

OSUN STATE DEBT MANAGEMENT OFFICE



OSUN STATE DEBT SUSTAINABILITY ANALYSIS, AND DEBT MANAGEMENT STRATEGY (DSA-DMS) REPORT FOR THE YEAR 2025

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Objectives of Debt Sustainability Analysis and Debt Management Strategy

While Debt has become a veritable instrument of actualizing developmental agenda both at corporate and public sectors globally, it is evident that debt initiation, utilization and management in public domains are usually ingrained with lots of challenges. In Nigeria, prior to the establishment of Debt Management Office in the year 2000, there were quite a wide knowledge gap, leading to lots of difficulties in consolidating the national debt figures. The Debt Management Office, Nigeria was eventually set up to centrally coordinate the management of Nigeria's debt which was hitherto handled by diverse agencies both at the federal level and across the country in an uncoordinated manner. Since the emergence of the DMO at the Federal level, agitation for sound debt management has remained at the forefront of financial management across the country. The need for sound debt management practices and strategies could not be over-emphasized given the severe impacts that unsustainable debts could have on government's ability to pursue meaningful developmental agenda.

In Nigeria, as applicable in developed countries, Debt sustainability analysis (DSA) and development of workable Debt management strategy (DMS) have become critical tasks expected to be undertaken by the agencies saddled with management of public debts both at national and sub-national levels. The objective of DSA is to determine how sustainable the State's budgeted Debt portfolio could be under different scenarios and stress situations in relation to the various macroeconomic indices having relationship with projected revenue, expenditure, and debt portfolio. In effect, DSA has become a fashionable tool of planning for public managers and executives. DMS on the other hand is a framework evolved to ensure scientific management of public debts to ensure cost effectiveness.

This report presents the results of Debt sustainability analysis (DSA) and Debt management strategy (DMS) of Osun State for the year 2025. In this annual report, the pattern of the State's financing in terms of the trend between her revenue and expenditures, and the gap funded with debt for the five years period (2020-2024), which is the historical years, were highlighted. Also, with a view to having a glance into the future, the State's projected Revenue, Expenditure and Debt portfolio for ten years (2025-2034) period were made. The projections were thoroughly evaluated so as to assess the probable outlook of the State's finances during the period. Sensitivity analyses were carried out on the 10 years projections under different scenarios. The stress test is to evaluate the level of sustainability of the State's budgeted debt portfolio under various conditions of the macroeconomic indices.

During the year 2024, the State's portfolio shows remarkable improvement in terms of sustainability. The improvement in the various DSA indicators was a result of the conscious effort of the State's government to curtail borrowing. Specifically, Debt to Revenue figure improved from 108% in 2023 to 59% in 2024. This is against the recommended threshold of 200%. Similarly, Debt to GDP improved slightly from an acceptable level of 6% in 2023, to 5% in 2024. This implies that the State's debt carrying capacity is within the acceptable threshold. On the State's Debt repayment capacity, Debt service expressed as a share of revenue improved considerably from 9% in 2023 to 7% in 2024. This is against the recommended threshold of 40%, and implies that the State's is presently applying less of her revenue for debt service in 2024 when compared with the previous year.

Whereas the above indicate that the sustainability of the State's Debt portfolio in a short-term was not threatened either by way of carrying or obligatory capacity, further analyses on the State's level of Debt sustainability however, revealed that the State is more dependent on statutory revenue from

the Federation account and this may result into a threatened position on the long run particularly under a stress situation. Therefore, the State needs to continue to improve on her IGR drive so as to reduce her vulnerability to adverse incidence on statutory receipts that might be triggered by slight adverse movements on Revenue, Expenditure, Exchange, and Interest rates.

From the analyses of the four strategies carried out in the prior section, and following the simulation of the four (4) different borrowing options (under 5.2.0) it is established that under the three measures (Debt stock as a share of Revenue, Debt service as a share of Revenue, and Interest as a share of Revenue), and going by the strategy ranking on table 5.4 (page 42), it was revealed that in terms of cost-risk trade off, strategy 2 offer an improvement on the State's baseline strategy (S1), and therefore, recommended for the State's adoption. Implementation of this strategy in the short and medium term is not expected to pose any inherent challenges to the State.

CHAPTER TWO

2.0 OSUN STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the last 3 to 5 years

The State's government in her quest for continuous and sustainable developments year in year out, keeps embarking on one reform or the other. Within the last three to five years, the State's reform efforts and initiatives are centered on optimal collection of internally generated revenue and efficient utilization of her limited financial resources. These are aimed at strengthening the State's fiscal position.

Specifically, the reforms initiated by the State over the last 3-5 years and the enabling laws supporting them are as listed below:

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

2.2 2025 Budget and MTEF – 2026-2028

Table 2.1: Osun 2025 Budget

DESCRIPTION	APPROVED BUDGET 2025
ASSUMPTIONS:	₦
OIL PRICE BENCHMARK (US\$ /BBL)	80.00
OIL PRODUCTION BENCHMARK (mbpd)	1.500
EXCHANGE RATE (₦/ US\$)	1,800.00
GDP GROWTH RATE	3.00%
INFLATION RATE	22.97%
MINERAL RATIO	27%
1. OPENING BALANCE (A)	30,001,125,120.00
2. RECURRENT REVENUE & CAPITAL RECIEPTS:	
RECURRENT REVENUE:	
GOVERNMENT SHARE OF FAAC	85,991,192,810.00
GOVERNMENT SHARE OF VAT	78,100,000,000.00
GOVERNMENT SHARE OF EXCESS CRUDE ACCOUNT	-
OTHER REVENUE FROM FAAC	87,578,975,180.00
DERIVATION	-
B = TOTAL REVENUE FROM FAAC	251,670,167,990.00
C = INDEPENDENT REVENUE	109,870,932,830.00
TOTAL RECURRENT REVENUE (D) = B + C	361,541,100,820.00

CAPITAL RECIEPTS:	
AIDS AND GRANTS	30,694,699,230.00
CAPITAL DEVELOPMENT FUND	5,510,000,000.00
E = TOTAL CAPITAL RECIEPTS	36,204,699,230.00
F = TOTAL PROJECTED FUNDS AVAILABLE (A + D + E)	427,746,925,170.00
2. EXPENDITURES:	
RECURRENT EXPENDITURE:	
PERSONNEL COST	102,895,821,010.00
OTHER RECURRENT EXPENDITURE (Overhead and CRFC)	133,301,961,890.00
TOTAL RECURRENT EXPENDITURE (G)	236,197,782,900.00
CAPITAL EXPENDITURE: (H)	191,549,142,270.00
TOTAL EXPENDITURE I = (G + H)	427,746,925,170.00
BALANCE (SURPLUS / DEFICIT) J: (F - I)	-
FINANCING:	
EXTERNAL LOAN	-
INTERNAL LOAN	-
FINANCING (K)	-
FINANCING GAP: L = (J+K)	-
TOTAL BUDGET SIZE	427,746,925,170.00

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

As can be seen from Table 2.1, the State's budgeted expenditure for the year 2025 is skewed more towards recurrent expenditure over Capital. Recurrent expenditure to total revenue ratio of 55.20% and Capital expenditure to total revenue is 44.80% in the year 2025 has a lot of implications on the State's infrastructural development. Although, this is an improvement from last year budget with a ratio of 60:40 for Recurrent expenditure and Capital expenditure respectively. A further look into the State's projected recurrent expenditure shows that Personnel cost is projected to be 43.60%, while Other recurrent expenditure (Overhead and Consolidated Revenue Fund charges-CRFC) is anticipated to be 56.44%.

Table 2.2: Osun Medium Term Fiscal Framework (2026 – 2028)

Item	2026	2027	2028
National Inflation	23.00%	17.00%	15.00%
National Real GDP Growth	3.20%	3.30%	3.30%
Oil Production Benchmark (MBPD)	1.7000	1.7000	1.8000
Oil Price Benchmark	\$55.00	\$55.00	\$55.00
NGN: USD Exchange Rate	1500	1500	1500
Other Assumptions			
Mineral Ratio	20%	23%	25%

Fiscal Framework

Item	2026	2027	2028
Opening Balance	100,000,000	100,000,000	100,000,000

Recurrent Revenue			
Statutory Allocation	90,225,000,000.00	93,600,000,000.00	97,000,000,000.00
VAT	80,000,000,000.00	82,000,000,000.00	85,000,000,000.00
IGR	57,000,000,000.00	60,000,000,000.00	62,000,000,000.00
Excess Crude / Other Revenue	60,000,000,000.00	62,000,000,000.00	65,000,000,000.00
Total Recurrent Revenue	287,225,000,000.00	297,600,000,000.00	309,000,000,000.00

Recurrent Expenditure

Personnel Costs	64,000,000,000.00	66,000,000,000.00	67,000,000,000.00
Social Contribution and Social Benefit	20,000,000,000.00	22,000,000,000.00	22,000,000,000.00
Overheads	90,000,000,000.00	90,000,000,000.00	90,000,000,000.00
Grants, Contributions and Subsidies	15,000,000,000.00	15,000,000,000.00	15,000,000,000.00
Public Debt Service	27,492,000,000.00	27,492,000,000.00	27,492,000,000.00
Total	216,492,000,000.00	220,492,000,000.00	221,492,000,000.00

Transfer to Capital Account

	70,733,000,000.00	77,108,000,000.00	87,508,000,000.00
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Capital Receipts

Grants	31,000,000,000.00	31,500,000,000.00	32,000,000,000.00
Other Capital Receipts	6,000,000,000.00	6,100,000,000.00	6,150,000,000.00
Total	37,000,000,000.00	37,600,000,000.00	38,150,000,000.00

Reserves

Planning Reserve	1,100,000,000.00	1,150,000,000.00	1,200,000,000.00
Total Reserves	1,100,000,000.00	1,150,000,000.00	1,200,000,000.00

Capital Expenditure	106,733,000,000.00	113,658,000,000.00	124,558,000,000.00
Discretionary Funds	96,059,700,000.00	102,292,200,000.00	112,102,200,000.00
Non-Discretionary Funds	10,673,300,000.00	11,365,800,000.00	12,455,800,000.00
Financing (Loans)	0	0	0

Total Revenue (Including Opening Balance)	324,325,000,000.00	335,300,000,000.00	347,250,000,000.00
Total Expenditure (including Contingency Reserve)	324,325,000,000.00	335,300,000,000.00	347,250,000,000.00
Closing Balance	0	0	0
Ratios			
Growth/Reduction in Recurrent Revenue	-20.56	3.61	3.83
Growth/Reduction in Recurrent Expenditure	-8.34	1.85	0.45
Growth/Reduction in Capital Expenditure	-44.28	6.49	9.59
Deficit (Financing) to Total Expenditure	0.00%	0.00%	0.00%
Deficit (Financing) to GDP Ratio	NA	NA	NA

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

Looking at the State's proposed MTEF, it could be seen that the State anticipates a push on her CAPEX ratio from the 44.80% (current year ratio) to the usual desirable level of 60:40 in favour of CAPEX to recurrent expenditure cannot be said to be realistic in the next three years. This is given the outcome of the MTEF CAPEX ratios which were established to be 32.91%, 33.90% and 35.87% for the years 2026, 2027 and 2028 respectively.

The increase in workers' salary and other social benefits due to the new minimum wage regime could explain the projected low CAPEX to Recurrent ratio. One could only expect continuous improvement on the State's aggressiveness on IGR drive. In this regard therefore, regular review of the State's various strategies on her IGR efforts is obligatory.

CHAPTER THREE

THE STATE'S REVENUE, EXPENDITURE, AND PUBLIC DEBT TREND (2020-2024)

3.1 Revenue, Expenditure, Overall and Primary Balance

Under this section, five years (2020-2024) historical details of the State's Revenue and expenditure are presented and reviewed briefly.

3.1.1 Revenue Performance

This section reviews the trend maintained by the State's Revenue for the five-year historic period (2020-2024). Discussion herein focuses particularly, the relationship between the State's statutory revenue (i.e. revenue from the Federation account) and the internally-generated revenue (IGR). This is with a view to establishing the State's level of dependence on the Federation account, as well as highlighting the various strategies being adopted by the State towards becoming more self-reliant.

Table 3.1: Osun Total Revenue Trend (2020 – 2024)

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
TOTAL REVENUE	99,048.00	91,164.00	132,952.00	165,030.0	306,803.50
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	31,299.00	31,554.00	33,689.00	28,410.00	13,405.90
1.a. of which Net Statutory Allocation ('net' means of deductions)	12,923.00	12,156.00	12,167.00	11,554.00	0.00
1.b. of which Deductions	18,376.00	19,398.00	21,521.00	16,856.00	0.00
2. Derivation (if applicable to the State)	-	-	-	-	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	3,749.00	1,795.00	13,036.00	30,170.00	146,349.80
4. VAT Allocation	14,726.00	20,753.00	24,826.00	34,579.00	66,869.90
5. IGR	19,671.00	21,855.00	30,537.00	27,721.00	54,768.00
6. Capital Receipts	29,603.00	15,207.00	30,864.00	44,150.00	25,409.90
6.a. Grants	29,603.00	15,207.00	30,865.00	44,150.00	25,409.90
6.b. Sales of Government Assets and Privatization Proceeds	-	-	-	-	-
6.c. Other Non-Debt Creating Capital Receipts	-	-	-	-	-
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	-	-	-	-	-
6.d.1. of which Borrowings from Domestic bonds	-	-	-	-	-
6.d.2. of which Borrowings from Commercial bank loans	-	-	-	-	-
6.d.3. of which Borrowings from External loans	-	-	-	-	-

Source: Osun State's Audited Financial statements

From the table above, one could see that the State’s total revenue has been maintaining a noticeable yearly increment for the past three years (2022-2024). From a two-year (2020-2021) average of =N=95,106.00billion to a three-year average of =N=201,595.00billion between the years (2022-2024). This upsurge was found to be due mainly to increase in other revenue sources from FAAC (such as exchange rate gain, augmentation, VAT and others) as well as capital receipts and grants. From the year 2023 to 2024, the State’s VAT and IGR witness an astronomical 93.38% and 97.57% increase (from =N=34,579.00billion in the year 2023 to =N=66,869.90billion in the year 2024, and from =N=27,721.00billion in the year 2023 to =N=54,768.00billion in the year 2024 for the VAT and IGR respectively). However, as plausible as the increase was, the only concern is that the revenue sources are unstable and unpredictable. A concern to one of the State’s revenue streams is the observed declined on the State’s gross statutory allocation in two consecutive years (2023-2024). From the sum of =N=33,689.00billion in the year 2022 to the sum of =N=28,410.00billion and =N=13,405.90billion in the years 2023 and 2024 respectfully. This decline might also be attributable to leakages in the revenue sources into the Federation account.

3.1.2: FAAC allocation trend

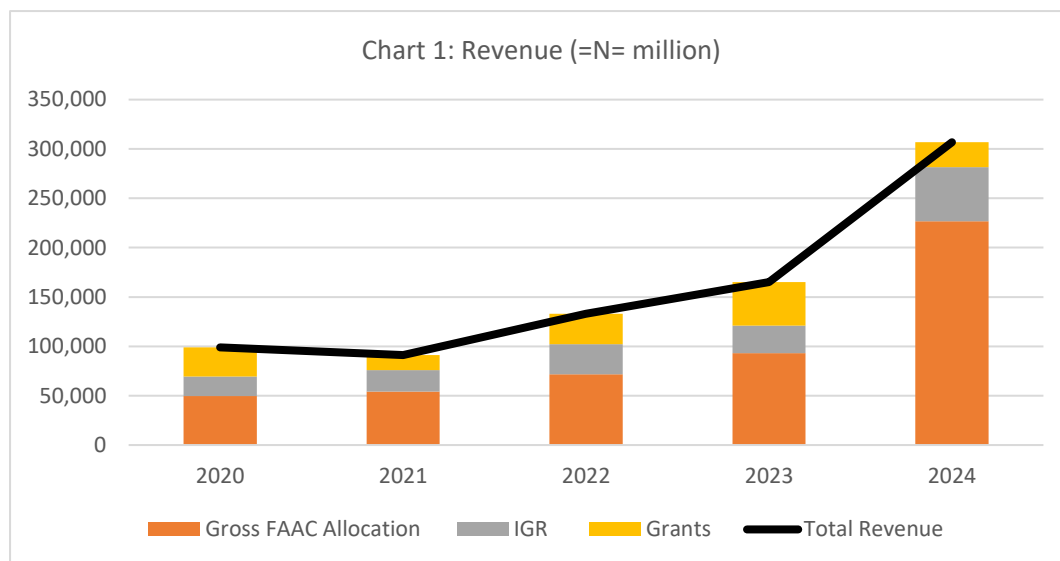
Table 3.2: FAAC allocation trend

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Revenue	99,048.00	91,164.00	132,953.00	165,030.00	306,803.50
Gross FAAC Allocation	49,774.00	54,102.00	71,551.00	93,159.00	226,625.60
IGR	19,671.00	21,855.00	30,537.00	27,721.00	54,768.00
Grants	29,603.00	15,207.00	30,865.00	44,150.00	25,409.90
Gross FAAC to Total Revenue (%)	50.25	59.35	53.82	56.45	73.87
IGR to Total Revenue (%)	19.86	23.97	22.97	16.80	17.85
Grants to Total Revenue (%)	29.89	16.68	23.21	26.75	8.28

Source: Osun DSA-DMS populated template

Looking at the composition and distribution of the State’s revenue during the period under focus, FAAC accounts for about 58.75% during the 5-year period while IGR and Grants account for about 20.29% and 20.96% respectively. Notwithstanding the marginal increase on the State’s IGR to total Revenue ratio from 16.80% in the year 2023 to 17.85% in the year 2024, the performance of the State’s IGR over the years still validates that the State’s level of dependence on the Federation account. The overdependence of the State’s revenue on FAAC allocation as shown in the above table, and Chart 1 below portends serious fiscal sustainability issue to the State. In order to address this worrisome trend, the State’s government needs to continue working on her IGR drive. Regular review and improvement of the State’s strategies on her internally revenue generation drive is necessary.

CHART 1: REVENUE PERFORMANCE



3.1.3: IGR trend

Table 3.3: IGR trend (2020 – 2024)

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Aggregate Revenue (FAAC + IGR)	69,445.00	75,957.00	102,088.00	120,880.00	281,393.60
Gross FAAC Allocation	49,774.00	54,102.00	71,551.00	93,159.00	226,625.60
IGR	19,671.00	21,855.00	30,537.00	27,721.00	54,768.00
IGR to aggregate Revenue (%)	28.33	28.77	29.91	22.93	19.46
Gross FAAC to Aggregate Revenue (%)	71.67	71.23	70.09	77.07	80.54

Source: Osun DSA-DMS populated template

The full implementation and continuous review and strategy amendment of the Osun Revenue administration and Tax (Codification and Consolidation) Law, 2019 as continue to impacted positively on the State’s IGR drive. The State exhibited strong IGR growth during the period under review (2020-2024), as the State witnessed 178.2% annual IGR growth. From the paltry sum of =N=19,671.00billion in the year 2020 to the sum of =N=54,768.00billion in the year 2024. Notwithstanding the growth on the State’s IGR over the five years period, it is not enough to immune the State on their dependent on the FAAC allocation. During the period under focus, on an average, the state’s IGR only accounted for 25.88% of the State’s aggregate revenue (FAAC + IGR), while the FAAC accounted for the balance of 74.12%.

3.1.4

Aggregate (total) Expenditure trend in the last five years (2020-2024)

Table 3.4 Expenditure Performance

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
TOTAL EXPENDITURE	86,470.79	100,183.00	129,578.00	153,467.00	273,523.20
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	28,749.00	36,774.00	38,679.00	47,653.00	61,781.00
2. Overhead costs	16,378.00	17,366.00	28,970.00	36,158.00	66,671.70
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	16,281.99	14,890.00	16,295.60	9,831.40	11,087.57
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	14,731.99	14,229.02	16,295.00	9,831.40	11,087.57
3.b. of which Interest deducted from FAAC Allocation	1,550.00	661.00	-	-	-
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	105.00	3,969.20	5,796.80	3,987.10	7,014.90
5. Capital Expenditure	18,734.00	21,994.00	33,481.00	50,248.00	117,465.40
6. Amortization (principal) payments	6,222.79	5,189.80	6,355.20	5,589.50	9,502.60
6.a. of which Amortization of Domestic bonds	4,541.00	3,697.70	4,707.60	3,762.20	3,433.50
6.b. of which Amortization of Commercial bank loans	-	-	-	-	-
6.c. of which Amortization of External loans	1,681.79	1,492.09	1,647.60	1,827.30	6,069.08

3.1.5

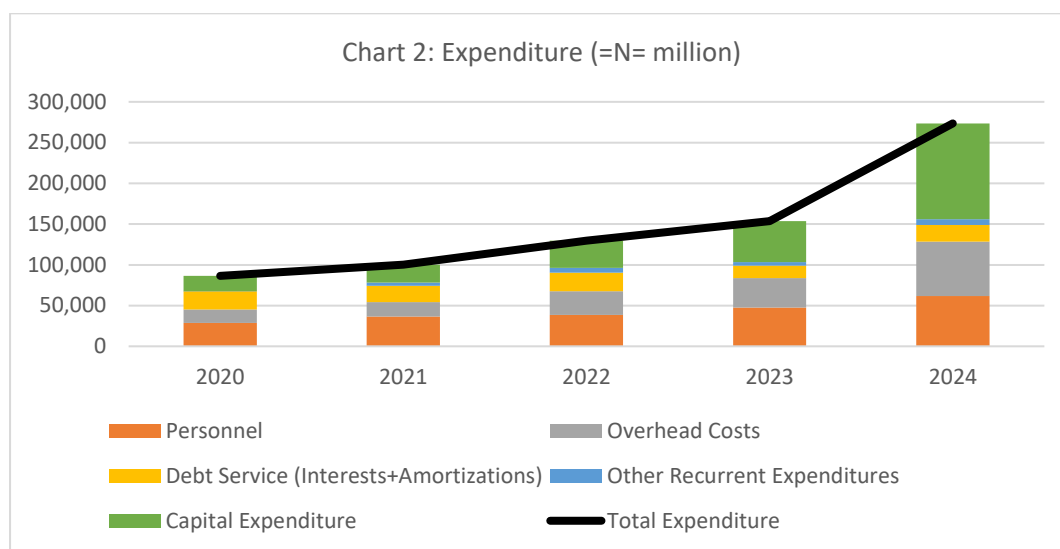
Main expenditure variations in the last five years by economic classification

Table 3.5: Aggregate expenditure variation

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
TOTAL EXPENDITURE	86,470.79	100,183.00	129,578.00	153,467.00	273,523.20
1. Personnel	28,749.00	36,774.00	38,679.00	47,653.00	61,781.00
2. Overhead	16,378.00	17,366.00	28,970.00	36,158.00	66,671.70
3. Interest Payments	16,281.99	14,890.00	16,296.00	9,831.41	11,087.57
4. Other Recurrent Expenditure	105	3,969.20	5,797.00	3,987.10	7,014.90
5. Capital Expenditure	18,734.00	21,994.00	33,481.00	50,248.00	117,465.40
6. Amortization (principal) payments	6,222.79	5,189.80	6,355.00	5,589.50	9,502.60
Personnel cost ratio	33.25	36.71	29.85	31.05	22.59
Overhead cost ratio	18.94	17.33	22.36	23.56	24.38
Interest payments ratio	18.83	14.86	12.58	6.41	4.05
Other Recurrent Expenditure	0.12	3.96	4.47	2.60	2.56
Capital expenditure ratio	21.67	21.95	25.84	32.74	42.95
Principal payment ratio	7.20	5.18	4.90	3.64	3.47
TOTAL	100.00	100.00	100.00	100.00	100.00

Over the last five years under review, aggregate annual expenditure of the State during this period was in the average of =N=148,644.4billion. Of this, capital expenditure took the lead with an average of 32.55% of the total cost on annual basis. This was followed by Personnel cost with an annual average of 28.74%. During the period under focus, 22.27% was the average annual expenses on Overhead cost. Annual average of Debt service obligations (principal and interest repayments) during the same period is 13.62%. It is doubtful if the above pattern of expenditure (as also clearly depicted by Chart 2 below) can be distorted in the immediate subsequent years given the continuous rise in Personnel and overhead cost expected from unavoidable fresh recruitment in the State.

CHART 2: EXPENDITURE PERFORMANCE



Source: State's DSA chart

The apparent increase in the overhead cost is attributable to the galloping inflation currently witnessing in the country, which has triple the cost of running government.

As a mitigating measure, efficiency utilization of the State's resources (both financial and human) might be necessary going forward. A pragmatic shift in public service orientation is envisaged. Appropriate performance indicators leading to transparent measure of employee contribution might need to be involved. All these measure in our view may quickly trigger substantial growth in the State's IGR to compensate for the current hurdle on revenue challenge in the State.

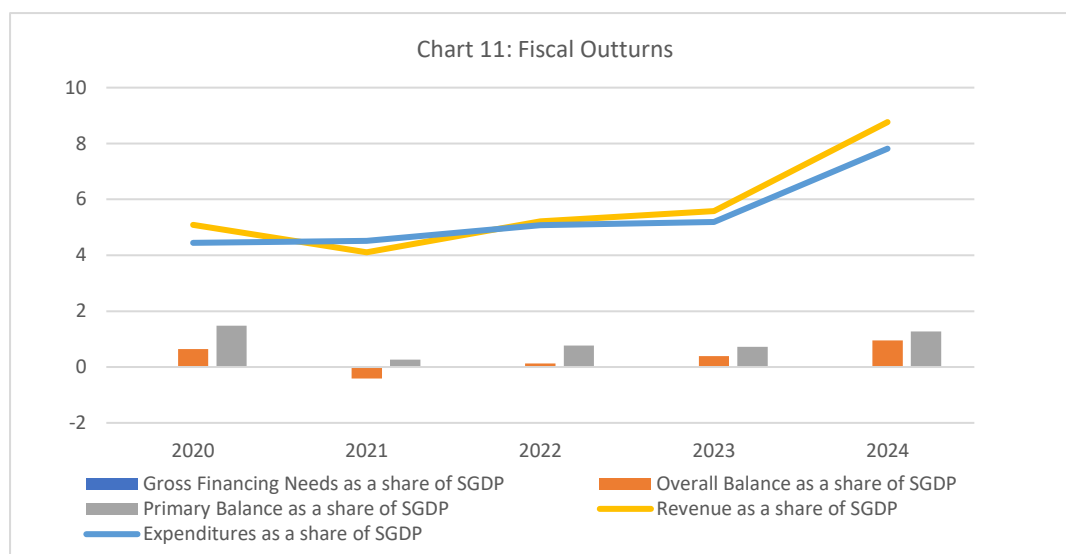
3.1.6: Overall and Primary balance trend in the last five years (2020 – 2024)

Table 3.6

	2020	2021	2022	2023	2024
Overall balance as a share of SGDP	1	0	0	0	1
Primary balance as a share of SGDP	1	0	1	1	1

Source: Osun DSA-DMS populated template

CHART 11: FISCAL OUTTURNS



Source: State's DSA chart

3.2 Osun State Debt Portfolio (2020-2024)

The State's Debt portfolio for the period (years 2020 – 2024) is presented below:

3.2.1 Debt Stock

Table 3.7: Osun total Debt stock (2020-2024)

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Debt (stock)	166,953.92	165,319.35	178,260.20	177,652.80	181,896.80
Domestic (=N=)	134,111.00	134,700.00	148,366.00	144,604.00	84,266.80
External (=N=)	32,842.92	30,619.35	29,894.20	33,048.80	97,630.00
External (USD\$)	107.4	99.9	91.7	87.2	75.1
External debt/Total Debt (%)	19.67	18.52	16.77	18.60	53.67
Domestic debt/Total Debt (%)	80.33	81.48	83.23	81.40	46.33

Source: OSUN DMO

As shown on the table above and as calculated by the template, it was observed that while the State's total loan portfolio figure (domestic and external) increased from =N=177.8billion in 2023 to =N=181.8billion in 2024, representing 2.38% increase, domestic debt component of the portfolio shows a significant decrease from the sum of =N=144.6billion in 2023 to the sum of =N=84.2billion in 2024, representing 41.73% decrease. In addition, for the past five (5) years (2020-2024), there is a steady and yearly decreased in the value of the original currency (United State Dollar) on the outstanding balance of the State's external debt portfolio, despite the apparent reduction however,

on a yearly basis, there is a continuous surge in the naira equivalent on the outstanding balances. While the value on the outstanding balance of the State’s external debt portfolio reduced from the sum of USD\$87.2million in the year 2023 to the sum of USD\$75.1million in the year 2024 (13.88% reduction), there is a conspicuous surge in the naira value on the outstanding balances during the two periods (from the sum of =N=33,048.8billion in the year 2023 to the sum of =N=97,630.00billion in the year 2024 (representing 195.41% increment).

Reason for the increase in the Naira value on the outstanding balance on the State’s external debt is not related to new borrowing, rather, it was due to the nation’s weak currency (naira), as the outstanding balances on the State’s external debt component is usually being driven by the fluctuations in the foreign exchange rate. The complete removal by the Federal Government of Nigeria (FGN), of arbitrage associated with foreign exchange management, which led to the floating of the nation’s currency, is one of the major factors for the surge in foreign exchange rate. This, has inevitably, necessitated an increase in the foreign exchange rate usually being applied by the Federal DMO, Abuja, in determining the periodic total outstanding balances on States’ external debt portfolio and the monthly repayment obligation thereon.

Since emergence of the current administration in the State in November 2022, there has been very strict restraint on debt creation activities, the administration as an aversion toward loan sourcing.

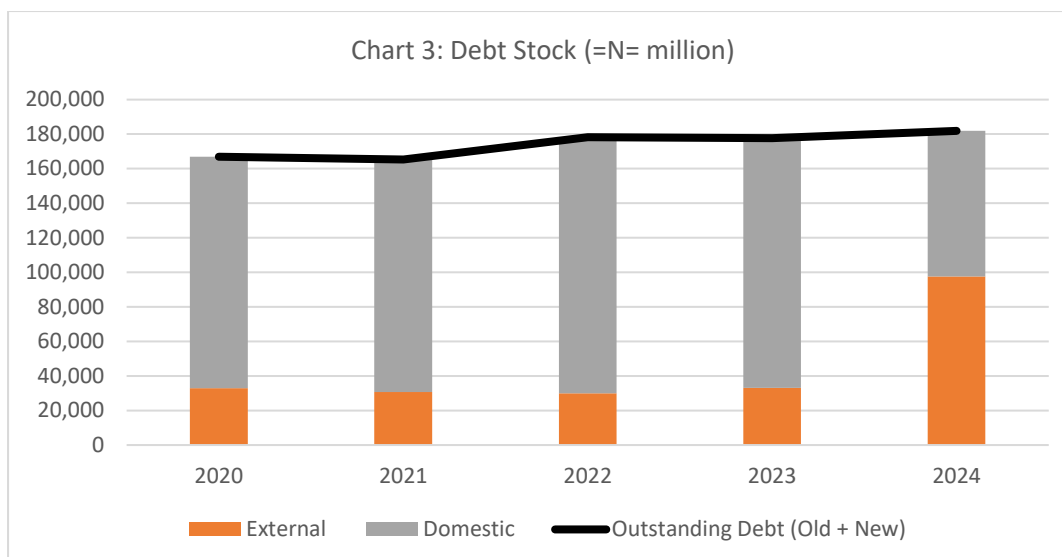
3.2.2 Debt composition

Table 3.8: Osun Debt composition (2020-2024)

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Debt stock	166,953.92	165,319.35	178,260.20	177,652.80	181,896.80
External	32,842.92	30,619.35	29,894.20	33,048.80	97,630.00
Domestic	134,111.00	134,700.00	148,366.00	144,604.00	84,266.80
External debt/Total Debt (%)	19.67	18.52	16.77	18.60	53.67
Domestic debt/Total Debt (%)	80.33	81.48	83.23	81.40	46.33

Source: OSUN DMO

During the period under review, and despite the continuous surge in foreign exchange rate, which inevitably, necessitated continuous surge in the naira equivalent on the outstanding balances, about 25.45% on the average (over the past five years) of the State’s total loan portfolio is external. This indicates that the state loan is skewed more towards Domestic. Domestic composition of the State’s loan portfolio is about 74.55% on average. This is as shown below.



The peculiar challenge associated with external loan sourcing has always been foreign exchange rate fluctuations, particularly, considering the depleting situation of the country's foreign reserve brought about by the country's monolithic economy. The floating of the nation's currency which further reduced the value of the nation's currency (naira), and ballooned the country's total Debt portfolio is a typical demonstration of the negative impact an unfavourable movement of foreign currency can have on external debt denomination.

In order to have further insights on the State's loan portfolio presented above, the various compositions of the debts in terms of Domestic and External are further analysed and presented in tables 3.9 and 3.10 below:

Table 3.9: Domestic Debt Composition

	2020	2021	2022	2023	2024
	=N='000,000	=N='000,000	=N='000,000	=N='000,000	=N='000,000
Total Domestic Debt – Stocks	134,111.00	134,700.00	148,366.00	144,604.00	84,266.80
Budget Support Facility	17,500.00	17,428.00	17,295.00	17,223.30	00
Salary Bailout Facility	23,247.00	22,828.00	22,058.00	21,646.70	00
Restructured Commercial Bank Loans (FGN Bond)	79,792.00	77,785.00	75,459.00	73,935.50	71,518.70
Excess Crude Account-backed Loan	8,940.00	9,139.00	9,455.00	9,057.10	8,622.60
Infrastructure Loan (CBN Development Financing Facilities)	4,632.00	4,720.00	4,456.00	4,298.40	4,125.50
FGN 2021 Bridge Finance Facility	0.00	0.00	18,043.00	18,043.00	00
FGN Intervention Fund	0.00	2,800.00	1,600.00	400.00	00
FGN Bond/Total Domestic debt (%)	59.50	57.75	50.86	51.13	84.87

Source: OSUN DMO

As presented, during the period under review (2020-2024), on an average, the FGN bond, issued in 2015 by the FGN on behalf of the State, accounted for about 60.82% of the State's Domestic loan portfolio. The referenced Bond was for the redemption of the State's outstanding balances on her hitherto debilitating loans with commercial banks. The bond with a tenor of 226months has the

highest interest rate of 14.83%p.a. Since the full redemption of the State’s capital market borrowings (Vanilla bond and Sukuk) in 2020, all other debts in the State’s loan portfolio are on single digit interest rate of 9%p.a. In addition, the number of the State’s active domestic debt portfolio has reduced from seven (7) facilities as at December 31, 2023 to three (3) facilities as at December 31, 2024.

The increased in the percentage of the FGN Bond to total Domestic debt from 55.61% as witnessed in the period 2019-2023, to 60.82% during the period 2020-2024 was attributable to an arrangement between the Osun State Government and the Federal Government of Nigeria (FGN), which saw the complete takeover of the outstanding balances (as at dec., 31, 2023) on three facilities (Budget Support, Salary Bailout and FGN 2021 Bridge Finance) of the State by the FGN. The value of the aforementioned three facilities has therefore been expunge from the record of the state domestic debt, as the repayment on the referenced outstanding balances on these three facilities has been completely taken over by the FGN till maturity. Reason for the takeover of the facilities by the FGN, which also led to the zeroed out of the outstanding balances on the aforementioned facilities on the State’s record was due to debt swap/net-off between the FGN and the Osun state Government. The sums of =N=17,223.30billion, =N=21,646.70billion and =N=18,043.00billion are the value of the outstanding balance (as at December 31, 2023) on the referenced three facilities respectively, who enjoyed the debt swap with the FGN. In addition, following the successful debt swap/net-off, the number of the State’s active domestic debt portfolio has reduced from seven (7) active facilities as at December 31, 2023 to three (3) active facilities as at December 31, 2024.

Prior to the commencement of the reconciliation between FGN and State on some unauthorized withdrawals, made by the FGN from the Excess Crude Account (ECA), Petroleum Profit Tax (PPT)/Royalties Account from the years 2009 to 2015, on accounts jointly owned by the three-tier of Government, it was agreed by the two parties, that certain percentage on any established amount due to each State, shall be used to net-off the indebtedness of such a State to the FGN on some credit facilities that were either avail directly to the States by the FGN or that are being guaranteed by the FGN on behalf of States. The reduction of the Osun state debt portfolio through the debt swap/net off with the FGN also applicable to all the States of the Federation. As a matter of fact, some States have up to four or five of their credit facilities that benefited from the debt swap with the FGN.

Table 3.10: External Debt Composition

	2020	2021	2022	2023	2024
	USD\$’000,000	USD\$’000,000	USD\$’000,000	USD\$’000,000	USD\$’000,000
Total External Debt – Stocks	107.4	99.90	91.7	87.2	75.1
World Bank (WB) (including International Development Association (IDA))	77.57	84.10	76.80	73.40	62.50
African Development Bank (AfDB)	5.68	5.50	5.50	5.40	5.10
Multilateral Creditor [Agence Francaise De Development (AFD)]	24.15	10.30	9.40	8.40	7.50
Naira Equivalent of the Total External Debt (N’000,000)	32,842.92	30,619.35	29,894.20	33,048.80	97,630.00

Source: OSUN DSA-DMS Template

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

3.2.3 Cost and Risk Profile

The cost and risk profile of the State’s debt portfolio is analysed for both the domestic and external components as shown presented below:

Table 3.11: Cost and Risk profile (Domestic)

S/N	Loan Portfolio	Current Balance as at Dec. 31, 2024 (=N='000,000)	Cost (%)	Risk Profile
1	Restructured Commercial Bank Loans (FGN Bond)	71,518.70	14.83	Low
2	Excess Crude Account Backed Loan	8,622.60	9	Low
3	Infrastructure Loan (CBN Development Financing Facilities)	4,125.50	9	Low

Source: Osun DMO

Table 3.12: Cost and Risk Profile (External)

S/N	Loan Portfolio	Current Balance as at Dec. 31, 2024 (USD\$'000,000)	Cost (%)	Risk Profile
1	World Bank (WB) (including International Development Association (IDA))	62.50	2	Low
2	African Development Bank (AfDB)	5.10	2	Low
3	Multilateral Creditor [Agence Francaise De Development (AFD)]	7.50	2	Low

Source: Osun DMO

The above tables (table 3.11 and 3.12) show that the State holds a low-cost, and moderate-risk debt portfolio (baseline). Although, as against year 2023, where the State’s external debt (with its associated risk of foreign exchange), constitutes only about 18.60% of the State’s entire portfolio, this is not the case in the year 2024, as the State’s external debt constitutes 53.67% of the State’s entire portfolio. As earlier stated on chapter 3.2.1 (pages 15), reason for the surge in the Naira value on the outstanding balance on the State’s external debt is not related to new borrowing, rather, it was due to the nation’s weak currency (naira), as the outstanding balances on the State’s external debt component is usually being driven by the fluctuations in the foreign exchange rate. Nevertheless, most of the State’s portfolio (domestic and external) have single-digit interest rate and can therefore be said to have low cost.

In line with the current realities in the country, one may want to maintain that the current composition of the State’s loan portfolio (baseline) appears optimal when looked at in terms of cost, risk and impact of the unavoidable fluctuations of exchange rate. But for the moderate size of the State’s External debt portfolio, the recent distortion in Nigerian economy arising from the country’s policy shift on foreign exchange rate would have been catastrophic. This singular incidence further emphasizes the need for regular review of State’s portfolio along the mix line in attempt to strike a necessary balance between portfolio’s cost and risk.

CHAPTER FOUR

DEBT SUSTAINABILITY ANALYSIS

4.0 Introduction – Concept of Debt Sustainability Analysis

In Public financing, the many agitations surrounding debt is not about its desirability, but, the ability of the concerned government to keep a level of borrowing that is adequately matched with her potential revenue. Keeping a sustainable level of borrowing is indicated by the ability of the concerned government to honour its present and future financial obligations under a particular debt portfolio without default or debt restructuring. As public debt and the quantum of revenue required for debts servicing increase, so is the consciousness about Debt sustainability begins to gain traction globally. In order to ensure sustainable debts, sound fiscal policies are required to be put in place by government. Therefore, the soundness of any government policies can be assessed through her Debt sustainability. Government's fiscal policies are deemed unsuitable when they lead to public debt build-up due to inability to meet maturing obligations thereon over time.

While Debt sustainability relates to a borrower's ability to meet obligations (of principal and interest repayments) from time to time as agreed without any distortion on other responsibilities, a sub-sovereign's debt sustainability examines how a State's existing debt and proposed borrowing affects her present and future ability to meet Debt service obligations. Sustainability of public debt are usually assessed by considering the Ratio of Debt stock and Debt servicing figures to Gross Domestic Product (GDP) or Revenue of the concerned government. These Ratios are typically benchmarked against certain thresholds. Going by measures in line with international best practice, presented in table 4.0 below are the key indicators of Osun State's Debt sustainability as at end of the year 2024:

Table 4.0: Osun State Debt burden indicators as at year end 2024

Indicators	Threshold	Ratio
Debt as % of SGDP	25%	5.0%
Debt as a % of Revenue	200%	59%
Debt services as a % of Revenue	40%	7%
Personnel cost as a % of Revenue	60%	20%
Debt Service as a % of FAAC Allocation	Nil	9%
Interest payment as a% of Revenue	Nil	4%
External Debt service as a % of Revenue	Nil	2%

Source: Osun DSA-DMS

From the analysis carried out on the State's portfolio, Debt to Revenue figure received significant improvement during the period under focus. From 181% in 2021, the State's Debt to Revenue figure reduced from 134% in 2022 to 108% in 2023 and, to 59% in the year under review (2024). This is against the recommended threshold of 200%. As revealed in the previous chapter of the report, the main factor responsible for this was the phenomenal increase in the State's total revenue during the year. Also, when Debt to GDP is considered, it is observed that the State's Debt stock is below the recommended threshold of 25%. From an acceptable level of 7% in 2022, 6% in 2023, Debt to GDP improved gradually to 5% in 2024. This implies a remarkable trend. In the same vein, Debt service expressed as a share of revenue improved considerably from 17% in 2022, 9% in 2023 to 7% in 2024. This is against the recommended threshold of 40%. **Overall, it could be concluded that the sustainability of the State's Debt portfolio currently is not threatened.**

4.1 Medium Term Budget Forecast

Table 4.1: Osun's Ten years (2025-2034) Revenue and expenditure projections

NET TOTAL REVENUE (II+III+IV+V+VI)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)
	373,183.29	300,845.53	311,960.63	324,050.59	333,747.38	346,295.24	360,482.70	374,194.97	390,205.46	412,278.33
Gross Statutory Allocation (I+III+IV)	251,670.00	230,225.00	237,600.00	247,000.00	251,550.00	258,699.38	266,151.77	273,920.96	282,021.41	290,468.23
Statutory Allocation (I)	85,991.10	90,225.00	93,600.00	97,000.00	99,425.00	104,396.25	109,616.06	115,096.87	120,851.71	126,894.29
Net Statutory Allocation (II)	61,428.89	66,845.53	70,360.63	73,900.59	76,464.88	81,576.74	88,010.85	93,637.92	101,216.17	114,493.81
Deductions	24,562.21	23,379.47	23,239.37	23,099.41	22,960.12	22,819.51	21,605.21	21,458.94	19,635.54	12,400.48
Other FAAC Revenue (III)	87,578.90	60,000.00	62,000.00	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00
VAT Allocation (IV)	78,100.00	80,000.00	82,000.00	85,000.00	87,125.00	89,303.13	91,535.70	93,824.10	96,169.70	98,573.94
IGR (V)	109,870.90	57,000.00	60,000.00	62,000.00	65,100.00	68,355.00	71,772.75	75,361.39	79,129.46	83,085.93
Grants/Capital Receipt (VI)	36,204.60	37,000.00	37,600.00	38,150.00	40,057.50	42,060.38	44,163.39	46,371.56	48,690.14	51,124.65

EXPENDITURE	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)	(=N='M)
TOTAL	403,184.60	295,733.00	306,658.00	318,558.00	328,371.95	350,424.15	374,217.31	399,902.33	427,644.01	457,622.44
Personnel costs	102,895.80	84,000.00	88,000.00	89,000.00	93,450.00	98,122.50	103,028.63	108,180.06	113,589.06	119,268.51
Overhead costs	88,890.40	90,000.00	90,000.00	90,000.00	92,250.00	96,862.50	101,705.63	106,790.91	112,130.45	117,736.97
Other Recurrent Expenditure	19,849.30	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Capital Expenditure	191,549.10	106,733.00	113,658.00	124,558.00	127,671.95	140,439.15	154,483.06	169,931.37	186,924.50	205,616.95

Source: Osun Populated DSA template

Kindly note, the fall in the State's IGR figure between year 2025 and 2034 as indicate on the above table was attributable to the manner employed for the projection of the State's IGR for this report, as the value of the State's MTEF 2028 was used as a base for the State's IGR projection. Therefore, using the value of the State's MTEF 2028 as a base for the State's IGR projection (2029-2034) offers the most realistic route and outcome, as the State's MTEF provides a better reflection of the State's actual IGR generation and potentials. This can be further supported with the following arguments:

- (a) As indicated in chapter 3.1.1 (page 10), under table 3.1 (Osun total revenue trend (2020-2024), the sum of =N=54,768.00billion was the State's actual IGR in the year 2024, and this was the highest return on IGR for five (5) years. The State's average IGR for five years (2020-2024) was =N=30,910.00billion.
- (b) As showed on table 4.1 (medium term budget forecast) above, the sum of =N=109,870.9billion was the value of the State's IGR as captured in the State's approved budget for the current year 2025, this, we believe is too optimistic to attain, given the outcome of the five years IGR

trend (2020-2024) as explained in (a) above, and also, considering the moderate value of the projected IGR on the State's MTEF 2026-2028, which on the average, is put at =N=59.6billion per year.

- (c) Therefore, and as reflected on page 46, nos. iv (under other assumptions for the years 2029-2034, the State's IGR was reasonably projected to grow annually by 5%, using the value of the State's MTEF figure for the year 2028 as a base. The value of the State MTEF 2028, which is =N=62billion is a lower figure, when compare to the value of the State's budget 2025 which is =N=109.8billion.

4.1.1 MACROECONOMIC OUTLOOK UNDERPINNING THE STATE'S DSA-DMS

The State's DSA-DMS is prepared based on expectation of rapid stability of the nation's economy sequel to the un-envisaged general shock in the economy caused by the total removal subsidy of petroleum product in the country, and with due considerations to the lead time of the various reform agenda of the current administration at the Federal level. Under the expected economic stability scenario, oil revenue accruing to the Federation account is expected to continue to improve. This anticipation is reflected in the key assumptions underpinning oil revenue projections. These are average daily production benchmark of 1.7million barrels, crude oil price of \$55 per barrel, and Naira to Dollar exchange rate of =N=1,500.00. Also under consideration is the many giant strides and unprecedented bold moves of the current administration at the Federal level on virtually all areas touching on changing the narratives on the country's economy. **Going by the various policy shifts of the Federal government, there are lots of expectation on the area of revenue growth in particular.** The new structural adjustments leading to expansion and modification of various ministries, departments and Agencies in the country, particularly revenue generating MDAs is indicative of the envisaged dramatic economic turnaround in the country. The recent signing of a new tax bill into law is an indication of paradigm shift which is expected to further have a positive impact in revenue generation for both the national and sub-national Governments in Nigeria. Overall, the expected growth in the national economy is further hinged on estimated GDP annual growth rate of 3.2% and inflation rate of 23%.

Albeit, all the various reforms and strategies embarked upon by the State in driving her internally generated revenue over the past few years could not be said to be yielding results at an optimal level, the State, is however, not relenting as it continues to evolve additional initiatives and strategies, specifically, aimed at increased internally generated revenue in the State. For instance, the decision of the current administration in the State to focus aggressively on activities relating to mining, various Tech-driven initiatives meant to increase entrepreneurship activities, capable of expanding the tax net in the State, as well as Tourism, are all aimed at growing the State's IGR base.

Whereas, following the enactment of Osun State Revenue Administration Law in 2012, the State's IGR has been on steady increase year in year out, the current administration in the State is however also evolving various initiatives capable of further improving on the State's IGR drive, by focusing on areas of expansion of tax net and efficiency of local revenue collection. The State's government is strategically embarking on necessary alignment of her work force to engender productivity in terms of efficiency and revenue-linked performance environment. This is considered a right move towards optimization of the State's limited resources.

4.2 Borrowing Options

The State's projected aggregate borrowing needs for the ten-year period (2025-2034) is estimated to be ₦340,462.54 billion. This is as shown in the table below:

Table 4.2: Borrowing projections

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
	=N=	=N=	=N=	=N=	=N=	=N=	=N=	=N=	=N=	=N=	=N=
Borrowing projections	30,478.61	3,063.49	9,050.23	9,568.44	11,198.75	22,238.00	30,323.19	50,226.11	73,776.63	100,539.09	340,462.54

Source: Osun DSA-DMS

As indicated in chapter 3, the State's existing portfolio mix is strategic and represents the optimal mix under the prevailing situations in the country, it also aligns with the risk preference of the current administration in the State. Notwithstanding the State's government's preference for more Domestic debt over External given the reasons stated in chapter three, both Domestic and External Debts are employed in all the strategies evolved to cater for the above funding requirements of the State for the ten-year period (2025-2034). For Domestic debts, five (5) different sources are being considered. These are; Commercial Bank Loans (maturity 1 to 5 years), Commercial Bank Loans (maturity 6 years or longer), State Bonds (maturity 1 to 5 years), State Bonds (maturity 6 years or longer) and Other Domestic Financing (Concessionary Loans - maturity 20 years or longer). The External debt components are to be sourced from World Bank (including International Development Association (IDA), and IBRD), African Development Bank-AfDB and multilateral creditors. These loan portfolios have average tenor of 30 years with average interest rate of 3%. These are as indicated below:

Table 4.3: Borrowing options

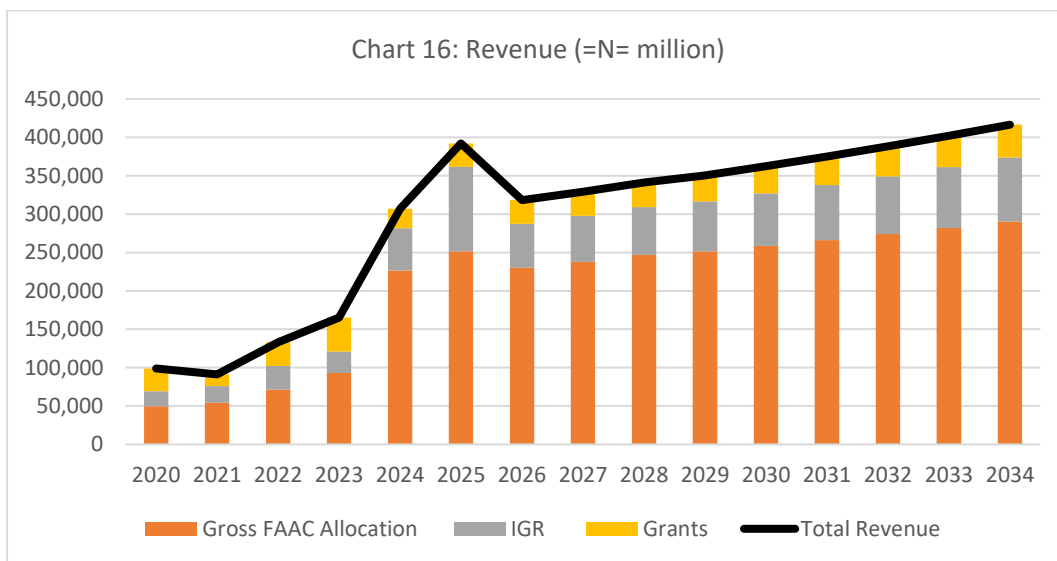
S/N	Borrowing options	Average Tenor (years)	Grace period (years)	Average interest rate
1	Commercial bank (maturity 1-5 years)	5	1	32%p.a.
2	Commercial bank (maturity 6 years or longer)	7	1	35%p.a.
3	State Bonds (maturity 1 to 5 years)	5	1	20%p.a.
4	State Bonds (maturity 6 years or longer)	7	1	25%p.a.
5	Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)	20	0	12%p.a.
6	External loans	30	7	3%p.a.

Source: Osun DMO

4.3.0 DSA Simulation Results

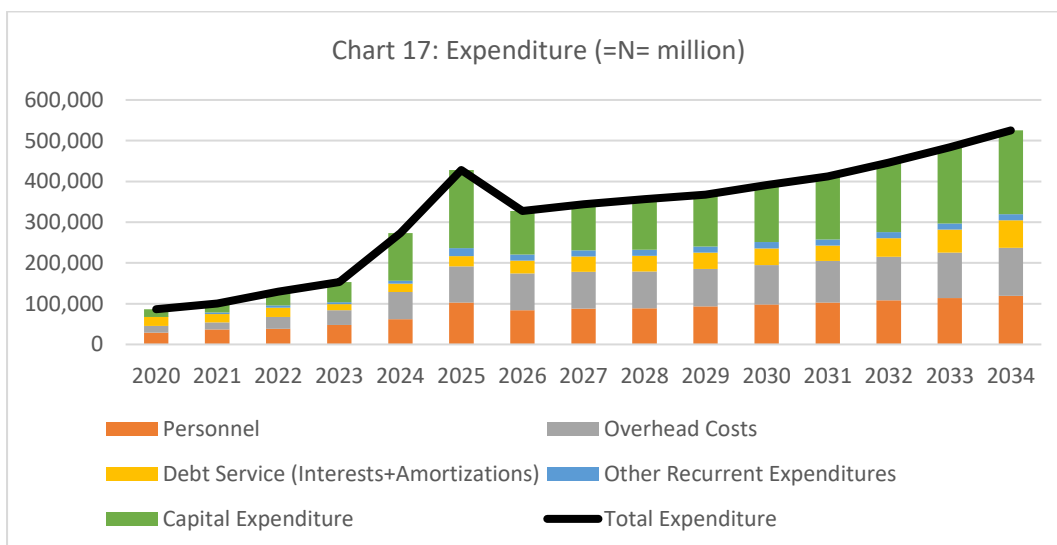
Under this section, the State's ten years (2025-2034) Revenue and Expenditure projections are evaluated with a view to ascertaining the State's fiscal sustainability over the next few years. Specifically, the relationship between Debt stock, Debt service figures to Revenue remain the central theme of discussion. As presented, Charts 22 and 23 (Projected Debt as a Share of Revenue and Projected Debt Service as a Share of Revenue) on page 26, show the outcome of the evaluation of the State's fiscal sustainability.

4.3.1 Projected Revenue



Source: State's forecast

4.3.2 Projected Expenditure



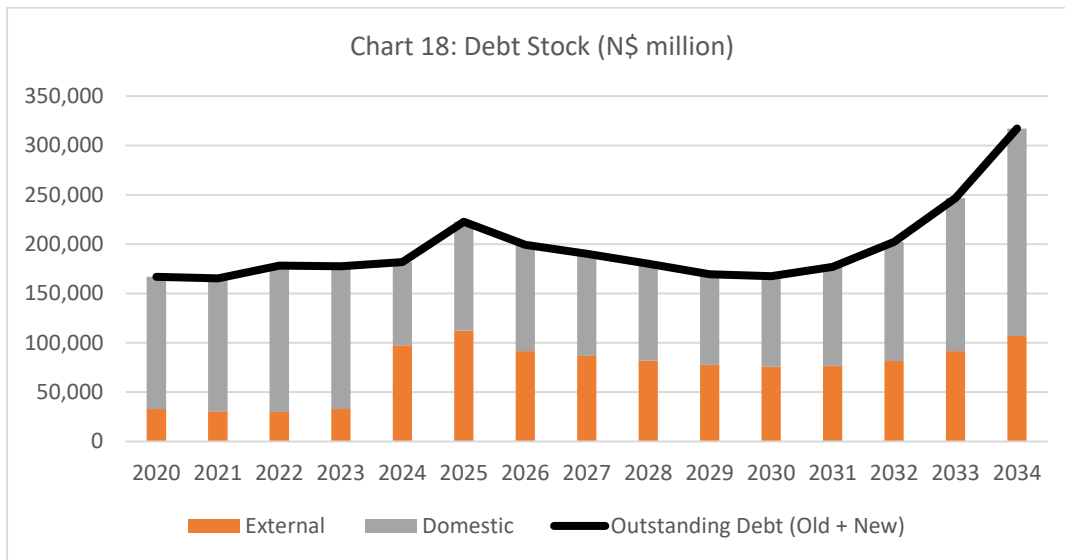
Source: State's forecast

With a view to having a futuristic view of the State's possible position on a ten-year period, the above ten years (2025-2034) forecast of the State's revenue and expenditures (Table 4.1, page 21) are made. The State's actual budget for the year 2025 and MTEF (2026-2028) already shown on pages 6-9 of the report, and the various assumptions underlying it form the basis of the 10-year forecast. The other assumptions relevant to the projections particularly for the years 2029 to 2034 are as indicated in section 4.1.1 (page 22), and on page 46.

4.3.3: Projected Debt Stock

Table 4.4: Projected Debt Stock

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Outstanding Debt (Old + New)	166,954	165,319	178,260	177,653	181,897	222,815	199,331	190,078	180,100	169,533	167,547	177,061	202,078	246,761	317,158
External	32,843	30,619	29,894	33,049	97,630	112,353	91,796	86,786	82,019	77,718	75,765	76,644	81,649	91,505	106,966
Domestic	134,111	134,700	148,366	144,604	84,267	110,462	107,535	103,292	98,081	91,815	91,782	100,417	120,429	155,256	210,192

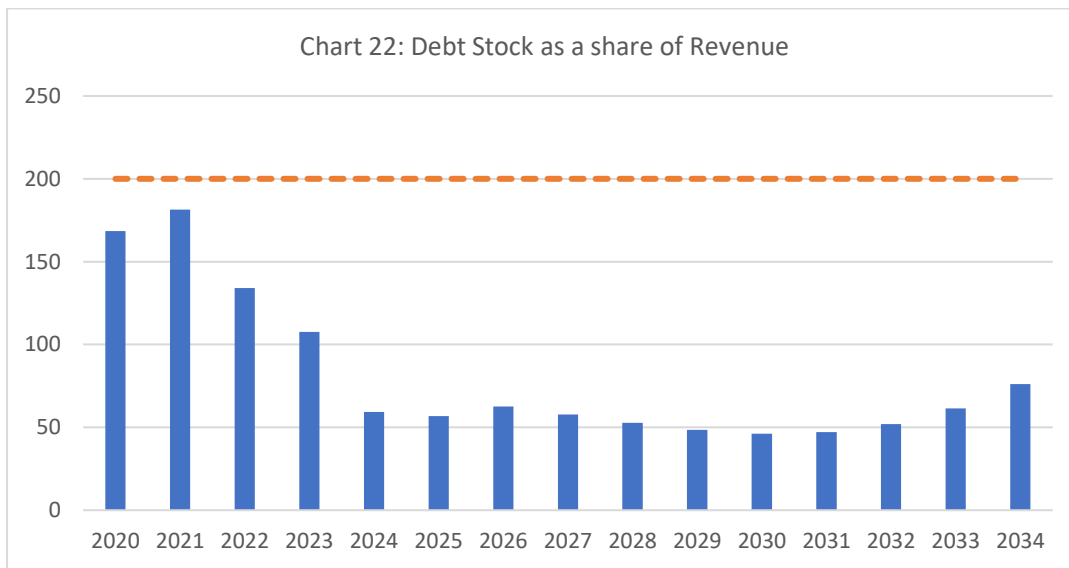


Source: State's forecast

As projected and presented above, the State's Debt stock increased significantly from =N=222,815.00billion in 2025 to =N=317,158.00billion in 2034 (representing 42.34% increase). The projection also sees that the naira value of the State's external debt decreases from =N=112,353.0billion as it where in the year 2025 to =N=106,966.0billion in the year 2034 (representing 4.79% decrease).

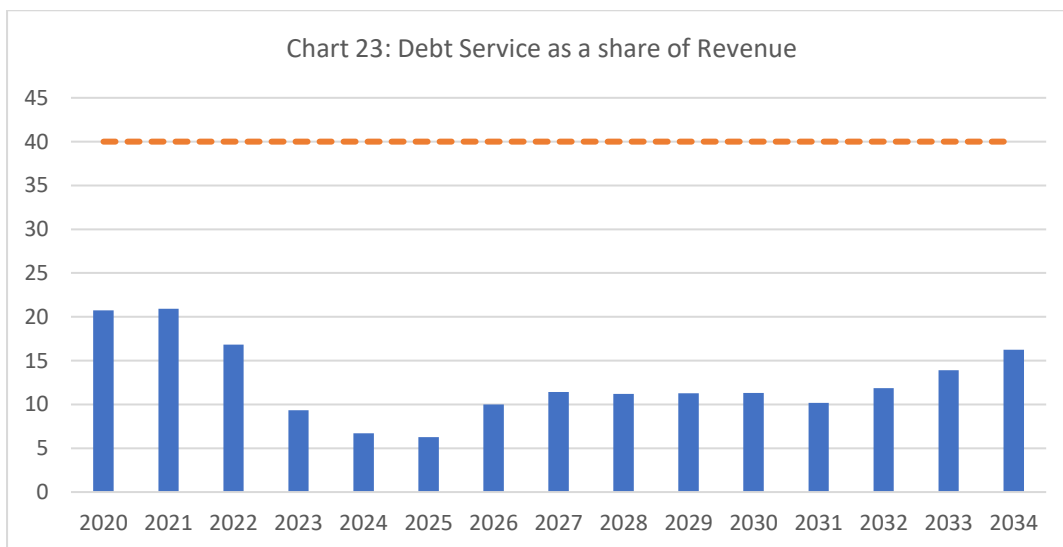
In addition, going by then projection, by the year 2034, external component of the of the State's debt portfolio shall be 33.73%. This shows a radical shift in the State's debt mix more in favour of external component, compare to the current mix (year 2025) which stood at 50.45% to 49.58% for external and domestic debt respectively. The ten-year debt stock projection is in alignment with the current pattern of the State's fiscal scenario, and a reflection of the anticipatory impacts of the State's effort in ensuring continuous sustainability of her debt portfolio. This is substantially reflective of improved revenue and expected efficiency in revenue utilization by the State.

4.3.4: Projected Debt as a Share of Revenue



Source: State's forecast

4.3.5: Projected Debt Service as a Share of Revenue



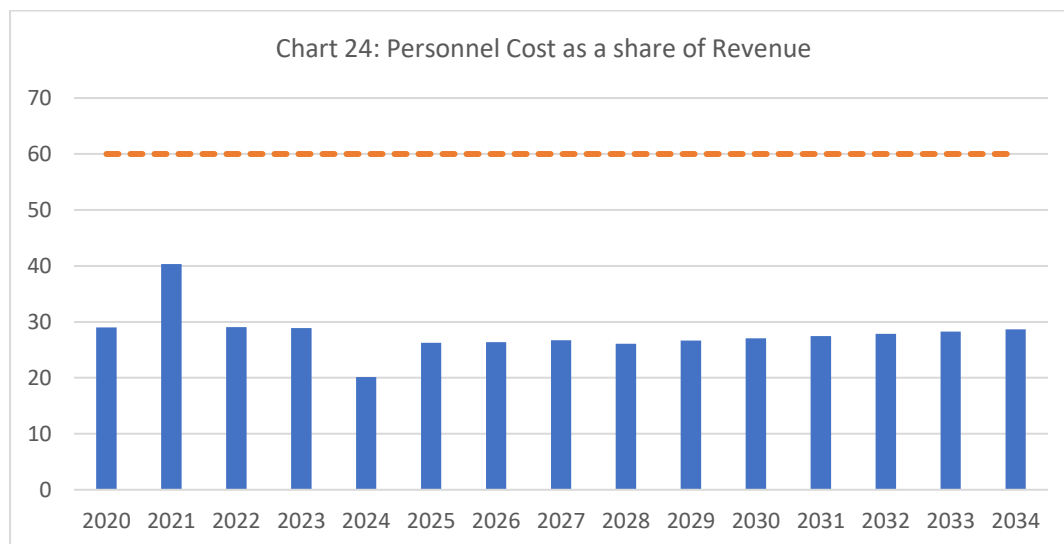
Source: State's forecast

From the above two charts (22 & 23), the State's debt sustainability measured in terms of Debt to Revenue and Debt service as a share of Revenue ratios indicate a sustainable position. Far below the recommended thresholds of 200% and 40%, both indicators are on sustainable downward positions during the projected ten years period. This is an indication of improved revenue, conscious debt creating activity and strategic debt management strategy embedded in a balanced portfolio mix on the part of the State. The above trend further emphasizes the State's capability in meeting her debt service and repayment obligations comfortably over time into the future.

In our opinion, with a view to further consolidating the above anticipated trend, and ensure the sustainability is achieved beyond the ten-year period, the following recommendations are among the measures the state can apply:

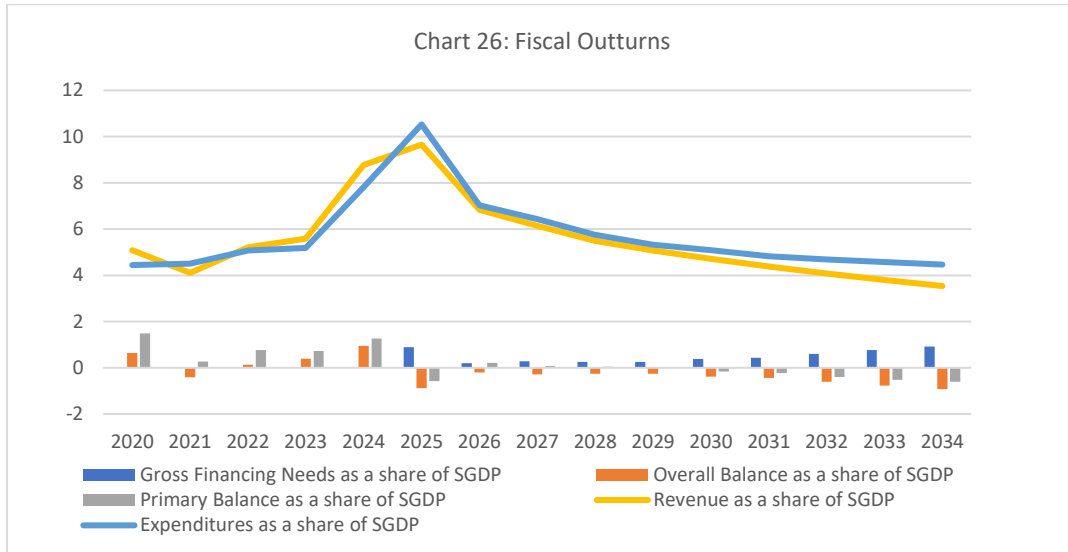
- i. Increased focus on the State’s informal sector with a view to developing the sector and capturing its numerous stakeholders in the State’s tax net. In a developing nation like ours, the significance of informal sector cannot be underscored, and the multiplier impact such sector can have on States’ IGR base can be over emphasized.
- ii. Continuous review and strategic amendment and harmonization of the State’s various tax laws is also considered important. This is to enable the State’s prompt response to unavoidable development in the country in terms of legislation review in tandem with economic realities in the country. Legislation review is to maintain relevance and economic realities of the various extant laws from time to time.
- iii. Exploration of the State’s internal revenue service into other budding areas. In order to keep expanding the State’s tax net, the ingenuity of the State’s internal revenue services is critical. Presently, areas of low-hanging fruits include: Land use charge, accelerated processing and issuance of Certificate of Occupancy (C-of-O), Tourism activities, among others. All the listed areas remain untapped revenue generating-opportunities for the State.
- iv. The state should also key into the new tax law of the Federation with a view to domesticate any section of the law that will add value to the IGR of the State.

4.3.6: Projected Personnel Cost



Source: State’s forecast

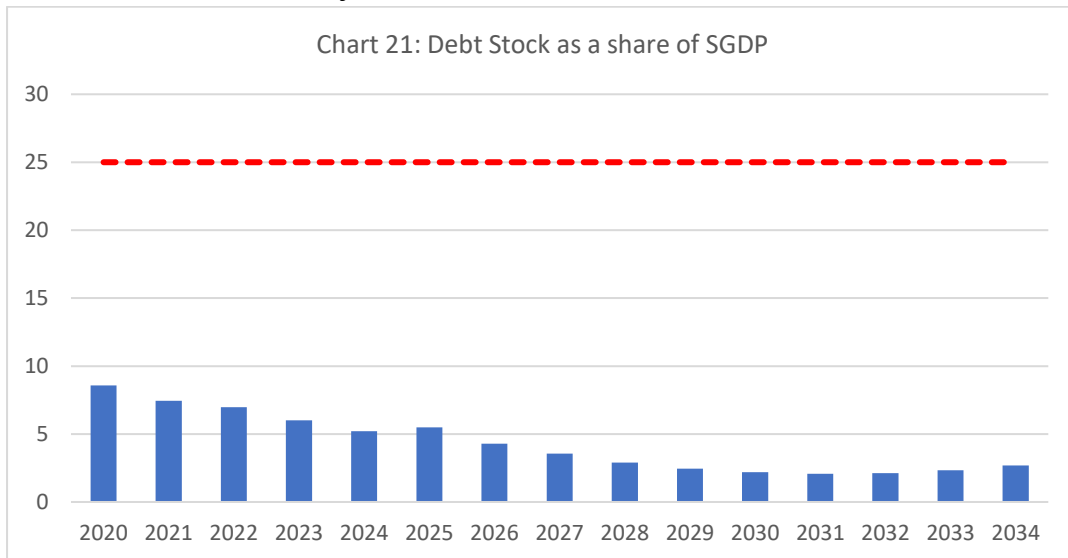
4.3.7: Fiscal Outturns



Source: State's forecast

Chart 24 above indicates that the State is currently not doing badly in terms of her Personnel cost as a share of Revenue. This ratio is kept below the 60% threshold throughout the projected ten-year period. From the share of 26% in year 2025 to 29% in year 2034, which incidentally, is also the highest during the ten years period.

4.3.8: Projected debt as a share of SGDP



Source: State's forecast

Debt as a share of GDP is another relevant ratio. As the above chart shows, this ratio is far below the threshold of 25% throughout the period under focus. The ratio improves from 9% in 2020 to 3% in 2034. This is an indication that the State's Debt stock as projected is at sustainable level, particularly when viewed along with Debt to Revenue figure earlier discussed in 4.3.4.

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

As can be gleaned from the discussion in the previous sections and sub-sections, the key indicators of Debt sustainability i.e., Debt/Revenue, Debt/GDP, Debt service/Revenue all indicate that the State’s projected Revenue, expenditure, and required annual borrowing levels, will not in any way affect the State’s fiscal stability during the period under focus (i.e., 2025-2034). Therefore, excluding other issues and assumptions not put into consideration while making the projections and analysing same, the State’s Debt could be said to be sustainable.

4.4 .0 DSA Sensitivity Analysis

In order to further strengthen the position under Section 4.3.9 above, the State’s baseline scenario is subjected to stress tests. This is usually carried out under DSA sensitivity analysis. The sensitivity analysis provides a framework for stress test of a borrower’s Debt sustainability under different levels of adverse variations on the key macroeconomic indices upon which revenue, expenditures and debt projections are postulated. States face fiscal risks associated with adverse country wide macroeconomic conditions and distortions or shocks on revenue and expenditure policies. Under the sensitivity analysis carried out on Osun Debt portfolio sustainability, the impact of 10% adverse variations on the projected revenues, and expenditures, 20% on exchange rate, and 2% on interest rate are evaluated. This is done to ascertain the robustness of the sustainability assessment of the baseline scenarios discussed in the previous sub-section. The overall assumption is that both the resulting reduction in revenue and increase in expenditure shall be financed by the projected borrowings as applicable under the baseline scenarios earlier discussed. The impact of the various shocks on the indicators (Debt stock as a share of GDP, Debt stock as a share of Revenue, Debt service as a share of Revenue, and Personnel cost as a share of Revenue) are examined in relation to the various thresholds of these indicators. This is to evaluate the State’s level of response to the various shocks. Presented and discussed below are the results of the analyses of the various shocks scenarios in relation to the Baseline. Given the observed distortions in the various charts generated under the analyses, and the desire to control the significant volatility observed in recent years however, the historical scenario is completely excluded from the State’s DSA-DMS template.

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

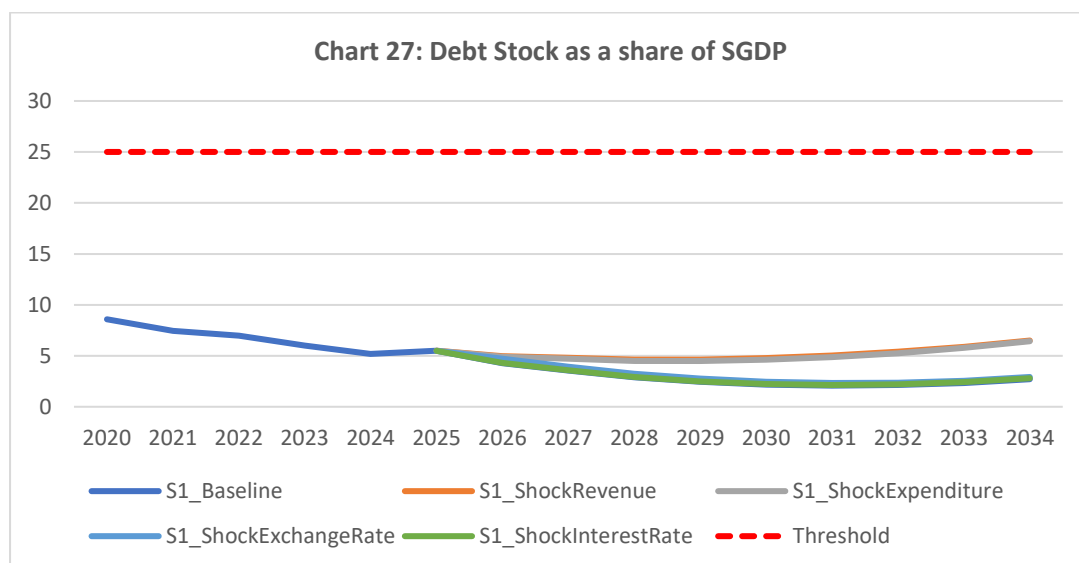


Table 4.5: Debt Stock as a share of SGDP (under Shock scenario)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Threshold	25	25	25	25	25	25	25	25	25	25
S1_Baseline	5	4	4	3	2	2	2	2	2	3
S1_ShockRevenue	5	5	5	5	5	5	5	5	6	6
S1_ShockExpenditure	5	5	5	5	4	5	5	5	6	6
S1_ShockExchangeRate	5	5	4	3	3	2	2	2	3	3
S1_ShockInterestRate	5	4	4	3	2	2	2	2	2	3

Source: Osun DSA-DMS template

As depicted in the above charts (Chart 27), and table 4.5, it is discovered that the indicator reacts moderately to the shocks on all the four variables (Revenue, Expenditure, Exchange rate, and Interest rate). The indicator is still within the threshold of 25% throughout all the years. This implies that the variability of the State’s projections for the ten years (when evaluated under the four shocks scenarios on Revenue, Expenditure, Interest rate and Exchange rate) do not show any marked distortion in response to GDP.

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

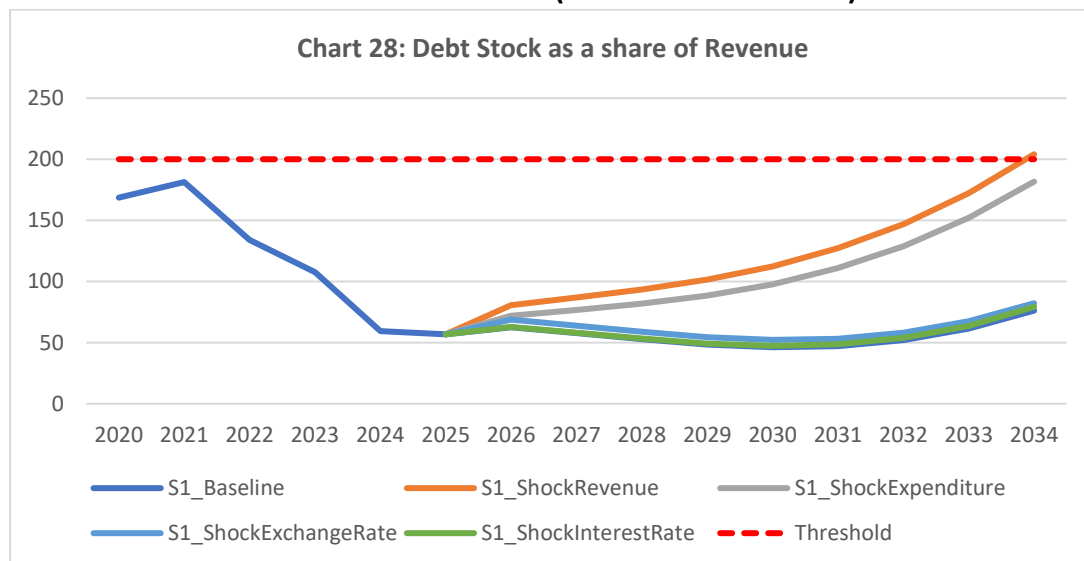


Table 4.6: Debt Stock as a share of Revenue (under Shock scenario)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Threshold	200	200	200	200	200	200	200	200	200	200
S1_Baseline	57	63	58	53	48	46	47	52	61	76
S1_ShockRevenue	57	81	87	93	101	112	127	147	172	204
S1_ShockExpenditure	57	72	77	82	88	98	111	129	152	182
S1_ShockExchangeRate	57	69	64	59	54	52	53	58	67	82
S1_ShockInterestRate	57	63	58	53	49	47	49	54	64	79

Source: Osun DSA-DMS template

Here, with the exception of the year 2034, where the shock under revenue breached the benchmark, the indicators under all the four variables (Revenue, Expenditure, Exchange rate, and interest rate) reacted moderately to all shocks throughout the projected years. The observed breach relating to Revenue shock in the year 2034 are indication of possible non-sustainability position under revenue shock of as low as 10%. This implies that the State’s Debt stock in relation to her projected revenue position during the year under focus is not resilient enough. This is an indication of the need for continuous consciousness and better strategies capable of continuously improving the State’s IGR profile. The various insights proffered in section 4.3.5 (i – iii) provide useful head start.

4.4.3 Debt Service as a share of Revenue (under Shock scenario)

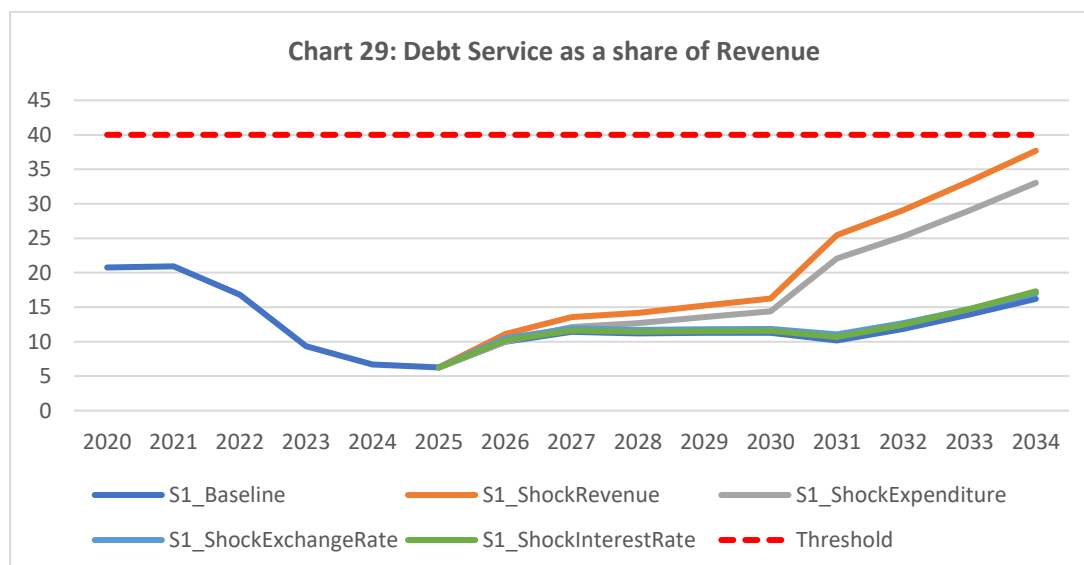


Table 4.7: Debt Service as a share of Revenue (under Shock scenario)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Threshold	40	40	40	40	40	40	40	40	40	40
S1_Baseline	6	10	11	11	11	11	10	12	14	16
S1_ShockRevenue	6	11	14	14	15	16	25	29	33	38
S1_ShockExpenditure	6	10	12	13	14	14	22	25	29	33
S1_ShockExchangeRate	6	10	12	12	12	12	11	13	15	17
S1_ShockInterestRate	6	10	12	11	12	12	11	12	15	17

Source: Osun DSA-DMS template

As shown in the above table, the indicator threshold of 40% were not breached on all the four variables (Revenue, Expenditure, Exchange rate and Interest rate) under Debt service as a share of Revenue. This further affirms the resilience of the State’s fiscal sustainability as earlier indicated. Nonetheless, the State must not under any circumstance jettison her current efforts on IGR drive. In addition, consideration of the recommendations made under 4.3.5, must be made among other strategies aimed at improving the State’s revenue base and drive.

4.4.4 Personnel cost as a share of Revenue

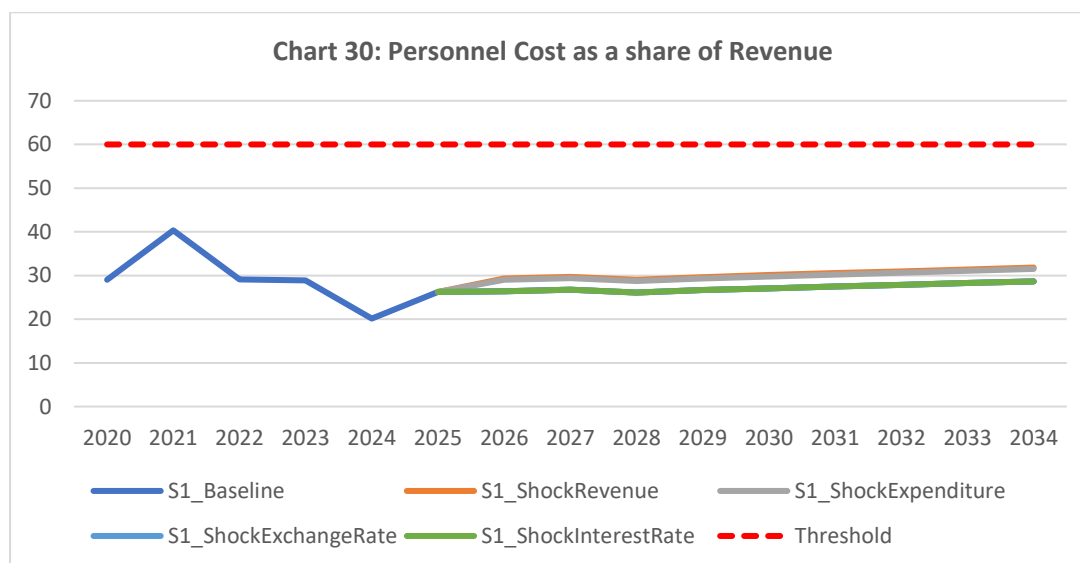


Table 4.8: Personnel cost as a share of Revenue (under Shock scenario)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Threshold	60	60	60	60	60	60	60	60	60	60
S1_Baseline	26	26	27	26	27	27	27	28	28	29
S1_ShockRevenue	26	29	30	29	30	30	31	31	31	32
S1_ShockExpenditure	26	29	29	29	29	30	30	31	31	32
S1_ShockExchangeRate	26	26	27	26	27	27	27	28	28	29
S1_ShockInterestRate	26	26	27	26	27	27	27	28	28	29
S1_Historical	26	26	26	26	26	26	26	26	26	26

Source: Osun DSA-DMS template

Table 4.8 above indicates that the threshold of 60% on Personal cost as a share of revenue was not in any way distorted throughout the projected ten-year period under the shock scenario.

The results of this DSA sensitivity analysis under the various shock scenarios (4.4.1 – 4.4.4) particularly on Revenue, Expenditure, Interest and Exchange rate show the limitation of the sustainability of the State's Debt portfolio earlier established under the ten-year projection (i.e., 2025-2034). It is evidently established here that the State's position of sustainability is not resilient enough under adverse shift of 10% on the projected revenue, particularly, in the year 2034. The implication of this is that the State's needs to continue to improve on her IGR so as to reduce her over-dependence on statutory revenue.

CHAPTER FIVE: DEBT MANAGEMENT STRATEGY

5.0: Introduction

In public finance, cost and risk are the two prominent criterion guiding debt initiation and management. Striking a balance between the two key determinants remains the bedrock of public debt management. Managing public sector debt has become so challenging in the present time such that no government agency saddled with such task can carry out the responsibility efficiently without evolving a clear-cut methodology or procedure of achieving such. The process of establishing and executing a methodology or strategy for managing public debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk is referred to as Debt management strategy. In evolving Debt management strategy therefore, the objective is to mobilize borrowings at low cost over medium to long-term subject to prudent levels of risk in debt portfolio. Whereas, Cost of any debt portfolio measures the expected value of the portfolio, Risk assesses deviation from the expected value of the portfolio. The essence of sound debt management strategy therefore, is to stimulate sustainable financial stability over a period of time while maintaining a balance between cost and risk in a sustainable manner.

As applicable under the DSA, the three key indicators that are usually given consideration in order to develop a sound public debt management strategy, are Debt stock/Revenue ratio (or Debt Stock to GDP, as the case may be), Debt services/Revenue and Interest/Revenue ratios. While Debt to Revenue ratio is used to predict the optimal Debt carrying capacity of an entity, Debt service to Revenue and Interest to Revenue ratios on the other hand, are used to evaluate the impact of the Debt stock on the borrower's revenue.

5.1 Alternative Borrowing options

In order to strike the required balance between cost and risk while determining an optimal borrowing source and mix over a period, consideration has to be given to the various available and implementable options for the period under focus. For the ten-year period forecasted for Osun state under her baseline position, four different options known as strategies (S)- S1, S2, S3 and S4 were developed. These options represent the various borrowing plans available to the State, commencing from S1 (the State's baseline strategy). Generally, Sub-national borrowing sources are classified as either Domestic (such as Commercial bank loan (short or long term), State Bond (short of long term) and other financing (concessionary loans) and external (i.e., Concessionary long-term funding from international lending institutions such as World Bank, African Development etc., and multi-lateral credits). The discussion underneath relates to the four different borrowing options postulated for the State, with some distinguishing features:

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

This is the State's baseline Strategy (S1) which is set up to reflect the State's likely borrowing pattern (Debt mix). As it currently stands, the State's has three categories of domestic debt, and their financing source comprises of FGN bond on one hand, and Excess crude account (ECA)-backed concessionary loans – for the other two facilities. Whereas, both classes of portfolio have the same average tenor of 20years, the FGN Bond has 14.83%p.a. as interest rate, while the ECA backed concessionary loans have interest rate of 9%p.a. In addition, the FGN Bond constitutes 85% of the State's Domestic loan portfolio, while the CBN concessionary loan constitutes about 15%. The External debt components are of average tenor of 30years, and interest rate of 9%p.a.

In order to make the Strategy 1 more realistic however, and based on the antecedence of the State in the recent past, the State has jettisoned the idea of continue reliance of the FGN bond as financing source, instead, consideration has now been given to commercial bank loans and concessionary loans. The debt mix under this strategy (S1) is made up of 80% domestic debt and 20% external debt. The funding source for the 80% domestic debt mix is made up of 70% Commercial Bank Loan (Maturity 1 to 5 years) and 30% CBN concessionary loan (12% interest rate, with tenor of 20 years and above). In addition, the funding sources for the 20% which is the external debt component of the State's total debt mix is made up of; 83%, 7% and 10% on IDA, AfDB and AFD external debt facilities respectively.

For the borrowing requirements (Commercial Bank Loan (Maturity 1 to 5 years and the CBN concessionary loan respectively) under the 10years projection, and considering the current situation in the country concerning money market rates fluctuations, the interest rate on the Commercial Bank Loan (Maturity 1 to 5 years) was ambitiously pegged at 32%p.a., while an allowance of 300% basis point increase is also factored in to further push the interest rate on the CBN concessionary loan (which currently stood at 9%p.a.) up to 12%p.a.

Reason for the jettisoning of the FGN Bond as a funding source by the State was due to the fact that the FGN Bond (where in the year 2015, the FGN assisted all the States of the federation in converting their commercial banks' loans portfolio into a long-term, fixed interest rate FGN Bond) is just a one-off intervention facility, thus, not a reliable source of funding, as future availability of facility structure in that manner is doubtful.

(b) Strategy 2 (S2)

This strategy looks similar to the state's baseline strategy (S1), but with a slight modification on the percentage of domestic portfolio mix. Whereas this strategy (S2) is also made up of 80% domestic debt and 20% external debt mix, however, unlike the S1 strategy whose 80% domestic debt mix is made up of 70% Commercial Bank Loan (Maturity 1 to 5 years) and 30% CBN concessionary loan (12% interest rate, with tenor of 20 years and above), the domestic debt mix under S2 is in the ratio 60% and 40% for Commercial Bank Loan (Maturity 1 to 5 years) and CBN concessionary loans respectively. The external debt mix under this strategy will be the same as applied under S1.

(c) Strategy 3 (S3)

This strategy (S3) is a departure from the first two strategies (S1 and S2), particularly, in the area of sources of financing the funding gap which resulted from the inter play between the State's revenue and expenditure. Although, under this alternative Strategy (S3), and as applicable under S1 and S2, Domestic/External debt mix of 80%:20% also holds. However, capital market option (in form of bond) is explored as a constituent of the Domestic debt. Specifically, a mix of both State Bonds (6 years or longer) and Commercial bank loans (1-5years) in the ratio of 60:40 respectively is considered under this strategy. The funding source on the external debt mix under this strategy (S3) will be the same as applied under S1 and S2 (20%). The peculiar advantage of fixed interest rate, and longer tenor associated with capital market debt structure in the country, and the State's prior experience and enhanced capacity in capital market debt structuring remain the motivation. It was on record that the State ventured into the capital market in the years 2012 and 2013 to source for the sum =N=30billion Bond and =N=11.4billion sukuk respectively.

(d) Strategy 4 (S4)

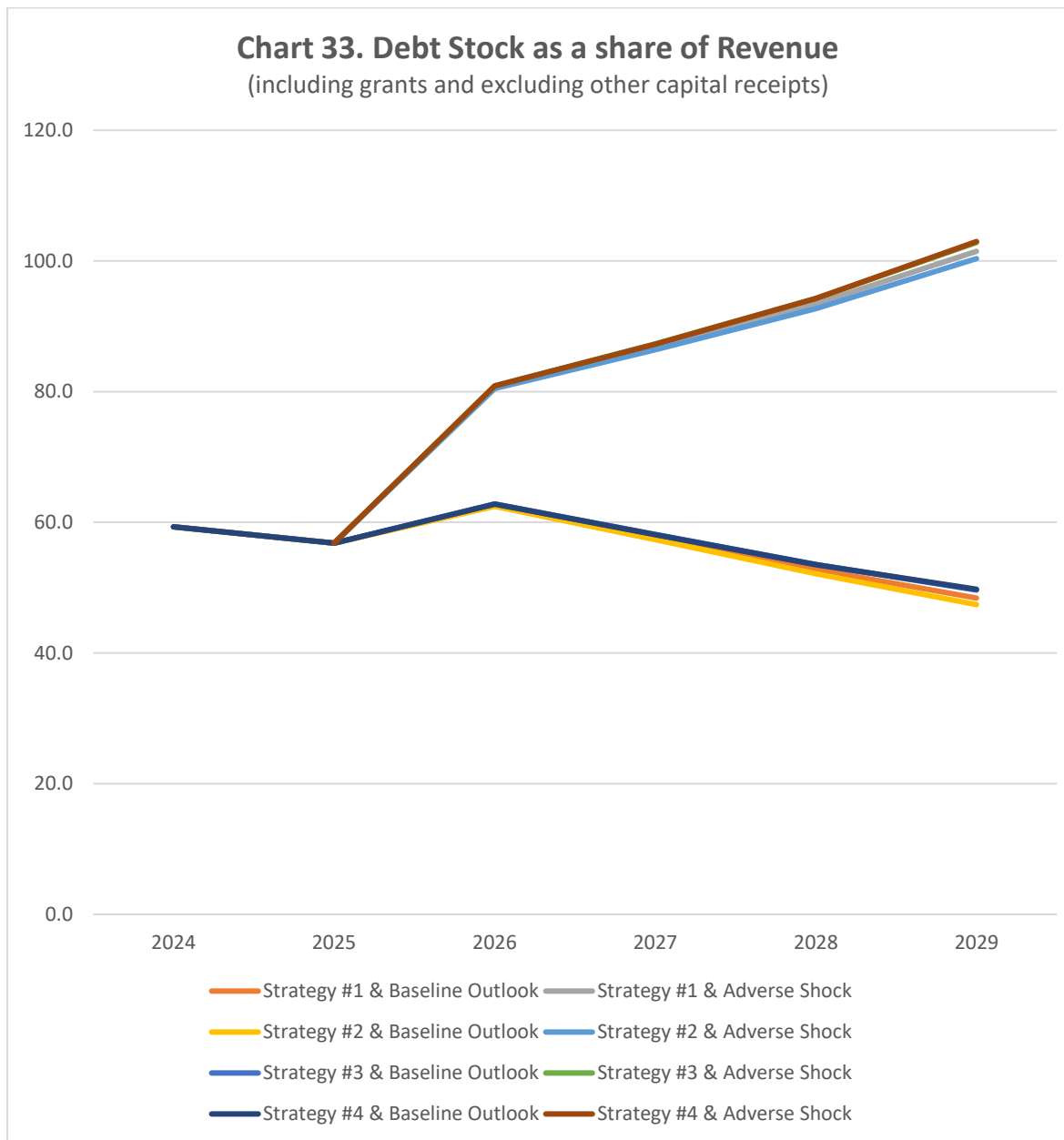
Under Strategy (S4), there is a complete departure from the Debt mix in S1, S2 and S3. Under this strategy (S4) therefore, the State is testing a different source of financing and a different debt mix. Therefore, 90% and 10% is the adopted mix for the domestic and external debt respectively. The 90% mix on the domestic debt is made up of 50% on State Bond (1 - 5 years) and 50% on commercial bank loans (maturity 6 years longer). In addition, sources of funding on the 10% balance of the projected debt mix (which is the State's projected external funding gap) is distributed between three external debt creditors (IDA, AfDB and AFD). Although, 30% external debt mix is theoretically and generally indicated (particularly by the Federal DMO) as the ideal portfolio mix, this is yet to be realized by the State due to the ever-challenging situations associated with arrangement of External loans particularly at sub-national level. Hence, the capping of the external debt mix to 10% under this strategy (S4), which was due to the continuous surge and fluctuation in the exchange rate, associated with external loan borrowing.

Under all the four proposed strategies, sourcing of external debt during the first year under projection (i.e., 2025) is usually unfeasible and therefore ruled out. This is due to the peculiarity of the associated challenges (in terms of processing time required, protocol and documentation), of accessing external debts.

5.2.0 DMS Simulation results

Given the need to select the best out of the four postulated borrowing options, the options are simulated with particular emphases on cost and risk. In doing that, consideration is given to the three key indicators namely **Debt/Revenue**, **Debt service to Revenue and Interest/revenue**. The results and relevant charts, populated from the template, are as presented and discussed below:

5.2.1 Chart 33 & 34: Debt Stock as a share of Revenue, and Cost-Risk Trade Off



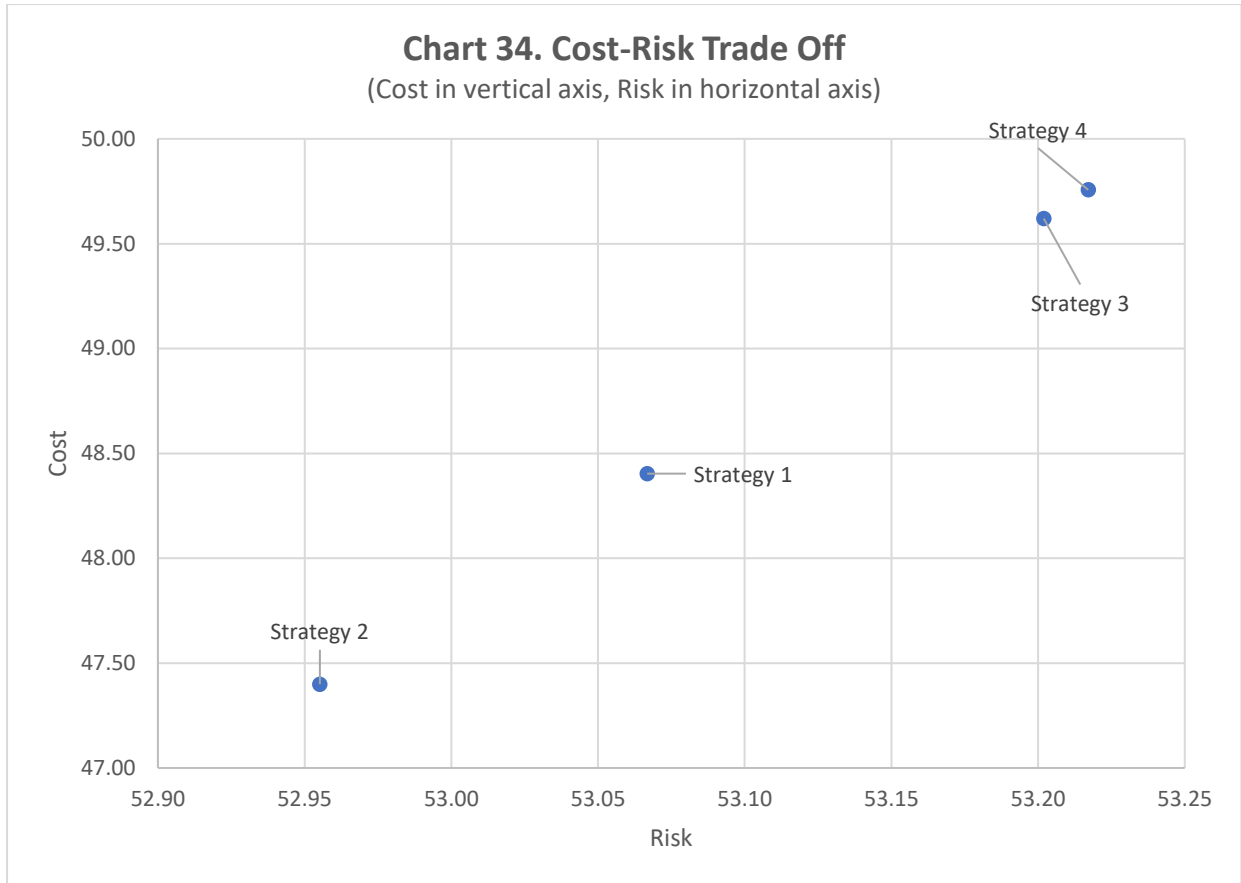


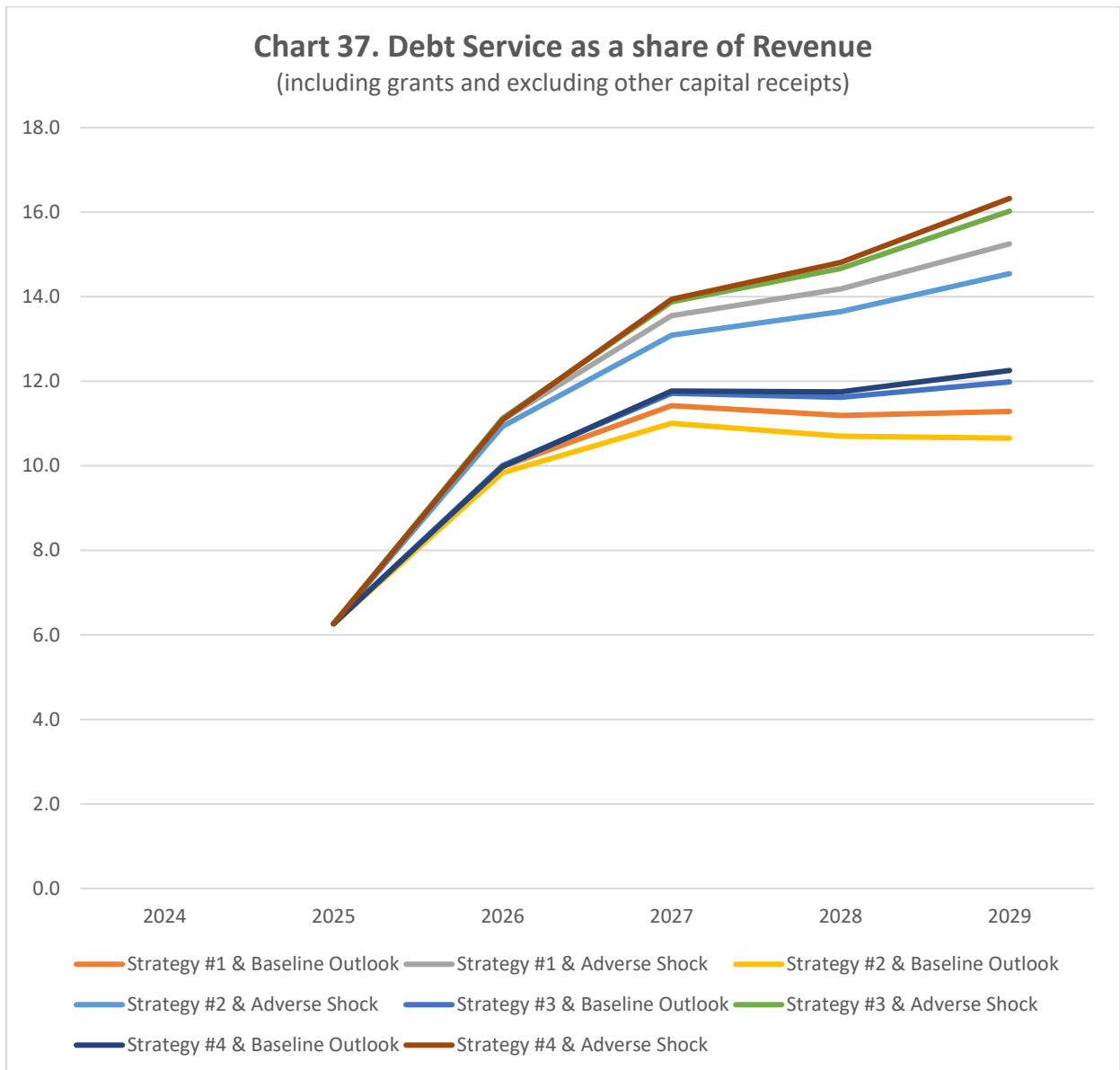
Table: 5.2.1 Debt Stock as a % of Revenue

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Cost	48.4	47.4	49.6	49.8
Risk	53.1	53.0	53.2	53.2
Adverse shock	101.5	100.4	102.8	103.0

Source: Osun DMS charts

Using Debt stock as a percentage of Revenue indicator, it is observed that strategy 2 (S2) has the lowest cost and risk of 47.4% and 53.0% respectively. (See table 5.2.1). In terms of cost and risk, S2 is followed by S1 with cost and risk of 48.4% and 53.1% respectively. Strategy 3 with cost and risk of 49.6% and 53.2% respectively, appears to come third. The worst strategy in terms of cost is S4, with a cost of 49.8%, but with the same degree of risk of 53.2% as obtainable under S3. The results thus indicate S2 as the best strategy for the State in terms of cost and risk.

5.2.2 Chart 37 & 38: Debt Service as a Share of Revenue and Cost Risk Trade Off



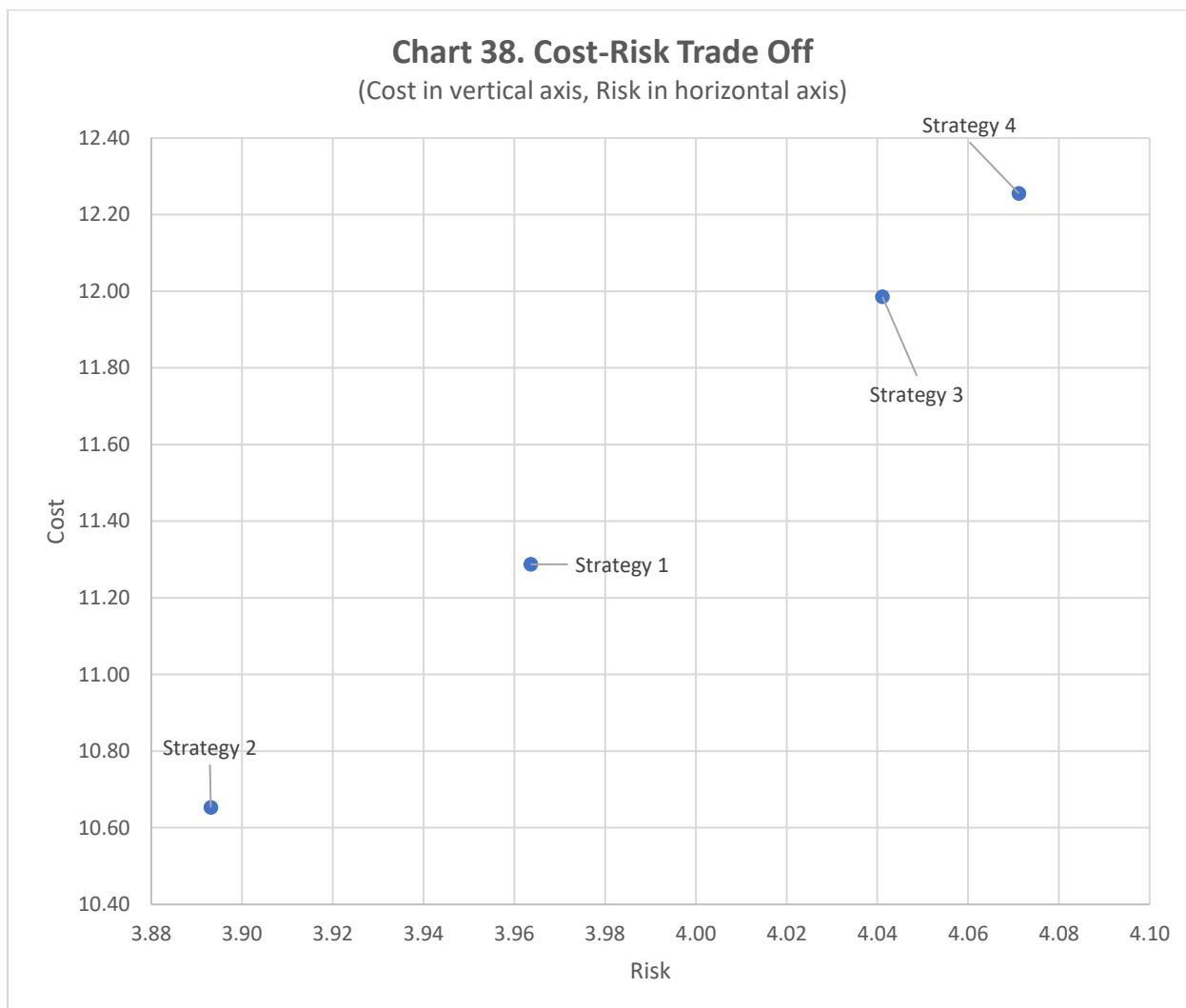


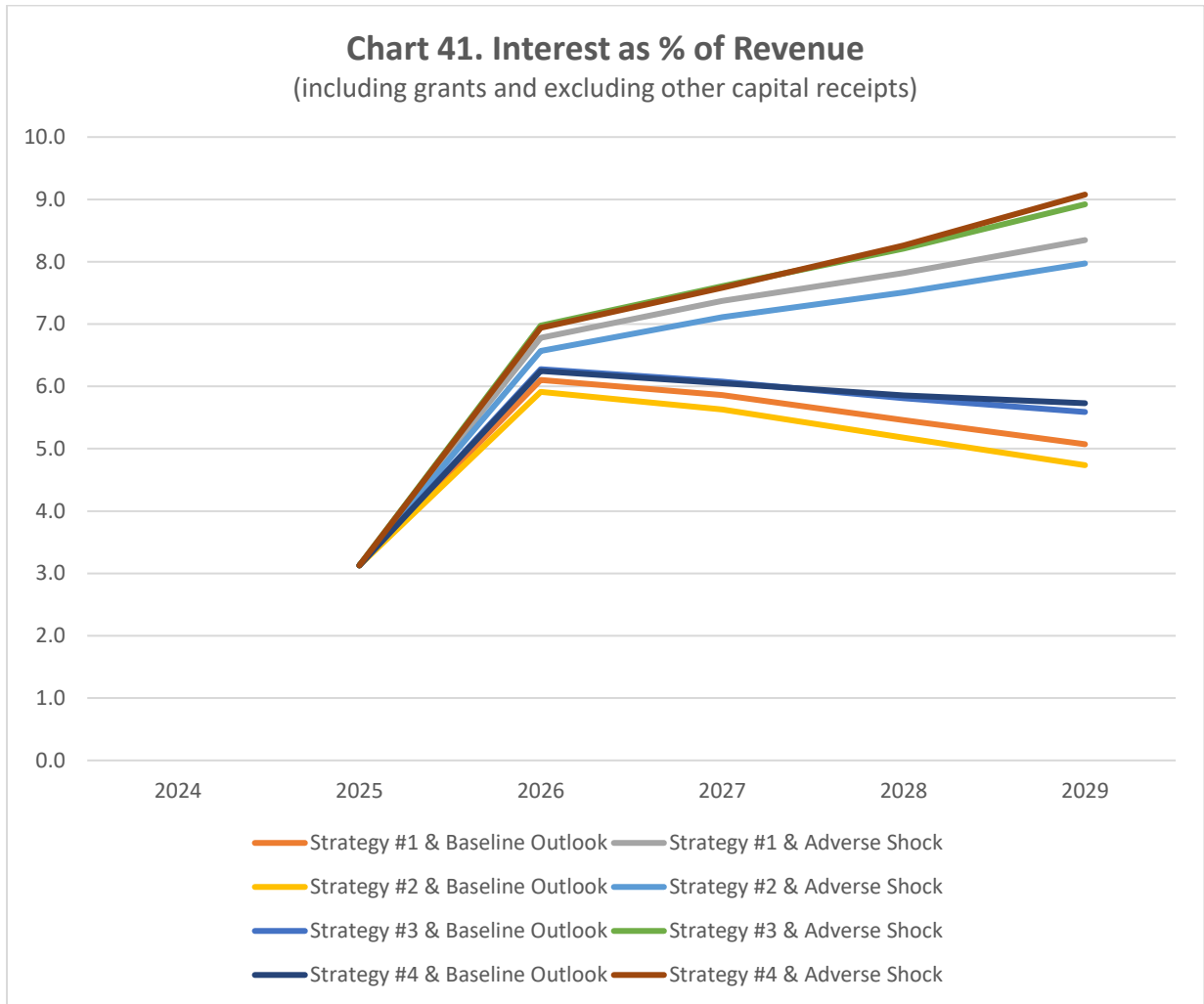
Table 5.2.2: Debt service as a % of Revenue

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Cost	11.3	10.7	12.0	12.3
Risk	4.0	3.9	4.0	4.1
Adverse shock	15.3	14.5	16.0	16.3

Source: Osun DMS charts

The results presented above indicate S2 as the best in terms of Cost and risk. With the cost of 10.7% and risk of 3.9%, strategy 2 is preferable to S1, S3, and S4 with Costs of 11.3%, 12.0% and 12.3% respectively. Also, in terms of risk, strategy 2 still ranked over the remaining strategies – S1, S3 and S4 with 4.0%, 4.0% and 4.1% respectively. Consequently, S2 is considered the best in terms of Debt service as a percentage of Revenue.

5.2.8 Chart 41 & 42: Interest as a Percentage of Revenue and Cost Risk Trade Off



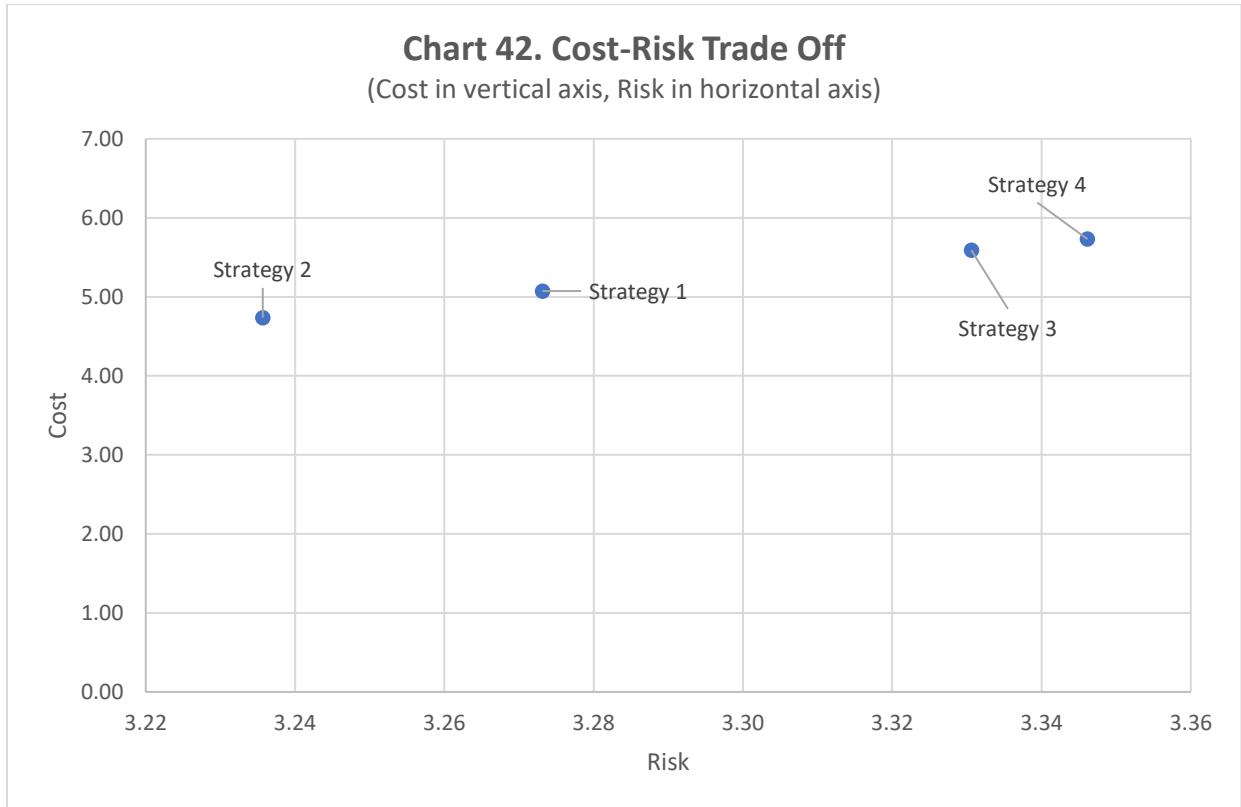


Table 5.2.3 Interest as a % of Revenue

	Strategy 1	Strategy 2	Strategy 3	Strategy 4
Cost	5.1	4.7	5.6	5.7
Risk	3.3	3.2	3.3	3.3
Adverse shock	8.3	8.0	8.9	9.1

Source: Osun DMS charts

When the State's borrowing strategies are evaluated in terms of Interest as a % of Revenue, it is found that S2 is also the best strategy with the lowest cost and risk of 4.7% and 3.2% respectively. This is followed by strategies 1, 3 and 4 with cost measures of 5.1%, 5.6% and 5.7% respectively. S4 with cost and risk of 5.7% and a moderate risk of 3.3% is found to be the least preferred strategy.

5.3 DMS Assessment

In order to have a quick view of the outcomes of the analyses, the four strategies are ranked and presented in Table 5.4 below:

Table 5.3.1: Strategy Ranking table

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

Source: Osun DMO

From the analyses of the four strategies carried out in the prior section, and following the simulation of the four (4) different borrowing options (under 5.2.0), it is established that under the three measures (Debt stock as a share of Revenue, Debt service as a share of Revenue, and Interest as a share of Revenue), and going by the strategy ranking on table 5.3.1 above, and given its improvement on the State's baseline strategy (S1), in terms of cost-risk trade off, S2 is the best. However, in order to have a more realistic and implementable strategy, critical consideration of some qualitative factors is made on the referenced strategy in comparison with the other strategies (particularly S3 and S4).

Paramount among the factors put into reflection is the ease of implementation of the strategies considering the current economic realities in the country, as well as the future outlook. In terms of composition of the borrowing sources, the best strategy (S2) thrown up by the analysis as shown on table 5.3.1 above, includes domestic debt mix in the ratio 60% and 40% for Commercial Bank Loan (Maturity 1 to 5 years) and CBN concessionary loans (12% interest rate, with tenor of 20 years) respectively. This is a slight modification from the S1 which 80% domestic debt mix constitutes 70% Commercial Bank Loan (Maturity 1 to 5 years) and 30% CBN concessionary loan (12% interest rate, with tenor of 20 years). Sourcing of concessionary loan through the CBN is discretionary on the part of the lender (primarily the CBN/FGN).

Strategy 3 (S3), though focuses both Capital and money market sources, it could still not be taken as a better strategy over S2. This is so given the inherent risks of volatility of commercial bank borrowing, and the shortness of tenor. Though, capital market offers a better dynamic in terms of non-volatility and relatively longer tenor, from experience however, the nation's capital market current offering at best could be said to be medium in terms of tenor. Whereas, the peculiar advantage of non-fluctuation of interest rate associated with capital market borrowing, and the State's prior experience and enhanced capacity in capital market debt structuring could have been advantageous in this regard, issuance of either Vanilla bond or Sukuk for a longer period of 10 years in the country (particularly by sub-national governments) seems unfeasible at the moment. Thus, making any strategy focusing capital market funding unsuitable.

Strategy 4, did not offer a better route to S1, S2 and S3. This strategy, though focuses on a different domestic debt mix (Capital Market (State Bond, 1-5years) and commercial bank loans (6 years longer)), it did not offer improvement on the three strategies earlier analysed, thus, it was jettison. Unlike other strategies with debt mix of 80:20 for domestic and external debt borrowing respectively, debt mix under this strategy is made up of 90:10 for domestic and external debt borrowing respectively. This strategy also appeared to be the most expensive strategy under the three measures (Debt Stock as a share of Revenue, Debt service as a share of Revenue and interest as a share of Revenue).

Overall, when issues of Cost, risk, and other factors associated with the borrowing strategies' implementation are considered, S2 still remains the most feasible and implementable in the short to medium term, and therefore recommended for the State's adoption. Implementing S2 by the State will considerably improve the State's portfolio position relative to her baseline strategy -S1.

Though, it might not be out of place to be skeptical about the practicability of the recommended strategy given that it is subject to CBN discretion on the concessionary loan aspect of the debt mix, the recent development in the country leading to FGN handouts inclusive of anticipatory concessionary loan is suggestive of the strategy feasibility at this time. In order to further improve on the State's debt strategy however, the state's government would be implored to sustain her effort of cost control measures while also ensuring continuous improvement in her IGR drive initiatives.

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3. Assumptions

A. Assumptions on Revenue and expenditures for the years 2026-2028

1. **Statutory Allocation** – The projected Statutory allocation of the State MTEF (2026-2028) is estimated based on elasticity forecast using the oil price of \$55.00 per barrel (pb), National Inflation of rate of 23%, National Real GDP Growth of 3.2%, NGN: USD Exchange rate benchmarks of ₦1,500.00 to \$1 and average production benchmark of 1.7 million barrels daily production (MBDP). It is assumed that the current reforms by the Federal Government, especially in Federal Inland Revenue and Nigeria Custom Services will increase the non-oil revenue flowing to the federation account.
2. **Internally Generated Revenue (IGR)** – IGR is projected to grow modestly from ₦57 billion in 2026 to ₦62 billion in 2028, showing 8.7% compound annual growth rate.
3. **The Internal Grants:** The total sum of **₦31,000,000,000.00** is assumed for Internal Grant in 2026
4. **Planning Reserve:** The sum of **₦1,100,000,000.00** which is 1.6% of "**Transfer to Capital Account**" was set aside as reserve to take care of unforeseen expenditures.
5. **Capital Expenditure**–The State is proposing to spend **₦106,733,000,000.00 on Capital Projects in the fiscal year 2026**. Of this amount, the Discretionary Fund stands as **₦96,059,700,000.00** while the Non-Discretionary Fund is **₦10,673,300,300.00**

B. Other assumptions for the years 2029-2034:

- i. **Gross FAAC:** under this revenue line, for the first four years (2025 – 2028), figures for the State's year 2025 approved Budget estimate and the State's proposed MTEF 2026-2028 was adopted. From years 2029-2034 however, the FAAC allocation was marginally projected to grow by 2.5% (using year 2028 MTEF figure as base). From the year 2029 upward, it is assumed that more favourable oil production output, and an enhanced oil price benchmark will be attained in the international market. In addition, given the full deregulation of the nation's petroleum products, which cumulated in the total removal of subsidy on petrol, we anticipate continuous increase in the monthly allocation that will be accruing to the State. This has been taken into consideration during the preparation of the State's MTEF 2026-2028.
- ii. **Other allocation/FAAC transfer:** Bearing in mind that the sum of ₦87.578 billion was captured in the year 2025 budget estimates of the state as total revenue expecting from other sources, and given the trend in the value of other revenue line as indicated in the State's proposed MTEF 2026-2028, with effect from the years 2029 - 2034, a constant annual other revenue of ₦65 billion was projected, using the value of MTEF 2028 as a base.
- iii. **VAT:** Year 2025 Budgeted figure and the State's proposed MTEF 2026-2028 was adopted for the first four years (i.e. years 2025 - 2028). From year 2029-2034, VAT is projected to grow annually by 2.5%, using the value of MTEF 2028 as a base. This is more realistic, given the observed trend on the projected VAT figure in the State MTEF 2026 – 2028.
- iv. **IGR:** under the IGR, the year 2025 approved Budget of the State, and the State's proposed MTEF 2026-2028 was adopted for the first four years in populating projection under IGR (years 2025 - 2028). From years 2029-2034, and using the value of the State's proposed MTEF 2028 as a base, IGR is marginally/reasonable projected to grow annually by 5%. The value of the State MTEF 2028 has a lower figure (₦57b) compare to the sum of ₦109.8b, which is the value of the State's budget 2025. Therefore, using the value of the State's MTEF 2028 as a base for the State's IGR projection (2029-2034) offers the most realistic route and outcome,

as the State's MTEF provides a better reflection of the State's actual IGR generation and potentials.

- v. **GRANT/Capital receipt:** Year 2025 Budget figure and figures on the State's proposed MTEF 2026 - 2028 was adopted for the first four years (2025 - 2028), From year 2029 – 2034, using the value of the State's proposed MTEF 2028 as a base, 5% annual growth on grant/capital receipt was projected.
- vi. **Personnel cost (inclusive of Social contribution and Social benefit):** Year 2025 Budget and the State's MTEF 2026 - 2028 was adopted. With effect from the years 2029 - 2034, and using MTEF 2028 as a base, 5% annual growth in the value of the personnel cost is projected. The inevitable increased in worker's salary and other social benefits due to the new minimum wage regime, have been taken into consideration in the State's MTEF and under this projection.
- vii. **Overhead:** For the first four years (2025 – 2028), figure on the year 2025 approved budget estimates and the State's proposed MTEF 2025 - 2028 was adopted. From years 2029 – 2034, annual growth of 2.5% in overheads cost is projected, using the value of State's proposed MTEF 2028 as a base.
- viii. **Other recurrent expenditure:** For the first four years (2025 – 2028), figure on the year 2025 budget estimates and the State's proposed MTEF 2026 - 2028 was adopted. Also, it is on this expenditure line where defrayment of some other liabilities on the State's non-borrowing debt is accommodated. We also anticipate increase in the value of monthly repayment on the State's foreign loan portfolio, this, is due to the fact that the populated template that generated this report is based on an average exchange rate of =N=1,400.00 to USD\$1 (2026 – 2034), which we believe is grossly inadequate, as the nation's current official exchange rate is in the region of =N=1,550.00 to USD\$1. In addition, the sum of =N=1,535.30 to USD\$1 is the exchange rate recently adopted by the Federal Debt Management Office (DMO) Abuja, in determine the naira equivalent of the Outstanding balance on External debt (as at December 31, 2024) for all the States of the Federation. The inevitably increased on the State's foreign loan repayment will be accommodated under this expenditure line. Therefore, from the year 2029 – 2034, a constant annual other recurrent expenditure of =N=15billion is projected.
- ix. **Capital expenditure:** Figures on year 2025 Budget estimates and the State's proposed MTEF 2026 - 2028 were adopted for the first four years. From the year 2029 - 2034, Capex is projected to grow annually by 2.5%, using the year 2028 proposed MTEF figure as a base.
- x. **Closing Balance:** For the year 2025, the opening cash and bank balance (=N=60.205billion) as it was in the State's audited financial statement was adopted. From years 2026-2034, a constant value of =N=60billion was projected.

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	As provided by the SFTAS-WorldBank group, the estimated GDP figure at current price is =N=4,061,927.2	Debt Management Office, Abuja
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	under this revenue line, for the first four years (2025 – 2028), figures for the State's year 2025 approved Budget estimate and the State's proposed MTEF 2026-2028 was adopted. From years 2029-2034 however, the FAAC allocation was marginally projected to grow by 2.5% (using year 2028 MTEF figure as base). From the year 2029 upward, it is assumed that more favourable oil production output, and an enhanced oil price benchmark will be attained in the international market.	STATE'S AUDITED FINANCIAL STATEMENTS, STATE'S MTEF AND DSA TEAM
	1.a. of which Net Statutory Allocation ('net' means of deductions)	This is an interplay between the projected Gross FAAC and Deductions	OSUN DMO
	1.b. of which Deductions	The deductions herein refer to were the projected sums of principal and interest repayment on loan portfolios.	OSUN DMO
	2. Derivation (if applicable to the State)	NOT APPLICABLE TO OSUN STATE	GUIDANCE NOTE
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Bearing in mind that the sum of =N=87.578billion was captured in the year 2025 budget estimates of the state as total revenue expecting from other sources, and given the trend in the value of other revenue line as indicated in the State's proposed MTEF 2026-2028, with effect from the years 2029 - 2034, a constant annual other revenue of =N=65billion was projected, using the value of MTEF 2028 as a base.	DSA Team, State's Ministry of Budget and Economic Planning.
	4. VAT Allocation	Year 2025 Budgeted figure and the State's proposed MTEF 2026-2028 was adopted for the first four years (i.e. years 2025 - 2028). From year 2029-2034, VAT is projected to grow annually by 2.5%, using the value of MTEF 2028 as a base. This is more realistic, given the observed trend on the projected VAT figure in the State MTEF 2026 – 2028.	DSA Team, Osun DMO
	5. IGR	under the IGR, the year 2025 approved Budget of the State, and the State's proposed MTEF 2026-2028 was adopted for the first four years in populating projection under IGR (years 2025 - 2028). From years 2029-2034, and using the value of the State's proposed MTEF 2028 as a base, IGR is marginally projected to grow annually by 5%.	DSA Team, Osun IRS
	6. Capital Receipts		
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds	Year 2025 Budget figure and figures on the State's proposed MTEF 2026 - 2028 was adopted for the first four years (2025 - 2028), From year 2029 – 2034, using the value of the State's proposed MTEF 2028 as a base, 5% annual growth on grant/capital receipt was projected.	DSA Team, State's Ministry of Budget and Economic Planning.
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Year 2025 Budget and the State's MTEF 2026 - 2028 was adopted. With effect from the years 2029 - 2034, and using MTEF 2028 as a base, 5% annual growth in the value of the personnel cost is projected. The inevitable increase in worker's salary and other social benefits due to the new minimum wage regime, have been taken into consideration in the State's MTEF and under this projection.	DSA Team, State's Ministry of Budget and Economic Planning.
	2. Overhead costs	For the first four years (2025 – 2028), figure on the year 2025 approved budget estimates and the State's proposed MTEF 2025 - 2028 was adopted. From years 2029 – 2034, annual growth of 2.5% in overheads cost is projected, using the value of State's proposed MTEF 2028 as a base.	DSA Team, State's Ministry of Budget and Economic Planning.
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Amortized interest repayment on loans portfolio.	Osun DMO
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	For the first four years (2025 – 2028), figure on the year 2025 budget estimates and the State's proposed MTEF 2026 - 2028 was adopted. Also, it is on this expenditure line where defrayment of some other liabilities on the State's non-borrowing debt is accommodated. We also anticipate increase in the value of monthly repayment on the State's foreign loan portfolio, this, is due to the fact that the populated template that generated this report is based on an average exchange rate of =N=1,400.00 to USD\$1 (2026 – 2034), which we believe is grossly inadequate, as the nation's current official exchange rate is in the region of =N=1,550.00 to USD\$1. In addition, the sum of =N=1,535.30 to USD\$1 is the exchange rate recently adopted by the Federal Debt Management Office (DMO) Abuja, in determine the naira equivalent of the Outstanding balance on External debt (as at December 31, 2024) for all the States of the Federation. The inevitably increased on the State's foreign loan repayment will be accommodated under this expenditure line. Therefore, from the year 2029 – 2034, a constant annual other recurrent expenditure of =N=15billion is projected	DSA Team, State's Ministry of Budget and Economic Planning
	5. Capital Expenditure	Figure on year 2025 Budget estimates and the State's proposed MTEF 2026 - 2028 was adopted for the first four years. From the year 2029 - 2034, Capex is projected to grow annually by 2.5%, using the year 2028 proposed MTEF figure as a base.	DSA Team, State's Ministry of Budget and Economic Planning
Closing Cash and Bank Balance	Closing Cash and Bank Balance	For the year 2025, the opening cash and bank balance (=N=60.205billion) as it was in the State's audited financial statement was adopted. From years 2026-2034, a constant value of =N=60billion was projected.	DSA Team, State's Audited Financial Statements
Debt Amortization and Interest Payments	Debt Outstanding at end-2024		
	External Debt - amortization and interest	The sum of USD\$75.1million (=N=115.359 billion) represents the naira equivalent of the outstanding balance of the State's foreign loan as at December 31, 2024.	Osun DMO
	Domestic Debt - amortization and interest	The sum of =N=84.266 billion represents the value of the outstanding balance of the State's domestic loan portfolio as at December 31, 2024.	Osun DMO
	New debt issued/contracted from 2025 onwards		
	New External Financing		
	External Financing - (International Development Association (IDA))	3% interest rate, 30 years maturity period and 7 years grace period	Osun DMO
	External Financing - (African Development Bank (AFDB))	3% interest rate, 30 years maturity period and 7 years grace period	Osun DMO
	Other External Financing - (Agence Francaise De Developpement (AFD))	3% interest rate, 30 years maturity period and 7 years grace period	Osun DMO
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	32% interest rate, 5 years maturity and 1 years grace period	Osun DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	35% interest rate, 20 years maturity period and 1 year grace period	Osun DMO
	State Bonds (maturity 1 to 5 years)	20% interest rate, 5 years maturity period and 1 year grace period	Osun DMO
	State Bonds (maturity 6 years or longer)	25% interest rate, 7 years maturity and 1 year grace period	Osun DMO
	Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)	12% interest rate, 20 years maturity with NIL grace period	Osun DMO

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	Planned Borrowings (new bonds, new loans, etc) for Debt Strategy S1	This is the State's baseline Strategy (S1) which is set up to reflect the State's likely borrowing pattern (Debt mix) based on our antecedence. This strategy is made up of 80% domestic debt and 20% external debt. The 80% mix on the domestic debt is made up of 70% Commercial Bank Loan (Maturity 1 to 5 years) and 30% CBN concessionary loan (12% interest rate, with tenor of 20 years and above). In addition, the 20% which is the external debt portion of the State's total debt portfolio is made up of: 83%, 7% and 10% on IDA, AfDB and AFD external debt facilities respectively.	Osun DMO
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	In line with the State's strategy under the baseline (S1), and as populated on the data request cell of the template, the sum of =N=194.926 billion, is the projected amount, which the state is expected to obtain from commercial banks over the next ten years (2025 - 2034).	Osun DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	under this Strategy, and base on the state's existing facilities under the baseline, the state is NOT projecting to obtain commercial bank loan with maturity of 6 years or longer.	Osun DMO
	State Bonds (maturity 1 to 5 years)	State Bonds (Maturity 1 to 5 years) is not applicable under the State's baseline strategy.	Osun DMO
	State Bonds (maturity 6 years or longer)	State Bonds (Maturity 1 to 6 years or longer) is not applicable under the State's baseline strategy.	Osun DMO
	Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)	In line with the State's strategy under the baseline (S1), and as populated on the data request cell of the template, the sum of =N=83.539 billion, is the projected amount, which the state is expected to obtain from lending financial institution (through the CBN) over the next ten years (2025 - 2034). This is a long term concessionary loan (tenor of twenty years and above) with a future anticipated interest rate of at most 12%. At the moment, the interest rate on the Concessionary loans portfolio of the State is at 9%p.a.	Osun DMO
	New External Financing in Million US Dollar		
	External Financing - (International Development Association (IDA))	Base on the Strategy and the existing external debt mix under this baseline, the sum of USD\$36.8million is the projected sum, that the State will be required to obtain from the IDA, to augment the State's projected external debt funding need during the periods (years 2025 - 2034) under focus.	Osun DMO
	External Financing - (African Development Bank (AFDB))	Base on the Strategy and the existing external debt mix under this baseline, the sum of USD\$3.1million is the projected total sum, that the State will be required to obtain from the AfDB, to augment the State's projected funding need during the periods (years 2025 - 2034) under focus.	Osun DMO
Other External Financing - (Agence Francaise De Development (AFD))	Base on the Strategy and the existing external debt mix under this baseline, the sum of USD\$4.4million is the projected total sum, that the State will be required to obtain from the AFD, to augment the State's projected funding need during the periods (years 2025 - 2034) under focus.	Osun DMO	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	Planned Borrowings (new bonds, new loans, etc) for Debt Strategy S2	This strategy looks similar to the state's baseline strategy (S1), but with a slight modification on the percentage of domestic portfolio mix. Whereas this strategy (S2) is also made up of 80% domestic debt and 20% external debt mix, however, unlike the S1 strategy whose 80% domestic debt mix is made up of 70% Commercial Bank Loan (Maturity 1 to 5 years) and 30% CBN concessionary loan (12% interest rate, with tenor of 20 years and above), the domestic debt mix under S2 is in the ratio 60% and 40% for Commercial Bank Loan (Maturity 1 to 5 years) and CBN concessionary loans respectively. The external debt mix under this strategy will be the same as applied under S1.	Osun DMO
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Under this Strategy (S2), and as populated on the data request cell of the template, the sum of =N=152,811.3 billion, is the projected amount, which the state is expected to obtain from commercial banks over the next ten years (2025 - 2034).	Osun DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	under this Strategy, the state is NOT projecting to obtain commercial bank loan with maturity of 6 years or longer.	Osun DMO
	State Bonds (maturity 1 to 5 years)	State Bonds (Maturity 1 to 5 years) is not applicable under the State's baseline strategy.	Osun DMO
	State Bonds (maturity 6 years or longer)	State Bonds (Maturity 1 to 6 years or longer) is not applicable under the State's baseline strategy.	Osun DMO
	Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)	In line with the State's strategy under S2, and as populated on the data request cell of the template, the sum of =N=101,874.2 billion, is the projected amount, which the state is expected to obtain from lending financial institution (through the CBN) over the next ten years (2025 - 2034). This is a long term concessionary loan (tenor of twenty years and above) with a future anticipated interest rate of at most 12%. At the moment, the interest rate on the Concessionary loans portfolio of the State is at 9%p.a.	Osun DMO
	New External Financing in Million US Dollar		
	External Financing - (International Development Association (IDA))	Base on the proportion of external debt to domestic debt (20%), and the external debt mix under this strategy (S2), the sum of USD\$33.2million is the projected sum, which the State will be required to obtain from the IDA, to bridge the State's projected external loan funding gap during the periods (2025 - 2034) under focus.	Osun DMO
	External Financing - (African Development Bank (AFDB))	Base on the external debt mix under this strategy (S2), the sum of USD\$10million is the projected sum, that the State will be required to obtain from the AfDB, to bridge the State's projected external loan funding gap during the periods (years 2025 -2034) under focus.	Osun DMO
Other External Financing - (Agence Francaise De Development (AFD))	Base on the external debt mix under this strategy (S2), the sum of USD\$4million is the projected sum, that the State will be required to obtain from the AFD, to bridge the State's projected external loan funding gap during the periods (2025 - 2034) under focus.	Osun DMO	

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3	This strategy (S3) is a departure from the first two strategies (S1 and S2), particularly, in the area of financing the funding gap which resulted from the inter play between the State's income and expenditure. Under this Strategy (S3), the State's maintained the same debt mix of 80% domestic and 20% external as applicable under S1 and S2. However, the domestic debt component under this strategy will now be made up of 60% State Bond (6years or longer) and 40% short term commercial bank loans (maturity 1 - 5 years). The external debt mix under this strategy (S3) will be the same as applied under S1 and S2 (20%). The rationale for testing this strategy is based on the fact that, it is this Strategy that the state's is being operated upon up to year 2015 before all the State's commercial banks loans was converted into the FGN Bond. It was also on record that the State ventured into the capital market in the years 2012 and 2013 to source for the sum =N=30billion Bond and =N=11.4billion sukuk respectively.	Osun DMO
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Under this strategy (S3) and considering the proportion of domestic debt mix, as populated on the data request cell of the template, the sum of =N=187,527.3billion, is the projected amount, which the state is expected to secure from commercial bank (maturity 1 to 5 years) over the next ten years (2025 - 2034).	Osun DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	This is not the State's area of focus for sourcing of funds under this Strategy.	Osun DMO
	State Bonds (maturity 1 to 5 years)	As applicable under the concessionary loan funding, Sourcing for State Bond (maturity 1 - 5 years) is also not the State's area of focus for sourcing of fund under this Strategy.	Osun DMO
	State Bonds (maturity 6 years or longer)	Under this strategy (S3) and considering the proportion of domestic debt mix, as also populated on the data request cell of the template, the sum of =N=135,177.7 billion, is the projected amount, which the state is expected to secure from the capital market over the next ten years (2025 - 2034).	Osun DMO
	Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)	This is not the State's area of focus for sourcing of funds under this Strategy.	Osun DMO
	New External Financing in Million US Dollar		
	External Financing - (International Development Association (IDA))	Base on the external debt mix under this strategy (S3), the sum of USD\$43.3 million is the projected sum, that the State will be required to obtain from the IDA, to bridge the State's projected external loan funding gap during the periods (2025 - 2034) under focus.	Osun DMO
	External Financing - (African Development Bank (AFDB))	Base on the external debt mix under this strategy (S3), the sum of USD\$3.7 million is the projected sum, that the State will be required to obtain from the AFDB, to bridge the State's projected external loan funding gap during the periods (2025 - 2034) under focus.	Osun DMO
Other External Financing - (Agence Francaise De Development (AFD))	Base on the external debt mix under this strategy (S3), the sum of USD\$5.2million is the projected sum, that the State will be required to obtain from the AFD, to bridge the State's projected external loan funding gap during the period (years 2025 - 2034) under focus.	Osun DMO	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4	Under Strategy (S4), there is a complete departure from the Debt mix in S1, S2 and S3. Under this strategy (S4) therefore, the State is testing a different source of financing with a different debt mix. Therefore, 90% and 10% is the revised mix for the domestic and external debt respectively. The 90% mix on the domestic debt is made up of 50% on State Bond (1 - 5 years) and 50% on commercial bank loans (maturity 6 years longer). In addition, sources of funding on the 10% balance of the projected debt mix (which is the State's projected external funding gap) is distributed between three external debt creditors (IDA, AFDB and AFD)	Osun DMO
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	This is not the State's area of focus for sourcing of fund under this Strategy.	Osun DMO
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	In line with the State's reverse domestic debt mix under this strategy (S4), and as populated on the data request cell of the template, the sum of =N=191,469.7 billion, is the amount which the state is expected to obtain from commercial bank (maturity of 6 years or longer) over the next ten years (2025 - 2034).	Osun DMO
	State Bonds (maturity 1 to 5 years)	Under this strategy (S4), and as populated on the data request cell of the template, the sum of =N=191,469.7 billion, is the projected amount from State Bond (maturity 1 - 5 years), which the state is expected to secure from relevant investors (FGN, corporate organisation, lending institution etc) over the next ten years (2025 - 2034).	Osun DMO
	State Bonds (maturity 6 years or longer)	Funding from this source (State Bond, maturity 6 years or longer) is not an area where the State is looking at under this Strategy.	Osun DMO
	Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)	This is not the State's area of focus for sourcing of fund under this Strategy.	Osun DMO
	New External Financing in Million US Dollar		
	External Financing - (International Development Association (IDA))	Base on the revised external debt mix under this strategy (S4), the sum of USD\$23.2million is the projected sum, which the State will be required to obtain from the IDA, to bridge the State's projected external loan funding gap during the period (years 2025 - 2034) under focus.	Osun DMO
	External Financing - (African Development Bank (AFDB))	Base on the revised external debt mix under this strategy (S4), the sum of USD\$2.0million is the projected sum, which the State will be required to obtain from the AFDB, to bridge the State's projected external loan funding gap during the period (years 2025 - 2034) under focus.	Osun DMO
Other External Financing - (Agence Francaise De Development (AFD))	Base on the revised external debt mix under this strategy (S4), the sum of USD\$2.8million is the projected sum, which the State will be required to obtain from the AFD, to bridge the State's projected external loan funding gap during the period (years 2025 - 2034) under focus.	Osun DMO	

Indicator	Actuals					Projections									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
BASELINE SCENARIO															
Economic Indicators															
State GDP (at current prices)	1,945,395.45	2,220,624.51	2,552,182.06	2,956,526.74	3,499,688.97	4,061,927.21	4,658,937.54	5,354,302.68	6,205,124.03	6,903,976.13	7,681,536.44	8,546,669.48	9,509,238.13	10,580,216.08	11,771,812.91
Exchange Rate NGN/US\$ (end-Period)	305.80	306.50	326.00	379.00	1,300.00	1,602.69	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
Fiscal Indicators (Million Naira)															
Revenue	99,048.00	91,164.00	132,952.00	165,030.00	306,803.50	428,224.11	327,288.49	344,250.23	356,718.44	367,906.25	391,352.75	412,411.10	445,880.02	483,617.64	525,217.90
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	31,299.00	31,554.00	33,689.00	28,410.00	13,405.90	85,991.10	90,225.00	93,600.00	97,000.00	99,425.00	104,396.25	109,616.06	115,096.87	120,851.71	126,894.29
1.a. of which Net Statutory Allocation ('net' means of deductions)	12,923.00	12,156.00	12,167.00	11,554.00	0.00	61,428.89	66,845.53	70,360.63	73,900.59	76,464.88	81,576.74	88,010.85	93,637.92	101,216.17	114,493.81
1.b. of which Deductions	18,376.00	19,398.00	21,521.00	16,856.00	0.00	24,562.21	23,379.47	23,239.37	23,099.41	22,960.12	22,819.51	21,605.21	21,458.94	19,635.54	12,400.48
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	3,749.00	1,795.00	13,036.00	30,170.00	146,349.80	87,578.90	60,000.00	62,000.00	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00
4. VAT Allocation	14,726.00	20,753.00	24,826.00	34,579.00	66,869.90	78,100.00	80,000.00	82,000.00	85,000.00	87,125.00	89,303.13	91,535.70	93,824.10	96,169.70	98,573.94
5. IGR	19,671.00	21,855.00	30,537.00	27,721.00	54,768.00	109,870.90	57,000.00	60,000.00	62,000.00	65,100.00	68,355.00	71,772.75	75,361.39	79,129.46	83,085.93
6. Capital Receipts	29,603.00	15,207.00	30,864.00	44,150.00	25,409.90	66,683.21	40,063.49	46,650.23	47,718.44	51,256.25	64,298.38	74,486.58	96,597.67	122,466.78	151,663.74
6.a. Grants	29,603.00	15,207.00	30,865.00	44,150.00	25,409.90	30,694.60	31,000.00	31,500.00	32,000.00	33,600.00	35,280.00	37,044.00	38,896.20	40,841.01	42,883.06
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	0.00	0.00	5,510.00	6,000.00	6,100.00	6,150.00	6,457.50	6,780.38	7,119.39	7,475.36	7,849.13	8,241.59
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	0.00	0.00	0.00	30,478.61	3,063.49	9,050.23	9,568.44	11,198.75	22,238.00	30,323.19	50,226.11	73,776.63	100,539.09
Expenditure	86,470.79	100,183.00	129,578.00	153,467.00	273,523.20	427,746.81	327,494.09	344,250.23	356,718.44	367,906.25	391,352.75	412,411.10	445,880.02	483,617.64	525,217.90
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	28,749.00	36,774.00	38,679.00	47,653.00	61,781.00	102,895.80	84,000.00	88,000.00	89,000.00	93,450.00	98,122.50	103,028.63	108,180.06	113,589.06	119,268.51
2. Overhead costs	16,378.00	17,366.00	28,970.00	36,158.00	66,671.70	88,890.40	90,000.00	90,000.00	90,000.00	92,250.00	96,862.50	101,705.63	106,790.91	112,130.45	117,736.97
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	16,281.99	14,890.00	16,295.56	9,831.41	11,087.57	12,269.45	19,422.74	19,289.19	18,613.75	17,769.26	16,704.37	17,384.89	20,768.15	26,879.59	37,453.56
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	14,731.99	14,229.02	16,295.00	9,831.41	11,087.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	1,550.00	661.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	105.00	3,969.20	5,796.76	3,987.10	7,014.90	19,849.30	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
5. Capital Expenditure	18,734.00	21,994.00	33,481.00	50,248.00	117,465.40	191,549.10	106,733.00	113,658.00	124,558.00	127,671.95	140,439.15	154,483.06	169,931.37	186,924.50	205,616.95
6. Amortization (principal) payments	6,222.79	5,189.80	6,355.24	5,899.50	9,502.60	12,292.75	12,338.35	18,303.04	19,546.69	21,765.03	24,224.24	20,808.89	25,209.54	29,094.04	30,141.90
Budget Balance ('+' means surplus, '-' means deficit)	12,577.21	-9,019.00	3,374.00	11,563.00	33,280.30	477.30	-205.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Opening Cash and Bank Balance	7,952.83	20,530.00	11,511.00	14,885.00	26,448.00	59,728.30	60,205.60	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Closing Cash and Bank Balance	20,530.04	11,511.00	14,885.00	26,448.00	59,728.30	60,205.60	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00

Financing Needs and Sources (Million Naira)

Financing Needs																					
i. Primary balance																					
ii. Debt service																					
Amortizations																					
Interests																					
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)																					
Financing Sources																					
i. Financing Sources Other than Borrowing																					
ii. Gross Borrowings																					
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)																					
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)																					
State Bonds (maturity 1 to 5 years)																					
State Bonds (maturity 6 years or longer)																					
Other Domestic Financing (Concessionary Loans - maturity 20 years or longer)																					
External Financing - (International Development Association (IDA))																					
External Financing - (African Development Bank (AfDB))																					
Other External Financing - (Agence Francaise De Development (AFD))																					
Residual Financing																					

Debt Stocks and Flows (Million Naira)

Debt (stock)																					
External																					
Domestic																					
Gross borrowing (flow)																					
External																					
Domestic																					
Amortizations (flow)																					
External																					
Domestic																					
Interests (flow)																					
External																					
Domestic																					
Net borrowing (gross borrowing minus amortizations)																					
External																					
Domestic																					

Debt and Debt-Service Indicators

indicator1_baseline	Debt Stock as % of SGDP	8.58	7.44	6.98	6.01	5.20	5.49	4.28	3.55	2.90	2.46	2.18	2.07	2.13	2.33	2.69
indicator2_baseline	Debt Stock as % of Revenue (including grants and excluding other capital receipts)	168.56	181.34	134.08	107.65	59.29	56.81	62.64	57.76	52.82	48.40	46.24	47.22	52.06	61.38	76.16
indicator3_baseline	Debt Service as % of SGDP						0.60	0.68	0.70	0.61	0.57	0.53	0.45	0.48	0.53	0.57
indicator4_baseline	Debt Service as % of Revenue (including grants and excluding other capital receipts)						6.26	9.98	11.42	11.19	11.29	11.30	10.19	11.84	13.92	16.23
indicator5_baseline	Interest as % of SGDP						0.30	0.42	0.36	0.30	0.26	0.22	0.20	0.22	0.25	0.32
indicator6_baseline	Interest as % of Revenue (including grants and excluding other capital receipts)						3.13	6.10	5.86	5.46	5.07	4.61	4.64	5.35	6.69	8.99
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						26.23	26.40	26.74	26.10	26.68	27.08	27.48	27.87	28.26	28.64

OSUN STATE TECHNICAL TEAM (CONCERNED OFFICES)

1. Osun Debt Management Office (Lead Office)
2. Ministry of Economic Planning, Budget and Development
3. Office of the Accountant-General
4. Osun Internal Revenue Service



Adeola Olusola Ogunbile
Honourable Commissioner for Finance (Osun State)