

Osun State

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

To Cover Period: 2026– 2028



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Abbreviations

BDC	Bureau de Change
BIR	Board of Internal Revenue
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CCA	Common Country Assessment
CH	Cadre Harmonise
CIT	Company Income Tax
CPI	Consumer Price Index
CRF	Consolidated Revenue Fund
EFU	Economic and Fiscal Update
ERGP	Economic Recovery and Growth Plan
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FEWS NET	Famine Early Warning Systems Network
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FRL	Fiscal Responsibility Law
FSIN	Food Security Information Network
FSP	Fiscal Strategy Paper
FX	Foreign Exchange
G	Group
GDP	Gross Domestic Product
GEP	Global Economic Prospect
GRFC	Global Report on Food Crises
HE	His Excellency
IFEM	International Foreign Exchange Market
IGR	Internally Generated Revenue
IPC	Integrated Food Security Phase Classification
LCDA	Local Council Development Area
LGAs	Local Government Areas
IMF	International Monetary Fund
JTB	Joint Tax Board
MBDP	Million Barrel Daily Production
MDAs	Ministry, Department and Agencies
MINT	Mexico, Indonesia, Nigeria and Turkey
MoEPBD	Ministry of Economic Planning, Budget and Development
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework

MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
N-11	Next Eleven Countries (potential large economies)
NCS	Nigeria Custom Service
NBS	National Bureau of Statistics
ND	Net Derivation
NGN or ₦	Nigeria Naira
NGF	Nigeria Governors’ Forum
NNPC	Nigerian National Petroleum Corporation
OAGS	Office of the Accountant General of State
OAGF	Office of the Accountant General of the Federation
OECD	Organization for Economic Co-operation and Development
OPEC	Oil Producing Exporting Countries
EMDEs	Emerging Market and Developing Economies
OSG	Osun State Government
PFM	Public Financial Management
SA	Statutory Allocation
SSA	Sub-Sahara Africa
SMEs	Small and Medium Enterprises
SHoA	State House of Assembly
USD or \$	United States Dollar
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Introduction and Background

1.A Introduction

Economic and Fiscal Update (EFU) Overview

1. The **Economic and Fiscal Update (EFU)** is a key document that serves as the foundation for budget planning. It provides an in-depth economic and fiscal analysis, intended for policymakers and decision-makers within Osun State. The EFU evaluates both past and present budget performance, shedding light on critical factors that impact the effectiveness of implementation.

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

2. On the other hand, the **Fiscal Strategy Paper (FSP)** and **Budget Policy Statement (BPS)** play pivotal roles in the **Medium-Term Expenditure Framework (MTEF)** and the annual budget cycle. These documents are essential in determining the availability of resources for government programs and projects while ensuring sustainability from a fiscal standpoint.

Adoption of the EFU-FSP-BPS in Osun State

3. As part of its commitment to adopting a comprehensive Medium-Term Expenditure Framework, Osun State began preparing the **EFU-FSP-BPS** in 2018. This edition marks the eighth iteration of the document, covering the period from 2026 to 2028.

1.A.1 Budget Process

Overview of the Budget Process

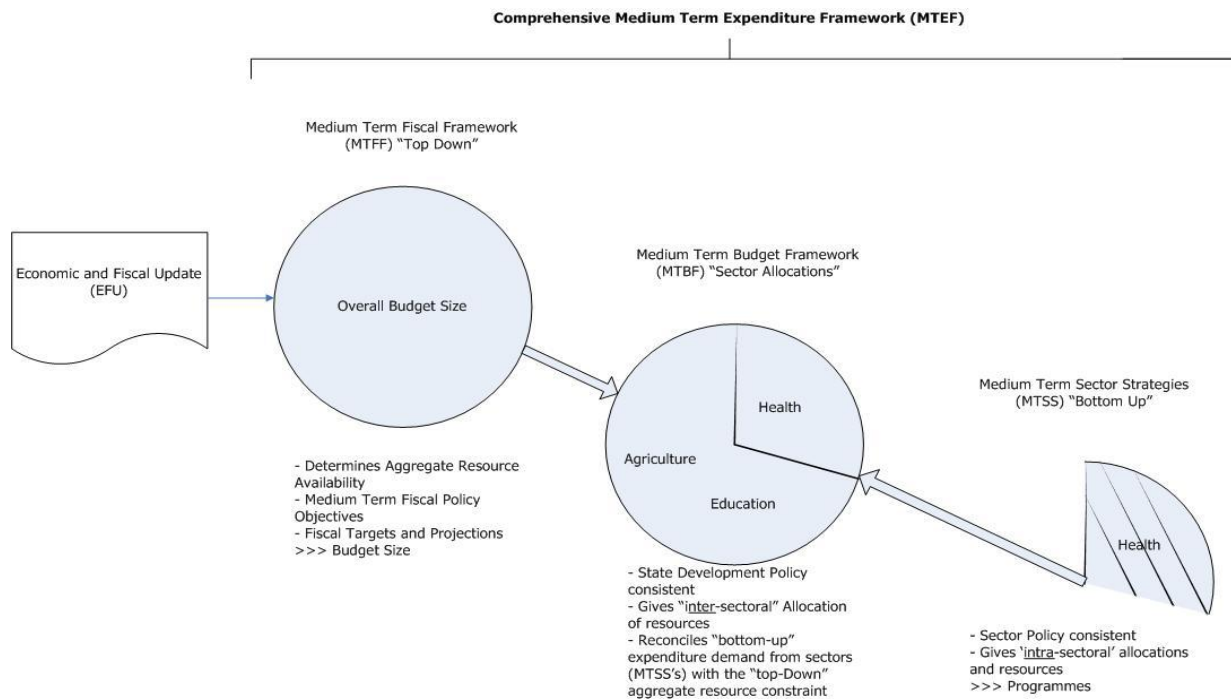
4. The **budget process** outlines the cyclical stages within each fiscal year. It is guided by the **Medium-Term Expenditure Framework (MTEF)**, which consists of four key elements:
 - **Medium-Term Fiscal Framework (MTFF)**
 - **Medium-Term Budget Framework (MTBF)**
 - **Medium-Term Sector Strategies (MTSS)**
 - **Medium-Term Implementation Plan (MTIP)**

Stages of the Budget Process

5. The process begins with the conceptualization phase and progresses through preparation, execution, control, monitoring, and evaluation. Ultimately, it cycles back to the initial conceptualization stage, preparing for the following year's budget cycle.

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

Figure 1: MTEF Process



1.A.2 Summary of Document Content

7. As the Osun State Government begins the budget preparation cycle for the 2026-2028 period, it adheres to the guidelines outlined in Sections 11-18 of the Osun State Fiscal Responsibility Law, 2012. The first step in this process involves preparing a comprehensive Economic and Fiscal Update (EFU), accompanied by a Fiscal Strategy Paper (FSP) and a Budget Policy Statement (BPS).

This document serves three key purposes:

8. Economic and Fiscal Update: Provides a retrospective overview of significant economic and fiscal trends that will shape future public expenditure.
9. Fiscal Strategy Paper and Medium-Term Fiscal Framework (MTFF): Defines the medium-term fiscal objectives, including tax policies, revenue generation strategies, projected public spending, approaches to deficit financing, and strategies for managing public debt.
10. Medium-Term Budget Framework (MTBF): Offers sector-specific budget allocations for the period from 2026 to 2028.
11. Section 2 of the document presents the Economic and Fiscal Update (EFU), a detailed analysis intended to guide the budget planning process. The primary audience for the EFU is budget policymakers and decision-makers within Osun State. It offers a thorough evaluation of budget performance, encompassing both historical and current data, while identifying the key factors impacting budget implementation. The EFU includes:
 - A review of global, national, and state-level economic performance.
 - A detailed analysis of the petroleum sector.
 - An assessment of Osun State's budgetary performance over the past six years.

12. The Fiscal Strategy Paper (FSP) is an integral part of Osun State’s Medium-Term Expenditure Framework (MTEF) and the annual budget formulation process. It plays a crucial role in determining the resources available for the government’s development and poverty alleviation programs, while ensuring fiscal sustainability.

1.A.3 Preparation and Audience

13. This document is designed to serve as a comprehensive foundation for the 2026 budget preparation cycle, targeting all key stakeholders involved;
- The Executive Council (ExCo)
 - The State House of Assembly (SHoA)
 - The Ministry of Economic Planning, Budget and Development
 - The Ministry of Finance
 - The Office of the Accountant General
 - All Government Ministries, Departments, and Agencies (MDAs)
 - Civil Society Organizations
14. This document is prepared during the final two quarters of the year preceding the annual budget preparation period. It is developed by the **Osun State Ministry of Economic Planning, Budget, and Development**, in collaboration with the **Ministry of Finance**, the **Office of the Accountant General**, the **State Bureau of Statistics**, the **Board of Internal Revenue**, and the **Debt Management Office**. The preparation process involves gathering data from various sources, including state, national, and international organizations.

1.B Background

1.B.1 Legislative and Institutional arrangement for Public Financial Management (PFM)

1.B.2 Legislative Framework for PFM in Osun State

15. Constitutional Foundation:

16. The **1999 Constitution of Nigeria**, as amended, is the primary law governing public financial management, including for Osun State. According to **Sections 120 and 121**, all revenues accrued to Osun State must be deposited into a **Consolidated Revenue Fund (CRF)**, which is managed by the state government. Allocations from the CRF to other funds can only be made if explicitly authorized by the **State House of Assembly (SHoA)** for specific purposes. Withdrawals from the CRF must also be authorized by the SHoA through the annual budget or appropriation process. The **Governor of Osun State** is tasked with preparing and submitting expenditure proposals for the upcoming fiscal year to the SHoA, which, upon approval, enacts an **Appropriation Law**. This law grants the executive branch the authority to withdraw and spend the specified amounts from the CRF.

1.B.3 Additional Legal Framework

17. In addition to the Nigerian Constitution, Osun State is governed by a comprehensive set of laws and regulations that guide budgeting and financial management. These include:

- **Public Administrative Law, Cap. 133 (2002):** This law forms the legal foundation for public administration within Osun State.
- **Financial Regulations (2009):** Issued by the Osun State Treasury Board under Section 5(1) of the Public Administrative Law, 2002, these regulations govern the financial management and control of public funds.
- **Osun State Fiscal Responsibility Law (FRL) (2012):** Based on the **Federal Fiscal Responsibility Act**, this law establishes mechanisms such as a medium-term fiscal framework, guidelines for public expenditure, borrowing procedures, and principles for transparency and accountability. It also outlines the application of these financial laws to **Local Governments**.
- **Osun State Public Procurement Law (2024, as amended):** This law introduces a bicameral approach to procurement administration, with the **Osun State Public Procurement Agency Governing Board** acting as the policy-making body, while the **Osun State Public Procurement Agency** provides technical oversight. The Board includes the **Commissioner of Finance** as Chair, the **Commissioner of Economic Planning, Budget and Development**, the **Attorney General/Commissioner of Justice**, a member of the **State Executive Council**, and three public representatives, one of whom is from a **Civil Society Organization**. The Agency is led by a **General Manager**, who also serves as Secretary to the Governing Board.
- **Treasury Circulars:** Occasionally, the **Accountant General of Osun State** issues supplementary rules and guidelines to support accounting, internal audits, and store procedures.

1.B.4 Institutional Framework for Public Financial Management (PFM) in Osun State

- 18. Executive Powers:** The Governor holds the executive powers of the state, as stipulated by the Constitution. The Governor is responsible for preparing and submitting revenue and expenditure estimates for the upcoming financial year to the SHoA before the start of each fiscal year. These powers may be exercised directly by the Governor or delegated to the Deputy Governor, Commissioners, Special Advisers, Permanent Secretaries, and other officials within the Osun State public service.
- 19. Role of the Executive Council (EXCO):** The Osun State Executive Council (EXCO) is responsible for setting government priorities and recommending the state budget to the SHoA. Once the budget is passed by the SHoA, the Governor signs it into law, thereby authorizing its implementation.
- 20. Ministry of Finance:** The Ministry of **Finance** plays a crucial role within the EXCO, particularly in formulating and executing fiscal policy. Its responsibilities include overseeing financial policies, managing borrowing, investments, loans, and banking, as well as managing treasury operations. The Ministry also supervises two important quasi-autonomous agencies:
- **Office of the Accountant General for the State (OAGS):** The OAGS handles accounting policies and procedures, supervises the accounting operations of all Ministries, Departments, and Agencies (MDAs), monitors revenue collection, and manages government revenue and expenditure. It also conducts treasury operations, safeguards revenue-earning documents, and assigns accounting staff to MDAs.
 - **Board of Internal Revenue (BIR):** The BIR is responsible for generating government revenue and implementing Joint Tax Board (JTB) policies. Its functions include taxation, motor vehicle licensing, stamp duties, and the regulation of betting, gaming machines, lotteries, sweepstakes, and raffles.

21. Ministry of Economic Planning, Budget, and Development: The Ministry of Economic Planning, Budget, and Development plays a pivotal role in coordinating the preparation of State Development Plans, Medium-Term Sector Strategies, **and the** Medium-Term Fiscal Framework, all within the context of the Fiscal Strategy Paper **and** annual budget. The Ministry is also responsible for tracking budget implementation, managing development assistance, and supporting Local Government Councils (LGCs) in creating grassroots plans.

22. Office of the Auditor General: The Office of the Auditor General (State) is responsible for auditing and certifying the state's accounts and submitting certified reports to the SHoA. Similarly, the Auditor General (Local Government) performs these functions for the Local Government Councils (LGCs).

1.B.5 Overview of Budget Calendar

Indicative Budget Calendar for Osun State Government is presented below:

Table 1: Budget Calendar

S/N	STAGE	TIMELINE	RESPONSIBILITY
1	Annual Sector Performance Review (Preparation & Documentation)	March-April	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
2	Preparation and Documentation of 2026 - 2028 Medium Term Sector Strategy (MTSS)	May - June	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
3	Preparation of 2026 – 20268 MTEF (EFU-FSP-BPS) Document	1 st – 30 th June	EFU-FSP-BPS Preparation Team & MEPBD (Economic Planning Department)
4	Completion and submission of 2026 - 2028 Medium Term Sector Strategy (MTSS) Documents	30 th July	Sector Planning Teams (SPTs) & MEPBD (Economic Planning Department)
5	Stakeholder Consultation (Citizens' consultative forum)	August	MEPBD
6	Issuance of 2026 Budget Call Circular with Capital Expenditure & Recurrent Envelopes	7 th September	MEPBD (Budget Department)
7	Presentation of 2026 – 2028 MTEF (EFU-FSP-BPS) Document at EXCO for Approval	12 th September	MEPBD (Hon. Commissioner)
8	Compilation of first Draft of 2026 Budget.	25 th - 29 th September	MDAs & MEPBD
9	Pre-Treasury Board Meeting	9 th – 13 th of October	Budget Committee & MEPBD (Budget Department)
10	Treasury Board Meeting	23 rd – 3 rd of November	Board Members
11	Submission of 2026 - 2028 MTEF (EFU-FSP-BPS) Document to House of Assembly after EXCO's Approval	4 th November	MEPBD (Hon. Commissioner)
12	Collation and consolidation of MDAs 2026 Budget (Final Draft)	6 th - 8 th November	MDAs & MEPBD (Budget Department)
13	EXCO Consideration and Approval of 2026 Draft Budget	9 th November	EXCO
14	Presentation of 2026 Draft Budget to House of Assembly	10 th November	HE, The Governor

S/N	STAGE	TIMELINE	RESPONSIBILITY
15	Budget Defence by MDAs before House of Assembly	November - December	House of Assembly
16	Debate and Approval of 2026 Budget by House of Assembly	December	House of Assembly
17	HE, The Governor's Assent	December	HE, The Governor

Section 2 Economic and Fiscal Update

2.A Economic Overview

2. A. 1 Global

20. **GDP Growth:** The global economy faces a significant slowdown due to escalating trade tensions and geopolitical conflicts, including the Israel-Hamas conflict. The International Monetary Fund (IMF) projects global GDP growth to decline from 3.3% in 2024 to 2.9% in 2025, reflecting the impact of global trade disruptions, heightened geopolitical risks, and continued policy uncertainties (IMF Report, 2025).
21. **Inflation:** The ongoing conflicts, particularly in the Middle East, have contributed to higher oil prices, exacerbating global inflationary pressures. The IMF (2025) forecasts global inflation to remain above target at 4.0–4.3% in 2025, driven by rising food and services prices, with some countries facing more pronounced inflation (IMF Report, 2025).
22. **Interest Rates:** Global interest rates have remained high as central banks respond to inflationary pressures. In many advanced economies, including the U.S., high-interest rates, coupled with trade-related supply shocks, have strained the global financial environment (OECD Report, 2025).
23. **Unemployment Rate:** The disruptions in trade and investment due to the ongoing conflicts have weakened global labour markets. The OECD (2025) notes that unemployment rates are expected to remain elevated in many developing countries, including those impacted by the geopolitical instability caused by conflicts such as the Israel-Hamas war.

Trade Policy Uncertainty and Fragmentation

24. **Global trade is under severe strain.** The escalation of tariffs especially by the US on major partners and low-income countries in early 2025 has driven effective tariff rates to century highs, increasing the cost of imports and disrupting established supply chains, IMF-Monthly-Briefing, (May 15th, 2025 Edition).
25. Trade policy uncertainty remains **historically elevated**, causing investment slowdowns and market volatility. Global trade growth is projected to halve in 2025 (to 1.6–2.6%), down from over 3% in 2024, (WEO Report, July Edition, 2025).

Slower Global Growth and Commodity Demand

26. Global GDP growth is projected to slow from 3.3% in 2024 to 2.9% this year and in 2026 (Table 1.1), on the technical assumption that tariff rates as of mid-May are sustained despite ongoing legal challenges. The slowdown is concentrated in the United States, Canada and Mexico, with China and other economies expected to see smaller downward adjustments.
27. **Global GDP growth forecasts have been revised downward to 2.3–3.0% for 2025** (lowest in two decades outside of recessions), due to trade disruptions, high inflation, and debt overhangs, (GEP Report, June 2025).
28. **Regional Variations: India and China** are expected to continue growing much faster than the global average, though China's growth is slowing. The **Euro area** shows a notable recovery from very low growth in 2023. The **United States** is projected to see a significant slowdown in 2025-2026 (OECD Economic Outlook Report, June 2025).
29. Weaker global demand pressures key commodities—potentially reducing export revenues and trickling down to government fiscal transfers and household incomes, (GEP Report, June-2025).

Table 1.1 Global GDP growth is projected to slow

Category	2025	2026	2027	2028 Q4	2029 Q4
Real GDP growth					
World	2.9	2.9	3.4	2.6	3.0
G20	2.9	2.9	3.5	2.6	3.0
OECD	1.4	1.5	1.9	1.1	1.7
United States	1.6	1.5	2.5	1.1	1.6
Euro area	1.0	1.2	1.2	0.7	1.7
Japan	0.7	0.4	1.4	0.1	0.4
Non-OECD	4.1	3.9	4.6	3.8	4.0
China	4.7	4.3	5.2	4.3	4.5
India	6.3	4.5			
Brazil	2.1	1.6			
OECD unemployment rate	5.0	4.9	4.9	5.0	4.9
Inflation					
G20	3.8	3.2	4.7	3.4	2.8
OECD	4.1	3.2	4.3	4.1	2.8
United States	3.2	2.8	2.5	3.9	2.1
Euro area	2.2	2.0	2.2	2.1	2.0
Japan	2.8	2.0	2.9	2.1	2.1
OECD fiscal balance	-4.6	-4.7			
World real trade growth	2.8	2.2	4.0	2.0	2.8

Source: OECD Economic Outlook 117 database.

Inflation and Financial Volatility

30. Although inflation has recently declined in most countries, service price inflation remains stubbornly sticky and goods price inflation has increased slightly in many countries due to rising food prices. Protectionism is adding to these inflationary pressures, and inflation expectations have risen substantially in several countries. And even though we are still forecasting that inflation will come down to central bank targets by 2026 in most countries, it will now take longer to reach those targets. In the countries more affected by tariffs, inflation might even rise first before coming down, (OECD Economic Outlook, June 2025).
31. After a peak in 2023-2024, inflation (G20 and OECD) is projected to decline significantly towards target levels by 2029.
32. Annual headline inflation in the G20 economies is collectively expected to moderate from 6.2% to 3.8% in 2025 and 3.2% in 2026, but the United States is an important exception, with annual inflation expected to rise to just under 4% by the end of 2025 and remain above target in 2026, (OECD Economic Outlook, June 2025).
33. Amid supply chain shocks and energy market instability (accentuated by conflicts in the Middle East), inflation remains above target in most advanced and emerging economies, with growing risk of persistent cost-push inflation.(Global Financial Stability Report IMF, 2025).
34. **Stable Unemployment:** The OECD unemployment rate is forecast to remain very stable around 4.9-5.0%.
35. Financial markets have become more fragile, with flight-to-safety behavior tightening credit for riskier markets and increasing the cost of sovereign and private-sector borrowing for Nigeria and its subnational, (OECD Economic Outlook June, 2025).

Geopolitical Risks

36. The intensifying Israel-Iran conflict and related tensions threaten oil supply routes (e.g., the Strait of Hormuz), potentially creating price shocks but also volatility for oil exporting countries like Nigeria, (Israel-Iran conflict reignites concerns in global economy, 2025).

2. A. 2 Africa

Growth Prospects and Risks in Africa

37. **Africa's economic growth outlook is softening.** Regional GDP is projected at 3.8–3.9% in 2025, with downward revisions from earlier forecasts mostly due to global trade shocks, declining donor aid, and tighter financial conditions, (African Economic Outlook, 2025).

Table 2 Selected African Countries by their Real GDP Growth

Country	2023	2024 (est.)	2025 (proj.)	2026 (proj.)
Nigeria	2.9	3.4	3.2	3.1
South Africa	0.7	0.6	0.8	1.2
Egypt	3.6	2.4	3.6	4.3
Algeria	4.1	3.9	3.6	3.4
Morocco	3.4	3.2	3.9	3.7
Kenya	5.6	4.6	5	4.8
Ethiopia	8.6	7.3	8	7
Ghana	3.1	5.7	4.5	4.8
Côte d'Ivoire	6.5	6.1	6.3	6.3
Tanzania	5.1	5.6	5.9	6

Source: Africa Development Bank, 2025

38. Central Africa

- Real GDP growth slowed to 4.0% in 2024 (from 4.4% in 2023) and is projected to fall further to 3.2% in 2025 and 3.9% in 2026.
- The region-wide downgrade stems from declining oil and mining output and restrained public investment amid global trade uncertainty.
- Democratic Republic of Congo (DRC) growth is cooling to 4.8% in 2025 (from 6.2%), while Equatorial Guinea faces a deepening recession with a projected 4% contraction in 2025 (Africa Economic Outlook Report, 2025).

39. East Africa

- Remains Africa's fastest-growing region, with GDP growth projected at 5.9% in both 2025 and 2026, up from 4.3% in 2024 (figure 2).
- Growth is driven by strong public investment, economic diversification, and robust performance in Ethiopia (8.0%), Rwanda (7.8%), and others (all ≥6%).
- High intra-regional trade (15% of total EAC trade in 2023) and resilience to external shocks underpin sustained momentum (Africa Economic Outlook Report, 2025).

40. North Africa

- Growth is projected to rise modestly to 3.6% in 2025 and 3.9% in 2026, up from 2.6% in 2024, but both years are downgraded by 0.2 percentage points from earlier forecasts.

- Libya rebounds sharply to 6.9% in 2025 after a 2024 contraction, while Egypt’s outlook is weakened by lower export revenues (Africa Economic Outlook Report, 2025).
- Broader risks include slower tourism recovery and weaker demand from key markets like the EU and China.

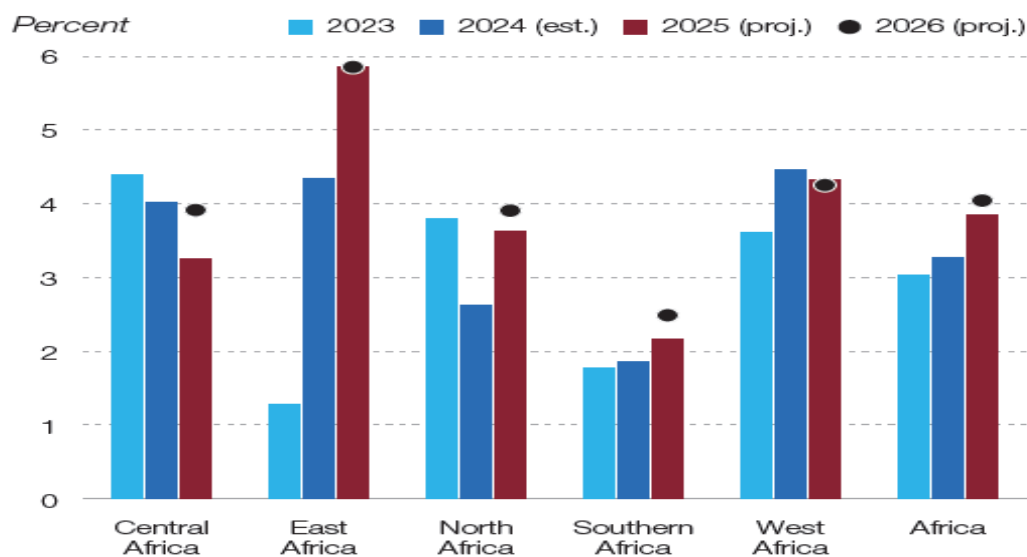
41. **Southern Africa**

- Growth remains subdued: 2.2% in 2025 and 2.5% in 2026, up slightly from 1.9% in 2024 but markedly downgraded from prior forecasts (Figure 2).
- Zambia (6.2%), Zimbabwe (6.0%), and eSwatini lead the region with strong recoveries in agriculture, mining, and energy.
- South Africa drags regional performance with only 0.8% growth amid fiscal risks, while Botswana and Lesotho face trade-related headwinds (Africa Economic Outlook Report, 2025).

42. **West Africa**

- Growth edged down to 4.5% in 2024 and is forecast to average 4.3% in 2025–26, slightly below earlier projections (Figure 2).
- Senegal leads as Africa’s fastest-growing economy (10.3% in 2025) thanks to new LNG exports; Niger (7.0%), Benin (6.6%), and Côte d’Ivoire (6.3%) also perform strongly (Africa Economic Outlook Report, 2025).
- Nigeria lags with only 3.2% in 2025, hurt by global trade shifts and financial volatility, while most other countries grow above 5%.

Figure 2 GDP Growth in Africa, by Region, 2023 - 2026



Source: African Development Bank statistics.

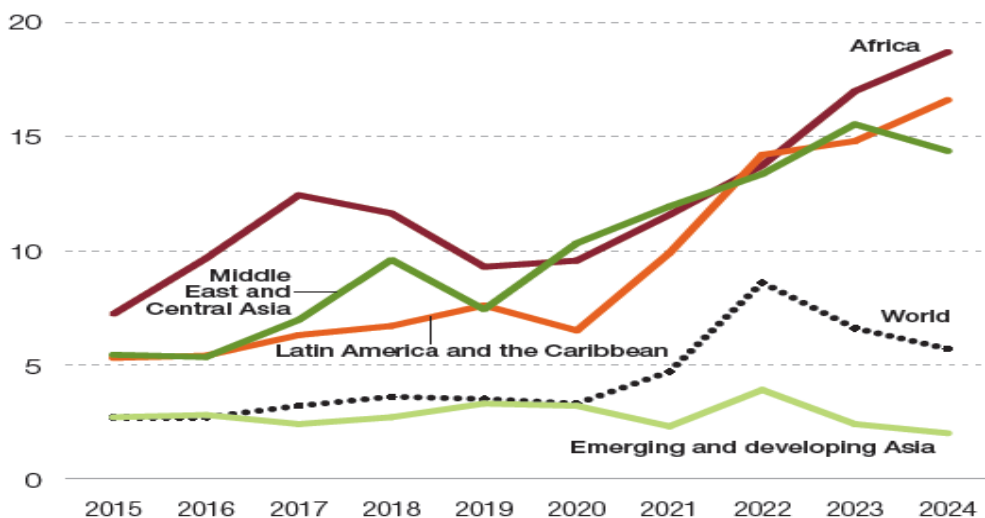
- 43. Debt service burdens are surging, with many countries in or near distress and high interest payments limiting social and capital expenditure—creating fiscal constraints that spill down to sub-national levels (Policy Brief, Sub-Saharan Africa’s Economic Outlook 2025).
- 44. External assistance to Africa is contracting, compounding the challenges for subnational development and project funding (Policy Brief, Sub-Saharan Africa’s Economic Outlook 2025).

Inflation, Food Security, and Vulnerability

- 45. Inflation remains stubbornly high across many African economies, largely due to food and energy price shocks, climate-related disruptions, and exchange rate depreciations, (African Economic Outlook, 2025).
- 46. High food inflation especially affects rural and peri-urban populations, directly raising living costs in the sub-Saharan region. This risk is amplified by adverse weather events and local supply chain breakdowns (GEP June, 2025 Regional Highlights SSA).
- 47. Africa’s average inflation rose to 18.7% in 2024, significantly above the global average of 5.7% and well beyond most countries’ medium-term targets, driven by high food and energy prices, currency depreciation, and fiscal imbalances.
- 48. Structural factors—not just demand—fuel inflation, making conventional monetary tools (like interest rate hikes) less effective; supply-side shocks, weak infrastructure, and central bank financing of deficits play major roles.
- 49. Regional disparities are stark: West Africa recorded the highest regional inflation at 22.9% (led by Nigeria’s 33.2%), followed by North Africa (20.5%, driven by Egypt’s 33.6%), while Southern Africa averaged 12.1%, with extremes like Zimbabwe (55.7%) and Botswana (2.8%) (Africa Economic Outlook Report, 2025).
- 50. The number of countries with double-digit inflation is declining: from 19 in 2022 to 15 in 2024, projected to fall to 12 in 2025—partly due to falling global food and energy prices, which heavily impact African household budgets (poorest spend ~37% of income on food).
- 51. High inflation is eroding living standards, especially in countries like Nigeria, Egypt, Ethiopia, Malawi, and Zimbabwe (all with inflation >25% in 2024), where policy reforms (e.g., fuel subsidy removals, exchange rate liberalization) have triggered short-term price surges despite long-term economic goals.

Figure 3 Inflation persistence in Africa and other developing regions, 2015–24

(Annual Inflation in consumer prices (percent))



Source: African Development Bank Statistics, 2025

2. A. 3 Nigerian Economy

Growth, Inflation, and Fiscal Challenges

- 52. Nigeria’s growth is projected to slow, with the IMF and World Bank downgrading 2025 forecasts to around **3.0–3.4%**. Growth is hampered by global commodity volatility, persistent inflation, fiscal constraints, and domestic policy uncertainty.
- 53. **Inflation remains severe**, with projections for CPI at 26–30% in 2025 and risks of resurgence from fuel price pass-through, import costs, and insecurity (July 2025 Edition, WEO Report).
- 54. High inflation erodes purchasing power, complicates local budgeting for wages and social services, and threatens to deepen poverty in vulnerable states (June 2025, GEP Report).

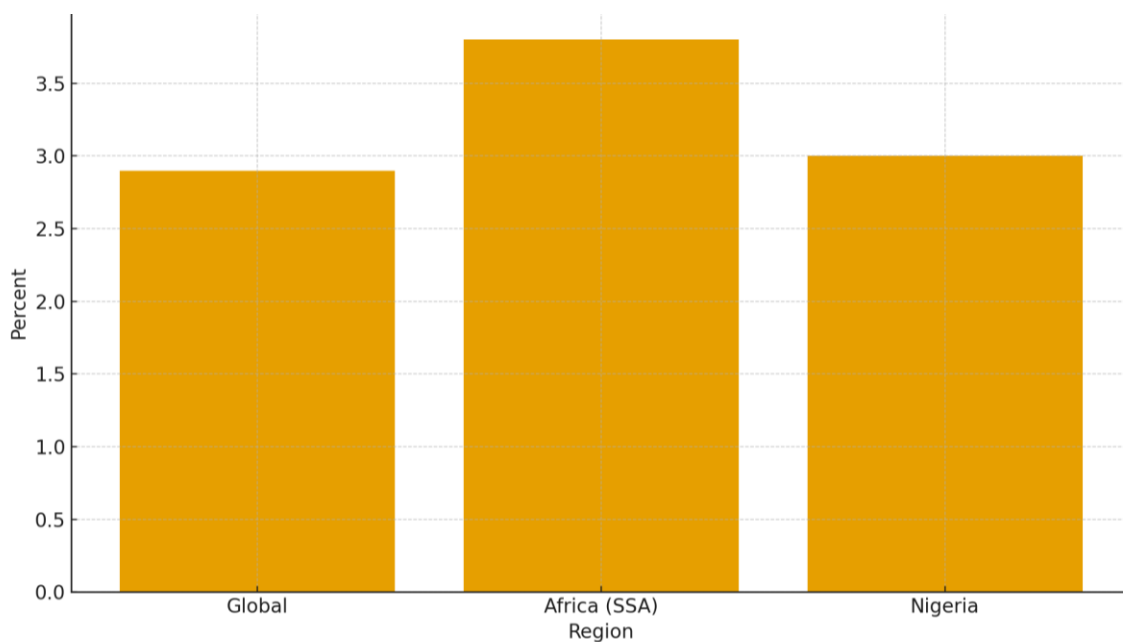
Oil Market & Global Shocks

- 55. Ongoing Middle East turmoil has caused oil price spikes (above the budget benchmark), temporarily boosting Nigeria’s forex receipts. However, Nigeria’s persistently low production means the country struggles to fully benefit from high prices.
- 56. Higher oil prices may offer a short-lived fiscal cushion, but any sustained disruption or reversal in global demand (especially if the global slowdown deepens) will magnify public finance risks and worsen exchange rates (July, 2025 WEO Report).

Debt and Fiscal Federalism

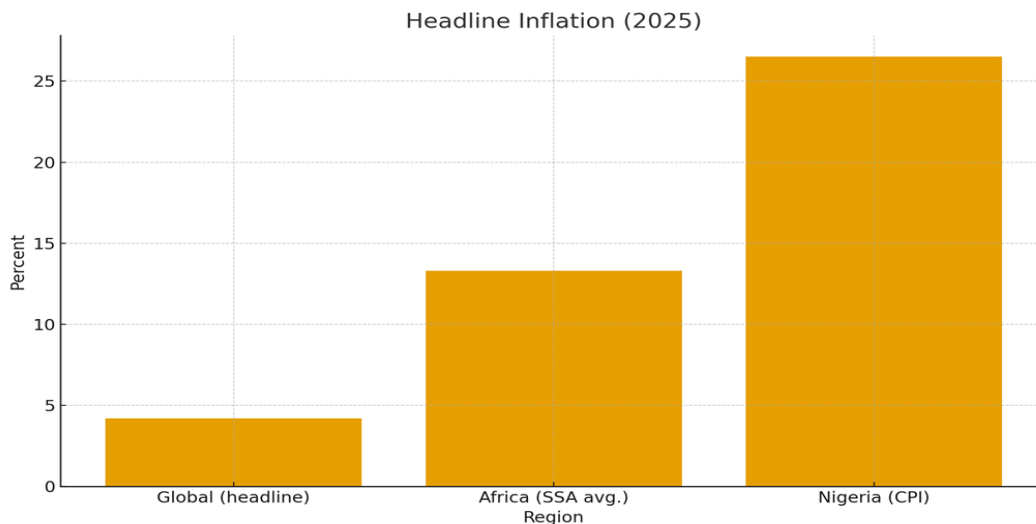
- 57. Nigeria faces rising debt service to revenue ratios, putting pressure on both federal and state-level budgets. The sharp drop in ODA and risk of reduced FAAC (Federation Account) distributions threaten the ability of government to finance basic services and capital projects without strong domestic revenue mobilization, (GEP Report, June 2025).
- 58. Exchange rate depreciation and imported inflation, especially for food and energy, further reduce the real value of statutory allocations and increase the cost of imported capital goods or infrastructure inputs.

Figure 4 Real GDP Growth (2025)



59. Sub-Saharan Africa's growth momentum leads the world, but Nigeria lags behind the regional pace. The data shows that the growth rate of the SSA region (approximately 3.75%) is not only higher than the global average (approximately 2.9%) but also significantly higher than Nigeria's rate (approximately 3.0%). This suggests that, as a whole, the SSA region may possess stronger growth momentum or more attractive investment opportunities. However, as one of Africa's largest economies, Nigeria's growth performance falls short of the regional average, potentially indicating specific internal structural challenges—such as over-reliance on oil, infrastructure bottlenecks, or policy uncertainty—that are constraining the realization of its economic potential.
60. Nigeria's growth is only slightly above the global average, highlighting its "large but not strong" economic dilemma. Although Nigeria's growth rate (3.0%) is numerically slightly higher than the global average (2.9%), this "marginal advantage" is not encouraging considering its large population and significant development needs. This moderate growth may be insufficient to create enough jobs for its rapidly growing population and is unlikely to achieve significant catch-up in per capita income levels. This reflects that while Nigeria's economy is large in scale, the quality and efficiency of its growth may be problematic, failing to translate its scale advantage into robust growth performance.

Figure 5 Headline Inflation (2025)



61. Nigeria faces extreme inflationary pressure, far exceeding global and regional levels. Nigeria's inflation rate (approximately 26.6%) is over six times the global average (approximately 4.3%) and more than double the SSA regional average (approximately 13.1%). This runaway inflation severely erodes households' real income and savings value, exacerbates poverty and inequality, and could trigger social instability. This indicates that Nigeria's macroeconomic management faces significant challenges; its inflation problem can no longer be explained by common global factors but is driven by profound domestic issues (such as currency depreciation, supply chain disruptions, fiscal deficits, etc.).
62. The combination of high inflation and moderate growth exposes Nigeria's economy to stagflation risks. Analysing this chart alongside the GDP growth chart, Nigeria is in a typical dilemma: sluggish economic growth (approx. 3.0%) coexists with high inflation (approx. 26.6%). This stagflation-like situation is extremely tricky for policymakers. To curb inflation, the central bank may need to implement tight monetary policy (e.g., raising interest rates), but this would further suppress already weak investment and consumption, thereby hampering economic growth. Conversely, relaxing policy to stimulate growth could worsen inflation. This policy dilemma highlights the fragility of Nigeria's economic structure.

Table 3 At-a-Glance—Economic Overview Influence on Osun State

Level	Key Risks & Opportunities	Potential Osun Impact
Global	Trade fragmentation, slow growth,	Weaker export demand, pricier imports, volatile inflows, inflation risk
	financial volatility, commodity swings	
Africa	Aid downturn, high debt, food insecurity, inflation	Lower capital receipts for critical intervention in health and education sector, higher prices, food system and social strain.
	need for own-revenue, climate risk	
Nigeria	Inflation, policy uncertainty, declining oil & FAAC.	Budget squeezes, need for own-revenue, shock-prone economy
	weak transmission of oil windfalls	

Structural and Governance Priorities for Osun

63. Weaknesses in subnational tax administration, high informality, and the need for broadening the local revenue base are highlighted as urgent for Nigerian states to preserve fiscal autonomy and resilience (Policy Brief, Sub-Saharan Africa’s Economic Outlook 2025).
64. Based on the extraction from African Economic Outlook, 2025, structural reforms that encourage private sector participation (agribusiness, value chains, digital businesses), improve investment climate, address youth unemployment, and build adaptation to climate/food shocks are critical to Osun’s long-term competitiveness and poverty reduction goals.
65. States must also invest in social resilience protecting vulnerable groups, up-skilling youth, and investing in health and education since national development is increasingly dependent on subnational performance (Policy Brief, Sub-Saharan Africa’s Economic Outlook 2025).
66. Nigeria is forecast to reach **growth of 3.0% in 2025**, down from 3.4% in 2024, and drop to 2.7% in 2026. Inflation is projected to moderate from 33.2% (2024) to 26.5% (2025), but then surge again to 37.0% in 2026 (Policy Brief, Sub-Saharan Africa’s Economic Outlook 2025). This volatility is critical for fiscal planning in Osun.
67. Sector contributions to Nigeria’s GDP (from AEO 2025) highlight:
 - Services (especially trade and ICT) are the main drivers, but are vulnerable to currency and regulatory fluctuations.
 - Agriculture remains key for employment, but faces climate and infrastructure constraints (African Economic Outlook, 2025). This is central to Osun’s rural economy.

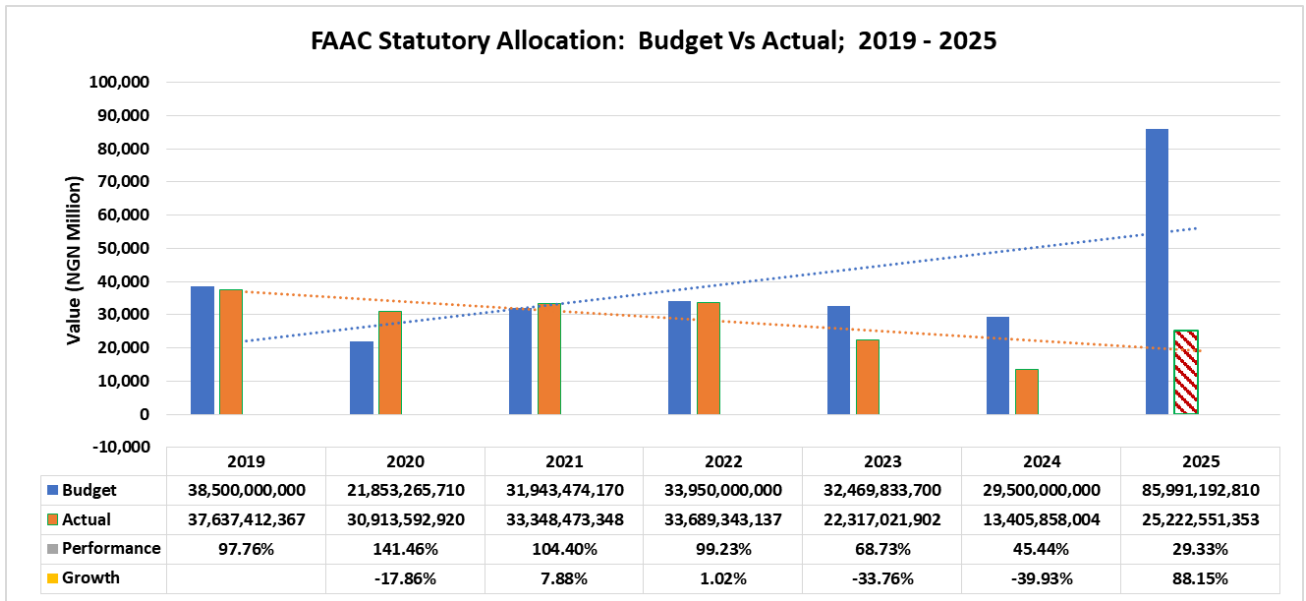
2. B. Osun State Fiscal Update

2. B.1 Historic Trends

Revenue Side

68. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2019-2025 (Seven years historic).

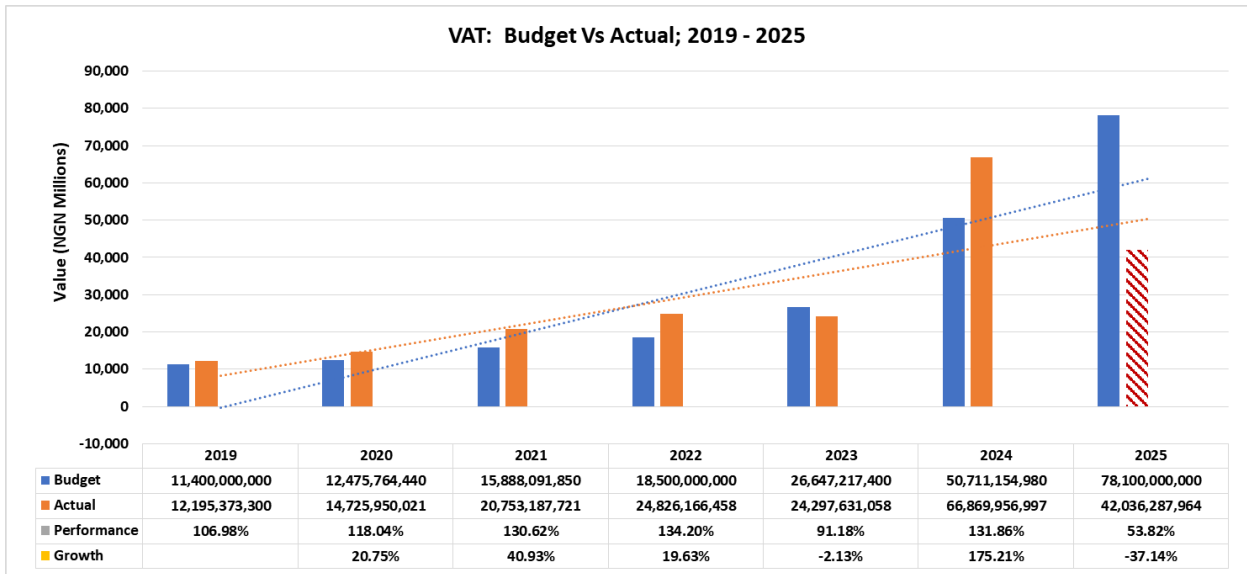
Figure 6 Statutory Allocation



69. **Statutory Allocation: Definition:** Revenue from the Federation Account distributed to all three tiers of government based on vertical and horizontal sharing formulas.
70. **Performance:** Performance was at its peak in 2020 (141.46%) but dropped sharply to 45.44% in 2024. The 2025 performance is only 29.34%. Since this covers 6 months, the annualized performance is approximately 58.68%, which is below the 75% "good performance" threshold for Osun State.
71. **Trend:** Shows significant volatility in both budgeted and actual figures. The 2025 budget is the highest on record (₦85.99bn), but actual receipts for the first half of the year are low, indicating a potential major shortfall.
72. **Trend facts (2019–2024):**
 - **Budget CAGR¹ 2019–24: –5.2%:** The state's planned revenue from statutory allocation has been steadily shrinking, with an average annual decline of over 5% since 2019.
 - **Actual CAGR 2019–24: –18.7%:** In reality, the actual funds received have collapsed at a catastrophic rate, falling nearly 19% per year on average.
 - This devastating gap between a shrinking budget and a collapsing reality reveals a deep fiscal crisis, highlighting an urgent need to escape dependence on volatile federal allocations.

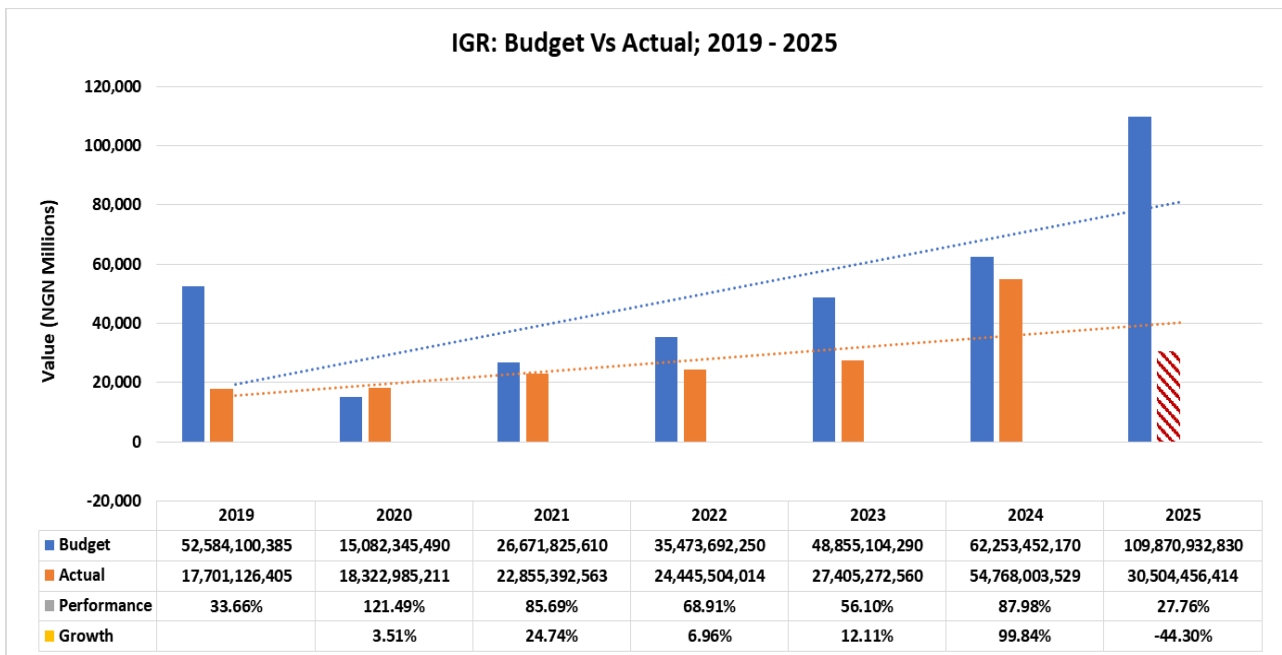
¹ See Annexure for details

Figure 7 VAT



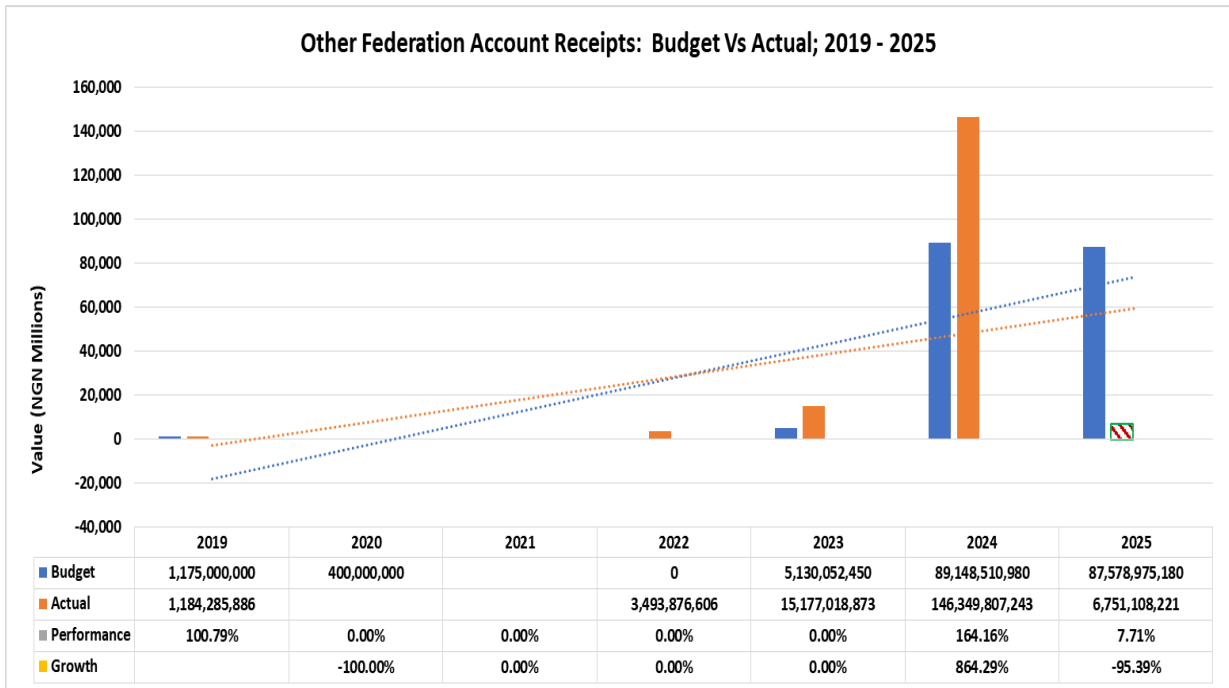
- 73. **VAT, short for Value Added Tax: *Definition:*** A consumption tax on goods and services, collected by businesses and remitted to the government for distribution.
- 74. ***Performance:*** Historically very strong, consistently exceeding 100% performance from 2019-2022. 2025 performance is 53.82%. Annualized, this is 107.64%, indicating VAT collection remains robust and is likely to meet or exceed its substantial 2025 budget (₦78.1bn).
- 75. ***Trend:*** Shows a clear and dramatic upward trend in both budgeted and actual amounts, making it a growing and reliable revenue source.

Figure 8 IGR



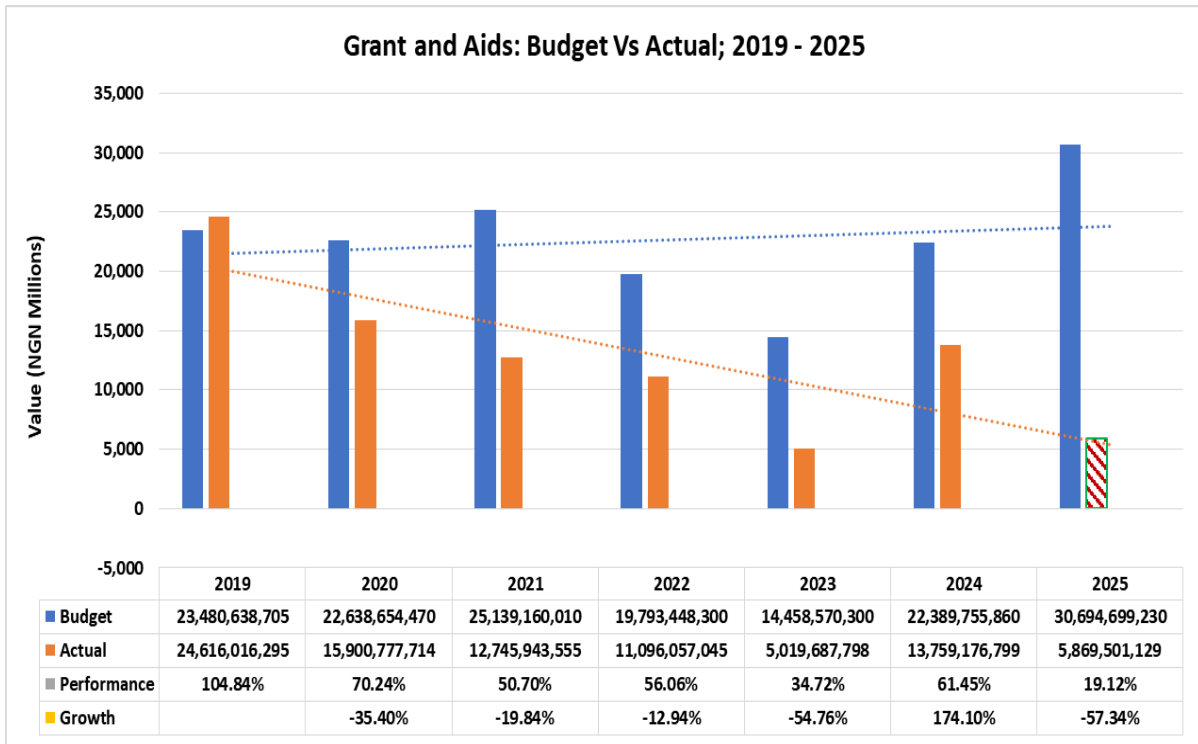
- 76. **IGR**, short for "Internally Generated Revenue: **Definition:** Revenue generated by the state government itself, independent of federal allocations.
- 77. **Performance:** Performance has been consistently below 100%, ranging from 55% to 122% (2020 is an outlier). The 2025 performance is **27.77%**. Annualized, this is **55.54%**, which is a significant underperformance against the budget.
- 78. **Trend:** The budget for IGR has increased dramatically year-on-year, but actual collections have not kept pace, indicating ambitious budgeting or challenges in revenue mobilization. Though, a whopping sum of 54.8 Billion naira was recorded as actual in 2024, which is the highest in recent times.

Figure 9 Other FAAC Receipts



- 79. **Other FAAC Receipts: Performance:** Highly volatile, with some years having no budget or actuals. 2024 saw massive actual receipts. 2025 performance is a very low **7.71%** (₦6.75bn actual vs. ₦87.58bn budget). Annualized performance is **15.42%**, indicating a major expected shortfall.
- 80. **Trend:** Unpredictable and should not be relied upon for consistent budgeting.

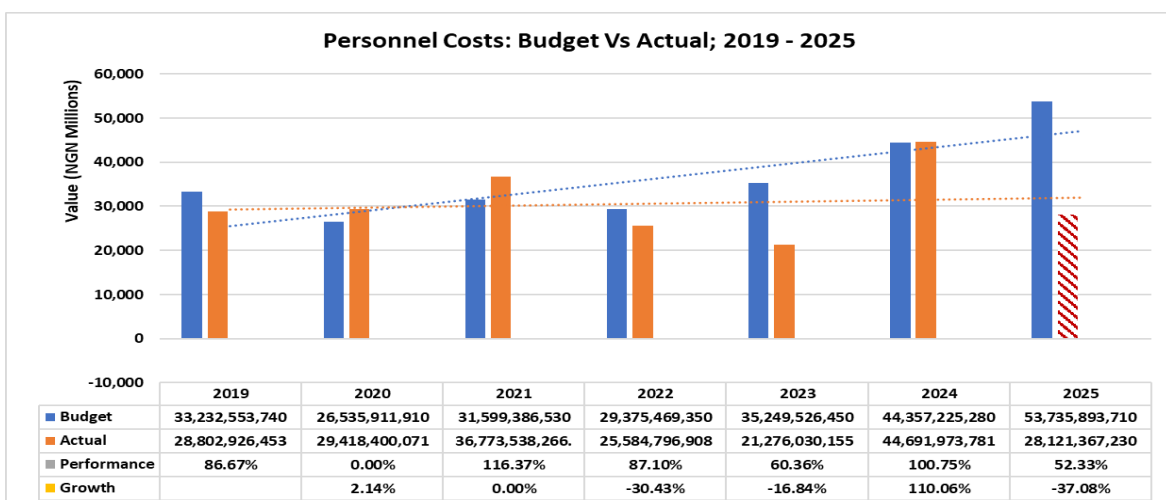
Figure 10 Grants



- 81. **Grant: Performance:** Performance has declined significantly over the years, from 105% in 2019 to 61.45% in 2024. The 2025 performance is only 19.12%. Annualized, this is 38.24%, far below expectations.
- 82. **Trend:** A clear downward trend in both the amounts budgeted and actually received, suggesting a reduction in this funding stream.

Expenditure Side

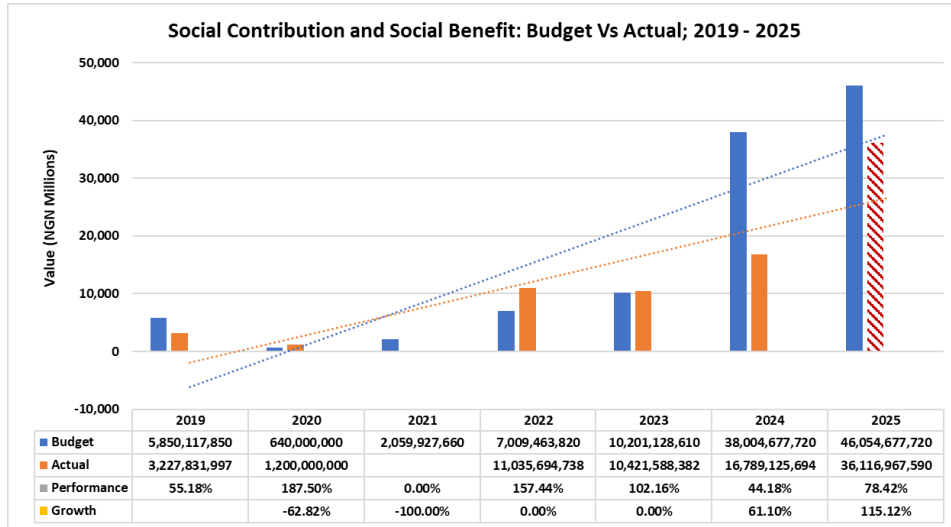
Figure 11 Personnel



- 83. **Personnel Expenditure:**
- 84. **Performance:** Performance fluctuates wildly. 2025 performance is 52.33%. Annualized, this is 104.66%, suggesting expenditure is on track to meet the full-year budget.

85. **Trend:** The budget for personnel costs has risen dramatically, but actual spending has been consistently below budget in recent years (2022-2025), except for 2024.

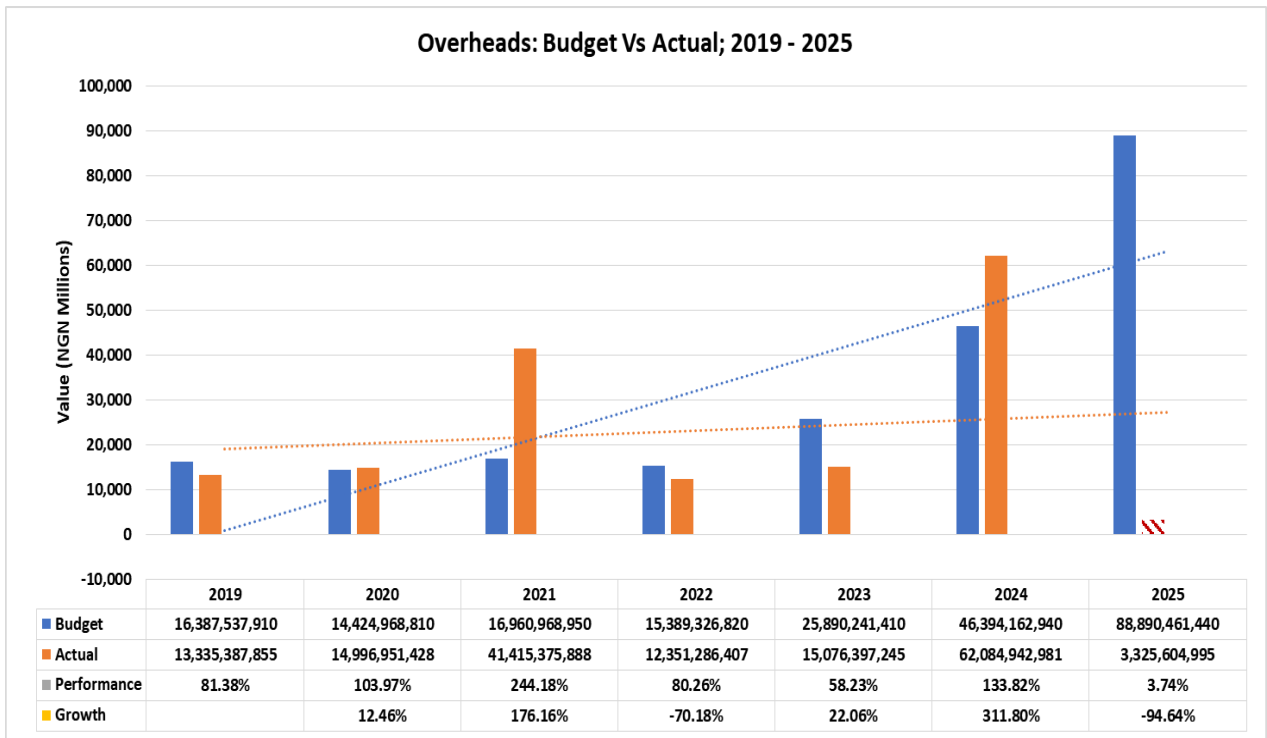
Figure 12 Social Contributions and Social Benefits



86. **Performance:** Variable performance. 2025 performance is 78.42%. Annualized, this is 156.82%, indicating that spending in this category is significantly exceeding its half-year forecast and is on track to overshoot the annual budget.

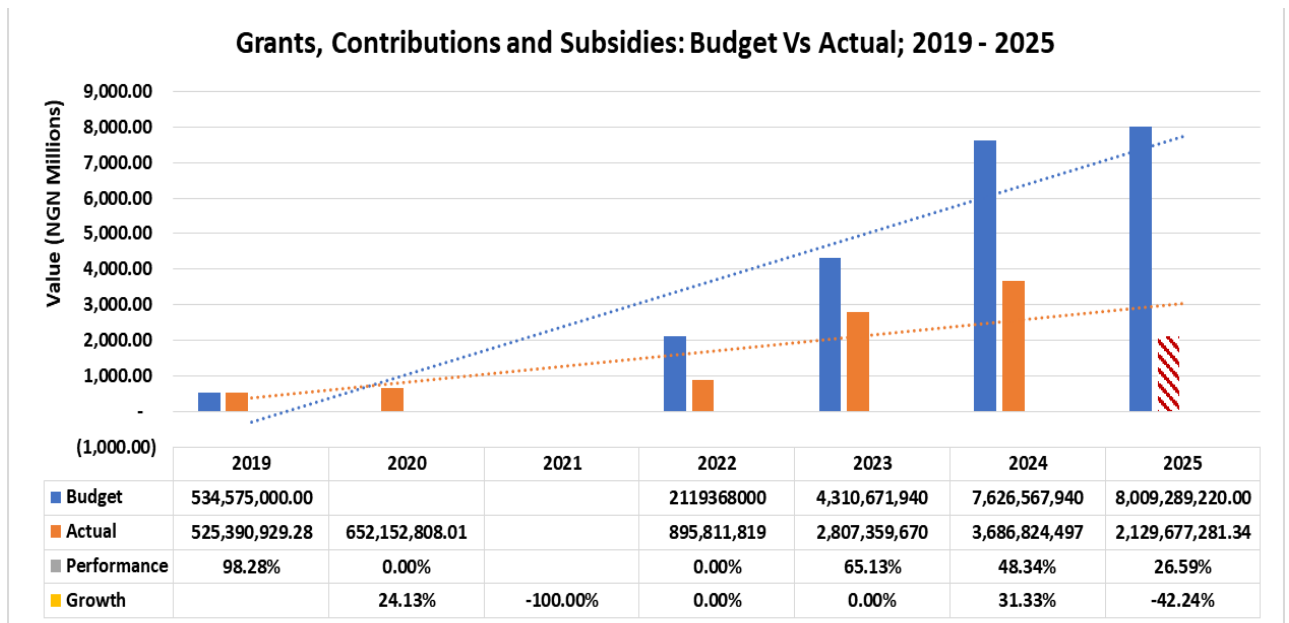
87. **Trend:** The budget for this item has fluctuated significantly year-to-year.

Figure 13 Overheads



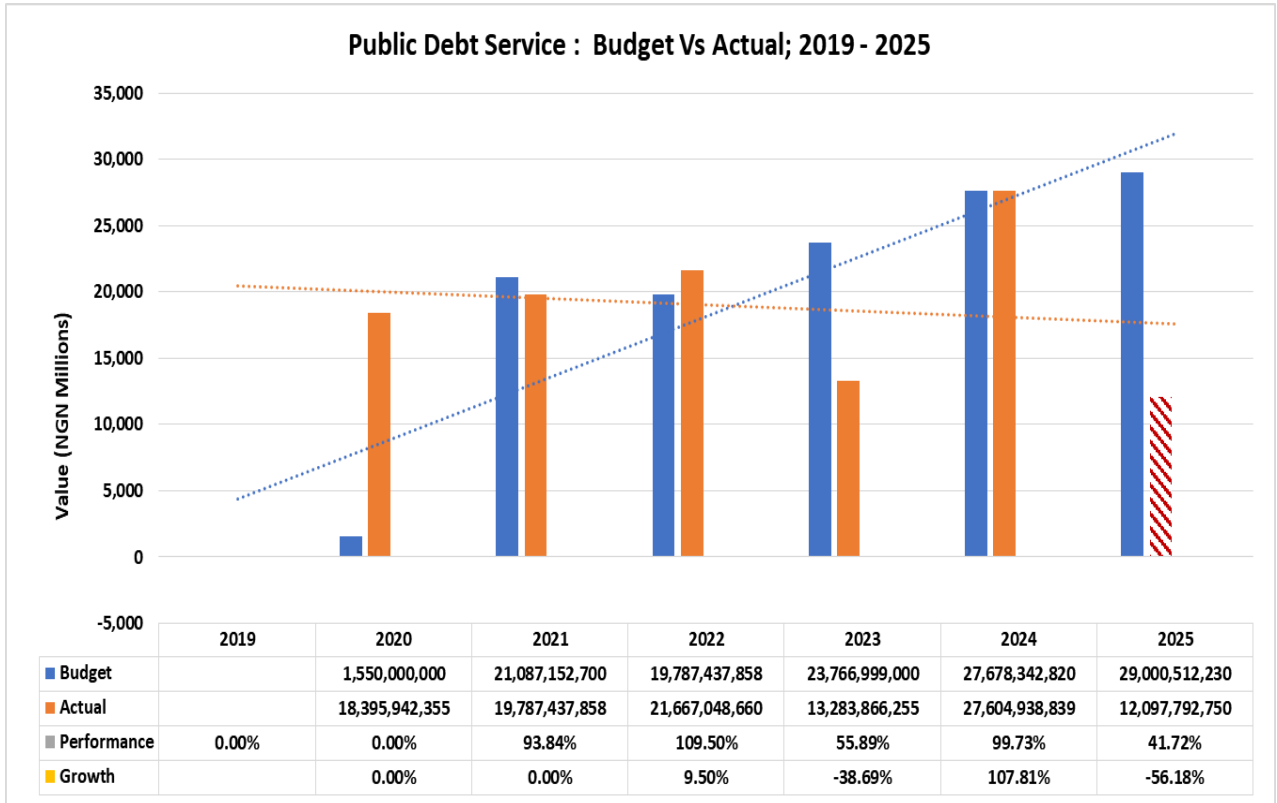
- 88. **Performance:** Performance is highly volatile, declining from 244.18% in 2021 to 58.23% in 2023. 2025 performance is extremely low at 3.74%. Annualized, this is 7.48%, suggesting a massive underspend against the budget so far.
- 89. **Trend:** The budget for overheads has risen sharply, but actual spending does not show a consistent pattern, with huge variations year-on-year.

Figure 14 Grants, Contributions and Subsidies



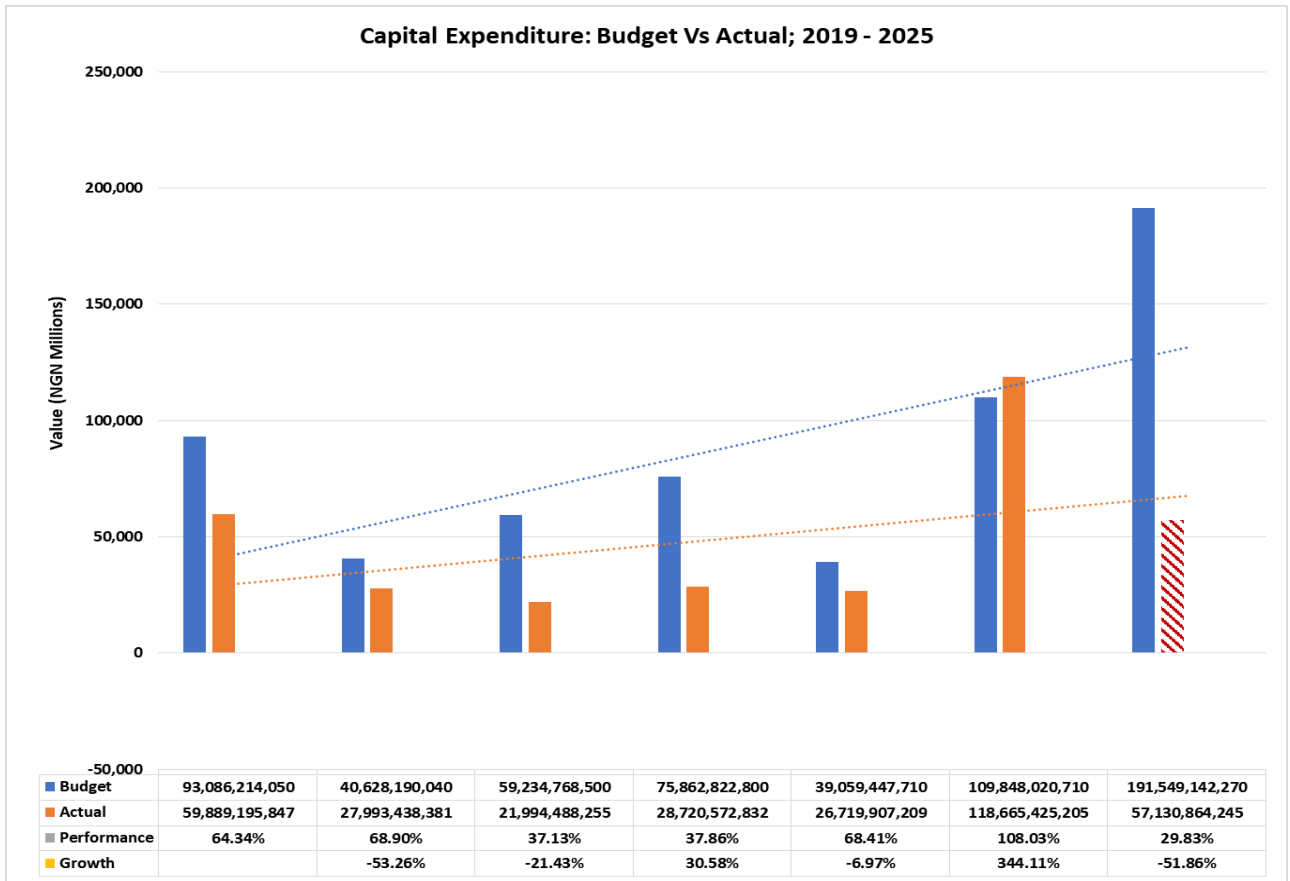
- 90. **Performance:** Generally, actual spending is below budget. 2025 performance is **26.60%**. Annualized, this is **53.20%**, indicating an underspend.
- 91. **Trend:** Budgeted amounts have been increasing steadily.

Figure 15 Public Debt Service



- 92. **Performance:** Performance is mixed. 2025 performance is **41.72%**. Annualized, this is **83.44%**. This is above the 50% benchmark for being "on track" but below Osun State's 75% "good performance" threshold, suggesting debt service may be slightly behind schedule.
- 93. **Trend:** Budgeted and actual amounts for debt service have been significant and relatively consistent in recent years.

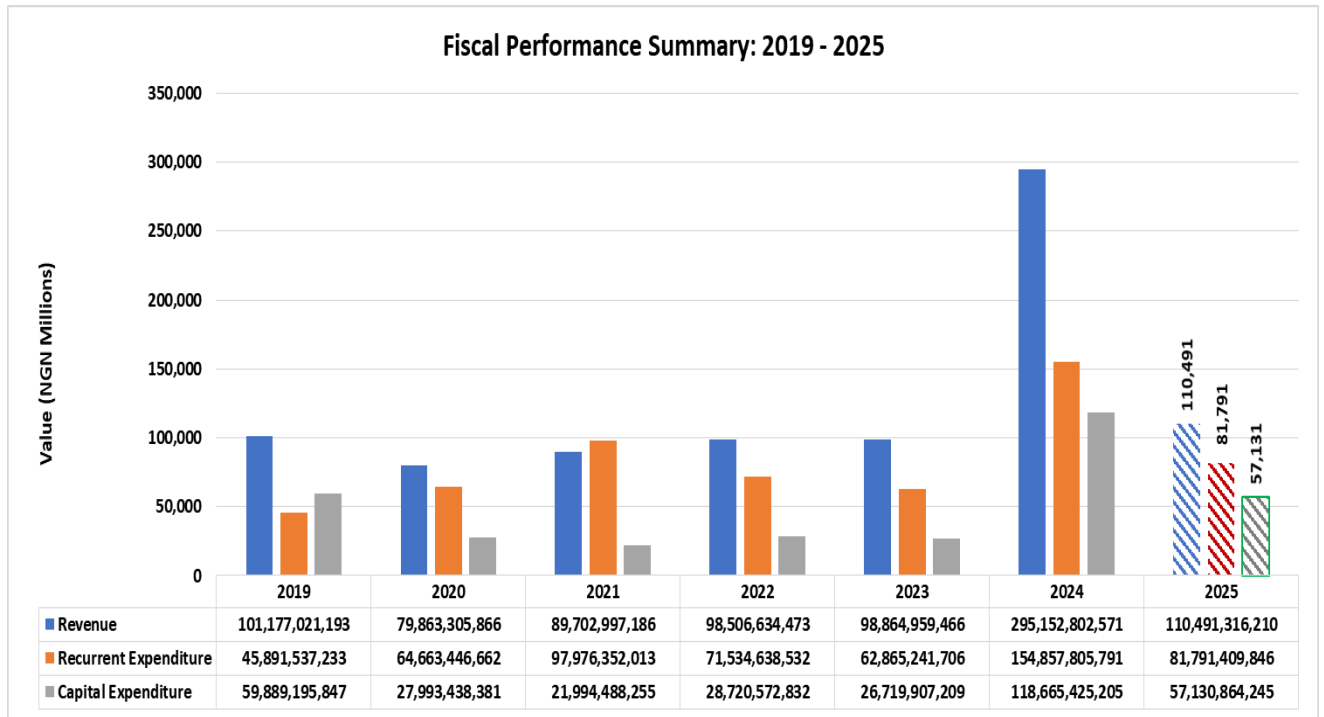
Figure 16 Capital Expenditure



94. **Capital expenditure:**

- 95. Performance: Consistently low performance, never exceeding 58% since 2019. 2025 performance is 29.82%. Annualized, this is 59.64%, indicating capital projects are being executed at a slower pace than budgeted.
- 96. Trend: Capital budgets are large and growing, but actual expenditure consistently falls far short, indicating challenges in project implementation.

Figure 17 Fiscal Performance Summary



97. Revenue peaked at ~102 billion NGN in 2019, dropped 22% to ~80 billion in 2020 due to COVID-19, and gradually recovered to ~99 billion by 2023 before surging 200% to ~295 billion in 2024.
98. Recurrent Expenditure rose 42% from 2020 to 2021 (peaking at ~98 billion, 109% of revenue), moderated by 2023 (~63 billion), then spiked to ~155 billion in 2024, with H1 2025 at ~82 billion (annualizing to ~164 billion).
99. Capital Expenditure started at ~60 billion in 2019, fell 53% to ~28 billion in 2020, remained low (~22–29 billion) until 2023, then jumped 344% to ~119 billion in 2024, with H1 2025 at ~57 billion (annualizing to ~114 billion).
100. Osun's revenue is ~80–90% statutory (federal shares), with IGR at ~18% in 2023, indicating dependency on federal allocations.
101. Debt servicing likely consumes 20–30% of revenue, impacting fiscal flexibility.
102. The 2024 capex boom (43% of total expenditure) reflects a policy shift toward infrastructure, but risks debt if unfunded.
103. 2025 H1 revenue (~110 billion) annualizes to ~221 billion, still below 2024 but 124% above 2023, suggesting sustained growth momentum.
104. **Conclusion:** The key takeaway is that Osun State faces a **potential fiscal tightening in 2025**, with actual revenue projected to be lower than the 2024 peak while recurrent expenditure remains high. This imbalance continues to prioritize short-term operational costs over long-term capital investment, which could constrain the state's economic development. The half-year 2025 data serves as an early warning for the full year's fiscal health.

Table 4 Debt Sustainability Analysis

Debt Sustainability Analysis			
A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2024
	Solvency Ratios	Percentage	Percentage
1	Total Domestic Debt/IGR	150%	153.86%
2	Total External Debt/Gross FAAC	150%	50.90%
3	Total Public Debt/Total Recurrent Revenue	150%	70.94%
4	Total Public Debt/State GDP Ratio	25%	2.70%
	Liquidity Ratios	Percentage	Percentage
5	Domestic Debt Service/IGR	15%	24.79%
6	External Debt Service/Gross FAAC	10%	4.11%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	10.11%
8	Total Debt Service/Total Recurrent Revenue	25%	8.14%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2024			Naira
1	Total Domestic Debt		84,266,880,000
2	Total External Debt		115,359,340,000
3	Total Public Debt		199,626,220,000
4	Total Domestic Debt Service 2024		13,579,000,000
5	Total External Debt Service in 2024		9,324,700,000
6	Total Public Debt Service		22,903,700,000
C STATE GDP FOR 2024			
1	State GDP		7,400,000,000,000

A. SOLVENCY RATIOS (Ability to pay debts over time):

105. **The Total Domestic Debt/IGR** is 153.86% against the 150% threshold.
- What it suggests:** Domestic debt slightly exceeds the safe threshold. The state would need about 1.5 years of ALL internal revenue to clear domestic debt - this is just above the danger zone but much improved from 2023's 531.42%.
106. **The Total External Debt/Gross FAAC** is 50.90% against the 150% threshold.
- What it suggests:** External debt is well within safe limits relative to federal allocations. This is very manageable and shows the state isn't over-borrowing externally.
107. **The Total Public Debt/Total Recurrent Revenue** is 70.94% against 150% threshold.
- What it suggests:** Total debt is less than one year's recurrent revenue. This is healthy and shows significant improvement from 2023's 251.25% - the state has dramatically improved its debt position.
108. **Total Public Debt/State GDP Ratio:** (Definition of the 2.70% Ratio): This ratio indicates that Osun State's total public debt represents 2.70% of the State's Gross Domestic Product (GDP). The State owes an amount equivalent to approximately 2.70% of its annual economic output. This is considered a moderate debt level for a sub-national entity.

109. **Solvency Implications:**

- **Manageable Level:** Generally, debt-to-GDP ratios below 25-30% for states are considered sustainable.
- **Economic Capacity:** The state's economy is about 37 times larger than its total debt burden.
- **Repayment Ability:** Indicates reasonable capacity to service debt obligations.

B. LIQUIDITY RATIOS (Ability to service debts immediately):

110. The Domestic Debt Service/IGR is 24.79% against 15% threshold. This suggests that about 1 in every 4 naira of internal revenue goes to domestic debt servicing. This exceeds the safe threshold but is much better than 2023's 48.56%.
111. External Debt Service/Gross FAAC: 4.11% vs 10% threshold. This suggests that external debt payments are very comfortable and pose no immediate liquidity concerns.
112. Debt Service Deductions from FAAC/Gross FAAC: 10.11% vs 40% threshold. This suggests that only about 10% of federal allocations are deducted for debt service - this is very healthy and shows good debt management.
113. Total Debt Service/Total Recurrent Revenue: 8.14% vs 25% threshold. This suggests that less than 1 in every 10 naira of recurrent revenue goes to debt servicing. This is excellent and shows the state has plenty of fiscal space.
114. Summarily, the state has made significant progress in debt sustainability. Most ratios are now within acceptable limits, showing much improved fiscal health compared to 2023. The main concern is the slightly elevated domestic debt service ratio.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

115. The State’s macroeconomic framework is anchored on reviewed macro-indicators used to gauge economic performance and to calibrate the fiscal stance for the MTEF period 2026–2028.
116. It reflects mineral sector benchmarks—oil production, oil price, and the NGN: USD exchange rate—as dictated by global conditions and aligned with the reviewed Federal Government MTEF (2026–2028).
117. Real GDP growth and Inflation (CPI) parameters follow the latest multilateral outlooks referenced in IMF WEO baseline and are treated as projected figures for prudent planning.
118. For clarity, the working assumptions adopted for the Osun State Medium-Term Fiscal Framework are:
- Inflation (CPI): 17.0% (2026), 15.0% (2027), 15.0% (2028, provisional roll-forward).
 - Real GDP growth: 3.30% (2026), 3.30% (2027), 3.30% (2028, provisional roll-forward).
 - Oil production benchmark: 1.70 MBPD (2026), 1.80 MBPD (2027), 1.80 MBPD (2028, provisional).
 - Oil price benchmark: \$55/bl for 2026–2028 (flat).
 - Exchange rate (NGN:USD): ₦1,500/\$ for 2026–2028 (flat).
 - Mineral revenue ratio (non-oil): 23% (2026), 25% (2027), 25% (2028, provisional).
119. These assumptions constitute a prudent macro-baseline on which the Osun State Medium-Term Fiscal Framework (2026–2028) is constructed and will be reviewed and fine-tuned as the Federal Government issues updated macro parameters and as outturns for 2026 become available.

Table 5 Osun State Macroeconomic Framework

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%

Source: NGF, 2025

120. **National Inflation Rate (predicted):** Projected to decline from 23.0% (2025) → 17.0% (2026) → 15.0% (2027), indicating expected improvement in price stability.
121. **National Real GDP (predicted):** Real GDP growth is projected at 3.20% (2025) → 3.30% (2026) → 3.30% (2027), suggesting steady expansion.
122. **Oil Production Benchmark, MBPD (predicted):** Output projected at 1.70 mbpd (2025), 1.70 mbpd (2026), rising to 1.80 mbpd (2027).
123. **Oil Price Benchmark (predicted):** Benchmark price projected to remain constant at \$55/bbl for 2025–2027.

124. **Exchange Rate, NGN/USD (predicted):** Projected flat at ₦1,500 per \$1 across 2025–2027, implying a stable FX assumption.
125. **Mineral Ratio (predicted):** Share of non-oil mineral revenue projected to rise from 20% (2025) → 23% (2026) → 25% (2027), supporting diversification and potentially strengthening Osun State’s revenue base.
126. **Note:** As projections, these figures are subject to change with macro shocks (oil prices/volumes, FX conditions, inflation trajectory) and policy adjustments.

3.B Fiscal Strategy and Assumptions

Policy Statement (2026–2028)

(Dependence on national parameters)

127. As a sub-national within a federation, Osun’s fiscal outcomes are materially shaped by Federal-level policies and macro parameters outside the State’s direct control. Accordingly, the fiscal strategy for 2026–2028 is anchored on the reviewed national macro assumptions—*inflation and real GDP paths, oil production and price benchmarks, and the NGN/USD exchange rate*—together with the mineral (non-oil) revenue share, as reflected in the Macroeconomic Framework (Section 3.A). These serve as the baseline for projecting FAAC-linked revenues (Statutory Allocation, VAT and other federation account items) and for calibrating IGR, financing, and expenditure envelopes.
128. **Macro alignment for prudence**
Planning parameters adopt the predicted figures already set out in Section 3.A (disinflation over the horizon; steady real GDP growth; oil production rising modestly; oil price and NGN/USD held flat for prudence; rising non-oil mineral share). This conservative stance provides a credible base for Osun’s MTF and reduces the risk of mid-year re-cuts.

Strategic fiscal direction (2026–2028)

129. **Diversify and deepen IGR:** Intensify compliance, widen the base, digitize collections, formalize the informal sector, and scale own-source non-tax receipts—so that Osun’s resilience improves irrespective of FAAC volatility.
130. **Expenditure discipline on recurrent costs:** Contain overheads, clean payrolls, and keep social contributions on a predictable *glide path*² to protect service delivery without crowding-out capital.
131. **Capex first:** Prioritize completion of ongoing projects, high-impact infrastructure, and projects with external co-financing; strengthen procurement readiness and cash-flow alignment to raise execution rates.
132. **Debt prudence and liquidity management:** Limit new borrowing to concessional or self-liquidating projects; actively manage refinancing risk and debt-service ceilings, while maintaining a planning/contingency reserve to absorb shocks.
133. **Performance management:** Apply Osun’s performance rule—good performance $\geq 85\%$ when annualized—to mid-year monitoring of major revenue and expenditure lines, enabling early corrective actions. (Rule referenced in the State’s fiscal update narrative, though $\geq 75\%$.)

² Glide path => a planned, smooth trajectory from one level to another over time

Operational Assumptions that drive the Envelopes

(A) Revenues:

134. Statutory Allocation & VAT are projected using the national macro baselines in 3.A and the reviewed FGN MTEF track, recognizing upside/downside risks from oil output, import VAT dynamics, and exchange-rate pass-through.
135. IGR grows on the back of administration reforms, digital payments, analytics-led compliance, and targeted expansion of the payer register.
136. Other FAAC & Grants are treated conservatively given volatility and conditionality; drawdowns are linked to project readiness and signed financing agreements.

(B) Expenditure:

137. Recurrent is capped through strict overhead controls and payroll integrity; Social Benefits are smoothed to avoid front-loading cash-flow spikes;
138. Capital is sequenced to maximize value-for-money and counterpart leverage, with milestone-based releases to improve H1 execution and reduce year-end bunching.

(C) Financing & Risk Buffers:

139. Any new borrowing is limited, transparent, and aligned to the debt sustainability space highlighted in the Debt Sustainability Analysis;
140. A contingency (planning) reserve is maintained to cushion shocks to revenue or critical spending.

Objectives and targets (2026 focus, rolling through 2028)

141. To operationalize the strategy above, the State will adopt measurable, MTFF-consistent targets for 2026 (rolling forward to 2027–2028) in the following areas, with numeric ceilings/values to be lifted directly from the MTFF tables and sector ceilings approved by ExCo:
 - **IGR:** Raise IGR above the 2025 outturn and in line with the MTFF growth path; deliver quarterly run-rates that meet the $\geq 75\%$ annualized benchmark by mid-year.
 - **Recurrent Expenditure Growth:** Keep growth within the MTFF cap and hold total recurrent within the approved ceiling to avoid crowding-out capital.
 - **Capital Expenditure & Ratio:** Maintain a high capex share (\approx low-40s %) with a bias to completion of ongoing works and externally financed projects.
 - **Debt Service Management:** Keep total debt service within sustainability thresholds and below MTFF caps; prefer concessional financing/PPP where feasible.
 - **Planning/Contingency Reserve:** Preserve the reserve line as an explicit buffer, released only against defined triggers.
142. **Governance & implementation**

The Ministry of Economic Planning, Budget & Development (with Finance, OAGS, DMO, IRS and MDAs) will run a quarterly mid-year performance test against the $\geq 85\%$ rule, publish variances, and trigger remedial actions (cash-plan adjustments, revenue drives, and re-prioritization of capex) to secure delivery of the 2026–2028 plan.

3.C Indicative Three-Year Fiscal Framework

143. The indicative three-year fiscal framework for the period 2026 - 2028 is presented in the table 8 below.

Table 6 The Osun State Medium Term Fiscal Framework

Fiscal Framework			
Item	2026	2027	2028
Opening Balance	5,000,000,000	5,000,000,000	5,000,000,000
Recurrent Revenue			
Statutory Allocation	60,000,000,000	62,000,000,000	65,000,000,000
VAT	109,827,013,678	137,630,313,027	175,082,436,075
IGR	65,000,000,000	66,000,000,000	68,000,000,000
Excess Crude / Other Revenue	14,000,000,000	14,200,000,000	14,500,000,000
Total Recurrent Revenue	248,827,013,678	279,830,313,027	322,582,436,075
Recurrent Expenditure			
Personnel Costs	60,000,000,000	60,300,000,000	61,600,000,000
Social Contribution and Social Benefit	22,780,000,000	23,560,000,000	24,340,000,000
Overheads	66,250,000,000	68,237,500,000	69,562,500,000
Grants, Contributions and Subsidies	6,000,000,000	6,500,000,000	7,000,000,000
Public Debt Service	27,000,000,000	27,500,000,000	28,000,000,000
Total	182,030,000,000	186,097,500,000	190,502,500,000
Transfer to Capital Account	71,797,013,678	98,732,813,027	137,079,936,075
Capital Receipts			
Grants	53,566,989,851	1,646,000,000	1,851,000,000
Other Capital Receipts	0	0	0
Total	53,566,989,851	1,646,000,000	1,851,000,000
Reserves			
Planning Reserve	10,000,784,339	11,222,314,333	12,906,747,981
Total Reserves	10,000,784,339	11,222,314,333	12,906,747,981
Capital Expenditure	115,363,219,191	89,156,498,693	126,024,188,093
Discretionary Funds	62,336,229,339	87,510,498,693	124,173,188,093
Non-Discretionary Funds	53,026,989,851	1,646,000,000	1,851,000,000
Financing (Loans)	0	0	0
Total Revenue (Including Opening Balance)	307,394,003,530	286,476,313,027	329,433,436,075
Total Expenditure (including Contingency Reserve)	307,394,003,530	286,476,313,027	329,433,436,075
Closing Balance			
Ratios			
Growth in Recurrent Revenue	-8.97%	12.46%	15.28%
Growth in Recurrent Expenditure	3.43%	2.23%	2.37%
Capital Expenditure Ratio	40.78%	35.04%	42.17%
Deficit (Financing) to Total Expenditure	0.00%	0.00%	0.00%
Deficit (Financing) to GDP Ratio	NA	NA	NA

3.C.1 Assumptions

Revenue: The projected Total Revenue and Total Expenditure for 2026 - 2028 are based on the following assumptions:

144. **Projected Statutory Allocation (2026-2028 Trend):** Statutory allocation is expected to increase progressively from ₦60 billion in 2026 to ₦65 billion in 2028, representing a modest 4.17% compound annual growth rate.
145. **Statutory Allocation Growth Rate:** The conservative increase in statutory allocation reflects realistic expectations of federal transfers, with annual growth rates of 3.33% (2027) and 4.84% (2028), indicating measured optimism about federal revenue sharing.
146. **VAT Projection – Aggressive Growth Strategy:** VAT revenue shows the most dramatic growth trajectory, starting at ₦109.83 billion in 2026 and rising to ₦175.08 billion in 2028, representing a 59.4% total increase over the period.
147. **VAT Projection Significance:** This substantial VAT growth (25.3% annually) indicates either aggressive tax policy reforms, improved collection efficiency, or expectations of significant economic expansion. The projection makes VAT the dominant revenue source, comprising 52.8% of total recurrent revenue by 2028.
148. **Internally Generated Revenue (IGR) – Moderate Growth Projection:** IGR is projected to grow modestly from ₦65 billion in 2026 to ₦68 billion in 2028, showing a conservative 2.3% compound annual growth rate.
149. **IGR Growth Implication:** The moderate IGR growth suggests realistic assumptions about local revenue enhancement, with annual increases of 1.54% (2027) and 3.03% (2028). This conservative approach may reflect capacity constraints in tax-administration expansion.
150. **Excess Crude/Other Revenue – Revised Flat Forecast:** In line with the updated Federation-account baseline, this line is now projected flat at ₦5.0 billion each year (2026-2028), replacing the previous ₦14–14.5 billion path.
151. **Excess Crude Revenue Implication:** The lower, flat profile (0% growth) recognises the persistent absence of excess-crude balances and tighter NNPC remittances, removing earlier upside bias and widening the revenue gap to be filled by VAT and IGR.
152. **Grants – Sharp Declining Trend:** Grants show a dramatic decrease from ₦53.6 billion in 2026 to ₦1.85 billion in 2028.
153. **Declining Grants Implication:** This steep decline suggests either planned phase-out of donor funding, completion of major grant-funded projects, or conservative assumptions about future grant availability. The state must compensate through increased internal revenue or alternative financing.
154. **Capital Expenditure – Substantial Investment Commitment:** Capital expenditure shows slight growth from ₦115.36 billion in 2026 to ₦126.02 billion in 2028.
155. **Capital Expenditure Ratio Evolution:** The capital expenditure ratio increases from 40.78% in 2026 to 42.17% in 2028, indicating a strategic shift toward infrastructure investment despite declining grant funding.
156. **Planning Reserve / Contingency Fund:** This increases progressively from ₦10 billion in 2026 to ₦12.91 billion in 2028, demonstrating fiscal prudence. The growing reserve (12.9%) provides increasing protection against revenue shortfalls and unexpected expenditures, signaling commitment to fiscal stability.
157. **Total Revenue – Strong Growth Trajectory:** Total revenue (including opening balance) grows from ₦307.39 billion in 2026 to ₦329.43 billion in 2028, showing 7.17% compound annual growth.
158. **Revenue Growth Sustainability:** This growth is primarily driven by VAT expansion (contributing 35.7% of revenue growth), making the fiscal framework heavily dependent on VAT collection success.
159. **Balanced Budget Maintenance:** Total expenditure matches total revenue each year, maintaining zero deficit financing throughout the projection period.

160. **Fiscal Discipline Focus:** The balanced-budget approach reflects strong commitment to fiscal sustainability, avoiding deficit accumulation while maintaining substantial capital investment levels.

Key Fiscal Performance Indicators

(A) Recurrent Revenue Growth Patterns

161. The recurrent growth patterns are given below;

- 2026: -8.97% (base adjustment)
- 2027: +12.46% (recovery)
- 2028: +15.28% (sustained momentum)

(B) Recurrent Expenditure Control

162. Recurrent expenditure growth remains controlled

- 2026: 3.43%
- 2027: 2.23%
- 2028: 2.37% – demonstrating effective cost containment while revenue expands.

(C) Capital Investment Priority

163. Capital expenditure ratio progression: 40.78% in 2026 → 42.17% in 2028 shows increasing prioritization of infrastructure development despite reduced grant funding.

(D) Critical Risk Factors

164. VAT Dependency Risk: Heavy reliance on VAT growth (59.4% increase) creates significant revenue risk if economic conditions or tax policies change unfavorably.
165. Grant Funding Cliff: The reduction in grants requires successful revenue substitution or project prioritization to maintain capital investment levels.
166. Overall Assessment: The fiscal framework demonstrates ambitious revenue targets, particularly for VAT, while maintaining fiscal discipline through balanced budgets. Success depends critically on achieving projected VAT growth and managing the transition from grant-dependent to internally-funded capital projects.

(E) Capital Receipts of the State (2026)

Based on the detailed grants table, key multi-year commitments include:

Table 7 Capital Receipts Table, 2026

S/N	MDA / Agency	2026 Capital Receipts (₦ '000)	Strategic Rationale / Flagship Programmes
a)	Ministry of Rural Development & Community Affairs	16,452,000	Osun-CARES by CSDA and WB fund for rural roads (RAAMP by RARA)
b)	State Universal Basic Education Board (SUBEB)	14,428,169	UBEC matching grants for classroom construction, furniture and UBEC grant for Teacher Professional Development
c)	Ministry of Agriculture & Food Security	3,399,000	FADAMA-CARES
d)	Primary Health Care Development Board	3,332,001	UNICEF, FGN and LGAs

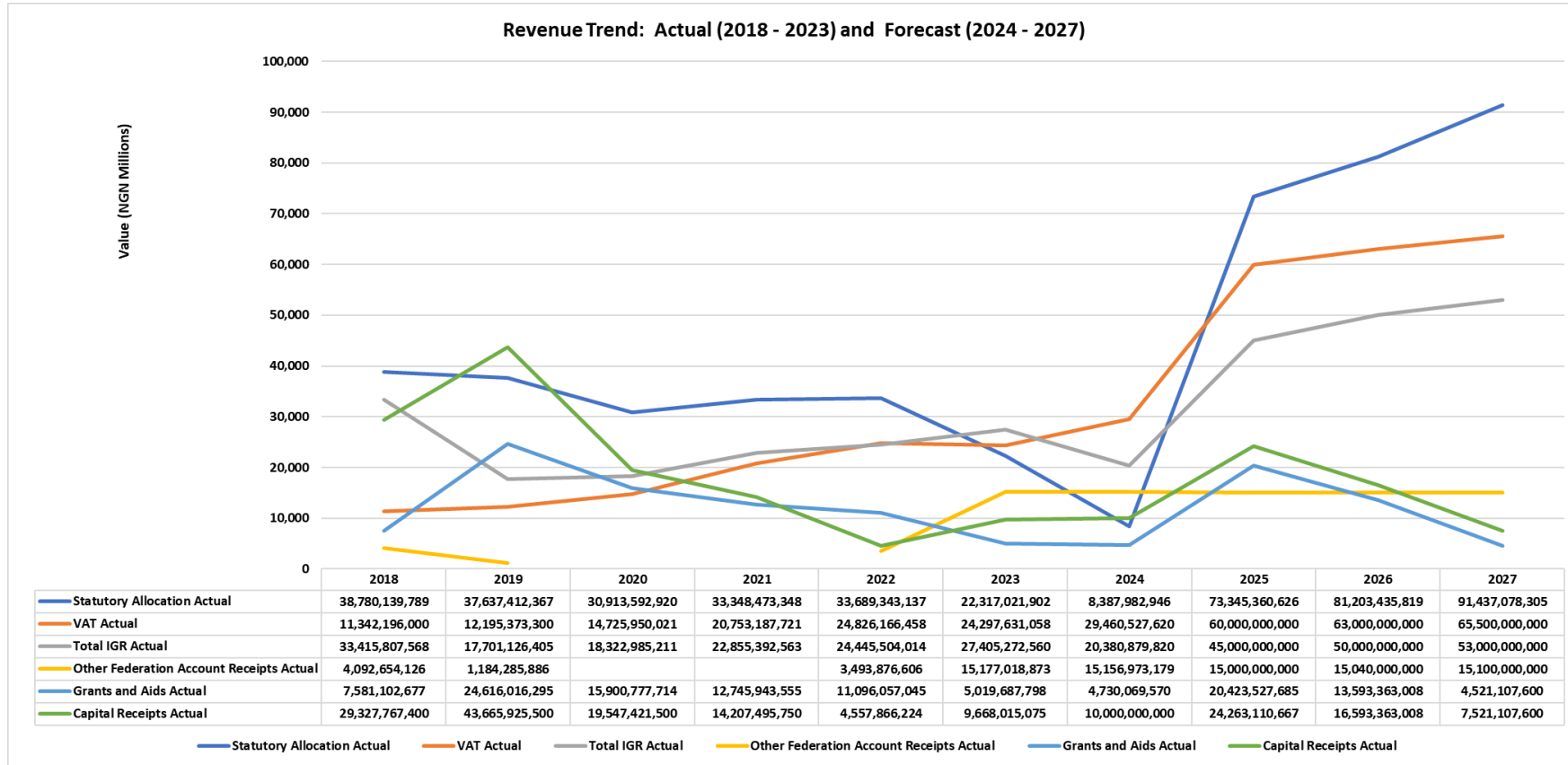
e)	University of Ilesa	2,560,562	TETFUND special-intervention capital projects (lecture theatres, labs).
f)	Osun State College of Education, Ila-Orangun	2,424,844	TETFUND special-intervention capital projects (lecture theatres, labs).
g)	UNIOSUN Teaching Hospital, Osogbo	2,000,000	Aids and Grants
h)	Osun State University (UNIOSUN)	1,800,000	TETFUND research infrastructure
i)	Osun State Polytechnic, Iree	1,756,226	TETFUND & AFITD digital-skills complex, engineering workshops.
j)	Osun State Water Corporation	1,259,927	Ilesa Water Supply and Sanitation Project (IsDB Component)
k)	Osun State Health Insurance Agency	962,400	The federal grant (BHC PF).
l)	Ministry of Education (HQ)	859,243	
m)	College of Health Technology, Ilesa	616,613	
n)	Local Government Service Commission	540,000	
o)	Ministry of Economic Planning, Budget & Development	495,000	National Social Safety Net Project Scale-up NASSP –SU / NASSP -II
p)	Osun State College of Technology, Esa-Oke	375,000	TETFUND
q)	Rural Water & Environmental Sanitation Agency (RUWESA)	138,250	
r)	Ministry of Youth Affairs	80,000	Osun-CARES
s)	Ministry of Sports & Special Needs	80,000	Osun-CARES
t)	Osun State Agency for Control of AIDS (OSACA)	7,755	Global-Fund HIV grant for community-based testing vans.
	Grand Total	53,566,990	

167. These ₦53.5 billion of partner receipts (i.e. non-discretionary) will fund 46.43% of Osun's 2026 CAPEX; tight draw-down and counterpart discipline are vital to avoid project stoppages.

3. C.2 Fiscal Trends

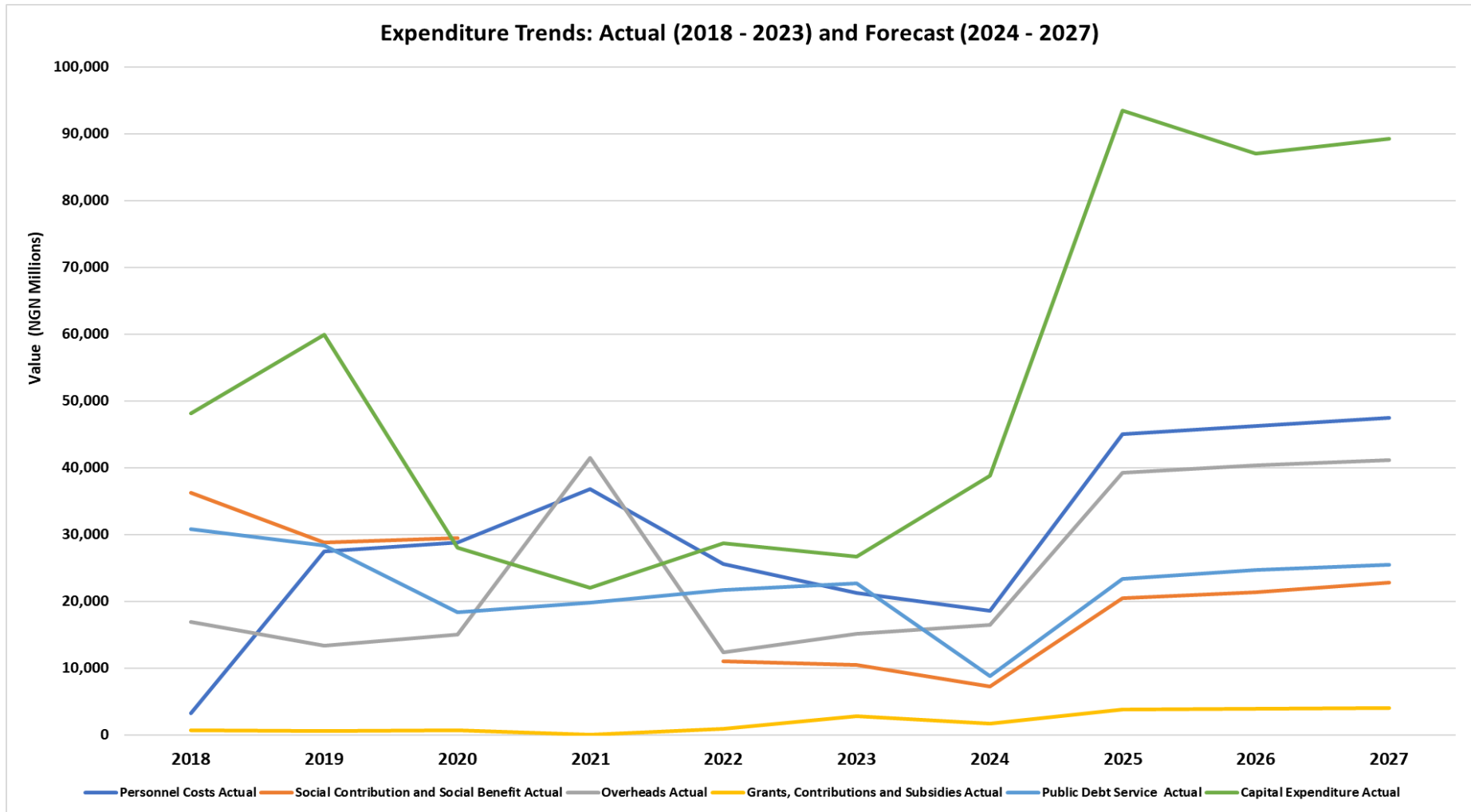
168. Based on the table 8 above, figures for 2026 - 2028 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

Figure 18: The Osun State Revenue Trend



169. Actual Revenue Trends (2018–2023): The actual revenue figures for Osun State from 2018 to 2023 reveal a fluctuating trend across different sources, reflecting economic shifts and dependency on external funding sources.
- Statutory Allocation saw an overall decline, falling from ₦38.78 billion in 2018 to a low of ₦22.32 billion in 2023, indicating volatility in federal transfers.
 - VAT (Value Added Tax) grew consistently, increasing from ₦11.34 billion in 2018 to ₦24.3 billion in 2023, which shows a steady rise in VAT as a key revenue source.
 - Total IGR (Internally Generated Revenue) displayed significant year-to-year fluctuations, peaking at ₦27.4 billion in 2023 but struggling with inconsistent growth across years.
 - Other Federation Account Receipts rose dramatically, reaching approximately ₦15 billion in 2023, following a more uneven pattern in earlier years.
 - **Grants and Aids** had a peak in 2019 at ₦24.6 billion but declined sharply in subsequent years, with only ₦5.02 billion recorded in 2023, reflecting high variability and dependence on grants for additional revenue.
 - **Capital Receipts** reached a high of ₦43.66 billion in 2019 but dropped to ₦9.67 billion in 2023, showcasing limited stability and reliance on periodic capital inflows.
170. Overall, the forecast reflects strategic growth expectations, especially in Statutory Allocation, VAT, and IGR, to ensure sustainable revenue support for Osun State’s development needs.

Figure 19: The Osun State Expenditure Trend



171. **Actual Expenditure Trends: (2018–2023):** Osun State's expenditure patterns from 2018 to 2023 reveal fluctuating allocations across various categories, highlighting changing priorities and financial constraints over the years.
- Personnel Costs experienced substantial growth from ₦3.23 billion in 2018 to a peak of ₦36.77 billion in 2021, before declining to ₦21.28 billion in 2023, reflecting adjustments in wage bills and staffing costs.
 - Social Contributions and Social Benefits also varied significantly, peaking in 2018 at ₦36.20 billion but gradually reducing to ₦10.42 billion in 2023, possibly due to cost-cutting or program restructuring.
 - Overheads rose sharply in 2021 to ₦41.42 billion, possibly due to increased operational demands, but settled at ₦15.08 billion in 2023.
 - Grants, Contributions, and Subsidies were initially minimal, but increased to ₦2.81 billion by 2023, indicating growing support for subsidy programs.
 - Public Debt Service remained relatively stable, with moderate growth from ₦30.75 billion in 2018 to ₦22.71 billion in 2023.
 - Capital Expenditure saw significant year-to-year variation, initially high at ₦48.12 billion in 2018, dipping in 2021, but rebounding slightly to ₦26.72 billion in 2023, reflecting investment fluctuations in infrastructure and capital projects.
172. **Forecast Expenditure Trends: (2025–2028):** Forecasted expenditures for 2025 to 2028 show an anticipated expansion across major spending categories, indicating an expectation of increased financial capacity and investment.
173. These forecasts reflect a growth-oriented approach, with particular emphasis on capital projects, personnel costs, and operational expenditures to support Osun State's development objectives.

3.D. Fiscal Risks

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

Table 8 Fiscal Risks to the 2026 Budget of Osun State

S/N	Risk	Likelihood	Impact	Recommended Action
1	Volatility in federal statutory allocations due to oil price fluctuations and national GDP slowdown (Osun's revenue ~80-90% statutory).	M	H	Diversify revenue sources by enhancing IGR through tax reforms and business environment improvements; build fiscal buffers via contingency reserves.
2	Failure to achieve projected VAT growth targets (heavy dependency, contributing 35.7% of revenue expansion).	M	H	Strengthen tax administration and compliance; stimulate local economic activity to boost consumption; monitor national VAT policies closely.
3	Sharp decline in Grants and Aids (from peaks like ₦24.6B in 2019 to ₦1.85B by 2028).	H	H	Seek alternative funding through PPPs and international donors; prioritize and phase capital projects to align with reduced external support.
4	Persistent inflationary pressures (global 4.0-4.3%, national high, increasing expenditure costs like personnel and overheads).	H	H	Implement inflation-adjusted budgeting; enforce cost controls on recurrent spending; negotiate fixed-price contracts for capital projects.
5	Rising public debt service burdens (consuming 20-30% of revenue).	M	M	Adopt sustainable borrowing practices, prioritizing concessional loans; establish a sinking fund for repayments; enhance debt transparency reporting.
6	Slowdown or fluctuations in IGR growth (historical inconsistencies, e.g., increased to ₦54.8B in 2024 but projected to stabilize at ₦68B by 2028). Though, the major contribution is from PAYE.	H	H	Invest in digital tax collection systems; expand tax base via SMEs support; conduct regular IGR performance audits.
7	Food insecurity and agricultural productivity risks (national crisis affecting 100M, with Osun's post-harvest losses and infrastructure gaps).	H	H	Boost agricultural investments in storage, irrigation, and credit access; integrate food security programs into budget to mitigate poverty-driven spending pressures.
8	Geopolitical conflicts and trade disruptions (e.g., Israel-Hamas	M	H	Develop contingency plans for export/import shocks; promote

S/N	Risk	Likelihood	Impact	Recommended Action
	war, US tariffs leading to global trade growth halving to 1.6-2.6% in 2025).			local production to reduce FX dependency; monitor IMF/WEO updates for early warnings.
9	Currency devaluation (impacting imports, debt in USD, and overall economic stability).	M	H	Hedge against FX risks where feasible; encourage import substitution in key sectors like agriculture; collaborate with CBN for state-level interventions.
10	Infrastructure deficits delaying growth (capital expenditure rising but risks of inefficient execution amid grant cliffs).	H	H	Prioritize high-impact projects in MTSS; leverage PPPs for funding; implement robust monitoring and evaluation frameworks for CAPEX efficiency.
11	Election-driven spending pressures (unplanned hikes in recurrent costs for security, logistics, Election support, and populist giveaways like bonuses or subsidies, risking breach of 3.43% growth cap and balanced budget).	H	H	Enforce strict budget envelopes in the 2026 call circular; tie spending to MTSS priorities and prohibit unbudgeted populism via public sensitization.
12	Revenue disruptions from election violence/instability (deterring investment and hitting IGR/VAT amid national slowdown).	M	H	Partner with security agencies for risk-mapped budgeting; diversify IGR via SME incentives; include violence contingencies in EFU with grants reallocation if needed.
13	Policy uncertainty from election outcomes may disrupt 2026 – 2028 projections.	M	M	Lock in key MTFF targets (e.g., VAT/IGR goals) via SHoA legislation; engage stakeholders pre-election to align on development pillars; ensure continuity plans in FSP.

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

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

176. The Revised Osun State Development Plan, 2023 - 2050 rests on four pillars, namely:
- The Economic Development;
 - Infrastructural Development;
 - Human Capital Development and Security; and
 - Environmental Sustainability.
177. The 2026 State Budget Policy thrust is predicated on the five (5) goals of the State Development Plan, which are:
- Achieve inclusive, sustainable economic growth with full and productive employment that ensures high standard of living for all residents of the State.
 - Diversify and enhance the revenue base by creating a business-friendly environment to attract investors, addressing statutory allocation dependency.
 - Achieve world class State infrastructure system that attracts investors, facilitates economic growth and supports the state's priority needs.
 - Ensure qualitative and functional education and healthy living in a safe and secure egalitarian society through people-oriented development.
 - Ensure cities and human settlements are safe, resilient and sustainable while also conserving the ecosystem

4.B Sector Allocations (3 Year)

178. The total forecast budget for the 2026 fiscal year, as outlined in section 3C, is ₦307.39 billion. Of this month, ₦182.03 billion is allocated for recurrent expenditures while ₦115.36 billion is designated for capital expenditures. The capital expenditure is divided into two categories: discretionary capital expenditure (treasury-funded), of N71.80 billion which will be distributed across all Ministries, Departments, and Agencies (MDAs) to fund priority projects, and non-discretionary capital expenditure (partner-funded), of N53.6 billion, specifically allocated to sectors such as, Health, Education, Infrastructure (e.g. RAAMP), Water And Sanitation, Agriculture (e.g. Osun CARES), and Social Development and Welfare (e.g. Osun CARES).
179. In alignment with the five goals outlined in the Revised Osun State Development Plan 2023–2050, Table 10 below presents an indicative capital allocation for the sectors from 2026 to 2028, reflecting the policy thrust to achieve inclusive growth, revenue diversification, world-class infrastructure, qualitative education/health/security, and sustainable cities.

Table 9 (a): Indicative Sector Expenditure Ceilings 2026-2028

Discretionary Funds								Non-Discretionary Funds		
No.	Sector	% 2026	2026 Allocation	% 2027	2027 Allocation	% 2028	2028 Allocation	2026 Allocation	2027 Allocation	2028 Allocation
1	EDUCATION	15.00%	9,350,434,401	15.00%	13,126,574,804	15.00%	18,625,978,214	26,204,044,491	0	0
2	HEALTH	8.00%	4,986,898,347	8.00%	7,000,839,895	8.00%	9,933,855,047	4,918,768,530	10,724,593,008	1,456,107,600
3	WATER AND SANITATION	3.00%	1,870,086,880	3.00%	2,625,314,961	3.00%	3,725,195,643	1,259,926,830	0	0
4	AGRICULTURE	5.00%	3,116,811,467	5.00%	4,375,524,935	5.00%	6,208,659,405	3,399,000,000	1,080,000,000	1,250,000,000
5	COMMERCE AND INDUSTRY	0.65%	404,984,254	0.65%	568,535,736	0.65%	806,724,861	0	0	0
6	INFRASTRUCTURE	40.00%	24,934,491,736	40.00%	35,004,199,477	40.00%	49,669,275,237	16,452,000,000	1,200,000,000	1,200,000,000
7	SOCIAL AND YOUTH DEVELOPMENT	0.49%	303,365,967	0.49%	425,879,257	0.49%	604,302,180	160,000,000	500,000,000	500,000,000
8	ENVIRONMENT	5.00%	3,116,811,467	5.00%	4,375,524,935	5.00%	6,208,659,405	138,250,000	0	0
9	SECURITY LAW AND JUSTICE	0.40%	252,380,629	0.40%	354,303,668	0.40%	502,739,862	0	0	0
10	PLANNING AND BUDGET	2.50%	1,558,405,733	2.50%	2,187,762,467	2.50%	3,104,329,702	495,000,000	50,000,000	75,000,000
11	INFORMATION AND COMMUNICATION	0.22%	134,994,751	0.22%	189,511,912	0.22%	268,908,287	0	0	0
12	GOVERNANCE AND ADMINISTRATION	1.30%	809,224,061	1.30%	1,136,026,382	1.30%	1,611,966,790	0		
13	FINANCE AND REVENUE MOBILIZATION	0.76%	472,481,630	0.76%	663,291,692	0.76%	941,179,005	0		
14	SOLID MINERAL RESOURCES	0.54%	336,742,431	0.54%	472,734,690	0.54%	670,787,785	0	0	0
15	CULTURE AND TOURISM	0.32%	202,492,127	0.32%	284,267,868	0.32%	403,362,431	0	0	0
16	HUMAN CAPITAL DEVELOPMENT	0.34%	211,197,865	0.34%	296,489,388	0.34%	420,704,180	0	0	0
							0	0	0	0
	Total	83.52%	62,336,229,339	83.52%	87,510,498,693	83.52%	124,173,188,093	53,026,989,851	1,646,000,000	1,851,000,000

Table 10 (b): Indicative Sector Expenditure Ceilings 2025-2027

Budgetary				Total Capital Envelope				
No.	Sector	% 2026	% 2026	2026 Allocation	% 2027	2027 Allocation	% 2028	2028 Allocation
1	EDUCATION	15.00%	30.8%	35,554,478,892	14.7%	13,126,574,804	14.8%	18,625,978,214
2	HEALTH	8.00%	8.6%	9,905,666,877	19.9%	17,725,432,904	9.0%	11,389,962,648
3	WATER AND SANITATION	3.00%	2.7%	3,130,013,710	2.9%	2,625,314,961	3.0%	3,725,195,643
4	AGRICULTURE	5.00%	5.6%	6,515,811,467	6.1%	5,455,524,935	5.9%	7,458,659,405
5	COMMERCE AND INDUSTRY	0.65%	0.4%	404,984,254	0.6%	568,535,736	0.6%	806,724,861
6	INFRASTRUCTURE	40.00%	35.9%	41,386,491,736	40.6%	36,204,199,477	40.4%	50,869,275,237
7	SOCIAL AND YOUTH DEVELOPMENT	0.49%	0.4%	463,365,967	1.0%	925,879,257	0.9%	1,104,302,180
8	ENVIRONMENT	5.00%	2.8%	3,255,061,467	4.9%	4,375,524,935	4.9%	6,208,659,405
9	SECURITY LAW AND JUSTICE	0.40%	0.2%	252,380,629	0.4%	354,303,668	0.4%	502,739,862
10	PLANNING AND BUDGET	2.50%	1.8%	2,053,405,733	2.5%	2,237,762,467	2.5%	3,179,329,702
11	INFORMATION AND COMMUNICATION	0.22%	0.1%	134,994,751	0.2%	189,511,912	0.2%	268,908,287
12	GOVERNANCE AND ADMINISTRATION	1.30%	0.7%	809,224,061	1.3%	1,136,026,382	1.3%	1,611,966,790
13	FINANCE AND REVENUE MOBILIZATION	0.76%	0.4%	472,481,630	0.7%	663,291,692	0.7%	941,179,005
14	SOLID MINERAL RESOURCES	0.54%	0.3%	336,742,431	0.5%	472,734,690	0.5%	670,787,785
15	CULTURE AND TOURISM	0.32%	0.2%	202,492,127	0.3%	284,267,868	0.3%	403,362,431
16	HUMAN CAPITAL DEVELOPMENT	0.34%	0.2%	211,197,865	0.3%	296,489,388	0.3%	420,704,180
			0.0%	0				
	Total	83.52%	100%	115,364,973,815	100%	89,154,079,097	100%	126,020,754,802

4.C Considerations for the Annual Budget Process

187. The ceilings outlined above will be applied to update the Medium-Term Sector Strategies (MTSS) for 2026 - 2028 across the 16 sectors, building on the Ministry of Economic Planning, Budget and Development (MEPB&D)'s completion of MTSS documents by August 2025 for prior cycles. This update, finalized by August 2025, facilitates the preparation of the 2026 Annual Budget for various Ministries, Departments, and Agencies (MDAs) within the State, ensuring alignment with the 2026–2028 MTEF projections.
188. Accordingly, the budget call circular for 2026 should include the following directives for MDAs when submitting their annual budget proposals:
- Projects not included in the updated MTSS will not be considered for the 2026 Budget, ensuring focus on prioritized development goals.
 - Due to the projected 74% reduction in grants and aids (from ₦24.6 billion in 2019 to ₦4.52 billion by 2027), the highest priority should be given to completing ongoing projects, optimizing existing capital investments amid constrained partner funding.
 - Capital project submissions must detail comprehensive lifetime capital investment requirements, including associated costs and funding sources, with clear identification of grants, loans, or public-private partnerships (PPPs) to address the rising capital expenditure ratio.
 - A sector-wide vote will be designated for critical projects, to be included in the Pre-Treasury/Treasury Board Meeting (scheduled for October 9–13 and November 23–November 3, 2025) and subsequently submitted for ExCo approval by November 11, 2025.

Section 5: Summary of Key Points and Recommendations

Global:

180. Summary of Key Findings

181. Economic Growth Trends: The global economy is projected to slow, with GDP growth declining from 3.3% in 2024 to 2.9% in 2025–2026, stabilizing at 3.4% by 2027, driven by trade tensions, geopolitical conflicts (e.g., Israel-Hamas war), and policy uncertainties.
182. Inflation Dynamics: Global inflation is expected to remain elevated at 4.0–4.3% in 2025, fueled by rising oil and food prices, with developing countries facing ongoing pressures despite monetary policy efforts.
183. Investment and Trade: Global trade growth is forecasted to halve to 1.6–2.6% in 2025 due to US tariffs and supply chain disruptions, reducing investment flows and increasing market volatility through 2027.
184. Fiscal Policy Challenges: High public debt levels persist, requiring fiscal consolidation to balance increased spending demands amid geopolitical risks.

Recommendations

185. Focus on Economic Resilience: Support policies to enhance resilience in advanced economies and promote growth in emerging markets through trade diversification.
186. Address Inflation: Implement targeted monetary policies to manage inflation, particularly in developing nations, and stabilize commodity prices.
187. Promote Investment: Foster stable political environments and reduce geopolitical risks to encourage global investment.
188. Fiscal Consolidation: Prioritize debt management and consolidation, ensuring sustainable development spending is maintained.

Africa:

Key Findings

189. Sub-Saharan Africa's growth is projected to recover to 3.4% by 2027, following a 3.1% slowdown in 2023, influenced by Nigeria's moderate growth and regional conflicts.
190. Inflation remains high at 17% in 2023, with food and energy prices impacting socio-economic gains, while public debt stabilizes above pre-pandemic levels through 2027.
191. East Africa leads regional growth, while oil-exporting economies, including Nigeria, face reduced growth due to weakened global commodity demand in 2025–2026.

Recommendations (to all African Nations including Nigeria)

- 192. Strengthen fiscal consolidation and debt restructuring to enhance regional economic resilience.
- 193. Address inflation through monetary policy adjustments and food security support.
- 194. Foster investment by improving political stability and infrastructure development.

National Level (Nigeria):

Key Findings

- 195. Nigeria’s economy is forecasted to grow at 3.3% in 2025, with poverty levels at 38.8% by 2024, compounded by high inflation, food insecurity affecting 100 million people, and ongoing security challenges.
- 196. Severe food insecurity persists, driven by agricultural constraints including infrastructure gaps and post-harvest losses.
- 197. Economic reforms are hindered by banditry, the Farmers-Herders conflict, and uncertainty in monetary policies, affecting fiscal transfers to states like Osun.

Recommendations to all Governments in Nigeria (including Osun State)

- 198. Implement policies to boost agricultural productivity, focusing on infrastructure and credit access for farmers.
- 199. Expand humanitarian assistance to address food insecurity in conflict zones.
- 200. Sustain economic reforms with measures to mitigate impacts on households and businesses, tackling security issues.

Osun State:

Summary of Key Points

- 201. Total Forecast Budget for 2026–2028: The overall budget is projected to increase from ₦307.39 billion in 2026 to ₦329.43 billion in 2028, supporting development priorities.

202. Capital Expenditure Breakdown:

- Discretionary capital expenditure (treasury-funded) is expected to rise, with the state treasury allocating funds to reach a projected capital expenditure of ₦124.00 billion by 2028, driven by internal revenue growth (VAT to ₦175.08 billion, IGR to ₦68 billion by 2028).
- Non-discretionary capital expenditure (partner-funded) will decline to a N1.85 billion by 2028.

203. **Forecast Expenditure Trends (2026–2028):**

- Personnel costs are projected to grow to ₦61.6 billion by 2028, reflecting staffing commitments.
- Social contributions and overheads are expected to rise to ₦24.34 billion and ₦69.56 billion by 2028, respectively, supporting welfare and operations.
- Capital expenditure will surge to ₦126.02 billion by 2028, indicating significant infrastructure investment.

204. **Forecast Revenue Trends (2026–2028):**

- Statutory allocations are projected to increase to ₦65 billion by 2028, while VAT revenues are expected to reach ₦175.08 billion by 2028.
- IGR is forecasted to stabilize and grow to ₦68 billion by 2028, enhancing local revenue collection.
- Grants are anticipated to decline to ₦1.85 billion by 2028, necessitating alternative funding strategies.
- **Capital Expenditure Consistency:** Capital expenditures remain steady from 2026 – 2028 at the rate of 38% which is mostly driven by treasury and partner contributions.
- **Balanced Budget Approach:** Total expenditure matches total revenue across the forecast period, maintaining zero-deficit financing and fiscal discipline.

205. **Recommendations to Osun State Government**

206. **Enhance Revenue Generation:** Boost IGR through efficient tax administration, digital systems, and business environment improvements to reduce statutory allocation dependency.
207. **Focus on Agricultural Investments:** Develop a strategy to address agricultural gaps (e.g., irrigation, storage) and enhance credit access to ensure food security.
208. **Focus on Infrastructure Investment:** Sustain treasury-funded discretionary capital expenditure, prioritizing Health, Education, and Agriculture, while leveraging PPPs for non-discretionary projects.
209. **Monitor and Adjust Expenditure Patterns:** Regularly review trends to adapt to priorities.
210. **Debt Management and Public Debt Service:** Prioritize sustainable borrowing, favoring concessional loans, and establish a sinking fund as debt service rises to ₦28 billion by 2028.
211. **Utilize Debt for Productive Investments:** Direct new debt to high-return projects (e.g., infrastructure) to offset servicing costs.

212. **Enhance Transparency and Reporting:** Publish regular fiscal and debt reports, engaging stakeholders to maintain trust amid uncertainties.
213. **Enhanced Capital Expenditure Planning:** Plan long-term, high-impact treasury-funded projects, ensuring timely completion and using PPPs to supplement partner funding.
214. **Strategic Resource Allocation for Grants, Contributions, and Subsidies:** Prioritize critical sectors, target subsidies to disadvantaged groups, and evaluate impact regularly.
215. **Strengthen Financial Planning:** Develop robust forecasting to manage revenue fluctuations (e.g., grants, VAT) and build resilience.
216. **Promote Sustainable Fiscal Policies:** Maintain the balanced budget approach by aligning expenditure with revenue.
217. **Capacity Building for MDAs:** Provide training to enhance project execution, ensuring accountability in capital spending.
218. **Regular Performance Evaluations:** Assess partner-funded programs for effectiveness and adjust as needed.
219. **Diversify External Funding Sources:** Explore NGO, donor, and private partnerships to support non-discretionary capex amid grant declines.
220. **Foster Economic Recovery Initiatives:** Stimulate local growth to boost VAT and enhance stability.

Annexure

CAGR stands for Compound Annual Growth Rate. It is a financial metric used to calculate the average annual growth rate of (a budget over a specific period of time, assuming the growth happens smoothly (compounds) each year. In simple terms, it tells you the steady, year-over-year percentage increase that would get you from the starting budget to the ending budget, as if it grew at the same rate every single year.

Budget CAGR is the hypothetical, steady annual growth rate that smooths out year-to-year fluctuations to show the average pace at which a budget increased or decreased over a specified period. Budget CAGR is a powerful tool to summarize long-term budget trends into a single, understandable number.

The formula for CAGR is:

$$CAGR = \left(\frac{Ending\ Value}{Starting\ Value} \right)^{1/(No.\ of\ Years)} - 1$$

Where:

- **Ending Value:** The budget in the final year of the period you're analyzing.
- **Starting Value:** The budget in the first year of the period.
- **Number of Years:** The total number of years in the period.

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