ONDO STATE GOVERNMENT

2024-2026

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

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Abbreviations

CBN	Central Bank of Nigeria
CRF	Consolidated Revenue Fund
DMO	Debt Management Office
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federation Accounts Allocation Committee
FRL	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
IMF	International Monetary Fund
IR	Independent Revenue
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
MYBF	Multi-Year Budgeting Framework
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
ODIRS	Ondo State Internal Revenue Service
ODBPP	Ondo State Bureau of Public Procurement
ODSG	Ondo State Government
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PIA	Petroleum Industry Act
PITA	Personal Income Tax Act
PMS	Premium Motor Spirit (Petrol)
SHoA	State House of Assembly
VAT	Value Added Tax
G20	A group of 20 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union.
MINT	Mexico, Indonesia, Nigeria, and Turkey
WEO	World Economic Outlook

Section 1 Introduction and Background

1.A Introduction

1. The Ondo State Fiscal Responsibility Law (2017) makes it mandatory for the State Government to prepare a Medium-Term Expenditure Framework (MTEF). MTEF is a three-year planning tool that produces the estimates of aggregate resource envelope available to government and the allocation of those resources to meet government's economic, social and development objectives and priorities. It also details the strategies to achieve government's defined objectives, and highlights the key assumptions behind revenue projections, strategic objectives behind expenditure framework and fiscal targets over the medium term.
2. The MTEF is divided into three functional segments, viz: Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS). The Economic and Fiscal Update (EFU) provides economic and fiscal analyses that form the basis for the budget planning process. It is aimed primarily at policy makers and decision takers in Ondo State Government, including the State legislature. EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.
3. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in MTEF and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective. FSP explains the overall direction of budget over the medium-term highlighting sector priority i.e prioritising policies and projects on sector basis. BPS is the comprehensive strategic priorities and policy goals that are to guide all tiers of government in preparing their budgets for the following year and over the medium term.

1.A.1 Budget Process

4. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:
   i. Medium Term Fiscal Framework (MTFF);
   ii. Medium Term Budget Framework (MTBF);
   iii. Medium Term Sector Strategies (MTSS).
5. It commences with the conception through planning, preparation, execution, control, monitoring, and evaluation and goes back again to conception for the ensuing year's budget.

1.A.2 Summary of Document Content

6. In accordance with international good practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Ondo State Government (ODSG) for the period 2024-2026.

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

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

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

   iii. Provide indicative sector envelopes for the period 2024-2026 which constitutes the MTSS.

8. The EFU is presented in Section 2 of this document. It provides economic and fiscal analysis in order to inform the budget planning process. It includes:

   - Overview of Global, African, National and State Economic performances;
   - Trends in budget performance over the last few years.

9. The FSP is a key element in the ODSG Medium Term Expenditure Framework (MTEF) and the annual budget processes. As such, it sets out the State's policies and priorities to be implemented over the medium term. It specifies the broad fiscal objectives that would guide the 2024 budgetary process from a fiscally sustainable perspective.

1.A.3 Preparation and Audience

10. The purpose of this document is to provide an informed basis for the 2024 budget preparation cycle for all key stakeholders, specifically:

    - Ondo State House of Assembly (SHoA);
    - State Executive Council (ExCo);
    - Ministry of Economic Planning and Budget;
    - Ministry of Finance;
    - All Government Ministries, Extra-Ministerial Departments and Agencies (MEDAs);
    - Civil Society Organisations (CSOs).

11. The document is prepared prior to the 2024 Budget preparation period by Ondo State Government's MYBF (EFU-FSP-BPS) Work Group which

comprises the Ministry of Economic Planning and Budget, Ministry of Finance, Office of Accountant-General, Debt Management Office, Bureau of Statistics and Ondo State Internal Revenue Service using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM[1]

12. **Legislative Framework for PFM in Ondo State** - The fundamental law governing public financial management in Nigeria and Ondo State in particular is the 1999 Constitution as amended. Sections 120 and 121 of the Constitution provide that all revenues accruing to Ondo State Government shall be received into a Consolidated Revenue Fund (CRF) to be maintained by the Government and no revenue shall be paid into any other fund, except as authorized by the State House of Assembly (SHoA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SHoA through the annual budget or appropriation process. The Governor of the State shall prepare and lay expenditure proposals for the coming financial year before the SHoA who shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the executive arm of government to withdraw and spend the amounts specified from the CRF[2].

13. Apart from the Nigerian Constitution, Ondo State has a set of laws and guidelines that regulate its budget preparation and implementation process. The laws are:

- Ondo State Finance Management Law, 2017 with provisions for the control and management of finances of Ondo State.
- Ondo State Government Financial Regulations and Store, 2017 issued under the Finance Management Law, 2017. The Financial Regulations and Store provides guidelines for financial authorities, sub-accounting officer's cash book and monthly accounts, revenue-general, authorization of expenditure, expenditure-classification and control, payments procedure, adjustment, bank accounts and cheques, custody of public money, stamps, security books and documents, receipts and licence books, imprest, self-accounting ministries/extra-ministerial departments or units, accounting procedure and equipment, boards of survey, loss of and shortages in public funds, deposits, advances, salaries, internal audit functions, government vehicles, store-classification, general instructions: books and forms of accounts, supervision and custody of stores, receipts of stores, issues of stores, returned stores, handing over stores, acquisition of stores, government contracts, tenders boards and tenders, loss of stores and

[1] Based on 2014 PEFA Assessment for Ondo State

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

unserviceable stores, stores inspection, allocated stores, unallocated stores, court accounts, pensions procedure, and miscellaneous.

- The Ondo State Fiscal Responsibility Law (FRL), 2017: The FRL was enacted in 2017 based on the Federal Fiscal Responsibility Act. The FRL provides the following: the creation of the implementation organ, medium term fiscal framework, how public expenditure may be carried out, borrowing process, transparency and accountability in governance and principles of sound financial management.
- Ondo State Public Procurement Law 2017: The Public Procurement Law was enacted based on the Federal Public Procurement Act 2007 to set the administrative arrangement, standards and procedures for procurement in Ondo State.
- Ondo State Audit Law, 2017 as amended.
- Occasional treasury circulars issued by the Commissioner for Finance of Ondo State for additional rules and guidelines to support accounting, internal audit and stores procedures.

14. **Institutional Framework for PFM in Ondo State** - The Constitution vests the executive powers of the State in the Governor. The Constitution provides that "the Governor shall cause to be prepared and laid before the House of Assembly at any time before the commencement of each financial year, estimates of the revenues and expenditure of the State for the next following financial year"[3]. The Governor of Ondo State exercises this executive power either directly or through the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries, and other officers in the public service of the State.

15. Specifically, Ondo State Executive Council (ExCo) formulates the policies of the State Government, considers and recommends the State's budget to the House of Assembly. On passage, the Governor signs the appropriation bill into law.

16. The State Ministry of Economic Planning and Budget oversees the preparation of the budget, both revenue and expenditure. It is also in charge of planning (long and medium-term), setting the broad agenda for development and statistics. The Ministry of Economic Planning and Budget is the main organ of the ExCo for the formulation and execution of fiscal policies. The Ministry also coordinates and manages the State's fiscal policies and all revenue and expenditure profiles of the government.

17. The Ministry of Finance is responsible for core treasury functions of revenue and expenditure management, accounting, and fund and cash management. One of the core departments in the Ministry of Finance is the Debt Management Office (DMO). DMO manages Ondo State public debt as well as liaises with the Debt Management Office at the Federal level. The Ministry of Finance has an important quasi-autonomous agency, the Office of the Accountant General for the State (OAGS). Specific functions of the

[3] Section 121 (1) of Constitution of Federal Republic of Nigeria 1999 as amended

OAGS include to account for all receipts and payments of the State Government; supervise the accounts of the State Ministries, Extra-Ministerial Departments and Agencies (MEDAs); collate and prepare Statutory Financial Statements of the State Government and any other Statements of Accounts required by the Commissioner for Finance; maintain and operate the accounts of the Consolidated Revenue Fund, development fund and other public funds and provide cash backing for the operations of the State Government; maintain and operate the State Government's accounts; conduct routine and in-depth inspection of the books of accounts of State Ministries, Departments and Agencies to ensure compliance with rules, regulations, policy decisions and maintenance of account codes; formulate and implement the accounting policy of the State Government.

18. The State Internal Revenue Service (IRS) coordinates the generation of government revenue in the State. The Service formulates and executes Joint Tax Board (JTB) policies on taxation, stamp duties, motor vehicle licensing, among others.

19. Another important institutional framework in the circle of financial management in the State is the Bureau of Public Procurement (BPP). The Bureau plays a significant role in ensuring that all MEDAs adhere to the good practices in procurement.

20. The State Government allows line agencies some autonomy in expenditure control. Line ministries and agencies propose their budgets based on the guidelines issued by the ExCo through the Ministry of Economic Planning and Budget. There are three main categories of expenditure: personnel costs, overhead costs and capital expenditure. The payroll is centralized under the Head of Service (HoS) and Office of the Accountant General of the State (OAGS). MEDAs receive regular monthly disbursements for general items of overhead costs. They also receive, as the need arises, funds for other specific items of overhead expenditure. MEDAs have the responsibility to execute their capital program, but capital funds are paid project-by-project by the OAGS.

1.B.2 Overview of Budget Calendar

21. Indicative Budget Calendar for Ondo State Government is presented below:

Table 1: Budget Calendar

Stage	Date (s)	Responsibility
Preparation and Publication of EFU-FSP-BPS	June-August	MYBF Work-Group
Update of MTSSs by 10 pilot sectors	August-September	MEDAs
Preparation and Issuance of Budget Call Circular	September	MEPB
Citizens Engagement	September	MEPB
Budget Preparation Workshop	September	MEPB and MEDAs
Preparation of MEDAs Budget and on-line	September-October	MEDAs

Submissions		
Pre-Treasury Board Meetings	October	MEPB and MEDAs
Compilation of Draft Budget	October	MEPB
Treasury Board Meeting	October	ExCo
Presentation of Draft Budget to the SHoA	October	Governor
Budget Defence by MEDAs before the House	November	SHoA
Debate and Approval of Budget by SHoA	November-December	SHoA
Signing Appropriation Bill	December	Governor

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

22. The global economy, since the last few years, has been bedevilled with various challenges that range from the consequences of COVID-19 to Russia-Ukraine war which in itself culminates into global energy and food crises, hyperinflation, high interest rate, low productivity and socio-economic upheavals, among others. However, things appear to be getting better but for the Russian backing out of the Black Sea deal. China is making a strong return following the lifting of various restrictions on its economy. Disruptions to the supply chain are reducing as the war's effects on the food and energy markets are fading. The widespread and synchronized tightening of monetary policy by the majority of central banks should start to bear fruit at the same time, with inflation reverting to its target levels.

23. The world Economic Outlook report of April 2023 positions that the pace of global growth will reach its top this year at 2.8 percent, (the lowest annual rate since the global financial crisis, with the exception of the 2020 pandemic period) before nudging up to 3.0 percent in 2024. Global inflation is projected to decrease from 8.7% in 2022 to 7.0 percent this year and 4.9 percent in 2024.

24. It is notable that emerging market and developing countries are frequently already galloping ahead, with growth rates rising from 2.8 percent in 2022 to 4.5 percent this year. The most severely impacted advanced economies are the euro area and the United Kingdom, where growth is forecast to fall to 0.7 percent and -0.4 percent, respectively, this year before rebounding to 1.8 and 2.0 percent in 2024.

25. The effects of inflation seemed to last longer. Even while there has been a decline in global inflation, this is mostly because of the sudden fluctuations in the price of energy and food. In many countries, core inflation has not yet reached its peak because it does not include the volatile energy and food components.

26. The recent increase in financial market volatility and a number of signs pointing in diverse directions have made it more difficult to predict the future of the world economy. There is a lot of uncertainty, and the balance of risks has firmly shifted to the downside as long as there is financial industry upheaval. The primary factors that affected the world in 2022—central banks' tight monetary stances to contain inflation; limited fiscal buffers to absorb shocks amid historically high debt levels; spikes in commodity prices and geo-economic fragmentation as a result of Russia's war in Ukraine; and China's economic reopening—appear likely to be sustained in 2023. These pressures are now being compounded and interacted with by current worries about financial stability. A hard landing is

now much more likely to occur, especially for established economies. It's possible that authorities may have to make difficult trade-offs in order to decrease sticky inflation, maintain growth, and safeguard financial stability.

27. Private and public debt in most economies have reached levels not seen in decades as a result of the epidemic and economic upheaval over the past three years, and they continue to be high. As a result of tighter monetary policy, particularly by large advanced economies, which has led to a sharp increase in borrowing costs, concerns have been expressed about the sustainability of some countries' debt. In the summer of 2022, the average level and distribution of sovereign spreads among the group of emerging market and developing economies both markedly increased before falling in the first quarter of 2023. So far, the most recent financial market turmoil has not had much of an impact on sovereign spreads for developing and emerging economies, but if the global financial environment tightens further in the coming months, there is a good probability that they will expand unexpectedly. Given the historical context, a large number of economies are still exposed to high financial distress risk, making them susceptible to adverse fiscal shocks in the absence of policy measures.

28. The likelihood that the global economy will be able to recover its prior rate of economic growth—prior to the recent turmoil in the financial sector and the barrage of shocks in 2022—is dwindling. More than a year after Russia invaded Ukraine and more contagious COVID-19 variants appeared, many economies are still adjusting to the shocks. The recent tightening of global financial conditions is another barrier to the recovery. It is expected that income growth would be slower in several economies in 2023 as a result of increased unemployment. In addition, even after central banks have increased interest rates to fight inflation, the route to price stability may be challenging to reach. Over the medium term, the prospects for growth seem less bright than they have in recent decades.

29. Recent events have demonstrated how more serious flaws in specific components of the American and other countries' banking systems may cause financial sector instability. Unrealized losses, which demonstrate how fast and profoundly monetary policy is tightening, combined with reliance on uninsured or wholesale financing are the main causes of the fragilities. It is possible that these fragilities will lead to more shocks, which might have a significant impact on the global economy. Most recently, China lost its status as the number one trading partner of United States of America after maintaining that position for more than two decades.

Table 2: GDP and Inflation rates (CPI) of some selected countries in the world from 2020-2026

	Gross Domestic Product Rate (%)							Inflation Rate (%)						
Country	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Netherlands	-3.9	4.9	4.5	1.0	1.2	1.5	1.6	1.1	2.8	11.6	3.9	4.2	2.1	2.0
Mexico	-8.0	4.7	3.1	1.8	1.6	1.9	1.8	3.4	5.7	7.9	6.3	3.9	3.3	3.1
Germany	-3.7	2.6	1.8	-0.1	1.1	2.0	1.9	0.4	3.2	8.7	6.2	3.1	2.3	2.1
China	2.2	8.5	3.0	5.2	4.5	4.1	4.0	2.5	0.9	1.9	2.0	2.2	2.2	2.2
Brazil	-3.3	5.0	2.9	0.9	1.5	1.9	2.0	3.2	8.3	9.3	5.0	4.8	3.0	3.0
Belgium	-5.4	6.1	3.1	0.7	1.1	1.2	1.2	0.4	3.2	10.3	4.7	2.1	1.7	1.8
Nigeria	-1.8	3.7	3.3	3.2	3.0	3.0	3.0	13.3	17.0	18.9	20.1	15.8	14.7	14.5
Russia	-2.7	5.6	-2.1	0.7	1.3	1.0	0.8	3.4	6.7	13.8	7.0	4.6	4.0	4.0
South Africa	-6.3	4.9	2.0	0.1	1.8	1.6	1.4	3.3	4.6	6.9	5.8	4.8	4.5	4.5
Sweden	-2.2	5.4	2.6	-0.5	1.0	2.6	2.3	0.7	2.7	8.1	6.8	2.3	2.2	2.0
United Kingdom	-11.0	7.6	4.1	-0.3	1.0	2.2	2.0	0.9	2.6	9.1	6.8	3.0	1.8	2.0
United States	-2.8	6.0	2.1	1.6	1.1	1.8	2.1	1.3	4.7	8.0	4.5	2.3	2.1	2.0
Ghana	0.5	5.4	3.2	1.6	2.9	4.9	5.0	9.9	10.0	31.9	45.4	22.2	11.5	8.0

Source: IMF's World Economic Outlook update, April 2024.

30. All the selected countries have positive GDP in 2022 except Russia. This is because of the consequent effects of sanctions from the Western nations and other part of the world on the country for her war against Ukraine in the year. Also in 2023, Germany, Sweden and UK are projected to have negative GDP, which may not be unconnected with the effects of Russia/Ukraine war on the rest of the world. Globally, GDP rates are set to be positive over the next three years as countries are set to find measures to overcome the negative effects of the war. Nigeria and Ghana were among the countries with double-digit inflation rates in 2020. They are still maintaining same level in 2023, even at higher percentages.

2.A.2 Africa and Sub- Saharan Economies

31. The COVID-19 pandemic's consequences, the disruptions to global supply lines brought on by Russia's protracted war of Ukraine, and tightening financial circumstances are just a few of the shocks that African nations are currently grappling with. The real GDP growth of the continent has been lowered by these shocks from 4.8 percent in 2021 to 3.8 percent in 2022. African economies, however, are predicted to remain resilient, with average growth stabilising at 4.1 percent in 2023–2024, according to an AfDB research.

32. The growth outlook is subject to significant downside risks, including the following: i) slow global growth weighing on Africa's exports; ii) significant losses and damages due to frequent extreme weather events; iii) the prolongation of Russia's invasion of Ukraine, which is intensifying; and iv) ongoing disruptions to the world's supply systems. Other concerns include increased geopolitical risks as a result of several nations' forthcoming national elections and military interference in governance.

33. The African Economic Outlook 2023 emphasises how urgent it is to move on with green transitions and climate action in order to promote inclusive and sustainable growth on the continent.

34. Sub-Saharan Africa (SSA) is part of the African continent with verse arable lands, mineral and human resources. Many of these resources which have

the capacity to produce inclusive growth remain untapped and those tapped are mismanaged owing to a number of factors that include poor leadership, corruption, low technological know-how, neocolonialization, among others. According to World Bank (2023), the continent has a population of about 1.39 billion people and a Gross Domestic Product of about US$3.14 trillion.

35. According to the 2023 April edition of World Economic Outlook, persistent global inflation and tighter monetary policies have led to higher borrowing costs for sub-Saharan African countries and have placed greater pressure on exchange rates. The interest burden on public debt is rising, owing to a greater reliance on expensive market-based funding combined with a long-term decline in aid budgets. The lack of financing affects a region that is already struggling with elevated macroeconomic imbalances. Public debt and inflation are at levels not seen in decades, with double-digit inflation present in about half of the countries—eroding household purchasing power and striking at the most vulnerable. Amid a global slowdown, activity is expected to decelerate for a second year in a row. Hence, growth in sub-Saharan Africa is projected to decline to 3.6 percent this year. Still, this headline figure masks significant variation across the region. The funding squeeze will also impact the region's longer-term outlook. A shortage of funding may force countries to reduce resources for critical development sectors like health, education, and infrastructure, weakening the region's growth potential.

36. This ongoing toughness will be strengthened by anticipated improvements in world economic conditions, driven by China's reopening and a reduction in interest rates as the results of tighter monetary policy on inflation begin to show. The anticipated recovery in growth will be influenced by underlying economic factors.

37. However, as was the case globally, rising food and energy prices in 2022 contributed to significant inflationary pressures. As a result, while governments increased social expenditure to protect vulnerable populations from the effects of rising prices, inflation remained high across the continent and reached double digits in 18 African countries, adding to the burden on public finances.

38. Africa's growth prospects confront a number of negative dangers, therefore cautious optimism is advised. The risk of debt distress has increased due to the tightening of international financial conditions and the strengthening of the US currency, particularly for nations with severely limited budgetary positions.

39. A key global risk that increases uncertainty and has the potential to worsen Africa's condition with regard to food insecurity as well as the continent's overall cost of living is the extension of Russia's invasion of Ukraine. In addition to this, climate change continues to endanger human life, way of life, and economic activity.

40. From an estimated 5.0 percent in 2022 to 4.9 percent in 2023 and 4.6 percent in 2024, the growth momentum in Central Africa is expected to slow. The deceleration is a result of commodity prices trending down since their peak in 2022. The majority of the countries in Central Africa are

exporters of commodities, and changes in their prices show the hazards associated with this dependency.

41. It is anticipated that growth in East Africa will increase from an estimated 4.4 percent in 2022 to 5.1 percent in 2023 and 5.8 percent in 2024. With the exception of South Sudan, growth is projected to pick up in all of the nations in this region in 2023, with seven of them experiencing GDP growth of at least 5%. This growth will be fuelled by more diversified production structures and a drop in commodity prices. Lower pricing would help the GDP growth of the many East African nations that import commodities. The expected higher growth, however, may be difficult to achieve because there are still certain areas of drought and insecurity.

42. The expected increase in North Africa is 4.1 percent in 2022, 4.6 percent in 2023, and 4.4 percent in 2024. The increase in 2023 will primarily result from Morocco and Libya making robust recoveries from their respective terrible droughts and fluctuating oil output, respectively.

43. The growth rate in Southern Africa is anticipated to slow down by 1.1 percentage points, from an estimated 2.7 percent in 2022 to 1.6 percent in 2023. However, with the appropriate policy changes, growth might bounce back to 2.7% in 2024. The projected sharp decline in 2023 largely reflects continued growth weakness in South Africa, the region's largest economy and trading partner, from an estimated 2.0 percent in 2022 to 0.2 percent in 2023, as it struggles with the effects of high interest rates and persistent power outages on economic activity.

44. Despite macroeconomic difficulties in several of the region's major economies, it is anticipated that growth in West Africa will increase from an estimated 3.8 percent in 2022 to 3.9 percent in 2023 and 4.2 percent in 2024. This optimistic prognosis is the result of stronger growth in the local small economies. Eight of the nine nations with forecast growth rates of 5 percent or more in 2023 are small economies, making up 15% of the region's GDP and 22% of the growth that is anticipated.

45. Another challenge the world faces today which does not exclude SSA is climate change. Even though sub-Saharan Africa is the world’s smallest contributor to global greenhouse gas emissions, it is the most vulnerable to climate-related shocks. It is costly to address this menace. Notwithstanding, few sub-Saharan African countries have the resources or fiscal space to tackle this challenge without assistance from the international community. The resilience of this region to climate change can be strengthened and help speed the green energy transition through concessional finance and tap the untapped resources currently available from multilateral climate funds.

2.A.3 Nigerian Economy[4]

46. Nigeria is one of the largest producers of oil and gas in Africa. There are also proven reserves and deposits of various mineral resources across the

[4] Sources: IMF WEO, April 2023, NBS Reports, CBN Reports, NNPC Reports, OPEC Reports and US Energy Information Administration Reports.

country. The country also has untapped agricultural potential; over 1,000 km of coastline and some 279 billion cubic meters of surface water that can boost irrigated farming, development of the blue economy and tourism. The rebasing of Nigerian's GDP in 2013 from US$ 270 billion to US$ 510 billion revealed structural dynamics towards the growing importance of services in the economy. Over the past four decades, the service sector assumed an increasing role as the main contributor to the domestic output, while contribution of agriculture value added has declined to about 24% of GDP in 2020, down from over 50% in the 1970s. Despite the growing importance of the services sector, growth in the economy remains captive to developments in the oil economy, which contributes about 90% of exports and nearly two thirds of fiscal revenues. The ratio of oil revenues to GDP has declined substantially, underpinned by the rebasing of GDP, which increased the tax base without commensurate increase in collection efforts. Manufacturing value added increased to 13% in 2020 from 8% in 2017. The largest contribution to this was from sector of food, beverage and tobacco which accounted for 4.75% of the country's GDP.

47. According to AfDB report, growth will decelerate, averaging 3.2% during 2022–23, due to persistent low oil production and rising insecurity. Inflation is projected to remain elevated at 16.9% in 2022 and to stay above pre-pandemic levels in 2024, fuelled mainly by rising food, diesel, and gas prices and persistent supply disruptions amplified by the Russia– Ukraine conflict. Capital inflows are projected to rebound, while oil exports are projected to increase slightly. The benefit of a forecast positive oil price shock on exports may, however, be partly offset by a weak output effect due to lower oil production, stoked by infrastructure deficiencies and rising insecurity. The projected marginal current account surplus of 0.1% of GDP in 2022 could turn into deficit of 0.2% in 2024. Improved revenue collection will help narrow the fiscal deficit to an average of 4.5% of GDP. Public debt targeted to reach 40% of GDP by 2024 on fresh borrowing. The headwinds to the outlook may be exacerbated by rising insecurity and policy effect underpinned by the removal of subsidies on premium motor spirit.

48. **Real GDP –** Nigeria's quarterly economy growth has been up and down, though positive, since Q1 of 2022 after its three consecutive quarters of slow growth. It moved from 3.11% in Q1 to 3.54% in Q2 of 2022, then to 2.25%, 3.52% and 2.31% in Q3, Q4 of 2022 and Q1 of 2023 respectively. The Q1 growth, though less than 3.75% GDP benchmark for the year, marked the 10th consecutive quarter of growth, although the expansion was considerably weaker compared to the prior period, partly attributed to the adverse impacts of the cash crunch experienced throughout the quarter. Nigeria has a GDP of $506.6 billion in current prices, which makes her continue to have the largest economy in Africa, followed by South Africa ($399 billion) and Ethiopia ($156.1 billion).

49. According to NBS, the non-oil sector contributed 93.79% to the nation's GDP, with a growth rate of 2.77% in Q1 of 2023. This rate was lower than 3.30% and 4.34% recorded in Q1 and Q4 of 2022 respectively. The performance of non-oil sector was driven by services sector which contributed 57.29% to the aggregate GDP and grew by 4.35%. This was

followed by agricultural with a contribution of 21.66% and then industrial sector with 21.05% contribution.

50. The highest performance in the service sector was from information and communication which contributed 13.23% to total nominal GDP in 2023 Q1 which represents ₦2.508 trillion in monetary value.

51. The oil sector's contribution rate increased in Q1 of 2023 to 6.21% from 4.34% in the preceding quarter, but this was 0.42% lower than the same quarter in 2022. The increase in the contribution rate in Q1 of 2023 compared to the previous quarter reflects higher oil output as the average daily crude oil production was 5.1 million barrels per day more than 1.49 million barrels per day last quarter.

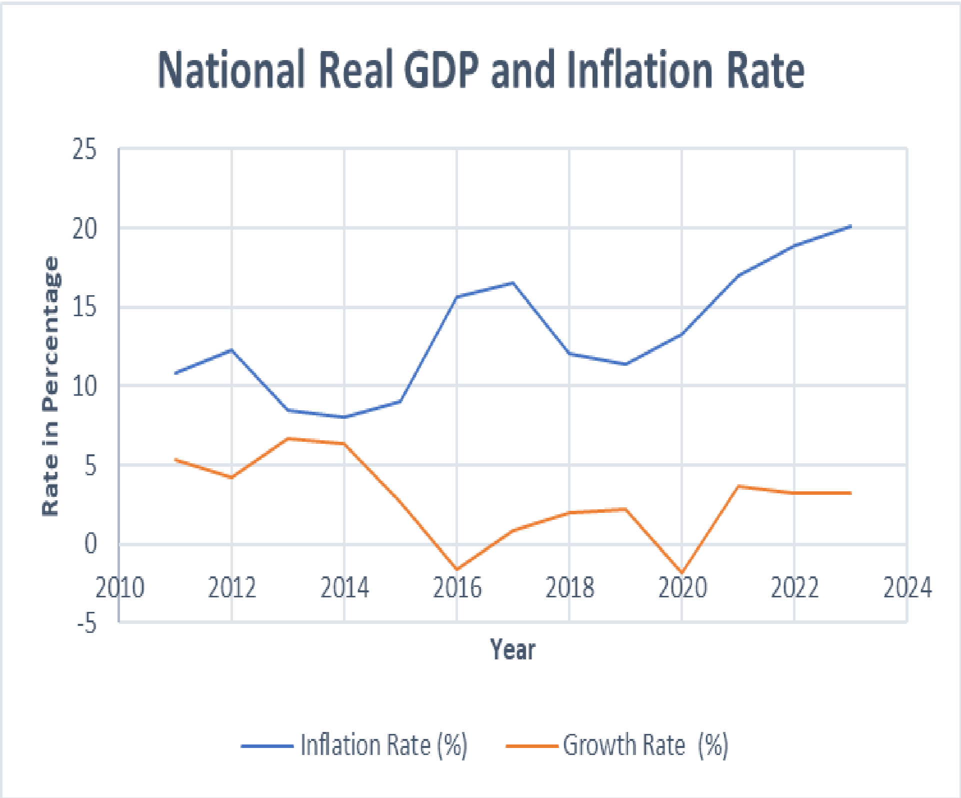
52. **Inflation (CPI)** - Inflation in Nigeria has been on the increase since the beginning of 2023 fiscal year. This has been occasioned by the various policies taken by the government and Central Bank of Nigeria with regard to currency change/swap and removal of fuel subsidy by the President in his inauguration speech on 29th May, 2023. The annual inflation rate in Nigeria rose for the fourth consecutive months to a near 18-year high of 22.41% in May 2023, up from 22.22% in the prior month and matching market estimates. Prices of food, which is the most relevant in the CPI basket, continued to accelerate to 24.82% in May, after jumping from 24.61% in April, mainly on account of vegetables, oils, bread, fruits, meat and tubers. Prices also rose sharply for transportation (23.9% vs 23.1%), amid fuel shortages caused by the removal of a government fuel subsidy by Nigeria's new President. The annual core inflation rate, which excludes farm produce, was 20.06% in May, easing from a record high of 20.14% in the prior month. On a monthly basis, consumer prices increased by 1.94% in May, the most in seven years, up from a 1.91% rise in April.

53. In the current year, Nigeria's month-on-month inflation rate, when compared to 17.71% recorded in the month of June 2022, is 4.7% higher. According to NBS, the increase in inflation was caused by an increase in food prices attributable to the disruption in the supply of food products; cost of transportation arising from fuel subsidy removal; and an increase in import costs as a result of increased exchange rate caused by the removal of multiple exchange rates recently by the new president. A combination of high inflation and modest wage increases being undertaken by various governments would lead to falling real wages. Many governments roll out extensive support to cushion the effects of high energy and food prices on households.

54. Inflation in Nigeria has been higher than the average for African and Sub-Saharan countries for years now, and has even exceeded the 16 percent figure of 2017, which was considered astronomical, and there is no real, significant decrease in sight. The bigger problem is its unsteadiness. An inflation rate that is bouncing all over the place, like this one, is usually a sign of a struggling economy, causing prices to fluctuate, and unemployment and poverty to increase.

55. The national real GDP growth and year-on-year inflation rates from years 2017 to 2022 are shown in figure 1 below.

Figure 1: Real GDP Growth and Inflation Rate



Data Sources and Trends: CBN Year-on-Year Inflation, NBS Real GDP Growth

Inflation peaked at 15.68% (year-on-year) in 2016 and at 16.52% in 2017. It remained relatively stable between 11.09% and 13.25% from 2018 to 2020, but picked up drastically in 2021 to 16.95% and till now has been on the increase. This could be attributed to low local production and high demands occasioned by farmers/herdsmen crises, closure of manufacturing firms as well as general insecurity across the country.

Real GDP was negative in years 2016 and 2020. This was due to 2016 recession and Covid-19 of 2020. But from 2021 till date, the GDP growth has been positive.

56. **Subsidy Removal**- On 29th May, 2023, President Bola Ahmed Tinubu during his inaugural speech announced the removal of subsidy on PMS. This policy, by implication, signalled the end of the controversial crude swap which had hitherto reduced the amount of distributable revenue to the various components of the federation. This removal has also led to a hike in fuel pump price with a multiplier effect of high cost of living on the citizenry. It is also envisaged that this may lead to worsening insecurity as well as breakdown of law and order if it is not well managed. However, it is expected that distributable revenue from FAAC will increase substantially which will enable all tiers of government to more resources to ameliorate the harsh effect of the subsidy removal.

57. **Exchange Rate** – Multiple exchange rate regime was a major distortion to the workings of the market, such that there was no level playing field for many actors. In a view to addressing the distortion, the Bola Ahmed Tinubu administration has abrogated the multiple exchange rate to allow market forces to determine the value of the naira. Foreign currencies can now be bought and sold at rates determined by the market – not by the central bank. This has led to a surge in naira to dollar exchange rate. As at August

22, 2023 the exchange rate ranges between 850.0 and 860 NGN per USD. This, hopefully, will reduce later in the year considering the various measures being taken by the CBN to contain the freefall of the naira.

58. **Crude Oil Price** – Brent crude oil is a major benchmark price for purchases of oil worldwide. The price began to increase in February 2022 when Russia invaded Ukraine, reaching as high as $130.1 per barrel in June 2022, marking the highest level since June 2014. Energy cost generally is projected to remain high as long as Russian/Ukraine crisis persists.

59. Despite the projection, crude oil prices have been falling since June 2022 to less than $100 in the current year. The projected oil price of the Federal Government of $70/barrel for year 2023 as contained in the 2023-2025 Federal MTEF is less than the current global oil prices. Brent Crude Oil Price in International Commodity Markets in June 2023 is about 74.89 dollars per barrel. In the Previous Month, May 2023, Brent crude oil worth was 75.70 dollars per barrel. Last year in June 2022, the price was 120.08 dollars per barrel.

60. Global oil demand is set for a new record growth by 2.4 mb/d in 2023 to 102.3 mb/d. China's demand continues unabated, with its oil demand reaching an all-time high of 16.3 mb/d in April. An increasingly adverse macroeconomic climate will act as a headwind in 2024, and as the post-pandemic recovery will largely have run its course, oil demand growth is set to slow to 860 kb/d.

61. While oil demand is expected to continue to rise, both seasonally and structurally over the remainder of the year, only a marginal increase in supply is foreseen. In May, world oil production fell by 660 kb/d to 100.6 mb/d. Deeper cuts from some OPEC+ producers began to have effects while output from Iraq's northern Kurdish region and some Canadian oil sands remained shut in. Saudi Arabia, with its voluntary cut of 500 kb/d agreed in April, led the monthly drop in world supply, but the overall decline was stemmed by a seasonal 330 kb/d rise in biofuels along with higher flows from Nigeria and elsewhere. The Kingdom has promised to slash output by a further 1 mb/d in July to a two-year low of 9 mb/d.

62. Organization of the Petroleum Exporting Countries (OPEC) said it expects world oil demand to rise by 2.25 million barrels per day (bpd) in 2024, a rise of 2.2%, compared with growth of 2.44 million bpd in 2023. It is, therefore, expected that crude oil prices might increase in 2024.

63. **Crude Oil Production**- Nigeria has not been able to meet her benchmarked crude oil production since 2013 as a result of lack of capacity, adherence to OPEC+ production quota and some other production disruptions like theft, pipeline vandalism, pipeline leakage repair, community protests, terminal maintenance, pump and flare management, boiler failure, etc.

64. In view of Nigeria's inability to meet up with OPEC quota, the organisation has announced that the highest production volumes of the last six months (November 2022 – April 2023) be used as the basis for the determination of their 2024 production quota, subject to a review in November at the 2nd

annual meeting of the organisation's Joint Ministerial Management Committee (JMMC). Meanwhile, the current OPEC quota of 1.742 mb/d would be maintained till the end of 2023.

65. Notwithstanding the threat, it is on record that Nigeria output has been on the rise since October 2022 after NNPC launched an application in August of the same year to monitor the incidence of theft and vandalism. It also awarded a multibillion-naira pipeline surveillance procurement to a former leader of the Movement for the Emancipation of Niger Delta, Government Ekpemupolo. The rise in oil output was, however, not sustained in March and April 2023 as the figures reported by the Nigeria Upstream Petroleum Regulatory Commission (NUPRC) dropped from 1,306,304 barrels per day in February to 1,268,202 barrels per day in March and then to 998,602 barrels per day in April 2023. Since the average crude oil produced over the last 3 years was 1.93mbpd, crude oil production estimated for 2024, 2025 and 2026 in the 2024-2026 MTEF/FSP is 1.83mbpd.

66. COVID-19 pandemic, Russia-Ukraine war and insecurity have placed Nigeria at a critical juncture. The country entered the crisis with falling per capita income, high inflation, and governance challenges. Policy adjustments and reforms like oil subsidy removal, harmonised tax and exchange rate, etc designed to shift the country from its dependence on oil and to diversify the economy toward private sector-led growth will set Nigeria on a more sustainable path to recovery.

2.A.4 Ondo State Economy

67. The economy of Ondo State is the seventh largest in Nigeria and is dominated by crude oil and crop production with a GDP of ₦5.10 trillion (State of States 2022 Edition, Budgit.org). Ondo State has multi-dimensional poverty level of 27%, which is the lowest in Nigeria (NBS, 2022). Agriculture is the mainstay of the state economy in that it provides employment for majority of the people, and the chief products are cocoa, rubber, timber (teak and hardwoods) and palm oil and kernels. Ondo is Nigeria's chief cocoa-producing state, producing more than 75,000 tons annually and the produce is cultivated for export. Other crops include rice, yams, corn (maize), coffee, taro, cassava (manioc), vegetables, and fruits. Mineral deposits include petroleum, bitumen, coal, etc. Since the state has become part of the oil producing states in Nigeria, petroleum has taken over from cocoa by becoming the major source of revenue for the state. However, this narrative is expected to change going by the level of industrial revolution being spearheaded by the present administration coupled with the approval of Ondo Sea Port and the Ondo Investment Summit held in July 2023. Though the State has the largest Bitumen deposit in Africa and the longest coast line in Nigeria of about 180km, it is yet to derive benefits from them.

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

69. The State is still a net importer of goods and services but is a net exporter of agricultural produce to other States. The movement of agricultural

produce is not well-documented and computed to register meaningful contribution to the State economy. In spite of the steady progress in economic growth and development, available data indicate that agriculture, especially crops and livestock, and fisheries as well as SMEs, which have the potential to generate large scale employment opportunities, are not currently doing so. However, these areas are undergoing transformation.

70. There is the predominance of subsistence and non-mechanized agriculture in the State. That is why the growth of the State's economy is predicated on increased transformation of the agricultural value chain (large scale agricultural production and agro-based industrial production). Concerted efforts are being made by the present administration to attract mega investments through Ondo State Investments Promotion Agency (ONDIPA). Although the trend of IR in the State over the years has been varied, the present administration has demonstrated strong determination to change the prevailing situation.

71. Following the activities of herdsmen in the State, there was a drop in the Independent Revenue, which has negative effect on the State economy. More so, their activities contributed to hike in prices of goods and services in the State.

72. The operations of the State Security Network (Amotekun) brought considerable stability to the State economy. Their efforts are seen to checkmate the activities of insurgents which maintained the security of lives and properties, so much that farmers could return to their farmlands for food production, hence, stability of the State economy.

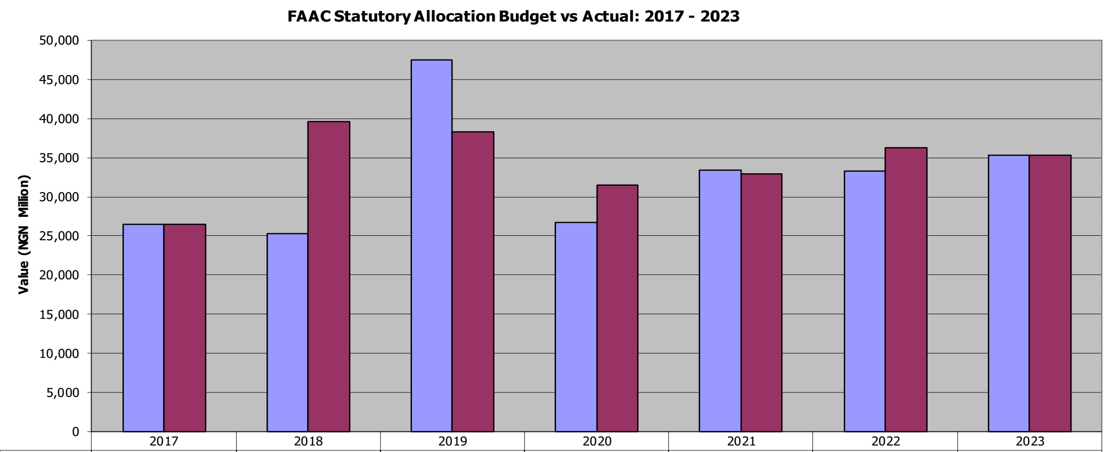
2.B Fiscal Update

2.B.1 Historic Trends

Revenue

73. On the revenue side, the document looks at Statutory Allocation, Value Added Tax (VAT), IR, Mineral Derivation, and Capital Receipts – budget versus actual for the period 2017-2022 (six year historic) and 2023 budget.

Figure 2: Statutory Allocation



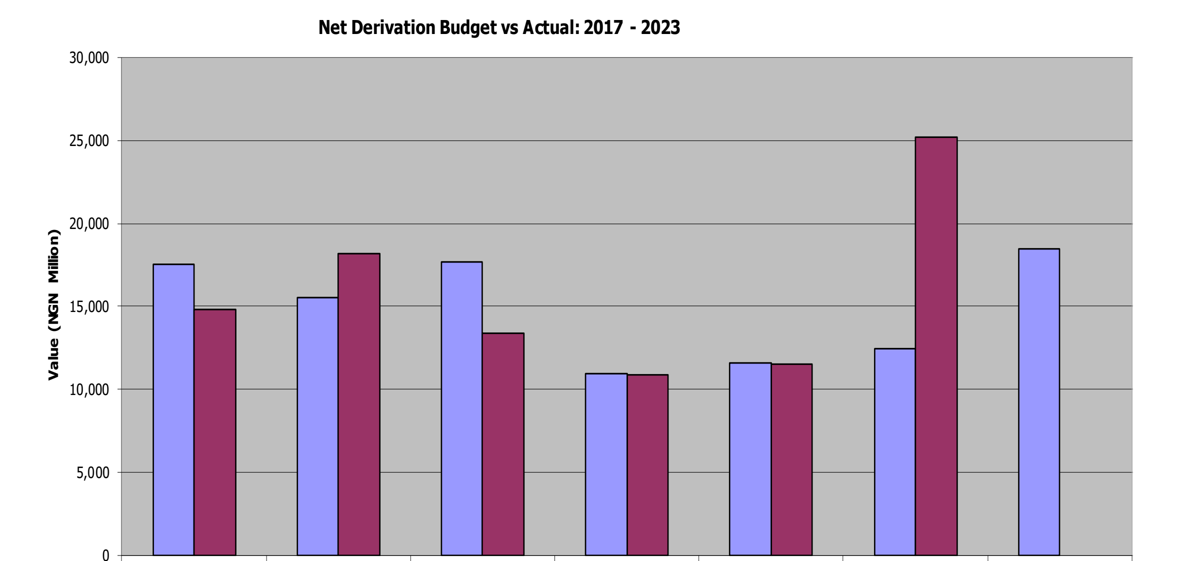
	2017	2018	2019	2020	2021	2022	2023
Budget	26,460,000,000	25,352,256,000	47,548,509,200	26,730,614,127	33,413,267,658	33,242,755,920	35,298,844,991
Actual	26,494,873,180	39,582,605,207	38,310,622,771	31,549,178,887	32,958,772,167	36,265,401,540	35,298,844,991
Performance	100.1%	156.1%	80.6%	118.0%	98.6%	109.1%	100.0%
Growth		49.40%	-3.21%	-17.65%	4.47%	10.03%	-2.67%

74. Statutory Allocation is a transfer from the Federation Accounts Allocation Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies' income tax, custom and excise duties) at the national level, which is then shared between the three tiers of government using a specified sharing ratio.

75. Actual receipts increased from 2017 to 2018 at 49.4% and it declined slightly (by -3.21%) in 2019 and further dropped by -17.65% in 2020. However, it picked up slightly again in 2021 at 4.47% and to 10.03 in 2022. The reason for the drastic fall of statutory allocation in 2020 was as a result of COVID-19 pandemic which ravaged the world and further plummeted the global oil price. The increase in the allocation in the past two years can be attributed to high revenue from the non-oil sources.

76. Going forward, it is important to note that allocation from the source will continue to increase as contribution from oil will increase because amount running to trillions of naira that was used to finance fuel subsidy would henceforth be remitted to FAAC, as oil subsidy has finally been removed.

Figure 3: Mineral Derivation



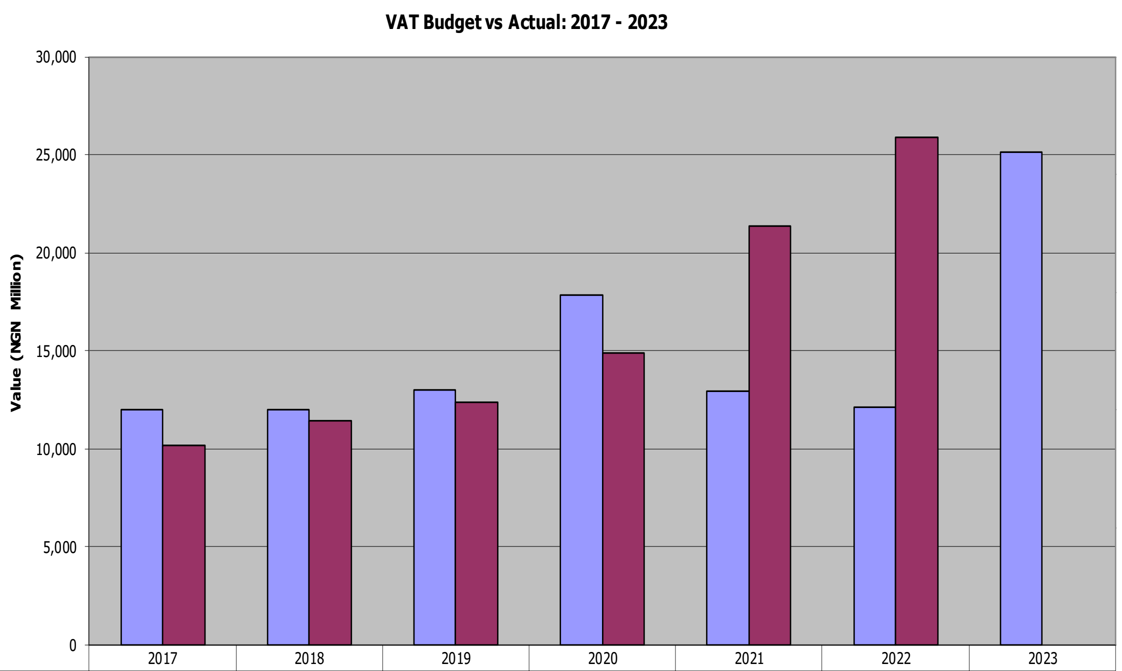
	2017	2018	2019	2020	2021	2022	2023
Budget	17,560,000,000	15,536,592,000	17,671,343,589	10,945,781,930	11,583,777,563	12,480,288,528	18,499,522,348
Actual	14,846,749,497	18,185,882,157	13,390,210,139	10,852,424,806	11,504,678,077	25,213,005,987	0
Performance	84.5%	117.1%	75.8%	99.1%	99.3%	202.0%	0.0%
Growth		22.49%	-26.37%	-18.95%	6.01%	119.15%	0.00%

Year

77. Mineral Derivation is another transfer from the Federation Accounts. It is based on the amount and cost of oil in the world market as well as the real output that may be attributed to the State.

78. Actual receipts on Mineral Derivation increased at a growth rate of 22.49% in 2018 but declined in 2019 and 2020 (by -26.37% and -18.95%). It picked up slightly in 2021 by 6.01% and performed at 119.6% in 2022. The negative and low performance was attributable to the falls in the price of crude oil in the global market, while the more-than 100% performance in 2022 was because of extra-ordinary allocations on the item released by the Federal Government to oil producing States. Going forward, more fund is expected from this source as a result of fuel subsidy removal.

Figure 4: VAT



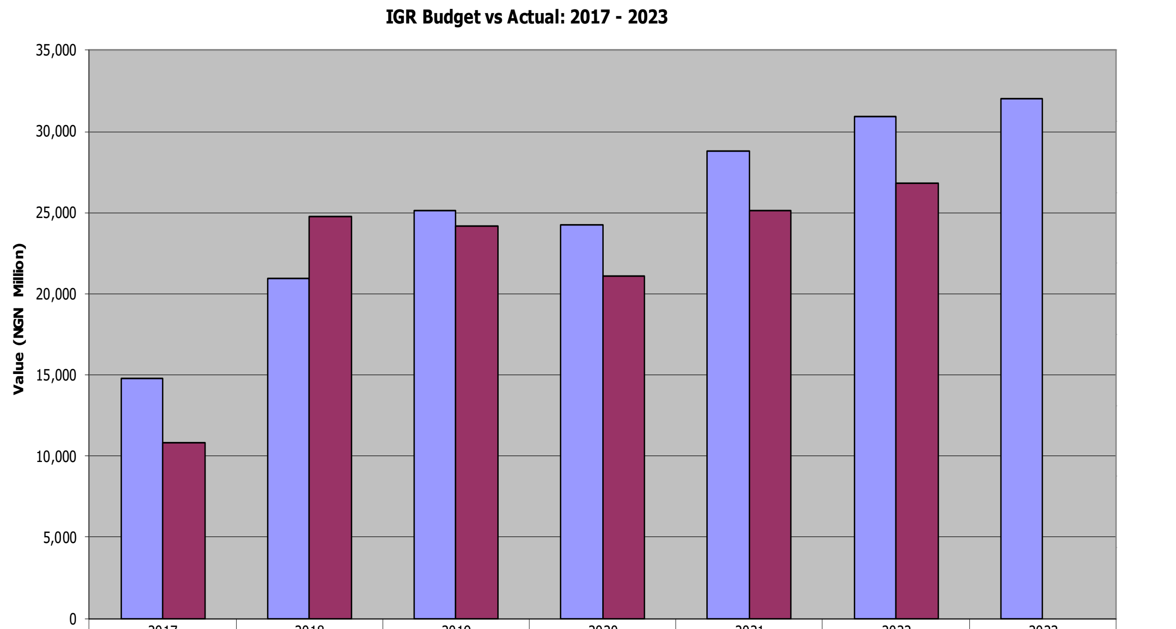
	2017	2018	2019	2020	2021	2022	2023
Budget	12,000,000,000	12,000,000,000	13,018,742,127	17,879,043,585	12,925,776,176	12,120,000,000	25,128,948,522
Actual	10,174,457,879	11,419,703,361	12,388,614,574	14,892,602,066	21,386,339,168	25,925,646,253	0
Performance	84.8%	95.2%	95.2%	83.3%	165.5%	213.9%	0.0%
Growth		12.24%	8.48%	20.21%	43.60%	21.23%	0.00%

Year

79. VAT is an ad valorem tax which was reviewed in Nigeria two years ago from 5% to 7.5% on most goods and services. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT a particular State generates. States receive 50% of the total VAT collections nationally, from which Ondo gets around 2.2% of the States' allocation.

80. VAT receipt has been on the increase consistently from 2016 to 2022 largely due to the growth in nominal economic activities in Nigeria. Performance relative to budget (i.e. budget accuracy) has been on the increase since 2017, and eventually higher than the budget figures in 2021 and 2022.

Figure 5: Independent Revenue



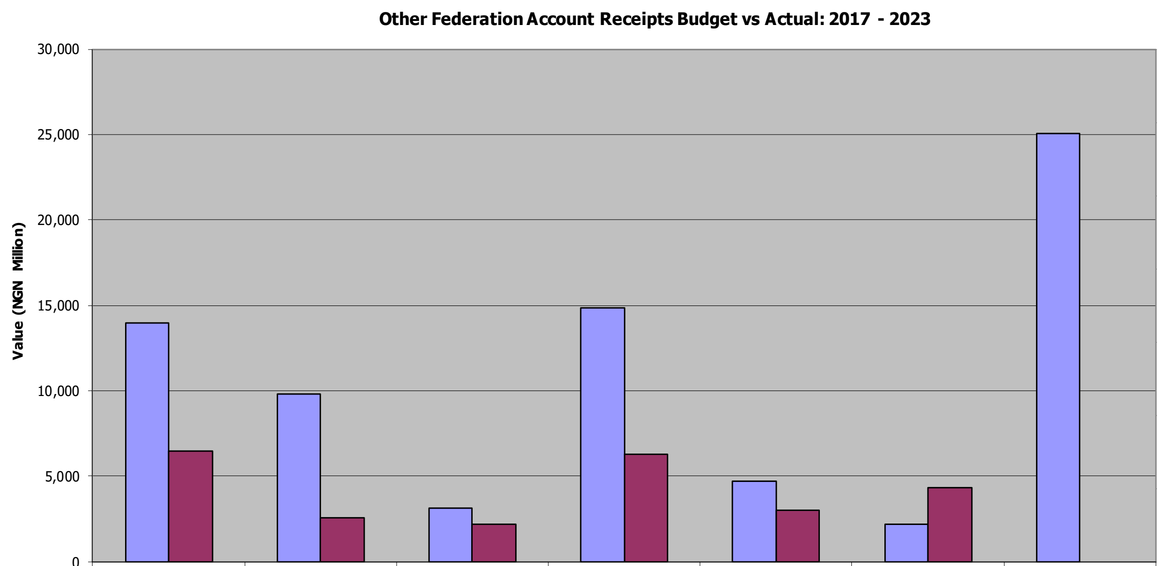
	2017	2018	2019	2020	2021	2022	2023
Budget	14,764,363,121	20,923,646,783	25,122,729,947	24,244,763,855	28,778,132,248	30,945,804,155	32,009,919,000
Actual	10,862,612,694	24,787,441,316	24,187,708,289	21,094,342,131	25,124,731,349	26,847,940,991	0
Performance	73.6%	118.5%	96.3%	87.0%	87.3%	86.8%	0.0%
Growth		128.19%	-2.42%	-12.79%	19.11%	6.86%	0.00%

Year

81. Independent Revenue (IR) is revenue collected within Ondo State. It relates to income tax (PAYE), fines, levies, fees and other sources of revenue within the State. PAYE is the highest contributor to IR in the State.

82. Independent Revenue actual collections have been on the increase since 2017 when the present administration came on board. This is occasioned largely by the various reforms introduced by the State Government to the Ondo State Internal Revenue Service, particularly the autonomy granted the Service, and partially from off season inflows. Notwithstanding the increase, except for 2018, Independent Revenue actual collections were lower than the budget. To improve on its achievement, there is the need for the Service to work on its collection drive by increasing the revenue base and harnessing the power of technology.

Figure 6: Other Federation Account Receipts

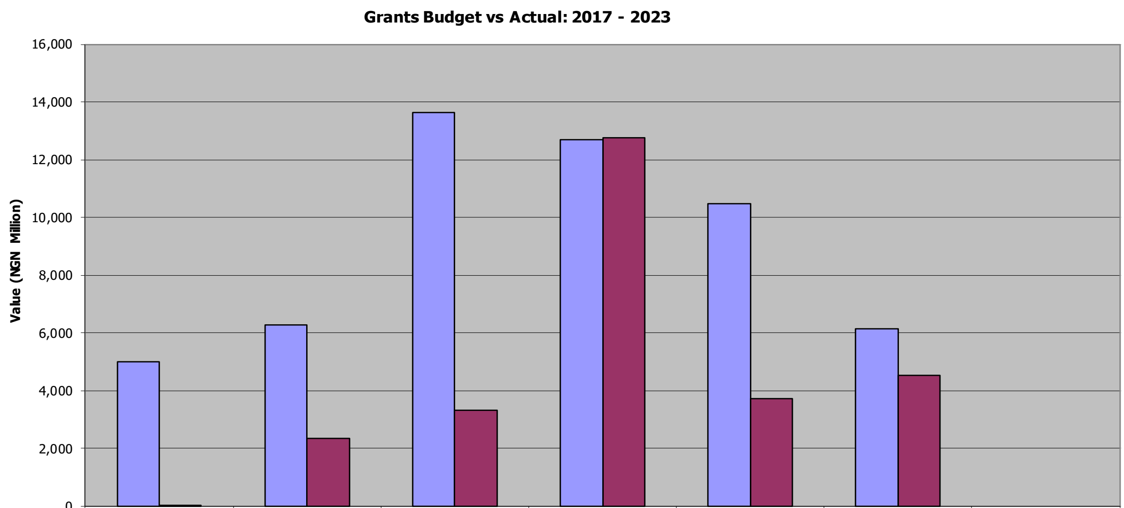


	2017	2018	2019	2020	2021	2022	2023
Budget	13,949,000,000	9,809,000,000	3,155,514,000	14,849,148,035	4,690,000,000	2,200,000,000	25,085,000,000
Actual	6,448,726,096	2,545,159,460	2,167,297,125	6,315,824,902	2,984,664,770	4,355,022,518	0
Performance	46.2%	25.9%	68.7%	42.5%	63.6%	198.0%	
Growth		-60.53%	-14.85%	191.41%	-52.74%	45.91%	

83. Other Federation Account Receipts are other receipts from Federation Accounts which include Exchange Gain, NNPC refund, Excess Crude Refund, Forex Account Stabilisation, etc.

84. Receipts from this source have been unsteady since 2017. In 2018, 2019, 2020 and 2021 receipts were 25.9%, 68.7%, 42.5% and 63.3% respectively.

Figure 7: Grants



	2017	2018	2019	2020	2021	2022	2023
Budget	5,000,000,000	6,279,046,084	13,650,326,429	12,707,484,079	10,475,715,003	6,154,515,000	0
Actual	7,860,000	2,344,000,000	3,336,733,787	12,759,734,016	3,714,239,895	4,541,836,443	0
Performance	0.2%	37.3%	24.4%	100.4%	35.5%	73.8%	
Growth		29721.88%	42.35%	282.40%	-70.89%	22.28%	

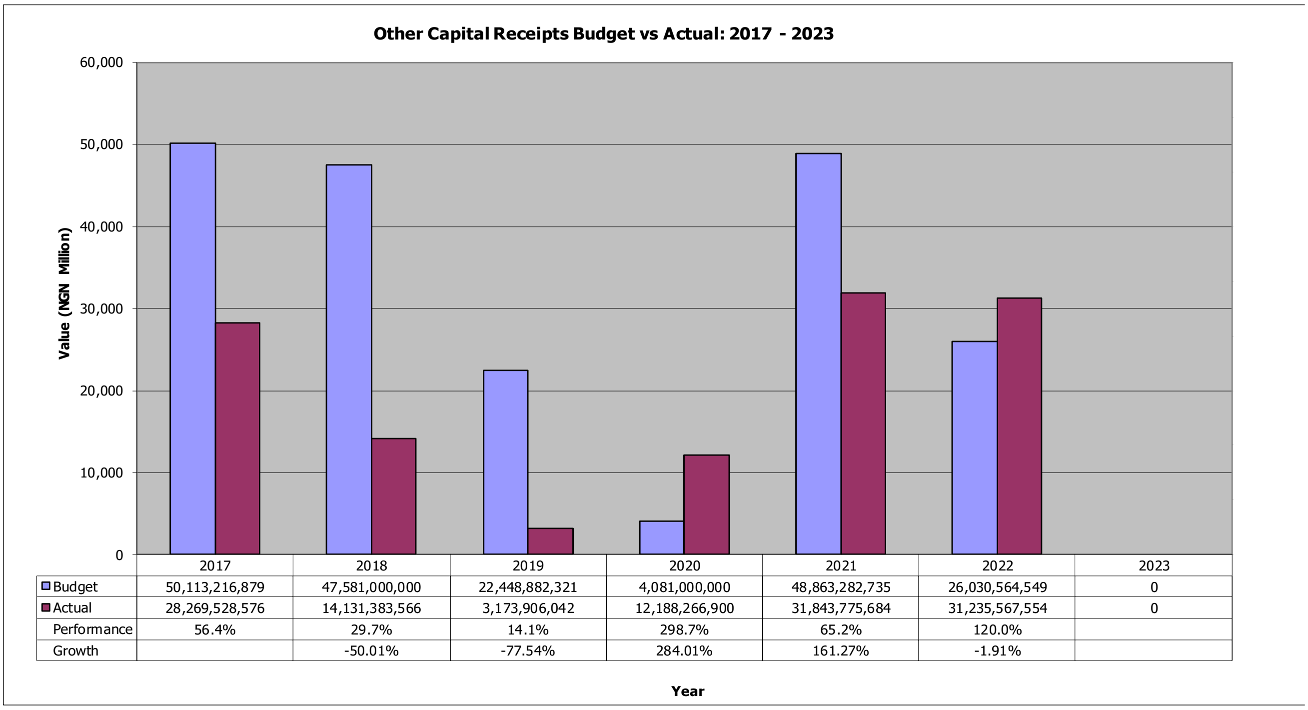
Year

85. Grants are receipts from both internal and external sources such as Federal Government MDGs Conditional Grants Scheme, as well as grants from the international development partners including UK - Department for International Development (DFID), European Union (EU) and United Nations Children's Fund (UNICEF).

86. Since nothing was received in 2017, actual receipts have been irregular. When there were receipts, they were substantially below the budget, partly because several MEDAs acting as middlemen between the State and the donor partners were overly ambitious and inconsistent in putting signed agreements into practice.

87. Future grant projections by MEDAs should be in line with agreements that have already been made. Agreements with donors must be realistic before they are signed.

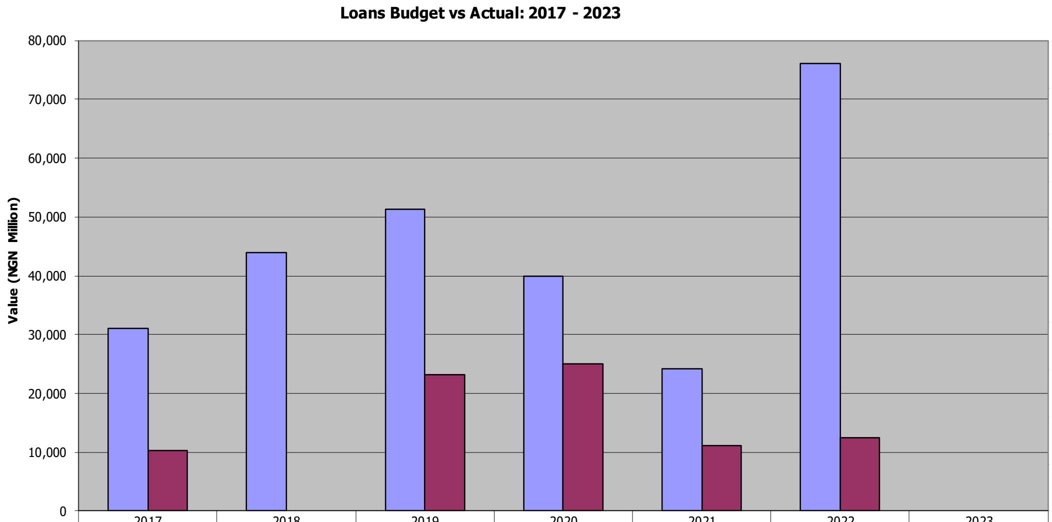
Figure 8: Other Capital Receipts



	2017	2018	2019	2020	2021	2022	2023
Budget	50,113,216,879	47,581,000,000	22,448,882,321	4,081,000,000	48,863,282,735	26,030,564,549	0
Actual	28,269,528,576	14,131,383,566	3,173,906,042	12,188,266,900	31,843,775,684	31,235,567,554	0
Performance	56.4%	29.7%	14.1%	298.7%	65.2%	120.0%	
Growth		-50.01%	-77.54%	284.01%	161.27%	-1.91%	

88. Other capital receipts in this context include reimbursements for federal roads built by the State, budgetary assistance, Excess Crude Refunds, Special FAAC Allocations, Stabilization Funds and reimbursements for withholding tax. Except 2022, the State has been getting less than the budget. It is shown in the table that the budget performance has been inconsistent because the State has no control on when the fund would be released.

Figure 9: Loans/Financing



	2017	2018	2019	2020	2021	2022	2023
Budget	31,000,000,000	43,942,999,416	51,286,851,387	40,000,164,389	24,143,354,140	76,108,508,848	0
Actual	10,281,000,000	0	23,209,914,419	24,986,738,912	11,202,176,899	12,472,166,872	0
Performance	33.2%	0.0%	45.3%	62.5%	46.4%	16.4%	
Growth		-100.00%	0.00%	7.66%	-55.17%	11.34%	

Year

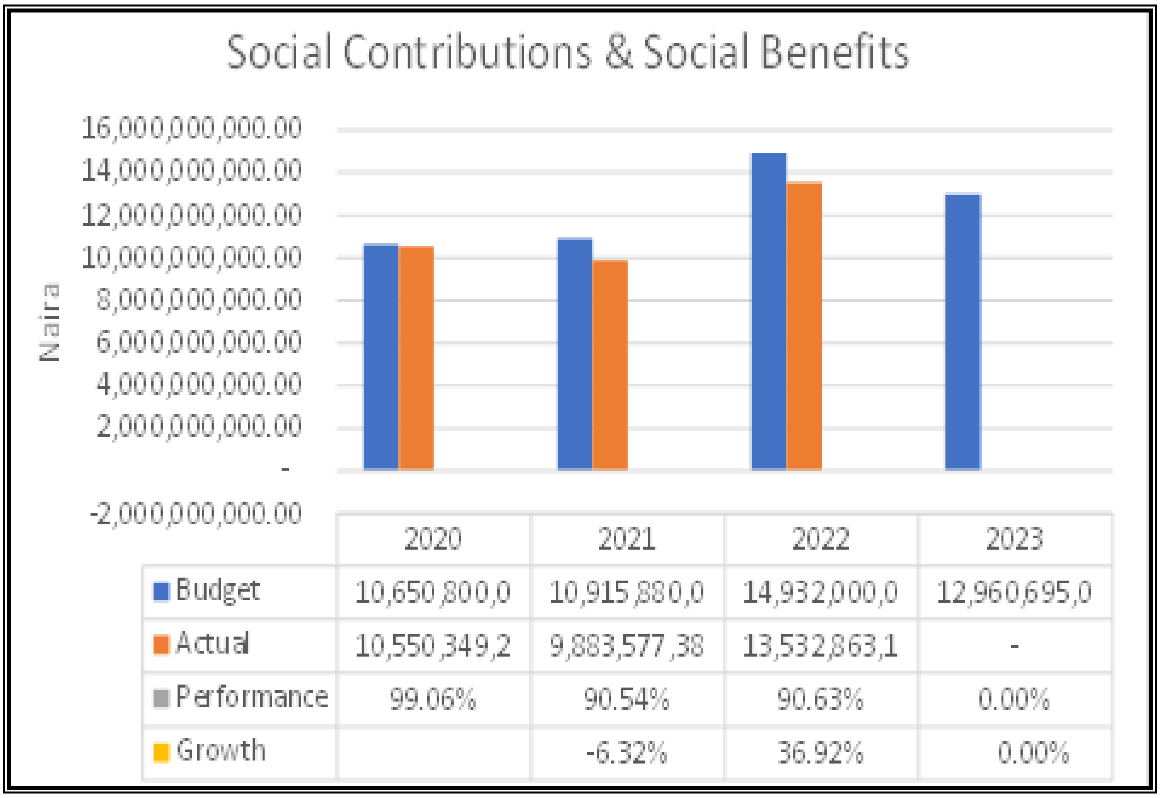
89. Financing has been provided in the form of several World Bank programs in addition to some short-term borrowings through banking facilities (FADAMA, Health and Education sectors support).

90. The lacklustre performance over the years was as a result of poor agreements/MOUs made with the creditors by the States MEDAs and anticipated internal loans that we never actually floated. Later in this chapter, we will discuss the State's potential borrowing capacity.

Expenditure

91. On the expenditure side, the document looks at Social Contribution and Social Benefits, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2016-2021 (six years) and 2022 budget.

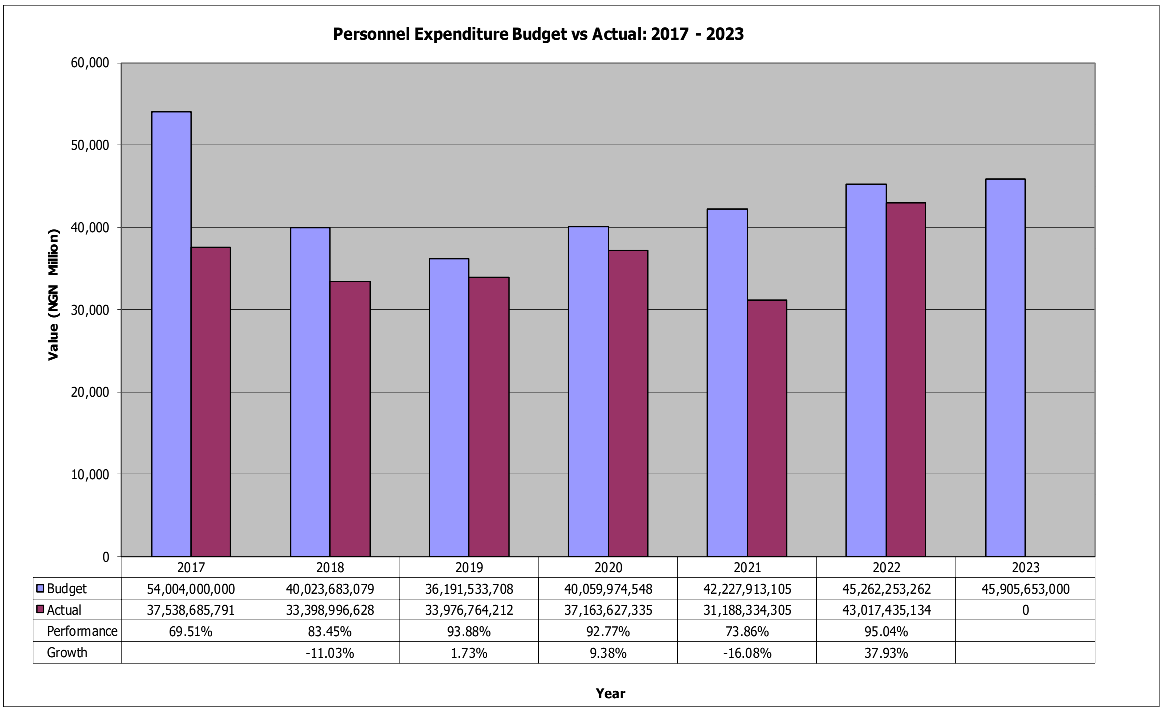
Figure 10: Social Contributions and Social Benefits Figure



92. Social Contributions and Social Benefits are mainly payments to the retired officers in the State. They include pensions, NHIS contribution, Gratuity, etc.

93. The performance of Social Contribution and Social Benefits have been considerably high over the years in view, it performs 99.06%, 90.54% and 90.63% in the years 2020, 2021 and 2022 respectively. This is because the State government prioritise the payment of pensions and gratuities to retirees in the State.

Figure 11: Personnel

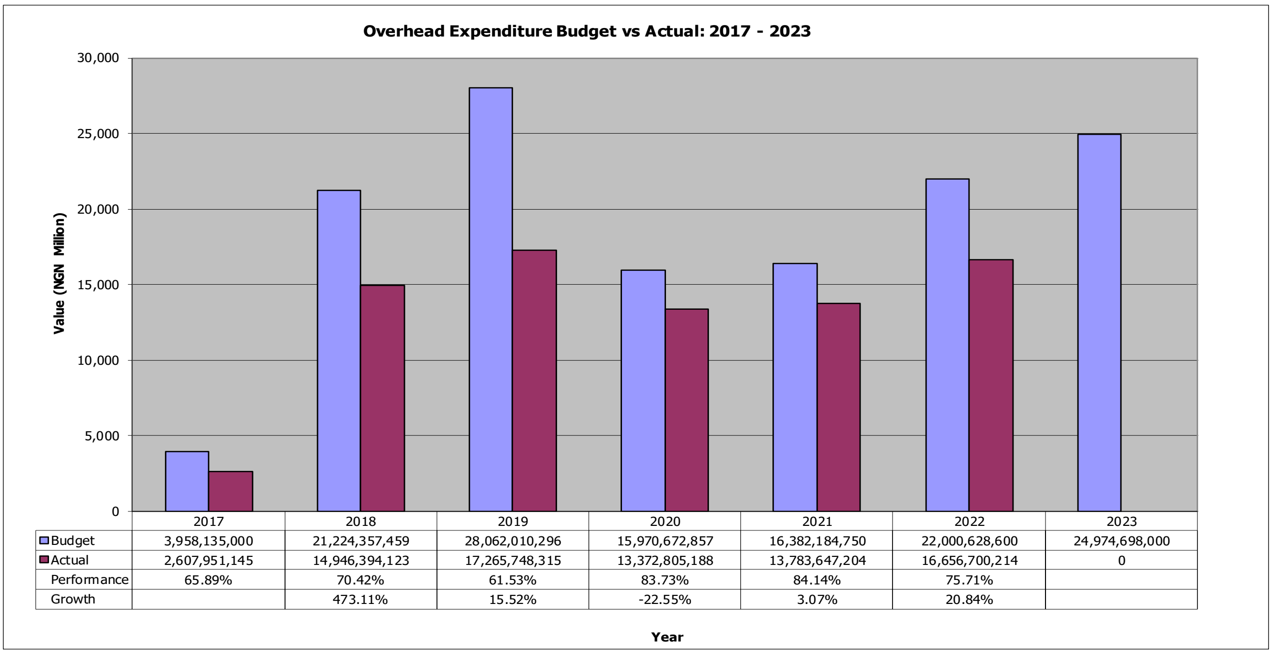


	2017	2018	2019	2020	2021	2022	2023
Budget	54,004,000,000	40,023,683,079	36,191,533,708	40,059,974,548	42,227,913,105	45,262,253,262	45,905,653,000
Actual	37,538,685,791	33,398,996,628	33,976,764,212	37,163,627,335	31,188,334,305	43,017,435,134	0
Performance	69.51%	83.45%	93.88%	92.77%	73.86%	95.04%	
Growth		-11.03%	1.73%	9.38%	-16.08%	37.93%	

94. Salary and wages include salary, wages of adhoc staff, consolidated revenue fund charge as well as clearance of salary arrears of core civil servants of the State. Provision for this head was extremely large in 2017 because of the seven-month accumulated salaries arrears the immediate past administration owed workers which were provided for and partly paid.

95. Actual expenditure has been close to budget in all the years being analysed except 2017 and 2021 because some months' salaries earlier provided for were not paid as envisaged.

Figure 12: Overheads



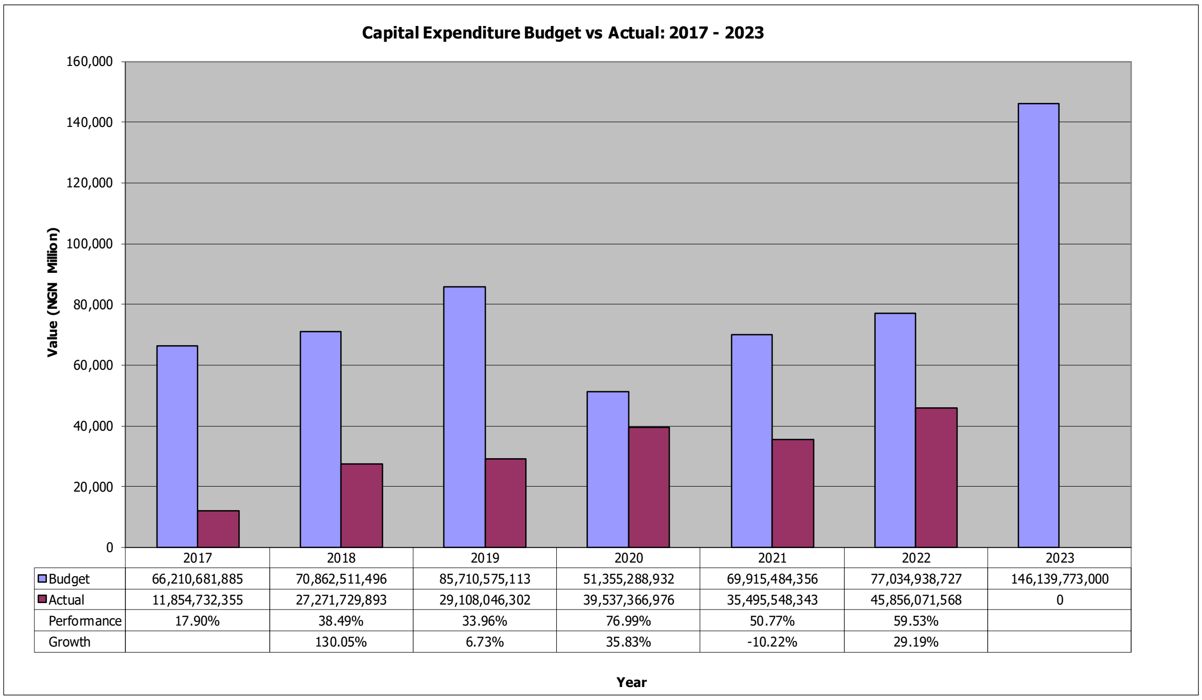
	2017	2018	2019	2020	2021	2022	2023
Budget	3,958,135,000	21,224,357,459	28,062,010,296	15,970,672,857	16,382,184,750	22,000,628,600	24,974,698,000
Actual	2,607,951,145	14,946,394,123	17,265,748,315	13,372,805,188	13,783,647,204	16,656,700,214	0
Performance	65.89%	70.42%	61.53%	83.73%	84.14%	75.71%	
Growth		473.11%	15.52%	-22.55%	3.07%	20.84%	

96. Overheads comprise mainly operational and maintenance costs for running day-to-day activities of Government. Overhead allocations are transferred to MEDAs on a monthly basis subject to warrants and availability of fund.

97. Deliberate steps were taken in the year 2017 to reduce cost of running government so as to free up more funds for capital projects in the State, owing to infrastructural gap left behind by recession of 2016. However, from year 2018, overhead budget jumped to an unprecedented height. This was because budget head called Special Programme was added to overhead cost and was later phased out in year 2022. Similarly, some recurrent related items in Capital Expenditure were moved to this budget head.

98. The performance against budget has been unstable over the years under review, in the year 2017, it performed at 65.89%, 70.42% in year 2018, 61.53% in year 2019, 83.73% in year 2020, 84.14% in year 2021 and 75.71% in year 2022. Going forward, overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.

Figure 13: Capital Expenditure



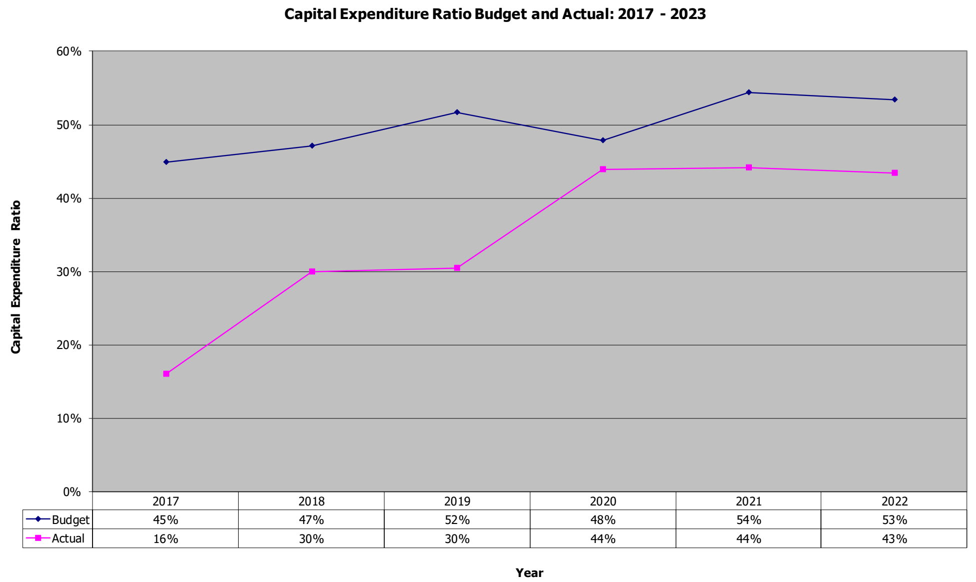
	2017	2018	2019	2020	2021	2022	2023
Budget	66,210,681,885	70,862,511,496	85,710,575,113	51,355,288,932	69,915,484,356	77,034,938,727	146,139,773,000
Actual	11,854,732,355	27,271,729,893	29,108,046,302	39,537,366,976	35,495,548,343	45,856,071,568	0
Performance	17.90%	38.49%	33.96%	76.99%	50.77%	59.53%	
Growth		130.05%	6.73%	35.83%	-10.22%	29.19%	

99. Capital expenditure refers to projects that generate assets (e.g. roads, schools, hospitals).

100. In the years under review, actual Capital Expenditures in relation to budget were low. This was owing to increase in recurrent expenditure which could not correspondingly match by the total revenue of the State. However, since the emergence of the present administration, there has been a change in the negative trend in capital expenditure, even though they could not match up with budget. This was because of the deliberate move by the present government to address the infrastructural decay that dotted the entire State.

101. Efforts should be made to ensure accurate forecast of revenues. Also, we must ensure capital expenditure is given better consideration in the subsequent years. There should be tight control on recurrent expenditure which will help to improve the level of actual capital expenditure performance against budget, going forward. This will also help in avoiding wasted effort in preparing detailed capital expenditure submissions that cannot, ultimately, be implemented.

Figure 14: Capital Expenditure Ratio



	2017	2018	2019	2020	2021	2022
Budget	45%	47%	52%	48%	54%	53%
Actual	16%	30%	30%	44%	44%	43%

102. Capital expenditure ratio measures both the ratio of capital budget projection to total budget figure and the ratio of actual capital figure to capital budget figure. The actual capital expenditure ratio in the years under consideration was below 45%, but worst in 2017 when the performance was 16%. This could be attributed to the aftermath of 2016 recession. However, the ratio was relatively stable from 2020 to 2022 at around 44%.

103. It will be observed that in all the years reviewed (i.e. 2017 – 2022) the actual capital expenditure ratio was lower than capital budget ratio.

By Sector

104. The emphasis of expenditure of the current administration has been on infrastructure which was, up till 2017, in a State of dis-repair. The allocations of high percentage of capital expenditure reflect this and the investment in this sector is expected to ultimately boost economic activities in the State.

105. The performance of personnel and overhead are detailed in tables 3a and 3b, while performance of capital expenditure is detailed in table 4 below.

Table 3: Sector Recurrent Expenditure – Budget Vs Actual

3a

Personnel Expenditure by Sector

No.	Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual
1	ADMINISTRATION OF JUSTICE	2,100,116,819	1,838,419,073	2,390,735,988	2,299,091,084	2,660,071,179	1,855,439,232	2,935,030,979	2,714,213,764
2	AGRICULTURAL DEVELOPMENT	1,440,966,925	1,205,370,080	1,389,728,284	1,295,629,609	1,381,743,877	1,049,074,609	1,094,386,994	880,810,099
3	EDUCATION	18,211,012,981	16,424,887,761	17,281,726,634	17,262,614,210	19,645,099,550	13,901,390,682	20,585,610,100	20,471,507,828
4	ENVIRONMENT AND SEWAGE MANAGEMENT	298,176,450	320,593,333	302,631,277	301,251,909	401,393,218	278,533,204	722,645,039	681,595,683
5	GENERAL ADMINISTRATION	1,095,489,291	873,009,309	4,962,745,875	2,678,075,823	3,239,608,114	1,633,912,207	3,176,863,429	2,264,402,088
6	HEALTH	8,341,071,055	9,289,466,439	9,358,190,518	9,261,770,713	10,100,367,276	8,916,284,109	11,843,360,664	11,222,797,579
7	INFORMATION	536,178,666	359,509,288	406,000,237	403,353,582	493,418,367	378,006,138	529,906,043	497,265,824
8	INFRASTRUCTURAL DEVELOPMENT	1,898,763,144	1,503,849,003	1,915,099,730	1,706,903,073	1,917,719,178	1,419,657,006	978,187,076	955,768,918
9	LEGISLATIVE ADMINISTRATION	420,471,148	373,742,839	332,590,330	331,805,595	432,095,003	321,590,913	974,737,336	455,398,488
10	PUBLIC FINANCE	1,292,162,423	1,056,208,474	828,349,758	772,072,447	861,989,195	663,236,582	15,032,860,899	14,080,152,549
11	REGIONAL DEVELOPMENT	0	0	0	0	0	0	0	0
12	COMMUNITY DEVELOPMENT	374,354,587	427,045,175	468,345,754	464,435,813	623,190,274	443,128,691	416,369,042	394,144,234
13	TRADE AND INDUSTRY	222,770,219	304,663,439	423,230,162	386,623,474	471,217,875	328,080,933	491,516,093	474,696,962
	Total	**36,231,533,708**	**33,976,764,212**	**40,059,374,548**	**37,163,627,335**	**42,227,913,105**	**31,188,334,305**	**58,781,473,692**	**55,092,754,016**

No.	Sector	Performance	Average Budget	Average Actual	2023 Budget	2023 Budget %	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	ADMINISTRATION OF JUSTICE	86.33%	5.69%	5.53%	5.61%	2,575,248,250	5.61%	2,841,595,038	5.61%	2,870,010,989	5.61%	2,956,111,318
2	AGRICULTURAL DEVELOPMENT	83.49%	2.99%	2.81%	2.90%	1,333,052,397	2.90%	1,470,924,241	2.90%	1,485,633,483	2.90%	1,530,202,488
3	EDUCATION	89.88%	42.71%	43.23%	42.97%	19,726,498,481	42.97%	21,766,724,903	42.97%	21,984,392,152	42.97%	22,643,923,917
4	ENVIRONMENT AND SEWAGE MANAGEMENT	91.72%	0.97%	1.00%	0.99%	453,953,605	0.99%	500,904,063	0.99%	505,913,104	0.99%	521,090,497
5	GENERAL ADMINISTRATION	59.72%	7.04%	4.73%	5.88%	2,701,101,581	5.88%	2,980,464,835	5.88%	3,010,269,484	5.88%	3,100,577,568
6	HEALTH	97.60%	22.36%	24.58%	23.47%	10,773,315,299	23.47%	11,887,552,706	23.47%	12,006,428,234	23.47%	12,366,621,081
7	INFORMATION	83.34%	1.11%	1.04%	1.07%	493,296,972	1.07%	544,316,545	1.07%	549,759,710	1.07%	566,252,501
8	INFRASTRUCTURAL DEVELOPMENT	83.25%	3.78%	3.55%	3.67%	1,683,121,180	3.67%	1,857,199,125	3.67%	1,875,771,116	3.67%	1,932,044,249
9	LEGISLATIVE ADMINISTRATION	68.64%	1.22%	0.94%	1.08%	495,775,444	1.08%	547,051,354	1.08%	552,521,868	1.08%	569,097,524
10	PUBLIC FINANCE	91.99%	10.16%	10.53%	10.34%	4,748,452,124	10.34%	5,239,563,990	10.34%	5,291,959,630	10.34%	5,450,718,419
11	REGIONAL DEVELOPMENT	0.00%	0.00%	0.00%	0.00%	0	0.00%	0	0.00%	0	0.00%	0
12	COMMUNITY DEVELOPMENT	91.84%	1.06%	1.10%	1.08%	495,733,177	1.08%	547,004,716	1.08%	552,474,763	1.08%	569,049,006
13	TRADE AND INDUSTRY	92.87%	0.91%	0.95%	0.93%	426,104,489	0.93%	470,174,633	0.93%	474,876,380	0.93%	489,122,671
	Total	88.79%	**100.00%**	**100.00%**	**100%**	**45,905,653,000**	**100.00%**	**50,653,476,150**	**100.00%**	**51,160,010,912**	**100.00%**	**52,694,811,239**

3b

Overhead Expenditure by Sector

No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	ADMINISTRATION OF JUSTICE	0.0302	779,227,201	3.02%	818,188,561	3.02%	859,097,989
2	AGRICULTURAL DEVELOPMENT	0.0078	199,857,675	0.78%	209,850,559	0.78%	220,343,087
3	EDUCATION	0.1484	3,824,272,146	14.84%	4,015,485,753	14.84%	4,216,260,041
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.0052	135,251,027	0.52%	142,013,578	0.52%	149,114,257
5	GENERAL ADMINISTRATION	0.1708	4,402,107,126	17.08%	4,622,212,482	17.08%	4,853,323,106
6	HEALTH	0.0128	330,031,160	1.28%	346,532,718	1.28%	363,859,354
7	INFORMATION	0.0175	451,017,441	1.75%	473,568,313	1.75%	497,246,729
8	INFRASTRUCTURAL DEVELOPMENT	0.0313	806,341,057	3.13%	846,658,109	3.13%	888,991,015
9	LEGISLATIVE ADMINISTRATION	0.1109	2,859,441,060	11.09%	3,002,413,113	11.09%	3,152,533,769
10	PUBLIC FINANCE	0.4081	10,517,504,715	40.81%	11,043,379,951	40.81%	11,595,548,949
11	REGIONAL DEVELOPMENT	0.0006	14,758,084	0.06%	15,495,988	0.06%	16,270,788
12	COMMUNITY DEVELOPMENT	0.0482	1,242,613,053	4.82%	1,304,743,705	4.82%	1,369,980,890
13	TRADE AND INDUSTRY	0.0082	211,466,592	0.82%	222,039,922	0.82%	233,141,918
	Total	**100.00%**	**25,773,888,336**	**100.00%**	**27,062,582,753**	**100.00%**	**28,415,711,890**

Table 4: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector		Discretionary Funds						Non-Discretionary Funds			Total Capital Envelope					
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	2024 Allocation	2025 Allocation	2026 Allocation	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	ADMINISTRATION OF JUSTICE	4.00%	11,974,787	4.00%	597,447,087	4.00%	688,200,549	0	0	0	0.0%	11,974,787	1.3%	597,447,087	1.6%	688,200,549
2	AGRICULTURAL DEVELOPMENT	8.00%	23,949,575	8.00%	1,194,894,174	8.00%	1,376,401,099	2,900,000,000	2,200,000,000	2,500,000,000	6.8%	2,923,949,575	7.1%	3,394,894,174	8.8%	3,876,401,099
3	EDUCATION	6.00%	17,962,181	6.00%	896,170,631	6.00%	1,032,300,824	0	0	0	0.0%	17,962,181	1.9%	896,170,631	2.3%	1,032,300,824
4	ENVIRONMENT AND SEWAGE MA	3.76%	11,258,746	3.76%	561,722,293	3.76%	647,049,084	0	0	0	0.0%	11,258,746	1.2%	561,722,293	1.5%	647,049,084
5	GENERAL ADMINISTRATION	5.60%	16,764,702	5.60%	836,425,922	5.60%	963,480,769	0	0	0	0.0%	16,764,702	1.8%	836,425,922	2.2%	963,480,769
6	HEALTH	7.33%	21,943,798	7.33%	1,094,821,787	7.33%	1,261,127,507	0	0	0	0.1%	21,943,798	2.3%	1,094,821,787	2.9%	1,261,127,507
7	INFORMATION	1.50%	4,490,545	1.50%	224,042,658	1.50%	258,075,206	0	0	0	0.0%	4,490,545	0.5%	224,042,658	0.6%	258,075,206
8	INFRASTRUCTURAL DEVELOPMEN	44.47%	133,129,697	44.47%	6,642,117,992	44.47%	7,651,069,608	22,635,132,500	11,587,808,000	4,259,500,000	53.0%	22,768,262,197	38.2%	18,229,925,992	27.1%	11,910,569,608
9	LEGISLATIVE ADMINISTRATION	6.00%	17,962,181	6.00%	896,170,631	6.00%	1,032,300,824	0	0	0	0.0%	17,962,181	1.9%	896,170,631	2.3%	1,032,300,824
10	PUBLIC FINANCE	4.00%	11,974,787	4.00%	597,447,087	4.00%	688,200,549	0	0	0	0.0%	11,974,787	1.3%	597,447,087	1.6%	688,200,549
11	REGIONAL DEVELOPMENT	0.00%	0	0.00%	0	0.00%	0	15,541,296,890	16,940,013,610	17,448,214,019	36.2%	15,541,296,890	35.5%	16,940,013,610	39.6%	17,448,214,019
12	COMMUNITY DEVELOPMENT	4.00%	11,974,787	4.00%	597,447,087	4.00%	688,200,549	1,600,000,000	2,000,000,000	2,500,000,000	3.8%	1,611,974,787	5.4%	2,597,447,087	7.2%	3,188,200,549
13	TRADE AND INDUSTRY	6.00%	17,962,181	6.00%	896,170,631	6.00%	1,032,300,824	0	0	0	0.0%	17,962,181	1.9%	896,170,631	2.3%	1,032,300,824
	Total	**100.66%**	**299,369,682**	**100.66%**	**14,936,177,181**	**100.66%**	**17,205,013,735**	**42,676,429,390**	**32,727,821,610**	**26,707,714,019**	**100.00%**	**42,977,777,357**	**100.00%**	**47,762,699,591**	**100.00%**	**44,026,421,411**

2.B.2 Debt Position

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

Table 5: Debt Position as at 31st December 2022

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2022**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	63.66%
2	Total Domestic Debt/IR	150%	281.24%
3	Total External Debt/Total Revenue	50%	34.29%
4	Total Public Debt/Total Revenue	100%	97.96%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.86%
7	Total Debt Service/Total Revenue	15%	7.10%
8	Domestic Debt Service/IR	10%	27.58%
			2022 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2022**		**Naira**
1	Total Domestic Debt		75,505,992,900
2	Total External Debt		40,675,638,929
3	**Total Public Debt**		**116,181,631,829**
4	Total Domestic Debt Service 2022		7,405,217,498
5	Total External Debt Service in 2022		1,018,102,758
6	**Total Public Debt Service**		**8,423,320,256**
C	**STATE GDP FOR 2022**		
1	**State GDP**		5.10 trillion

107. The total public debt of the State as at December 2022 was N116,181,631,829.00, divided into N75,505,992,900.00 and N40,675,638,929.00 for Domestic and External Debts respectively. In the year, the State spent the sum of 8,423,320,256.00 to finance both debts. Under solvency ratios, total external debt/total revenue and total public debt/total revenue ratios were less than the sustainability threshold, others were higher than the required sustainability threshold. The worst is the domestic debt to IR ratio, at 281.24% which is 131.24% higher than the required threshold of 150%. This culminated into higher domestic debt service/IR ratio under liquidity ratios. This was largely due to a low IR base which must be increased in the short-medium term. Once IR is at a more appropriate level compared to the level of economic activity in the State, more domestic borrowing will be possible.

108. In the medium term, although foreign exchange presents a risk, foreign loans is more affordable solution to borrowing.

Section 3 Fiscal Strategy Paper

109. Fiscal Strategy Paper highlights the macroeconomic and fiscal policy objectives of the State Government over the medium-term period of 2024-2026 and the strategies to be implemented to achieve the objectives.

3.A Macroeconomic Framework

110. The Macroeconomic framework is based on key macroeconomic Indicators which are usually used to evaluate the performance of an economy. The Macroeconomic framework reflects the mineral sector benchmarks (production, price and NGN:USD exchange rate) as laid out in the Federal Government Medium Term Expenditure Framework for the period 2024-2026. Real GDP growth and Inflation (CPI) are as per the IMF World Economic Outlook dated April 2023 and Federal Government MTEF. The figures represent a prudent macro-economic framework from which the Ondo State Medium Term Expenditure Framework is drawn.

Table 6: Macroeconomic Framework

Item	2023	2024	2025	2026
National Inflation	17.16%	21.40%	20.30%	18.60%
National Real GDP Growth	3.75%	3.76%	4.22%.	4.78%
Oil Production Benchmark (MBPD)	1.720	1.780	1.670	1.580
Oil Price Benchmark	$75.00	$77.96	$73.80	$69.90
NGN:USD Exchange Rate	435.57	750.00	700,00	700.00

3.B Fiscal Strategy and Assumptions

Policy Statement

Policy Thrust and Priorities for the 2024 Budget

111. The policy thrust and priorities of Government in the next fiscal year is aimed at streamlining sectorial programmes and projects within the framework of the Medium-Term Expenditure Framework (MTEF) and to further consolidate on the gains of this administration in the last six years as contained in Second Term Blueprint Christened the REDEEMED agenda. The varying competing needs of different sectors should be prioritized and programmes/projects necessary to address them be properly aligned within the Medium-Term Sector Strategy (MTSS). To this end, the main objectives of 2024 Budget are to:

i. invest in human capital development with renewed vigour;

ii. intensify Independent Revenue collection for attainment of financial resilience and sustainability;

iii. optimize resource inflow and expand fiscal space nationally and internationally;
iv. expand the scope and reach of social safety nets and livelihood support programmes to the deserving citizens of the State;
v. develop agricultural value chain and promote expansion of agricultural productivity to enhance food security;
vi. stimulate rural economy for shared prosperity;
vii. address environmental degradation occasioned by climate change;
viii. adhere to development policy and ensure fiscal discipline; and
ix. safeguard lives and livelihood in a secure environment.

112. The above objectives are to be achieved by the deployment of the following strategies:

i. Ensuring full automation of all forms of revenue collection and expansion of the tax net with data-driven tax administration;
ii. Leveraging on Donor and Development Partners' Support in funding key intervention programmes;
iii. Creating employment and jobs in Agric-Business and Enterprises;
iv. Ensuring increase in and proper administration of funds allocated to social safety nets programmes;
v. Providing subsidized inputs and grants/soft loans to farmers and SME's;
vi. Establishing agro-allied cottage industries;
vii. Prioritizing massive construction of rural amenities and community-based infrastructure;
viii. Consolidating the on-going river path channelization and encouraging reforestation and tree planting system across the State;
ix. Setting up achievable key performance indicators for all sectors of the State and making available resources and enabling environment needed to achieve them;
x. Ensuring efficient Public Financial Management through timely and effective prioritization to achieve development goals;
xi. Increasing essential support to security agencies for crime prevention and control; and
xii. Reduction of the State's recurrent expenditure/cost of governance to mop up fund for Capital projects.

3.C Indicative Three-Year Fiscal Framework

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

Table 7: Ondo State Medium Term Fiscal Framework

Macro-Economic Framework

Item	2023	2024	2025	2026
National Inflation	17.16%	21.40%	20.30%	18.60%
National Real GDP Growth	3.75%	3.76%	4.22%	4.78%
Oil Production Benchmark (MBPD)	1.7200	1.7800	1.6700	1.5800
Oil Price Benchmark	$75.00	$77.96	$73.80	$69.90
NGN:USD Exchange Rate	435.57	750	700	700
Recurrent Revenue	**2023**	**2024**	**2025**	**2026**
Statutory Allocation	35,298,844,991	45,367,453,583	44,470,983,205	46,436,209,682
Net Derivation	18,499,522,348	30,524,211,875	32,050,422,468	33,652,943,592
VAT	25,128,948,522	30,301,829,040	34,214,562,676	37,684,474,387
Independent Revenue (IR)	32,009,919,000	32,385,013,997	38,467,941,050	42,254,235,155
Excess Crude	25,085,000,000	16,439,986,003	12,448,250,000	12,572,732,500
Total Recurrent Revenue	**136,022,234,862**	**155,018,494,498**	**161,652,159,399**	**172,600,595,316**
Recurrent Expenditure				
Salary and Wages	45,905,653,000	62,546,031,420	63,171,491,734	65,066,636,486
Overheads	24,974,698,000	27,472,167,800	28,845,776,190	30,288,065,000
Social Contribution and Social Bene	12,960,695,000	18,170,000,000	19,078,500,000	20,032,425,000
Grants and Contributions	13,848,220,000	15,756,403,000	16,071,531,060	16,392,961,681
Public Debt Charge	14,078,140,122	16,316,930,000	16,659,585,530	17,009,436,826
Transfer to Local Government	2,592,047,480	2,621,453,571	3,086,797,490	3,376,448,989
Transfer to Internal Revenue Servic	6,080,148,520	6,170,478,289	7,599,966,147	8,489,745,261
Total	**120,439,602,122**	**149,053,464,080**	**154,513,648,151**	**160,655,719,244**
Capital Receipts				
Grants	17,398,060,000	15,700,000,000	7,601,000,000	8,308,000,000
Other Capital Receipts	36,209,914,260	83,100,000,000	18,800,000,000	18,800,000,000
Total	**53,607,974,260**	**98,800,000,000**	**26,401,000,000**	**27,108,000,000**
Transfer to OSOPADEC	**9,399,809,000**	**12,209,684,750**	**12,820,168,987**	**13,461,177,437**
Reserves				
Contingency Reserve	0	10,073,332,046	4,670,455,962	4,440,208,804
Planning Reserve	0	3,875,462,362	4,041,303,985	4,315,014,883
Total Reserves	**0**	**13,948,794,409**	**8,711,759,947**	**8,755,223,687**
Capital Expenditure	**146,139,773,000**	**175,308,161,764**	**71,877,190,313**	**66,587,774,949**
Discretional Funds	82,670,950,000	105,210,909,264	37,197,582,313	39,216,474,949
Non-Discretional Funds	63,468,823,000	70,097,252,500	34,679,608,000	27,371,300,000
Financing	86,348,975,000	96,701,610,505	59,869,608,000	49,751,300,000
Total Budget Size	**275,979,184,000**	**350,520,105,002.81**	**247,922,767,399**	**249,459,895,316**
Ratios				
Growth in Recurrent Revenue	43.40%	13.97%	4.28%	6.77%
Growth in Recurrent Expenditure	10.23%	23.76%	3.66%	3.98%
Capital Expenditure Ratio	56.69%	54.60%	35.79%	33.82%
Deficit to Total Expenditure	31.47%	27.59%	24.15%	19.94%

113. The capital receipts expected in the State for the period 2024-2026 is presented in the table below.

Table 8: Capital Receipts

ITEM	2023	2024	2024 GCC	2025	2026
Internal Grants					
IG & MRU FG Conditional Grant	0	0	0	0	0
IG & MRU (Public Work Fare)/Cash Transfer	0	0	0	0	0
O-CARES -Public Work Fare	1,110,000,000	4,677,210,000	0	0	0
O-CARES Cash Transfer	637,630,000	982,600,000		0	0
O-CARES Commerce	330,300,000	187,000,000		0	0
O-CARES Micro Credit	93,400,000	0		0	0
O-CARES CSDP	507,500,000	2,940,390,000	0	2,000,000,000	2,500,000,000
O-CARES FADAMA	1,915,700,000	3,212,800,000	0	2,200,000,000	2,500,000,000
O-CARES Economic Planning	405,470,000	0	0	0	0
National Gas Expansion Programme	150,000,000	70,000,000	30,000,000	70,000,000	30,000,000
State Fiscal Transparency Accountability and Sustainability Program for Results (SFTAS)	0	0		0	0
SUBEB (UBEC)	3,390,000,000	1,500,000,000	1,500,000,000	1,100,000,000	900,000,000
Basic Health Care Provision Fund (Contributory Health Scheme)	430,000,000	340,000,000	80,000,000	300,000,000	300,000,000
Basic Health Care Provision Fund (PHCDA)	0	0		0	0
SABER Grant	10,000,000,000			0	0
Youth Employment and Social Support Operations (YESSO)/NASSCO/SOCU	290,000,000	100,000,000.00	40,000,000.00	391,000,000	488,000,000
Basic Health Care Provision Fund (Emergency Response Agency)	0	0	0	0	0
Sub-Total Internal Grant	**19,260,000,000**	**14,010,000,000**	**1,650,000,000**	**6,061,000,000**	**6,718,000,000**
External Grants					
UNICEF	290,000,000	350,000,000	60,000,000	0	0
United Nations Population Fund (UNFPA)	2,200,000	0	0	0	0
Ondo State Cervical Cancer Secondary Prevention (WHO)	22,000,000	0	0	0	0
REDD+ Project (World Bank Supported)	100,000,000	590,000,000	0	590,000,000	590,000,000
DFB/Public Private Mix Intervention	32,000,000	0	0	0	0
Partnership for Expansion of Water Supply and Sanitation and Hygiene (PEWASH)	1,000,000,000	750,000,000	750,000,000	950,000,000	1,000,000,000
Health Promotion (Production & Airing of Jingles) WHO	5,000,000	0	0	0	0
Food and Agric Organisation Support (FAO)	0	0		0	
Sub-Total External Grant	**1,451,200,000**	**1,690,000,000**	**810,000,000**	**1,540,000,000**	**1,590,000,000**
Grant Balancing Item / Blue Sky					
Total Grants	**20,711,200,000**	**15,700,000,000**	**2,460,000,000**	**7,601,000,000**	**8,308,000,000**
Internal Loans					
Bond	30,000,000,000	0		0	0
Internal Loans/Borrowings	25,000,000,000	37,355,210,505		25,000,000,000	25,000,000,000
Accelerated Agricultural Development Scheme (AADS) OSAEC	1,000,000,000	1,000,000,000	0	0	0
African Development Bank (AfDB) (SAPZ) (OSAEC)	1,000,000,000	0	0	0	0
Access Bank Facility for Urban Water Project				0	0
AUDA NEPAD (OSAEC)	500,000,000			0	0
National Livestock Transformation Fund (OSAEC)	0			0	0
Red Gold -Oil Palm (OSAEC)	2,000,000,000			0	0
IDH The Sustainable Trade Initiative (OSAEC)	0		0	0	0
Cocoa Development Initiative (Cocoa Revolution)	0		0	0	0
Livestock Productivity and Resilence Support (L-PRESS)	680,000,000	600,000,000	60,000,000	600,000,000	60,000,000
LIFE-ND	594,300,000	514,300,000	80,000,000	514,300,000	514,300,000
Total	**60,774,300,000**	**39,469,510,505**	**140,000,000**	**26,114,300,000**	**25,574,300,000**
Loans 2					
FADAMA III Project	0	0		0	0
CSDP					
Immunization Plus and Malaria Progress by Accelerating Coverage and Transforming Services (IMPACT)	0	4,230,000,000	0	4,230,000,000	4,230,000,000
Youth Employment and Social Support Operations (YESSO)/NASSCO/SOCU					
Nigeria for Women Project (NFWP)	0	5,000,000,000	450,000,000	5,000,000,000	5,000,000,000
SABER Grant	0	5,000,000,000		5,000,000,000	5,000,000,000
REDD+ Project (World Bank Supported)-Co-Financing	0	5,000,000,000	1,000,000,000	5,000,000,000	5,000,000,000
French Development Agency(AFD) Water Facility	9,000,000,000	20,462,100,000	2,557,762,500	1,933,308,000	1,270,000,000
RAAMP	7,570,000,000	13,000,000,000	3,470,000,000	8,392,000,000	1,677,000,000
African Development Bank (AfDB) Water Facility	10,000,000,000	4,540,000,000	1,135,000,000	4,200,000,000	2,000,000,000
Ondo State Erosion and Watershed Management Project (NEWMAP)	1,350,000,000	0	0	0	0
Ondo State Agro-Processing Productivity Enhancement and Livelihood Improvement Support (OAPPEALS)	150,000,000	0	0	0	0
Total	**28,070,000,000**	**57,232,100,000**	**8,612,762,500**	**33,755,308,000**	**24,177,000,000**
Loan Balancing Item / Blue Sky	0.00	0.00		0	0
Total Loans	**88,844,300,000**	**96,701,610,505**	**8,752,762,500**	**59,869,608,000**	**49,751,300,000**
Other Capital Receipts					
Roll-Over Fund	24,002,191,122.00	22,000,000,000.00		5,000,000,000.00	5,000,000,000.00
Roll-Over Fund- OSAEC (CACS & AADS)	200,953,000.00	300,000,000.00	0	0	0
Roll-Over Fund-Lands	0		0	0	0
Roll-Over Fund- UNIMEDSTH	0		0	0	0
Roll-Over Fund- Works and Infrastructure	0		0	0	0
Stabilization Fund	10,000,000,000	35,000,000,000		0	0
Exchange Gain	0	24,000,000,000	0	12,000,000,000	12,000,000,000
Contributory Health Scheme (Insurance Premium)	750,000,000	1,800,000,000	0	1,800,000,000	1,800,000,000
Forex Account Stabilisation/Excess Bank Charges Refund	0	0	0	0	0
Total Other Capital Receipt	**35,753,144,122**	**83,100,000,000**	**0**	**18,800,000,000**	**18,800,000,000**
OCR Balancing Item / Blue Sky					
Total Other Capital Receipts	**35,753,144,122**	**83,100,000,000**	**0**	**18,800,000,000**	**18,800,000,000**

3.C.1 Assumptions

114. **Statutory Allocation** – This is a fund collected from custom duties, taxes, company income tax, etc shared among the three tiers of government on a prescribed ratio. Own Value is used for statutory allocation.

115. **Net Derivation** – the estimation of net derivation is based on own value forecast method using the assumptions adopted for statutory allocation.

116. **VAT** – the estimation of net derivation is based on thee-year simple average forecast method.

117. **Other Federation Account Distributions** – the estimation is based on the current receipt (i.e. from January to June 2023). Furthermore, it is anticipated that governments will press FAAC for excess crude distributions in 2024 to assist in funding the challenges brought about by fuel subsidy removal.

118. **Independent Revenue (IR) –** the current administration introduced measures to grow IR. These measures have started yielding results as actual IR has been on the increase since 2018. It is anticipated that IR will continue to increase by 20% every year from 2021 and start to stabilise from 2024. Own Value is therefore used to forecast IGR for 2024 – 2026.

119. **Grants –** The internal grants are based on the actual receipts for 2022 and performance from January to June 2023. External grants are based on signed grant agreements with the development partners

120. **Financing (Net Loans)** – Ondo State intends to secure an internal loan/borrowing of about N39.47 billion in 2024. All other internal and external loans are projections based on signed agreements.

121. **Personnel** – It is anticipated that the anticipated salary increase expected to take effect in 2024 will impact on the wage bill in the year. So, the projection is that total wage bill will increase in 2024, 2025 and 2026 as a result of workers' yearly increment.

122. **Overheads** – Overhead has been relatively stable over the last five years. It is anticipated that it will increase because of increase of commodity prices occasioned by fuel subsidy removal. Consequently, own percentage method is used to forecast overhead for 2024, 2025 and 2026.

123. **Social Contribution and Social Benefits** – A substantial amount is being owed as pension and gratuity payment. It is appropriate to make adequate provision for these items and other social commitments. Hence, the own value, representing computation for outstanding commitments as well as estimation for next medium term is used.

124. **Public Debt Charge** – is based on the projected principal and interest due for repayments in 2024, 2025 and 2026.

125. **Transfer to Internal Revenue Services** – is 10% of total IGR for 2024, 2025 and 2026.

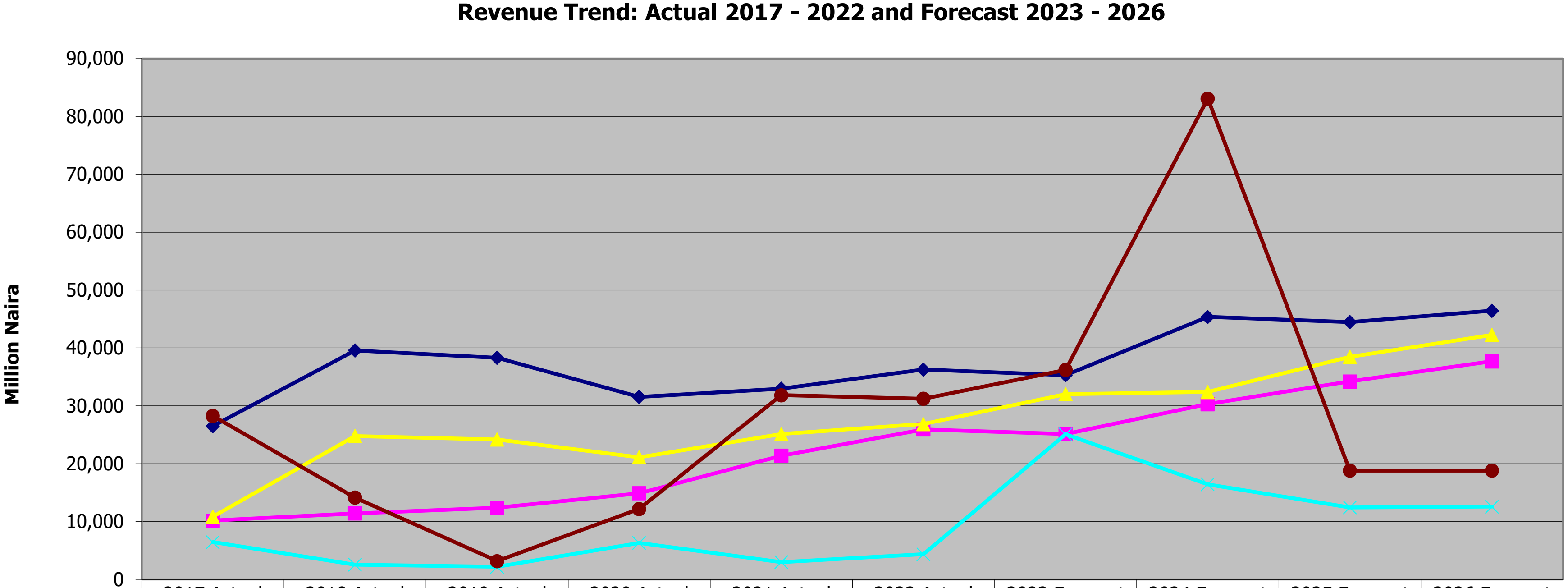
126. **Transfer to Local Governments** – is 10% of total IGR (after deduction of cost of collection) for 2024, 2025 and 2026.

127. **Capital Expenditure** – is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above.

3.C.2 Fiscal Trends

128. Based on the above assumptions, plus actual revenue and expenditure figures for 2017-2022 (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 expenditure in the line graphs below.

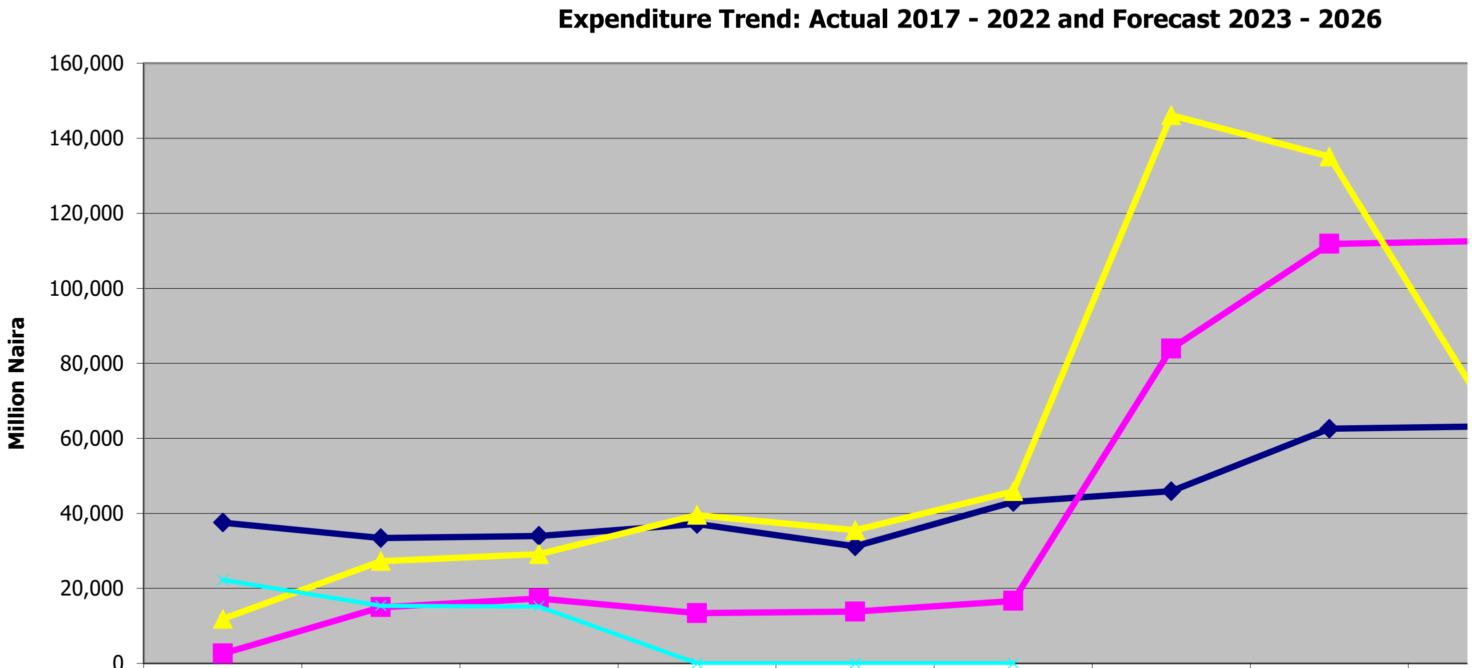
Figure 15: Ondo State Revenue Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Stat.Allocation	26,494,873,18	39,582,605,20	38,310,622,77	31,549,178,88	32,958,772,16	36,265,401,54	35,298,844,99	45,367,453,58	44,470,983,20	46,436,209,68
VAT	10,174,457,87	11,419,703,36	12,388,614,57	14,892,602,06	21,386,339,16	25,925,646,25	25,128,948,52	30,301,829,04	34,214,562,67	37,684,474,38
Total IGR	10,862,612,69	24,787,441,31	24,187,708,28	21,094,342,13	25,124,731,34	26,847,940,99	32,009,919,00	32,385,013,99	38,467,941,05	42,254,235,15
Other Federation Account Receipts	6,448,726,096	2,545,159,460	2,167,297,125	6,315,824,902	2,984,664,770	4,355,022,518	25,085,000,00	16,439,986,00	12,448,250,00	12,572,732,50
Capital Receipts	28,269,528,57	14,131,383,56	3,173,906,042	12,188,266,90	31,843,775,68	31,235,567,55	36,209,914,26	83,100,000,00	18,800,000,00	18,800,000,00

Year

Figure 16: Ondo State Expenditure Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025
Personnel Costs	37,538,685,79	33,398,996,62	33,976,764,21	37,163,627,33	31,188,334,30	43,017,435,13	45,905,653,00	62,546,031,42	63,17
Overheads	2,607,951,145	14,946,394,12	17,265,748,31	13,372,805,18	13,783,647,20	16,656,700,21	83,933,758,00	111,833,428,3	112,6
Cap. Ex.	11,854,732,35	27,271,729,89	29,108,046,30	39,537,366,97	35,495,548,34	45,856,071,56	146,139,773,0	135,136,430,2	67,06
CRF Charges	22,259,194,63	15,349,907,01	15,162,491,25	0	0	0			

Year

3.D Fiscal Risks

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

Table 10: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Militancy/Pipeline vandalism that could lead to reduction in daily oil production	Low	Low	Dependence on Statutory allocation and Mineral derivation is crucial to the budget. The low expectation of pipeline vandalism in the next fiscal year is due to installation of an application launched in August 2022 to monitor and help curb oil theft and pipeline vandalism. This should be sustained. Notwithstanding, efforts should be made to increase IGR so as to decrease reliance on federal transfers.
Security situation countrywide could affect economic activity and oil production, resulting in risk to VAT and Statutory Allocation. It also creates fear in the tax officers as they cannot freely go everywhere for collection.	Medium	High	The estimates for VAT and statutory allocation are not overly ambitious. In addition, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.)
Risks associated with debt financing	Low	Medium	Use of external borrowing to finance budget deficit
Mismanagement and inefficient use of financial resources	Medium	High	Adherence to existing and new institutional and legal/regulatory framework that will require more transparent and efficient use of financial resources.
Floods, Fulani herdsmen/ farmers crises and other natural disasters impact on economic activity and hence IGR tax base, causing increased overhead expenditure	Medium	Medium	Increased investment to increase climate resilience (flood control and irrigation), improved security situation, adaptation, and awareness

130. It should be noted, however, that no budget is without risk. The ongoing implementation of the 2023 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Section 4

Budget Policy Statement

131. The 2024 Budget is to harness the State's resources to birth healthy, knowledgeable and prosperous citizens through prioritised investment in agriculture, infrastructure, human capital development and rural economy in a secure environment.

4.A Budget Policy Thrust

132. The overall policy objectives are captured by the following points:

- invest in human capital development with renewed vigour;
- intensify Independent Revenue collection for attainment of financial resilience and sustainability;
- optimize resource inflow and expand fiscal space nationally and internationally;
- expand the scope and reach of social safety nets and livelihood support programmes to the deserving citizens of the State;
- develop agricultural value chain and promote expansion of agricultural productivity to enhance food security;
- stimulate rural economy for shared prosperity;
- address environmental degradation occasioned by climate change;
- adhere to development policy and ensure fiscal discipline; and
- safeguard lives and livelihood in a secure environment.

4.B Sector Allocations (3 Year)

133. The total forecast budget size for the 2024 fiscal year as explained in Section 3.C above is **₦350,520,105,002.81** of which the sum of **₦149,053,464,080.00** will be for recurrent expenditure (i.e. Personnel, Overhead, Social Contributions, Grants & Contributions Public Debt Charge, Transfer to Internal Revenue Service and Transfer to Local Governments), **₦175,308,161,764.00** will be for capital expenditure and **₦12,209,684,750.00** as transfer to OSOPADEC. The capital component of the budget is derived from discretionary and non-discretionary funds. Discretionary fund of **₦105,210,909,264.00** will be distributed to all MEDAs while non-discretionary capital fund of **₦70,097,252,500.00** is specifically earmarked for special projects. The non-discretionary fund is in

the form of loans and grants. The total of sum of **₦3,875,462,362.00** is earmarked as Planning Reserve.

134. The indicative overhead and capital allocation (envelope) to the sectors for 2024-2026 are based on the combined proportion of budget and actual expenditure as shown in tables 11 (a and b) and 12 below.

11a

Personnel Expenditure by Sector							
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	ADMINISTRATION OF JUSTICE	5.61%	3,508,752,134	5.61%	3,543,839,656	5.61%	3,650,154,845
2	AGRICULTURAL DEVELOPMENT	2.90%	1,816,271,671	2.90%	1,834,434,388	2.90%	1,889,467,420
3	EDUCATION	42.97%	26,877,173,359	42.97%	27,145,945,092	42.97%	27,960,323,445
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.99%	618,507,626	0.99%	624,692,702	0.99%	643,433,484
5	GENERAL ADMINISTRATION	5.88%	3,680,226,145	5.88%	3,717,028,406	5.88%	3,828,539,258
6	HEALTH	23.47%	14,678,543,342	23.47%	14,825,328,775	23.47%	15,270,088,639
7	INFORMATION	1.07%	672,112,603	1.07%	678,833,729	1.07%	699,198,741
8	INFRASTRUCTURAL DEVELOPMENT	3.67%	2,293,237,180	3.67%	2,316,169,552	3.67%	2,385,654,638
9	LEGISLATIVE ADMINISTRATION	1.08%	675,489,498	1.08%	682,244,393	1.08%	702,711,725
10	PUBLIC FINANCE	10.34%	6,469,722,492	10.34%	6,534,419,717	10.34%	6,730,452,309
11	REGIONAL DEVELOPMENT	0.00%	0	0.00%	0	0.00%	0
12	COMMUNITY DEVELOPMENT	1.08%	675,431,910	1.08%	682,186,229	1.08%	702,651,816
13	TRADE AND INDUSTRY	0.93%	580,563,460	0.93%	586,369,095	0.93%	603,960,168
	Total	**100.00%**	**62,546,031,420**	**100.00%**	**63,171,491,734**	**100.00%**	**65,066,636,486**

11b

Overhead Expenditure by Sector							
No.	**Sector**	**% 2024**	**2024 Allocation**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**
1	ADMINISTRATION OF JUSTICE	0.0302	830,571,629	3.02%	872,100,211	3.02%	915,705,221
2	AGRICULTURAL DEVELOPMENT	0.0078	213,026,591	0.78%	223,677,921	0.78%	234,861,817
3	EDUCATION	0.1484	4,076,259,070	14.84%	4,280,072,024	14.84%	4,494,075,625
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.0052	144,162,916	0.52%	151,371,062	0.52%	158,939,615
5	GENERAL ADMINISTRATION	0.1708	4,692,168,448	17.08%	4,926,776,870	17.08%	5,173,115,714
6	HEALTH	0.0128	351,777,399	1.28%	369,366,269	1.28%	387,834,583
7	INFORMATION	0.0175	480,735,644	1.75%	504,772,427	1.75%	530,011,048
8	INFRASTRUCTURAL DEVELOPMENT	0.0313	859,472,056	3.13%	902,445,659	3.13%	947,567,942
9	LEGISLATIVE ADMINISTRATION	0.1109	3,047,853,843	11.09%	3,200,246,535	11.09%	3,360,258,862
10	PUBLIC FINANCE	0.4081	11,210,518,592	40.81%	11,771,044,521	40.81%	12,359,596,747
11	REGIONAL DEVELOPMENT	0.0006	15,730,516	0.06%	16,517,042	0.06%	17,342,894
12	COMMUNITY DEVELOPMENT	0.0482	1,324,490,657	4.82%	1,390,715,190	4.82%	1,460,250,949
13	TRADE AND INDUSTRY	0.0082	225,400,438	0.82%	236,670,459	0.82%	248,503,982
	Total	**100.00%**	**27,472,167,800**	**100.00%**	**28,845,776,190**	**100.00%**	**30,288,065,000**

Table 12: Sector Capital Expenditure – Budget

Capital Expenditure by Sector				Discretionary Funds						Non-Discretionary	Total Capital Envelope					
No.	Sector	2023 Budget	2023 Budget %	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	2024 Allocation	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	ADMINISTRATION OF JUSTICE	0.018	1,457,839,384	4.00%	4,208,436,371	4.00%	1,487,903,293	4.00%	1,568,658,998	0	2.2%	4,208,436,371	1.8%	1,487,903,293	1.7%	1,568,658,998
2	AGRICULTURAL DEVELOPMENT	0.056	4,617,109,907	10.00%	10,521,090,926	10.00%	3,719,758,231	10.00%	3,921,647,495	12,357,100,000	12.2%	22,878,190,926	14.9%	12,624,058,231	13.4%	12,585,947,495
3	EDUCATION	0.075	6,206,105,478	15.00%	15,781,636,390	15.00%	5,579,637,347	15.00%	5,882,471,242	3,000,000,000	10.0%	18,781,636,390	7.9%	6,679,637,347	7.2%	6,782,471,242
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.038	3,109,103,154	13.00%	13,677,418,204	13.00%	4,835,685,701	13.00%	5,098,141,743	0	7.3%	13,677,418,204	5.7%	4,835,685,701	5.4%	5,098,141,743
5	GENERAL ADMINISTRATION	0.064	5,309,010,590	5.50%	5,786,600,010	5.50%	2,045,867,027	5.50%	2,156,906,122	0	3.1%	5,786,600,010	2.4%	2,045,867,027	2.3%	2,156,906,122
6	HEALTH	0.080	6,584,160,874	15.00%	15,781,636,390	15.00%	5,579,637,347	15.00%	5,882,471,242	6,450,000,000	11.9%	22,231,636,390	14.1%	11,909,637,347	13.0%	12,212,471,242
7	INFORMATION	0.006	503,730,251	1.50%	1,578,163,639	1.50%	557,963,735	1.50%	588,247,124	0	0.8%	1,578,163,639	0.7%	557,963,735	0.6%	588,247,124
8	INFRASTRUCTURAL DEVELOPMENT	0.487	40,286,640,146	9.00%	9,468,981,834	9.00%	3,347,782,408	44.47%	17,439,566,410	39,302,762,500	26.0%	48,771,744,334	17.3%	14,693,090,408	22.8%	21,416,566,410
9	LEGISLATIVE ADMINISTRATION	0.009	731,296,327	6.00%	6,312,654,556	6.00%	2,231,854,939	6.00%	2,352,988,497	0	3.4%	6,312,654,556	2.6%	2,231,854,939	2.5%	2,352,988,497
10	PUBLIC FINANCE	0.086	7,145,789,836	5.00%	5,260,545,463	5.00%	1,859,879,116	5.00%	1,960,823,747	410,000,000	3.0%	5,670,545,463	2.2%	1,859,879,116	2.1%	1,960,823,747
11	REGIONAL DEVELOPMENT	0.044	3,668,811,773	0.00%	0	0.00%	0	0.00%	0	12,209,684,750	6.5%	12,209,684,750	15.1%	12,820,168,987	14.3%	13,461,177,437
12	COMMUNITY DEVELOPMENT	0.017	1,417,938,559	10.00%	10,521,090,926	10.00%	3,719,758,231	10.00%	3,921,647,495	8,390,390,000	10.1%	18,911,480,926	12.7%	10,719,758,231	12.2%	11,421,647,495
13	TRADE AND INDUSTRY	0.020	1,633,413,720	6.00%	6,312,654,556	6.00%	2,231,854,939	6.00%	2,352,988,497	187,000,000	3.5%	6,499,654,556	2.6%	2,231,854,939	2.5%	2,352,988,497
	Total	**100.00%**	**82,670,950,000**	**100.00%**	**105,210,909,264**	**100.00%**	**37,197,582,313**	**135.47%**	**39,216,474,949**	**82,306,937,250**	**100.00%**	**187,517,846,514**	**100.00%**	**84,697,359,300**	**100.00%**	**93,959,036,050**

Note: the total non-discretionary fund for the medium term on this table is different from that which is on the Microeconomic Framework page. This is due to the addition of allocations to OSOPADEC as capital allocation on this page.

4.C Considerations for the Annual Budget Process

136. The budget call circular should include the following instructions to MEDAs for the annual budget submissions:

    i. Only prioritised projects. contained in the sectors' MTSS should be in the MEDAs capital budget proposal;

    ii. Budget submissions for capital projects must include full life-time capital investment requirements (costs) and also sources of funding (particularly if grants and/or loans are being used to partially/fully fund the project);

    iii. This year Budget will be programme-based, such that each input and activity must speak to expected outcomes as captured in the REDEEMED agenda.

Section 5 Summary of Key Points and Recommendations

137. We summarise below a list of the key points arising in this document:

a. Ondo State should sustain the current Budget reform programme, particularly as it relates to the preparation of a realistic budget, total alliance with National Chart of Accounts, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Effort made to increase MTSS preparation from five sectors to ten in the current year is commendable. Similar effort should be put in place to cover the remaining three sectors in the coming budget season. It is worthy to advise that government use projections in the MTSS document as inputs into the State budget rather than allow the sector planning team waste their precious time to prepare it without making use of it.

b. Ondo State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than $66 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration Reports validates the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation and other associated revenue items.

c. The State should also intensify more efforts in Independent Revenue generation, industrialisation drive, using the recently approved Port Ondo to her advantage, harnessing her natural endowments like developing Araromi Seaside to world tourist centre, exploration of bitumen and alleviating the effects of insecurity on the people of the State.