973,179	15,000,000,000	15,040,000,000	15,100,000,000
Grants and Aids Actual	7,581,102,677	24,616,016,295	15,900,777,714	12,745,943,555	11,096,057,045	5,019,687,798	4,730,069,570	20,423,527,685	13,593,363,008	4,521,107,600
Capital Receipts Actual	29,327,767,400	43,665,925,500	19,547,421,500	14,207,495,750	4,557,866,224	9,668,015,075	10,000,000,000	24,263,110,667	16,593,363,008	7,521,107,600

Statutory Allocation Actual | VAT Actual | Total IGR Actual | Other Federation Account Receipts Actual | Grants and Aids Actual | Capital Receipts Actual

169. Actual Revenue Trends (2018–2023): The actual revenue figures for Osun State from 2018 to 2023 reveal a fluctuating trend across different sources, reflecting economic shifts and dependency on external funding sources.

a. Statutory Allocation saw an overall decline, falling from ₦38.78 billion in 2018 to a low of ₦22.32 billion in 2023, indicating volatility in federal transfers.

b. VAT (Value Added Tax) grew consistently, increasing from ₦11.34 billion in 2018 to ₦24.3 billion in 2023, which shows a steady rise in VAT as a key revenue source.

c. Total IGR (Internally Generated Revenue) displayed significant year-to-year fluctuations, peaking at ₦27.4 billion in 2023 but struggling with inconsistent growth across years.

d. Other Federation Account Receipts rose dramatically, reaching approximately ₦15 billion in 2023, following a more uneven pattern in earlier years.

e. Grants and Aids had a peak in 2019 at ₦24.6 billion but declined sharply in subsequent years, with only ₦5.02 billion recorded in 2023, reflecting high variability and dependence on grants for additional revenue.

f. Capital Receipts reached a high of ₦43.67 billion in 2019 but dropped to ₦9.67 billion in 2023, showcasing limited stability and reliance on periodic capital inflows.

170. Forecast Trends (2024–2027): The forecasted revenue figures from 2024 to 2027 indicate expected growth and stabilization across several revenue sources.

a. Statutory Allocation is projected to increase significantly from ₦8.39 billion in 2024 to ₦91.44 billion by 2027, marking a strong recovery in federal allocations.

b. VAT is anticipated to jump substantially, with a forecasted ₦60 billion in 2025, growing to ₦65.5 billion by 2027, which suggests reliance on VAT growth as a primary revenue strategy.

c. Total IGR is expected to stabilize and grow, reaching ₦45 billion in 2025 and increasing to ₦53 billion by 2027, indicating a strategic push to enhance internal revenue generation.

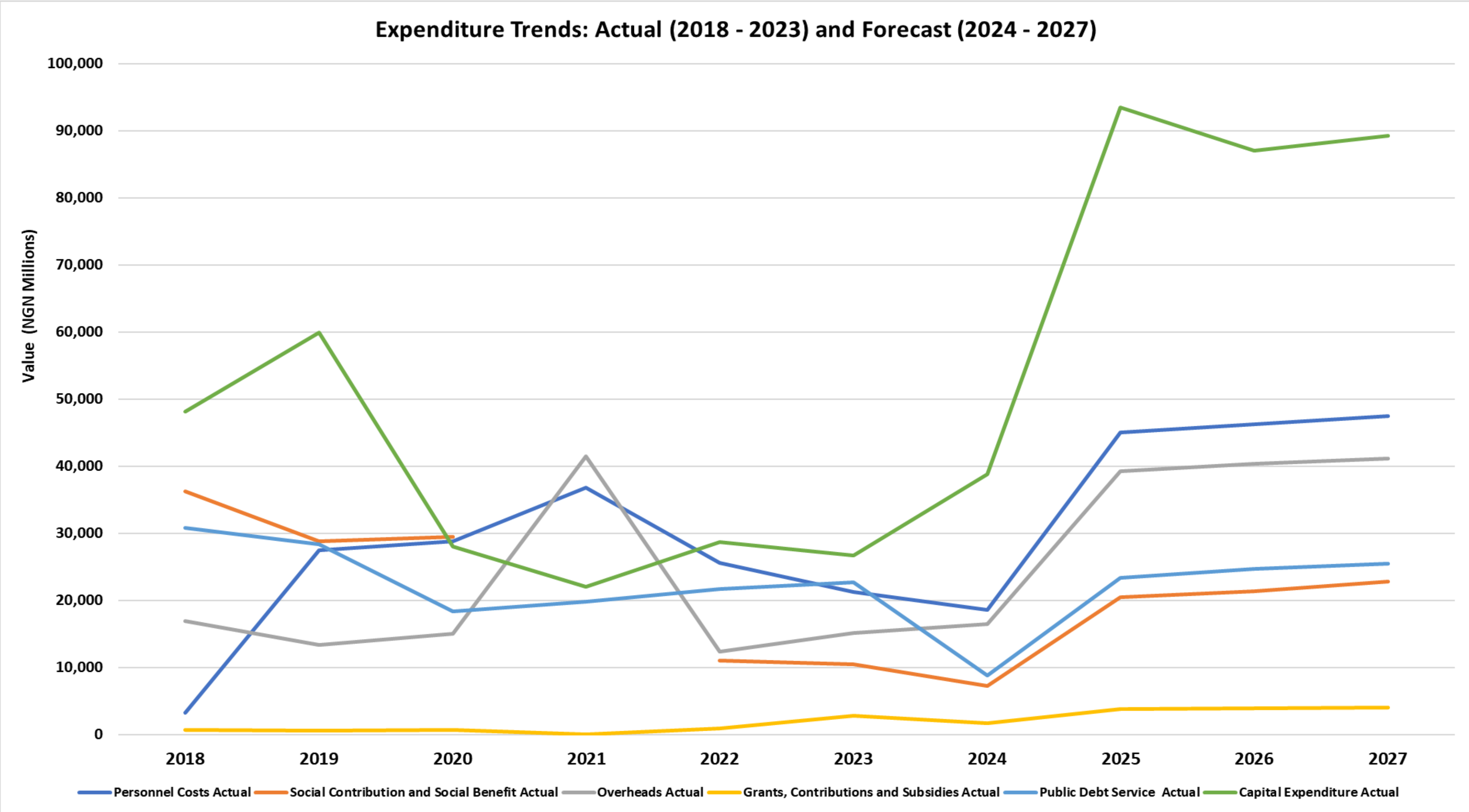
d. Other Federation Account Receipts are forecasted to remain stable at around ₦15 billion from 2024 to 2027, suggesting a planned consistency in federal accounts.

e. Grants and Aids show variability, with a temporary increase to ₦20.4 billion in 2025 before declining to ₦4.52 billion by 2027, reflecting the unpredictable nature of grant funding.

f. Capital Receipts are expected to peak at ₦24.26 billion in 2025 but then taper off to ₦7.52 billion by 2027, indicating reliance on capital receipts for specific projects rather than a steady revenue source.

171. Overall, the forecast reflects strategic growth expectations, especially in Statutory Allocation, VAT, and IGR, to ensure sustainable revenue support for Osun State's development needs.

Figure 23: The Osun State Expenditure Trend



172. Actual Expenditure Trends: (2018–2023): Osun State's expenditure patterns from 2018 to 2023 reveal fluctuating allocations across various categories, highlighting changing priorities and financial constraints over the years.

a. Personnel Costs experienced substantial growth from ₦3.23 billion in 2018 to a peak of ₦36.77 billion in 2021, before declining to ₦21.28 billion in 2023, reflecting adjustments in wage bills and staffing costs.

b. Social Contributions and Social Benefits also varied significantly, peaking in 2018 at ₦36.20 billion but gradually reducing to ₦10.42 billion in 2023, possibly due to cost-cutting or program restructuring.

c. Overheads rose sharply in 2021 to ₦41.42 billion, possibly due to increased operational demands, but settled at ₦15.08 billion in 2023.

d. Grants, Contributions, and Subsidies were initially minimal, but increased to ₦2.81 billion by 2023, indicating growing support for subsidy programs.

e. Public Debt Service remained relatively stable, with moderate growth from ₦30.75 billion in 2018 to ₦22.71 billion in 2023.

f. Capital Expenditure saw significant year-to-year variation, initially high at ₦48.12 billion in 2018, dipping in 2021, but rebounding slightly to ₦26.72 billion in 2023, reflecting investment fluctuations in infrastructure and capital projects.

173. Forecast Expenditure Trends: (2024–2027): Forecasted expenditures for 2024 to 2027 show an anticipated expansion across major spending categories, indicating an expectation of increased financial capacity and investment.

a. Personnel Costs are projected to grow steadily from ₦18.57 billion in 2024 to ₦47.5 billion by 2027, showing a commitment to supporting staffing needs.

b. Social Contributions and Social Benefits are forecasted to almost triple, reaching ₦22.76 billion in 2027, likely indicating planned enhancements to social welfare programs.

c. Overheads are expected to expand from ₦16.45 billion in 2024 to ₦41.16 billion in 2027, suggesting a larger budget for operational expenses.

d. Grants, Contributions, and Subsidies show modest growth, rising from ₦1.63 billion in 2024 to nearly ₦4 billion in 2027, reflecting continued but measured support for subsidies.

e. Public Debt Service is forecasted to stabilize, with a gradual increase from ₦8.81 billion in 2024 to ₦25.43 billion by 2027, reflecting managed debt obligations.

f. Capital Expenditure is expected to surge substantially, nearly quadrupling from ₦38.77 billion in 2024 to ₦89.23 billion in 2027, indicating significant planned investment in infrastructure and long-term development projects.

174. These forecasts reflect a growth-oriented approach, with particular emphasis on capital projects, personnel costs, and operational expenditures to support Osun State's development objectives.

3.D Fiscal Risks

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

Table 10: Fiscal Risks to the 2025 Budget of Osun State

S/N	Risk	Likelihood	Impact	Recommended Action
1	Revenue Shortfall	H	High	Enhance tax collection mechanisms and compliance.
2	Inflation Increases	M	High	Implement price control measures and subsidy adjustments.
3	High Debt Servicing Costs	H	Moderate	Develop a debt management strategy to reduce liabilities.
4	Economic Slowdown	M	High	Diversify the economy and promote investment in key sectors.
5	Unforeseen Climate Events	M	Moderate	Invest in climate resilience and disaster preparedness plans.
6	Currency Depreciation	L	High	Hedge against currency risks and promote local currency transactions.
7	Political Instability	M	Moderate	Foster political consensus and stakeholder engagement in budget processes.
8	Weak Infrastructure Investments	H	High	Prioritize public investment in infrastructure development.
9	External Economic Shocks	M	Moderate	Monitor global economic trends and adjust fiscal policies accordingly.
10	Declining Agricultural Productivity	H	High	Implement agricultural support programs and improve access to resources.

176. 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

177. 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.

178. The 2025 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)

179. The total forecast budget for the 2025 fiscal year, as outlined in Section 3.C, is ₦227,521,579,447.00. Of this amount, ₦193,355,714,280 is allocated for recurrent expenditure, while ₦93,415,777,738 is designated for capital expenditure. The capital expenditure is divided into two categories: discretionary capital expenditure of ₦59,349,912,571, which will be distributed across all MDAs, and non-discretionary capital expenditure of ₦34,065,865,167, specifically allocated to sectors such as Health, Education, Infrastructure (e.g., Osun-CARES), Water and Sanitation, Agriculture (e.g., Osun-CARES), and Social Development and Welfare (e.g., Osun-CARES).

180. In alignment with the five goals outlined in the State Development Plan, Table 10 below presents an indicative capital allocation for the sectors from 2025 to 2027.

Table 11 (a): Indicative Sector Expenditure Ceilings 2025-2027

	Discretionary Funds						Non-Discretionary Funds		
Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	2025 Allocation	2026 Allocation	2027 Allocation
EDUCATION	3.30%	2,036,864,353	15.23%	9,296,397,055	15.23%	10,936,212,912	5,726,758,696	38,770,000	40,000,000
HEALTH	2.47%	1,519,716,753	15.00%	9,157,255,619	15.00%	10,772,527,954	10,777,453,508	10,754,593,008	1,476,107,600
WATER AND SANITATION	2.04%	1,256,247,006	3.80%	2,321,556,465	3.80%	2,731,061,898	35,889,198	30,000,000	30,000,000
AGRICULTURE	6.24%	3,847,992,182	10.10%	6,165,885,450	10.10%	7,253,502,155	1,110,000,000	1,020,000,000	1,200,000,000
COMMERCE AND INDUSTRY	1.62%	1,000,858,377	2.00%	1,220,967,416	2.00%	1,436,337,060	0	0	0
INFRASTRUCTURE	59.40%	36,608,816,943	15.00%	9,157,255,619	15.00%	10,772,527,954	1,000,000,000	1,200,000,000	1,200,000,000
SOCIAL AND YOUTH DEVELOPMENT	4.51%	2,779,929,188	2.00%	1,220,967,416	2.00%	1,436,337,060	500,000,000	500,000,000	500,000,000
ENVIRONMENT	4.13%	2,546,477,836	1.50%	915,725,562	1.50%	1,077,252,795	9,802,754,500	0	0
SECURITY LAW AND JUSTICE	1.75%	1,076,584,053	5.00%	3,052,418,540	5.00%	3,590,842,651	0	0	0
PLANNING AND BUDGET	1.15%	709,929,188	2.00%	1,220,967,416	2.00%	1,436,337,060	25,000,000	50,000,000	75,000,000
INFORMATION AND COMMINICATION	1.11%	686,619,459	2.00%	1,220,967,416	2.00%	1,436,337,060	0	0	0
GOVERNANCE AND ADMINISTRATION	5.42%	3,339,787,565	2.00%	1,220,967,416	2.00%	1,436,337,060	0	0	0
FINANCE AND REVENUE MOBILIZATION	1.87%	1,153,168,106	7.00%	4,273,385,955	7.00%	5,027,179,712	0	0	0
SOLID MINERAL RESOURCES	0.50%	306,619,459	3.09%	1,884,868,437	3.09%	2,217,345,324	0	0	0
CULTURE AND TOURISM	2.89%	1,779,929,188	12.54%	7,653,612,996	12.54%	9,003,653,866	0	0	0
HUMAN CAPITAL DEVELOPMENT	1.60%	983,274,324	1.74%	1,063,484,076	1.74%	1,251,074,821	0	0	0
Total	100.00%	61,632,813,979	100.00%	70,448,113,745	100.00%	81,711,534,193	28,977,855,902	13,593,363,008	4,521,107,600

Table 11 (b): Indicative Sector Expenditure Ceilings 2025-2027

	Total Budget					
Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation
EDUCATION	8.57%	7,763,623,048	12.51%	9,335,167,054.67	14.38%	10,976,212,912.50
HEALTH	13.57%	12,297,170,262	26.68%	19,911,848,626.86	16.05%	12,248,635,553.86
WATER AND SANITATION	1.43%	1,292,136,203	3.15%	2,351,556,464.58	3.62%	2,761,061,898.03
AGRICULTURE	5.47%	4,957,992,182	9.63%	7,185,885,449.87	11.07%	8,453,502,155.44
COMMERCE AND INDUSTRY	1.10%	1,000,858,377	1.64%	1,220,967,415.82	1.88%	1,436,337,060.48
INFRASTRUCTURE	41.51%	37,608,816,943	13.88%	10,357,255,618.62	15.68%	11,972,527,953.62
SOCIAL AND YOUTH DEVELOPMENT	3.62%	3,279,929,188	2.31%	1,720,967,415.82	2.54%	1,936,337,060.48
ENVIRONMENT	13.63%	12,349,232,336	1.23%	915,725,561.86	1.41%	1,077,252,795.36
SECURITY LAW AND JUSTICE	1.19%	1,076,584,053	4.09%	3,052,418,539.54	4.70%	3,590,842,651.21
PLANNING AND BUDGET	0.81%	734,929,188	1.70%	1,270,967,415.82	1.98%	1,511,337,060.48
INFORMATION AND COMMINICATION	0.76%	686,619,459	1.64%	1,220,967,415.82	1.88%	1,436,337,060.48
GOVERNANCE AND ADMINISTRATION	3.69%	3,339,787,565	1.64%	1,220,967,415.82	1.88%	1,436,337,060.48
FINANCE AND REVENUE MOBILIZATION	1.27%	1,153,168,106	5.73%	4,273,385,955.36	6.59%	5,027,179,711.69
SOLID MINERAL RESOURCES	0.34%	306,619,459	2.53%	1,884,868,436.94	2.90%	2,217,345,323.91
CULTURE AND TOURISM	1.96%	1,779,929,188	10.25%	7,653,612,996.38	11.79%	9,003,653,865.69
HUMAN CAPITAL DEVELOPMENT	1.09%	983,274,324	1.42%	1,063,484,075.79	1.64%	1,251,074,821.08
Total	100.00%	90,610,669,881	100.00%	74,640,045,859.56	100.00%	76,335,974,944.82

4.C Considerations for the Annual Budget Process

187. The ceilings outlined above will be applied to update the Medium-Term Sector Strategies (MTSS) for 2025 across the 16 sectors. The Ministry of Economic Planning and Budget (MEP&B) completed all MTSS documents by July 2024, significantly easing the preparation of the 2025 Annual Budget for various Ministries, Departments, and Agencies (MDAs) within the State.

188. Accordingly, the budget call circular should include the following directives for MDAs when submitting their annual budget proposals:

    a. Projects not included in the MTSS will not be considered for the Budget.

    b. Due to the limited Capital Development Fund, the highest priority should be given to completing ongoing projects.

    c. Capital project submissions must detail comprehensive lifetime capital investment requirements, including associated costs and funding sources, especially when grants and/or loans are involved.

    d. A sector wide votes will be designated for critical projects, to be included in the Pre-Treasury/Treasury Board Meeting and subsequently submitted for ExCo approval.

Section 5: Summary of Key Points and Recommendations

Global:

Summary of Key Findings

181. Economic Growth Trends: Advanced economies are experiencing a slowdown, with projected GDP growth stabilizing around 1.7%-1.8% from 2024 to 2027, while emerging markets maintain higher growth rates, albeit slightly decreasing.

182. Inflation Dynamics: Global inflation is expected to decline, especially in advanced economies, driven by effective monetary policies, but some developing countries continue to face high inflation.

183. Investment and Trade: Global investment and trade are under pressure, with contractions expected in 2023 but potential recoveries anticipated in 2024.

184. Fiscal Policy Challenges: High public debt remains a concern, necessitating fiscal consolidation while balancing spending demands.

Recommendations

185. Focus on Economic Resilience: Encourage policies that bolster the resilience of advanced economies while supporting robust growth in emerging markets.

186. Address Inflation: Implement effective monetary policies to maintain inflation control, especially in developing nations facing high rates.

187. Promote Investment: Enhance conditions for global investment through stable political environments and reduced geopolitical risks.

188. Fiscal Consolidation: Prioritize fiscal consolidation to manage public debt, ensuring that essential public spending, including sustainable development, is maintained.

Africa:

Key Findings

189. Sub-Saharan Africa's growth slowed to 3.1% in 2023, influenced by weak economic performance in Nigeria, South Africa, and Angola, alongside high food and energy prices and regional conflicts.

190. Inflation rose to 17% in 2023, impacting socio-economic gains, while public debt stabilized but remained above pre-pandemic levels.

191. East Africa emerged as the fastest-growing region, while oil-exporting economies are expected to see decreased growth in 2024.

Recommendations

192. Strengthen fiscal consolidation and debt restructuring to improve economic resilience.

193. Address inflation through effective monetary policies and support for food security.

194. Foster investment conditions that enhance political stability and economic growth across the region.

National Level (Nigeria):

Key Findings

195. Nigeria's economy is experiencing moderate growth, projected at 3.3% in 2024, despite high inflation and increasing poverty levels (38.8% by 2024).
196. The country faces severe food insecurity, with 100 million people affected, particularly in conflict regions.
197. Agricultural productivity is constrained by infrastructure gaps, financial barriers, and post-harvest losses.

Recommendations

198. Implement policies to enhance agricultural productivity, focusing on infrastructure improvements and access to credit for farmers.
199. Expand humanitarian assistance to address food insecurity, particularly in conflict-affected areas.
200. Sustain economic reforms while cushioning the short-term impacts on households and businesses.
201. Tackle the challenges of banditry and the ongoing Farmers-Herders conflict throughout Nigeria.

Osun State:

Summary of Key Points

202. Total Forecast Budget for 2025: The overall budget is projected at ₦227,521,579,447.00, with ₦193,355,714,280 allocated for recurrent expenditure and ₦93,415,777,738 for capital expenditure.
203. **Capital Expenditure Breakdown:**
    a. Discretionary capital expenditure: ₦59,349,912,571 distributed across all MDAs.
    b. Non-discretionary capital expenditure: ₦34,065,865,167 focused on crucial sectors such as Health, Education, Infrastructure, Water and Sanitation, Agriculture, and Social Development.
204. **Expenditure Trends (2018–2023):**
    a. Personnel costs peaked in 2021 and later declined.
    b. Social contributions fell significantly, indicating possible restructuring.
    c. Overhead costs surged in 2021 but normalized by 2023.
    d. Capital expenditure showed variability, reflecting investment fluctuations.
205. **Forecast Expenditure Trends (2024–2027):**
    a. Personnel costs are set to increase substantially.
    b. Social contributions are expected to be on the increase by 2027.
    c. A significant rise in capital expenditure is forecasted, indicating robust investment in infrastructure.
206. **Revenue Trends (2018–2023):**
    a. Statutory allocations have declined, while VAT revenues have grown steadily.
    b. Internally Generated Revenue (IGR) displayed fluctuations but peaked in 2023.

c. Grants and aids significantly dropped by 2023, indicating high variability in this revenue source.

207. **Forecast Revenue Trends (2024–2027):**

a. Statutory allocations and VAT revenues are expected to increase significantly.

b. IGR is projected to stabilize and grow, indicating a focus on enhancing local revenue collection.

c. Grants are anticipated to decline, reflecting a reduced reliance on external funding.

208. **Internal Grants Allocation:** An estimated ₦30,226,282,185.00 is earmarked for various projects, including social safety nets, education, and water supply.

209. **Capital Expenditure Consistency:** Capital expenditures are projected to remain high, with significant investments in infrastructure and development.

210. **Balanced Budget Approach:** Total expenditure matches total revenue across the forecast period, reflecting a commitment to fiscal discipline and sustainability.

211. **Fiscal Ratios:** High growth rates in recurrent revenue and expenditure are projected for 2025, stabilizing in subsequent years, indicating careful financial management.

Recommendations

212. **Enhance Revenue Generation:** Implement strategies to improve Internally Generated Revenue (IGR) through efficient tax administration and diversification of revenue sources to reduce dependency on federal allocations.

213. **Focus on Agricultural Investments:** Implement a comprehensive agricultural development strategy that addresses land, soil, seed, and mechanization gaps, reduces post-harvest losses, improves infrastructure such as storage, rural roads, and irrigation, and enhances access to credit for smallholder farmers to boost productivity and ensure food security.

214. **Focus on Infrastructure Investment:** Maintain high capital expenditure levels to support infrastructure development, ensuring alignment with identified needs across critical sectors like Health, Education, and Agriculture.

215. **Monitor and Adjust Expenditure Patterns:** Regularly review expenditure trends to adapt to changing priorities and economic conditions, ensuring optimal allocation of resources in response to financial constraints.

216. **Debt Management and Public Debt Service**: With debt service projected to increase, policies should prioritize sustainable borrowing practices. This includes careful assessment of debt obligations, prioritization of concessional loans over commercial loans, and possibly establishing a sinking fund to manage future debt repayments. Transparent communication about debt plans can also bolster public trust and investor confidence.

217. **Utilize Debt for Productive Investments**: Direct any new debt towards high-return projects, such as infrastructure, education, and healthcare, to generate revenue that can help offset debt servicing costs. This strategy will enhance economic growth and improve the state's overall financial position.

218. **Enhance Transparency and Reporting**: Regularly publish comprehensive reports on debt levels, obligations, and management strategies to promote transparency. Engaging stakeholders in discussions about debt management will build trust and ensure accountability in the state's financial practices.

219. **Enhanced Capital Expenditure Planning**: The substantial projected rise in capital expenditure indicates an ambitious infrastructure agenda. To ensure effective use of these funds, policies should focus on long-term planning, prioritizing high-impact projects, ensuring timely completion, and implementing monitoring and evaluation frameworks.

Public-Private Partnerships (PPPs) can be encouraged to share financial risks and enhance infrastructure quality.

220. **Strategic Resource Allocation for Grants, Contributions, and Subsidies**: The increase in grants, contributions, and subsidies implies greater support for specific sectors. Policies here could include prioritizing critical social sectors like education and healthcare, ensuring that subsidies are targeted towards economically disadvantaged groups, and periodically evaluating the impact of subsidies to optimize their distribution.

221. **Strengthen Financial Planning:** Establish robust forecasting and budgeting processes to anticipate fluctuations in revenue sources, especially in grants and statutory allocations, and build resilience against economic downturns.

222. **Promote Sustainable Fiscal Policies:** Continue the balanced budget approach, ensuring that total expenditure aligns with projected revenues to minimize deficit financing.

223. **Capacity Building for MDAs:** Provide training and resources to Ministries, Departments, and Agencies (MDAs) to enhance their capability in executing funded projects effectively, ensuring accountability and transparency in capital spending.

224. **Regular Performance Evaluations:** Conduct evaluations of existing programs funded by internal grants to assess their effectiveness and make necessary adjustments, ensuring that resources are utilized efficiently.

225. **Diversify External Funding Sources:** Explore partnerships with non-governmental organizations, international donors, and private sector entities to supplement internal revenue and enhance funding for development projects.

226. **Foster Economic Recovery Initiatives:** Develop policies and programs aimed at stimulating local economic growth, which can boost VAT revenues and overall economic stability in the region.

227. By implementing these recommendations, Osun State can better align its fiscal policies with its developmental goals, ensuring sustainable growth and improved public service delivery.

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